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Polish Agriculture: Policy and Prospects

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An Intelligence Assessment

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An Intelligence Assessment

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Key Judgments

*Information available
as of 27 August 1982
was used in this report.*

The Jaruzelski regime is making little progress in resolving Poland's agricultural problems, which have resulted from more than three decades of neglect and mismanagement by successive Communist regimes. Even if Poland has an average grain harvest of 20 million tons this year, it faces a shortfall of more than 3 million tons. The government has raised food prices to reduce excess demand, but it has not taken adequate steps to increase supply. The present regime is in a particular bind since it cannot import large quantities of grain or other food products from the West because of its financial problems and Western credit sanctions.

The regime has not provided incentives that would induce private farmers, who account for about 75 percent of agricultural output, to produce more. For years, the state has not allocated sufficient investment to the agricultural sector and has not ensured the profitability of private farms. The present government has threatened a return to compulsory deliveries, but it is reluctant to make good on the threat out of fear that the private farmers will cut production in response.

The regime's tougher approach to private farmers under martial law has yielded ambiguous results during the first seven months. Partially because of fodder shortages, farmers have increased livestock sales enough to satisfy rationing requirements, but they have not filled state grain needs. The shortfall has forced the government to buy additional grain in the West, using proceeds from the sale of high-quality meat. The regime could face serious supply shortages again later this year if the harvest turns out to be worse than is now indicated or if farmers decide for other reasons not to sell sufficient quantities to the state. Should Warsaw reimpose compulsory deliveries of grain, and perhaps other farm products as well, the regime could be dragged into a confrontation that might become a major turning point in the Polish crisis.

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Agricultural Problems in Perspective

In the years since World War II, Warsaw's agricultural policy has had two conflicting goals. One goal—increased farm production—requires increases in agricultural investment and in financial returns to farmers, which would be facilitated by high procurement prices. The other—low food prices for urban workers—militates against high state procurement prices and has led to huge consumer subsidies. The general problem is not unique, but its resolution is more difficult in Poland than in other Communist countries because most farmland remains in private hands and workers have reacted violently against attempts by the government to raise retail food prices.

Poland has been a net importer of grain since the beginning of the Communist period. It became a net agricultural importer in the 1970s, when Polish farmers failed to keep pace with increasing consumer demand for foodstuffs and the regime decided to boost imports rather than ignore or curb that demand. In 1970, agricultural raw materials and food imports constituted 25 percent of total imports from the West; by 1981, these imports had jumped to 45 percent of total hard currency purchases. Agricultural exports, meanwhile, declined from one-fourth of Poland's exports to the West in 1971-75 to only 10 percent in 1981 (table 1).

Emphasis on the Industrial Sector. Successive Communist regimes in Poland—like regimes in other Soviet Bloc countries—have considered improvement of the agricultural sector to be less important than industrial development. Only 11 to 15 percent of the Polish state investment budget was apportioned to agriculture in the 1950s and 1960s.¹ Even when food supply problems were widespread in the 1970s, state investment in the sector averaged just 15 percent of total state investment. In 1980, balance-of-payments problems caused Warsaw to cut total investment,

¹ Except as noted, all statistics in this paper are taken directly from or are based upon official Polish sources.

including investment in agriculture, sharply. These levels of investment meant that farmers did not receive modern machinery and high-quality seeds, and the rural infrastructure (for example, roads, storage facilities, and irrigation projects) was not upgraded. To some extent, weather damage to crops—a primary cause of poor harvests in the late 1970s—could have been reduced had the state invested more in flood control and land improvement projects and in the construction of transport and storage facilities. Even in a good harvest, the inadequate rural infrastructure contributes to losses averaging around 15 to 20 percent of the crop. The situation is aggravated further by inadequate investment by private farmers. Many are reluctant to invest in land which they feel may be taken eventually by the state, either by force or after their retirement. As a result, inadequate storage facilities, outdated farm implements, and poor soil management are common problems which lower production.

Discrimination Against the Private Farmer. Unlike its neighbors, Poland decided not to socialize farming forcibly in the 1950s because the regime feared that resistance by the farmers would disrupt food supplies for years. Warsaw instead tried to pressure farmers into joining collectives. It assigned compulsory delivery quotas of products that private farmers had to sell to the state, at the same time depriving them of many farm inputs, especially key items such as tractors and fertilizers. Because of the lack of proper inputs, yields per unit of land have been less for most crops on private farms than on state farms.

