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Changes and trends

1. *The transformation of the structure of agriculture*

The agriculture of Latin America: changes, trends and outlines of strategy

Joint ECLAC/FAO Agriculture Division

The task of presenting a general picture of Latin American agriculture is complicated by the diversity of national situations, which is reflected in major agricultural differences among countries. However, some important aspects of the structure of agriculture and changes in recent decades are common to almost all the countries; it is thus possible to compose an overall picture which, without over-generalizing, throws light on the situation and the prospects for the region's agriculture.

The first part of this article considers changes and trends in the region's agriculture, beginning with the rapid penetration of capitalist relations of production and the formation of the two dominant types of structure: business and peasant. It also analyses the various aspects of the evolution of the region's gross domestic farm product and describes the impact on the sector both of the present crisis and of the policies adopted to deal with it.

The second part suggests the outlines of a strategy to attain the principal objectives of elimination of rural property and reduction of external vulnerability with regard to food. These objectives are an integral part of the desire to achieve food security, which means ensuring that the necessary foodstuffs are produced, that their supply is stable and that the whole population has access to them. After describing the main policies which should be applied in working towards these objectives, the article concludes by emphasizing the role of the State and the need to create a democratic and participatory framework.

This description of changes in the structure of agriculture concentrates on changes in population distribution, in the structure of production and in the labour force.

Between 1950 and 1960 the urban population of Latin America grew three times faster than the rural population; 63% of the total population is now urban, as against 43% in 1950. There has thus been a gradual shift from a predominantly rural society to a predominantly urban one. The overall structure of production has also changed: the share of industry in the region's gross domestic product rose by six points between 1950 and 1980, while the contribution of agriculture declined by 10 points in the same period. Services increased their contribution by four points, while mining and construction maintained their relatively stable share.

The changes in the geographical distribution of the population and in the structure of production have had enormous effects on the growth of the urban and rural labour forces. In 1950 the population economically active in agriculture accounted for 54% of the total; in 1980 this share had declined to 30%.

The gradual integration of agriculture in general development and the greater sectoral interdependence have fundamentally changed urban-rural relations, which have become closer and more diversified and fluid both economically and socially. The difficulties and the ways in which the conflicts between the main segments of agricultural productive forces have been resolved, under the influence of the penetration of capitalist relations of production, have contributed to the changes in the structure of agricultural production.

In past decades industry had to be stimulated and protected; this did not favour the development of agriculture but, despite this, agriculture did perform an important function: it made a major contribution to industrial growth through the transfer of resources and provision of foreign exchange and by supplying cheap food and manpower. In many Latin American countries

agriculture still retains its importance and, even if to a lesser degree, still provides the basis for sustaining the process of diversification of production. In other countries the urban-industrial complex now generates and controls the bulk of the real or potential surplus of the national economy and the contribution of agriculture is of little importance in the overall process of accumulation.

The growth of metropolitan centres and urbanization in general, industrialization and transnationalization, the development of financial markets, and the expansion of domestic markets and of the consumer society form the basis for the modernization of Latin American agriculture. The rapid penetration of capitalist relations of production modified the old dichotomy between large estates and small farms, replacing them with two very different new structures—business and peasant—and is incorporating them more closely in the functioning and development of the whole economy.

The large estate, the age-old controlling unit of the production structure lost its socio-political and economic force, thus facilitating the development of the business economy towards capitalism. As social and labour relations changed, the peasant economy was subjected to a process of disintegration, differentiation and recomposition or reordering, the forms, scope, depth and consequences of which varied between countries and within each country and still prevail in a large part of Latin America.

The State played a decisive role in overcoming the tensions which arose between agribusiness and the emerging industry—generated by the extraction of the agricultural surplus—which laid the foundation for agro-industrial development. Some of these tensions were absorbed in the resolution of the conflicts between agribusiness and peasant farming.

The expansion of the internal markets also influenced agrarian change; agriculture became involved in the increasing trade flow both in the foodstuffs which it produced and in the energy, biological and industrial inputs which it needed to produce them. Urbanization and industrialization meant greater sectoral trade, the expansion of farm markets and intensive monetarization. This latter development encouraged the payment of wages for work, thus help-

ing to change the rural life style through the widespread adoption of urban values and habits.

Industrial and commercial capital have become integrated in agribusiness in many different ways. Its most relevant manifestations are in productive modernization and the adoption of technological patterns suited to agriculture, its profound penetration of the more dynamic production lines, with the agricultural units losing control, partly or totally, over production and marketing, and its preference for areas of greater productive potential.

The industrialization of agriculture has been rapid in the majority of the Latin American countries. There has been sustained growth in the share of agro-industry in the gross domestic farm product, with the food branches showing the greatest development. This growth has led to the establishment and consolidation of links in the agro-industrial chain and to the expansion of allied activities and by-products. The linkages with the production of agricultural inputs and with the processing of the sector's products have had an impact on the productive and social bases of agriculture and have thus produced a greater interdependence between agriculture and industry. Agriculture has been compelled to react in different ways than in the past in order to meet the demand for inputs for subsequent industrial processing. Industry has become a viable and secure market for many crops and livestock products and has stimulated the development of a number of production lines whose dynamism depends on agro-industrial processing.

