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Background Information USSR

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This is a report on Soviet agriculture
by a British agricultural economist who
visited the Soviet Union in May-June 1964

OBSERVATIONS DURING A TRIP TO THE SOVIET UNION

It would be presumptuous to give the impression that anything more than the most tentative conclusions could be drawn from a trip of three weeks to the Soviet Union. The following comments should therefore be read as nothing more than marginal additions to the report recently prepared on the last ten years of Soviet agricultural policy (The Great Decade of Soviet Agriculture. Output and Utilization of Foodstuffs in the Soviet Union, dated February, 1964). In particular there seems to be no reason to abandon the view that some of the 12 million tons of grain imported at a cost equivalent to approximately U.S. \$800 million has probably gone into stock and is thus likely to be available in case of another shortfall this year or thereafter. Although only a bare minimum of factual data has so far been released on last year's performance of the Soviet farm industry and no crop figure is given in the Pocket Statistical Year Book just issued, I am satisfied that our own estimates reflect reasonably well last year's output and utilization of farm produce. No amendment need therefore be made as long as no new information becomes available from Soviet sources on acreage, crop production or livestock movements.

Crop Conditions in 1964

2. Fairly ample information on weather conditions up to the end of May can be gleaned from Pravda, Izvestiya, Selskaya Zhizn and from the regional and local press. In broad outline it can be stated that this year's grain crops have been exposed

to a number of unfavourable weather hazards, e.g. a dry autumn in 1963, a poor snow cover in the winter of 1963/1964 and an exceptionally cold and wet spring in 1964. While the Soviet press is probably accurate in drawing attention to an ample supply of moisture in the ground for winter and summer grain as well as for root crops, plant growth has been delayed by at least two weeks throughout the European parts of the Soviet Union. This handicap can still be overcome, but weather conditions will have to be exceptionally favourable if the grain crop is not to be late and in parts lost by early frost and snow. All that is known so far of the so-called 'new lands' is that rainfall was much heavier than last year and ample for sowing and early growth. The grain crop will be determined decisively by rainfall or lack of moisture during the second half of June, and it will not be possible for anybody to give even a tentative forecast of this year's harvest before the first week in July.

3. With these reservations in mind, I am inclined to estimate at this stage the total area likely to be sown this year at approximately 215 million hectares of which probably no more than 130 to 135 million hectares will be under grain (some areas suffered seriously from winter kill and have been resown with summer fodder crops.)

On present showing the grain acreage is unlikely to yield more than 110 to 115 million tons (barn yield) or about as much as was harvested as an average over the four years 1959 to 1962. In other words the exceptionally good harvest of 1958 can be ruled out for certain and the exceptionally poor harvest of 1963 is unlikely unless the rains fail during the second half of June in both the Southern parts of European Russia and in the 'new lands'.

4. The potato crop got off to a late start this year and sugarbeet has also been delayed by an abundance of rain and by cold weather during the first three weeks of May. During the week after Whitsun the sharp cold winds blowing over Northern Russia and the Ukraine are likely to have done some damage in orchards and tomato fields.

5. The weather has not inhibited the growth of weeds of which mustard and wild oats are in evidence everywhere. The late start of maize and other spring sown grains is likely to delay harvesting to such an extent that grain will have to be used as green fodder and silage to a larger extent than is normal. This should benefit the dairy herds and other cattle. If the grain crop is not seriously damaged by drought during the summer and if grain reserves are as large as estimated, there should be more ample feeding supplies, particularly for the slowly growing pig population, than were available last year. It appears that sows were excluded as far as possible from last year's slaughter,

and anything up to half the loss in pig numbers that occurred last year may therefore be made good in the course of the current season. This will leave the Russian consumer still short of meat which, like milk, will lag substantially behind the plan targets. The appearance of cattle and pigs, and the amount of milk produced in cowsheds visited, leave no doubt that overall meat and milk claims are grossly exaggerated. (No milk production figure has been published in the Pocket Statistical Yearbook for 1963). This fact has been taken into account in the food balance for 1963/1964 and earlier years.

