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DIRECTORATE OF
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Intelligence Memorandum

*Prospects for Agriculture in Communist Countries
as of Mid-August 1968*

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
August 1968

INTELLIGENCE MEMORANDUM

Prospects for Agriculture in Communist Countries
as of Mid-August 1968

Summary

Agricultural prospects as of mid-August were relatively favorable in the USSR and the northern countries of Eastern Europe, but were below average in Communist China and in the southern countries of Eastern Europe. Total production of grain for the Soviet Union and Eastern Europe taken together will be close to the level achieved in 1967, but the output of other important food crops will probably be somewhat below last year. Preliminary indications are that Communist China's grain harvest will be appreciably below last year's excellent results (see the table).

Communist China's grain imports in the 1969 trade year (1 July 1968 - 30 June 1969) are likely to be larger than the 4.2 million metric tons imported in the previous year. The USSR probably will not import grain during the 1969 trade year, other than the 4 million tons specified in the three-year agreement with Canada, which runs through mid-1969. Indeed, if the harvest turns out as now expected, the USSR probably will continue to be a net exporter of grain. Eastern Europe's demand for imported grain is expected to exceed that of last year by nearly a million tons.

Note: This memorandum was produced solely by CIA.
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There were wide differences this year compared with 1967 in the size of the already-harvested bread-grain crops (wheat and rye) among the Eastern European countries, ranging from little or no change in Poland and Czechoslovakia to a decline by one-fourth in Bulgaria and Hungary. The outlook for fall-harvested row crops such as corn, potatoes, sugar beets, and oilseeds is less favorable than a year ago in both the USSR and Eastern Europe.

The early grain harvest in Communist China was substantially below the favorable one for 1967. Moreover, preliminary evidence concerning the size of the more important fall harvest indicates that this crop will also be appreciably below last year's excellent results. Crop prospects and the government's domestic grain procurement effort are further endangered by the unfavorable effects of the Cultural Revolution on agriculture.

Production of Grain in Selected
Communist Countries
Calendar Years, 1965-68

	Million Metric Tons			
	1965	1966	1967	1968 <u>a/</u>
USSR	100	140	122	About 122 to 125
Eastern Europe	60	65	67	About 60
Communist China	185 to 195	180 to 195	190 to 200	Significantly reduced

a. Preliminary

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USSR

1. With the possible exception of livestock production, agricultural prospects are generally favorable in the USSR. It is tentatively estimated that total grain production in 1968 will be slightly above both last year's relatively favorable harvest (122 million tons) and the average for the years 1964-66 (120 million tons). More importantly, barring unfavorable harvesting conditions in September, wheat production (preliminarily estimated at 65 million to 70 million tons) should be the second largest of the present decade.

2. Timely rains this year in late June and early July bolstered crop prospects in the new lands spring wheat areas of Kazakhstan and West Siberia. An average level of production in these areas and an outstanding grain harvest in the Volga, Urals, and the central black-soil zones of European Russia are expected to compensate for a reduction in grain output in the Ukraine and North Caucasus caused by drought. However, inclement weather during the harvest -- a rather frequent occurrence -- could reduce present grain prospects in the new lands areas where harvesting has just begun. In addition, frequent press reports concerning the shortage of trucks and railroad cars for transporting grain suggest that harvesting losses may be higher than usual in areas yet to be harvested.

3. As a result of dry weather during the spring, the 1968 production of sugar beets and potatoes is not expected to be quite as high as the record levels of 1967. Precipitation in July, however, improved prospects for these crops to average or above-average levels. The upward trend in production of sunflower seed is likely to be interrupted in 1968 as a result of some reduction in both acreage and yield. Cotton production is expected to be near the record harvest of the last two years.

4. Prospects for continued long-term expansion in the output of livestock products during the balance of 1968 and early 1969 are not favorable. In some areas the supplies of livestock feed have

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been adversely affected by drought and, as a result, some distress slaughtering of animals probably will occur. Feed availabilities in other areas may be at or slightly above normal levels.