The involvement of transnational corporations and other private foreign investors in Latin American agro-industry dates from long ago. Their share ranges from one to three-fifths of paid social capital in the branches of milling, oils and fats, chocolates and sweets, and meats and dairy products, with various levels of intervention in and control of the production of these agro-industries; consequently, they have a heavy influence on the development of agriculture and the food economy of the countries, an influence which spreads outwards to the whole of the economy and society of Latin America.

Agribusiness responds to an economic climate favourable to investment and greater profitability when this climate is created by the State

and it makes rapid and efficient use of biochemical and machine technologies.

The productive units take many different forms; however, three broad types can be distinguished: i) the big modern farm industries which constitute the nucleus have a high density of modern means of production per man employed and an exclusively wage relationship with the labour force; ii) the big agribusinesses undergoing modernization, characterized by extensive land exploitation, a low density of modern means of production per man employed, the joint use of mechanical motor power and draft animals (with the latter predominating), a preference for low demand production lines, and changing labour relations; and iii) the medium-sized agribusinesses which resemble one or the other of the first two groups. They contribute between one-third and one-half of the annual production increases and are selective in what they produce.

The process of agricultural growth without rural social development has accentuated differences between the business and peasant economies; a feature of the latter is the need to ensure the survival of the family unit and the reproduction of its members by working the land and securing an income from the labour market.

The expansion of capitalist relations of production in Latin American agriculture has not led to general proletarianization of the rural labour force: the semi-proletarian peasant predominates, clinging to his means of production and his traditional subsistence economy without increasing his participation in the labour markets. His semi-proletarianization allows him to tolerate wages lower than the cost of maintaining and reproducing his manpower. The result of this is the extreme poverty in which a large percentage of the rural population lives. The agricultural labour force which has no other occupation finds shelter in the peasant economy, although with declining levels of productivity and income.

The peasant has been obliged gradually to direct his production towards the markets and to buy what he formerly produced or to acquire new manufactured goods. Accordingly, his reproduction depends increasingly on his links with the market, which accentuates the differences within the peasant economy itself and

lays it open to competition from the business economy and subsidized food imports.

Two main types of productive unit can be distinguished in the peasant economy: i) family businesses using modern technology which form an important but small nucleus and whose development has been closely linked with the penetration of industrial and commercial capital in agriculture; and ii) a large number of subsistence or sub-subsistence units engaged in the traditional production of basic foodstuffs, in which human labour is almost the only source of energy and which are undergoing an intense process of disintegration or are managing to hold their own only with difficulty.

The changes have modified not only the productive structure of agriculture but the whole of rural life; agribusinesses and peasant farms, with all their different features, have been joined by a large body of technocrats, administrators, dealers and intermediaries, which form a genuine intermediate rural sector responding to the economic expansion of agriculture and spreading into the present productive system.

As a result of the separate evolution of the business, peasant and intermediate segments, rural poverty has not declined in the majority of the countries but has persisted and even increased. Some of the direct causes of this phenomenon are: insufficient individual production, a result of the flawed structure of landholding and the fragmentation of peasant properties, which aggravates the physical restrictions and undermines the viability of the economic exploitation of the property; changes in the levels of employment and in the nature of farm employment resulting from the replacement of permanent by seasonal work; the higher rate of reproduction of the rural population; migration, which plays a part in modifying the age structure—greater relative weight of children and old people—and in reducing productivity; and the lack of public and private goods and services to meet the people's minimum needs, for they are not sufficient to maintain the people's own production, the trade in that production and their wage levels.

Between 1970 and 1981 the agricultural population of Latin America increased by eight million persons, of whom five million were peasant farmers: four million may be described

as producers and one million as landless workers. It can be computed from estimates made in 16 specific studies that approximately 60% of the rural population of Latin America lives in conditions of poverty, i.e., some 65 million people, of whom 35 million can be considered indigent, as against one-fourth of the urban population—about 55 million people—living in conditions of poverty. The available information indicates that neither urban-industrial development, nor agrarian restructuring, nor the mechanisms for transfer of goods and public and private services have brought about any reduction in the actual numbers of rural poor, which in many countries would seem to be increasing.

The progress made by agrarian reform in the region has been of a conceptual and administrative-institutional nature rather than economic and social. Expropriations affected barely 15% of the land which could be expropriated, and the beneficiaries of agrarian reform amount to approximately 22% of the potential beneficiaries. Little progress has been made in the solution of the problem of the hundreds of thousands of peasants with and without land who were not included among the beneficiaries of the changes in landholding.

