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**Update:
Impact of Agricultural Trade
Restrictions on the Soviet Union**

———— July 1980 ————

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UPDATE: IMPACT OF AGRICULTURAL TRADE RESTRICTIONS ON THE SOVIET UNION, prepared by the Foreign Agricultural Service and the Economics, Statistics, and Cooperatives Service; approved by the World Food and Agricultural Outlook and Situation Board; U.S. Department of Agriculture, Foreign Agricultural Economic Report No. 160.

ABSTRACT

Report summarizes the impact of the suspension of U.S. agricultural exports to the Soviet Union on the Soviet agricultural economy over the 6 months immediately following the suspension. Impacts include availability in the USSR of grains, livestock products, soybeans and soybean meal.

Keywords: Soviet Union, Livestock, Meat, Grains, Soybeans, Fertilizer.

Update:
Impact of Agricultural Trade Restrictions
on the Soviet Union

Summary

The President's action of January 4, 1980, to suspend shipment of agricultural commodities to the USSR in response to Soviet aggression in Afghanistan has had a significant effect on the Soviet economy. This action compounded problems that had already arisen from the poor 1979 grain and forage harvest. This report, which updates the interim impact assessment released in April, reflects actual results for a full 6-month period--January-June 1980. It identifies for the first time specific evidence of impacts within the USSR, several of which are more severe than indicated in the April report.* Despite efforts of official Soviet information sources and some other interests to downplay the effects of the suspension, the record now shows:

- *The Soviet Union was denied the equivalent of about 10 percent of its requirements of grain for feed over the 6-month period before it could draw upon newly harvested 1980 feed supplies.
- *Local news sources in the Soviet Union have confirmed unusually severe shortages of feedstuffs.
- *Animal weights as reported in official Soviet statistics are down sharply.
- *Meat and milk production have fallen precipitously over the past several months.
- *Work stoppages and labor unrest related to shortages of meat and dairy products have been reported.
- *The necessity of drawing upon less efficient supply channels for grains and oilseeds has caused extreme disruption in the Soviet logistical system which likely will continue well into 1980/81.

Background

Suspension of U.S. agricultural exports to the USSR--including grain shipments beyond the 8 million metric tons of grain the United States was committed to supply under the U.S.-USSR Grains Agreement--was one of the national security and foreign policy actions initiated by the President on January 4, 1980, following the movement of Soviet troops into Afghanistan.

The suspension affected 13 million tons of U.S. corn, 4 million tons of wheat, about 1.3 million tons of soybeans and soybean meal, and some quantities of poultry and other commodities.

The suspension was meant to communicate to the Soviet Union that it could not engage in aggression and expect to maintain normal trade and business relations with the United States. The trade restrictions are directed at the important--but vulnerable--livestock sector of the Soviet economy. Improved availability of meat, milk, and eggs has been a major goal of Soviet planners and a long-term expectation for Soviet citizens.

* Impact of Agricultural Trade Restrictions on the Soviet Union, U.S. Department of Agriculture, Foreign Agricultural Economic Report 158, April 1980.

Cooperation of Other Exporters

Australia, Canada and the European Community have undertaken specific commitments to restrain sales to the Soviet Union in order not to replace shipments denied by the United States. Argentina has not agreed to restrain sales, but has cooperated in monitoring trade flows. Argentina recently signed a 5-year agreement with the Soviet Union to supply 4 million tons of corn and sorghum and 500,000 tons of soybeans annually beginning in 1981. This agreement is not expected to affect the level of supply to the Soviet Union anticipated in the April report.

The undertakings of other major grain exporting countries in support of the U.S. suspension action are continuing generally as outlined in the April report. Regular meetings continue to be held with representatives of these countries for the purpose of monitoring the flow of grain to the USSR. The governments concerned have confirmed that the measures being taken in concert will be continued in the new season which began July 1, 1980.

Marketing authorities from several of these cooperating countries have continued to make some new commitments for 1979/80 shipment of grain to the USSR during the period since last January, but these have not been inconsistent with the common understandings. New sales for shipment in the 1980/81 season have already been undertaken by several of these other exporting countries. These are parallel with the U.S. decision announced earlier this summer that it will also license new Soviet sales for shipment in the coming year (October-September) up to a maximum of 8 million tons, the same as in the previous year.

