



Directorate of
Intelligence

Confidential



PROVIDED TO THE GOVERNMENT
MASTER FILE COPY
DO NOT GIVE OUT
If found, DO NOT (collec)
WASHINGTON, D.C.

25X1

China: Agricultural Performance in 1981 and Prospects for 1982



25X

An Intelligence Assessment

MASTER FILE COPY
DO NOT GIVE OUT
OR MARK ON

Confidential

EA 82-10068
GI 82-10146
July 1982

Copy **408**

Page Denied



**Directorate of
Intelligence**

Confidential

25X1

China: Agricultural Performance in 1981 and Prospects for 1982

25X

An Intelligence Assessment

This assessment was prepared by [redacted]
Office of East Asian Analysis, and [redacted]
Office of Global Issues. Comments and queries are
welcome and may be directed to the Chief, Domestic
Policy Branch, OEA, [redacted]

25

25

25

This report was coordinated with the National
Intelligence Council. [redacted]

25

Confidential
*EA 82-10068
GI 82-10146
July 1982*

Confidential

[Redacted]

25

China: Agricultural Performance in 1981 and Prospects for 1982 [Redacted]

25

Key Judgments

Production increased in nearly all sectors of Chinese agriculture during 1981 due to the continuation of national policies giving peasants more freedom to make production and marketing decisions and linking income more closely to personal production. Supplies of fertilizer and other agricultural inputs remained at the same levels or lower than in 1980; weather was normal in most of China. In 1981:

- The grain harvest was 325 million tons,¹ up 1.4 percent over the previous year despite a 2.3-percent decline in the area sown to grain. The good harvest kept per capita grain availability at near-record levels.
- Industrial crops posted new records as higher procurement prices led to expanded acreage.
- Improved harvests increased domestic supplies of oilseeds and cotton and led to cutbacks in imports of these commodities.
- Grain imports slipped 0.5 million tons to 13.2 million tons. For the second straight year the United States supplied about 60 percent of China's imported grain. The sales represented 13 percent of the 98.5 million tons of wheat and corn exported from the United States during the year. [Redacted]

We do not expect to see major changes in agricultural policies, production, or trade during 1982. China should approach, but probably will not attain, the 1982 grain production target of 333.5 million tons, which is slightly above the record harvest of 1979. We expect industrial crops to continue to increase. We estimate that grain imports will remain about the same as the last two years while cotton and soybean imports are likely to continue their downward trend. [Redacted]

25X

25

The United States will remain China's principal grain supplier in 1982. We estimate that US shipments of wheat and corn will total 8.1 million tons of the roughly 14 million tons China will purchase this year. US sales of cotton and soybeans are likely to continue their downward trend and we expect no sales of US soybean oil during 1982. Prospects for exports of US wood and wood products remain bright, however [Redacted]

