

4823

~~SECRET~~
(When filled in)

Support Project Initiation Memorandum (for Non-Scheduled Intelligence Production)		Type B	Control Number S-09058
TO: Production Control Staff.			
2. Title or Subject (31) Line 1 1975 Soviet Grain Crop and Line 2 Trade Prospects Line 3 Line 4 Line 5		3. Analyst(s) & Other Contributors (31) Line 1 Line 2 Manhours: 4 Completion Date (y m d): 75 6 13	
4. Requester and Purpose (39) Line 1 James L. Colbert EUR/SOV Line 2 Department of State for use in briefing Line 3 for Senator Hubert H. Humphrey, Senate Line 4 Foreign Relations Committee Line 5 Line 6		Classification (39) Confidential	
5. Precis (39) Line 1 Based on weather data through May and Line 2 collateral information through mid- Line 3 June, this publication recaps weather Line 4 and crop developments during the Line 5 spring, updates our earlier estimate Line 6 of the USSR's grain crop and discusses Line 7 the likelihood of Soviet grain imports. Line 8			

APPROVAL:

Branch (if less than 10 manhours)

Date

13 June 1975

Division (if 10 manhours or greater)

Date

Director (for special requesters)

Date

Note: Numbers in parentheses indicate the maximum number of characters and blanks to be inserted in a line—i.e., (16) means no more than 16 spaces.

CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED

1999

draft of June Im w/out graphics; sent to Lerner for background use in Humphrey briefing; not to be passed directly to Humphrey.

~~SECRET~~

4823

~~CONFIDENTIAL~~

USSR: Prospects for Grain Production
and Trade at Mid-June

Project Number

S-O 9058

1975 Soviet Grain Crop
and Trade Prospects

16 June 1975

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Proposed IB

USSR: Prospects for Grain Production
and Trade at Mid-June

The note on the first page of this report should
read as follows:

NOTE: This report was prepared by the Office of Economic
Research. It incorporates materials and analysis supplied
by the Office of
Geographic and Cartographic Research. Comments and queries
regarding this publication are welcomed and may be directed
to of the Office of
Economic Research.

Table of Contents

	<u>Page</u>
Summary	1
Discussion	2
Introduction	2
Status of the Grain Crop	2
Winter Grains	2
Spring Grains	5
Outlook	9
Production	9
Imports	10

Figures

Figure 1, USSR: Grain Prospects at the End of May 1975	3
Figure 2, USSR: Major Weather Patterns During May 1975	7
Figure 3, USSR: Grain Purchases by Month, 1971-74	13

Tables

Table 1 USSR: Spring Grain Sowing Progress	8
--	---

~~CONFIDENTIAL~~

Summary

Drought in parts of the USSR's spring grain area has reduced the estimate of this year's crop to 215 million metric tons, 5 million tons less than our earlier forecast.

Conditions in most of the European USSR -- the major winter grain area -- are good to excellent, and we expect a record winter grain crop of about 70 million tons. The outlook for spring grains remains mixed. Because of high moisture levels, record spring grain yields are likely in parts of the eastern New Lands area and in western Siberia. In the Volga valley, southern Urals, and western Kazakhstan, however, soil moisture is seriously low. Estimated yields in these areas have declined to three-fourths of the long-term average. Our forecast of a spring grain crop of 145 million tons assumes that the drought will break soon. If not, spring grain yields and our estimate of the Soviet crop will be reduced accordingly.

The Soviets may purchase about 5 million tons of grain in the next several months for delivery in Fiscal Year (FY) 1976, even though the current estimate of the harvest exceeds total requirements by about 5 million tons. Imports may be needed to cover shortfalls in corn for the livestock program and in high-quality milling wheat.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Discussion

Introduction

By early June, spring grain sowing operations were drawing to a close, and the winter grain harvest was just beginning. Weather during late April and May favored crop development in the western and eastern portions of the Soviet Union but reduced yields in the central portion. This publication uses weather data through the end of May and collateral data available in mid-June to describe weather and crop developments during the spring, to update earlier estimates of the size of the 1975 Soviet grain crop, and to discuss the likelihood of Soviet grain imports.

