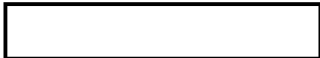




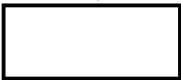
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# USSR: A Good Grain Crop Needed in 1982



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An Intelligence Assessment

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# USSR: A Good Grain Crop Needed in 1982

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## **An Intelligence Assessment**

*Information available as of 10 May 1982  
has been used in the preparation of this report.*

This paper was prepared in the Agriculture  
Assessment Branch and the Agriculture Trade  
Branch, Office of Global Issues. It was coordinated  
with the National Intelligence Council. Comments  
and queries are welcome and may be directed to  
the Chief, Resources Division, OGI.

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**USSR: A Good Grain Crop  
Needed in 1982** 

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**Key Judgments**

Moscow badly needs a good grain crop this year to avoid further deterioration in the Soviet diet. Although the 1982 crop season has benefited from good initial weather conditions, the odds are slim that the Soviets will achieve anything like their grain crop target of 238 million tons. Indeed, inasmuch as production during the last three years averaged only 175 million tons, Moscow would probably consider a crop of even 220 million tons outstanding. 

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Even with a bumper 1982 crop, Moscow will probably import 30-40 million tons of grain during the next marketing year (July 1982-June 1983). Long-term grain purchasing agreements with Argentina, Canada, and Hungary guarantee the Soviets roughly 10 million tons, and perhaps an additional 20 million tons can be bought from non-US sources. 

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The Soviets recognize, however, that to get the mix of feedgrains they prefer or to import much over 30 million tons, they must buy from the United States. Because their hard currency shortage shows no sign of easing, they will probably rely heavily on short-term Western bank credits to finance grain imports over the next few months. The Soviets are eager to begin negotiating a new Long Term Agreement with the United States, and they probably would agree to purchase larger amounts of grain than are covered in the existing accord if the United States is willing to guarantee delivery of such purchases. 

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**Contents**

	<i>Page</i>
<b>Key Judgments</b>	iii
Uncertain Prospects for the 1982 Grain Crop	1
Spring Seeding	2
Crop Development	2
Harvesting	5
Outlook for Crop Production and the US Interest	5

**Appendixes**

A.	The 1981 Crop Year Revisited	7
B.	Soviet Financing of Grain Purchases	9



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**Tables**

1.	USSR: Winter Grains	2
2.	USSR: Total Grain Production	7
3.	USSR: Production of Major Nongrain Crops	8



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**USSR: A Good Grain Crop  
Needed in 1982** [redacted]

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Soviet grain production declined sharply during the past three years after more than a decade of steady growth. Following a record crop of 237 million tons in 1978, the harvest fell to 179 million tons in 1979, 189 in 1980, and reportedly 158 in 1981, nearly a third below target. To avoid massive shortages, the Soviets have imported more than 100 million tons of grain since June 1979. During the marketing year ending this June, we expect Moscow to import a record 45 million tons. Moreover, last year's crop shortfall was not confined to grain. The output of sugar beets, sunflowers, and potatoes was among the worst of the past two decades. [redacted]

The hard currency bill for all agricultural commodities—including grain, other feedstuffs, meat, sugar, and vegetable oil—will probably reach some \$12 billion, up about \$1 billion from last year and a sharp increase from the roughly \$8 billion spent in 1980.<sup>1</sup> Altogether, food imports now account for roughly 40 percent of total Soviet hard currency purchases. These expenditures come when total Soviet hard currency earnings are likely to decline by as much as 5 percent. Prices for oil and gold—two major hard currency earners—fell in 1981 and will probably remain weak throughout 1982. [redacted]

Because of these constraints, the Soviets are turning to short-term borrowing to cover the costs of their grain purchases. Financing charges alone on these credits have added roughly \$100 million to the Soviet grain import bill. To facilitate sales, large grain trading firms have actively been helping the Soviets to secure credits. The Soviets probably will continue to rely heavily on short-term Western bank credits to finance additional grain imports—which may cost as much as \$1.5 billion—over the next five months. Financing grain purchases in this manner confronts Soviet policymakers with difficult choices. Borrowing

stretches hard currency supplies but interest charges add substantially to the cost of imported food. With financial pressures persisting, Moscow will face a constant problem of rolling over debt.<sup>2</sup> [redacted]

