

Radio Free Europe/Munich

Non-Target Communist Area Analysis Department

Background Information USSR

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SOVIET GRAIN BACKGROUNDER

When the Soviet Union completed the largest grain purchase transaction in Canadian history, involving 6.5 million tons of wheat, it acknowledged that Khrushchev had again failed to solve Russia's perennial "grain problem" and is now going through a serious "time of troubles." At the same time, another sale of 1.6 million tons wheat was negotiated with Australia, thus bringing to date the scheduled Soviet imports for 1963/1964 to a record level of over 8 million tons. In all likelihood further Soviet purchases are indicated. The sudden manner in which the trade pacts were concluded exceed any previous deals - and are little short of economic sensations. They reflect the magnitude of the failure in Soviet agriculture to come forth with the "mighty upsurge in output" which Khrushchev has so often predicted. Not since 1958 has the Soviet Union had a bumper harvest, and in the ten years since Stalin's death only two were achieved.

The dimensions of this failure become apparent when the pattern of Soviet grain imports over the years is compared with the 8 million tons contracted to date for shipment during 1963/1964.

Soviet Grain Imports¹

<u>GRAINS</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
	(thousand metric tons)						
Wheat	29	443	122	323	247	98	655
Rice	487	638	370	500	689	501	20
Coarse Grains	<u>276</u>	<u>50</u>	<u>30</u>	<u>458</u>	<u>9</u>	<u>142</u>	<u>23</u>
Totals	792	1132	522	1281	954	741	698

Although the Soviet Union is among the leading grain producers of the world (the USA and China outproduce it), it has been a consistent importer of grains. The astronomical rise in wheat imports clearly indicates that both the strategic and

¹Sources: Vneshnaya Torgovlya SSSR, 1959, p.34,39, 1961; Soviet Agricultural Trade USDA, 1963, p. 15.

By comparison, it is significant to note that all during the period of Lend-Lease and UNRRA, 1941-46, the USA shipped a total of 700,000 tons wheat and 550,000 tons pulses to the Soviet Union.

commercial wheat reserves were virtually exhausted and in need of immediate replenishment.

Grain Harvest and Procurements

The dimensions of the grain harvest assumed more definite proportions when a Tass news release (12 September) disclosed, with the usual understatement assigned to such classified material, that although unfavorable weather had adversely affected crops, state procurements of grain would approximate those registered in 1959 and 1960. As the data for these years are known, it is possible to project for the first time the volume of this year's marketable grain stocks.

Grain Procurements and Area Seeded to Grain: USSR²

	<u>Procurements</u> (mill. tons)	<u>Seeded Areas</u> (mill. hectare)
1963	46.6 (estimate)	139
1962	56.6	136
1961	52.1	128
1960	46.6	122
1959	46.7	120
1958	56.6	125
1940	36.6	110

Although the 1963 area seeded to grain is the largest in history, the marketable grain procurements may be twenty per cent less than last year. The decline this year becomes more meaningful when a comparison is made with years having similar procurement totals, 1959 and 1960 (incidentally, poor crop years), and that the 1963 procurement was achieved only with a 17 per cent increase in the grain area!

Further, this year's grain procurements on a per capita basis will apparently be no higher than those of 1940 - 209 kgs. per person.

Wheat constitutes about two-thirds of the total grain procurement each year, and with an indicated 20 percent decline wheat stocks will be in short supply this year. The harvest failures this year are found in the normally rich winter wheat belt of the Ukraine and the massive spring wheat steppes of the virgin lands in Kazakhstan and western Siberia.

² Sources: Narodnoye khozyaistvo SSSR, 1961, p. 341, 365, 324. Tass, 12 September 1963.

Based on the 46.6 million ton procurements estimate above, a projection on the volume of the 1963 overall grain harvest would be on the order of about 135 million tons.³ This year, however, an unusually larger amount of spoiled and high-moisture grain will appear in the aggregate total, so that in terms of dry, actual kernel grain it is likely a harvest of no more than 115-120 million tons will be realized.