Status of the Grain Crop

In most of the European USSR (the major winter grain area) and the eastern part of the New Lands (where spring grains predominate) conditions are fair to excellent for the grain crop (See Figure 1). In the Volga valley, which grows both winter and spring grains, and in the spring grain areas of the southern Urals, western Kazakhstan, and Kustanay, a prolonged drought has seriously lowered soil moisture. Yields in these areas have already been reduced and will shrink further unless the dry spell is broken.

Winter Grains

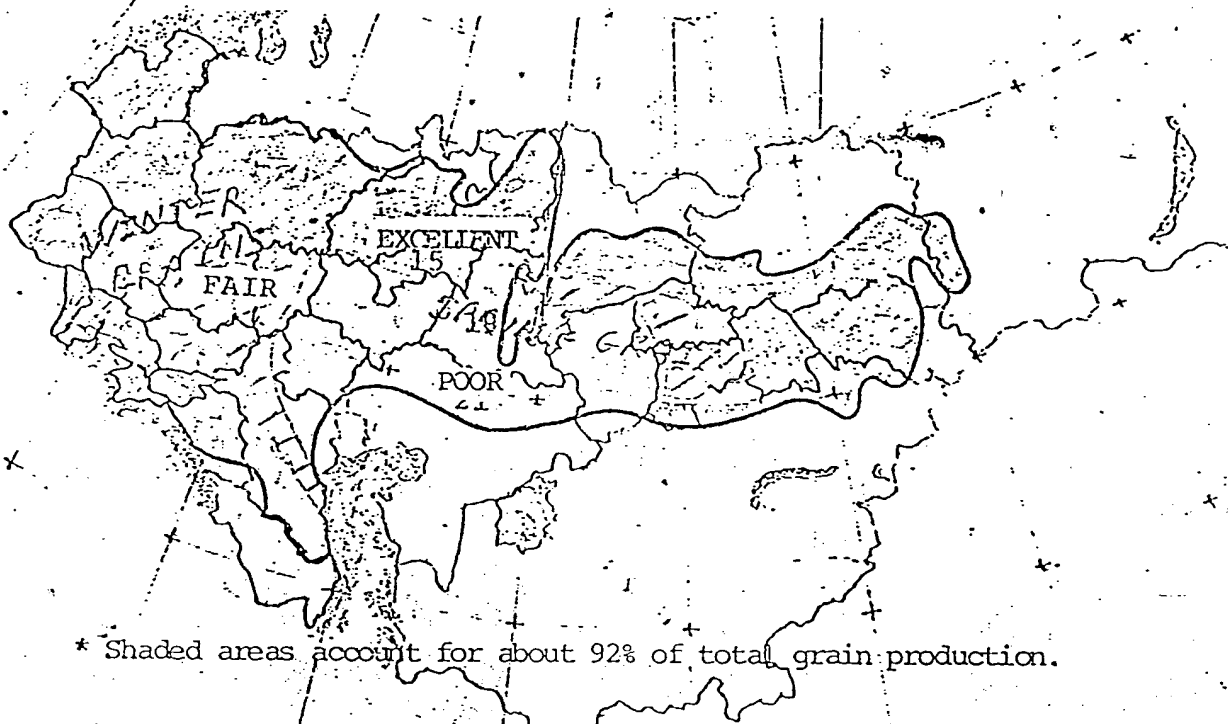
Throughout the past winter and spring, conditions in most of the winter grain areas have been favorable. Plants

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
~~CONFIDENTIAL~~

FIGURE 1

USSR: GRAIN PROSPECTS AT THE END OF MAY 1975 *



* Shaded areas account for about 92% of total grain production.

NOTE: This map was based in part on material and analysis provided by the Office of Geographic and Cartographic Research.

