
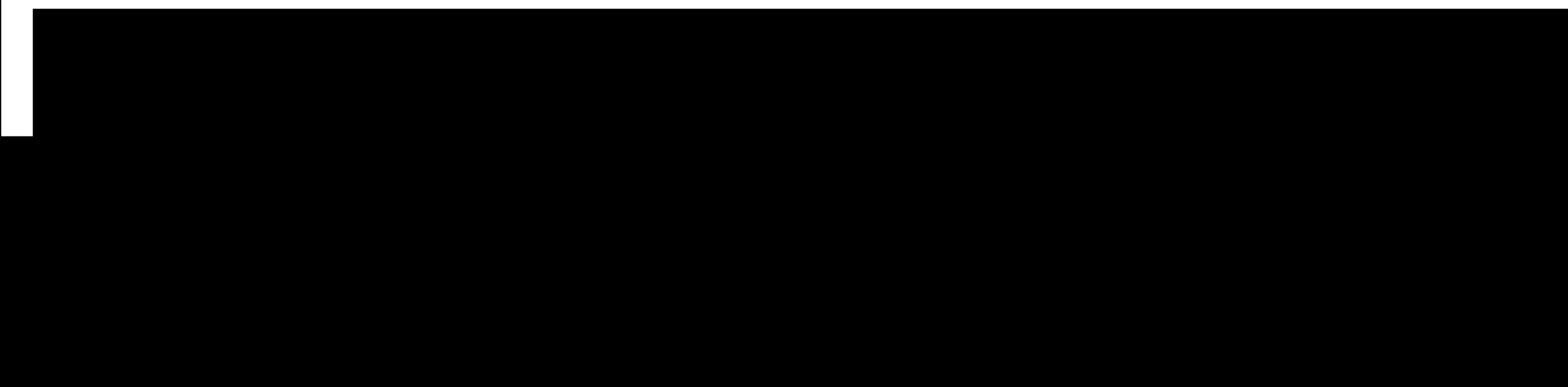

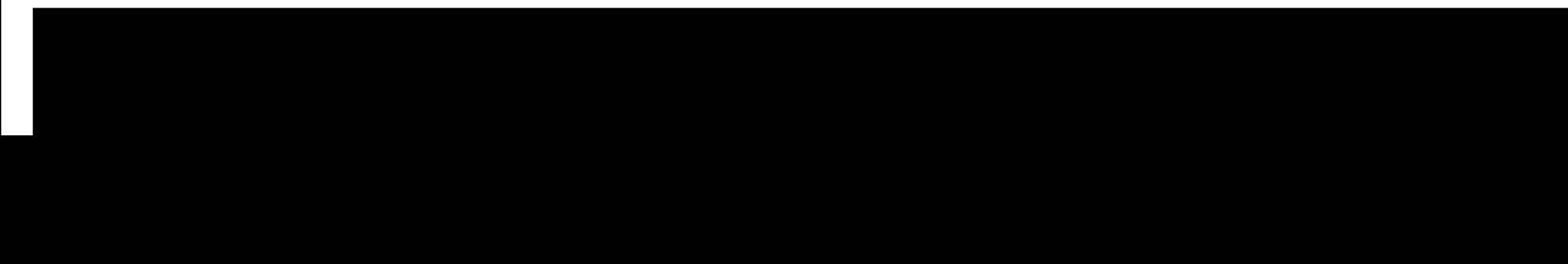


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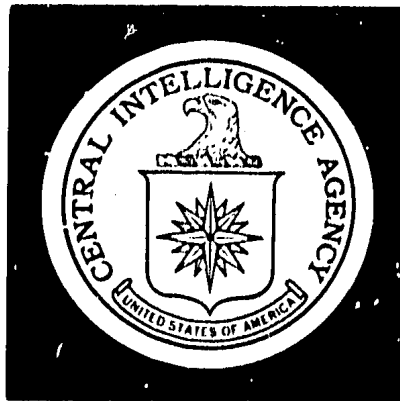


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

The 1969 Harvest In Communist China

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
January 1970

INTELLIGENCE MEMORANDUM

The 1969 Harvest In Communist China

Introduction

This memorandum reviews the factors which affected food production in 1969 and summarizes the trends in Chinese food consumption and trade in foodstuffs. Evidence on food consumption for 1969 is available only for the first half of the year and reflects primarily production in 1968. Conclusions about production for the full year 1969 are preliminary and are based, for the most part, on reports on weather and other growing conditions.