In few countries has agrarian reform made any substantial change in the landholding system; the main achievement of the reform has been a considerable reduction in the number of large estates. It has had no significant effects on employment, income, productivity and production. There can be no doubt as to the historical relevance of this process from the political and social standpoints. There has been no systematic study of the importance of the structural changes for the recent development of national agricultures. The value judgements and contradictory arguments which are bandied about have not removed the doubts as to the true economic, social, political and cultural scope of agrarian reform in Latin America.

2. Main trends in the farm economy

The region's gross domestic farm, product, according to national accounts and global figures produced by ECLAC, grew by 3.3% a year between 1950 and 1980. In the 1970s it grew by 3.2% a year. From 1981 the recession resulting from the

external debt crisis duly affected agricultural production, which nevertheless grew by 1.6% a year between 1981 and 1984, compared with an annual reduction of 0.4% in the total gross domestic product of Latin America. This total product increased by 2.6% in 1984, while the agricultural product registered an increase of 3.4%. Per capita agricultural production in 1985 is one-third lower than in 1980 and is close to the 1977 level.

The production of four crop groups increased in the past decade at a faster rate than the population: oil crops, vegetables, fruits and saccharides. The livestock products include poultry and pork, eggs and milk. Grains, alcoholic beverages, dried legumes and beef increased at a slower rate than the population. There was a decline in the production of roots and tubers and vegetable fibres with the exception of cotton. Between 1980 and 1984, in contrast, the highest rates of production were in sugar cane, grains, oil crops, legumes, roots and tubers, followed by poultry and eggs, while the production of vegetables and fruits lost ground.

In the 1960s two-thirds of the increase in the harvest was due to the expansion of the cultivated area and the remaining third to increased yields. In the 1970s three-fifths was due to a larger cultivated area and two-fifths to improved yields. The rates of growth tended to be the same: the harvested area increased by 1.7% a year, and yields by 1.4%. This trend appears to have been maintained in 1981-1983. In 1984 the increase in production seems to have resulted mainly from the expansion of the harvested area.

The physical production capacity was increased by applying technical advances. This process varied according to the characteristics of each production unit and production line, according to the requirements for technical inputs and the volume of technology introduced in terms of the number of components and the degree of interdependence among them. These advances also depended on the economic agents who introduced and applied them and on the stimulus of the market.

The region's consumption of fertilizers increased from 3.6 to 6.8 million tons of nitrogen, phosphorus and potassium between 1970 and 1980 (an increase of 8.5% a year). The consumption of fertilizers declined by 13% between 1980

and 1983 owing both to the drop in prices and to the decline in imports. The ratio between imports and consumption, which was 56% in the mid-1970s, declined to 44% in 1983 as a result of the big increase in the region's production, especially of nitrates. The region has a shortage of potassium fertilizers; its self-sufficiency coefficient reached 70% for phosphates and 73% for nitrates.

Between 1970 and 1980 the consumption of all pesticides climbed from 77 to 136 million tons of active ingredient, which corresponds to an annual rate of increase of 8.4%. Pesticides as such accounted for 49% of consumption, fungicides 24% and herbicides the remaining 27%. Herbicides (13.9%) and insecticides (9.1%) grew at a faster rate than fungicides (8%).

Mechanization has been the decisive condition of the expansion of the cultivated area and has led to increased yields. The number of tractors increased from 615 000 to 880 000 between 1970 and 1980 and reached 930 000 in 1983.

Private operating expenditure and capital formation have been strongly influenced by mechanical, chemical and biological innovations. The former grew by 5 % a year between 1960 and 1980, and the latter by 4.1%.

Three groups of political measures stimulated investment in agriculture: i) the reduction of the cost of capital by means of loans at often subsidized interest rates; preferential reductions of import duties on machinery and agrochemical inputs or their sale by the State at subsidized prices; ii) the construction, extension and diversification of the infrastructure outside the properties; and iii) the programmes of technical assistance for domestic production and marketing and exports, the promotion of specific priority crops for the expansion of agro-industry, and the extension of the agricultural frontier.

State investment in agriculture was designed to encourage, guide and facilitate private investment. Approximately 10% of the growth in agricultural production in Latin America between 1950 and 1980 was due to the effect of the various incentives provided by public agricultural investment. There was a sustained increase in the ratio between the amount of agricultural credit and the sector's gross domestic product: from almost 35% in 1965 to 40% in 1970 and over 60% at the end of the 1970s. The ratio between agri-

cultural credit and total credit was 13% in 1965, 16% in 1970 and almost 20% in 1980. The increase in these two ratios reflects a gradual process of indebtedness and dependence in the agribusiness economy.

There have been slight variations in the characteristics of the concentration, dependence and vulnerability of Latin American exports. Nine products account for 80% of exports, directed mainly towards the developed countries; intra-regional trade absorbs barely 10% of exports, despite the efforts made through the integration systems.

The agricultural exports (in volume) of the Latin American countries grew by 2.8% a year between 1950 and 1970, 1.7% between 1970 and 1980, and 0.9% between 1979 and 1983. The proportion of total production exported declined from almost 19% to 17% between 1970 and 1983. The most rapid growth was in exports of oil crops, wheat, tobacco, tea and fruits.

