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Bogota, Colombia.

COMMITTEE IV  
ECONOMIC PROBLEMS OF AGRICULTURE  
Rapporteur's Report

Committee IV which dealt with Economic Problems of Agriculture, held eight sessions between 2 and 13 September under the chairmanship of Mr. Guillermo Vildósola (Chile). All or some of these meetings were attended by the representatives of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, France, Guatemala, Haiti, Honduras, Mexico, Netherlands, Nicaragua, Panama, Peru, United Kingdom, United States of America, Uruguay and Venezuela. Also present were observers from the following international organizations: the Inter-American Economic and Social Council, the International Monetary Fund, the International Bank for Reconstruction and Development, and the General Agreement on Tariffs and Trade.

By agreement between the Economic Commission for Latin America and the Food and Agriculture Organization of the United Nations, the second Latin American Regional Consultation on the Selective Expansion of Agricultural Production and Consumption formed part of the meeting of Committee IV during the sixth session of the Economic Commission for Latin America held at Bogota from 29 August to 17 September 1955.

In view of this development in addition to examining the Chapter on Agriculture appearing in the Economic Survey of Latin America, 1954 (Doc. E/CN.12/362/Rev.1), and the Progress Report on the ECLA/FAO Coffee Survey (Doc. E/CN.12/379), the Committee also studied the two following documents: The Selective Expansion of Agricultural Production in Latin America and its

/Relationship to

Relationship to Economic Development, prepared jointly by the secretariats of ECLA and FAO (Doc.E/CN.12/278) and Review of the Agricultural Commodity Situation with Special Reference to the Problem of Surpluses and the Activities of FAO in this Field (Docs.FAO/55/3/4912 and FAO/55/8)

As a result of the above-mentioned agreement, the present report will also be submitted at the next session of the Conference of FAO.

The following agenda was adopted for discussion in Committee IV:

- 1) Recent events and trends in Latin American agriculture.
- 2) The position of agriculture within over-all economic development.
- 3) The situation of agricultural surpluses and the activities of FAO in this field, including:
  - a) The general surplus situation
  - b) Surplus disposal policy
  - c) Measures for utility surpluses for the purposes of economic development.
- 4) National production and trade policies, and the situation of the various branches of production:
  - a) Products of animal origin and livestock development
  - b) Agricultural with surplus problems
    - i) Wheat
    - ii) Maize
    - iii) Rice
    - iv) Sugar
    - v) Cotton
  - c) The situation of other products:
    - i) Coffee
    - ii) Miscellaneous
- 5) Agricultural programming and development in the immediate future, in accordance with the principles of selective expansion of production and consumption.
  - a) The branches of agricultural production most suitable for future developments, bearing in mind: i) domestic demand and dietary standards (ii) world market prospects.
  - b) Measures to increase consumption and to import the marketing of agricultural products.
  - c) Consideration of a better regional co-ordination of Latin American agricultural production policies.

/ d) Agricultural

- d) Agricultural research and extension and its relationship to economic development

6) Other topics

By consent of the Committee, the subjects related to point 1) were discussed in a joint meeting with Committee II.

The study of all these aspects called forth important observations from Committee members and observers which will be of significance to the region's future agricultural policy and to a more balanced economic development of the Latin American countries. The most salient points were expressed in resolutions and recommendations seeking to amplify and to deepen the studies and research, which will serve as the basis and background information for a better direction of agricultural policy in the countries of the region. It was also recommended that the interested governments take action, which might have the beneficial effect of rendering both national and regional agricultural development speedier and more efficient.

Discussion of the varied problems confronting Latin American agriculture and the analyses of the measures to facilitate their adequate solution, favouring agricultural and economic progress throughout the region, developed in an atmosphere of liberal co-operation on the part of the several countries represented in the Committee, who demonstrated their anxiety to promote an effective international understanding for the fostering of speedier and more balanced development of the region's economy. This focussing on problems from regional point of view, with consideration also being given to developments in countries outside the region rather than from an exclusively national viewpoint undoubtedly offers the most promising possibilities for the economic and agricultural future of Latin America.

