



8001 ET
09/10/79
Bonnie Amiller!
You may be interested
to see this.

Phunt
- 27/11

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

20th December, 1979

Ref. A01006

Dear Michael

For Phunt
and

As requested in your minute of 11th December I attach a note on the Soviet Grain Harvest, agreed between the Foreign and Commonwealth Office, the Ministry of Defence and the Cabinet Office.

I am copying this letter and attachment to George Walden (FCO) and Brian Norbury (Ministry of Defence).

Yours ever

Markie Vile

(M. J. Vile)

M. O'D. B. Alexander, Esq.

SOVIET UNION: THE 1979 GRAIN HARVEST

1. The 1979 Soviet grain harvest of 179 million tons was the worst since 1975. The 1976-78 average harvest was 219 million tons, last year's being an all-time record at 237 million tons. These variations are due to the fact that much of the Soviet Union's grain is grown under marginal conditions and is highly vulnerable to bad weather. The 1979 harvest was hit by the very severe winter of 1978-79, followed by floods and droughts during the growing season.
2. The Soviet leadership has in recent years treated agriculture as a top priority sector of the economy; it currently absorbs 27 per cent of all investment. However, the returns from these huge investment outlays have been disappointing and output has failed to keep up with growing requirements. The Soviet Union has thus been a major grain importer since 1972. Despite the record 1978 harvest, it imported some 19 million tons of grain over the following 12 months, and to meet its needs between the 1979 and 1980 harvests it has already ordered some 25 million tons and the total could rise as high as 35 million tons.
3. Little improvement is in prospect, although we believe the annual average level of grain harvest will continue to rise, with substantial fluctuations about the secular trend. On present evidence import requirements will vary in accordance with harvest yields and will be about 15-30 million tons a year for the foreseeable future. Well over half Soviet grain requirements are for feed grain, so imports could only be cut in the short term by drastically curtailing the already lagging meat production programme. This seems most unlikely as the Soviet leaders are committed to increasing per capita meat consumption and Soviet consumers have become used to a generally improving diet - though meat supply, which "like all basic foodstuffs is heavily subsidised," is usually inadequate.
4. Almost all of the Soviet Union's grain imports come from the USA and Canada. The Soviet Union's capacity to import is limited mainly by the need to pay in hard currency, but also by port and transport bottlenecks and inadequate storage facilities. It will find hard currency payments progressively more difficult in the 1980s with the expected decline in oil exports which now provide over 40 per cent of its hard currency earnings.
5. The poor 1979 grain harvest highlighted the Soviet Union's dependence on imports of grain from the West to satisfy consumer expectations. The prospects are for continued substantial grain imports despite the increasing strain these will place on the Soviet hard currency balance.



10 DOWNING STREET

From the Private Secretary

MR. VILE
CABINET OFFICE

MF 17/12/79

Soviet Grain Harvest

I should be grateful if you could let me have a background note on the results of this year's harvest in the Soviet Union. If, as I understand is the case, there has been a serious failure, I should be glad for an assessment of the implications. It may well be that the subject has already been dealt with in some more general assessment and if so a copy would be sufficient. If nothing has so far been done, I should be glad if you could put action in hand.

I am sending a copy of this minute to George Walden (Foreign and Commonwealth Office).

M. O'D. B. ALEXANDER

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11 December 1979