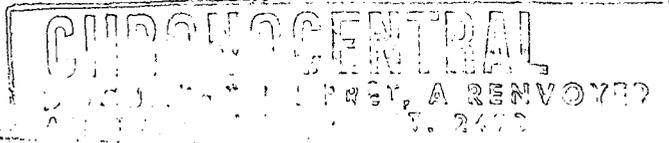


CONSEIL DE L'ATLANTIQUE NORD
NORTH ATLANTIC COUNCIL



EXEMPLAIRE
COPY

N° 303

N A T O R E S T R I C T E D

ORIGINAL: ENGLISH
10th September, 1974

DOCUMENT
C-M(74)55

AGRICULTURE IN THE SOVIET UNION AND EASTERN EUROPE

Note by the Chairman of the Economic Committee

The Economic Committee held on Thursday, 28th March, with the participation of experts from capitals, a special meeting devoted to "Agriculture in the Soviet Union and Eastern Europe".

2. The attached summary report contains the main findings of the meeting.

3. This document is forwarded to the Council for information.

(Signed) Y. LAULAN

NATO,
1110 Brussels.

N A T O R E S T R I C T E D

DECLASSIFIED/DECLASSIFIEE - PUBLIC DISCLOSED/MISE EN LECTURE PUBLIQUE

cc

AGRICULTURE IN THE SOVIET UNION AND EASTERN EUROPE

Report by the Economic Committee

A. THE SOVIET UNION

1. At the end of last year, Brezhnev announced a record gross grain harvest of 222.5 million metric tons for 1973. This is 35.5 million tons above the previous best result set in 1970, and should enable the Soviet leaders to compensate somewhat for the disappointing harvest figures for 1972: 168 million metric tons. Because of such factors as humidity, wastage through poor storage and loss through transportation, it is usual to reduce these gross harvest figures by 15-20%, giving a rough assessment of total usable grain. In view of the reported excessive grain moisture during 1973, a higher discount has been applied, giving nevertheless, an estimated usable crop of 170-175 million tons, i.e. some twenty million tons above the previous 1970 record. Other major crops also scored higher yields than in 1972 including potato, sugar beet and cotton. Livestock herds also were larger than in the previous year.

2. Soviet farmers continue to have difficulties with the 1974 grain crop. Large areas of winter grains are being resown and spring weather has probably reduced the yield capacity of the winter and spring crops. Seeding progress is lagging. The current prognosis thus favours a significant decline in the Soviet grain crop for 1974, unless climatic and organizational conditions improve.

(a) Excellent 1973 harvest

3. The 1973 result can be explained by a number of factors including:

- (i) good growing climate;
- (ii) larger fertilizer inputs;
- (iii) improved seeding;
- (iv) higher regional yields through land improvement;
- (v) increase in area sown.

4. The target set for grain output in 1974 has been set below the 1973 record by some 17 million tons at 205.6 million. If attained, this will still be above the 195 million tons which the current Soviet Five-Year Plan has laid down as the necessary average annual quota. Priority is being given this year to mechanisation and the building of more storage space, lack of which in the past led to huge, though unspecified, losses.

(b) Salient Problems Remain

5. The 1973 success is somewhat attenuated by the continued high cost of agricultural production - this sector received the largest known agricultural subsidy in the world - and the slow rate of improvement in rural living standards. Additionally, there remains a fundamental lag in output efficiency deriving from basic handicaps such as poor labour organization and the wastage of resources as well as the lack of modern grain drying and storage facilities and farm machinery. Perhaps the most serious of these difficulties, and the most complex to overcome, is the inadequate utilization of human resources, and the inability of the Soviet leadership to provide a viable series of incentives which would remove the lack of motivation and disinterest so prevalent among the Soviet farmers. The need for a great number of specialists for work on kolkhozes and sovkhoses as agriculture industrialises, is not being met. Outward migration of the rural population to urban areas, the low priority of agricultural studies, and the discouraging living conditions found by young agronomists on the farms are all part of the problem.

6. Brezhnev's speech

It is surely with these problems in mind that Brezhnev delivered a major speech on the shortcomings of agriculture on 15th March, 1974 in Alma Ata (Kazakhstan). He unveiled a land improvement programme for the RSFSR and revealed that 35 billion rubles (approximately \$45 billion) would be spent during 1976-1980 in the first phase of a 15-year project to develop agriculture in the "non-black soil" regions of the Russian Republic: this sum is equal to approximately one quarter of agricultural investment envisaged during the present Plan. The "non-black soil" region comprises 32 million hectares of workable land out of the approximately 220 million hectares for the entire country.

7. Nevertheless, continuing priority will be given to heavy industry by the Soviet leadership during the current Plan period. Of a total 501 milliard rubles allocated to investment during 1971-1975, only 108.4 milliards are slated for agriculture, 208.4 going to industry. Obviously, Brezhnev's stress on the need for more equipment and machinery inputs into agriculture should imply a boost in industrial production of such equipment. However, the share of agriculture in heavy industrial output is unknown.

8. Brezhnev also returned to the theme he had already discussed in December 1973, when he declared that the present system of collective farms and State farms would gradually give way to larger and more integrated units, and with increased

C-M(74)55

-4-

specialization in livestock breeding, fodder production and other food output. Such proposals echo to some degree the reorganization scheme currently underway in the industrial sector, i.e. the creation of large industrial production units at the local level, and streamlining at the national level.

