

25X1

Approved For Release 2005/06/29 : CIA-RDP85T00875R001600040050-2

Approved For Release 2005/06/29 : CIA-RDP85T00875R001600040050-2

CIA/ER/IM 71-49

DoE/ser

25X1

**Secret**



**DIRECTORATE OF  
INTELLIGENCE**

# Intelligence Memorandum

*The Performance Of Soviet Agriculture In 1970  
And The Outlook For 1971*

**DOCUMENT SERVICES BRANCH  
FILE COPY  
DO NOT DESTROY**

**Secret**

ER IM 71-49  
March 1971

Copy No. **51**

## WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1  
Excluded from automatic  
downgrading and  
declassification

**SECRET**

CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
March 1971

INTELLIGENCE MEMORANDUM

The Performance Of Soviet Agriculture  
In 1970 And The Outlook For 1971

Introduction

Generally favorable growing and harvesting conditions for crops boosted net Soviet agricultural production in 1970 to a record level. The ending of the 1966-70 plan period with a bumper harvest, in contrast to the poor growing conditions in 1965, artificially inflates improvements in agriculture for the 1966-70 period as a whole. Thus Brezhnev will go to the 24th Party Congress in March fortified by a plausible image of the success in his farm program.

Highlighting the 1970 agricultural performance were the record outputs of grain, cotton, and meat and an upswing in the size of livestock herds. Despite the improved overall performance of the farm sector during the past year, the increase in output of quality foods was too small to permit a marked improvement in the Soviet diet during the 1970/71 consumption year (1 July to 30 June). Even at relatively high retail prices, supplies of meat and some other quality foods available at retail outlets are far short of satisfying the expanding demands of Soviet consumers.

This memorandum (1) assesses the magnitude of overall 1970 farm output and its principal components -- crop and livestock production, (2) examines recent developments affecting the domestic supply and consumption of meat in 1970 and the first half of 1971, and (3) reports the probable level of Soviet trade activity in grain products during the 1970/71 trade year.

*Note: This memorandum was prepared by the Office of Economic Research.*

**SECRET**

SECRET

Overall Performance in 1970

1. Preliminary estimates indicate that Soviet farm output in 1970 increased by more than 11% over the depressed 1969 level and surpassed the previous record high attained in 1968 by 6½%. The good performance in 1970 was highlighted by an increase of more than 12% in crop production. In comparison, livestock products grew less than 4½% (see Table 1).

2. The major increase in total crops in 1970 reflected the results of record harvests of grain and cotton and a recovery from depressed levels of output in 1969 of sugar beets, fruit, vegetables, and potatoes. Record yields of grain and cotton were due in part to unusually favorable growing and harvesting conditions and in part to a boost in the use of mineral fertilizers. These same factors indirectly led to an improved performance in the livestock sector. A jump in the availability of both feed grains and other types of fodder permitted a simultaneous gain in output of meat, milk, eggs, and wool and a sizable increase in herds. The overall value of livestock inventories at the end of 1970 was at an alltime high.

Grain Production

3. The 1970 grain crop, estimated at 150 million metric tons, the largest in Soviet history, was 22 million tons above the mediocre harvest of 1969 and 10 million tons above the previous high recorded in 1966. The spurt in grain output in the last year of the Eighth Five-Year Plan raised the annual average level of grain production in 1966-70 to 135 million tons, approximately the level promulgated under the original Brezhnev Program for 1966-70 and 27% above the average annual level achieved in 1961-65.