25

25

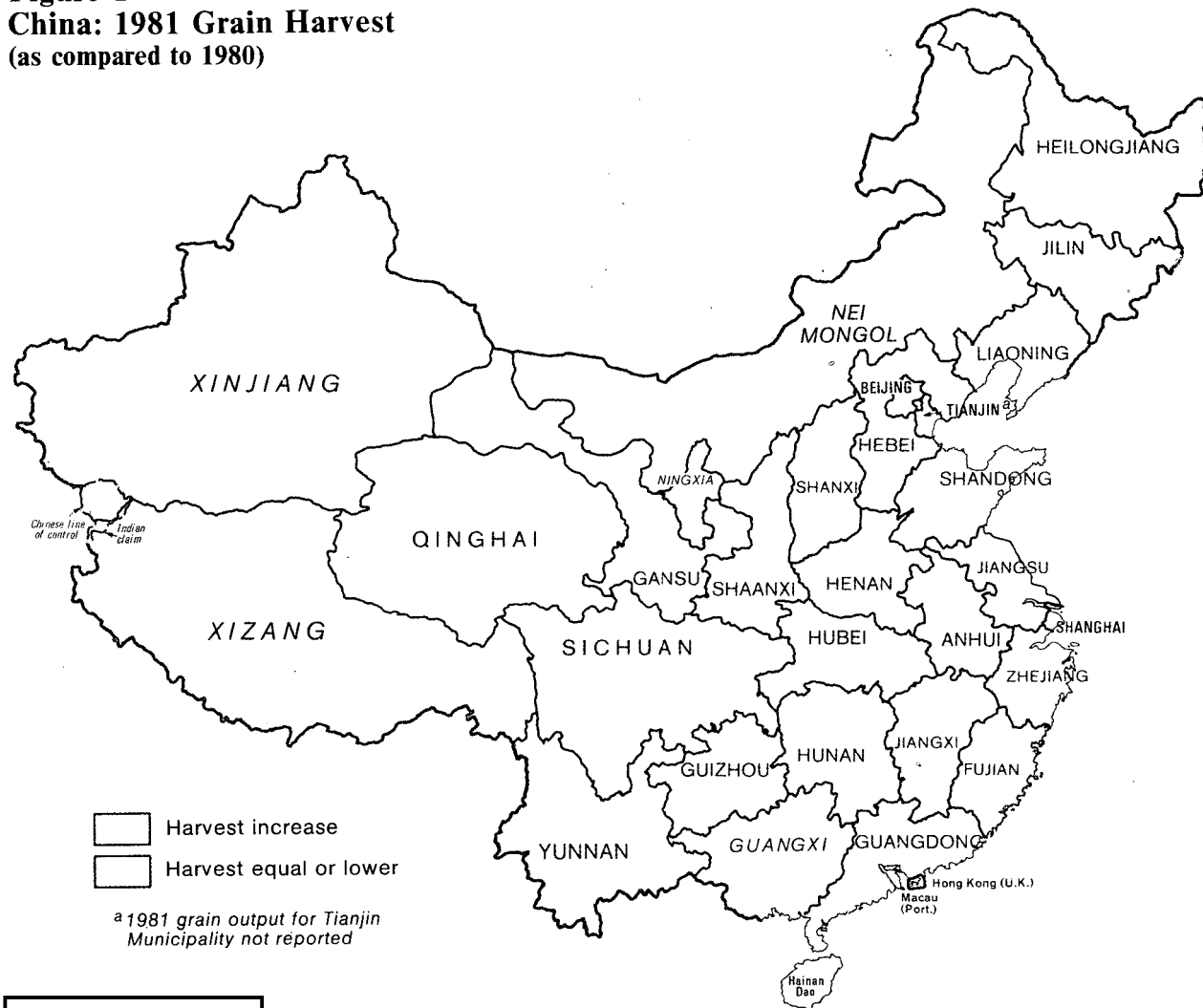
¹ Weights are given in metric tons. [Redacted]

25

Information available as of 15 June 1982 has been used in the preparation of this report.

Confidential

Figure 1
China: 1981 Grain Harvest
(as compared to 1980)



- Harvest increase
- Harvest equal or lower

^a 1981 grain output for Tianjin Municipality not reported



632236 7-82

Confidential

Confidential



25

China: Agricultural Performance in 1981 and Prospects for 1982

25

Overall Trends in 1981

China's agricultural production rose 5.7 percent in 1981 to 231 billion yuan, 1.8 percent above the state plan.² Most of the increase came from farm crops, although rural industrial activity and animal husbandry and fishery output grew at faster rates (see table 1).

Relaxed state restrictions on production and more material incentives continued to dominate policy changes in 1981 and, we believe, were responsible for much of the increase. These official policy changes, which began in 1979 and continued last year, include:

- Greater latitude for peasants to decide what they want to plant or produce.
- Implementation of responsibility systems where accounting units are small and peasants are paid according to their production. By the end of 1981, Chinese press reports indicated that over 90 percent of the nation's work teams had adopted some type of responsibility system, with half adopting the household as the basic accounting unit.
- Increases in purchase prices to stimulate production of desired goods and to raise peasant incomes. In 1981 the Chinese increased government prices for a number of major crops including soybeans, tobacco, and vegetables.
- The reduction of state production quotas and taxes.
- Greater freedom for peasants to engage in private production and marketing activities by increasing the size of private plots, allowing more individual sideline industry, and expanding rural free markets.



Table 1

China: Total Value of Agricultural Output

	1981 Value ^a (in billion yuan)	Percent Growth From 1980
Total	231.2	6
Farm crops	148.9	5
Animal husbandry and fishery	39.7	6
Rural industry	33.1	7
Forestry	9.5	4

25

^a Calculated in 1980 prices.



25

These policies helped boost peasant per capita income 16.8 percent to 223 yuan in 1981, according to Chinese statements. In contrast, average urban wages were 463 yuan last year, but rose only 4.3 percent. Increased peasant demand for better housing and consumer goods naturally followed. Rural housing construction rose 20 percent last year and rural savings nationwide rose 29 percent, partially because of a shortage of desired consumer goods.

25

A 5.9-percent increase in the state purchasing price index was responsible for some of last year's increase in production value.³ This was less than the purchase price increases during 1979 and 1980, however, when the index rose 15 and 7 percent, respectively.