~~CONFIDENTIAL~~

wintered well, and an early spring promoted growth. Cumulative precipitation from September through May was about normal. During April and early May, the eastern Ukraine, non-black soil zone, and parts of the central region began to dry out. In late May, however, rains fell throughout most of the area, replenishing soil moisture and providing the basis for record or near-record yields. Observations during a late-May trip through the Ukraine by the US agricultural attache stationed in Moscow confirmed that conditions were good to excellent.

The Volga valley is a problem area. Precipitation during April and May was much less than normal, and soil moisture reserves are low. This area normally accounts for about 2 1/2 to 3 million tons of winter grain, or about 5% of the winter crop; yields in this area are down, probably one quarter to one-third below average.

On balance, however, conditions are excellent, and we expect a record winter grain crop. The harvest -- which will eventually cover 30 million hectares -- has just begun in the south. Barring unexpected harvesting difficulties, a winter crop of about 70 million tons should result, 6 1/2 million tons greater than the record posted in 1973.

- 4 -

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Spring Grains

Weather in the spring grain area has created two distinctly different situations. In parts of the eastern New Lands area and western Siberia, where moisture levels are better than normal, record yields are likely. In the Volga valley, southern Urals, western Kazakhstan, and Kustanay, however, soil moisture is critically low. Cumulative precipitation from September through May illustrates the disparity in moisture conditions between the two areas:*

<u>Average Annual</u>	<u>Precipitation, September Through May</u> Millimeters	
	<u>Central Spring Grain area 1/</u>	<u>Remaining Spring Grain Area</u>
1962/74	238	222
1971/72	244	254
1972/73	245	227
1973/74	264	247
1974/75	166	224

1/ Includes the middle and lower Volga valley, southern Urals, Western Kazakhstan and Kustanay. This area accounts for roughly one-fourth of the area sown in spring grains and one-fourth of spring grain production.

The drought-stricken areas were dominated during much of April and May by a stationary high pressure system centered between the Caspian and Aral Seas. The clockwise movement of air around this system brought hot, dry winds from the deserts of Central Asia into the Volga valley, western Kazakhstan and, at times, the eastern Ukraine. This high pressure center effectively blocked the movement of

* Precipitation in each spring grain area is weighted by its share of the total area sown in spring wheat.

~~CONFIDENTIAL~~

precipitation-bearing low pressure systems into these areas (see Figure 2).

Sowing began earlier than usual this year. The mild winter led to less-than-normal winterkill and resowing, while the early spring helped field work. Although well ahead of normal by the end of April, the sowing pace slackened in early May (Table 1). In the Baltics and the eastern part of the New Lands, rain hampered sowing; in the rest of the New Lands, planting was delayed by dryness. Nevertheless, by ⁹ 2 June, ^{75.1} 92.9 million hectares of spring grain were sown, and the plan for spring wheat and corn plantings was overfulfilled.