The Present State of Agriculture in Latin America: Obstacles and Possibilities

Most of the delegates described the agricultural situation in their respective countries, the progress achieved recently and problems of all kinds involved in accelerating the development of this branch of economic activity.

A relatively unsatisfactory rate of expansion of total agricultural production in comparison with demographic growth has resulted in a situation of considerable significance, which has found expression in a reduction of

/per capita

per capita agricultural exports and in a marked increase in imports of agricultural commodities. The position of the region as a net exporter of agricultural products has deteriorated. Although Latin America is retaining its importance in this field and is still far from being a net importer, the region as a whole now depends much more than before on imports of foodstuffs.

With special reference to the last agricultural year, the Committee emphasized that although in 1953/54 the growth of production kept pace with the rate of demographic growth -- 2.5 per cent per annum -- in 1954/55, conversely, the rate of expansion -- according to preliminary data -- apparently did not exceed 1.5 per cent, with a consequent deterioration in the level of the per capita agricultural production.

Owing to the slow rate of development of agriculture, per capita production in Latin America is at present lower than that of the pre-war period. <sup>1/</sup>

It was noted, however, that in several countries agricultural production has shown a favourable trend which differs from that of the general situation.

In recent years, all the countries of Latin America have tried to rectify the unfavourable development of agriculture by adopting official measures; but there is no doubt that much remains to be done. The main obstacle hindering the acceleration of agricultural development would appear to be a shortage of capital and inadequate technical progress, since the region lacks neither land nor labour. Enough land is available, which is already being cultivated or is suitable for cultivation, to satisfy the requirements of present demand and even its future increase. One essential aspect of the problem is better land utilization, a point about which the Committee was in complete agreement.

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<sup>1/</sup> According to data for 10 countries, which represent 80 per cent of the regional total, in 1954 Latin American exports were therefore inferior to those of preceding years and even to pre-war levels.

The productive area of Latin America is estimated at 1,380 million hectares. Of this total barely 38 per cent is at present devoted to agriculture, and of this 38 per cent actual cultivation, including artificial pastures, forms scarcely 17 per cent; the rest consists of natural grasslands with a very limited carrying capacity. If these figures are compared with the statistics of any other continent - Africa included - it can be verified that Latin American land use is at a very low level.

It was noted, with reference to the region's agricultural possibilities that among the immense resources of virgin soil exists the vast tract area known as the Amazon Basin. With an area perhaps larger than that of the United States, the Amazon Basin offers immeasurable prospects for agriculture. The Committee considered that preliminary studies should be initiated on the possibilities of this zone. Such studies would form a point of departure for future development projects in which the various countries possessing territories in the Amazon Basin would have a common or individual interest.

The Committee agreed that if agricultural production is to expand unit yields must increase. Maize represents a case in point. There are numerous possibilities of increasing the production of this commodity, now that many countries have proved the efficacy of using hybrid strains and improved varieties. Until quite recently, the agricultural authorities of the Latin American countries were seriously concerned with the problem of expanding production, since a progressive decline in unit yields was becoming increasingly evident. Although it is somewhat premature to believe that this decline has been halted, for experiments with hybrids and improved varieties have been few, it is nevertheless evident that their use offers very great possibilities of reversing this trend.

In 1953/54, for example, average yields in the region's principal producing countries improved by 11 per cent over the figures for 1952/53, and by somewhat more than 6 per cent in comparison with the previous quinquennium. The immense possibilities of increasing yields in Latin America becomes still more manifest if account is taken of the development  
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of unit yields in some countries of the region, and also in the United States, the world's principal producer. Although unit yields in certain Latin American countries showed a decline which in some cases reached 28 per cent between the quinquennium 1930-34 and the years 1950-53, in the United States they improved by more than 73 per cent. Of special significance is the progress achieved in this latter country after the five-year period 1940-44, when it found itself in the difficult situation of having to effect a substantial increase in its agricultural production. These facts demonstrate that important results can be obtained in a fairly short time, on the basis of a continued agricultural research and of the dissemination of its findings.