Structural Weaknesses of Soviet Farming

6. While energetic efforts are being made to overcome the set-backs suffered last year, the structural weaknesses inherent in the Soviet farm industry continue to handicap any substantial advance. Soviet agriculture is grossly over-manned and in part over-mechanized, though short of spare-parts. The number of horses is not reduced proportionately to the increase in mechanized draft power. Horses are still used widely drawing old-fashioned farm carts without rubber wheels, side by side with heavy wheel and caterpillar tractors. The state of poultry breeding and feeding and its health and performance are often pathetic. The emphasis is still on grain which occupies almost two-thirds of the grain acreage implying an unsophisticated crop rotation, with bread grains accounting for two-thirds of all grains.

7. Even farms selected to be visited by foreigners are frequently overgrown with weeds. The application of herbicides and insecticides is next to unknown. Livestock breeds are mostly of a dual purpose type, and the controversy over Lysenko's theory of inheritance still bedevils Soviet breeding policies. Knowledge about the use of fertilizers on grains and grasses is still in its infancy. One farm manager admitted not knowing the composition of the fertilizer spread by aeroplane over the fields under his control. Irrigation has become common talk among farmers, but where it is introduced it is of a rather rudimentary kind; overhead irrigation sprinklers do not yet appear to be in use in market gardens and on leguminous fodder crops. Farm machinery is invariably kept in the open; all the farms visited and others on the road have their graveyards of farm equipment. Even on model farms some of the equipment used is ten years out of date. The treatment of perishable foodstuffs such as vegetables and milk is still primitive. Modern packing is unknown and milk leaves the farm mostly in such a state that it is not fit to be drunk as it is, though it can be processed into sour milk, (smetana).

Institutional and Technical Changes

8. Soviet agriculture has undergone a number of major reforms; those of 1963, 1958 and 1961 in particular have been moves in the right direction. Farm operations are no longer dictated exclusively by planning in physical terms, and cash transactions are taking more and more the place of turnover in kind. The wide cleavage between state farms and collectives has been somewhat narrowed and a large number of collectives have been changed to state farms. The monetary income of the farming industry as a whole and of members of collectives has improved substantially, and so has farm expenditure from the funds of collectives and state farms. Considering that last year's allocation to agriculture from budgetary and non-budgetary sources reached the order of 9 billion roubles or 14 per cent of total allocation to the national economy, the improvement in farming is rather disappointing. The waste of human, animal and financial resources is extraordinarily high; so is the waste of farm produce due to the uneconomically large size of farms and the long haulage resulting from this.

9. The number of collectives continues to decline (now 39,600) while that of state farms continues to increase (now almost 9,200). Collectives are still at a disadvantage compared with state farms in that many of them are not yet able to guarantee minimum payment to their members and wages thus continue to be a residual of their farm operations. Investments have to be made from profits, real or imagined, while state farms are able to draw substantially on budgetary sources for their capital investment.

10. The private plot continues to receive all the care the farm population is capable of, and it sometimes seems to be sizeably larger than the law permits, but in Moscow oblast it has been reduced - much to the chagrin of allotment holders. If one is to believe official Soviet statistics, the performance of the private piggeries is almost as high as in the United States and more than twice as favourable as in the public sector (pig/pork ratios attached). When comparing the state of the crops on private plots with that of neighbouring public fields, one is reminded of Tentetnikov's remark in Gogol's 'Dead Souls' - written more than a century ago - when he observes that "the rain must have been falling in a funny sort of way: it has favoured the peasants and not a drop of it has fallen on the masters' fields."

11. Research Stations, though not always up to Western standards, have acquired a good deal of modern technical knowledge, but this is passed on all too rarely to state farms and collectives. In spite of instructions issued in 1961 when the Ministries of Agriculture were reorganized throughout the Soviet Union, there is no trace yet of any effective operation of advisory or extension services. All too often technological problems

are answered by administrative reorganization. Once again one is reminded of Gogol's 'Dead Souls', where Colonel Koshkaryov seeing that his Office of Reports and Petitions, his Commission of Building and his Department of Rural Affairs do not function, sets up as a remedy a Commission for the Supervision of the Committee of Construction.