The imports of the Latin American countries account for approximately 12% of the region's supply of farm products; imports increased by 10.4% a year in the 1970s, as against 4.1 % in the 1960s. This acceleration was due to wheat, maize, sorghum, vegetable oils, dairy products, beans and sugar. Between 1980 and 1983 imports declined by 3.4% a year.

The value of agricultural exports in current dollars increased from 6 800 to 23 100 million between 1969-1971 and 1977-1979. The value of imports increased from 1 700 to 6 700 million dollars in the same period. Thus, the region's favourable balance increased from 5 100 to 16 400 million current dollars. In 1981 agricultural exports totalled 31 200 million dollars; they declined to 27 600 million in 1982 and rebounded to 29 900 million in 1983. Imports amounted to 14 500 million in 1981 and declined to 11 500 and 11 800 million in 1982 and 1983 respectively. In the years of crisis the favourable balance was not only maintained but even slightly increased, owing to the sharp reduction in imports.

Between 1950 and 1980 the region's per capita food production grew at 1.0% a year, while per capita agricultural production grew by 0.7%. In the same period the apparent per capita food consumption increased by 1.1% a year, a rate higher than that of production which was met by means of imports. Between 1980 and 1984 the

region's per capita food production declined by 0.6% a year and the apparent food consumption grew by barely 0.5% a year.

As a result of the changes in relative prices, which were due, among other factors, to the structural changes in the national economies and the different rates of expansion of demand resulting therefrom, the effects of inflation, variations in the flow of goods and international prices and the trend towards increased growth of industrial foodstuffs, in many countries the increase in the cost of an average basket of foodstuffs was higher than the increase in the cost of living. This caused an increase in the share of expenditure on food in total family spending, an increase which was greater in the low-income strata of the population, which make up 60% of households.

This cost increase reduced the quantity and changed the composition of the food consumed and produced a poorer diet. The consumption of the low-income strata of the population declined in quality and quantity and became less varied. There were declines in the per capita consumption of dairy products, beef, dried legumes, vegetables, oils and fats and some wheat derivatives; there was increased consumption of eggs, poultry, fruits and sugar, the latter by reason of the greater consumption of carbonated beverages. Changes have been initiated in food consumption habits which might take permanent root.

In the medium- and high-income strata of the population of many Latin American countries there has also been an increase in the amount of spending on food, accompanied by changes in consumption habits, which have become more varied and rich. Statistical data indicate this clear development in the patterns of consumption and show that the strata of the population most affected by inadequate diet are those which spend more than 50% of the family income on food.

There are several reasons for this increase in food dependence, which is particularly strong in the case of cereals, dairy products, vegetable oils and oilseeds; they have to do, *inter alia*, with the productive potential and its degree of utilization, with changes in the production structure, in the nature of what is produced and in the share of imports in the domestic supplies, with the

relationship between the domestic and international prices for each product and with the degree of agro-industrial development of each country. On the other hand, owing to the fact that over the years short-term measures have been taken to cope with emergency situations, an implicit long-term policy of cheap imports has emerged, with an unfavourable effect on the development of national production. In other cases, in accordance with the theory of comparative advantages, an explicit policy of increasing food dependence was adopted; this policy has been discontinued or is being reviewed in the light of the consequences of the crisis and the corresponding adjustment programmes.

3. *The impact of the crisis: initial perceptions*

Without underrating what has been achieved in production terms, the end result of the agrarian changes and of past trends is unsatisfactory, given the persistent structural weaknesses, such as underemployment, the uneven distribution of income and the rural poverty. The external debt crisis and the readjustment programmes adopted from 1981 have had serious effects on agriculture: its productive capacity has declined, as have production and employment, and the general conditions of life in the countryside have deteriorated.

The adjustment programmes have combined various policies for reduction of expenditure and changes in its composition, depending on the nature of the external imbalance, including fiscal, monetary and income restrictions, devaluations, tariff changes and the promotion of exports. Common features of the crisis and the programmes of adjustment and debt renegotiation have been the decline of production, the increase of unemployment and underemployment, the drop in real wages, the expansion of informal services, the reduction of public expenditure for social purposes and restrictions on foreign currency for the import of goods and services.

Up to 1981 agricultural policy followed a more or less common pattern, the main feature of which was a set of tools of economic policy which directed, regulated and stimulated production with the backing of government pro-

grammes and services. The recession has disrupted this policy, weakening it or even causing its disintegration.

Recent macroeconomic management has affected farm producers in different ways. It altered the framework within which agribusiness functioned and reduced its profitability; this explains the slow rate of growth of the region's farm production in 1982 and 1983. On the other hand, by reason of the very economic characteristics and purpose of peasant agriculture, it must be assumed that it continued producing and contributing to the basic food supply in accordance with its long-term trends. This would explain why, broadly speaking, the bulk of basic food production for consumption by the people has not declined to any great extent. The contraction of the business economy depressed the rural labour market and increased unemployment and rural poverty.