4. On the average, weather and growing conditions in the period 1966-70 were markedly better than during the first half of the decade. During 1966-70 there was a single year of exceptionally favorable growing and harvesting conditions (1966), another above average year (1970), one year of more or less normal weather (1968), and two subnormal years (1967 and 1969). However, the earlier

## SECRET

Table 1

USSR: Production of Major Crops, Livestock Products, and Change in Herds

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
	<u>Annual Rate of Growth (Percent)</u>				
Total value <u>a/</u>	8.6	-1.1	6.4	-4.1	11.2
Crops	15.0	1.1	7.3	-8.1	12.1
Livestock products	7.0	6.0	2.1	-1.8	4.3
Change in livestock herds	2.7	-1.9	-1.6	1.1	7.0
	<u>Million Metric Tons</u>				
Grain	140	122	135	128	150
Potatoes	88	95	102	92	97
Sugar beets	74	87	94	71	78
Cotton	6.0	6.0	6.0	5.7	6.9
Vegetables	17.9	20.5	19.0	18.7	20.3
Meat	9.4	10.1	10.2	9.9	10.4
Milk	71.4	75.1	77.4	76.6	77.9
Eggs (billion)	31.7	33.9	35.7	37.2	40.4

a. Agricultural output for sale and home consumption net of uses of farm products as seed and livestock feed. The data for crops are based on production gross of uses of grain and potatoes for feed. In the indexes used to derive the rates of growth, 1968 price weights have been used in aggregating the physical output of crops and animal products, including changes in inventories of livestock. Price weights for 1968 have been substituted for 1960 price weights, heretofore used in computing our index of Soviet agricultural output.

SECRET

period included two years of exceptionally poor growing conditions (1963 and 1965) not matched by any year in the last half of the decade. In addition, 1961-65 did not include a year as favorable as 1966.

5. As a result of the larger area of wheat and rye harvested, the output of bread grains increased relatively more in 1970 than did that of feed grains. Therefore, supplies will be ample to meet domestic needs for high-quality bread supplies in 1971 and to fulfill current export commitments to Eastern Europe and other client states.\* In addition, the USSR will be in a position to enhance its earnings of hard currency by a moderate expansion of grain sales to Free World customers. Finally, as the result of a somewhat larger supply of grain for feeding, the regime will be able to effect a boost in the output of meat and other livestock products in the first half of 1971.

#### Factors Affecting the 1970 Grain Crop

6. The total area from which the USSR harvested grain in 1970 is believed to have been slightly below the 1967-69 average of about 122 million hectares. In comparison with 1969, the acreage of winter grains\*\* harvested in 1970 increased by an estimated 7 million hectares while spring grains\*\*\* declined by about 9 million hectares. This represents a shift to a more normal balance of acreage between winter and spring grains, canceling a change in the pattern that occurred in 1969. Because of unusually heavy winterkill that year, harvested acreage of the higher yielding winter

---

\* The term client state denotes a close bilateral political relationship. Client states of the USSR include the following: the East European countries (excluding Albania and Yugoslavia), Cuba, North Vietnam, North Korea, the United Arab Republic, and Algeria.

\*\* These are grains sown in the fall; winter wheat, winter rye, and winter barley are included. Fall sown grains normally account for somewhat more than one-third of total grain output.

\*\*\* Spring seeded grains include spring wheat, spring barley, oats, corn, buckwheat, millet, pulses, and rice.

- 4 -

SECRET

**SECRET**

grains was reduced sharply and an additional 10 million hectares of spring grains were planted.

7. In 1970, less than optimum conditions for the growth and development of winter grains occurred during portions of the crop year. Because seeding was late and soil moisture supplies were relatively low in the fall of 1969, the crop in some areas failed to obtain the usual degree of growth and development before the onset of winter. Moreover, fall sown crops over widespread areas suffered from prolonged cover of heavy snows and ice in later winter. However, the effect on winter grain yields was more than offset by the early advent of spring and above-normal levels of soil moisture which provided a long period of development under generally favorable conditions. Subsequently, excellent weather conditions during the harvest in most of the winter wheat belt limited losses to below-normal levels. The overall favorable growing and harvesting conditions, combined with increased fertilizer, expanded use of improved seed varieties, and improved cropping practices resulted in a relatively large output of winter grains.

