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THE ROLE OF AGRICULTURAL COMMODITIES IN A LATIN AMERICAN REGIONAL MARKET

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Corrigenda

Page 3, line 29 - For "400" read "300"

Page 9, line 17 - For "400" read "300"

Page 36, line 19 - For "agricultural imports" read "total agricultural imports"

Page 44, line 23 - For "price systems support" read "price support systems"

Page 44, line 32 - For "a larger and larger proportion" read "an increasingly larger proportion"

Page 48, table II-1 - Under the title of the table insert "(Kilogrammes)"

Page 52, line 6 - Delete "very"

Page 55, table II-4 - The heading should read: "LATIN AMERICA: PRODUCTION, EXTERNAL TRADE AN APPARENT CONSUMPTION OF WHEAT"

Page 55, table II-4 - Under the heading add"(Thousands of metric tons)"

Page 63, footnote 14/ - For "the West Indian ..." read "the Caribbean ..."

Page 67, line 14 - The word "agio" should be between quotes

Page 78, line 11 - Delete "much"

Page 87, line 22 - For "livestock management on disease ...." read "livestock management and disease ..."

Page 93, - The paragraph under the table should follow the last paragraph on page 94

Page 118, line 19 - For "Quota controls which are effective in practice ..." read "Quota controls which could be effective in practice ..."

Page 163, line 16 - For "expending" read "expanding"

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INTRODUCTION

In view of the importance of agriculture in current inter-Latin American trade, the Economic Commission for Latin America (ECLA) and the United Nations Food and Agriculture Organization (FAO) agreed to study, under their Joint Programme, the role of agricultural commodities in a Latin American regional market.

The gap between supply and demand in agricultural commodities, foodstuffs in particular, is gradually widening in many Latin American countries, and those countries have had to step up their imports or reduce exports in order to increase or maintain the consumption levels of their people. ECLA and FAO are studying the problems arising from this disequilibrium in agricultural trade and the possibilities which would be offered by an inter-Latin American common market for re-establishing the necessary balance between supply and demand. Their research is being carried out in two stages. In the first, which has already been concluded so far as concerns the four papers now submitted to the Commission at its eighth session (a general outline of the problem and papers on three commodities: wheat, dairy products and oils and fats) and being completed by four additional studies, on meat, wool, fruit and cotton, the purpose has been to use all the information available at ECLA headquarters in order to analyze the intra-regional trade in these commodities in detail and throw more light on some of the problems involved. In the second stage, which will be completed in the course of the present year, an effort will be made to study, for all the items mentioned above, the possibilities of an expansion in regional supplies which will be sufficient both to cover the rise in Latin American demand at increasingly high levels of income and to develop exports in general. The problems of and obstacles to agricultural development will be examined, and a study will be made of the prospects of improving the integration of the region's economies with a view to raising the efficiency of production on the basis of the characteristics of each zone, and improving the utilization of resources. It has been planned to complete this second stage with the aid of a number of investigations in the field, so as to bring in additional data which can only be found at the source and to permit discussion of

/problems and

problems and prospects with officials and producers in the countries concerned. It is believed that once this stage has been terminated, the studies will have a major intrinsic value even in the absence of a regional market.

Apart from the products and problems which are being considered under the ECLA/FAO Joint Programme, FAO will submit a separate note on forest products.

The conclusions and judgments which it has been possible to reach so far should be considered as purely tentative. Not until the second stage of the work has been completed, will all the necessary information on which to base more specific statements be available.

In the following paragraph, the results of the research carried out up to now are briefly summarized.

1. General considerations

Agriculture is the primary occupation of more than half the economically-active population in Latin America. In addition, it accounts for more than two thirds of the total export earnings of Latin America as a whole. Similarly, agricultural commodities account for approximately two thirds of inter-Latin American trade, and the exports of many countries of the region consist almost entirely of such items. It is therefore very probable that they will play an important part in any regional market which may come to be established, whatever its nature, provided that it comprises a large volume of transactions.

Inter-Latin American trade in these commodities amounts to approximately 400 million dollars per year. In comparison with the region's total receipts from agricultural exports, which are calculated at over 4,200 million dollars, this sum is quite small; nevertheless, it represents more than two fifths of Latin America's total agricultural imports, which amount to some 900 million dollars. Latin America thus takes the greatest single share in supplying its own import requirements of agricultural products, ranking before the United States and the rest of the world (in that order).[1/]

1/ The figures cited in this study are slightly different from those in Latin American economic development prospects and the common market (E/CN.12/C.1/13), for the following reasons: (a) this study covers 1955-57, the other 1954-56; (b) this study deals with 25 commodities or groups of commodities, the other with only 11; (c) this analysis uses values at current prices, whereas the other is based on volumes at 1950 prices.