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Even with massive imports of grain, Moscow continues to fall further behind in its effort to deal with serious and persistent food shortages. Informal rationing has spread to most parts of the country, and nearly 20 cities have formal coupon-rationing systems for at least some foods. Limits on purchases of many other foodstuffs have also been imposed. The succession of poor grain harvests has had a major impact on the livestock sector by curtailing feed supplies. Although the Soviets can now claim more cattle and poultry than ever before, the average slaughter weight for cattle has fallen off. Total meat production, which had risen to 15.5 million tons in 1979, fell to the 15-million-ton level in 1980 and 1981. The outlook for dairy products is even gloomier. Despite an increase of some 600,000 cows since 1 January 1979, total milk production has declined almost 7 percent. Butter production has fallen 14 percent since 1978. [redacted]

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Over the short term, the supply of quality foods will probably worsen or at best stay about the same. Meat supplies will increase only if there is substantial distress slaughtering, and the resulting improvement would be only temporary. Kremlin officials have been reluctant to order Soviet farmers to reduce herd sizes because rebuilding them would take years. Feeding these herds from domestic sources, however, appears to be well beyond the ability of the current regime. [redacted]

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**Uncertain Prospects for the 1982 Grain Crop**  
The 1982 crop season in the Soviet Union has begun well. As of late April the outlook for winter grains, which normally account for one-third of total Soviet

<sup>1</sup> Data for 1980 are not yet complete. [redacted]

<sup>2</sup> For further details see appendix B. [redacted]

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**Table 1**

**USSR: Winter Grains <sup>a</sup>**

	1971-75 Average	1976-80 Average	1979	1980	1981	1982
<b>Area</b>						
Sown (million hectares)	34.4	36.9	33.5	38.0	35.0	36.5
Harvested (million hectares)	28.4	29.5	26.5	32.6	29.3	
Winterkill <sup>b</sup> (percent)	17	20	21	14	16	
Production (million tons)	55.6	64.6	49.6	63.1	55.0 <sup>c</sup>	60-70

<sup>a</sup> Winter wheat, rye, and winter barley.  
<sup>b</sup> Includes some acreage used for forage.  
<sup>c</sup> Estimated.

[redacted]

grain output, was generally good. The favorable prospects result mainly from last fall's successful sowing campaign and subsequent milder-than-normal weather. Total planted area is up slightly from a year ago, good snow cover through late February probably prevented significant winter damage, and crop development [redacted] is good to excellent. The yield of winter grains will depend, as usual, on weather conditions this spring, but if conditions are normal we expect the harvest to be average or a little better—in the 60- to 70-million-ton range.

[redacted]

Even so, it will be months before a reliable forecast of the 1982 Soviet grain harvest can be made. Potential grain yields can be affected at almost any time during the crop season:

- In April and May during planting.
- In June and July, when winter and spring grains reach a crucial stage in development.
- In August and September as the grain crop is harvested. [redacted]

**Spring Seeding.** Weather conditions during the spring seeding campaign—only recently under way—will play a key role in determining the size of the 1982 grain crop. A late spring delays planting, increasing chances that plants will reach a crucial stage of development during the summer's hottest weather.