25

Agricultural inputs stagnated in 1981 as most of the increase in state funds for agriculture went toward increasing purchase prices. As Chinese statistics in table 2 illustrate, rates of growth for nearly every

³ Procurement prices for all grains except soybeans remained constant last year. Grain crops make up the majority of the value of agricultural production.

25

25

Confidential

Confidential**Table 2****China: Agricultural Inputs**

Commodity	Level in 1981	Percent Changes From Previous Year		
		1979	1980	1981
Production				
Chemical fertilizer ^a	12.39 million metric tons	22.6	15.7	0
Nitrogen	9.86 million metric tons	15.5	13.3	-1.3
Phosphate	2.51 million metric tons	75.9	26.9	8.7
Potash	20,000 metric tons	-23.8	25.0	0
Chemical insecticides	484,000 metric tons	0.8	0	-9.9
Conventional tractors	53,000 units	10.5	-22.2	-45.9
Hand tractors	199,000 units	-1.9	-31.4	-8.7
Gunny bags	429 million units	18.6	25.9	4.4
In use				
Conventional tractors	792,000 units	19.7	11.7	6.3
Hand tractors	2 million units	21.7	12.2	8.7
Irrigation pumps	75 million horsepower	8.6	4.8	0.5
Chemical fertilizer ^a	13.3 million metric tons	19.0	18.4	5.2

^a Based on 100-percent effectiveness.

major input have declined for the past two years. Last year the output of nitrogen fertilizer fell for the first time since 1976, although the state plan for total fertilizer production was still met. We believe the growing demand for agricultural inputs will continue to outpace their supply, particularly as peasants put more personal income into their own production. For example, Chinese reports show that by the end of 1981 over 300,000 individuals had purchased their own tractors. [redacted]

Grain Crops

China announced that in 1981 it harvested its second-largest grain crop totaling 325 million tons. This was an increase of 1.4 percent above the 1980 figure and, coupled with grain imports, kept grain availability at the high level (by Chinese standards) of 325 kilograms per person (see table 3). [redacted]

The small increase in grain production was achieved despite a 2.7-million-hectare decline in the area sown to grain. This is a continuation of a trend started in

1979 when the prices of industrial crops were raised more than grain prices. At the same time, peasants have received greater latitude in making their own planting decisions. Table 4 shows the decline in grain area from 1978 to 1981. [redacted]

Weather was near normal for crops during 1981, although some areas, as usual, were hit with serious adverse weather. The North China Plain was dry during the winter, and spring rains came later than normal. Too much rain was a more common problem last year, as the Northeast, South-Central, and North China Plain had isolated flooding (see figure 1). The Chinese estimate that flooding in Heilongjiang, Sichuan, and Shaanxi caused total losses of 5.5 million tons of grain, and heavy rains and typhoons contributed to a 1.3-million-ton decline in Guangdong's grain output. [redacted]

Confidential

Confidential

Table 3

China: Grain Supply, Production, and Trade ^a

Year	Per Capita Availability (kilograms)	Total Supply ^b	Domestic Production	Trade		
				Net Imports	Imports ^c	Exports
1952	280	159.8	160.2	-0.36	0.02	0.38
1957	295	189.4	190.7	-1.34	0.14	1.48
1965	270	199.0	194.5	4.50	6.02	1.52
1970	287	243.1	240.0	3.11	4.63	1.52
1971	289	251.8	250.1	1.66	3.13	1.47
1972	273	243.6	240.5	3.12	4.64	1.52
1973	296	270.2	264.9	5.32	7.90	2.58
1974	301	280.3	275.3	4.98	7.41	2.43
1975	301	286.0	284.5	1.54	3.50	1.96
1976	297	287.0	286.3	0.69	2.09	1.40
1977	294	288.9	282.7	6.22	7.30	1.08
1978	314	313.0	304.8	8.15	9.55	1.40
1979	338	342.1	332.1	10.04	11.42	1.38
1980	325	333.8	320.5	13.29	14.48	1.19
1981	325	338.2	325.0	13.15	13.95	0.80

^a Million metric tons unless stated otherwise.^b Assuming no change in grain stocks.^c Includes soybean for consumption comparisons. Soybeans are not included in other grain import figures.