Countries other than the major grain exporting countries have increased shipments of grain to the USSR slightly but the volume is not enough to replace the grain being denied the USSR by the United States. Several of these countries show increased exports to the USSR compared to a year ago, but in most cases there is a history of larger trade with the USSR during the years of poor USSR crops.

Investigation of alleged instances of diversion or transshipment of U.S. grain to the USSR continues under the direction of the U.S. Department of Commerce. To date, no violation of the suspension has been demonstrated.

Impact on Soviet Grain Availability

Some confusion has arisen regarding the impact on the Soviet Union because of the differences between the marketing and agreement years. The marketing year for grain runs from July 1 to June 30; the years in the 5-year U.S.-USSR Grain Supply Agreement begin October 1 and end September 30.

October-September Agreement Year

The suspension denied the Soviet Union access to 17 million tons of U.S. grain during the fourth year (October 1979-September 1980) of the U.S.-USSR Grains Agreement. While the United States had expected the

Soviets to purchase about 25 million tons of U.S. wheat and corn during the 1979/80 agreement year, it is now shipping only the 8 million tons which it is committed to send under the terms of the agreement.*

Prior to the suspension, USDA had forecast Soviet 1979/80 (Oct-Sept) wheat and coarse grain imports from suppliers other than the United States at 11 million tons, for total expected imports of 36 million. It is now estimated that the Soviets have been able to make up about 8-9 million tons of the 17-million-ton U.S. cutback from other suppliers. This would make total 1979/80 (Oct-Sept) Soviet grain imports about 27-28 million tons, 8-9 million tons less than they had probably expected to import. In April, 1979/80 (Oct-Sept) Soviet imports were estimated at 25 million tons.

The latest estimate of about 8-9 million tons of grain the Soviets will be able to purchase to compensate for the suspension compares with USDA's estimates in early January of 4-9 million tons and in April of 6 million tons.

July-June Marketing Year

The impact of the grain suspension on the Soviet Union can be more meaningful viewed on a July-June marketing year basis since that year corresponds more closely to the availability of domestic crops. The most immediate effects of the suspension were felt this spring, before the Soviet winter grain supplies became available for livestock feeding.

It appears that the Soviets were intending to import about 37.5 million tons of grain during July-June 1979/80, 2-1/2 times the 1978/79 total. As a result of the suspension, the Soviets received only about 31.5 million tons over that period.

Through the last half of 1979 the Soviets were able to import about 17 million tons and probably maintained livestock feeding despite the poor 1979/80 harvest. They expected to be able to import roughly another 21 million tons of grains in the first half of 1980 and, with a substantial further drawdown in grain stocks, probably could have achieved a small increase in feed use for July-June 1979/80, relative to the previous year. The USSR thus could have maintained, or even expanded, livestock output in the wake of its worst crop in 4 years.

Because of the suspension, however, the Soviets are believed to have imported only about 15 million tons of grain during the first half of 1980, 6 million tons less than they had anticipated.

The impact of the 6-million-ton shortfall in grain imports was felt most severely in Soviet animal feeding this spring. Even with the sharp stock drawdown, feed use was probably scaled back substantially from what the Soviets would have fed during that period. The continued delay in harvesting grain and forage crops caused by cold, wet weather probably aggravated the shortfall in feed supplies. Feed availability may not even be sufficient to maintain beginning year levels of livestock herds.

*Estimates of Soviet imports in this paper are actually U.S. calculations of exports from the United States and other exporting countries.

The suspension of U.S. grain, which has usually moved to the Soviet Union directly in large bulk ocean carriers, has forced the Soviets to buy from a larger number of other suppliers who are unable to provide the same scale of grain movements. The result has been congestion at Soviet grain receiving points. Thus, actual deliveries of grain could have fallen short of the estimated 31.5 million tons contracted for 1979/80.