Another outstanding aspect considered by the Committee is the high proportion of labour employed in agriculture, and its very low level of productivity. Far from lacking manpower, the agricultural sector of Latin America generally constitutes a reserve of labour which could be employed in other activities, notably industry and services.

In considering that the deficient or inadequate use of land and the low productivity of labour may be the basic problem in the stagnation of Latin American agriculture, the Committee also noted the persistence of adverse institutional factors which represent a serious obstacle in the path of progress of agricultural production. Among these factors the structure of land ownership deserves special mention; it is characterized almost throughout the whole region by the existence of a large number of small-holdings, on the one hand, and on the other, by a vast accumulation of land in the hands of a few, who do not always possess enough capital and sufficient enterprise to exploit it on a technical basis.

#### Agricultural surpluses

In examining the present situation of Latin American agriculture,

/the Committee

the Committee emphasized how important for the economy of many countries of the region is the problem of agricultural surpluses which has been affecting the world since 1953. The Committee felt that the accumulation of surpluses was basically due to expanded production in some countries to meet wartime and immediate post-war needs, as well as to the fact that it had not been possible for the expansion of production, achieved through the considerable progress made by agricultural productivity in a number of countries, to be utilized for the improvement of the unsatisfactory levels of consumption which still prevail in many countries on account of the low consumer purchasing power.

At the present time surpluses of many products are registered, the existence of which affects interests that are vital to the region's economy. The fact that in the world markets there are surpluses of three Latin America's staple export products, namely, wheat, cotton, and sugar, aroused serious concern, on the part of some countries, since this is a situation which may seriously prejudice the region's capacity to export.

On this account, the Committee showed great interest in the activities undertaken by FAO since this surplus problem presented itself, and in the valuable contribution to solving it which may be made by the Consultative Sub-Committee on Surplus Disposal set up in Washington. The Committee likewise took note of the code of principles for the surplus disposal recommended by FAO, to which nearly 35 countries have already acceded, among them being many of the world's greatest exporters and importers of agricultural products. The possibility of utilizing surplus products both for the promotion of special diet programmes to benefit certain social groups whose standard of living is low, and as a means of financing projects for economic development, was also felt by the Committee to be of great interest. The research carried out by FAO on this point in India and other countries, was considered to deserve study by the Latin American governments, which might consider the possibility of utilizing agricultural surpluses for the same ends.

Nevertheless, several of the delegations present expressed their anxiety, not only because they considered that the export of agricultural

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the countries concerned had in some cases proved detrimental to the interests of other exporters but also because this same prejudicial effect may continue to be felt in the future. In order to facilitate agreement on this point, a sub-committee was appointed to study in detail a draft resolution on the surplus problem presented by one of the delegations. Among the principle measures recommended in the draft resolution were included that of increasing the number of member countries forming the Washington Consultative Sub-Committee, and that the Sub-Committee make recommendations direct to governments or, failing this, that the advisability be considered of arranging for more frequent meeting of its parent body, the Committee on Commodity Problems.

The first recommendation was necessary in view of the fact that when FAO invited its members governments to associate themselves with the work of the Sub-Committee in question, only two Latin American countries, Argentina, and Cuba, out of the 21 who are at present members, accepted. Many others, however, sent observers.

The Sub-Committee appointed for this purpose, and constituted by delegates from Argentina, Chile, France, Haiti, Mexico, the United States of America and Uruguay, fully discussed the draft resolution submitted to its consideration and finally presented to the Committee an amended draft resolution which was unanimously approved. Apart from requesting FAO that membership of the Washington Consultative Sub-Committee should be expanded, the resolution recommended that countries possessing surpluses in determining and adjusting their agricultural production and surplus disposal policies, particularly bear in mind the repercussions which such policies may have on the trade of other countries of the hemisphere. It also suggests, among other recommendations, that these same countries should adopt measures designed to remove the underlying causes of the problem.