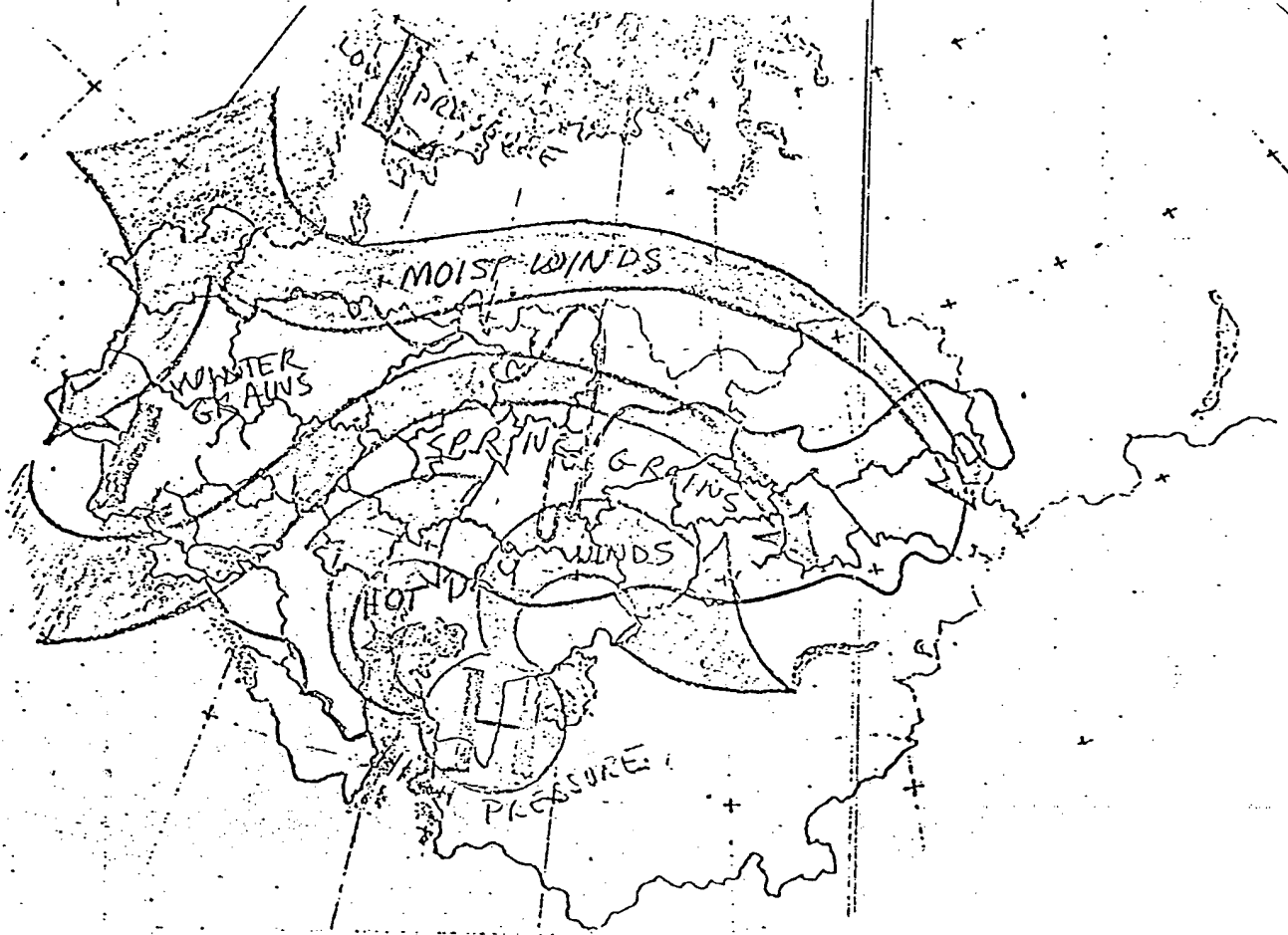
At this early date, a good spring grain harvest seems likely. About 100 million hectares of spring grain, including 4 million hectares of corn, will be harvested this year. Despite the dry conditions in parts of the spring grain area, we expect a yield of 14.5 centners per hectare -- above average but slightly below the trend in yields since the mid-1960's:

	<u>Spring Grain Yields</u> <u>(centners per hectare)</u>
Annual Average 1964-74	12.7
1966	12.8
1967	11.0
1968	13.3
1969	12.6
1970	14.5

~~CONFIDENTIAL~~

FIGURE 2

USSR: MAJOR WEATHER PATTERNS DURING MAY 1975



~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Table 1

USSR: Spring Grain Sowing Progress

Million hectares

Year	Sown Area				Actual Harvested Area ^{2/}
	15 April	30 April	15 May	30 May	
1972	10	32	54	86	91.7
1973	13	39	58	90	95.8
1974	13	26	54	85	93.4
1975	21	45	59	87	96 (Estimated)

1. Excluding corn; state and collective farms only.

2. Excluding corn; state and collective farms as well as private holdings and other state enterprises.

~~CONFIDENTIAL~~

Spring Grain Yields (continued)
(centners per hectare)

1971	13.7
1972	13.3
1973	15.9
1974	13.7
1975 Esimate	14.5

Increased yields in recent years have been due in part to greater plantings of spring barley, a higher-yielding feed grain. In 1970, spring barley occupied 22% of the spring grain area and accounted for 15% of spring grain production. By 1974, barley accounted for 30% of the spring grain area and 39% of production. The shift to spring barley is believed to have continued in 1975.