/The industrial

Table III-5

LATIN AMERICA: NET TRADE IN DAIRY PRODUCTS, 1955-57

(Annual averages in thousands of tons)

Commodity	Imports	Exports	Net trade a/
Condensed and evaporated milk	77 381	765	+76 616
Powdered milk	31 633	872	+30 761
Cheese	10 777	3 071	+7 706
Butter	7 220	14 032	-6 812
Casein	1 885	36 641	-34 756

Sources: Basic information contained in yearbooks of foreign trade.

a/ A plus sing = imports, a minus sign = exports.

/Table III-6

Table III-6

LATIN AMERICA: APPARENT CONSUMPTION OF PRESERVED MILK, 1955-57

(Annual averages)

	Condensed and evaporated milk		Powdered milk	
	Tons	Percentage of consumption	Tons	Percentage of consumption
Production a/	96 800 b/	55	41 400 b/	56
Imports	+77 381	45	+31 633	44
Exports	-765		-872	
Total consumption	173 416		72 161	
Per capita consumption (kg)	0.96		0.40	

a/ Provisional estimates since the information does not cover all countries in the region.

b/ Excluding production for export, since this is included under imports.

The low consumption level in some sectors of the population is undoubtedly to be attributed to ignorance of the nutritive value of preserved milk, consumption habits and, to a great extent, to the limited purchasing power in the region.

/American countries

American countries seems to be 1 kg of evaporated and condensed milk and 0.4 kg of powdered milk, figures which are very low in comparison with the corresponding figures in the United States, where in 1957 consumption of evaporated whole milk was 6.2 kg and consumption of evaporated and condensed skim milk 2.1 kg.[10/]

Mention should be made of the principal motives underlying the consumption of preserved milk and the existing complementarity between fresh and preserved milk. Apart from reasons of a dietetic nature - as in the case of infant food - consumer preferences and behaviour result from a variety of cultural, economic and geographic factors.

In the first place, it should be remembered that high levels of *per capita* preserved milk production and consumption signify the existence of a fresh milk surplus which cannot be used for direct consumption; this is true of all countries with well-developed dairy industries in which supplies of fresh milk for consumption have already reached a satisfactory level. In such countries, the demand for fluid milk is much less elastic than in Latin America, and this acts as a stimulus to the industrial processing of dairy products. Most Latin American countries, on the contrary, do not have surpluses of fluid milk, except at certain times of the year and in specific zones, which are often far from the main consumer centres. This naturally limits output and raises production costs, since many plants are unable to use all their productive capacity.

Consumer preference for preserved milk is also connected with the conditions in which the production and sale of fluid milk takes place. These are often so unhygienic that many consumers prefer preserved milk although its relative price is much higher.

Income levels and *per capita* consumption of fresh milk and other dairy products have a combined effect on consumption trends as regards preserved milk. For instance, in the United States consumption of preserved milk drops proportionately as income rises being replaced by consumption of cream and other foodstuffs. In Latin America, on the other hand, demand and consumption grow when income levels improve.

10/ FAO, *Monthly bulletin of agricultural economics & statistics*, Vol. VII, No. 2, February 1958, p. 13.

II. LATIN AMERICAN TRADE IN DAIRY PRODUCTS

1. Imports

a) Total volume of imports

Table III-7 shows that total imports of preserved milk and cheese, expressed in terms of fluid milk, have risen in the last few years to a little over 700 000 tons. (See also Figure A.) In comparison with 1950-52, the volume of imports increased by 54 per cent. Total purchases of butter and casein were also sizeable, and have now reached far higher levels than in the base three-year period. In 1955-57, the estimated value of total dairy products imported, rose to 70 million dollars annually, (in round figures) of which only about 5 million corresponded to intra-regional imports. As the bulk of the supplies imported come from outside the region, such trade implies a considerable outflow of foreign exchange for Latin America.

Latin American imports of preserved milk and cheese from within the region amount to a mere 3 per cent of the total imports, of which almost half come from the United States and virtually half again from other regions.

Intra-regional imports of butter and casein were respectively 35 and 82 per cent of the total imports. In general terms, the intra-regional trade in dairy products may be said to have increased between 1950 and 1957 at a more rapid rate than that of import trade as a whole, although, in absolute terms, its share is a small one.

b) Imports by products

Table III-8 shows the changes in imports of the various dairy products between 1950 to 1957. An upward trend can be observed in each case.

