



ECONOMIC
AND
SOCIAL COUNCIL



GENERAL
E/CN.12/AG.30/SR.3
6 September 1955
ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR LATIN AMERICA
Sixth Session
Bogotá, Colombia
29 August 1955

COMMITTEE IV
(Economic Problems of Agriculture)

SUMMARY RECORD OF THE THIRD MEETING
Held at Bogota on Tuesday,
6 September 1955, at 3.30 p.m.

CONTENTS

General discussion (concluded)

The situation of agricultural surpluses and the activities of FAO

PRESENT:

<u>Chairman:</u>	Mr. VILDOSOLA	Chile
<u>Rapporteur:</u>	Mr. McCULLOUGH	Panama
<u>Members:</u>	Mr. BASCIALLI	Argentina
	Mr. WAACK BUENO	Brazil
	Mr. LARA BORRERO	Colombia
	Mr. RODRIGUEZ MARTIN	Cuba
	Mr. SCHATAN	Chile
	Mr. RODRIGUEZ MORALES	Ecuador
	Mr. HUEZO SELVA	El Salvador

Mr. LOVERIDGE

Mr. LOVERIDGE	United States of America
Mr. BULLE	France
Mr. JEAN-MICHEL	Haiti
Mr. MOLINA	Honduras
Mr. BELLO	Mexico
Mr. BAKULA	Peru
Mr. WRIGHT	United Kingdom of Great Britain and Northern Ireland
Mr. LACARTE MURO	Uruguay
Mr. DELGADO ROVATI	Venezuela

Also present:Representatives of specialized agencies:

Mr. BOERMA)	Food and Agriculture Organization
Mr. ORTIZ)	
Mr. LASO)	International Monetary Fund
Mr. VERA)	

Representative of an inter-governmental organization

Mr. PILVIN	Inter-American Economic and Social Council
------------	---

Secretariat:

Mr. SWENSON	Deputy Director
Mr. TRIVELLI	ECLA Secretary of the Committee
Mr. SACO	FAO Secretary of the Committee

/GENERAL DISCUSSION

Mr. RODRIGUEZ MORALES (Ecuador) observed that with such developments as Paz de Rio, Huachipato and Volta Redonda, there could be no doubt that Latin America was a region with a brilliant future. However, for the moment, Latin America was confronted with serious problems in the field of agriculture: the sombre paradox of surpluses and undernourishment, instability of prices in the world market, and waste in the use of resources and manpower.

Ecuador, which was part and parcel of the economic fabric of Latin America, was engaged in a major effort to diversify its economy. It had learned from bitter experience the dangers of relying upon one or two commodities for export. At one time cacao had been the main source of Ecuador's wealth; later, and only after a long period of economic suffering resulting from the decline of cacao, Ecuador had been able to regain a measure of prosperity through the cultivation of rice during the Second World War, but at the end of the war, it too suffered a considerable decline in value. At the present time, although Ecuador had achieved prominence as a banana exporter, it had returned to a diversified economy, producing large quantities of cacao, coffee, rice, sugar, tobacco, cotton, maize, wheat and barley.

His country was trying to achieve a peaceful transformation of its productive system. The National Government was expending large sums on education, communications, and the support of economic development through the extension of credit and the adjustment of its external debt. Ecuador was in the first stage of planned economic development. The investigation of its economic resources, the need for precise information and definite points of reference were indispensable. In that respect, international assistance was invaluable. Outstanding in the assistance given Ecuador had been ECLA's study of the Economic Development of Ecuador, FAO's seminar on statistics, FAO's census of the fishing industry - the first of its kind - and the agricultural census, which was being completed with FAO's assistance. With the help of Point IV, the Inter-American Agricultural Co-operative Service was playing an important part, along with the government's agricultural extension service and experimental station.

/Through the

Through the national system of Bancos de Fomento credit was extended for the purposes of mechanizing agriculture, combating crop diseases and pests, improving forestry techniques, and increasing livestock production. In that connexion he pointed out one factor of considerable importance: Ecuadorian cattle were not affected by foot-and-mouth disease.