By the mid-1970s, only one private farmer in 13 owned a tractor; most of the others depended on horses to farm their land. In 1975, the supply of fertilizer provided private farms per unit of land was only half that allotted to state farms. Relative to land area and livestock numbers, the state farms received

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Table 1
Polish Agricultural Trade

| | 1965 | 1970 | 1975 | 1978 | 1979 | 1980 | 1981 |
|-----------------------------------|------|------|-------|-------|-------|-------|-------------------|
| Imports | | | | | | | |
| Total (billion \$) | 2.34 | 3.61 | 12.75 | 16.49 | 18.16 | 19.44 | 15.66 |
| Of which: Western | 0.79 | 1.13 | 6.80 | 7.37 | 8.04 | 8.49 | 5.42 |
| Food and agriculture (billion \$) | 0.43 | 0.45 | 1.41 | 2.11 | 2.34 | 2.86 | 2.98 |
| Of which: Western | 0.26 | 0.28 | 1.04 | 1.73 | 1.95 | 1.69 | 2.47 |
| Grain (million tons) | 2.68 | 2.46 | 4.03 | 7.37 | 7.34 | 7.67 | 7.04 ^a |
| Wheat (million tons) | 1.38 | 1.10 | 1.48 | 2.31 | 2.93 | 3.47 | 3.44 |
| Corn (million tons) | 0.78 | 0.23 | 0.63 | 1.81 | 2.09 | 2.52 | 2.43 |
| Barley (million tons) | 0.49 | 1.09 | 1.38 | 2.41 | 1.50 | 1.13 | 0.88 |
| Meat (thousand tons) | 38 | 45 | 16 | 33 | 2 | 174 | 175 |
| Exports^b | | | | | | | |
| Total (billion \$) | 2.23 | 3.55 | 10.51 | 14.49 | 16.86 | 17.25 | 13.40 |
| Of which: Western | 0.82 | 1.26 | 4.12 | 5.48 | 6.35 | 7.51 | 5.49 |
| Food and agriculture (billion \$) | 0.44 | 0.45 | 1.41 | 1.27 | 1.41 | 1.30 | 0.78 |
| Of which: Western | 0.35 | 0.41 | 0.68 | 0.96 | 1.05 | 1.03 | 0.65 |
| Grain (million tons) | 0.09 | 0.20 | 0.10 | 0.01 | 0.07 | 0.0 | 0.0 |
| Meat (thousand tons) | 197 | 148 | 209 | 153 | 167 | 150 | 73 |

^a Estimated.^b Polish Statistical Office, Rocznik Statystyczny Handlu Zagranicznego, 1966, 1971, 1976-81.

more machinery and equipment and had greater access to services of veterinarians and soil scientists. Many private holdings, however, were too small or too divided for mechanized techniques to be economical.

Despite the pressures, most farmland remains in private hands. In 1980, private farms accounted for 76.9 percent of gross farm production; state farms, 17.8 percent; collectives, 4.3 percent; and associations, 1.0 percent of output. Associations provide services such as plowing and harvesting to private farmers and demonstrate new farming techniques.

Private farms are small because of direct and indirect constraints imposed by the government and because many farms were split into small noncontiguous parcels as a result of the now-forbidden tradition of

dividing a father's land among his surviving sons. About 2 percent of Poland's farmland was lying fallow in 1981 because many noncontiguous plots were too small to be used profitably. In the early 1950s, private farmers were not permitted to hold more than 15 hectares (1 hectare equals 2.47 acres). This subsequently was increased, and by the late 1970s farmers were allowed to own 50 hectares of land. This year, apparently recognizing the key role of private farming (and perhaps economies of scale), the regime doubled the amount. Local officials often have been a stumbling block: they have been slow to approve land sales to prosperous farmers and have used their controls over credit and their other powers to hinder farm expansion. Moreover, chronic shortages of machinery have made farmers reluctant to

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acquire more land. As a result of these factors, the great majority of farms have been much smaller than the allowable maximum; in 1980 only 5 percent of farms were over 15 hectares. [redacted]