Condensed and evaporated milk. These constitute the major import item[11/] in both volume and value. In 1955-57, the annual volume of imports, according to table III-8, was about 77 000 tons, with an approximate value of 39 million dollars, i.e. 59 per cent of the total value of imports. In comparison with 1950-52, the volume of imports through the trade channels has increased in recent years by 23 per cent.

11/ The major share of imports consists of evaporated milk.

/Table III-7

Table III-7

LATIN AMERICA: IMPORTS OF DAIRY PRODUCTS, BY REGION OF ORIGIN, 1950-52 AND 1955-57

(Annual averages in tons)

Commodity	Intra-regional	From United States	From rest of world a/	Total a/
Preserved milk and cheese: b/				
1950-1952	9 873	274 033	163 633	461 008
1955-57 c/	21 701	388 151	285 825	708 771
Butter:				
1950-1952	1 303	946	3 776	6 508
1955-1957 c/	2 569	1 635	2 634	7 220
Casein:				
1950-1952	585	36	148	769
1955-1957 c/	1 550	121	215	1 885

Sources: Basic information supplied in official yearbooks of foreing trade.

a/ Including imports from unspecified sources.

b/ Expressed in terms of fluid milk on the basis of the following conversion factors: evaporated and condensed milk 1:1.3; powdered milk 1:10.0; cheese 1:10.0. For few countries special weighted conversion factors were used, which differ from those mentioned above for preserved milk (evaporated, condensed and powdered milk). This procedure was necessary because available import data do not show each product separately.

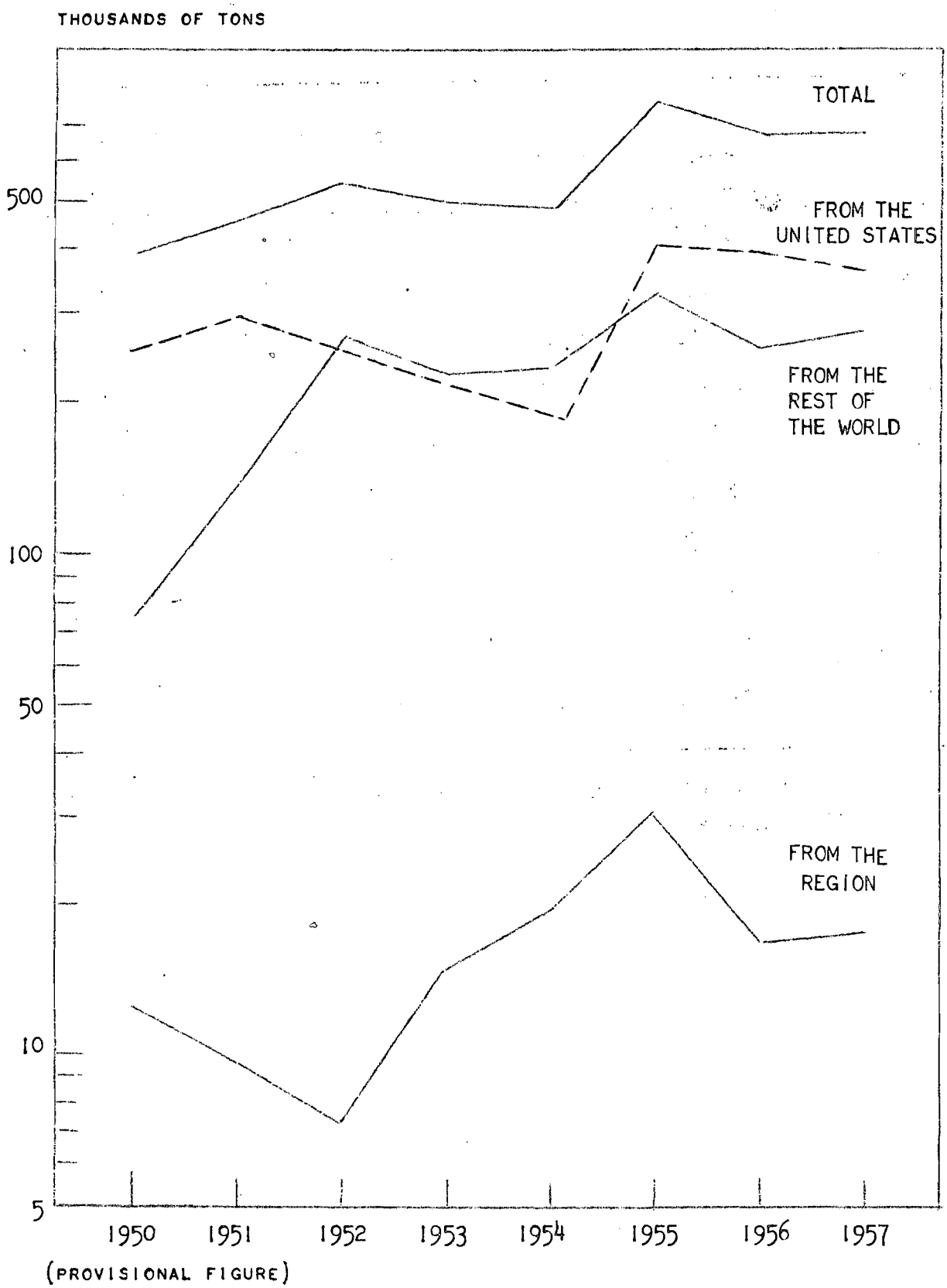
c/ Provisional estimates.