12. Technological changes introduced during the last ten years have been accompanied by a large number of administrative changes. These have not yet led to a clear cut line of command. The Minister of Agriculture (all Union-level I.P. Volovshenko; in the Ukraine Spivak) appears to have little power beyond the control of research institutions. The output and disposal of crops and livestock products by collectives come under the control of an all-Union State Committee (I.R. Korniyets) and the Republican Ministries of Production and Procurement (e.g. in the Ukraine Kalchenko). Agricultural labour policy is controlled by the all-Union State Committee of Labour and Wages. While the production of chemicals is controlled by a State Committee (N.K. Baybakov) operating under the Gosplan, their allocation is controlled by Selkhoztekhnika operating under the Council of the National Economy (V.Y. Dymshits). Interdepartmental consultation appears to be rare and the line of communication with the Bureau of Agriculture of the C.P.S.U. (V.I. Polyakov) and the Agricultural Committees of the Party at Republican level (e.g. I.S. Pankin in the R.S.F.S.R.) seems shaky. While consultation must be assumed to exist at the level of the Council of Ministers and the C.P.S.U. Secretariat, it is not in evidence at the farm level. As a result farm operations often appear to be centrally controlled at all-Union level. Farms sometimes look like building sites under the supervision of Gostroy (I.T. Novikov) rather than like agricultural enterprises guided by farm experts.

13. Although farm prices have become one of the instruments of planning in recent years, price ratios continue to be highly arbitrary, irrational, and largely due to historical accident (see pork/grain price ratios attached). This is reflected in the state of affairs among farm economists.

State of Farm Economics

14. The state of farm economics is perhaps the most depressing side of the agricultural scene. Economists are at times no more than farm accountants, and the chief intellectual pastime of economists working in research stations seems to be the consideration of optimum farm sizes and the calculation of labour costs in collectives based on actual payment in trudoden or calculated arbitrarily at so-called normative values, i.e. the cost of labour on neighbouring state farms. (Professor Obolensky insists that agreement has now been reached between opposing economic schools on the use of actual labour payment in place of normative values). Performance in livestock farming is still related chiefly to acreage, though other determinants

are being sought (Izvestia, May 12, 1964).

15. Arbitrary regional pricing still continues and preoccupies some of the most prominent economists.

Price changes are still limited to reductions up to 15 per cent in case of a bumper crop as in 1958, and price increases up to 15 per cent in case of a crop failure as in 1963. When asked about Professor Strumilin's proposal of price fixing on the basis of individual farms, Professor Obolensky first dismissed this as impracticable but later retracted and said that Strumilin's concept may yet be accepted. Common Western economic terms such as rent, profit and loss, interest and depreciation may be considered in the lofty atmosphere of academic debate, but they do not yet form part of the vocabulary of the average agricultural economist. Questions on such economic correlations as the pig-grain ratio yield no replies. There is thus no recognition yet of the need for a structural overhaul of the economic concepts underlying Soviet agriculture before technical innovations can become fully effective.

Individual initiative is still at a discount, particularly on the collective, which still does not know how to distinguish between the wage and profit elements of prime costs. Where specialization takes place, it is determined rather arbitrarily on the strength of the location of the farm but not in consideration of marginal economic advantages.

Lessons to be Learnt from the West

16. The areas in which Soviet agriculture can learn from the West are practically unlimited. This was demonstrated in the course of the British Agricultural Exhibition which displayed no more than a selected number of technological advances which may be of use to Soviet agriculture. The interest taken in the exhibition was unexpectedly great. Research workers and various institutes complained that they had not been given the opportunity of visiting the show. In connection with the exhibition, interest in British farming suddenly flared up and untold questions had to be answered about British farming affairs, both on technical and economic lines. It would be a mistake, however, to take the sudden interest in British affairs as a guide to the likely trend of purchases of British technical innovations and their impact on Soviet agriculture. The handicaps built into the structure of Soviet farming cannot easily be over-estimated and will not easily be overcome.