5. The Soviets are expected in the near future to purchase at least a portion of the 4 million tons of grain remaining under a three-year agreement with Canada that ends in mid-1969. The USSR took 3 million tons in the first year and 2 million tons in the second year of the agreement. Recently, grain imports from Canada have been used as a more economical means of supplying the needs of the USSR's Far East areas and to fulfill the Soviet commitment to Cuba, which together total about 2 million tons per year. Although the size of the Soviet 1968 wheat harvest promises to be adequate for domestic needs and for export commitments to Eastern Europe, the area's requirements for feed grains will not be met.

Eastern Europe*

6. The mid-August outlook for agricultural production continues mixed, with prospects ranging from very good in the northern countries to average or below in the southern countries. Total production of grain for the region is forecast at about 60 million tons, or 10 percent below the bumper year 1967. The decline largely reflects the adverse effects of an extended spring drought on yields of breadgrains (wheat and rye) in the southern countries. Although harvests of breadgrains in these countries turned out better than expected earlier, estimated declines in output from the level of last year's range from 17 percent in Yugoslavia to as much as 25 percent in Bulgaria and Hungary. By contrast, breadgrain harvests in Poland and Czechoslovakia were at least equal to 1967 and in East Germany were less than 10 percent below 1967.

* *Including the northern countries of East Germany, Poland and Czechoslovakia and the southern countries of Bulgaria, Hungary, Rumania, and Yugoslavia.*

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7. East Europe's output of other important crops, such as corn, potatoes, forage, sugar beets, vegetables, and oilseeds, will not reach 1967 levels. This forecast is based on reduced acreages of these crops in most countries and on lower yields in the southern countries. Although the drought in many areas was largely broken by mid-July, irreparable damage to crops planted in late spring already had been done. The outlook is still not bright, because soil moisture reserves were considerably below normal at the end of July in the southern countries and eastern Czechoslovakia (see chart). Therefore, good rains during August and September will be needed to prevent a further reduction in the yields of fall-harvested crops.

8. The outlook for livestock production for 1968 is favorable in the northern and poor in the southern countries. Most southern countries have expressed concern over the large numbers of cattle and hogs currently being marketed for slaughter by collective farms, a situation related to the shortage of feed grain and roughage supplies and resultant higher feed prices. Hungary and Bulgaria have taken steps to import feed grain and to restrict state purchases of livestock in order to prevent a drop in numbers of hogs and cattle, particularly on private holdings, but the effort is unlikely to be successful. Gains made by the cattle industry during the past three years could be wiped out. While excessive slaughtering may raise meat output in 1968, production of eggs and dairy products will be down from last year's level. The full impact of the abnormal slaughtering will show up in reduced meat supplies by early 1969.

9. In the northern countries, gains in output and procurement of most livestock products are expected in 1968. Favorable pasture conditions and good hay crops will contribute to higher production of milk and beef. The emphasis on beef production and the effort to hold down the expenditure of hard currency for imports of feed grain, however, may restrict gains in pork and egg production during the next year. In Poland and East Germany the numbers

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of cattle, cows, and sheep as of mid-year were higher than a year ago. The production of livestock products in Czechoslovakia for the first half of 1968 showed gains, but these gains may not be sustained because of deteriorating prospects for output of forage crops and pastures in Slovakia and the possible adverse impact of the recent political crisis.

10. Eastern Europe's demand for imported grain in the 1969 trade year* is expected to exceed that of last year by nearly a million tons, reflecting the increased needs of Bulgaria, Hungary, and Yugoslavia. In spite of Bulgarian and Hungarian official statements claiming that this year's wheat production was sufficient to cover domestic requirements, both countries may have to import small quantities before the 1969 harvest. Their import needs as well as Yugoslavia's have been tempered, however, by larger-than-normal carryovers of wheat from the bumper 1967 crop. Hungarian and Bulgarian requirements for imports of feed grain and feed supplements will be larger than those for wheat. Hungary has recently announced plans to import at least 600,000 tons of feed grain, nearly 400,000 tons more than originally planned for 1968. Rumania, a relatively large exporter of wheat and corn in 1967 (2.3 million tons), will have to cut back grain exports sharply this year. Little change is expected in the total grain import requirements of the major importing countries of East Germany, Poland, and Czechoslovakia, which amounted to approximately 5.5 million tons in 1967.

