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EXECUTIVE BRIEF

**Soviet Food Shortages:
Supplies OK But Distribution Crumbling**

- **Soviet food supplies--output plus imports--are not much worse this year than last, according to official Soviet statistics and other reporting, but economic and political turmoil and rapidly rising incomes have resulted in empty shelves at many state food stores.**
- **Adding to the usual bottlenecks in transport and distribution is the growing reluctance of republic and local authorities to deliver food to central stocks, or to maintain ties with traditional customers.**
- **Soviet citizens at the bottom rung of the social ladder with limited access to alternative food channels and those who live in areas dependent on allocations from central supplies will suffer far more from serious food shortages this winter.**
- **Food aid from the West can help the Soviet leadership relieve some local shortages, but it will do nothing to attack the problem of runaway demand and breakdowns in the distribution system.**

This Executive Brief presents the findings of Intelligence Community representatives at a meeting held on 5 December 1990. It was produced by the National Intelligence Officer for Economics and coordinated with representatives of CIA, INR, DIA, NSA, Energy, Treasury, Air Force, Navy, and Marines.

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Supplies Adequate

The Intelligence Community believes that reporting is reliable and plentiful enough to conclude that food supplies--domestic production plus imports--in the Soviet Union this year are not much worse than last year.

- Overall food production will, at worst, probably decline only slightly from last year. Although a record grain crop was produced, the output of important food crops such as potatoes, other vegetables, and sugarbeets will be down.
- Imports of food from the West, however, are likely to be larger this winter than last, and the Soviets are now receiving some emergency food assistance.

Distribution and Demand are Another Matter

The state distribution system for food is being circumvented increasingly by informal arrangements. The extent of this deterioration is difficult to quantify, however.

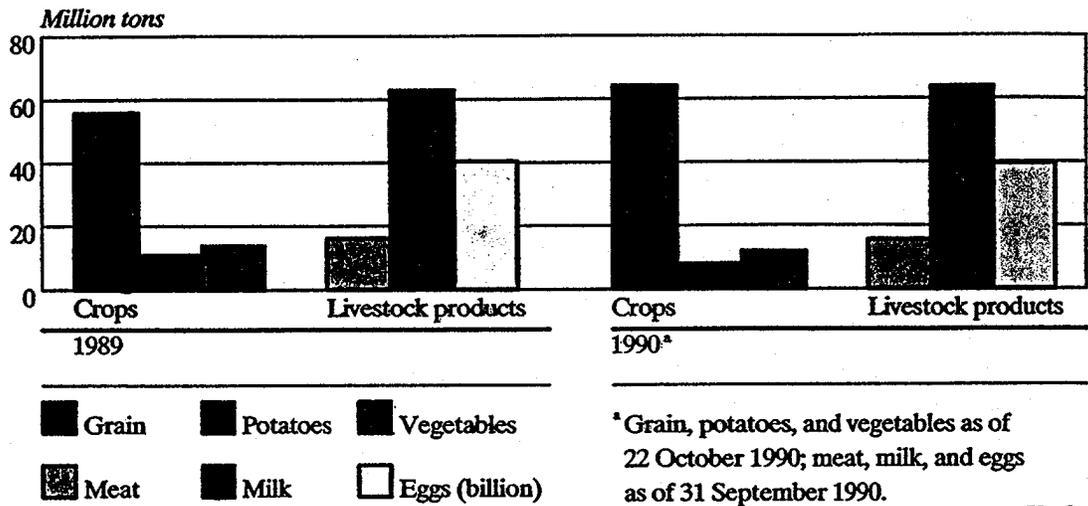
- Soviet reporting of waste and losses is fragmentary.
- Consumption data are highly aggregated and usually reported with a one year lag.
- Data on inventories are also reported on an aggregated and lagged basis, except for the occasional press release.