Late planting can also delay plant maturity, increasing the crop's vulnerability to an early frost. Successful planting and germination of the spring grains boost prospects for the total grain harvest. However, because the planting campaign usually runs about two months, an assessment of its success or shortcomings—and the impact on grain production potential—is generally not possible until early June. [redacted]

Soviet farmers were well prepared to begin seeding this spring. About 117 million hectares were plowed last fall for winter fallow, some 9 million hectares more than the average for recent years. Moreover, unseasonably mild weather in March enabled farmers to begin work in the fields earlier than normal in many areas. Rains in recent weeks have slowed the pace of spring seeding, but better weather this month would allow planting to be completed on schedule. [redacted]

**Crop Development.** The central factor determining the outcome of the 1982 Soviet harvest will be growing conditions from plant emergence to midseason. During the latter half of this 50-day period, both winter and spring grains are most vulnerable to damage from severe weather. The maximum potential yield of the grain plant is determined at flowering; unusually hot, dry weather at that time often causes

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plant sterility and reduced yields. In the European USSR, flowering occurs in early-to-mid-June, while in the grain regions east of the Volga River, flowering occurs as late as mid-July. Last year the crop was devastated by a prolonged heat wave that started in late May and lasted more than two months. In the heart of the European grain belt—from Moscow to the middle Volga Valley—yields were cut by more than 50 percent on many farms. [redacted]

**Harvesting.** Yields for both winter and spring grains can also be reduced by problems during harvest, which begins in earnest in mid-July in the southern European USSR and normally ends in late September in Western Siberia. Wet weather slows the pace of the harvest, increasing chances that an early frost will interfere with crop maturation. If the weather is extremely poor, as in 1979 and 1980, the normal means of harvesting often cannot be used, forcing farmers at times to resort to hand harvesting methods. Should early snows cause farmers to abandon the fields altogether, losses can be significant. The 1981 harvest was finished ahead of schedule but for reasons and with results that were less than welcome. Extremely high temperatures accelerated plant ripening on about two-thirds of the total grain area, forcing farmers to collect the smaller yielding crop earlier than usual. [redacted]

#### **Outlook for Crop Production and the US Interest**

The Soviets need a crop of at least 220 million tons, a level exceeded on only three occasions. Indeed, from 1979 through 1981 grain production averaged only about 175 million tons. With a bumper crop, livestock productivity would improve, albeit modestly, and there would be a corresponding improvement in overall food supplies. On the other hand, if grain production is much below the 220-million-ton level, recovery could well take years. In any event, the grain and meat goals the Soviets set for 1985 and 1990 are now virtually out of reach. [redacted]

Even with a strong recovery in domestic grain production, the USSR will continue to import large amounts of grain. Since last July it has purchased some 44 million tons, much of which has been delivered. During the next marketing year (July 1982–June

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#### **Soviet Grain Purchasing Policy**

*Little is known in the West about Soviet decision-making on grain imports. In part the lack of knowledge stems from the veil of secrecy with which Moscow shrouds all aspects of its economy. In part Moscow keeps grain import matters hidden because this gives it an advantage in dealing with the international market. The highly centralized decision-making process helps to maintain secrecy and facilitates implementing policy decisions. For example, in 1972 Moscow was able to keep news of the purchase of unprecedented amounts of grain out of the press until after the purchases were made.*

*Who decides grain import policy and the size and timing of purchases is not known. Because grain imports are critical in meeting food requirements and are enormously expensive—currently running over \$6 billion, one-fifth of all hard currency imports—we believe the major decisions are made in the Politburo. These senior officials probably decide the magnitude of imports each year, leaving it to the Soviet grain buying agency, Eksporthleb, headed by Viktor Persin since 1974, to implement the policy. Eksporthleb maintains contacts with the international grain trading companies and agricultural officials in exporting countries. The Soviets are invariably close-mouthed about the size, timing, and origin of purchases and are especially secretive about the size of the Soviet grain crop.*

*The timing of grain purchases is particularly difficult to predict. Inasmuch as the bulk of the Soviet grain harvest occurs from late summer through early fall, Soviet officials usually cannot know with certainty until late summer their grain import needs. Because of Moscow's growing importance in grain trade—its imports will constitute 22 percent of worldwide grain imports in the marketing year ending in June—Soviet buyers time purchases to avoid price runups. This year an added factor has been the squeeze on hard currency holdings, which has forced the Soviets to consider financing when making purchases.*

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1983), the Soviets will probably import 30-40 million tons of grain, in part to rebuild stocks depleted by the last three years of poor harvests. We expect Moscow to order about 11 million tons of grain for delivery during July-September 1982, with the level of subsequent purchases dependent on:

- The size of the Soviet grain crop.
- Availability of Western grain. The outlook is for record production and continuing low prices.
- Hard currency constraints.
- Continuing availability of short-term credits from Western banks.
- Port capacity. The Soviets can handle roughly 48 million tons of grain imports per year.