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The selective expansion of agriculture and its relationship to economic development

The fact that Latin American agriculture as a whole displays a relatively unsatisfactory rate of development in comparison with demographic growth and real per capita income was a matter of concern to the Committee. Agriculture is still one of the strongest pillars of Latin America's economic development. It must be recognized that in recent years, and above all in the more industrialized countries, this sector has been losing its relative importance. Nevertheless, a more rapid rate of increase in agricultural production is vital in most of the Latin American countries not only to satisfy their growing demand for foodstuffs and raw materials, but also to obtain the foreign exchange needed to import the capital goods required by over-all economic development.

The Committee unanimously considered that one of the fundamental causes of the lag in agricultural development was that investment in this sector has remained at a very low level, and that per capita investment has even declined in recent years. The joint analysis conducted by the secretariats of ECLA and FAO show that during the period 1950-54 the coefficient of net investment in agriculture was 3.4 per cent, in comparison with 13 per cent in industry, building and mining, and 14.2 per cent in services. There is no doubt that in the initial stages of industrial development relative increases may appear spectacular, but the fact remains that agriculture should maintain a rate of growth in harmony with other sectors of the economy in order to avoid the tensions arising from inadequate development. The principal factors which have influenced investment and reinvestment in the agricultural sector are to be found in inflation - a process which discouraged investment in farming and directed it towards urban activities -, in exchange and price policies, in the lack of incentives, in the unsatisfactory systems of land tenure and in the need for technical training.

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Bearing in mind that agricultural investment will play a vital role in the development of this sector, the Committee gave its unanimous support to a draft resolution recommending that a more thorough and comprehensive character be imparted to the studies on the causes and factors hindering a rise in the investment coefficient in agriculture. The aim of this resolution is to ensure that the necessary measures be adopted to stimulate an expansion of such investment and a greater flow of both domestic and foreign capital towards agricultural activities. It is worthy of note that the International Bank for Reconstruction and Development was interested in this resolution and offered the co-operation of its technical personnel in the preparation of such studies.

Since an indiscriminate expansion of agriculture is not desirable, under present world economic conditions, the following basic elements were considered indispensable for the shaping of an agricultural policy:

- a) The prospects for domestic demand and the need to improve consumption and dietary levels.
- b) World prospects for commodities, with due regard to surpluses.
- c) The trend towards self-sufficiency and extent to which this process is advisable;
- d) The need to increase agricultural exports as a means of importing the capital goods required for economic development.

For the sound application of these basic criteria countries must extend their research on ecological conditions and investigate the best possibilities of utilizing their own resources: they must also be in possession of information on the trends, programmes and achievements of agriculture in other countries. For this reason, the Committee thought it appropriate to adopt a resolution on the selectivity and productivity of Latin American agriculture, which recommends that the secretariats of both ECLA and FAO continue their joint study on this matter in order to contribute to the elucidation of prospects for a more rapid agricultural development within the region, arising from better planned and more efficient development in each individual country.

Since the better planning of agricultural development and the more efficient use of available resources require a careful and highly technical investigation of the ecological, economic, social and even political condition which prevail and of the possibilities within each country, the Committee thought it desirable that a study be made of the technique of agricultural programming with special reference to the economic structure and requirements of

/ over-all development

over-all development of the Latin American countries. A study of this kind as well as technical assistance in programming would play a decisive role in the improvement of the agricultural policy of the countries of the region. With this aim in view, the Committee adopted a resolution which recommended that the secretariats of ECLA and FAO should jointly undertake the preparation of a study on the technique of agricultural programming and that, when so requested by governments they should also contribute to the preparation of basic studies, organization of research centres and formulation of programmes.