Grain Production in 1969

1. The total harvest of grain in Communist China in 1969 was apparently higher than the mediocre level of 1968; whether this year's harvest reached the level of the excellent 1967 harvest remains unclear. On the one hand, both the 1968 and 1969 harvests were favored by only average weather conditions, while weather in 1967 was unusually good. On the other hand, supplies of chemical fertilizer were higher in 1969 than in either 1967 or 1968. The effects of those two variables -- weather and chemical fertilizer -- on crop production in Communist China are difficult to quantify, and the precise relationship between the harvest of 1969 and that of 1967

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cannot be clarified at this time. Chinese Communist claims for the grain harvest in 1969 suggest, however, that Peking does not consider this year's grain harvest to have equaled that of 1967. In 1967 the regime claimed that "grain had registered a considerable increase" over 1966, which had been an "all-time high" harvest. In 1968, no mention of total grain production was made at all, and the claim simply stated that "another excellent harvest" had been achieved. For 1969 the regime has claimed only that "total grain output this year was higher than that of last year," giving no indication of attaining a new peak level.

The Early Harvest

2. The harvest of early grains is estimated to have been no better than the early harvest of 1968. Unusually cold, damp, and cloudy weather in many areas of the country seriously affected the growing conditions for winter wheat, miscellaneous winter grains, potatoes, and early rice, which represent most of the early harvest. Although growing conditions for the early harvest were less favorable than in 1968, the increased availability of chemical fertilizers and other inputs apparently prevented any serious decline in yields.

The Late Harvest

3. The more important late (autumn grain) harvest, which normally accounts for about two-thirds of annual grain output, was somewhat more successful, chiefly because of improved weather conditions in the fall months.

4. During this past summer, autumn-harvested crops in much of Central and East China were subjected to intense storm activity which produced major flooding in the Yangtze Valley. The area involved and the intensity of precipitation was much greater than in 1968, when flooding was reported in the same general area. This storm activity later moved into North and Northwest China producing heavy and prolonged precipitation over much of the Hai River Valley of North China and caused some waterlogging at low elevations.

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Although typhoons struck areas of South China during July and August, they did not seriously affect crops in these areas. Szechwan Province, a major grain-producing area, and much of North-east China were beset by drought conditions during the spring and summer months.

5. Weather conditions subsequently improved throughout much of the affected areas with the exception of Northeast China, portions of Central and East China, and Szechwan Province. In these latter areas, the harvest appears to have been below average.

6. The improvement in weather conditions during the fall months in most areas of the country probably was the main factor in raising autumn grain output sufficiently to offset the below-average early grain harvest. The increased supplies of chemical fertilizer available throughout the year, however, and continued regime tolerance of private agricultural activity also contributed to the improvement in total grain output in 1969.

7. Domestic output of chemical fertilizer began to recover from the effects of the Cultural Revolution in the last half of 1968, and production in 1969 may have been as much as 20% above the 4.5 to 5.0 million tons produced in 1968. Contracts for the import of large quantities of chemical fertilizer from the Free World also continued. Scheduled deliveries during the 1969/70 fertilizer year are close to the record high level of 4.3 million tons of nitrogenous fertilizer ordered in 1968. There appear to have been fewer problems in the distribution of fertilizer in 1969, and most of the fertilizer available probably reached farms in time for effective application.

8. While there were no great problems in agricultural production in 1969, there is growing evidence that the regime is concerned about its ability to procure and distribute agricultural products. In an unusual article in the December 1969 *Red Flag*, peasants were exhorted to "take the needs of the state into account" and to "sell more surplus grain to the state and fulfill and

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overfulfill quotas of grain deliveries and sales to the state." Similar exhortations and complaints that the peasants were holding back grain due to the state and increasing their own consumption have also been noted in the provincial press. The full effects of the continuing movement of millions of urban dwellers into the rural areas remain to be seen. However, the current difficulty in state procurement of grain may be in part a reflection of the increased consumption requirements generated by the arrival of these newcomers in rural areas.

Agricultural Policies in 1969

9. Policies of the regime toward peasant incentives during 1969 have also helped to maintain agricultural productivity. Unfavorable crop prospects in March 1969 apparently persuaded the regime to reverse earlier policies which would have expanded the scope of collective activity and restricted private side-line activity. Nevertheless, the peasants are reported to be apprehensive of the effect the continued influx of urban dwellers will have on the distribution and cultivation of private plots.