IMPACT OF SUSPENSION ON SOVIET GRAIN AVAILABILITY
(July-June Marketing Year Basis)

Item	1978/79	1979/80 Estimates		Net Impact of suspension
		Without suspension	Current	
---Million metric tons---				
Production	237	179	179	---
Imports <u>1/</u>	15.6	37.5	31.5	-6
July-Dec.	6.9	16.9	16.9	0
Jan.-June	8.7	20.6	14.6	-6
Total availability <u>2/</u>	250	215	209	-6
<u>Source of USSR Imports 1/</u>				
July-Dec.	6.9	16.9	16.9	0
From U.S.	4.0	12.2	12.2	0
From others	2.9	4.7	4.7	0
Jan.-June	8.7	20.6	14.6	-6
From U.S.	7.2	15.3	3.1	-12
From Others	1.5	5.3	11.5	+6
Total July/June	15.6	37.5	31.5	-6
From U.S.	11.2	27.5	15.3	-12
From Others	4.4	10.0	16.2	+6

1/ Based on U.S. Export Sales Report, official statistics of foreign governments, and USDA estimates.

2/ Excludes beginning stocks.

Condition of 1980 Soviet Grain Crop

At this time, total 1980 Soviet grain production is projected to fall within a range of 200-225 million tons with the most likely estimate placed at 215 million. This level is well above the 1979 harvest of 179 million tons but below the record 1978 harvest of 237 million tons. In order for the Soviets to rebuild stocks, maintain livestock inventories and output, and reduce their high level of grain imports, total 1980 grain production will have to approach, or even exceed, the top end of the aforementioned range.

Winter grains are currently being harvested in southern regions of European USSR with yields reported as average to above average. These reports, coupled with the observations of travellers in the Soviet grain belt, indicate that winter grain production, which normally accounts for roughly one-third of total production, could exceed 70 million tons.

By mid-July, favorable conditions existed for the development of spring grain crops in most regions of the USSR. However, subsoil moisture levels in the New Lands--a principal region in the spring grain belt--are currently low and periodic rainfall is needed for normal crop development. If such rainfall does not occur, the outlook for the 1980 Soviet harvest would worsen.

Prospective 1980/81 Grain Imports

The level of USSR total grain imports in 1980/81 is tentatively projected at about 30 million tons, or nearly the same as in 1979/80. Despite current good crop prospects, imports are expected to remain relatively high as the Soviets attempt to rebuild seriously depleted stocks. Logistical constraints will continue to be a factor in limiting import flows, particularly in the first half of the marketing year.

Impact on Soviet Soybean and Soybean Meal Availability

Prior to the January 4 suspension, it appeared that the Soviets would purchase 2-2.5 million tons of U.S. soybeans and soybean meal for the 1979/80 (Oct-Sept) year. The suspension left the Soviets 1.2-1.7 million tons short. The USSR will, however, have no major difficulty in making up the difference with supplies from other sources, as was indicated in April. Allegations that U.S. soybeans have been crushed in Western Europe for shipment to the USSR are under investigation.

Impact on Soviet Livestock-Product Supplies

Compared with 1979 levels, Soviet meat production has fallen steadily since early in 1980. Meat production on Soviet collective and state farms in June was down 11 percent from year earlier levels. Milk production on these farms was down 4 percent for the first half of 1980, but some improvement was noted in June.

Meat production (liveweight basis) on Soviet state and collective farms, which account for about three quarters of total output, was 1.2 percent lower in the first half of 1980 than in the corresponding period of 1979. Beef was down 2.4 percent; pork, down 4.1 percent; and poultry up 10.6 percent. However, meat production for the April-June quarter was nearly 7 percent below the same quarter in 1979, and for the month of June was 11 percent under the 1979 output.

Average slaughter weights of both cattle and hogs were lower for the first half of 1980 than for the same period in 1979, a further indication of the effects of the poor feed situation.

With some recovery expected in slaughter weights and in levels of cattle slaughter during the second half of the year, USDA forecasts Soviet meat production in calendar 1980 at slightly below the 15.5 million tons produced in 1979.

Milk production on state and collective farms for January-June 1980 was 4 percent below the year-earlier level. Milk cow productivity was 5 percent below the previous year's level for the 6-month period. Butter produced from state resources during the first 5 months of 1980 was 8 percent less than the corresponding period in 1979, and apparently is in short supply.

During the first half of the year, cattle, hog and poultry inventories in the socialized sector either expanded more slowly than usual or declined. Hog inventories actually were lower in the first half of 1980, than during the same period of the preceding 2 years. Hog numbers, as of July 1, were 1.8 percent lower than the same date in 1979.