General Observations

17. As agriculture is still the largest single industry in the Soviet Union, its failure to fulfill its tasks has a considerable effect on the standard of life in Russia. There have been marked improvements in the supply of foodstuffs and the composition of the diet which is, however, still heavily over-burdened with starchy foodstuffs and short of animal pro-

teins and protective foods.

As was suspected when the summary of the sample of 100 family budgets was published in Ekonomicheskaya Gazeta early this year, the average level of income and expenditure is substantially less favourable than the unrepresentative sample implied. This is borne out by personal observations as well as by an analysis of the position of the food retail trade. The supply of clothing and housing space has also improved in recent years, but it remains poor even by Southern European standards. Most clothing is still unattractive and some of it finds no buyer (Pravda, May 17, 1964). There is still overcrowding in homes as well as in community institutions, such as workers' canteens and amusement parks, and there is still no privacy, which is the very foundation of any form of opposition to the present political system.

The central bureaucracy in the capital seems to be even more inflexible and the attitude towards foreign visitors even more rigid than some years ago. The system of supervision has been developed to such a fine art that a foreigner cannot but feel a prisoner since he never meets his Russian opposite number alone. In professional conversation intellectual honesty is at a discount and national self-righteousness all but unbearable. The recognition that this is the attitude of the second largest industrial power in the world with which we have to live is a sobering though not very cheerful thought.

Soviet Union. Performance in Pig Production
(Pig/Pork Ratio 1953 1963)

Year	<u>Public Sector</u>			<u>Private Sector</u>		
	Pig. Pop. mill.	Pork Prod. mill. tons	Ratio 1 :	Pig Pop. mill.	Pork Prod. mill. tons	Ratio 1 :
1953	20.1	0.9	22.3	8.4	1.4	6.0
1959	33.5	1.8	18.6	15.2	1.8	8.4
1960	39.5	1.8	21.9	13.9	1.5	9.3
1961	43.3	1.9	22.8	15.4	1.8	8.6
1962	49.4	2.1	23.5	17.3	1.9	9.1
1963(est)	53.9	(2.3)	(23.5) ^x	16.1	(1.8)	(9.0)
for com- parison U.S.A. 1961				55.3	6.5	8.5

x) on State farms approximately 22.0 and on collectives approximately 30.0

Soviet Union. Purchasing Power of Pigs

Pigs/Grain New Roubles per ton	<u>(Pig/Grain Ratio 1952-1963)</u>					
	1952	1953	1958	1960	1962	1963
Pigs (live weight)	67	300	780	825	1,100	980
Grain (average)	10	25	60	62	75	75
Ratio (1 :)	6.7	12	13	14	15	13
Pigs (live weight)	67	300	780	825	1,100	980
Potatoes (fresh)	4.5	15	37	47	50	71
Ratio (1 :)	15	20	21	18	22	14

Soviet Union Decline in Farm Sales 1963/64
(in million Roubles)

Commodities	Procurement mill. tons	Price R/ton	Total mill. R	Procurement mill. tons	Price R/ton	Total mill. R.
Grains	- 11.8	75	- 885	-	-	-
Milk	- 0.7	12	- 95	-	-	-
Meat	+ 0.7	X)	- 350	-	-	-
Sugar beet	- 2.5	29	- 70	-	-	-
Potatoes	-	-	-	+ 2.3	70	+ 160
Cotton	-	-	-	+ 0.9	450	+ 410
Vegetables	-	-	-	+ 0.4	75	+ 30
Total	.	.	-1,400	.	.	+ 600
Balance	.	.	- 800	.	.	-

X) price reduced for pigs of reduced weight.

Sources: Official Soviet Data.

June 12, 1964