8. Sowing of spring grains got off to an early start with excellent reserves of soil moisture. Nearly all important spring grain areas received a significantly above-normal accumulation of precipitation between the fall of 1969 and the early stages of growth, and with few exceptions soil moisture remained adequate during the season. The most notable exceptions were in some southern areas of the New Lands, where precipitation in mid-summer tapered off to below the normal level, causing crops to suffer from inadequate moisture, and in the northern portion of the New Lands, where cool rainy weather postponed ripening. As a result, the bulk of the harvest in the latter area was delayed into early autumn, which, as usual, was marked by increased precipitation and the arrival of snow. Adding to the harvest difficulties in the New Lands was the excessive growth and lodging of grain.\* Thus, in contrast to the high quality

\* *The term lodging describes the conditions resulting when stalks break or bend and form a flattened or tangled mass which is difficult to harvest.*

**SECRET**



**SECRET**

of grain harvested in the winter wheat belt, a significant portion of the New Lands grain crop may have suffered some deterioration of quality before harvest and during storage. Despite these problems, yields of most spring seeded grains registered record high levels in 1970.

#### Production of Other Crops

9. After four years of stagnation, production of cotton in 1970 jumped by more than 16% above the average attained in 1966-69. Since acreage remained virtually unchanged, the record level of output reflected a spurt in yields. The cotton crop benefited from unusually favorable weather from planting through the harvest, as well as a record high application of fertilizer and better irrigation practices.

10. The much larger output of cottonseed oil, an important by-product of the cotton crop, will partly offset a decline in output of vegetable oil from the major oilseed crop, sunflowers. For the second year in a row, both the yield and the average oil content of sunflower seed declined. The availability of sunflower oil from the 1970 crop may be as much as 15% below the record yield of 1968 and 9% below 1969. Growing conditions during 1970 were characterized by a shortage of soil moisture in late summer in some important regions and by poor ripening and harvesting weather in others.

11. The output of potatoes was the second highest in Soviet history next to 1968. On the other hand, the availability of beets for sugar refining remained somewhat below the average for 1966-69 and 17% below the record level attained in 1968. Growing conditions were less than ideal for root crops. Wet and cool growing weather in important potato-growing areas hampered plant development and encouraged diseases while sugar beet growth was restricted by a hot, dry period in late July and August.

12. Production of fruit and vegetables increased significantly in 1970 with the output of the latter approximately reaching the previous high of 1967. The failure of fruit output to regain the peak output of 1968 reflected the

**SECRET**

**SECRET**

continuing effect of widespread destruction of fruit-bearing trees during the unusually severe winter of 1968-69.

### Livestock Production

13. In contrast to the 12% increase in output of crops, the production of major livestock products in 1970 increased at less than half that rate. Nevertheless, output of meat, milk, and eggs did set new records in 1970. Most importantly, after two years of stagnation and decline, meat output rose by 5% in 1970.

14. Official policy encouraged the expansion of livestock herds in 1970 at the expense of slaughtering. Hence the increase in size of herds during 1970 (see Table 2) is more impressive than the increase in livestock products. The 20% increase in hogs places inventories slightly below the record level reached at the end of 1962. Total cattle holdings are now at an alltime high.

15. The livestock sector got off to a good start in 1970. After two years of decline, overall inventories of livestock at the beginning of the year were up slightly, highlighted by a 14% increase in hogs. More important, there is evidence that the regime had authorized the release of a considerable quantity of grain reserves from government-held stocks for feeding livestock. These reserves, in conjunction with a somewhat greater quantity of feed grain available from the 1969 crop, more than offset the lower supplies of other concentrates such as oilseed cake and of succulent feeds such as potatoes and silage. In addition to the augmented carryover of feed from 1969, the early spring permitted a long pasturing season. Finally, the same favorable growing conditions that resulted in a record grain yield led to a higher production of hay, silage, and other forage crops.