/Figure A

FIGURE A

LATIN AMERICA : IMPORTS OF PRESERVED MILK AND CHEESE, IN TERMS OF FLUID MILK, 1950-1957

SEMI-LOGARITHMIC SCALE



/Table III-8

Table III-8

LATIN AMERICA: IMPORTS BY PRODUCTS, 1950-1957

(Tons)

Year	Condensed and evaporated milk	Powdered milk	Cheese	Butter	Casein
1950	56 357	12 142	5 215	5 971	344
1951	62 320	14 507	6 330	7 053	351
1952	69 744	19 042	8 791	6 501	1 611
1950-52	62 807	15 230	6 779	6 508	769
1953	66 903	16 994	7 409	4 265	2 195
1954	67 659	13 443	8 655	5 059	1 912
1955	88 010	36 956	10 008	6 915	2 041
1956	67 203	29 047	10 114	6 616	2 179
1957 a/	76 930	28 895	12 210	8 130	1 435
1955-57 a/	77 381	31 633	10 777	7 220	1 885

Sources: Basic information supplied in official yearbooks of foreign trade.
a/ Provisional figures.

/Until eight

Until eight years ago, Latin America imported most of its condensed and evaporated milk from the United States; recently, however, it has bought the bulk of its requirements from Europe and Canada (see table III-9 "rest of world"). At the same time, the volume of imports from Europe has quadrupled, while that of imports from the United States has declined by almost a quarter.

These changes are clearly associated with the production increases registered during the last five years in the leading exporter countries,[12/] with the decline in United States output which immediately followed the Korean armistice and with the relatively higher prices of United States product.

Intra-regional trade in evaporated and condensed milk is virtually insignificant in comparison with the total import trade in these products; and as will be seen when we come to deal with the source and destination of the imports, it is confined to a mere handful of Latin American countries. The production increase achieved in some countries in the region has found its way into local consumption rather than inter-Latin American trade. It is hoped that with increasing intensification and organization of the production of evaporated and condensed milk in Latin America, there will come a reduction in costs which will enable the product to be sold at competitive or, at least, relatively lower prices.

Powdered milk. According to the data given in table III-10, Latin American imports of powdered milk, both whole and skim,[13/] reached nearly 32 000 tons in 1955-57, with an estimated value of 14 million dollars, equivalent to 21 per cent of the total value of imports of dairy products. In the last few years, the volume of imports has more than doubled in comparison with the annual average for 1950-52. This physical increase in imports took place mainly after 1955, coinciding with the appearance of

12/ Netherlands, United Kingdom and Denmark.

13/ Approximately two-thirds of the commercial imports were of powdered skim milk.

/Table III-9

Table III-9

LATIN AMERICA: IMPORTS OF EVAPORATED AND CONDENSED MILK BY REGION OF ORIGIN, 1950-57

(Tons)

Year	Intra-regional	From United States	From rest of world	Total a/
1950	59	43 699	12 371	56 357
1951	21	42 203	17 889	62 320
1952	6	36 575	31 700	69 744
1950-52	29	40 826	20 653	62 807
1953	23	32 436	30 591	66 903
1954	380	33 321	31 775	67 659
1955	468	35 386	51 868	88 010
1956	143	32 706	34 126	67 203
1957 b/	1 817	31 854	39 246	76 930
1955-57 b/	809	33 315	41 747	77 381

Sources: Basic information supplied in official yearbooks of foreign trade.

a/ Including countries with imports from unspecified sources.

b/ Provisional figures.