The cutback in public expenditure had a harmful effect on programmes for reform of the production structure and for integrated rural development, as well as on public agricultural services, including public credit, since it intensified the competition for fiscal resources and widened the gap between the amounts originally allocated and those effectively transferred. The adoption of fiscal austerity measures has been accompanied by stricter taxation policy on the part of the agricultural authorities, and priority has been given to the attainment of financial targets, with little attention paid to the actual economic results of agriculture or to rural social objectives.

In these circumstances agricultural recovery will be a difficult and complex task, but a feasible one. The mere fact that production levels are

somewhat below their previous maximum levels indicates that the desired expansion can be achieved. To this must be added the considerable agricultural potential of Latin America, which is not being fully utilized.

The immediate production crisis facing the region's agriculture has its roots in the cost of the financial resources required, the severe shortage of foreign currency for import of essential technical inputs, the contraction in domestic demand for foodstuffs as a result of the recession, and the difficulties of access to international markets. The freedom of manoeuvre available to each country with respect to these restrictions will determine the speed of its agricultural recovery and subsequent expansion.

The recent decline in the volume of imports both of foodstuffs and of technical inputs might give the impression that there will be a reversal of the tendency towards sustained increase in food and technical dependence on the part of Latin American agriculture. On the other hand, it must be remembered that the developed countries have a definite interest in maintaining and extending markets or acquiring new markets for their export goods, and interest which will clash with the national efforts to substitute imports.

In some countries the volume of official agricultural credit began to increase from 1984 and guaranteed prices began to reappear for selected products. Both these facts reflect national recovery strategies which give high priority to agriculture owing to its capacity to generate foreign exchange, its important role in improving and stabilizing the domestic supply of foodstuffs, its importance for agro-industry and the part it plays in easing rural tensions arising from the growing list of unsatisfied basic needs.

II

Outlines of strategy

1. *Principal objectives*

A strategy alternative to passive acceptance of the trends described above would be to give maximum priority to two main objectives: the elimination of rural poverty and the reduction of external vulnerability in foodstuffs. The elimination of rural poverty is nothing more than the expression in a specific sphere of the national objective of eliminating poverty in all its forms. The scale, location and determining factors of rural poverty are by now so well known that it is difficult to believe that this poverty will disappear within an acceptable time frame without decisive action by the State. Similarly, the significant reduction of external vulnerability, with respect to lines and processes of agricultural and livestock production which are vital for the satisfaction of basic needs, is an objective directly linked to the terms of integration in the international economy and, in that sense, is nothing more than a sectoral aspect of a more general objective—the quest for independence in development. However, as it is connected with the satisfaction of basic needs the reduction of external vulnerability acquires particular importance in this case.

The two objectives form an integral part of another goal which transcends the strict sphere of agricultural policy and affects the whole body of development strategy. This is the quest for food security, recently defined by FAO as the guarantee that people will have, at any time, physical and economic access to the basic foods which they need. Food security should have three purposes: to ensure production of an adequate quantity of foodstuffs; to obtain maximum stability in the flow of these foodstuffs; and to guarantee access to them by the people who need them.

In other words, it is a question of progress in the establishment of national food systems—understood as the whole complex of socio-economic relations, from primary production to the final consumption of foodstuffs, a process which has the following characteristics: i) *sufficiency*: to generate a domestic food supply, the

volume and composition of which can satisfy both the effective demand and the basic needs of those sectors which, by reason of income or other problems, cannot translate those needs into a market demand; ii) *stability*: to have mechanisms which utilize cyclical fluctuations in production volumes and prices, in particular for those products which are important elements in the diet of the most populous sectors; iii) *independence*: to reduce to a minimum, in securing an adequate and stable domestic supply, any vulnerability to external market influences; iv) *long-term sustainability*: sufficiency, stability and independence should not be achieved at the cost of the sort of exploitation of natural resources (renewable and non-renewable) which makes it impossible to maintain those conditions over the long term; and v) lastly and most important, *fairness*—a necessarily elusive concept; however, in the present circumstances in the countries of the region it would be acceptable to define it as an attempt to guarantee all the people the essential minimum levels of nutrition and prevent the consumption of luxury foods by certain sectors if that would impair one or more of the five qualities described above.

2. *The main processes of an alternative strategy*

If the stated objectives are to be achieved, the whole complex of policies for the agriculture and livestock sector will have to focus on generating and sustaining a process of change characterized by the following features:

i) *Reduction of the diversity of production in the agriculture and livestock sector*. In the majority of the countries of the region this implies the modernization and strengthening of the peasant economy in order to ensure access to productive resources (land, water, inputs and tools) on a scale and on terms which at least satisfy the basic needs and facilitate the sector's independent control over production and marketing. Since the peasants are major producers of basic foods and constitute the majority of the rural poor an increase in their levels of production and pro-

ductivity would meet the double objective of increasing the supply of food and eliminating rural poverty. If to this is added the possibility that the sector might use technological solutions involving more intensive use of manpower and less demand for imported inputs per unit of production, then the close correlation between strengthening peasant agriculture and attaining food security on the terms described above would become obvious,

ii) *Selective redirection of the transfer of surpluses* as a supplier of inputs and means of production to agriculture, which makes industry one of the greatest influences on the direction of technological change. In the past this process led to the passive incorporation of technological elements which accentuated agriculture's dual nature, with the intensification of the diversity and external vulnerability of the production systems. One of the main tasks here is to correct this trend and to find techniques which facilitate the modernization of the great mass of small and medium-size businesses (in peasant agriculture in particular), thus increasing their productivity and at the same time reducing the imported elements in the inputs and means used.