The organic co-ordination of Ecuador's economic development was achieved under the guidance of the Junta Nacional de Planificación y Coordinación Económica and the Comisión Nacional de Valores.

After strongly endorsing the statement of the FAO representative at one of the plenary meetings calling for the planned increase of agricultural production by Latin American countries in the light of their internal needs, economic possibilities and export prospects, he made a plea for the application of agricultural theories on which all were agreed to the actual problems of Latin America.

The delegation of Ecuador hoped that the present session would recommend joint studies by ECLA and FAO that would lay down principles constituting a guide to action in the field of agricultural policy and programming and taking into account the structural similarities and differences existing in Latin America.

Mr. BASCIALLI (Argentina) analysed recent developments in the agricultural economy of his country. The intensification of agricultural activity and hence increased production was one of the major concerns of his Government. The mechanization of agriculture, and the diversification of production according to the value and the nature of the soil in the various ecological regions of his country, were being speeded up within the framework of the second 5-year plan.

Legislation had been adopted with a view to achieving a land system that would ensure to the farm worker humane conditions of labour, security and the possibility of becoming the owner of the land he tilled. Under Act No. 13,246, more than 8,000 disputes between owners and tenants had been settled, and 223,513 leases had been registered by the end of 1954. Under other legislation land grants had been made in various provinces to new settlers in accordance with principles that would ensure a livelihood and a reasonable margin of profit. In that connexion, he pointed out that, although only 11 per cent of the area of his country was farmed at the present time, more than twice as much was suitable for agriculture, including 50 million hectares particularly suited to the cultivation of grains and flax.

Agricultural research had been particularly intensive. A comprehensive soil survey of Argentina had been completed and other surveys were being conducted, or were planned, for special purposes such as irrigation, settlement, land use and erosion. A comprehensive survey of the extent of erosion in his country had already been published by FAO on the basis of a map prepared by the Argentine Instituto de Suelos. The problem of erosion was being attacked by local units known as Distritos de Conservación.

Mr. Bascialli described the efforts being made to introduce new species and to develop better varieties. New methods of combating insect pests had been applied, and for the first time in the last decade Argentina had been freed of the plague of flying locusts, and, in order to prevent a future invasion, it had initiated the necessary agreements with its northern neighbours.

Many millions of pesos had been spent in the distribution of high quality seed for the improvement of grain, fodder and oleaginous crops. Similarly, selected seed had been distributed for the large-scale production of cotton, potatoes, vegetables and fruits. Since 1948, the number of olive trees had increased from 5.2 to 7.5 million and at the present time there were 109 olive oil factories in Argentina.

Producers of grain and oleaginous crops were paid fair prices by the State, based on careful studies of the system of labour and the costs of production, irrespective of fluctuations in the international market.

New techniques in forestry were being promoted and the Dirección de Investigaciones Ganaderas had attacked various problems connected with the breeding of livestock and the marketing of meat, fats and fish.

The policy of his Government had enabled Argentina to overcome the effects of the intense droughts of 1951 and 1952, so that the country was now in a position to satisfy the needs of domestic consumption and to increase significantly the products available for export.

After describing in detail the function of Argentine legislation designed to promote settlement on new land, and the social effects of the use of credit in the rational and coordinated development of agriculture, he observed that the most advanced civilisations of the past had invariably achieved a high standard of agriculture. The welfare of society called for agricultural production that was economical. Farmers

/ and countries

and countries alike were interested in yield rather than high volume at any cost and the inevitable laws of soil and climate had made certain areas of the world more fitted for the large scale production of particular types of agricultural products.

In that connexion, he expressed his concern at some of the tendencies that had appeared in the policies of certain countries. Some of them were able to produce surpluses, often through programmes based on price supports; others, scarcely able to satisfy their own needs, were exporting agricultural products; and, finally, some were engaged in rather optimistic planning. He wondered what the future held for countries which were traditionally exporters of agricultural products if industrialized countries turned the wheel back and planned to produce not only for their own needs, but for the international market as well.