/Table III-10

Table III-10

LATIN AMERICA: IMPORTS OF POWDERED MILK, BY REGION OF ORIGIN, 1950-57

(Tons)

Year	Intra-regional	From United States	From rest of world	Total a/
1950	58	8 740	1 938	12 142
1951	69	11 085	3 186	14 507
1952	13	9 269	9 244	19 042
1950-52	47	9 698	4 789	15 230
1953	91	7 439	7 923	16 994
1954	1 020	3 511	6 036	13 443
1955	2 082	24 264	10 023	36 956
1956	434	22 163	6 283	29 047
1957 b/	778	19 954	7 447	28 895
1955-57 b/	1 098	22 127	7 918	31 633

Sources: Basic information supplied in official yearbooks of foreign trade.

a/ Including countries with imports from unspecified sources.

b/ Provisional figures.

/production surpluses

The industrial development which might be expected to result from the application of an economic integration plan might considerably increase requirements of such raw materials as fibres and timber. Timber is particularly important, since the region currently imports wood pulp, newsprint and paperboard to a value of approximately 260 million dollars, and there are obvious possibilities for producing these items locally.

Any regional integration programme will probably be carried out in gradual stages, which means that its long-term repercussions will be very different from its more immediate effects. Specifically, no radical change is likely to take place in the composition of agriculture and agricultural trade in Latin America during the first few years of integration.

Inter-Latin American trade could be intensified over the short term by partially excluding outside suppliers from the import market. The value of agricultural imports from the rest of the world amounts to about 500 million dollars annually; but there are various factors which in many cases go to make the simple substitution of extra-regional imports difficult or indeed impossible. It will not be surprising, therefore, if in the next few years Latin American suppliers are able to absorb only a small fraction of this total.

Over the longer term, this situation will no doubt change, since the heavy pressure of demand for agricultural commodities is expected to increase progressively. In order to prevent prices from soaring again and making it necessary to draw on extra-regional supplies, the Latin American countries will probably give consideration to specialization on a regional basis as a suitable method of stimulating production. Apart from those commodities in which self-sufficiency will always be preferred, there are weighty arguments in favour of regional integration in the light of long-term prospects.

Imports of wheat, wheat flour, oils, oil-seed, fats and dairy products account in the aggregate for about 400 million dollars, i.e. more than half of total agricultural imports. The preliminary analysis shows that this heavy burden on Latin America's capacity to import will probably increase considerably in the future, unless very effective stimulus is given to regional production. Imports of fish, meat, maize, malt, tobacco, fruit,

/cotton and

production surpluses in several countries and the implementation of governmental and commercial programmes for the disposal of these surpluses on external markets. The competition between exporter countries pushed world market prices down, thereby stimulating demand in Latin America.

Up to 1954, most of the powdered milk came from Europe,[14] but after 1955 shipments from Europe fell behind those from the United States, which increased from 3 511 tons in 1954 to 24 000 tons in the following year. This substantial change in the pattern of dried milk imports by sources was fundamentally associated with the price competition between exporter countries referred to above and with the United States price support and surplus disposal programmes.[15]

Intra-regional trade in powdered milk, as in evaporated and condensed milk, is still much smaller than trade with other countries. It may, however, be considerably stimulated by the growth in demand, as occurred in 1955, when the volume was twice that of 1955-57 and even larger than in 1956 and 1957.

Cheese. In 1955-57, Latin America's annual imports rose to a volume of almost 11 000 tons (58 per cent more than in 1950-52) and a value of over 7 million dollars, i.e. 11 per cent of the total value of imports of dairy products. In contrast to preserved milk imports, cheese purchases did not show a very significant increase in 1955 (see table III-11).

Most Latin American cheese imports have always been from "the rest of the world". In 1955-57, they averaged 6 132 tons per year, i.e. 57 per cent of total imports. However, in the last few years the relative importance of purchases from this source has declined; in 1950-52, their proportion of the total was 67 per cent. Imports from the United States also increased during the period under review, in both absolute and relative terms.[16]

14/ With the exception of Canada, the "rest of the world" consists of European countries.

15/ In July 1954, the United States surplus disposal programme was put into effect under Public Law 480.

16/ Fourteen per cent of total imports in 1950-52 and 22 per cent in 1955-57.