If standardization is to be achieved, especially in the framework of the restrictions imposed by the crisis, there will have to be a long period of retention of its own surpluses by the agriculture and livestock sector or of transfers of surpluses not only from non-agricultural sectors to the agricultural sector, but also from the modern agricultural sector to the backward but potentially dynamic sectors of peasant agriculture and to other dynamic activities which are or could be located in the countryside.

This change, of course, should take place under conditions which will create for the agriculture and livestock sector as a whole and within a reasonable time frame (which can never be very short) the capacity first to attain self-sufficiency and then to generate transferable surpluses.

Many mechanisms are required in order to bring about the suggested redirection and, given the specific nature which these mechanisms will have in each country, they cannot be described in detail here. But it should be mentioned that they range from different pricing and credit policies to the reallocation of public expenditure, on infrastructure investment in particular (small hydraulic works, local roads, small centres for producers' organizations, research and dissemination of technology from peasant products).

iii) *Strengthening the interrelationship between agriculture and industry and upgrading of rural areas*. This means the establishment, strengthening or modification of various kinds of link between the two sectors. The First and most obvious link is that of agro-industry as a processor of farm inputs; the task is to give priority to the production of essential consumer goods (food and some kinds of clothing) and the export of existing agro-industrial products or other products which may offer comparative advantages. Agro-industry is

capable of operating as a nucleus for generating higher forms of organization of agricultural activity (thus facilitating the intensification of agriculture) especially by establishing allied enterprises and encouraging self-management by peasant and medium-sized agricultural producers; when it comes to larger-scale initiatives, mixed enterprises with public participation might be established.

The second basic link is the role of industry as a supplier of inputs and means of production to agriculture, which makes industry one of the greatest influences on the direction of technological change. In the past this process led to the passive incorporation of technological elements which accentuated agriculture's dual nature, with the intensification of the diversity and external vulnerability of the production systems. One of the main tasks here is to correct this trend and to find techniques which facilitate the modernization of the great mass of small and medium-size businesses (in peasant agriculture in particular), thus increasing their productivity and at the same time reducing the imported elements in the inputs and means used.

The third link is the introduction into rural areas of industrial activities taking advantage of seasonal unemployment and tending to absorb manpower which would otherwise contribute to swelling the migration to the cities.

Generally speaking, the redefinition of the links between agriculture and industry, and the implementation of supplementary measures, should aim at the increased utilization of rural areas.

Part of the redirection of surpluses, which will vary from country to country, should be aimed at the development of rural industries of various sizes, preferably ones which can be effectively incorporated in peasant production by means of co-operative or similar undertakings, in order to increase the value of their products and to provide jobs (in addition to agricultural activity as such) in industrial undertakings not necessarily engaged in the processing of agricultural inputs. It is a question of physically reconstituting, on the basis of traditional agriculture but at higher levels of organization, a series of activities which were originally part of that agriculture but became separated from it in the process of the division of labour and specialization, not only

sectorally but physically as well. It is also necessary to encourage the decentralized development of activities which, although not part of the industrial processing of agricultural inputs, can be integrated in that process through the labour markets with mutual advantage and with great social benefits, given the over-urbanization and high rate of industrial concentration which are features of the majority of the countries of the region. It goes without saying that the integration of industrial activities will have to be matched by coherent transport, education, health and leisure policies.

The experience of Europe and Japan with respect to the interrelationship between peasant agriculture and agro-industry and between handicrafts and industrial work of various kinds, offers an example of the effectiveness of this kind of solution.

iv) *Reduction of the imbalance in the terms of integration in the international market.* The difficulties of overcoming this imbalance should not be underestimated, if only because some of them are beyond the control of the countries of the region, acting individually or together, since they are determined by the policies of the big importer and exporter countries. However, there are a great many underused possibilities of increasing exports and reducing or substituting imports in the agro-food area; these possibilities could come to have great importance.

The diversification of agricultural and livestock exports has been a slow process in Latin America. The process is still dominated by a small number of lines whose growth is far from dynamic in the world market; their expansion cannot therefore still be considered as a basis for the future development of the sector. The incorporation of a range of products for which there is a more vigorous demand and which have a greater local value added (however small each one of them may be individually) may prove to have an enormous overall importance, as some recent experiments have shown (citrus and other fruits, vegetables, forestry products, footwear). This has the added advantage of diversification in preventing large fluctuations in foreign earnings.

