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Background Information USSR

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FUEL PRICE FOR AGRICULTURE CUT 40%

The reduction of prices for oil products, which was predicted in Background Information, 2 January 1962 (p. iii) "The Review of Heavy Industry Prices," is now known to have been by 40% in the case of petrol supplied to Soviet agriculture. This is disclosed in an article in the latest issue of Political Self-Education (No. 6, 1962) which also lists the recent price cuts for agricultural equipment¹ as follows:

Trucks.....	17.0%
Tractors.....	9.0%
Agricultural Machinery.....	4.3%
Spare Parts.....	40.0%
Petrol.....	40.0%

As a result of these reductions, a cut in income taxes levied on the kolkhozy, and an arrangement whereby the state is now to bear the cost of delivering produce from the farms to the procurement centers, the kolkhozy are expected to save 900 million rubles annually. In February 1962 there was a further price cut, this time for building materials used by the kolkhozy, saving another 250,000,000 rubles a year. Adding these figures to the 210,000,000 rubles extra allocated to the sovkhozy for livestock breeding, the magazine reminds its readers that the total extra investment in agriculture resulting from these measures will amount to 1,360,000,000 rubles in 1962 (a figure equivalent to nearly 10% of the total published defense budget).

But the most novel part of the report is the sheer magnitude of the reduction in petrol prices, i.e. 40%. This was foreshadowed last year in Problems of Economics (No. 11, 1961) in an article by L. Maizenberg who wrote that:

"the prohibitive prices of oil products...are obviously not in accord with the new conditions of fuel supply."

A cut of 40% shows how right he was, and also suggests that the Egyptian economic delegation now in Moscow, which has been pressing the Kremlin to reduce the export price charged

¹ These were decreed in 1961, but it is only now that their extent is gradually being revealed in detail.

by the USSR for petroleum products to the world market level,² is on extremely firm ground.

The East European governments, which are also being overcharged for Soviet oil to at least the same extent as the UAR, might well now consider in the additional light of Political Self-Education's disclosure whether they should not follow the lead of the UAR.

r.r.g.

² Financial Times, June 21, 1962.