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(When filled in)

497

Support Project Initiation Memorandum (for Non-Scheduled Intelligence Production)	Type B	Control Number S.09052

TO: Production Control Staff

2. Title or Subject (31)
Line 1 Prospects for Soviet Grain
Line 2 Output and Trade
Line 3
Line 4
Line 5

3. Analyst(s) & Other Contributors (31)
Line 1
Line 2

Manhours:

Completion Date (y m d) 20 May 1975

4. Requester and Purpose (39)
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Line 3 Contracts Maritime Administrative
Line 4 Department of Commerce
Line 5
Line 6

Classification (39)
Confidential

5. Precis (39)
Line 1 Paper will review prospects for winter
Line 2 and spring grains and assess likelihood
Line 3 of Soviets entering world grain markets
Line 4 this year.
Line 5
Line 6
Line 7
Line 8

APPROVAL:

	Date
	16 May 1975
	Date 19 May 1975
Director (for special requesters)	Date

Note: Numbers in parentheses indicate the maximum number of characters and blanks to be inserted in a line—i.e., (16) means no more than 16 spaces.

~~CONFIDENTIAL~~

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Prospects for Soviet Grain Output and Trade

S-09052

21 May 1975

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Prospects for Soviet Grain Output and Trade

Summary and Conclusions

The USSR appears headed for a bumper grain harvest. An early forecast puts 1975 Soviet production at about 220 million metric tons, close to the 1973 record of 222.5 million tons. This estimate is based on prospects for a record winter grain crop of roughly 70 million tons and the outlook for an above-average spring grain harvest. At this early date the forecast is subject to considerable uncertainty, however, and rainfall during the remainder of May and in early June is particularly critical.

Because of the good grain crop last year and even better prospects in 1975, the Soviets have made no new grain purchases so far this year. Major purchases probably will not be made because a crop of 220 million tons would more than cover estimated Soviet grain requirements of 210 million tons. However, purchases of perhaps 3 million tons of corn and 2 million tons of wheat might be used to cover special needs. A Soviet grain delegation currently in the US may be negotiating for some of these contracts.

Winter Grains

Conditions during the past winter -- probably the warmest winter in Soviet history -- have been generally favorable for winter grains. Most of the winter grain area enjoyed near-normal precipitation and near-or slightly above-normal temperatures last fall, followed by below-normal precipitation and higher than normal temperatures after the first of the year. About half of the USSR's bread grain and roughly one-third of its total grain supply come from winter grains, principally wheat and rye.

Despite below-normal soil moisture in Moldavia and the southern Ukraine during the spring, we expect a record winter grain crop. Although adequate spring moisture is necessary for grain development, winter grain yields largely depend on winter temperature. Last winter's consistently warm temperatures therefore may well result in record yields for winter grains. At the same time, because the area lost to winterkill is smaller than usual, about 30 million hectares of winter grain will be harvested -- 3 million hectares more than the area that produced the record 63.5 million tons in 1973.

Consequently, the USSR could harvest about 70 million tons of winter grain in 1975. A crop of this magnitude is far from certain, of course. The warm temperatures that have boosted current yields may create other problems.

- Weed infestation is likely to be greater than usual.
- A higher incidence of disease is possible as a result of the lush plant growth and the warm winter.
- Lush growth will also contribute to lodging and wind damage, making harvesting more difficult.

Spring Grains

Spring sowing began earlier than usual. By 12 May, 55 million hectares of spring grain, excluding corn, had been sown. The harvested area for spring grains is expected to be greater than in recent years.

The outlook for spring grains is far more tentative than the prospects for the winter crop. Unlike winter grains, spring grains are grown mainly in low-moisture areas, and moisture deficiency is the principal factor limiting yields. Cumulative precipitation in the spring grain area during October through April was below normal, and distribution has been uneven. Unless the area affected by critical moisture deficiency increases, however, a spring grain yield of about 15 centners per hectare is likely, somewhat above average. If the sowing plan is fulfilled and 100 million hectares are harvested, 150 million tons of spring grain would result. It is important to note, however, that it is much too early in the crop year to make such an estimate with confidence.

Total Production

With 70 million tons of winter grain and 150 million tons of spring grains, total production would amount to 220 million tons. This is near the record 222.5 million tons harvested in 1973, up 12 1/2% from the 195.6 million tons raised last year and more than 4 million tons greater than the Soviets' 1975 production plan. Harvesting problems with the winter crop or continued dry weather in the spring grain areas are major factors that could drop output to the planned 215.7 million tons or less. On the other hand, a good summer in the spring grain areas could result in a new record harvest for all grain in 1975.

Trade Prospects

So far this year the Soviets have made no new grain purchases. The only action taken has been a readjustment of contracts made in 1974. Some old contracts were cancelled or resold in January and February to take advantage of price fluctuations while the most recent cancellations -- -- 250,000 tons of US corn -- were made because the quality did not meet Soviet standards. As of 4 May, 287,000 tons of wheat and 130,000 tons of corn remained to be shipped in this crop year under old US contracts. About 72,000 tons of US wheat and 200,000 tons of US corn were postponed to Crop Year 1976.

Soviet grain trading officials currently are in the US, reportedly to check on the corn quality problem and to discuss possible purchases. If this year's grain harvest does reach the projected 220 million tons, it would exceed estimated 1975 needs of about 210 million tons, making major purchases unlikely. Even so, some purchases -- perhaps 3 million tons of corn and 2 million tons of wheat -- might be made to cover shortfalls in certain types of grain and for special purposes. For example, sufficient high-energy feed grains such as corn for the livestock program cannot be grown domestically. Also, the Soviets may choose to import some high quality milling wheat. In order to save on transport costs across the Soviet continent, Canadian wheat is regularly bought for shipment to the Soviet Far East.

Grain stockbuilding probably will not be a major motivation behind Soviet purchases this year even if world prices are attractive. It is estimated that stocks at the end of 1974 were at near record levels and that another bumper crop would put a strain on already limited storage facilities. Currently the Soviets are embarked on a major grain storage construction program which will add 40 million tons of capacity but not until 1980.