Unfavorable Pricing Policies. State procurement prices for farm products have rarely been high enough to provide much stimulus to production. Regimes have raised procurement prices substantially only in response to pressure from workers to increase food supplies—and then many times have raised input prices, eroding farmers' real gains. After crisis periods in 1956, 1970, 1976, and 1980, the government increased procurement prices of most livestock and grains. In the first three instances, farmers responded by selling more livestock to the state. In the case of hogs, for example, a procurement price increase of 21 percent in 1957 led to a hike in hog sales to the state of 26 percent the following year; the 1971 price increase of 26 percent led to a 38 percent rise in procurements in 1972; and the 17 percent purchase price rise in 1977 increased sales to the state by 16 percent the following year. The same trend is evident in the procurement of milk and cattle, although there is a lag of two years before cattle sales increase because of the time required to raise animals for market.² [redacted]

The costs of many inputs such as fertilizers, pesticides, and farm machines were doubled in the late 1950s, and some were increased by 20 to 30 percent again in the late 1960s. In the early 1970s, Gierek temporarily increased real farm income by raising procurement prices much more than input costs. In 1974, however, input prices were increased by 10 percent while purchase prices rose only 7 percent. For

² Simple regression analysis shows a strong positive relationship between the numbers of hogs and cattle or the amount of milk sold to the state and the procurement prices of these items. But not all grains show the same positive correlation between amounts sold to the state and procurement prices. Although wheat and barley deliveries are responsive to purchase price changes, rye—which is the biggest part of the grain crop—is much less so. In any case, this approach does not take into account variations in the weather or offsetting changes in costs. Sales of agricultural products to the state actually fell in 1980 and 1981 despite substantial increases in procurement prices because mediocre crops and a jump in non-agricultural wages led to much bigger increases in black-market prices. [redacted]

example, the state passed on the higher costs of imported feed grains to farmers but failed to take into account these higher costs when setting procurement prices. To avoid worker discontent, the government refused to raise retail prices (which did not cover prevailing procurement costs) and, because it wanted to avoid a greater subsidy burden in the state budget, refused to raise procurement prices. In real terms, private farm income declined 6.6 percent in 1974 and 6.2 percent in 1975, discouraging farmers from increasing production and helping to bring on the crisis of 1976. [redacted]

Deterioration in Agricultural Labor. Low farm incomes have forced many farmers to take second jobs to make ends meet. A survey in the mid-1970s showed that nearly 60 percent of Poland's private farm families depended to some extent on nonagricultural income. Because second jobs divert these people from farm work, yields reportedly are 20 to 30 percent lower on their farms than on others of similar size or soil fertility. [redacted]

As in other countries, the attraction of higher incomes and improved lifestyles has drawn many young farmworkers to the cities in the last three decades. Indeed, the number of private farmworkers declined 30 percent from 1970 to 1980. The quality of labor on private farms also has fallen; presently over one-third of the private farmers are over 60 years of age. Some older farmers are being enticed off the land, however, by liberalized retirement benefits—granted in 1980—which allow farmers to retire at age 65 for men and 60 for women if they surrender their land to the State Land Fund or to younger relatives. [redacted]

Recent Agricultural Performance

Despite all the problems, Poland had an agricultural boom in the early 1970s that was unprecedented in its postwar development. Between 1970 and 1974, grain production increased an average of 9.0 percent a year, cattle numbers by 4.7 percent, and hog numbers by 12.5 percent. Other farm products such as milk, vegetables, and fodder crops increased significantly (table 2). [redacted]

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Table 2
Poland Agricultural Production

| | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Agricultural production ^a (Index, 1970=100) | 100.0 | 108.1 | 113.6 | 118.7 | 120.8 | 105.3 | 107.0 | 107.5 | 116.7 | 109.9 | 95.7 | 98.5 |
| Crops ^b | | | | | | | | | | | | |
| Grain (million tons) (1970=100) | 16.3 100.0 | 19.9 122.1 | 20.4 125.2 | 21.9 134.4 | 23.0 141.1 | 19.6 120.2 | 20.9 128.2 | 19.4 119.0 | 21.5 131.9 | 17.3 106.1 | 18.3 112.3 | 19.7 120.9 |
| Potatoes (million tons) (1970=100) | 50.3 100.0 | 39.8 79.1 | 48.7 96.8 | 51.9 103.2 | 48.5 96.4 | 46.4 92.2 | 50.0 99.4 | 41.1 81.7 | 46.6 92.6 | 49.6 98.6 | 26.4 52.5 | 42.6 84.7 |
| Sugar beets (million tons) (1970=100) | 12.7 100.0 | 12.6 99.2 | 14.3 112.6 | 13.7 107.9 | 13.0 102.4 | 15.7 123.6 | 15.1 118.9 | 15.6 122.8 | 15.7 123.6 | 14.2 111.8 | 10.1 79.5 | 15.9 125.2 |
| Livestock (June census) | | | | | | | | | | | | |
| Cattle (million) (1970=100) | 10.8 100.0 | 11.1 102.8 | 11.5 106.5 | 12.2 113.0 | 13.0 120.4 | 13.3 123.1 | 12.9 119.4 | 13.0 120.4 | 13.1 121.2 | 13.0 120.4 | 12.6 116.7 | 11.8 109.3 |
| Hogs (million) (1970=100) | 13.4 100.0 | 15.2 113.4 | 17.3 129.1 | 19.8 147.8 | 21.5 160.4 | 21.3 159.0 | 18.8 140.3 | 20.0 149.3 | 21.7 161.9 | 21.2 158.2 | 21.3 159.0 | 18.5 138.1 |

^a Source: L. W. International Finance Research, Inc., *Economic Growth in Eastern Europe*, OP-48, OP-54, 1975; OP-65, 1981.

^b Polish Statistical Office, *Rocznik Statystyczny*, 1971-81.

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Table 3
Poland: Per Capita Consumption of Selected Food Products ^a

| | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Meat (kilograms) | 53.0 | 56.1 | 59.3 | 62.1 | 65.6 | 70.3 | 70.0 | 69.1 | 70.6 | 73.0 | 74.0 |
| Milk (liter) | 262 | 266 | 263 | 263 | 261 | 264 | 258 | 263 | 264 | 264 | 262 |
| Eggs (units) | 186 | 193 | 196 | 202 | 205 | 209 | 214 | 214 | 219 | 221 | 222 |
| Sugar (kilograms) | 39.2 | 39.6 | 40.9 | 42.4 | 43.9 | 43.2 | 43.9 | 41.5 | 42.7 | 43.9 | 41.4 |
| Fish (kilograms) | 6.3 | 6.4 | 6.8 | 7.2 | 7.3 | 7.2 | 7.7 | 7.6 | 7.3 | 7.6 | 8.0 |
| Cereals (kilograms) | 131.0 | 128.0 | 127.0 | 125.0 | 123.0 | 120.0 | 119.0 | 121.0 | 120.0 | 120.0 | 124.0 |
| Potatoes (kilograms) | 190.0 | 189.0 | 187.0 | 183.0 | 177.0 | 173.0 | 171.0 | 168.0 | 166.0 | 163.0 | 158.0 |

^a Polish Statistical Office, Rocznik Statystyczny, 1971-81.



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As a result of increased production, Polish diets improved considerably in this period. Per capita consumption of meat increased 5.5 percent annually, eggs 2.5 percent, fats 2 percent, and sugar 2.6 percent. At the same time, supplies of less-desirable foods such as potatoes and grains decreased 1.6 percent annually (table 3). [redacted]

The improvement in farm output was due to a coincidence of favorable weather and Gierek's efforts to give greater support to private farmers. During these years, the government increased purchase prices of grain and livestock, reduced land taxes, abolished compulsory deliveries, and granted national health insurance and retirement benefits. [redacted]

The farming boom faltered in the middle of the decade. Between 1975 and 1980, production of many farm products stagnated or fell. Grain production stayed at 1975 levels; only in 1976 and 1978 did it surpass 20 million tons. The potato and sugar beet harvests fell to record lows in 1980 after four years of stagnation at the 1975 level. Cattle and hog production were at 1973 levels in 1980. Livestock numbers stagnated or fell every year after 1978. [redacted]

Although imports were increased, shortfalls in output slowed the growth of consumption of quality foodstuffs. Consumption of meat rose only 5 percent in the last half of the decade and consumption of eggs rose 6 percent. Consumption of milk stagnated, while consumption of sugar fell by 4 percent. At the lower end of the quality scale, cereal consumption rose only 3 percent, and potato consumption fell 9 percent. [redacted]