16. A major spurt in private holdings of hogs in both 1969 and 1970 -- up 28% in two years -- apparently reflects a change in official policy toward individual ownership. The most important factor in the slowdown and stagnation in output of meat and other livestock products in the 1968-69

**SECRET**

**SECRET**

Table 2

## USSR: Change in Livestock Herds

	1961-65					
	Annual Average	1966	1967	1968	1969	1970
	Annual Rate of Growth of Value (Percent)					
<u>Livestock inventories</u>						
Total value	3.1	2.7	-1.9	-1.6	1.1	7.0
Socialized	3.4	3.0	-0.5	-0.7	3.9	8.3
Private	2.3	2.1	-5.3	-3.7	-6.0	3.2
	Million Head, End of Year					
<u>Number of livestock</u>						
Cattle	87.0	97.1	97.2	95.7	95.2	99.1
Hogs	58.0	58.0	50.9	49.0	56.1	67.2
Sheep and goats	139.3	141.0	144.0	146.1	135.8	143.2

period was the absolute decline in output of the private sector. Faced with rising consumer demand and the need to expend foreign currency on imports of meat, the regime has recently decided to encourage private holdings of at least hogs by raising prices paid to producers and by accelerating the sale of young pigs and feed to individual households. In February 1970, prices paid to private producers of pork and poultry were increased on the average by 35%. The government's purchase price for an individually owned hog now exceeds the equivalent state retail price (expressed in live weight) by about 30%. In other words, the private producer clearly has an incentive to sell to the state and to satisfy his own personal demand

**SECRET**

SECRET

for pork and pork products through purchases from state retail outlets.

Recent Developments in the Supply and Demand for Meat

17. Although the Soviets claim that the meat production target for the Eighth Five-Year Plan (1966-70) was overfulfilled, retail supplies in the last two years have fallen far short of demand. Evidence of the population's unsatisfied demand was manifest in (1) lengthening queues in state stores, where prices are fixed, (2) an increase in the number of reports of complete absence of supplies of meat in selected urban centers, and (3) rising prices in the collective farm market (CFM), where prices rise and fall according to demand and supply. The apparent disparity between supply and demand reflects the planners' underestimation of the Soviet consumers' desire to change more rapidly the composition of his diet from starchy staples (bread and potatoes) to meat and other quality foods. In addition, increases in money incomes beyond plan goals for the period 1966-70 provided a further impetus to demand.

18. The slow growth of meat supplies since 1967 has been accompanied by signs of unsatisfied demand especially in 1969 and 1970. Beginning in mid-1969 there were sporadic reports of prolonged local shortages. A strong upward trend in CFM meat prices for the country as a whole was suggested by a 16% rise in Moscow markets between January 1969 and January 1970. Early in 1970 the regime took steps to augment domestic supplies of meat by purchasing considerable quantities of meat from major Free World exporters.\* Incomplete trade returns for 1970 indicate that purchases for hard currency came to at least 100,000 tons (approximately \$50 million).

19. The moderate improvement in meat supplies in 1970 -- up 6% per capita -- failed to reduce

\* Between 1966 and 1969 the USSR was a net exporter of meat, with selected client states as the main recipients. In 1969 and 1969, meat imports were less than 80,000 tons, with nearly all imports originating from East European client states.

SECRET

SECRET

noticeably the market shortage. In the final quarter of the year, CFM meat prices in Moscow were 9% above the corresponding period in 1969. Moreover, severe shortages and, frequently, total absence of meat from state retail outlets in provincial cities continued to be reported throughout the year. In two-thirds of the nearly 70 cities visited by diplomatic personnel in 1970 meat supplies were either not available in state stores or available in limited quantities.\*

20. Faced with a high level of unsatisfied demand for meat, the regime has recently contracted for further purchases from Free World suppliers. Purchases of 80,000 tons for delivery in the first half of 1971 have been reported by reliable sources with indications that total imports for the year will exceed those of 1970.

