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CURRENT SUPPORT BRIEF

ARE SOVIETS PLANNING "LEAP FORWARD" IN FERTILIZER PRODUCTION?

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ARE SOVIETS PLANNING "LEAP FORWARD" IN FERTILIZER PRODUCTION?

In the aftermath of the January 1961 Central Committee Plenum on agriculture, the USSR may have increased the already ambitious Seven-Year Plan for fertilizers, but there has been no official confirmation of such an increase. Pavel A. Baranov, a leading Soviet agricultural scientist who reportedly played a significant role in estimating Soviet requirements for fertilizers, implied in a recent press article that the output target for 1965 had been raised from 35 to at least 40 million tons and hinted that purchase of Western equipment for the fertilizer industry would be substantial. 1/ Prior to the January Plenum it seemed likely that the output of fertilizers in 1965 would be considerably less than the original target--perhaps only 20-25 million tons. At the plenum, however, there was much discussion of the shortage of fertilizer culminating in a decision of the Plenum to take measures for a more rapid expansion of the industry, especially during 1961-63. 2/ In February, Khrushchev disclosed that additional funds were being provided to expand production although he did not mention a revision of the 1965 goal. 3/ With increased investment allocations and intensified buying of Western equipment in the next year or so it may be possible to push output somewhat beyond 25 million tons by 1965, but it is doubtful that the regime is willing to put up the resources required to reach the original goal of 35 million tons, much less a goal of 40 million.

There has been considerable ambiguity in the public statements concerning fertilizer production. The first details about the Seven-Year Plan for chemicals, disclosed by Khrushchev in May 1958 omitted any reference to a specific goal for fertilizers, but preliminary plans for major raw materials required in the production of fertilizers--ammonia and sulfuric acid--indicated a target of about 25 million tons. In November 1958, however, the 1965 goal of 35 million tons was announced and it was reported that Gosplan was preparing proposals for additional investments in the chemical industry to provide for increased production of mineral fertilizers. 4/ Nevertheless, Khrushchev's original investment figure of 100 to 105 billion (old) rubles for the entire chemical industry has never been publicly raised. A planned distribution of investment funds within the chemical industry released in 1959 suggests the possibility that funds may have been reallocated to fertilizers from other sectors of the chemical industry. 5/ On the other hand, at the December 1959 Plenum on agriculture, D. S. Polyanskiy, Chairman of the Council of Ministers of the Russian Republic, declared that additional funds were required for the construction of these plants. 6/ Moreover, Khrushchev contributed to the uncertainty when he stated at this same Plenum that it might be possible to divert some of the planned funds from production of fertilizers to production of herbicides and feed supplements. 7/

In any case, there have been widespread indications of slow progress in constructing and expanding fertilizer producing facilities in 1959 and 1960. In 1959, the scheduled expansions at the nitrogen fertilizer plants at Dneprodzerzhinsk, Lisichansk, Rustavi and Chirchik apparently were not fully implemented. At the Sumgait Superphosphate Plant only 53 percent of the planned annual investment had been absorbed by mid-November. 8/ During the first six months of 1960 the Lisichansk Chemical Combine reportedly received only about half of the equipment scheduled for delivery. 9/ In February 1961 Khrushchev noted that the decision to build the fertilizer plant at Nevinomyssk had been made in 1952 but that the first section of the plant had not yet gone into operation. 10/

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During 1959 and 1960 production increased very modestly, possibly reflecting a restrictive investment policy for the fertilizer sector in the last five years or so. Although overfulfillment of the production plan was claimed in both 1959 and 1960, output increased only 4 percent in 1959 and 7 percent in 1960. The output of 12.9 million tons in 1959 was far short of a long-range goal of 16.5 to 17.5 million tons for that year announced by Khrushchev in 1953 and the 1960 output of 13.8 million tons was likewise much below the goal of 19.6 million tons in the superseded Sixth Five-Year Plan.

The construction program evidently is to be speeded up in 1961 and capacity is scheduled to increase 20 percent 11/3, or about 3 million tons. However, the 11 percent increase in production implied by the 1961 plan is still far short of the 20 percent increase which would be needed annually during 1961-65 even to meet the goal as originally announced.

As part of the general program for importing chemical equipment, which may exceed US \$1 billion during 1959-65, the USSR is known to have contracted to purchase at least 2 ammonia and 3 urea plants. 12/ Should the regime really be serious about rapidly increasing the production of mineral fertilizers by 1965 a greatly intensified program for the purchase of fertilizer equipment can be expected, along with substantial investment increases and accelerated construction of production facilities. To be fully effective, however, increases in production of fertilizers will have to be accompanied by improvements in the handling, distribution and storage of fertilizers. In 1960 about one-fourth of the 11 million tons of mineral fertilizers supplied to Soviet farms was reportedly lost, primarily because of the lack of proper storage facilities and because of improper handling during delivery. 13/

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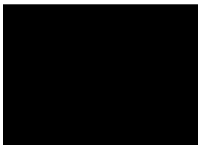
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Analysts:



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Coord:

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