Increased wheat production, according to Chinese reports, was responsible for nearly half of the rise in grain production last year (see table 5). Growing conditions improved after the initial dry weather and, coupled with the greater care for the fields fostered by the peasant responsibility systems, yields rose more than enough to offset the smaller sown area. Winter wheat, which accounts for 85 percent of the wheat harvest, made up all of the increase in production. Spring wheat, grown in the Northeast and North, probably failed to increase because of the extremely wet weather in the Northeast. [redacted]

Rice harvests rose to near the 1979 record of 144 million tons, according to Chinese reports. The early rice crop, harvested in July, accounted for 1.5 million tons of the increase despite a 400,000-hectare decline

in sown area. Both the area and output of intermediate and late rice probably increased, with good harvests except in south China where fields were hit with cool weather and heavy rains. [redacted]

Production of potatoes, consisting mostly of sweet potatoes, declined the most. We believe a slight reduction in sown area probably occurred as fields were shifted to oilseeds and cotton, but poor weather in the main producing regions was the main cause. Shandong, which produces 20 percent of the nation's potatoes, had dry weather during the spring planting season as well as during much of the growing season. Also, flooding and heavy rains may have contributed to a decline in Sichuan, which produces another 20 percent of the nation's crop. [redacted]

Confidential

Table 4

China: Grain Area

Year	Million Hectares	Percent Change From Previous Year
1978	120.6	0.2
1979	119.3	-1.1
1980	116.6	-2.3
1981	113.9	-2.3

Beijing reported the output of miscellaneous coarse grains, mainly corn, at close to the 1980 level. Again, dry weather during planting in the North China Plain and excessive moisture in the Northeast combined to limit production. Soybeans was one of the few crops whose procurement price was increased last year; thus sown area rose and the crop was better cared for. [redacted]

In the State Statistical Bureau announcement of 1981 results, grain production for 1980 was revised upward from 318.2 million to 320.5 million tons. We believe all of the change occurred in the miscellaneous grains category, which would raise 1980 production to 91.3 million tons. The Chinese report little information on their late-harvested crops and miscellaneous grains are not reported by individual crops in the annual production statistics. It is possible that the revision was made because of information received after the initial 1980 claims were reported. Beijing is making efforts to improve its statistical reporting system. Early Chinese estimates for the 1981 harvest were very close to the final figure of 325 million tons, whereas large upward revisions in the final output figures have been common in the past. [redacted]

Industrial Crops

For the second straight year, the highlight of agricultural production in 1981 was the achievement of record harvests for nearly all industrial crops. Since 1979, increased procurement prices, more freedom for peasants to plant the crops they wish, and concentration of industrial crops in areas most suited for their production have combined to boost industrial crop production. [redacted]

Table 5

Million Metric Tons

China: Grain Production

	1979	1980	1981
Total grain	332.1	320.5	325.0
Rice	143.8	139.3	143.2
Wheat	62.7	54.2	58.5
Potatoes ^a	28.5	27.8	25.0
Soybeans	7.5	7.9	9.2
Miscellaneous	89.7	91.3	89.1

^a For comparability, tubers are converted to grain by the weight ratio of 5 to 1.

Oilseed production, the Chinese reported, rose by almost one-third to 10.2 million tons last year, a new record. Rapeseed accounted for most of the increase; the rapeseed harvest was up 70.5 percent due mainly to a 40-percent expansion in acreage. Other oilseeds also increased substantially because of expanded sown areas (see table 6). [redacted]

We estimate that the rapid expansion of edible oil production in the past four years has made China self-sufficient in oils and has taken it out of the US market for soybean oil. [redacted]

Expanded acreage in north China because of higher procurement prices and more favorable weather in central China helped cotton production set a record for the second straight year, rising to nearly 3 million tons. Total sown area was reported by the Chinese to have increased 220,000 hectares to over 5.1 million hectares, the largest area in over 20 years, even though Beijing had planned a 150,000-hectare decline in sown area. Shandong, after increasing production 222 percent in 1980 to 537,000 tons, continued to expand sown area and, according to official Chinese statistics, reportedly produced over 680,000 tons last year. Preliminary reports from Jiangsu indicate the province raised output 20 percent to over 500,000 tons. Henan and Hebei were the only major cotton-producing provinces reporting a decline in output last

Confidential

Confidential

Table 6

Oil Crop Production

	Thousand Metric Tons		Percent Change From Previous Year	
	1980	1981	1980	1981
Total oil crops	7,691	10,205	19.5	32.7
Of which:				
Rapeseed	2,384	4,065	-0.7	70.5
Peanuts	3,600	3,826	27.6	6.3
Sesame	259	510	-37.9	96.9

[Redacted]

year, with the output in both provinces second only to 1980 production. [Redacted]

We believe the increased cotton supply has allowed the Chinese to carry through with their plans to provide more cloth domestically and reduce cotton imports.⁴ As with oilseeds, China's reduced purchases have come mostly at the expense of US sales. [Redacted]

The increased production of other major industrial crops is shown in appendix 1. [Redacted]