The drafting or revision of an agricultural policy and the adoption of public measures to influence the activities of this sector- taken purely on a national level and without regard to the orientation of the policies adopted by other countries - may often lead to unfavourable results for international trade, create conflicting positions or originate the need to establish restrictive mechanisms to eliminate competition. The Committee, therefore, also deemed it indispensable, in the preparation of agricultural programmes, to take into consideration world market conditions and the orientation and nature of the programmes of other countries.

Because of the importance of this question, the Committee decided to adopt a resolution recommending that closer contact be established between countries in the question of agricultural programming, a development which would undoubtedly benefit the region as a whole. The section of this important resolution which recommends that governments should take into account ecological, economic and social factors in programming their agricultural development, one delegation proposed an addition to the effect that "the share in traditional markets" of various countries should also be borne in mind. This amendment was not approved by the other delegations which thought that its inclusion would distort the meaning of the resolution and would be equivalent to an admission that certain countries should not enter specific branches of production. The amendment was rejected with one vote in favour and one abstention.

/ In general

In general the Committee attached great importance to the principle of a selective expansion of production and consumption of agricultural commodities, considering that it is fundamentally synonymous with good programming in this sector of economic activity.

During the Committee's debates mention was made by some delegations that:

a) The principle of selective expansion does not imply a restriction of the exportable production in countries where surpluses do not exist, but rather the need to follow a prudent policy in order not to aggravate this problem.

b) It is desirable, under present circumstances, to give particular impetus to those branches of production which satisfy urgent consumer needs and contribute to an improvement of dietary standards.

c) For the above purpose it will be indispensable, inter alia, to improve the systems of distributing agricultural commodities.

For all these reasons, the Committee recommended that the secretariats of FAO and ECLA continue their studies on the selective expansion of agriculture.

Finally, the Committee also considered the need to promote agricultural research and to improve educational and extension services as a prerequisite for increasing productivity in regional agricultural activities.

#### Special situation of certain agricultural products

Stockbreeding. When the Committee analysed the stockbreeding situation of Latin America, it observed that animal stock increased at the very low annual rate of barely 1.1 per cent, in comparison with that of 3.3 per cent registered in the United States during recent years. Animal stocks in the region did not increase at the same rate as the population, so that by 1953-54 the per capita index decreased by 93 per cent in comparison with the period preceding the Second World War. The situation has been still less satisfactory in relation to stocks for slaughtering. In the last seven years 1948-54 production of cattle in 17 Latin American countries fell from 21.6 to 20.4 million head. At the same time sheep production decreased from 19.5 to 18 million head.

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If per capita changes are taken into account, it will be seen that, per capita meat production declined by almost 20 per cent for beef, 21.3 per cent for mutton and 12 per cent for pork. In short, aggregate per capita meat supplies have dropped by 81 per cent in comparison with the pre-war level. This reduction has been felt in all Latin American countries but with few exceptions.

The situation was still more unfavourable from the standpoint of foreign trade in meat. The Committee noted that according to available statistics exports began to decline in 1953 until they reached a level about 50 per cent lower than in 1934-38, while imports increased by 73 per cent. Special mention was made of the effect of these developments on the foreign exchange availabilities of the traditional meat exporters. With the exception of Argentina, Paraguay and Uruguay, meat consumption was still low and in 1953 averaged only 20 kilogrammes per capita, that is, 2.5 kilogrammes less than in the pre-war period.

As a consequence of inadequate production and low consumption of other protein-rich foods, in conjunction with a smaller availability of meat per capita, dietary standards deteriorated, although several countries of the region were obliged to resort to imports of large quantities of dairy products and eggs in order to compensate, at least in part for the low level of meat consumption.

On the other hand, it was borne in mind that demand for meat and other animal products is expanding in Latin America owing to greater consumer purchasing power. For this and other reasons prices of these commodities increased by 100 per cent between 1938 and 1953.