These downward trends can be blamed partly on the weather, but they also reflect a shift by the Gierek regime to policies that weakened incentives for private farmers. For example, the regime raised farmers' input costs more than procurement prices in order to reduce farm subsidies while maintaining low retail prices. At the same time, it kept down investment in agriculture for budgetary reasons and to keep resources flowing into industry. [redacted]

By 1977, the decline in farm production and an eruption of worker unrest prompted Gierek to shift his agricultural policies once again in favor of private farmers. The regime expanded farmers' pension

rights, raised procurement prices, promised to allow larger private farm holdings, and pledged to keep farmers' price-cost ratios favorable. This time Gierek's plan did not work. Private farmers did not increase production, apparently because they were uncertain about the regime's real intentions. Their doubts seem to have been justified, since the state failed to make good on many of these promises. Poor weather in 1977-80 also tended to keep production below the high levels of 1974. [redacted]

Solidarity Era. In early 1981, farmers organized their own Rural Solidarity, after urban workers had shown the way with the original Solidarity. The farmers' union, which claimed membership of 2 million of Poland's 3.5 million private farmers, won a number of concessions. The Kania regime promised legislation guaranteeing the right to own and inherit land. It also promised to increase investment in agriculture, sell more land to private farmers, increase farm credits and subsidies, and maintain a favorable price-cost ratio. The government moved slowly, however, to implement these commitments. Bills on inheritance and land consolidation were introduced into the Sejm committees but were not formally approved. Local officials in many cases continued to hinder the transfer of land to private farmers. Regime promises to increase state investment in agriculture also were broken. While agricultural investment was 18.6 percent of total state investment in 1981, total investment was reduced by 25 percent in real terms; hence real investment in agriculture was less last year than in 1975. [redacted]

[redacted] the regime's inability or unwillingness to fulfill its promises of more favorable treatment of private agriculture increased the farmers' historical mistrust of the government at a time when the Kania regime badly needed their support. The regime had yielded to Solidarity's demands for huge wage hikes, which sharply increased consumer demand and inflationary pressure. Supplies of foodstuffs in 1981, however, declined absolutely because farm output and the amount of food processed and stockpiled fell in 1979 and 1980. With prices controlled in the state distribution system,

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a huge gap developed between supply and demand, resulting in long food lines, hoarding, and increased black-market activity. The regime increased imports of food and agricultural goods and reduced exports of these products, but failed to close the gap. [redacted]

The government hoped to reduce excess demand (and decrease the state food subsidy) by raising retail prices, many of which had been frozen for more than a decade. Solidarity refused to accept the price increases, however, and the government was forced to impose rationing on an ever-widening scale. Most workers blamed the regime for the shortages, and rumors spread that the government was hiding large food reserves. Polish press reports of discussions at Solidarity and party meetings indicate that workers generally considered the farmer as much a victim of the system as anyone, an attitude that reflected the populace's deep-seated enmity toward the regime and belief that it was trying to drive a wedge between farmers and workers. Few attributed the problem to the inflationary wage increases that had been won by Solidarity. [redacted]

Consumers responded to empty store shelves by increasing their purchases through private channels. Polish statistics and press commentaries indicate that farmers increasingly ignored delivery contracts with the state and sold their products in black markets, where they could get prices several times higher than the state's procurement prices—with payment often in scarce goods rather than money. The leaders of Rural Solidarity often told the regime that farmers were reluctant to sell to the state because of the government's failure to provide promised inputs to private farmers. The result was that the state was unable to procure sufficient amounts of food or meet its ration commitments even though the country in 1981 had a grain harvest of 19.7 million tons—equal to the average for the 1970s and 10 percent above the previous year—and a potato crop only moderately below normal. At one point the government estimated that 30 percent of meat sales were outside the state system, and by the end of the year state grain procurements fell to only one-third of the scheduled monthly amounts. By the time martial law was imposed, the state retail system was hamstrung by severe shortages, and the economy was operating largely on a barter basis. [redacted]

