

SECTION 6

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The Food Outlook for Communist China

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SUMMARY

Widespread droughts and floods during 1949 will cause severe famine in China in 1950. Serious food shortages in the rural areas of poor harvests are a foregone conclusion. Although famine is a common historical experience in China, the new Communist regime will be put in a disadvantageous light by any comparison of 1949 harvests with the more favorable harvests of recent years under the Nationalists. Food shortages furthermore will delay the fulfillment of Communist promises to the rural population. Peasant rebellions, although not well organized and not ideologically inspired, already have been reported in several areas. Such uprisings may be further encouraged by the famine. Rural unrest may impede the establishment of political and economic stability in China, but it cannot be considered a serious threat to the power of the Communist regime. Continued peasant rebellion, however, may force the Communists to maintain larger armed forces than they had anticipated.

Despite Communist efforts to assure adequate food supply to key urban areas, the problem of shortages has tended to defeat Communist attempts at urban price control. Because wage payments are geared to food prices, the famine will result in increased prices of manufactured goods.

The Communists will not wish to utilize their meager foreign exchange resources for the purchase of food from the west. It is also unlikely that the Communists will seriously approach the US or other non-Communist countries for aid in meeting their current food deficits.

The Soviet-Manchurian trade pact concluded in July 1949 requires the export of Manchurian foodstuffs to the USSR. In an effort to counter unfavorable Chinese reaction, however, the USSR might relax these requirements for food exports or, more likely, might make highly publicized token relief shipments to China.

Note: The Intelligence organizations of the Departments of State, Army, Navy and the Air Force have concurred in this report. It contains information available to CIA as of 23 January 1950.

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THE FOOD OUTLOOK FOR COMMUNIST CHINA

As a result of widespread droughts and floods during 1949, the year 1950 should bring an exceptionally severe famine to China. While some areas have enjoyed a good harvest, others will suffer from serious food shortages, and many will face famine conditions.*

North China suffered a particularly poor crop year in 1949, but droughts and floods also cut into harvests in many areas of Manchuria, Central China, and South China and drove millions of families from their homes. North China's production of food crops in 1949 was about 20 percent below the level of the previous year, with the lower Yellow River valley and eastern Hopei hard hit by drought in early summer and floods later in the year. Other areas in China which suffered poor harvests include the lake areas of the Central Yangtze Valley, northern Kiangsu, northern Anhwei, parts of Honan, Shansi, and Chahar, northern Manchuria and the lower Liao River valley of Manchuria. Because of their comparative isolation and insufficient modern transport facilities, many distressed localities will be unable to count on a sufficient quantity of commercial or relief shipments from food surplus areas. (For a more detailed discussion of the areas affected, see Appendix.)

The Chinese Communists are thus likely to be faced with peasant unrest in 1950. Peasant rebellions, although not well organized and not ideologically inspired, have already been reported in several areas and may be encour-

* Some light is thrown on the extent and seriousness of the famine threat by recent broadcasts over the Communist radio. According to a Peiping report in October, about 10 million peasants in North China alone had been affected by drought, storms, floods, and insect pests. Calamities in Manchuria and in several areas of Central China are affecting many millions more. To meet the famine threat, the Communists are reportedly mobilizing women and children for the collection of grass under the stimulus of such slogans as, "Mix bran and grass to tide over the famine," and "Eat leaves and grass this year, then grain may be eaten next year."

aged further by the disappointments and pressure on living standards resulting from poor harvests. In some areas, peasant hostility will take the form of passive resistance and non-cooperation. In a few localities resistance to increased tax burdens may take such overt forms as the murder of tax collectors and open insurrection. The Communists will have to postpone complete pacification in traditionally bandit-ridden areas because of the high cost of policing them.

Despite such patterns of unrest it is not likely that Chinese Communist political control will be seriously threatened. Famine is a common occurrence in China, and consequent disorders are traditionally localized in character. The Communists must necessarily suffer, however, from any comparison of current harvests with those in recent years under the Nationalists; and Chinese peasants, prone to regard omens and auguries seriously, will inevitably make the comparison. Food shortages will delay both the fulfillment of Communist promises to the peasantry and the agricultural programs. In order to cope with peasant unrest in and out of the bandit areas, the Communist government must keep, at some cost, a large armed force in being which it will employ against any resistance that may develop. In their concern about feeding the urban populations, as well as their increased military forces, the Communists may be forced to make increased levies on the peasantry.

In 1948 the difficulties besetting the Nationalists in bringing food to the cities were alleviated by CRM and ECA which supplied nearly three-fourths of China's rice and the bulk of its wheat flour imports. With this assistance now cut off, the Communists must mobilize and transport supplies from the countryside—a task, however, that they are performing with more efficiency than did the Nationalists. It is probable that the most serious food shortages in 1950 will occur, not in the cities, but

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in those rural areas which suffered poor harvests and are relatively isolated by the lack of modern transport facilities.

Some of the hardships arising from the food shortages could be alleviated through commercial food imports. Because of their meager resources in foreign exchange, however, and their determination to use this foreign exchange as far as possible to import industrial goods, the Communists will keep food imports to a minimum. The Nationalist blockade, if it continues with moderate effectiveness in 1950, will also constitute a deterrent to food imports. It is highly improbable that the Communists will make a serious approach to the US or other non-Communist countries for aid in meeting their current food deficits.

Probably the most serious problems for the Communists in the cities will be those involving price control. Food shortage in China has tended to defeat all Communist measures to control prices. Upward pressure in the early fall of 1949 was disguised in part by the fact that crops currently being harvested were moving into the cities, in part by Communist skill in collecting supplies and dumping them on the market whenever prices threatened to rise rapidly. With supplies becoming scarcer, however, dumping has already become ineffectual as a means of controlling speculation. A rise in food prices is especially significant in China because wage payments are linked closely to the price of food; poor harvests will

thus tend to increase the costs of manufacture and undermine the competitive position of such Chinese exports as textiles.

Poor harvests, furthermore, will impede initiation of Communist plans for industrialization. With agricultural exports necessarily reduced, Chinese ability to earn foreign exchange will be impaired, and foreign purchases will have to be deferred. If the reduced exports are directed in substantial part to the USSR at terms less favorable than offered on world markets, China's exchange earnings will be even further reduced.

The famine during 1950 may have some effect on Chinese relations with the USSR. Under the terms of the Soviet-Manchurian trade pact concluded in July 1949, Manchuria is required to ship food to the Soviet Union. Although this treaty has been publicized in the Chinese press as an example of mutually beneficial Chinese-Soviet trade, there is evidence of suspicion among many Chinese that the treaty actually favors the USSR at the expense of China. Should the USSR insist on continuation of food shipments from Manchuria, such suspicions would grow, and the whole Soviet policy toward China would become suspect among more and more Chinese. In an effort to counter unfavorable Chinese reaction, however, the USSR might relax these requirements for food exports, or, more likely, might make highly publicized token relief shipments to China.

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