A growing problem over the past year is the apparent breakdown in the state procurement process and the wholesale supply system resulting from decentralization. Official Soviet data show that procurement of food supplies "in the aggregate" is nearly as high as last year for most foodstuffs. What the statistics do not show--but what is emerging from other reporting--is that procurements made by republics or even lower levels are not being passed on to the all-unions stocks to the degree that they have in the past. Furthermore, traditional ties with suppliers, particularly in other republics, are being broken. More goods are being retained at lower levels of the system, in part to stockpile for local consumers, but also in retaliation for delivery contracts not honored by other localities.

Areas or groups that depend heavily on centralized stocks or outside suppliers are coming up short.

- Shortages are particularly pronounced in the state food stores in Moscow and Leningrad, cities that traditionally have been show-cased as having plentiful supplies and high consumption levels relative to the rest of the country.
- Industrial centers in the Urals, such as Tyumen and Sverdlovsk, and in the northern zones are also suffering severe shortages.
- Even some military units--especially those stationed in remote regions--are reporting serious shortages of food.

USSR: State Procurements



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These problems, combined with a rapid rise in incomes and stable retail prices in state stores, have resulted in a large gap between supply and demand, and particularly hurt people dependent on traditional distribution systems.

Consumers, paying higher prices in collective farm markets, seeing empty shelves, and hearing dire predictions about the coming winter, are responding by buying everything in sight and hoarding it. As one Soviet shopper said recently as quoted in the Western press, "We aren't eating less food these days, but we are buying more for the future, two or three times more." Such panic buying only quickens the pace at which stores are stripped and further feeds the frenzy.

- Hard data on the extent of home stockpiles are fragmentary, and information is largely anecdotal. The State Statistical Committee, however, recently placed the value of hoarded consumer goods at 130 billion rubles--equivalent to about one-quarter of annual retail sales.

Alternative supply networks, such as distribution through the work place, high-priced collective farm markets and cooperative stores, the black market, and "personal connections," are also resulting in a larger share of food being diverted from state stores.

- While detailed data is lacking in this area, a recent Soviet study estimated that only 40 percent of food now goes through state stores.
- Moscow Deputy Mayor Stankevich told journalists in late November that 10 to 15 percent of all resources find their way into the black markets, and economist Selyunin claims that the majority of meat falls into the hands of speculators.

Some officials at both the center and the periphery are playing up the situation for their own advantage: Republic officials are using shortages as further evidence of the failure of the existing system, while the right is pointing to empty shelves as an excuse to reimpose central control.

Winners and Losers

The distribution problems and declining value of the ruble will result in severe shortages for some segments of Soviet society this winter. As mentioned, some localities and subgroups already are experiencing shortages that could remain throughout the winter. Groups with political and economic clout, however, probably will be given priority.

- The Soviet leadership can ill afford trouble from miners, oil field workers and transportation workers, for example, and will try to satisfy their concerns.
- Military needs are also likely to be addressed.

Workers at the lower end of the wage scale and pensioners on fixed incomes, however, will find it more difficult and costly to secure needed goods. Because they are compliant and unlikely to cause problems, they may not get special treatment. Few of them have access to special channels.

The Role of Western Food Aid

The number of Western countries providing outright aid and other forms of assistance is rising. Total pledges are now estimated to be at least \$5 billion. Most of this is export credits for purchases of food and agricultural products, rather than direct aid.

- Western food supplies, if channeled through the central government, could benefit Gorbachev politically by giving him additional resources to direct at localized shortages in areas of potential unrest and to reward local leaders.
- Some on the Soviet right, however, argue that accepting food aid is humiliating for the USSR and are using the issue to attack Gorbachev's policies.
- The direct aid and credits involved--roughly 20 percent of Soviet food imports for 1989 and more than 5 percent of retail food sales--could make a noticeable impact if directed at areas of highest need.

But Western food aid at current levels is not sufficient to fill store shelves. Moreover, even small-scale deliveries of food aid run the risk of being lost in the chaotic distribution network and not reaching those most in need.