Much of next year's imports could be obtained from exporters other than the United States.

On the basis of current world crop prospects, these and other exporters will be able to ship substantially more grain to the USSR. However, for grain imports to much exceed 30 million tons next year or for there to be a substantial increase in the amount of corn imported, the Soviets would have to turn to the United States.

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**Appendix A**

**The 1981 Crop Year Revisited**

The Soviet Union sustained a third consecutive grain shortfall in 1981. Widespread, heavy rain delayed spring planting and was followed by a prolonged drought that eventually encompassed about two-thirds of the total crop area. Yields of both winter and spring grains were cut severely. [redacted]

Moscow has not concealed its disappointment over the 1981 crop but has made no official announcement of its size. Unofficial statements by Soviet economic lecturers in Leningrad and Murmansk in late March were the first indications that the crop may have fallen below 160 million tons. One lecturer put the size at 158 million tons; the other cited a range from 150 to 165 million tons. Such lecturers were among the first spokesmen to provide accurate figures for the poor grain harvests in 1975 and 1979. [redacted]

Poor weather affected the production of other crops as well. Potato output was well below average for the second year in a row, and production of sugar beets and sunflower seed was the lowest in nearly 20 years. The cotton harvest continued to be the one bright spot, with last year's crop second only to the 1980 record. [redacted]

The Soviet Union will greatly expand grain imports during the marketing year that ends on 30 June (MY 1982). In all, a record 45 million tons of grain will be shipped to the USSR, a sizable increase from the previous record of over 34 million tons shipped in MY 1981. The US share of these imports is expected to be roughly 16 million tons—double the amount shipped during the previous marketing year, when shipments were restricted by the US embargo. Total exports from Argentina will rise from slightly more than 11 million tons to about 13 million tons. [redacted]

**Table 2**

Million Metric Tons

**USSR: Total Grain Production**

	1971-75 Average	1976-80 Average	1978	1979	1980	1981
<b>USSR total grain</b>	<b>181.6</b>	<b>205.1</b>	<b>237.4</b>	<b>179.2</b>	<b>189.1</b>	<b>158<sup>a</sup></b>
Wheat	88.9	99.7	120.9	90.2	98.2	NA
Coarse grains <sup>b</sup>	82.7	95.2	105.6	81.4	80.7	NA
Other <sup>c</sup>	10.0	10.2	10.9	7.6	10.2	NA
<b>Total grain by republic</b>						
<b>Of which:</b>						
<b>RSFSR</b>	102.9	113.9	136.5	91.8	105.1	NA
Ukraine	40.0	43.1	50.6	34.0	38.1	NA
Kazakhstan	21.7	27.5	27.9	34.5	27.5	NA

<sup>a</sup> Although numerous grain estimates are currently available in Moscow, the USSR Central Statistical Administration has not released an official production figure for last year's total Soviet grain output. In late March, Soviet economic lecturers made an unofficial forecast predicting that the 1981 grain harvest would be roughly 158 million tons. [redacted]

<sup>b</sup> Coarse grains include corn, barley, oats, millet, rye, miscellaneous.  
<sup>c</sup> Other grains include rice, pulses, buckwheat.