We believe, however, that the policies designed to promote industrial crop production have worked too well in some cases. Last year's tobacco harvest most clearly illustrates Beijing's problems in moving from a command economy toward a market-oriented one. After two years of declines in tobacco acreage and production—forcing expensive imports to try and satisfy domestic demand—in 1981 prices were raised as an incentive to increase output. As a result, tobacco acreage increased nearly 50 percent and procurement rose roughly 80 percent. Last year China reported it may have produced as much as 250,000 tons more than needed to satisfy the country's cigarette production capacity. Jute and ambary hemp production also exceeded domestic requirements by 250,000 tons. [Redacted]

[Redacted]

Forestry

Timber production was reported by the Chinese to have continued to decline in 1981, falling 8 percent to 49.4 million cubic meters. China is chronically short of timber resources and last year drafted policies both to increase tree planting and to reduce the amount of timber cut. In the past, mass afforestation projects were undertaken only to have many of the trees die because of a lack of followup care. Peasants were only assigned certain areas or numbers of trees to plant with little or no control over cultivation. A policy put into effect last year, however, gives ownership of the trees outside state forests to the individual or collective planting them. In many cases peasants have been assigned areas to plant trees, with the hope that more followup care will be given. [Redacted]

To improve state-owned forest resources, the State Council announced a "voluntary" tree planting campaign later in the year. The plan calls for all able-bodied males between 11 and 60 and females between 11 and 55 to plant three to five trees annually. These trees will belong to the state, and government organizations at the county level and above are being established to carry out the plan. [Redacted]

Beijing also announced in 1981 that the amount of timber cut would be reduced by a total of 10 percent for the next four years. To try and keep pace with the growing demand for timber, imports have risen. Imports of lumber and pulp continued to grow in 1981, after tripling in 1980, following China's lowering of import duties on timber. [Redacted]

Shipments from the United States have accounted for most of the increase in the last two years, and the United States has been China's largest supplier of wood and pulp since 1980. We believe there are bright prospects for increased US sales of timber to China. [Redacted]

[Redacted]

Confidential

Confidential

Table 7

Fishery and Livestock Production

	Thousand Metric Tons		Percent Change From Previous Year	
	1980	1981	1980	1981
Freshwater products	1,238	1,372	11.1	10.8
Marine products	3,259	3,233	2.1	-0.8
Total aquatic products	4,497	4,605	4.5	2.4
Meat production				
Pork	11,341	11,884	13.3	4.8
Beef	269	249	17.0	-7.4
Mutton	445	476	17.1	7.0
Total livestock products	12,055	12,609	13.5	4.6
Yearend herd size				
	Thousand Head		Percent Change	
Hogs	305,431	293,702	-4.5	-3.8
Large animals	95,246	97,641	0.7	2.5
Sheep and goats	187,311	187,730	2.3	0.2
Total livestock	587,988	579,073	-1.6	-1.5



We think that China's emphasis on forestry in the past year comes not only from the shortages of lumber but also from concern over soil and water conservation. Deforestation of China is partially responsible for increased erosion and changes in the climate. In the last two years, serious flooding has occurred in and downstream from areas stripped of their trees. [redacted]

Livestock and Fisheries

China reported that its meat supplies improved slightly during 1981 as growth slowed in both the livestock and fishing industries (see table 7). The production of pork, China's main source of meat, grew nearly 5 percent but was accompanied by a decline in both the number of hogs slaughtered and the size of the herd at yearend. Increases in peasant incomes encouraged peasants to finish hogs to heavier weights and consume more pork. [redacted]

Policies allowing more private production of livestock, however, have had an adverse impact on the raising of pigs. Widespread adoption of the responsibility systems last year transferred the raising of livestock to individual households; by late 1981, Beijing claimed that over 90 percent of the nation's swine were being raised by individual households. In many cases bonuses for growing pigs, including the allocation of grain and fodder grain plots, were not given to individual households but only to collectives. Thus household hog production became unprofitable last year, especially when the pork was marketed through state channels. Also, the shift created a shortage of piglets, as fewer hogs were bred in large collective operations. Chinese press reports reveal that authorities in many areas reacted to the declining pork supplies by reinstating production quotas and rationing and by exhorting peasants to market their hogs through state channels. We expect little improvement in pork supplies, however, unless local officials also follow state exhortations to provide bonuses to individuals. [redacted]

The category of freshwater aquatic products made a large gain in supplies during the year and continued to increase its share of total fishery output. Marine production lagged as additional efforts were made to protect the nation's overharvested breeding grounds. [redacted]