The countries whose way of life depended on the income derived from agriculture had already felt the detrimental effects of the accumulation of surpluses and the unfavourable trend of prices. If they should resort to such alternatives as flooding the market with agricultural products at cheap prices made possible by favourable natural conditions and low labour costs, the results would be ruinous competition, retrogression and the failure of international economic co-operation. It would mean the abandonment of the system of the international division of labour, which was still applicable in certain fields.

He failed to see how traditional agricultural exporters would be able to maintain foreign purchasing power for the acquisition of capital goods and raw materials necessary for economic development or how highly industrialized countries could find a market for their goods if countries like his own could not sell their agricultural products abroad at prices in keeping with the cost of the products they had to import. He also wondered whether high-cost surpluses could ever really meet the needs of millions of impoverished people.

Improvisation and lack of foresight in the introduction of economic changes might result in all kinds of disadvantages to the international community. He supported a policy of selective expansion of agricultural production in accordance with the natural fitness of the various countries

/of Latin

of Latin America and with adequate distribution of products, as a means of ensuring the most economic production, a high level of inter-American trade and increased consumption. He also recommended that production in areas that were marginal by nature should be limited to the development of basic production as a safety measure for emergencies, when it could be expanded to the extent necessary.

Mr. BELLO (Mexico) said that it was his Government's policy to raise the standard of living of the people through the constant expansion of agriculture in harmony with industrial development. Agricultural production for export was also encouraged. In 1954, as a result of price supports and good crops, incomes had risen by 8 per cent while the cost of living has risen by only 5 per cent.

The State had encouraged investment, both public and private, for the assistance of agricultural development. Special attention had been given to irrigation programmes intended to increase the area of land under cultivation and some 32,000 additional hectares had been rendered arable in 1954. Large facilities had been granted by banking and credit organizations, both domestic and foreign, for agricultural purposes such as the better selection of seed and the improvement of methods of cultivation. The production of the three basic crops, maize, wheat and beans, had risen markedly in consequence, and domestic needs for those commodities had been completely satisfied. In fact it had been possible to export quantities of maize and beans in that year and also to build up stocks for domestic consumption later.

As a result of improved techniques, greater mechanization and soil conservation and irrigation schemes, higher yields of rice, sugar and cotton had been obtained in 1954. Great efforts had been made to increase the production of dairy products such as milk, fats and eggs, so that imports of those items might be reduced. Millions of trees had been planted so that the pulp and paper industry could be supplied without the destruction of the country's forests. Finally, credits had been granted to landowners in order to raise their standard of living and to enable them to improve the output of their farms and to intensify their cultivation.

In all those ways Mexico was endeavouring to improve its economy by increasing agricultural production.

THE SITUATION OF AGRICULTURAL SURPLUSES AND THE ACTIVITIES OF FAO

Mr. BOERMA (Food and Agriculture Organization) presented to the Committee the document prepared by his organisation on that item of its agenda (FAO/55/8/4912). It was paradoxical, as the Argentine representative had said at an earlier meeting, that a problem of food surpluses should exist in a world where hunger was still common. Hunger was the result of poverty, and poverty could only be eliminated by raising the standard of living of people all over the world, through the harmonious development of national economies.

It was perhaps fortunate that, in contrast to the situation in the 1930's, the major part of the agricultural surpluses at present existing were held by the more highly developed countries, which had adopted a moderate policy for their disposal, keeping them off the market so far as was possible. Moreover, the surpluses problem must be seen as essentially a temporary one. Populations were increasing in the more highly developed countries, too, while at the same time those countries were trying to raise their standards of living still further. Thus it might well be, as the United States Secretary for Agriculture had recently pointed out, that that country would within a decade again become an importer of agricultural products. The future of agriculture must not be jeopardized, therefore, and the main effort should be directed to increasing agricultural production, for it was obvious that the world needed more food.

That was the perspective in which FAO saw the situation. It agreed, however, that solutions to the immediate problem must be found, and indeed it was confident that the problem was already on the way to being solved. Consultations had been going on in the agencies for a couple of years now, and both in FAO and in GATT resolutions had been adopted, and a code of principles in the matter developed which, if conscientiously applied by all the countries adhering to it would provide adequate safeguards against the most harmful consequences of the situation. It was recognized that adjustments must be made in existing production and price policies, and that measures must be taken to prevent the disposal of one country's surpluses from harming /the economies

the economies of other exporting countries or, for that matter, those of the importing countries. Further, a special Consultative Sub-Committee on Surplus Disposal had been set up in Washington, with the full support of the United States Government, for the hearing of specific complaints and classification of the surplus situation of the commodities involved. Thus, effective collective action had already been initiated to prevent future surpluses from disrupting national economies.