11. The shortfall in agricultural production in the southern countries this year will reduce their hard currency earnings from agricultural exports. In addition, Yugoslavia will need to purchase more than planned amounts of wheat in hard currency areas, and Bulgaria and Hungary will have to make similar purchases of feed grains. These developments are likely to create balance-of-payments problems and may involve cutbacks in imports of industrial goods.

* 1 July 1968 through 30 June 1969.

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Communist China

12. In Communist China, crop prospects for 1968 were dimmed by a relatively poor early grain harvest,* substantially below the fairly favorable one of 1967. Although it is too early to predict the outcome of the more important fall harvest, preliminary indications suggest that this harvest may also be appreciably below last year's excellent results.

13. Several factors contributed to the shortfall in the early grain harvest. Wet weather in the fall of 1967 delayed the sowing of crops in most of the important winter wheat and barley growing regions of northern China. In these areas, precipitation was well below normal during the late winter and early spring, further stunting the growth of winter crops. Although precipitation in April was above normal, it arrived too late to prevent below-average yields of wheat and barley. Winter grains and early rice did not fare any better in southern China. Unseasonably cold weather in the spring destroyed the sweet potato crop and killed the seedlings for the early rice crop in some areas of Kwangtung, Fukien, and Chekiang Provinces. Torrential rainfall in late May and unusually heavy and prolonged rainfall in late June and early July caused further damage to the early rice crop. The latter disturbance, which affected South, Central, and East China, flooded low-lying fields and disrupted harvesting operations.

14. The outlook for the late harvest is less certain, but growing conditions to date are not as favorable as last year. In general, precipitation has been much greater than normal in areas to the south and much below normal in areas to the north of the Huai River. Because the early rice crop in South China was harvested late, the transplanting of late rice has been delayed, extending the growing season into the period of the year when precipitation is relatively low and uncertain. Growing conditions have been generally favorable for mid-season rice, although unusually large amounts of rain fell over

* *The early grain harvest consists, in roughly equal proportions, of winter grains (winter wheat, barley, peas, beans, and sweet potatoes) and early rice.*