Cattle inventories are at record levels but have increased more slowly than during the previous 2 years. Poultry inventories also at record levels as of July 1, were up 2.7 percent over last year. This increase was smaller than the growth of inventories during the same period of the last 2 years.

Because of the reduced feed availabilities, the customary growth in Soviet inventories of livestock and poultry is likely to be checked in 1980. Though cattle and poultry inventories may stabilize or increase slightly, hog inventories are likely to continue to fall.

Soviet meat imports in 1979 were substantially larger than previously estimated. It now is estimated that in 1980 the Soviet Union will import more than the near-record 611,340 tons of meat shipped in during 1979. As in the past, the largest percentage of this amount is expected to come from

Eastern Europe. The EC, the next largest supplier, has said it will keep meat shipments to the USSR at roughly the 1979 levels. All major suppliers are anticipated to provide at least as much as in 1979, and significant increases in meat shipments from Argentina and Australia are forecast.

SOVIET MEAT IMPORTS, 1971-1980
(Thousand Metric Tons)

1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 1/
224.6	130.6	128.5	515.1	515.2	361.5	616.9	183.7	611.3	610-650

Source: Soviet data

1/ Forecast

Soviet planners in 1975 called for USSR meat consumption to increase from that year's 57 kilograms per capita to 63 kilograms by 1980. Instead, consumption in 1980 is expected to return to the 1975 level. There have been numerous reports of abnormally sparse meat supplies in an unusually large number of locations. In addition, there have been reports of rationing and even strikes. Western press reports on food shortages triggering strikes at Soviet auto plants in Gorki and Tolyatti brought forth vigorous denials and charges of anti-Soviet fabrications. Other recent reports in the Soviet media, however, confirmed that problems with food supplies were occurring.

USSR: LIVESTOCK INVENTORIES ON COLLECTIVE AND STATE FARMS, JANUARY-JULY, 1978-80

	Cattle		Hogs			Poultry			
	Jan. 1	Apr. 1	Jul. 1	Jan. 1	Apr. 1	Jul. 1	Jan. 1	Apr. 1	Jul. 1
	-----Million head-----								
1978	86.6	89.9	91.8	52.4	53.7	56.5	497.5	575.2	644.4
1979	88.0	91.1	92.9	54.9	54.9	57.0	549.7	617.5	685.2
1980	89.0	91.6	93.5	55.2	54.4	56.0	592.0	642.8	704.0
	<u>Percentage change from previous year</u>								
1978	3.8	2.6	1.8	10.8	9.4	7.0	13.7	12.1	7.9
1979	1.6	1.3	1.2	4.8	2.2	0.9	10.5	7.3	6.3
1980	1.1	0.5	0.6	0.5	-0.9	-1.8	7.7	4.1	2.7

USSR: PRODUCTION OF BEEF, PORK, AND TOTAL MEAT ON COLLECTIVE AND STATE FARMS, JANUARY-JUNE

Product and Year	Number Slaughtered			Average Slaughter Weight			Production (live weight)		
	Jan-Mar	Apr-Jun	Jan-Jun	Jan-Mar	Apr-Jun	Jan-Jun	Jan-Mar	Apr-Jun	Jan-Jun
	-----1,000 head-----			-----Kilograms-----			-----1,000 metric tons-----		
Beef									
1978	6,898	5,765	12,663	374	361	368	2,580	2,080	4,660
1979	6,757	5,978	12,735	374	357	366	2,527	2,134	4,661
1980	7,117	5,592	12,710	367	347	358	2,612	1,938	4,550
Pork									
1978	9,096	9,490	18,586	104	104	104	946	987	1,933
1979	9,115	9,183	18,298	104	104	104	948	955	1,903
1980	9,646	8,604	18,250	99	101	100	955	870	1,825
Total Meat									
1978	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3,881	3,649	7,530
1979	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3,870	3,645	7,515
1980	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4,025	3,403	7,428
Percentage Change 1/									
Beef	5.3	-6.5	-0.2	-1.9	-2.8	-2.2	3.4	-9.2	-2.4
Pork	5.8	-6.3	-0.3	-4.8	-2.9	-3.8	0.7	-8.9	-4.1
Total Meat	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4.0	-6.6	-1.2

1/ From 1979 to 1980. N.A. = Not available.

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