/Table III-11

Table III-11

LATIN AMERICA: CHEESE IMPORTS, BY REGION OF ORIGIN, 1950-1957

(Tons)

Year	Intra-regional	From United States	From rest of world	Total a/
1950	1 210	962	2 984	5 215
1951	944	831	4 135	6 330
1952	726	1 036	6 600	8 791
1950-52	960	943	4 573	6 779
1953	1 601	921	4 526	7 409
1954	1 783	1 221	5 347	8 655
1955	2 014	1 837	5 822	10 008
1956	1 737	2 421	5 956	10 114
1957 b/	1 665	2 785	6 619	12 210
1955-57 b/	1 805	2 348	6 132	10 777

Sources: Basic information supplied in official yearbooks of foreign trade.

a/ Including countries with imports from unspecified sources.

b/ Provisional figures.

/The intra-regional

The intra-regional cheese trade also expanded (88 per cent) in relation to the base period, but imports from the United States increased at a far more rapid rate (149 per cent). Intra-regional trade represents approximately 17 per cent of total foreign imports, as opposed to 14 per cent in 1950-52, which indicates that its relative share has not significantly increased. A possible explanation is that, by preference and habit, consumers of the region tend to buy special kinds and qualities of cheese which are not traded intra-regionally. This also applies to some well-known brands of preserved milk which are imported from outside the region.

Butter. As may be seen from table III-12, Latin America's annual butter imports have risen to an average figure of over 7 000 tons, i.e. they have increased by 18 per cent over their 1950-52 level. Their value amounts to about 5 million dollars, or 7 per cent of the total value of imported dairy products. It may be observed that purchases from countries in the category "rest of the world" have fallen off sharply to 30 per cent below their level over the base three-year period. This decline coincided with a reduction in shipments from the principal European exporter countries and with the concentration of the import market in the United Kingdom and Federal Republic of Germany. There is no evidence that the smaller volume of imports was offset by more purchases of such substitutes as margarine, but consumption of butter made in the region undoubtedly increased, as witness the expansion in total milk production and in intra-regional butter trade.

It should be pointed out that the inter-Latin American butter trade has now acquired a far larger share of the total volume than in 1950-52 (35 per cent as compared with 20 per cent). Morover, the trade increased by 92 per cent during the period under review, and could expand far more if at least some of the imports from outside the region were replaced by Argentine butter, which, as will be explained later, is mainly export to non-Latin American countries.

Casein. Although imports of casein in recent years were 145 per cent greater than average imports in 1950-52, total imports were smaller than in 1953 and 1956 (see table III-13). One fact worthy of mention is that the intra-regional casein trade, although very low in absolute terms could

/Table III-12

Table III-12

LATIN AMERICA: BUTTER IMPORTS, BY REGION OF ORIGIN, 1950-57

(Tons)

Year	Intra-regional	From United States	From rest of world	Total a/
1950	1 309	1 138	3 524	5 971
1951	2 183	1 120	2 945	7 053
1952	417	669	4 860	6 501
1950-52	1 303	976	3 776	6 508
1953	1 897	157	1 554	4 265
1954	2 168	521	1 770	5 059
1955	2 254	2 057	2 015	6 915
1956	1 797	1 761	3 058	6 616
1957 b/	3 176	1 087	2 829	8 130
1955-57 b/	2 509	1 635	2 634	7 220

Sources: Basic information supplied in official yearbooks of foreign trade.

a/ Including countries with imports from unspecified sources.

b/ Provisional figures.

/Table III-13

Table III-13

LATIN AMERICA: CASEIN IMPORTS, BY REGION OF ORIGIN, 1950-57

(Tons)

Year	Intra-regional	From United States	From rest of world	Total a/
1950	287	52	3	344
1951	130	33	188	351
1952	1 337	22	252	1 611
1950-52	585	36	148	169
1953	1 751	247	197	2 195
1954	1 453	89	370	1 912
1955	1 650	122	269	2 041
1956	1 938	95	146	2 179
1957 b/	1 061	145	229	1 435
1955-57 b/	1 550	121	215	1 885

Sources: Basic information supplied in official yearbooks of foreign trade.

a/ Including countries with imports from unspecified sources.

b/ Provisional figures.

/expand enormously

expand enormously as the industrial use of casein became more widespread in such countries as Brazil, Mexico, Chile and Colombia. Nearly two-third of the casein imported into Latin America comes from Argentina and Uruguay, which for many years have been important contributors to world export trade.

c) Origin and destination of imports

In general, Latin America's major suppliers of preserved milk and cheese may be said to be the following in order of importance: the United States (50 per cent of the total volume), the Netherlands, Denmark, Argentina and Canada. The countries which offer the principal markets, absorbing a little over 70 per cent of the import trade, are Venezuela, Brazil, Cuba, Peru and Bolivia.