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**Table 3**

Million Metric Tons

**USSR: Production of Major Nongrain Crops**

	1971-75 Average	1976-80 Average	1978	1979	1980	1981
Potatoes	89.8	82.6	86.1	91.0	67.0	72.0
Sugar beets	76.0	88.4	93.5	76.2	79.6	60.6
Sunflowers	6.0	5.3	5.3	5.4	4.7	4.6
Vegetables	23.0	26.0	27.9	27.2	25.9	25.6
Cotton	7.7	8.9	8.5	9.2	10.0	9.6



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## Appendix B

### Soviet Financing of Grain Purchases

Hard currency problems are forcing Moscow to turn to costly short-term financing to pay for Western grain. The financial pinch is especially tight because of the fall in gold and oil prices and the continuing need to import grain at a record pace. During the last eight months, the Soviets have raised more than \$1 billion in short-term credits to finance grain purchases. Financing charges have added approximately \$100 million to their grain import bill. Moscow's continued use of short-term credit will depend in large measure on the policy stance of grain exporting countries and the willingness of major grain trading firms to provide direct and indirect lines of credit.

[Redacted]

#### The USSR's Need for Grain

To help offset last year's harvest disaster, the Soviets have already bought about 44 million tons of the 45 million tons of grain we expect them to import in the marketing year ending 30 June. Almost 29 million tons of grain were shipped by the end of February. Soviet trade officials have announced plans to accelerate the pace of deliveries this spring. Remaining purchases—about a million tons—will come mostly from the United States.

[Redacted]

The USSR is benefiting from a buyer's market. A record world grain crop forced wheat and corn prices in March to their lowest level in almost two years. Indeed, with non-Soviet import demand weak, Moscow has considerable negotiating leverage with exporters who are hard-pressed to move existing surpluses before this year's summer crops are harvested.

[Redacted]

#### Financing Grain Imports

Unlike in the past, the Soviets have been forced to seek credit from the international banking community for grain purchases. Falling prices of oil and gold have reduced the amount of hard currency available to pay for grain purchases, which may exceed \$6 billion in the current marketing year.

[Redacted]

Three major sources of credit are open to Moscow:

- *International grain trading companies* are able to provide financing because of their longstanding credit relations with major banks. By extending short-term credit to purchasers, using the firm's own line of credit, a trader can profit from both the sale and the credit arrangement. The companies can also help arrange direct credit between bank and grain buyer.
- *Commercial banks* independently will provide short-term, unsecured loans to grain-buying countries that are deemed creditworthy. Interest on loans is pegged to the US prime rate and the London Interbank Offered Rate (LIBOR) on most US-financed grain. These rates have exceeded 15 percent for most of the past year.
- *Government financial assistance* is available from some exporters to promote grain sales. Support can take a variety of forms, from providing direct credit to guaranteeing private loans. Canada and Australia are able to offer government-guaranteed loans.

