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A RESPONSE

A CONDITIONAL APPROACH TO AID TO THE SOVIET REPUBLICS



by John Schnittker

Drs. Johnson and Nikonov have presented an exceptional review of the short and long-term food and agriculture problems facing the republics of the (former) Soviet Union. As they say, the scope and nature of this winter's situation are quite unclear. Further, the means for limiting and largely avoiding an immediate food crisis are either inside the USSR Republics already or are enroute as a result of U.S. and other credits for importation of grains and oilseeds. Food aid programs being planned must also be implemented, if they are to help this winter.

The situation in the Soviet Union is a far different setting for a food shortage than those of past years in Asian and African coun-

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tries where the calorie supply was low at best, and agricultural production declines were often far greater than in the Soviet Republics. Aid from rich countries was not as readily available.

The Soviet Union is a well-fed nation by comparative world standards. Its daily calorie supply has been among the highest in the world, about 3,400 per day. Meat supplies are over half the high U.S. level, and fish supplies are much larger. Families are widely believed to be holding large supplies of staples in household inventories. Aggregate food production in 1991 is about 10 percent below the 1986-90 average. Increased grain imports will offset a part of that decline, if credits in the range of \$6-8 billion are offered and used (as now seems likely) to import 40 million tons or more of grains and oilseeds.

Conditional Food Aid Can Help

Johnson and Nikonov wisely point out that "the nature of the food crisis suggests ways to deal with it." And since there are adequate, if not plentiful, supplies in the aggregate, it is up to the Republics, together with whatever union can be patched together this year, to make the formal and informal food sectors work. By the 1992 harvest, most of whatever remains from past stocks, the 1991 harvest, hoarded reserves, and imports should be gone. Food aid from Europe, Japan, and the U.S. should be offered and supplied conditionally to encourage and help Soviet officials make constructive choices on prices and on long-term political and economic cooperation among the Republics. Difficult but wise choic-

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es this winter will add to short-term food supplies and will lay a basis for greater confidence among farm enterprises in 1992, thus aiding the long-term transition.

Rationalizing the Meat Sector

The livestock, poultry, and meat sector in key Republics and in the Soviet Union, as a whole, probably cannot be sustained at its recent level as subsidies are reduced and ended, and as prices rise to market-clearing levels. Households will not have enough income in the inflationary situation, which is developing, to maintain past levels of meat and, possibly, dairy product consumption. Gradual reductions of cattle and swine herds, up to perhaps 25 percent or more over 3 to 4 years, will help ease any short-term food shortage, will limit food price inflation, and should reduce corn and wheat import requirements.

Such a liquidation should be self-limiting. As meat supplies reach a level at which consumers will buy at more or less competitive prices, say 1993 or 1994, a new equilibrium should develop. The livestock sector could then resume a slow, market-directed growth from a reduced base. The new equilibrium will surely see increasing percentages of the total meat supply being provided by poultry, thereby reducing the real cost of food for the long run. Such a change may be resisted by the Soviet people, who have enjoyed a costly, subsidized red meat diet. Like Americans, however, they will learn to like poultry, and, if market prices drive the transition, they will make it their principal meat within ten years.

These developments would, of course, be resisted by grain exporting interests. U.S. grain exports would surely decline or fail

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to grow, as a result of both the reduced meat sector and any increased share provided by cheap, feed-efficient poultry.

Neither Western credit and grain export policies toward the USSR, nor short-term food aid should interfere grossly with such a transition in the meat sector. Food aid costs will be unnecessarily high if we attempt to sustain the level of meat supplies to which the Soviets are accustomed.

Surplus European beef and butter and surplus U.S. butter and milk powder may find useful outlets in food aid, but aid purchases of any size of meats and processed dairy products from open-market sources would be doubly wrong. They would cost far more than cereals to buy and transport and would give the wrong signal to Soviet officials, who need to prepare their people for hard times, not for business as usual. **C**