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# Agricultural Letter

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**THE NEW SOVIET FIVE-YEAR PLAN** for agriculture places more emphasis on expanded grain production than on livestock production. While the new emphasis on crop production no doubt partially reflects the constraints imposed by last year's short harvest, it is in marked contrast to the guidelines of the 1971-75 plan, which strongly promoted livestock production. Moreover, the U.S. Department of Agriculture has suggested the increased emphasis on grain production may imply the USSR is seeking to reduce its reliance on world grain markets, perhaps to the extent of increased imports of livestock products.

The targets of the new five-year plan peg grain output in the USSR at an average annual level of 215 to 220 million metric tons during the 1976-80 period. Such a level is roughly 21 percent above the 180 million ton average of the past five years. In comparison, meat output during the current five-year plan is targeted at an annual average of 15.0 to 15.6 million metric tons, or approximately 9 percent above that of the past five years. A similar increase is indicated for planned milk output, while egg production is slated to rise about 17 percent.

Many observers have argued the targeted grain production goals are overly optimistic, no doubt reflecting upon the fact that grain production in the USSR—with the exception of 1973—has never exceeded 195 million metric tons. Nevertheless, the U.S. Department of Agriculture has suggested that a continuation of the uptrend in Soviet grain yields, in the absence of the devastating weather patterns of recent years, would be sufficient to achieve the grain target without an expansion in the area harvested. But weather conditions have been, and likely will continue to be, a major factor in the unusually large fluctuations in USSR grain production. Since 1960 the annual swings have averaged nearly 18 percent. Year-to-year declines in production have occurred in eight of the past 15 years and have ranged from 3 percent to 28 percent. These past trends imply that boom and bust years can occur in the future. Even the achievement of the average annual grain target would not necessarily preclude occasional years in which the USSR relies heavily on world grain markets.

The reduced emphasis on growth in the livestock industry in the USSR appears to be internally consistent with the targeted grain production. However, there is an apparent inconsistency between the implied 4 percent per capita planned increase in livestock supplies—derived by adjusting the 9 percent rise in total meat production by a 5 percent increase in population—and the 16 to 18 percent rise targeted for wages. The U.S. Department of Agriculture has noted

that under "normal" conditions a more direct correlation than that implied in the new plan would exist between increases in per capita meat consumption in the USSR and changes in income.

If the slower rate of expansion in livestock products is adhered to, the USSR could raise retail prices to ration the growing comparative shortage of meat and livestock supplies. Such an action, however, departs somewhat from the USSR's policy of stable food prices. Alternatively, the USSR may be contemplating the possibility of rather large imports of meat and other livestock products. Such an alternative, if in fact planned, would most likely occur in the early part of the 1976-80 plan. Hog and poultry numbers on state and collective farms on March 1 were 27 and 31 percent, respectively, below their mid-1975 peaks. These developments suggest that the relative shortage of domestic meat supplies in the USSR may be acute later this year.

On balance, the production targets, if achieved, would provide the USSR with a better domestic balance between grain and livestock production. This would likely reduce its reliance on world grain markets. During the past five years net grain imports by the USSR have averaged 11 million metric tons. Actual achievement of the goals, however, will necessitate better weather conditions for crop production and possibly some means of rationing or augmenting a comparative shortage of domestic livestock supplies.

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**ERRATA:** The last nine lines of last week's **Agricultural Letter**, No. 1373, should read—correction underlined—as follows: Agricultural bankers also tend to allocate almost a constant percentage of their loans, about one-half, to agricultural enterprises. Given the relative prosperity of the agricultural sector—as measured by net farm income—all banks located in areas outside of SMSAs have captured a slightly larger proportion of agricultural loans outstanding in recent years, rising from 70 percent in the late sixties to around 73 percent last year.