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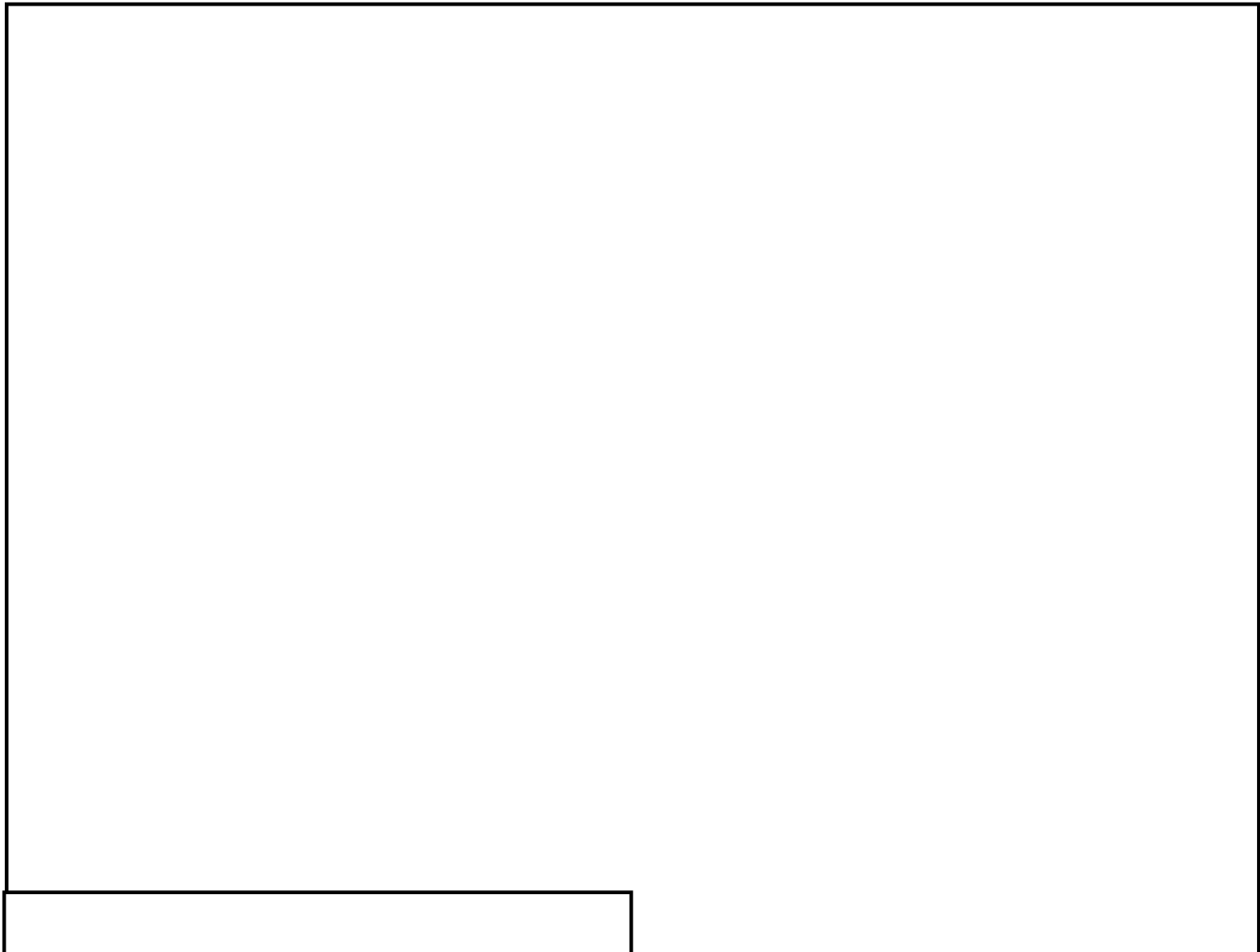
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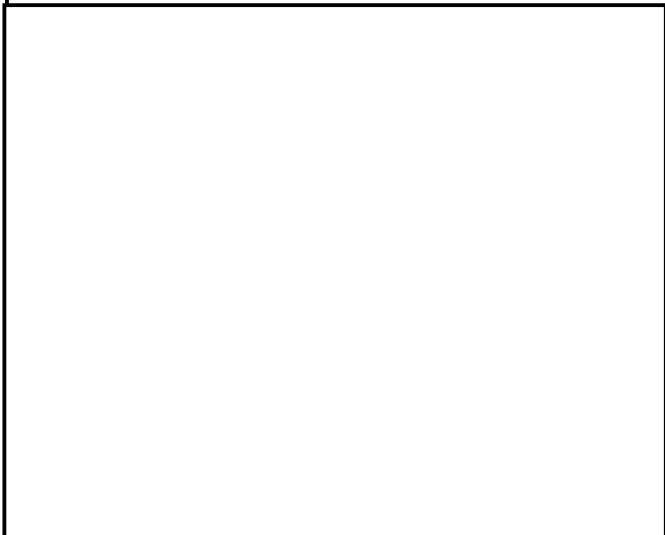
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**Outlook**

The USSR will probably order an additional 11 million tons of grain worth about \$1.5 billion—virtually all from the United States, Canada, and Argentina—for delivery during July-September. Because its hard currency shortage shows no sign of easing, the USSR is likely to continue to rely heavily on short-term Western bank credits to finance its grain imports over the next few months. To the degree that Moscow relies on credit, its vulnerability to Western financial sanctions will mount. As long as the world grain market remains in surplus—and Soviet creditworthiness is strong—the potential pressures on Moscow should be manageable.

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