Trade

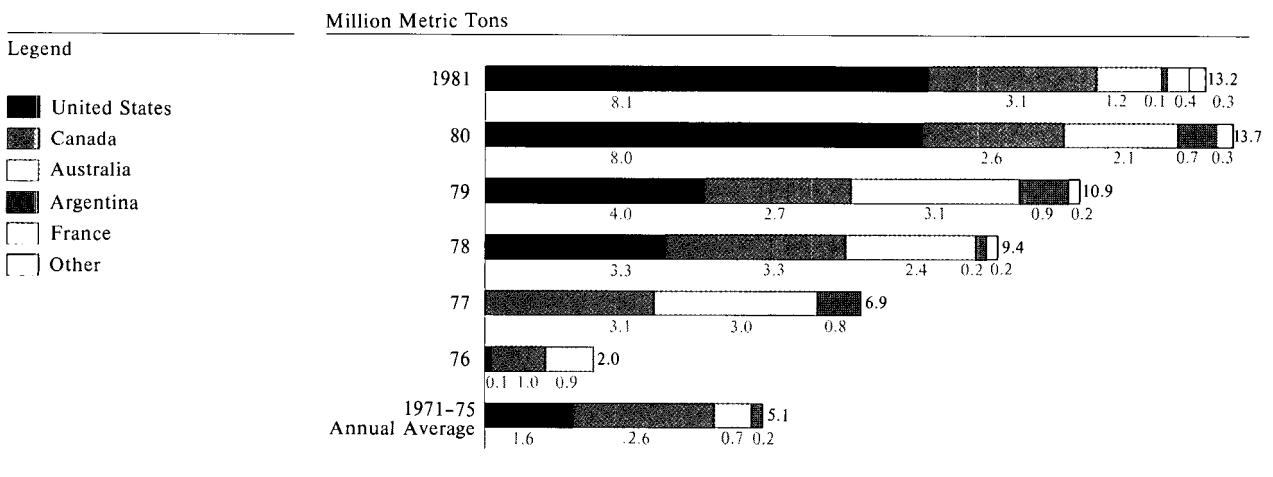
China's grain imports fell slightly in 1981 to 13.2 million tons (see figure 2). The United States remained the dominant supplier for the third straight year, with total sales roughly equal to the 1980 level. Last year was the first year of the Sino-US long-term grain agreement (LTA) which calls for yearly sales of at least 6 million tons with 15 to 20 percent in corn and the rest in wheat. While the total sales amount was reached in 1981, corn totaled only 6 percent, or 468,000 tons, of total Chinese purchases. [redacted]

Canada remained China's second-largest source of grain, with total sales of wheat and barley totaling 3.1 million tons. Sales were boosted by favorable exchange rates and ample Canadian harvests. With the sharp rise in interest rates last year, [redacted]

Confidential

Figure 2

China: Imports of Grain, by Source



[Redacted]

586767 6-82

[Redacted] China began paying cash for Canadian purchases rather than using the credit arrangements provided in the Sino-Canadian LTA. [Redacted]

The Chinese also began paying cash for Australian grain last year. Total purchases in 1981 dropped to 1.2 million tons, the last year of a three-year LTA calling for annual sales of 2.0-2.5 million metric tons. A new LTA was signed in November providing for annual sales of 1.5-2.5 million tons through 1984 (see table 8). [Redacted]

Argentine exports dropped to 126,000 tons last year. Most of Argentina's available grain went to the USSR, leaving less available than the 1 million tons called for in the LTA. This also resulted in relatively high Argentine grain prices vis-a-vis US prices. [Redacted]

[Redacted]

Last year was also the first full year of France's LTA with China. French grain is marketed through the EC, which gives grain exports a subsidy and favorable financing. EC shipments in 1981 totaled slightly over 500,000 tons, including small shipments from West Germany. [Redacted]

Rising domestic harvests cut China's imports of industrial crops in 1981, with much of the reduction coming in purchases from the United States. Imports of US cotton last year fell to 246,000 tons, roughly one-half the level of the record sales in 1980. Total Chinese cotton imports last year only fell an estimated 20 percent to 570,000 tons, however, as the Chinese moved away from US purchases. With ample supplies of cotton worldwide the Chinese increased purchases from Third World countries; supplies there were generally cheaper and probably benefited Chinese relations with other LDCs. [Redacted]

Confidential

Table 8

Chinese Long-Term Grain Agreements

Country	Annual Amount Million Metric Tons ^a	Duration
Argentina	1.0 to 1.5	January 1981–December 1984
Australia	2.0 to 2.5	December 1978–November 1981
	1.5 to 2.5	January 1982–December 1984
Canada	2.8 to 3.5	August 1979–July 1982
	3.5 to 4.2	August 1982–July 1985
France	0.5 to 0.7	September 1980–May 1983
United States	6.0 to 8.0	January 1981–December 1984

^a China and the exporting country negotiate actual sales every six to 12 months of the agreement.