Prospects of Grain Trade

21. The record 1970 grain harvest will permit the USSR to continue for the fourth year in succession its traditional role as a net exporter of grain. In addition to meeting its commitments to Eastern Europe and to its other client states in the current trade year, the USSR is in a position to affect a moderate boost in exports to the Free World. Net exports, which averaged nearly 4 million tons in 1967-68, jumped to more than 6½ million tons in 1969 but are estimated to have fallen below 5 million tons in 1970. Purchases of grain from Canada caused net exports to drop in 1970 even though total shipments probably continued near the 1969 level (see Table 3).

25X1

SECRET

Table 3

USSR: Exports, Imports, and Net Trade in Total Grain and Wheat a/

	Thousand Metric Tons					
	Annual Average			1969	1970 <u>b/</u>	1971 <u>c/</u>
	1960-63	1964-66	1967-68			
<b>Exports</b>						
Total grain	7,402	4,228	6,493	8,076	7,600	9,500 to 10,500
Of which:						
Wheat	5,108	2,579	5,473	6,803	N.A.	N.A.
<b>Imports</b>						
Total grain	1,867	8,275	2,564	1,387	2,950	1,200
Of which:						
Wheat	1,341	7,820	1,914	417	2,000	350
<b>Net trade <u>d/</u></b>						
Total grain	-5,535	+4,047	-3,929	-6,689	-4,750	-8,300 to -9,300
Of which:						
Wheat	-3,767	+5,241	-3,559	-6,386	N.A.	N.A.

a. Including flour (converted into grain equivalents by using a 72% extraction rate), rice, and groats.

b. Preliminary estimates.

c. Projected.

d. A plus sign denotes net imports; a minus sign, net exports.

**SECRET**Soviet Grain Imports

22. Although the Soviet Union continues to import some grain, it does so only as a convenient way to supply its client states, its own remote areas (such as the Far East regions), and its own preference for special types of grain. Although 1.8 million tons remains to be purchased under a long-term agreement with Canada, the prime source of Soviet imports, purchases during the current trade year probably will be limited to shipments of 350,000 tons of Canadian flour (wheat equivalent) to Cuba. Purchases from other sources will probably be limited to the usual small imports of rice and corn.

Soviet Grain Exports

23. Most of the USSR's grain exports go to its client states (see Table 4). Although the figures remain incomplete for 1970, it appears that shipments to the East European clients may have declined by 5% to 10% from the 4½ million tons exported in 1969. Poland has announced that the USSR will deliver a record 1 million tons in 1971, or nearly twice as much as in 1970. Unconfirmed reports indicate that Soviet shipments to Czechoslovakia and East Germany, combined, will exceed the deliveries in 1970. In addition, the adverse impact of the 1970 floods on grain production has forced Romania to become a net importer during the current trade year. Reportedly, Romania has received a Soviet loan of 200,000 tons of wheat, possibly as a barter arrangement for corn (maize) or as a wheat payment in-kind in the future. The total East European demand for imports from all sources for the current trade year is estimated at about 8 million tons, more than 25% above the relatively high level of 1969/70. The increased demand reflects the need of the northern countries -- Czechoslovakia, East Germany, and Poland -- and Romania for larger imports because of rising domestic demand coupled with a large shortfall in production.

24. Other major recipients of Soviet grain exports are Cuba, Egypt, North Korea, and North Vietnam:

**SECRET**

**SECRET**

Table 4

USSR: Exports of Grain, by Country  
of Destination a/

Thousand Metric Tons

	Annual Average			
	1960-63	1964-66	1967-68	1969 <u>b/</u>
Total	7,402	4,228	6,403	8,076
Eastern Europe	4,522 <u>c/</u>	2,945	3,732	4,431
Czechoslovakia	1,447	1,104	1,386	1,383
East Germany	1,849	1,131	1,222	1,488
Poland	783	368	936	1,272
Hungary	262	131	189	288
Bulgaria	99	78	--	--
Romania	26	133	--	--
United Arab Republic	--	67	649	301
Cuba <u>d/</u>	462	792	908	940
North Vietnam	12	6	285	430
North Korea	112	73	178	131
Communist China	138	--	--	--
Other	2,156	345	741	1,843

a. Including flour (converted into grain equivalents by using 72% extraction rate), rice, and groats. Because of rounding, components may not add to the totals shown.