9. To some extent, the question of inadequate storage facilities may lie behind Brezhnev's call for larger farm units. The 1973 harvest pointed up that in purely organizational terms, the Soviets cannot cope with such a large grain crop, i.e. they do not have the storage needed to prevent large quantities being stored outdoors (as is presently the case) with the inevitable losses this produces through mildew etc. Although the Soviets are now no longer short of bread grains, they are keen to build up their normal and strategic reserves - however, there is currently a limit on these reserves due to the storage shortage. Several successive years of large yields on the 1973 scale could cause chaos within the system, unless the storage issue is resolved. It appears to be the leadership's belief that with larger units, this problem could be solved more easily through the creation of huge regional silos.

10. The steady growth in the Soviet population with the continued per capita income upturn and resultant consumer demand for more meat and dairy produce has obliged the Soviet leadership to commit itself to improve the national diet in this direction.

11. The Soviet Union needs twice as much grain as the US to produce a given amount of meat. This is seemingly due to two main factors: firstly, Soviet herds are not yet sufficiently specialized. Many are poor quality, low-weight animals, and the prospect of large differentiated herds is certainly in the medium-term; secondly, and more important, the protein content of Soviet fodder is low, hence its consumption is much larger than in the West. Grain feed contains up to ten times the amount of protein, thus the Soviet habit of feeding cattle with bread grains, and the large imports of feed grains from the West. This factor, coupled with the planned expansion of livestock herds, has created a huge demand for feed grains which Soviet farms are simply unable to meet. This means that the USSR will be obliged to import between 10 and 15 million tons of grain (primarily feed) for a number of years to come. Presumably, the use of Western credits, cutbacks in less-essential imports, gold sales from current production and possibly the revenues from oil sales at the currently inflated prices would suffice to cover the hard currency outlays.

12. The improvement in agricultural output in certain COMECON countries appears to have led to some decline in Soviet grain outputs. Additionally, certain Eastern countries, Bulgaria, Czechoslovakia and Rumania are purchasing small

amounts of grain from Canada. The USSR, apart from its grain exports to its East European partners and which are never very large, also provides grain to certain Third World countries such as India, Bangla Desh, Afghanistan and Yemen. Agricultural exports to the Western industrial world are absolutely minimal as are Soviet food imports from the West, except for the recent huge grain purchases in 1972 and 1973.

13. Because of the major concern of the Soviet leadership with satisfying the growing domestic grain requirement, it is unlikely that substantial quantities of Soviet grain will enter the world markets in the foreseeable future, although in the past, except for poor harvest years (e.g. 1963 and 1972), the USSR has been a net grain exporter with commitments to Eastern Europe and Cuba. However, if future harvests look like outstripping storage capacity, the Soviets could decide to make a few quick sales to hard-currency areas to get the grain off their hands.

B. EASTERN EUROPE

14. The overall picture for agricultural output in Eastern Europe during 1973 was on the whole very positive. Farm production showed a +4% upturn due primarily to a series of bumper grain crops and an excellent livestock production growth. It is still too early to predict whether the 1974 harvests throughout Eastern Europe will equal the 1973 record crop yields. There is no doubt about the high degree of priority being given to the agricultural sector with larger allocations of chemical fertilizer being made available, and more of the high yielding wheat varieties sown.

15. Despite very good grain crops during the past three years, Eastern Europe's aggregate grain imports during 1973-1974 should again be around 8 million tons. Last year showed a shortage of forage crops and non-grain foodstuffs. As in the Soviet Union, the East European leaders are determined to increase the meat protein content of the national diets; consequently, more feed grains will be needed in the coming year. Presumably the excellent grain crop results in 1973 will reduce East European dependence on Western (especially US) deliveries, while a boost in Soviet exports of grain to the European COMECON members can be expected: estimated Soviet grain deliveries to East Europe in 1974 - 4.3 million tons.

16. Specific problems remain within the Eastern countries. Polish agriculture, for example, continues to lack what the authorities term "technical investment", and measures are apparently underway to boost the machinery input. The Polish situation is complicated by the fact that some 80% of arable land remains in the hands of some 3 million individual farmers, of whom only an estimated one million are making use of modern

C-M(74)55

farm technology. Again, for example, the fodder situation in Czechoslovakia remains serious: the authorities have pointed out that although perennial fodder plants are grown on 18% of the country's arable land, because of low yields, these meet only 11.8% of the overall feed requirements.

17. Nevertheless, in spite of such problems in certain of the Eastern countries, the general farm picture remains much more favourable both in the grain and livestock sectors than in the USSR. Indeed the question arises: has the Soviet Union at last managed to overcome the fundamental problems which have plagued its agriculture ever since collectivisation was introduced in 1928? Basically, the answer would appear to be in the negative: together with the problems already mentioned as well as the vicissitudes of climate, there remains the incredibly poor utilization of manpower both on the kolkhozes/sovkhozes: the USSR employs for example, a farm labour force more than eight times the size of that in the United States, on almost two-thirds more cultivated land. However, in the USSR, one farm worker feeds an estimated seven people while in the United States he feeds 46.

18. It would seem that only a fundamental reorganization of the agricultural system could produce a real upswing in efficiency; and that, despite its forthcoming gigantic efforts in the agricultural sector, the Soviet leadership will harvest only relatively disappointing fruits in the middle-term.