[Redacted]

In October Beijing suspended all new orders for US cotton following US restrictions on imports of two categories of Chinese textiles. Traders have been told the cutoff is also linked with China's displeasure over the Taiwan arms issue. Although the textile and arms issues contributed to the cutoff, we believe the relatively high price of US cotton was probably a bigger factor. The record domestic production of cotton and synthetic fibers, softening demand for textile exports, and ample world cotton supplies allowed the Chinese to cut off US purchases and apply pressure to US textile negotiators. Since October China has purchased only small quantities of US cotton to fill out existing shipments. Meanwhile, we believe the United States may suffer some long-term damage in the China cotton market as other cotton-producing countries expand production to supply China and begin to sign long-term supply agreements with the Chinese.

[Redacted]

China's purchases of US soybeans and soybean oil were also affected by rising domestic harvests. Purchases of US soybeans fell 22 percent to 473,000 tons. China's record edible oil harvests have taken it completely out of the US soybean oil market; no sizable oil deliveries have occurred since February 1981. [Redacted]

Outlook

Policy. We expect no major policy changes during the coming year. Reporting from open source material indicates Beijing is evaluating the effects of the policies of the past three years, drawing clearer lines as to what is acceptable activity under the new policies, and tightening central control over agricultural activity. The use of strong material incentives over the past three years has not only helped increase agricultural productivity but also produced numerous ideological and administrative problems for the leadership. Although the basic policy line does not seem to be in danger, Deng's chosen successors, including Zhao Ziyang, have invested much of their political capital in these agrarian reforms. [Redacted]

Some of the problems that have surfaced recently include:

- Free enterprise has gone so far in some areas that the system no longer appears to be socialist.
- Birth rates have been on the rise in many areas because of lax state control and the peasants' desire for sons to help till the land.
- Increased peasant income has led to difficulty in military recruiting.
- Higher procurement prices have contributed to budget deficits and inflation.
- Direct state control over production has weakened; press reports indicate that peasants are reluctant to follow state directives and the orders of local cadre.

[Redacted]

Even though it appears generally pleased with the new systems, recent Central Committee guidelines indicate Beijing is taking some steps to correct these problems. The leadership realizes that a reversion to excessive state control would not set well with China's 800 million peasants. Some leaders, including Hu Yaobang, would like to continue loosening restrictions. Official announcements have made it clear, however, that if current corrective measures prove disappointing, it may be necessary to limit the more liberal systems. [Redacted]

We believe the leadership's recent attempts to present the current policies as firmly adopted and as part of long-term plans are mainly aimed at overcoming the

Confidential

Confidential

reluctance of local officials to implement them. In the past, cadre and peasants have been caught in a turbulence of policy change, following orders one year only to be disgraced the next as political winds shifted. [redacted]

- State grain reserves would be tapped.
- Imports of grain would increase, but transport constraints would allow only an additional increase of 2-3 million tons. [redacted]

25X
25

Crops. The Chinese have announced a grain production target of 333.5 million tons for 1982, slightly above the record harvest of 1979 and 2.6 percent above the 1981 level. The summer harvest, which makes up nearly 20 percent of the total grain crop, consists mainly of winter wheat and was completed by mid-June. It declined slightly from the 1981 level of 60 million tons. Dry weather in the North China Plain and a slight reduction in sown area were responsible for the decline, although the Chinese reported better harvests in the Northwest, Southwest, and Changjiang Valley. [redacted]

Trade

We expect little change in China's grain trade for 1982. Total grain imports could rise slightly to the 1980 level of near 14 million tons, with the United States maintaining its role as the dominant supplier. We believe total US grain sales should be near the 1981 level of 8.1 million tons, but with a larger percentage of corn than in the past. Shipments and outstanding sales for the first half of 1982 are 12-percent corn, close to the LTA minimum requirement of 15 percent and well above last year's level of 6 percent. [redacted]

25X
25

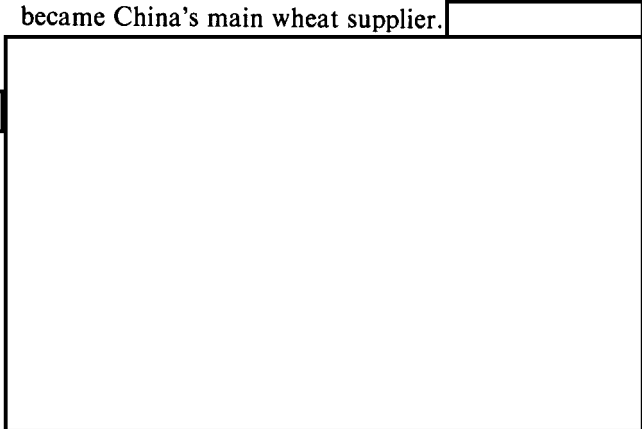
Transplanting of the early rice crop in south China was completed on schedule for the harvest in mid-to-late July. Light rains in late April also benefited growing crops in south China and aided in preparation for sowing fall-harvested crops in north China. The Northeast, which suffered from waterlogging last fall, appears to have sown fall-harvested crops without major difficulties. [redacted]