A break-down of source and destination by products shows that the Netherlands, the United States, Canada and Denmark have been Latin America's leading suppliers of evaporated and condensed milk, trade with those countries constituting 98 per cent of the total volume. There is hardly any intra-regional trade in these two items, apart from Bolivian and Paraguayan imports from Argentina and some transactions in Central America.

Venezuela is the principal importer of evaporated and condensed milk, as also of powdered milk, its purchases reaching an annual average of 39 000 tons in 1955-57 with an approximate average value of 27.7 million dollars, equivalent to 62 per cent of the total estimated value of preserved milk imports. The bulk of Venezuela's purchases come from the United States, Canada, the Netherlands and Denmark; more than half are of the United States origin; this, however, should not be regarded as a result of the reciprocal trade treaty in force between the two countries, since the customs duties are the same whatever the country of origin, but rather as the outcome of the efforts of United States producers and exporters to popularize specific brands and to maintain and broaden their external markets.

Cuba is the second largest importer of evaporated and condensed milk; it purchases more than 21 000 tons annually, at a value of 4.6 million dollars.[17] The low average value of Cuban imports is primarily due to the fact that the bulk of them come from the Netherlands at prices which

17/ C.i.f.

/are distinctly

are distinctly competitive in relation to those of other exporter countries. In addition, the preferential trade agreements signed with the United States have also had some indirect influence by undoubtedly estimulating and facilitating trade, and the proximity of the two countries reduces transport costs.

Peru imports mainly from the Netherlands, and on a much smaller scale from the United States, Canada and Denmark. Bolivian imports are also chiefly of Netherlands origin. Next in order of importance are the milk imports of Colombia, El Salvador and the Dominican Republic etc., the bulk of them of Netherlands origin.

The main current of Latin American powdered milk imports comes from the United States (two-thirds) and from Denmark, the Netherlands, Canada and Argentina. Argentina is the only country in the region which has achieved some importance as a supplier of powdered milk to other Latin American countries, such as Bolivia, Brazil, Chile and Paraguay. In addition to Venezuela, other large-scale importers of powdered milk (whole and skim) are, in descending order of importance, Brazil, Mexico, Chile, Bolivia, Peru and Cuba.[18/] Venezuela chiefly imports from the United States, Canada, the Netherlands and Denmark. Although the sources of the trade usually vary little from year to year, Venezuela imported less from the United States in 1957 than in 1956, and increased its purchases from Denmark and the Federal Republic of Germany, as a result of appreciable difference in prices.[19/] It should be pointed out that Venezuela, like other countries in the region, is clearly tending to reduce or restrict its imports, as an incentive to domestic production. Thus, in February 1958 the conditional

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18/ Imports by Colombia and the Dominican Republic are included among those of evaporated and condensed milk.

19/ In 1957, Denmark and the Netherlands quoted powdered whole milk at 0.48 dollars per five pounds, as against 0.63 dollars for the United States product. See Foreign crops and markets, N° 19, May 1958.

/sales (contingentamiento)

sales (contingentaniento) proportion which was formerly one local unit for every six units imported, was changed to its present ratio of one to five; under this arrangement, importers must buy one locally-produced unit for every five they purchase abroad, in return for which they are exempted from payment of customs duties.

Because of the importance of Venezuela's import trade in preserved milk and other milk products, the percentage variations in the volume and value of imports during 1948 to 1956 are here given for each product, by principal country of origin. In evaporated, condensed and powdered milk, the following changes took place.[20]

	Percentage variation	
	Volume	Value
From the United States		
1948-49	98	98
1952-53	68	75
1955-56	56	64
From Canada		
1948-49	0.8	0.5
1952-53	17	14
1955-56	22	20
From the Netherlands		
1948-49	0.7	0.6
1952-53	12	9
1955-56	17	12
From Denmark		
1948-49	0.1	0.1
1952-53	0.6	0.4
1955-56	2	1.5

The foregoing figures indicate that ten years ago Venezuela bought 98 per cent of its total imports of preserved milk, in terms of both volume and value, from the United States. After 1952, the United States becomes

20/ Ministry of Foreign Affairs of Venezuela, Informaciones de comercio exterior, N° 9, 1957.