Grain Exports

Russian agricultural exports have historically been dominated by grains. In fact, Tsarist Russia was the leading world exporter of small grains - its volume of exports for the five year span of 1909-1931 averaged over 10.8 million tons year compared to the Soviet Union's average of 6.8 million tons annually for the 1958-1962 period. The long run dynamics of the grain trade, and their impact on current Soviet policy, are apparent from the following table:

Russian Grain Exports⁴

	<u>All Grains</u>	<u>of which</u>	<u>Wheat</u>
	(tons)		
1962	7,814,300		4,765,200
1961	7,480,900		4,800,600
1960	6,818,000		5,638,000
1959	7,009,000		6,052,000
1958	5,099,000		3,878,000
1957	7,331,000		5,450,000
1956	3,214,000		1,452,000
1955	3,681,000		2,035,800
1947-1948	2,800,000		1,006,000
1909-13 (yearly average)	10,883,000		4,507,000

It will be seen that Soviet grain exports did not increase appreciably until after Khrushchev's virgin lands program of 1954-55 reclaimed 45-50 million hectares, which resulted in a 25 percent increase in area seeded to grain. Prior to that time, during the 'twenties and 'thirties, grain exports fluctuated

³This would indicate an average yield of less than 10 quintals per hectare, compared to Common Market countries average of 25 quintals.

⁴Vneshnaya trgovlya SSSR 1962 god, p. 30.
Vneshnaya trgovlya SSSR 1959 god, p. 23.
Soviet Agricultural Trade, 1955-1961, USDA, p. 3.
Survey of Soviet Russian Agriculture, USDA, p. 178-9.

from one million to 2.6 million tons a year. The bumper harvests of 1956 and 1958, centered in the new lands, brought exports to new peaks. It is apparent that the Soviet Union wants to maintain its grain shipments at or near these levels. As foreign trade, both export and import, is a Soviet monopoly, exports do not represent commodity surpluses as the term is understood in the western world. Soviet trade policy then is decided upon in the light of political as well as economic and financial considerations and even taken place when serious shortages exist in the country.

USSR Wheat Exports by Countries⁵
(tons)

	1962	1961	1958
England	344,900	338,200	77,900
Bulgaria	93,700	4,700	22,900
Brazil	412,800	203,300	-
Hungary	40,100	386,200	80,400
GDR	1,251,200	1,227,000	1,298,100
Holland	95,500	199,100	45,800
Italy	-	185,500	-
China	104,000	100,800	-
Cuba	269,300	191,900	-
Poland	505,200	302,700	236,500
W. Germany	70,400	112,900	-
Finland	219,400	105,700	271,300
Czechoslovakia	902,700	768,300	956,400

The proportion of wheat exports destined for the bloc countries (including Cuba) varied from year to year but averaged 70 percent by volume. The GDR is most dependent on the Soviet Union for its bread grains, with Poland and Czechoslovakia following. Exports to non-bloc countries rose in the last two years with Western Europe the principal purchaser of these grains. Not more than two million tons of all grain have gone to the non-bloc area. The Soviets are determined to hold this western market in order to cover in part their balance of payments. In price policy they follow a dual path; western economists claim the Soviets charge 10 to 20 percent higher for wheat exports to the bloc than to non-bloc countries. Shipments to the free world follow world market prices, however.

On balance, the origins of the Soviet's decision to import massive quantities of wheat from Canada and elsewhere lie in the abject failure of the harvest this year - the fifth consecutive disappointing performance since 1958 - which virtually exhausted the grain reserves, and the recognition of the political necessity to keep up their level of supply to the bloc countries in order to maintain their hold on bloc autarky, with free world trade a secondary consideration, and finally, to win prestige by token shipments to the under-developed nations.

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⁵Vneshnaya torgovlya SSSR 1962 god, p. 60.