Outlook

Production

With a record 70 million tons of winter grain and an above average spring grain harvest of 145 million tons, total production would amount to 215 million tons, 5 million tons less than our April forecast. The expected harvest falls between the 1973 record production of 222.5 million tons and last year's second-best crop of 195.6 million tons and would approximate the Soviet production plan of 215.7 million tons.

This estimate is necessarily preliminary.* Dryness in

*On the basis of the descriptive ability of the weather/yield relationships employed (using weather through May), there is one chance in six that grain production will be below 200 million tons and one chance in six that the harvest will be above 230 million tons.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

parts of the spring grain areas during May has already reduced the crop by 5 million tons. There was little precipitation in these areas during the first 10 days of June due to a stationary high pressure system in the lower Volga valley. Within the next month spring grains will be heading, a crucial period of crop development. Unless rain falls in the drought-stricken areas by then, yields will be cut further. In addition, the size of the winter crop is not yet certain since the harvest has just begun. This year's lush growth could cause more lodging than usual, complicating the harvest.

Imports

At 215 million tons, the grain crop would exceed estimated Soviet requirements of about 210 million tons. Moreover, stocks at the end of 1974 were at near record levels, and another bumper harvest would strain already limited storage facilities. Therefore, Moscow would not need to buy large amounts of grain in the world market.

So far this year the Soviets have not bought any grain, although deliveries continued under old contracts. The only Soviet grain transactions in 1975 have adjusted contracts made in 1974. In January and February the USSR cancelled some US and foreign contracts and switched some contracts from one grain to other grains to take advantage of price

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

changes. In addition, the sale of 250,000 tons of US corn was cancelled in May because the quality failed to meet Soviet standards. In the first half of 1975, an estimated 4 1/4 million tons of grain will be delivered from these old contracts. This will bring total imports for FY 1975 to about 6 1/2 million tons -- about that needed to cover requirement shortfalls from the 1974 harvest.

Forecasts of Soviet grain imports are highly uncertain because the link between the harvest and the imports is tenuous. A variety of other factors -- the desire to stockpile, requirements for particular types of grain, demands for grain from client states, the availability of other kinds of livestock feed, and world grain prices -- enter into the determination of Soviet grain purchases. In years following clear harvest failures (1963, 1965, and 1972), record amounts of grain were imported. In other years, imports were not correlated closely with domestic production.

In FY 1976, the USSR, however, is likely to buy perhaps 3 million tons of corn and 2 million tons of wheat to cover shortfalls in certain types of grain -- even if the harvest turns out to be 215 million tons. The

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

livestock program, for example, requires large quantities of high-energy feed grains, such as corn, that cannot be grown domestically in sufficient quantity. Also, if the drought reduces spring wheat yields, the Soviets may import some high quality durum wheat. A flurry of purchase rumors surrounded the May visit to the US of an Eksportkhleb (Soviet grain trading agency) official, but he returned to Moscow after only cursory discussions with the major grain companies.

Based on past behavior, most buying would be carried out this summer and in early fall. During 1971-74, the largest purchases were made in July and August, with smaller amounts bought in September - November (see Figure 3). Grain prices probably will be relatively attractive in the coming months, a result of a bumper US crop and generally good crop conditions throughout the world. In the US, July wheat futures fell below \$3/bushel in the first week of June compared with a high of more than \$5/bushel set in October 1974 and over \$4/bushel the previous June.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

FIGURE 3

BY MONTH

USSR: GRAIN PURCHASES, 1971-74*

1971

1972

1973

1974

1975

J F M A M J J A S O N D

* INCLUDED ONLY IF EXACT PURCHASE DATE IS KNOWN