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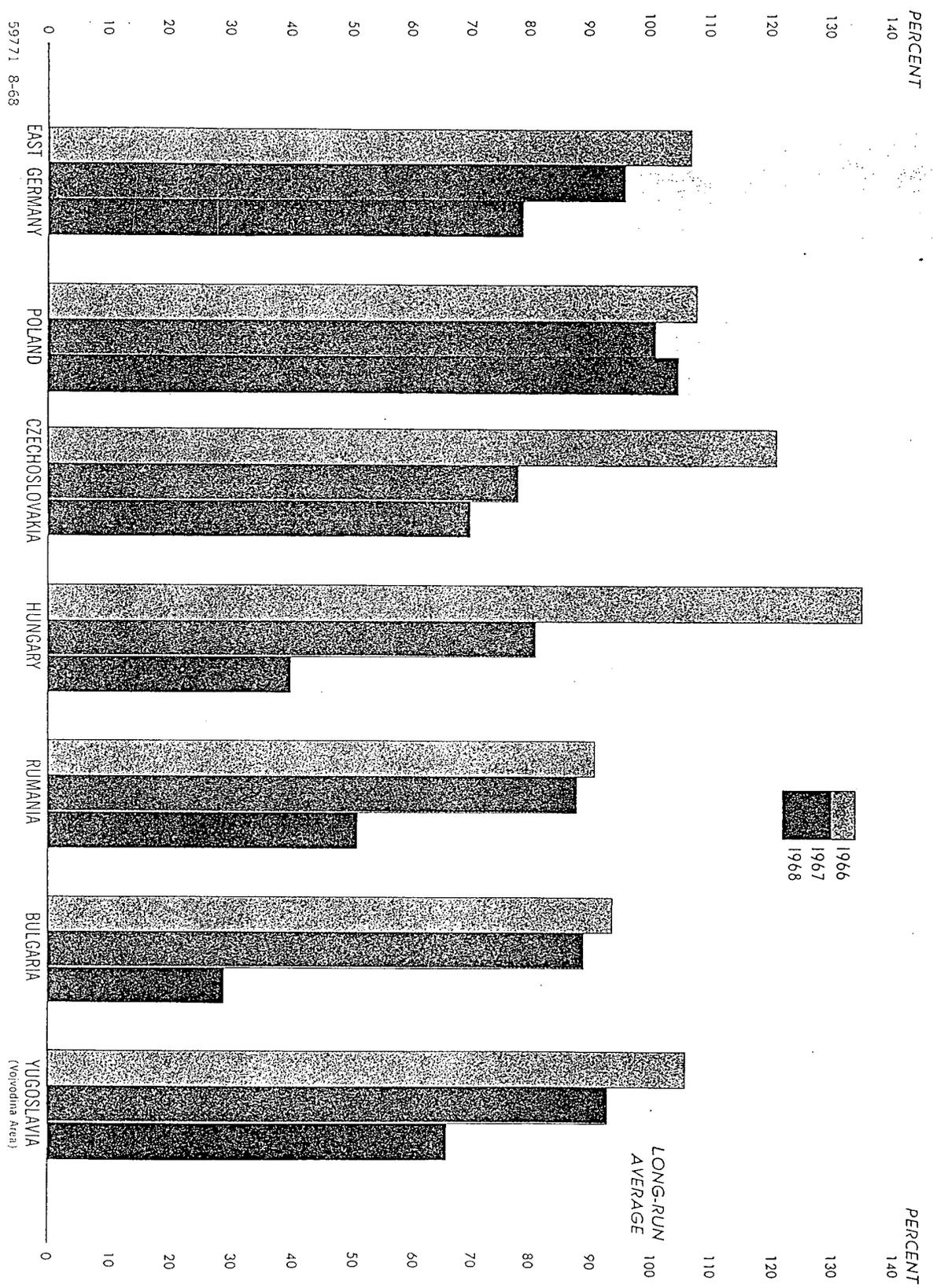
the important Szechwan Basin during July. The outlook for fall-harvested grains, sweet potatoes, and cotton in North China is only fair. Moisture conditions in the spring were favorable for sowing, but the weather then turned dry and remained dry through mid-June. In the southern portion of the North China Plain, the drought was broken by torrential rainfall in late June and in mid-July, causing waterlogging and flooding over relatively large areas of northern Anhwei and northern Kiangsu Provinces. Precipitation has been far below normal throughout the growing season in Northeast and Northwest China. The major crops -- spring wheat, miscellaneous grains, and soybeans -- are likely to be poor in these regions.

15. Crop prospects are further endangered by the unfavorable effects of the Cultural Revolution on agriculture. Disruption in farming operations and in the supply of chemical fertilizer, pesticides, and other agricultural inputs have been noted throughout the year. Political unrest and administrative disorganization are also affecting the government's domestic grain procurement effort. Editorials and reports confirm that these disruptions are more serious now than in 1967.

16. Given these mediocre harvest prospects, Chinese Communist grain imports in the 1969 trade year are likely to be larger than the 4.2 million metric tons imported in the 1968 trade year. A little more than 800,000 tons of grain under old contracts remains to be delivered during 1969. Additional imports in the 1969 trade year will come from Australia and Canada. In August, China's negotiations with Australia on a new contract for delivery beginning in December 1968 were suspended. Negotiations with Canada are also expected to begin at the end of August. Persistent rumors of negotiations with France for the purchase of 1.5 million tons of grain have yet to be confirmed.

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EASTERN EUROPE: SOIL MOISTURE RESERVES AS OF 31 JULY 1966-68 AS A PERCENT OF LONG-RUN AVERAGE



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