The real causes of the stockbreeding crisis in Latin America are not fully known. There is no doubt that certain common factors have adversely affected production in several countries, but the Committee was of the opinion that the fact that the decline in per capita meat supply was felt simultaneously in several countries, together with the obstacles hampering an increase in production, are questions which call for careful study. This research would be of great importance in the development of stockbreeding in Latin America and might be of fundamental value in guiding governmental policy in this respect. The relevant resolution adopted by the Committee had this precise aim in view.

The coffee situation. When dealing with this subject the Committee bore in mind that coffee plays an important role in the economy of 14 Latin American countries and for several of them is their staple export product. These countries now face a period of uncertainty, aggravated by the erratic behaviour of the world coffee market. Several delegations expressed their fear that the price of this commodity would drop to a dangerously low level.

It was pointed out that since the war the world community had been trying to overcome the effect of the cyclical depressions characteristic of capitalism during the last century and to achieve stability in the fundamental sectors of the economy. These endeavours have materialized in the establishment of the International Monetary Fund, and the International Bank for Reconstruction and Development, as well as in extant international agreements on various commodities.

Coffee provides a typical example of a commodity subject to cyclical fluctuations. The relative stability of demand and the constant change in supply, as well as speculative activities, cause sharp fluctuations of world market prices.

Judging by available statistics, the Committee thought that a period of over-production might be approaching. All the delegations agreed that sharp fluctuations benefit neither the producer nor the consumer and that there is every reason for consumer and producer countries to study the possibility of a joint effort to avert this danger. The draft resolution adopted by the Committee tends to support the work aiming at the solution of this problem which was proposed at the meeting of Ministers of Finance or Economy of the Latin American countries held in Quitandinha in November 1954.

Some delegations suggested that any international action on this problem, which the FAO/ECLA or IA-ECOSOC studies might show to be possible, should be open to participation by countries in other regions, apart from Latin America, since the main coffee consumer is the United States and 20 per cent of world stocks are supplied by Africa.

/ Industrialization of

### Industrialization of agricultural commodities

One effective way for stimulating the expansion of certain types of production is the creation of new possibilities of utilizing the commodities concerned. Industrialization is a factor which favours a higher level of consumption and therefore an expansion of production, particularly when this process fills a hiatus in supply or when it helps to provide final goods at low prices.

Latin American farmers have grasped the implications of this possibility and have made increasing efforts to achieve a greater industrial utilization of their own products. Industrial processes which add to the value of primary commodities are generally of economic significance, since they create new opportunities for employment and tend to increase the national income. This is why the study of the prospects for industrializing certain essential agricultural commodities was considered indispensable - as one of the delegations pointed out - to improve the economic situation in various countries of the region. This will result in the better utilization of resources and in the progress of agricultural development.

In view of these considerations, the Committee was very interested in the draft resolution which recommended that ECLA, in collaboration with the other international agencies concerned, should carry out studies on the possibility of the industrialization of certain products such as bananas, hard fibres and others of importance for the agricultural economy of the Latin American countries.

The results of the Committee's work are the following draft resolutions:

- 1) Draft resolution on agricultural investment, adopted on 9 September (doc. E/CN.12/AC.30/2).
- 2) Draft resolution on selectivity and productivity in agriculture, adopted on 9 September (doc. E/CN.12/AC.30/1).
- 3) Draft resolution on research in the Amazon Area, adopted on 9 September (doc. E/CN.12/AC.30/4).
- 4) Draft resolution on livestock development, adopted on 9 September (doc. E/CN.12/AC.30/3).
- 5) Draft resolution on studies concerning coffee problems, adopted on 10 September (doc. E/CN.12/AC.30/6).
- 6) Draft resolution on programming of agricultural development, adopted /10 September

10 September (Document E/CN.12/AC.30/5).

- 7) Draft resolution on co-ordination of agricultural production, adopted 13 September (doc. E/CN.12/AC.30/8).
- 8) Draft resolution on industrialization of agricultural products, adopted on 13 September (doc. E/CN.12/AC.30/7).
- 9) Draft resolution on agricultural surpluses adopted on 13 September (doc. E/CN.12/AC.30/9).