There has been spectacular progress in some countries of the region in the penetration of international markets with certain "modern" lines.

This suggests that, given the right conditions, the agricultural sector has a degree of flexibility and a capacity to react which are not normally attributed to it in Latin America.

With respect to imports, apart from the obvious measures to reduce or eliminate purchases of luxury foodstuffs which the crisis itself would require, progress must be made in the substitution of imported agricultural inputs, especially in the case of food products which have shown very fast growth (animal feeds, oilseeds, dairy products), where there are no complex technical obstacles to substitution.

Another underused possibility is to open up regional and subregional markets in which joint purchases from third countries, increased internal trade and the establishment of ties of interdependence in agriculture and the food industry, as well as the intensification of barter trade, might bring about a large reduction in the expenditure of foreign currency on imported foodstuffs. However, it must not be forgotten that many of the factors determining the source of imports are connected with the financial facilities which the big exporter countries can grant and which acquire greater importance in times of crisis.

v) *Reduction of technological dependence.* Where this objective is concerned, it is important not to underestimate the cost or the time it takes to establish technologies or to make changes to adapt them to the resources available locally. However, this does not mean conforming with the present trend of passive acceptance of technologies created in different situations; rather, it points to the need to establish for the agriculture and livestock sector the kind of durable and coherent technology policy which is needed if the time-limits are to be met. It is impossible to dispute the importance of the role of the State in this matter, with respect both to the volume of resources required and to the social characteristics of the bulk of the recipients. An important step would be to stop importing whole packages of technology, which include imported inputs and means of production and entail the displacement of manpower, for some of these components, given a perfectly feasible effort to adapt, could be replaced by domestically produced inputs or by labour. Another step would be to check the tendency towards more diversified patterns of

foodstuffs demand, which require inputs or means of production from outside the region, no matter how slowly these patterns are changing.

Regional and subregional agreements on technology have obviously made too little progress, for the division of labour at the regional level based on a common policy of scientific and technological development in the agro-food sector would have clear advantages, many of which have indeed been properly assessed.

vi) *Rehabilitation of natural resources.* The processes of erosion, desertification, salination, exhaustion of water tables and deforestation have reached catastrophic levels in many regions, and this problem cannot be skirted in the public and private decision-making process. Nor can the ecological degradation caused by the transfer of peasant agriculture to marginal land as a result of the takeover of peasant land by agribusiness continue to be accepted with indifference. When designing policies adapted to different types of product it is important to include the specific requirements of each type of physical environment, so as to establish food-supply systems which can be sustained over the long term. Because of the diversity of situations found in the countries of the region, the relevance of the principles stated above will vary from case to case, and their expression in more specific and concrete terms will require attention to the following variables: the absolute size of the economy (or if it is preferred, of the country in question), for this affects the relative importance of the internal and external markets in agricultural supply and the potential function of agricultural exports in the overall dynamics of the economy; the proportion of the population living in rural areas and, as a corollary, the proportion of the economically active population engaged in agriculture, for this affects the diversity of the sector's production structure (relative weight and degree of differentiation of the peasant economy in comparison with the business economy) and the choice of more suitable technological options; and differences in the amount of agricultural land available per inhabitant and in the relationship between cultivable land and employed population, which has implications for the choice of technology, for the scale on which surpluses of food and other products may be generated for the development of the urban-industrial sector,

and for the diversity of the production structure.

Diversity of crops and in the size and type of farm is of great importance in the design of sectoral policy. The greater the diversity (within each region and among regions, and within each country), the greater will be the need for policies suited to each type of producer (and region) and the greater the need for decentralization, co-ordination and organization of producers, in order to establish an agricultural policy capable of co-ordinating and mobilizing the agents who are to be incorporated in agricultural development. Accordingly, it will have to be decided, in each national situation, which social sectors, which economic agents and which types of relationship between them will be most capable of mobilizing the State for this purpose.

3. *The role of the State*

Many different arguments lead to the conclusion that the free operation of the forces of the internal and external markets, far from increasing the standardization and integration of the productive structure, reducing external vulnerability and securing more equitable distribution, tend, on the contrary, to exacerbate polarization and dependence. This is simply the result of the diversification of the production structure and the consequent inequality with which the agents are faced when they buy and sell in the various markets. This argument is borne out by the results of the recent experiment in neo-liberalism, which advocated the theory of the subsidiary role of the State. In contrast, there are many examples of agricultures which have succeeded in developing with the firm support of the State within a framework of relative standardization of productive units and a high level of organization and influence on the part of producers' associations. Policies of price maintenance, State purchases of crops, regulation of sown areas, substantial direct and indirect production subsidies (equivalent in some countries to more than half the value of production), protection against external competition and encouragement of penetration of export markets, establishment and maintenance of vast scientific and technological research networks and agriculture and livestock extension structures —these are only some of the most noteworthy forms of public in-

tervention in the most advanced agricultures, intervention which, moreover, is based on a long-term view and is intended to continue for several decades.

