



National
Foreign
Assessment
Center


~~Secret~~
NOFORN

Eastern Europe: Continued Food Problems as Crop Prospects Deteriorate

An Intelligence Assessment

*Information available as of 2 November 1981
has been used in the preparation of this report.*



This paper has been coordinated with the National
Intelligence Officer for the USSR and Eastern
Europe. 

APPROVED FOR RELEASE
DATE: NOV 2001

~~Secret~~
November 1981

~~Secret~~

Strapped with serious hard currency constraints, Poland is seeking economic assistance from the West to cover part of the grain import bill. Warsaw has requested \$740 million worth of commodity credits, including grain financing, from the United States, preferably to be repaid in zlotys. France and Canada have already provided Poland with credits for the purchase of almost 2.5 million tons of grain during the same period. In addition, the EC has approved the sale of 458,000 tons of grain to Poland during MY 1982 at subsidized prices, some of which probably will be financed by the French loans. The Soviet Union has promised to deliver 100,000 tons of grain to Poland as a result of agreements reached in August at the Crimean meetings. Hard currency aid from the USSR to purchase Western grain seems less likely in 1982 because of the weakened Soviet financial position and recent hints of future Soviet economic pressure on the Poles.

In the other East European countries, import needs are not as urgent as in Poland, nor will financing be as great a constraint. Czechoslovakia, Yugoslavia, and East Germany will require somewhat higher grain imports than last year, while Bulgaria will import less. Romania, which also has serious hard currency problems, and Hungary will import almost the same amount as last year.

The bulk of Eastern Europe's grain imports will continue to come from the West, more than 50 percent from the United States. Although present grain prices are below 1980 levels, deliveries of Western grain will probably still cost some \$2-3 billion. This large financial burden comes at a time when the East Europeans are struggling to reduce their trade deficits with the West. The Soviet Union—faced with a third consecutive crop failure coupled with massive domestic requirements—is expected to export little grain to the region.

Exports

Grain exports by the southern countries are forecast to total only 2 million tons in marketing year 1982, 2 million tons less than in 1981. About one-half to three-fourths of this is probably destined for the

Soviet Union. Hungary, the only consistent grain exporter in Eastern Europe, is expected to export 450,000 tons, about a million tons less than 1980. Hungarian grain exports usually go to Council for Economic Mutual Assistance (CEMA) countries, primarily the USSR, East Germany, and Czechoslovakia. Likewise, Romania will export only 800,000 tons, about half of last year's total. Czechoslovakia's and Yugoslavia's exports are expected to total some 130,000 tons, also considerably below 1980 levels. Bulgaria, on the other hand, will probably export 550,000 tons, about one-third more than last year.

Food Supplies

The deterioration in East European crop conditions, even with grain imports, will cut prospects for any near-term improvement in the region's already serious food supply situation.

the supply of many food items, particularly meat, remains extremely inadequate despite increased availability of fruit, vegetables, and grain products from this summer's harvest. Food lines are now common in many areas; with the onset of winter, the situation will probably worsen as the fresh foods and produce now available disappear from the marketplace.

Public discontent with the continuing food shortages is causing political and social tensions. In Poland, Solidarity staged a one-hour general strike on 28 October partly to protest the government's economic policies and the current food situation, and a new wave of unsanctioned local strikes protesting the same issues recently hit the country. This widespread industrial unrest lasted more than three weeks before numerous appeals from Solidarity convinced most union members to return to work on 2 November.

N R

~~Secret~~

~~Secret~~

[REDACTED]

[REDACTED]

NR

The most significant long-term impact of this year's grain shortfall will be on livestock production and hence future meat supplies. Poland's livestock industry is still feeling the impact of the poor 1979 and 1980 grain harvests and last year's disastrous output of fodder crops. Livestock inventories are well below 1980 levels, and recovery could not be expected before 1983 even under ideal conditions. Despite the much improved production of grain and fodder crops this year, sizable grain imports are still needed to meet Poland's domestic requirements. Even though much of the imported grain will be earmarked for livestock feed, little rebound in herd size is anticipated. As a result, unless meat imports are markedly increased (not likely due to shortages of hard currency) per capita meat consumption will drop to the lowest level since 1973.

[REDACTED]

[REDACTED]

NR

~~Secret~~