Meanwhile, constructive use ought to be made of existing surpluses; they should be treated, not as a disaster, but as a blessing. There were many opportunities for action. Some surpluses, and particularly skimmed milk, could be used in schemes for feeding children, comparable with those organised by UNICEF. Food reserves could be built up in countries where famine was likely to occur. In fact something had already been done in that direction; reserves were being built up in India of products derived from the United States. Surpluses could also be employed more directly in economic development schemes. Surplus milk, for instance, could be used to augment local supplies while dairy industries were being developed. Such a scheme was already in operation in Bombay and surveys were being made with a view to introducing similar schemes in Egypt, Pakistan, Turkey and Yugoslavia. Surplus supplies could also be used to feed workers employed on special construction jobs such as dam-building. Or again, they could be used to help combat the inflationary tendencies which inevitably followed the introduction of large-scale development schemes. Long-term loans could be granted to enable developing countries to purchase surpluses. Operations of that kind were already being considered in India.

Thus there were possibilities for positive action with respect to surpluses. He would urge all Latin American countries to examine them and to seek the help of the specialized agencies in finding ways and means of utilizing the surpluses effectively.

Mr. LOVERIDGE (United States of America) wished first to commend the documents before the Committee and to make some comments on them. His delegation found the principles for the selective expansion of agricultural production outlined in document E/CN.12/378 sound and helpful, and agreed that general economic considerations must be borne in mind in the framing

/of agricultural

of agricultural policies, the main object of which should be to provide peoples with sufficient quantities and varieties of food at a minimum cost.

His delegation thought that the chapter on agriculture in the Economic Survey of Latin America, 1954 (E/CN.12/362/Rev.1) accurately recorded current trends in agricultural production in Latin America.

The United States Government welcomed the progress report on the ECLA/FAO coffee survey (E/CN.12/379) and hoped that its work would be successfully concluded in the near future.

Turning to the question of surpluses, he said that the over-production of agricultural commodities in the United States had resulted from the excessive demand which had occurred all over the world both during and immediately after the Second World War. United States farmers had been encouraged by every means possible to increase their output and they had done so with striking success. As conditions had begun to return to normal, however, United States exports of agricultural products had begun to fall, and adjustments had had to be made. The price-support scheme had been introduced as a temporary measure to ease the transition from high production to normal production conditions. Price supports were now gradually being removed and areas under cultivation were being reduced. The acreage planted with wheat, cotton and rice, for instance, had been reduced drastically between 1953 and 1955. Meanwhile, he noted, the areas planted with the same crops in competing exporting countries had risen.

As for existing surpluses, they could best be used, of course, to encourage consumption at home and abroad. The United States was anxious to increase its trade with Latin America and its Government programmes were intended simply to supplement commercial transactions and to help increase market opportunities. Title I of United States Public Law 480 provided the principal means whereby constructive use could be made of agricultural surpluses, through the medium of private trade and banking channels. He could assure representatives that it was not his Government's intention to glut world markets with United States surpluses. Naturally his country would be obliged to offer its products at competitive prices, but it would not use its surpluses in such a way as to disrupt the world price structure. It wished to encourage international trade and to promote healthy economic development.

/His Government

His Government welcomed the suggestions made by FAO in its document on the surplus problem, and endorsed the principles recommended in Appendix A of that document. It also commended FAO's efforts to give practical expression to those principles, as for instance in the projects being carried out in Egypt and India. Through its own disposal programmes it was endeavouring to assist the under-developed countries to raise the standard of living of their peoples. The final objective of the United States was identical with that of all the Latin American countries, namely, to expand domestic and foreign markets, to reduce costs and improve quality, and to make the best use of agricultural resources.

The meeting rose at 5.30 p.m.