10. The renewed emphasis on agriculture has also been noted in recent editorials. Indications are that the production of agricultural tools, spare parts, and other products by rural industries for farmers will be increased. References to "Rural Development Programs" have been emerging in many provincial editorials since the publication of a major *Red Flag* article in October 1969 advocating such a program and stressing the need for industry to orient itself to serve agriculture. The reference to "Rural Development Programs" may be a resurrection of the old "National Program for Agricultural Development," first announced on 25 January 1956 and later revised in October 1957. This program, known also as the "Twelve Year Agricultural Plan for 1956-67," called for sharp increases in grain yields on a regional basis and placed the main emphasis for realizing these goals on improved seed strains, double cropping, and the development of small-scale irrigation and water conservation schemes which could be carried out by local authorities or the farmers themselves. There is, however, some confusion among peasants as to the meaning of these new policies, particularly

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since the degree to which present benefits will be sacrificed in the interest of gaining long-run benefits is not yet clear. The programs now emerging often mention the year 1975 as the terminal date for their completion. However, no detailed national program has as yet been reported.

Current Trends in Food Consumption

11. Incomplete data indicate that food supplies through mid-1969 are sufficient in most areas of the country to maintain per capita consumption at about 2,000 calories per day -- well above the austere levels of 1961-62. Preliminary estimates of the 1969 harvest suggest that this level can be maintained.

12. Sample consumption data also suggest that there has been a very gradual decline in the per capita availability of subsidiary foods in the two years prior to mid-1969. This decline appears to have been most pronounced in fats and oils, sugar, pulses, seafood, meat, and dairy products. Although the reasons for this decline are not entirely clear, it seems probable that private production of many of these foods -- which steadily increased in the 1960s -- has leveled off and can no longer provide an increasing share of per capita intake.

13. In 1969, wheat imports continued to play an important role in maintaining urban consumption standards. In September, China negotiated a new contract with Canada for the purchase of about 2.2 million tons of grain for delivery during the period October 1969 through September 1970. Deliveries under this contract in 1969 will bring China's total grain imports in 1969 to about 5 million tons, compared with 4.4 million tons in 1968, as shown in the following tabulation:

<u>Year</u>	<u>Million Metric Tons</u>	<u>Year</u>	<u>Million Metric Tons</u>
1961	5.5	1966	5.6
1962	5.0	1967	4.2
1963	5.5	1968	4.4
1964	6.6	1969	5.0 <u>a/</u>
1965	5.9		

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14. Some delays in grain shipments have been experienced under the French contract which called for delivery of 800,000 tons of wheat in 1969. However, these shipments are expected to be completed by the end of February 1970.

15. Chinese grain imports are unlikely to decline in 1970. In addition to the recent contract for Canadian grain, in December 1969 China signed a contract with Australia for 2.2 million tons of grain to be delivered between January and September 1970. World wheat stocks, currently estimated at about 75 million tons (excluding those of the United States), are at record levels. Thus China faces a favorable market for further purchases. New contracts with Canada or Australia for delivery in the fourth quarter of 1970 or new contracts with France or Argentina could raise Chinese imports in 1970 to 5 million tons.

16. China's exports of foodstuffs are largely high-value items -- livestock products, rice, fruit, and vegetables. Food exports go to Hong Kong, to the overseas Chinese living in Southeast Asia, and to Japan and Western Europe.

17. Chinese net trade in foodstuffs has remained moderately favorable; net exports in 1968 probably were about \$115 million, compared with \$125 million in 1967 and \$85 million in 1966.* Prospects for 1969 indicate another favorable year, with a slight rise over 1968 expected. Although exports to Japan appear to have declined in 1969, they will probably be offset by increases to Hong Kong and Southeast Asia.

* *Chinese Communist food exports and imports during 1966-68 are as follows:*

	<u>Million US\$</u>		
	<u>1966</u>	<u>1967</u>	<u>1968</u>
<i>Exports</i>	595	505	525
<i>Imports</i>	510	380	410
<i>Net exports</i>	85	125	115

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18. Grain output in 1969 apparently increased above the level of 1968; whether the harvest reached the record level of 1967 is unclear. Weather conditions in 1969 were not as good as those of 1967; however, increased supplies of chemical fertilizer were available in 1969. The effects of these two variables on crops in China are difficult to quantify and thus do not provide a basis for determining the precise relationship between the harvest of 1969 and that of 1967. Chinese discussions of the harvest results in the past three years, however, suggest that while the 1969 grain crop was better than that of 1968, it probably did not reach the 1967 level. This level of food output will permit maintenance of per capita consumption at about 2,000 calories per day, but will not provide either improved levels of consumption or significant increases in the availability of raw materials for industry and export. Chinese imports of fertilizer have continued at about the level of 1968 while the import of grain in 1969 showed a slight rise. Imports of both grain and fertilizer are expected to continue at these levels during 1970. The regime continues to show concern over its ability to procure and distribute agricultural products. This may, in part, reflect the increased consumption requirements generated by the thousands of newcomers who have moved into the rural areas during the year.

19. The emergence of an agricultural development program patterned after one originally proclaimed in 1956-57 has been received with mixed emotions in the countryside. This program apparently asks the peasant for further sacrifices.

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