b. Preliminary estimates.

c. Including Albania and Yugoslavia.

d. Including imports of grain and flour from Canada and other Free World sources on Soviet account.

a. Cuba, almost entirely dependent on the USSR for imported grain and flour, will receive about 1 million tons in 1971. About one-half of these shipments are expected to originate from the Free World on Soviet accounts leaving the rest to be shipped directly from the USSR.

b. Egypt will probably import about 250,000 tons of Soviet grain, about the same level as in recent years but markedly lower than the 1 million tons reached in 1967.

- 13 -

**SECRET**



**SECRET**

c. Shipments to North Korea will probably be maintained at or slightly above the 1970 level of 150,000 to 200,000 tons.

d. North Vietnam's need for imported foodstuffs will continue at a relatively high level through 1971, with shipments of flour from the Soviet Union probably reaching 550,000 tons (grain equivalent) for the year, only slightly less than in 1970.

25. In addition to the firm commitments of 2 million tons estimated to be supplied by the USSR, the client states outside of Eastern Europe will need to import over 3 million tons from other sources. The possibility remains that, given the uncertainty of alternative supply arrangements, the USSR may supply its client states with more grain than called for in regular trade commitments and direct sales.

26. Total sales to the Free World during the current trade year will probably be only moderately above the high point reached in the last half of the 1960s -- 1.8 million tons in 1969. Soviet exports of grain to Free World countries were relatively small through 1968 but sales jumped sharply in 1969, following an excellent 1968 harvest. Hard currency sales exceeded 1.8 million tons in 1969, compared with 740,000 tons averaged in 1967-68. Much of this increase was the result of shipments to Western Europe, particularly to Great Britain, Italy, the Netherlands, and West Germany. Substantial Soviet sales directly to West European countries for delivery in the current trade year have also been made. However, the Soviets' need to allot more grain to the feeding of livestock in order to alleviate their domestic shortage of meat and their desire to maintain sizable reserves of grain will tend to limit the overall increase in exports of grain in 1971.

#### Outlook for 1971

27. The most important factor in the growth of farm output in 1971, as always, will be weather conditions. With average weather the Soviet Union will have difficulty maintaining the same overall level

**SECRET**

**SECRET**

of output of crops posted in 1970. For example, under normal growing and harvesting conditions, yields of crops such as grain and cotton will fall short of the relatively high levels of 1970. Nevertheless, the greater availabilities of soil additives (fertilizers and lime), other products of the chemical industry such as herbicides and pesticides, and the more widespread use of improved cultivation practices and varieties of crops will contribute to a continued upward trend in crop yields. Shipments of fertilizer in the last half of 1970 and those planned for the first half of 1971 will provide 8½ million tons more in 1971 than in 1970. The additional fertilizer would represent a 29% increase since 1969 and a doubling since 1965.

28. Prospects for a further boost in the output of livestock products appear relatively favorable. The carryover of feed supplies and livestock herds from 1970 is considerably larger than a year ago. And the adoption of a more lenient official policy towards private livestock raising in 1970 and 1971 will serve as an impetus to production, especially to the output of meat. But in looking beyond the first half of 1971, the critical factor in judging the outlook for livestock will be the level of outturn of feedstuffs from the 1971 crop -- primarily summer pastures and roughages for cattle and sheep, and feed grains for hogs.

29. The expected increase in meat production in the first half of 1971 compared with the corresponding period of 1970 will fall far short of meeting present levels of consumer demand. Moreover, current indicators all point to a further boost in the demand for meat in 1971. Developments contributing to demand include (1) a 1% increment to the country's population, (2) a boost in money income of 4%, or about 8 billion rubles, and (3) a huge backlog of personal savings, which at the beginning of 1970 were at an alltime high.