In an effort to increase the amount of food moving through the state distribution system, the regime gradually raised agricultural procurement prices by an average of 80 percent, but state prices still lagged far behind black-market prices. The government also increased purchases of food in the West, alleviating some shortages but worsening the foreign trade balance and preempting imports of goods critically needed by industry. In the second half of 1981, Jaruzelski increasingly used the military to conduct campaigns against the black market and to eliminate distribution bottlenecks, but even the presence of the military did not convince the farmers to sell their scheduled amounts to the state. [redacted]

Martial Law. Immediately after the imposition of martial law, the new regime made several threats in an effort to induce farmers to sell more produce to the state. A drop in some procurements and reports of farmers killing livestock and hiding food to protest martial law prompted the regime to raise the prospect of a return to compulsory deliveries in press commentaries and at Party meetings with farmers. Military teams were redeployed to the countryside to press farmers to fulfill their grain contracts. The government for the first time in recent years talked about legal action against farmers who failed to fulfill their contracts. More immediately, the state refused to sell key inputs—which were available only in limited amounts—to farmers who did not make sufficient sales to the state. [redacted]

The government raised procurement prices 33 percent for cattle, 15 percent for hogs, and 44 percent for grain. By February, these increases—along with regime threats and stringent prohibitions on black-market sales—had increased the amount of food reaching state stores. Retail price increases averaging 300 to 400 percent helped reduce excess demand. Although food appeared to be more available, the Polish press reported that retail sales of food, adjusted for inflation, were down 17 percent in the first five months of 1982 compared to the same period last year. Meat and egg supplies declined around 20 percent in the first quarter of 1982 compared to the same period in 1981. [redacted]

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Because of these food supply problems, the regime reiterated its threats concerning compulsory deliveries of grain. To keep pressure on the farmers, it again spelled out in a press report during June some plans that were under consideration. Under one proposal, farmers would be compelled to deliver 60 percent of their total production to the state. Other proposals would restrict a farmer's purchases of inputs to half the value of his total sales to the state or increase the penalties for failure to meet commitments in procurement contracts. The regime thus far has not implemented any of these proposals. [redacted]

While stepping up pressure on the farmers, the regime on balance has offered them little positive inducement to produce and sell more to the state. Despite pledges to reduce input costs, the government in January raised wholesale farm input prices by 36 percent and the cost of services provided to private farmers by 330 percent. It increased procurement prices by only 21 percent on average and now estimates that farmers' real income will decrease this year by at least 20 percent. Warsaw did make the increases in livestock and grain procurement prices retroactive to November 1981. For several months it paid a premium of up to 20 percent for on-time fulfillment of grain contracts, but the delivery premium was canceled in July. The regime has extended credit for purchases of agricultural inputs and has continued subsidies on some machinery and fertilizer which remain in short supply. It has offered to pay farmers who deliver grain above contracted amounts with interest-bearing "grain bonds" redeemable at higher prices in 1983-85. The regime attempted to underscore its support of private farmers by securing parliamentary approval of several measures that had been introduced before martial law, including the bills liberalizing farm inheritance and pensions and increasing the maximum farm size from 50 to 100 hectares. [redacted]

Mixed Results. During the first seven months of martial law, Warsaw's approach yielded mixed results: farmers did not fulfill their grain procurement requirements but did increase livestock sales. During the first four months of the new "grain bond" program only 4,000 tons of grain (out of the more than 400,000 tons procured during that time) were sold to the state in return for bonds. Farmers probably held back grain because of their concern over unsettled

conditions, their need for grain to feed to livestock, and their frustration over the lack of availability of inputs. [redacted]

In the early days of martial law, the government had to rely on Soviet meat deliveries to fill a quarter of its rationing commitment. Over the first quarter of 1982, however, it was able to procure enough to cover completely a rationing commitment that had been reduced 10 percent from the previous quarter. We believe that the government's ability to increase livestock and poultry purchases improved because of distress slaughtering of chickens due to feed shortages and the sale of animals held back from slaughter in late 1981 as farmers waited for higher procurement prices. Government threats and inducements probably played only a minor role. [redacted]

The government met the country's grain needs by exporting 60,000 tons of high-quality meat to the West in the second quarter to pay for the import of 400,000 tons of grain. Although grain imports should meet present consumer demand, the state may face shortages again later this year—perhaps very soon—because farmers are not selling sufficient amounts of grain to the state. By the end of August, with 90 percent of grain harvested, the press reported that procurements were only 40 percent of the total amount which the state planned to buy from farmers. [redacted]