Latin American history also offers many examples of direct and indirect public intervention in the agriculture and livestock sector, and such intervention increased considerably from the 1930s. In the majority of cases, however, it has tended to consolidate or even accentuate tendencies towards diversification of the production structure, owing both to a marked urban-industrial bias, which neglected rural areas, and to a pronounced leaning towards modern agribusiness. Agribusiness, for example, was the main beneficiary of the development of the sectoral infrastructure, the allocation of credit, generally subsidized, for agriculture and livestock production, the lack of a fiscal structure levying taxes proportional to the productive potential of the land, reductions in tariff or exchange rates and terms favouring the import of machinery and certain agricultural inputs, and price-control policies, which, in an effort to keep wages down, eventually created comparative advantages for products suited to the business rather than to the peasant structure.

Though there are no economies of scale of any significance in the use of the essential components of the new technologies (in particular technology associated with the green revolution)—since fertilizers, seeds and irrigation water are perfectly divisible, once the infrastructure work has been completed, usually by the public sector—the landholding structures and the institutional base polarized the adoption of these technologies, which included a mechanization element not inherent in the technologies, an element which only the larger-scale units could handle. Furthermore, the pattern of technological development, in addition to accentuating the polarization of levels of productivity and income in the agriculture and livestock sector, brought about a faster rate of increase in external dependence for inputs and machinery.

In the cases in which policies of transfer to the peasant and small-producer sector were applied, there was a considerable element of paternalism or clientism, which deprived these policies of the direction and continuity needed for increased production. A similar limitation

was found in the various forms of assistance to the poorest rural sectors.

It would be wrong to assert a clear choice between State intervention and a subsidiary role for the State, with a greater or lesser degree of intervention in the economy; that would be to avoid the heart of the matter, which is the content and the orientation of public management or, more accurately, the kind of relationship established between the State and the social agents participating in the process of devising and carrying out policies. It is in this area that fundamental reforms are needed if the stated objectives are to be attained. Broadly speaking, the changes proposed are aimed at the gradual establishment of a democratic and participatory framework which will ensure an effective relationship between planning and market with respect to the stated objectives.

4. The democratic participatory strategy in rural areas

The establishment of a democratic participatory framework will require significant changes on two fronts: the adaptation of the public apparatus and the organization of producers (and, it may be added, of urban consumers, especially in the peripheral zones of the big cities). It is essential to decentralize political and administrative functions and the use of resources and to integrate the multiplicity of public operations at the local level, in particular those which are directly or indirectly complementary. Producers' organizations will have to be strengthened (or set up where they do not exist) and made to operate with as much uniformity as possible in matters relating to the interests of their participants; they must also represent clearly defined constituencies and be recognized as doing so by the producers themselves, who constitute the local aspect of the integration of public management.

Proposals must be matched by the political will and force needed to overcome the natural tendency of bureaucracy towards concentration of power and vertical management and the tendency of producers' organizations not to represent the interests of their smallest members.

Only in the context of an organized rural social system and a political and administrative structure which has been decentralized and in-

tegrated at the local level will it be possible to establish participatory policies, at least in areas having a more direct influence on the living and working conditions of the producers, in order to transform the producers' organization itself into a productive resource of great potential. It is certainly not asserted that participation should be expressed in more or less detailed rules relating to the representation of the groups concerned on commissions or committees of various sectors of the bureaucracy, located near or far from the group's territory, or in the formal convening of assemblies by civil servants in various public institutions with a view to deciding matters of common interest. Quite to the contrary: participation should mean a continuing activity which truly expresses the power of the participants over the conditions of the work process and the utilization of its products.

The degree to which a rural social system of uniform organizations is established and the political and administrative structure is adapted to the requirements of participatory management will determine the possibility of transferring functions and resources from the State to local group organizations, as well as the planning and application of political measures suited to each type of producer (and not to each type of product as was the case in the past).

The adoption of different measures for each type of producer is the only approach consistent with the goal of eliminating rural poverty by reducing diversity and strengthening the weak-

est sectors in the production structure through the selective transfer of resources to the ones with the greatest potential to absorb the resources productively within a reasonable time-limit.

It goes without saying that the production and application of different measures for each type of producer is not feasible, by virtue of the nature of the measures themselves, in an authoritarian and bureaucratic environment, for the application of such measures would tend to swell the public apparatus and produce great technical and economic efficiency.

The different and specific nature of these policies, and their participatory content, must find expression in the whole range of sectoral policies—investment, credit, training, marketing—and in the policy of technological development itself, for much excellent experience has been accumulated in the extension of experimentation and selection of high-yield techniques and varieties.

The vast experience of rural development programmes shows that non-participatory public management requires more resources and more and better qualified staff in order to obtain worse results than can be obtained by mobilizing the local potential and delegating many of the functions to local collective bodies or community representatives. In other words, the mobilization of organized producers must be converted into a high-potential productive resource.