### Conclusions

30. With a record agricultural output in 1970 -- the last year of the "First Brezhnev Program" (1966-70) for rejuvenating the lagging farm sector -- Brezhnev's image as a wise and provident leader has been strengthened. By acting as the

**SECRET**

**SECRET**

principal spokesman of the new regime's agricultural policies in 1965, Brezhnev was put into a position to reap the political benefits of whatever success the policies achieved. Fortuitously for him, in contrast to the poor growing conditions in the base year 1965, the 1966-70 plan period ended with a bumper harvest spurred by favorable growing and harvesting conditions.

31. In 1970, both crop and livestock production rebounded from a poor performance in 1969. Overall output was 6% above the previous production peak posted in 1968 and more than 11% above the adverse weather year of 1969.

32. The grain crop in 1970, estimated at 150 million tons, was the largest in Soviet history, exceeding the previous high recorded in 1966 by 10 million tons. As a result, the USSR will be able to meet current domestic needs and to fulfill export commitments. With the exception of output of oilseeds, there were production gains above 1969 in all other major crops including a record high output of cotton.

33. In contrast to the 12% increase in output of crops, the production of major livestock products in 1970 increased at less than half that rate. Nevertheless, output of meat, milk, and eggs did set new records in 1970. In addition, after two years of stagnation and decline, meat output rose by 5% in 1970. A larger gain in meat in 1970 could have been achieved except for an official policy of expanding livestock herds, particularly herds of swine, in both the socialized and private sectors. An overall increase of 7% in inventories of all types of livestock compared with 1969 was highlighted by a 20% jump in the number of hogs. An incentive impetus to the private sector was provided by a large boost in the government's purchase price for hogs and poultry -- up by 35%. The government's purchase price for an individually owned hog now exceeds the equivalent state retail price (expressed in live weight) by about 30%.

34. Although the upturn in domestic output of meat coupled with larger imports led to a 6% rise in the supply of meat in 1970 over 1969, per capita consumption remained below the peak level of 1968.

**SECRET**

**SECRET**

Moreover, the continued rise in personal money incomes in the past two years added to the earlier unsatisfied demand for meat. As a result, there was a further rise in meat prices in the collective farm market and an increase in the number of reports of severe meat shortages in provincial cities. While retail supplies of meat in Moscow, Leningrad, and most of the republic capitals appeared to satisfy demand, shortages and, frequently, complete absence of meat in retail outlets prevailed in oblast capitals and other provincial cities.

35. All indicators point to a moderate rise in grain exports during the 1970/71 trade year. Net exports may exceed 8½ million tons compared with the average of some 5 million tons for the past three years. Most of this increase will go to the client states in Eastern Europe who suffered production shortfalls in 1970. In addition, the record grain crop permits a moderate expansion in grain sales for hard currency to Free World markets. Although the Soviet Union will continue to purchase modest amounts of grain from Free World markets, it will do so as a convenient way to supply its client states and its own remote areas and to fulfill its own preferences for special types of grain.

36. If average weather conditions prevail, another increase in farm output will occur in 1971, albeit at a rate much lower than the 11% spurt in 1970. Although under normal growing and harvesting conditions, yields of some major crops, such as grain and cotton, will probably fall short of the record highs of 1970, there will be a continuation of a long-run upward trend in average yields, spurred by the use of more fertilizer and other agricultural chemicals. Moreover, the large carry-over of inventories of livestock and feedstuffs from 1970 at the beginning of 1971 portends a boost in output of livestock products. However, the expected increase in meat production will fall far short of meeting present levels of consumer demand. Faced with a continued high level of unsatisfied demand for meat, the regime has recently been contracting for deliveries of meat in 1971 from Free World suppliers at a rate suggesting that total imports will exceed those of 1970.

**SECRET**