The numbers of cattle and hogs on private farms rose 7.3 percent and 10.3 percent, respectively, between January 1981 and January 1982, probably because farmers bred more livestock to sell at last year's high black-market prices. Now, with that opportunity closed off to most farmers, they seem to be cutting their holdings. Farmers face a 30-percent decline in the availability of feed concentrates supplied by the state and higher costs. While human needs for grain apparently have been satisfied with the aid of imports, the regime was short 360,000 tons of fodder at the end of June. We believe the shortage of feed led to increased cattle and hog slaughter and higher meat procurement in June which, in turn, will mean meat shortages later this year. What could be most catastrophic for the future are a 71-percent increase in

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sales of breeding sows for slaughter and an 18-percent drop in hog breeding in May 1982 compared to the same month last year. [redacted]

The increase in private holdings of livestock in the year to January was offset by declines on state farms of 14.0 percent in cattle numbers and 18.2 percent in hog numbers. Livestock holdings on state farms dropped because these farms continued to find it unprofitable to raise livestock and because the regime drew heavily on the state farms last year to fulfill rationing commitments. The decline in state farm herds will put additional pressure on the regime to persuade private farmers to sell more to the state. [redacted]

Outlook

In the next year, the regime will have to depend heavily on domestic production, and especially the private farmer, to satisfy the food needs of the population; hard currency shortages will preclude large imports of meat or grain. Current assessments point to an average grain harvest of 20 million tons in 1982, which still would be 3 million tons below estimated need if 2 million tons were imported. Crop growth is hindered by severe shortages of fertilizers, pesticides, and other farm inputs, but (as of mid-August) harvest prospects were normal only because weather has been favorable. [redacted]

We estimate that meat production could fall to a level that would provide as little as 50 kilograms per capita, compared with 74 kilograms in 1980. To fill its promise to keep meat consumption at 60 kilograms, the regime would need to harvest about 25 million tons of grain, well above expected domestic production. [redacted]

Outside sources of grain are few. Other East European countries and the USSR will not be able to provide any significant amount of grain or other foodstuffs because those countries themselves have insufficient supplies. Poland has not received any new grain credits so far in the 1982-83 marketing year. [redacted]

[redacted]

We believe the regime will do everything possible to avoid reverting to compulsory deliveries. The history of Polish private farming in the Communist era shows that the Polish farmer has responded to inducements rather than threats; government harassment of private farmers usually has been accompanied by stagnant or decreased production. The regime, seeking to channel more food through the state distribution system, has stated it needs to procure 5.5 million tons of grain from private farmers in the 1982-83 marketing year—over 3 million tons more than the 2.3 million tons procured in 1981-82. Sufficient inducements, however, still do not exist to encourage private farmers to sell to the state. Cost-price ratios have become less favorable, and officials have said that procurement prices for livestock and grain will not be increased in the second half of 1982. [redacted]

Moreover, the farmers have found that Warsaw cannot provide them with adequate supplies of concentrated feed and other inputs. In this situation, the worker-farmer may turn more attention to his industrial or service job. The US agricultural attache in Warsaw believes that many farmers will become subsistence farmers in the next year, producing mainly for themselves and their relatives. Other farmers may change to more profitable crops such as vegetables or even flowers. [redacted]

Any number of factors—such as a disappointing harvest, the ouster of moderate regime leaders, a decision to cut back food imports even further, or a heightened worker reaction to the poor food situation—would increase the chances of a tougher regime policy. The workers' tempers are already frayed by political repression and depressed living standards; at any time they might vent their frustrations in demonstrations over meat shortages or other specific grievances. [redacted]

If Polish officials decide they have no choice but to institute compulsory deliveries of grain and perhaps other farm products, they could begin quickly because military teams in the countryside have already inventoried stocks. Such a move would dramatically escalate the crisis. It would take a large-scale effort by

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security forces to enforce compulsory deliveries; peasants would find ways to hide their produce and some would resist. In the longer run, farmers would cut back production and the decreased availability of food would further anger workers already disgruntled with high prices. In addition, the Polish Church, whose mainstay is the peasantry, might well feel compelled to come to the aid of its members and thus become more of a participant in the crisis rather than a calming moderator.

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