We expect shipments from Canada this year will also roughly equal last year's level of 3.1 million tons. On 5 May 1982 Canada announced the signing of a new LTA with China to ship between 10.5 million and 12.6 million tons of wheat over the three years beginning in August 1982. This will increase Canada's annual August-July shipments from the 2.8-3.5-million-ton range to 3.5-4.2 million tons. Canadian sales to China will again reach the levels attained during 1977 and 1978—before the United States became China's main wheat supplier. [redacted]

25
25
25

We believe the 1982 harvest will likely fall short of the goal of 333.5 million tons. While a slight decline in the area sown to grain is expected this year, Beijing's insistence on stabilizing the grain area is expected to slow the shift toward industrial crops. [redacted]

A large shortfall in China's grain production is, in our estimation, very unlikely. Variation in China's grain production is comparatively small because of China's diversity of crops and cropping seasons and the ability to hand plant crops with shorter growing seasons after disasters occur. If a significant shortfall in food production were to occur, however, we expect that the Chinese would respond in several ways:



- State deliveries of grain for human and animal consumption would be cut back. Little would be gained from cutbacks in animal feeding, however, as only a small portion of the nation's grain is normally consumed by livestock.

We expect Australian grain shipments this year will show the greatest changes from last year's level. A sale of 1 million tons announced in late March 1982

25

Confidential

Confidential

brings total commitments to 2.2 million tons for 1982, nearly double the 1.15 million tons shipped in 1981.

[REDACTED]

We expect expanding domestic production of both cotton and synthetic fibers and a softening in demand for export textiles will again combine to lower cotton imports in 1982. The total amount and sources of China's cotton imports for the coming year will depend on domestic and foreign harvests as well as the resolution of the issues arising in US trade discussed earlier. [REDACTED]

The Chinese are continuing efforts to expand soybean production and, barring poor domestic production, imports should again show some downward movement. We do not expect the Chinese to purchase US soybean oil in 1982. [REDACTED]

Confidential

Confidential

Appendix A

Production of Selected Agricultural Products

	Amount				Percent Change From Previous Year ^a Average Annual Increase			
	1957	1979	1980	1981	1958-78	1979	1980	1981
Grain (million metric tons) ^b	190.7	332.1	320.5	325.0	2.1	9.0	-3.5	1.4
Cotton (million metric tons)	1.6	2.2	2.7	3.0	1.3	1.8	22.7	9.6
Oil-bearing crops (million metric tons)	4.2	6.4	7.7	10.2	1.0	23.3	19.5	32.7
Sugarcane (million metric tons)	10.4	21.5	22.8	29.7	3.4	1.9	6.0	30.1
Sugar beets (million metric tons)	1.5	3.1	6.3	6.4	2.8	15.0	103.0	0.9
Jute, ambary hemp (million metric tons)	0.3	1.1	1.1	1.3	6.3	0.1	0.8	14.8
Silk cocoons (thousand metric tons)	112.5	271.0	326.0	311.0	3.4	18.9	20.3	-4.6
Tea (thousand metric tons)	111.5	277.0	304.0	343.0	4.3	3.4	9.7	12.8
Aquatic products (million metric tons)	3.1	4.3	4.5	4.6	1.9	-7.5	4.5	2.4
Hogs (million head at yearend)	127.8	319.7	305.4	293.7	4.2	6.1	-4.5	-3.8
Sheep and goats (million head at yearend)	98.6	183.1	187.3	187.7	2.6	7.8	2.3	0.2
Large animals (million head at yearend)	83.5	94.6	95.2	97.6	0.6	0.7	0.7	2.5
Gross value of agricultural output (billion 1970 yuan)	79.3	158.4	162.7	172.0	2.9	8.6	2.7	5.7
Population (million persons at midyear)	641.7	1,012.2	1,027.0	1,041.5	2.1	1.5	1.5	1.4

^a Based on unrounded numbers.^b Includes potatoes converted on a grain equivalent basis of 5 to 1.

25

Confidential

Confidential

Approved For Release 2007/03/03 : CIA-RDP83B00227R000100230005-9

Confidential

2007/03/03 : CIA-RDP83B00227R000100230005-9