/relatively less

relatively less important as a source, while the share of Canada, the Netherlands and Denmark notably increases. These percentage variations were undoubtedly caused, to a great extent, by corresponding changes in the external price structure. The unit value of Venezuela's imports from the United States has been rising in recent years (in 1955-56, 64 per cent of the value corresponded to 56 per cent of the volume), whereas the unit values of imports from other supplier countries have remained at lower levels. For this reason, the figures show that imports from Canada and the European exporter countries are consistently smaller in proportion to the total in terms of value than in terms of volume.

Sixty per cent of Brazil's powdered milk imports come from the United States, 39 per cent from Denmark and only a negligible proportion from Argentina. Although Brazil is not a large-scale purchaser of powdered milk, recent statistics show some upward trend; this is probably because the exchange rate for this item is more favourable than that applicable to other dairy products.[21]

Chile, Cuba, Mexico, Peru and other countries import their powdered milk mainly from the United States. Bolivia, Brazil, Chile and Paraguay import Argentine powdered milk, but the volume of inter-Latin American trade in this item is quite small.

Latin America has imported its cheese in recent years from the following sources, listed in order of importance: the Netherlands, the United States, Denmark, Argentina, Central America and various countries, the first four being the major sources of supply. Venezuela, which imports 57 per cent of the total, is the leading market, followed by Cuba, Peru, Bolivia, Brazil, El Salvador and Mexico. Intra-regional cheese trade is carried on between Argentina and Central America, as sources, and Venezuela, Paraguay, Peru and Central America, as markets. El Salvador imports cheese from the other Central American countries and exports very small amounts to Guatemala and Costa Rica.

The case of Venezuela is quoted to illustrate the changes in the sources

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21/ Powdered milk comes into the "general" category to which a smaller agio is applicable.

/of Latin

of Latin America's cheese imports.[22]

Country of origin	Percentage variation					
	Volume			Value		
	1948	1952	1956	1948	1952	1956
Netherlands	41	62	28	48	54	24
Denmark	1	1	23	1	1	18
Argentina	30	6	17	22	6	16
Italy	-	17	16	-	23	21
United States	25	12	13	26	12	16
Colombia	0.5	-	-	0.3	-	-

It will be seen that 10 years or more ago Venezuela used to buy virtually the whole of its cheese imports from the Netherlands, Argentina and the United States. In recent years its sources have become more diversified, in particular with the inclusion of Denmark and Italy, which in 1956 contributed almost 40 per cent as opposed to their exceedingly small share in 1948. Argentina has become relatively less important as a country of origin, although its trade has increased in absolute terms. The small amount of trade built up with Colombia is at present prohibited, owing to public health measures imposed at the frontiers as a protection against food-and mouth disease. It may be noted that changes in the sources of trade result not only from differences in prices among exporter countries but also from the quality of the product, consumer preferences and local trade regulations.

So far as butter is concerned, Argentina, Denmark and the United States are the leading suppliers to Latin America, and Peru, Venezuela, Cuba, Chile and Bolivia the major importers. Butter imported into Chile through normal trade channels is almost entirely Argentine in origin, as more than half of the butter purchased by Peru. Cuban imports are chiefly from the United States. In 1948-49, Venezuela imported most of its butter from Denmark, the United States, the Netherlands and New Zealand, and a small quantity from Colombia. By 1956, the pattern of its import sources had radically changed; during

22/ Op. cit., p. 27.

/the period

cotton and a few other items also pose a serious, although not quite as important, problem. Thus, the rapid expansion anticipated in Latin American demand for agricultural commodities should over the long term offer excellent prospects for the successful application of an integration system.

In most of the Latin American countries there are various structural impediments to agricultural development. Unless these are removed, the stimulus provided by any type of integration may prove very limited, and of little value to Latin America's agricultural production.

The general obstacles to Latin American trade have already been studied.[2/] Some problems, such as unduly high freight charges and the lack of adequate transport facilities, may have a prejudicial effect on agricultural trade, and will have to be gradually eliminated before an integration programme can be satisfactorily carried out.

Some Latin American countries have recently received large quantities of agricultural commodities on a semi-commercial basis or as grants. Although they are useful in many ways, such imports may widen the margin of uncertainty attaching to integration plans.

2. Wheat and wheat flour

ECLA's hightly tentative estimates of the region's future demand, made with the aim of defining the problem rather than of specifying consumption at a given period in numerical terms, indicate that wheat demand in Latin America, which is now about 10.0 million tons, will reach approximately 20.0 millions by 1975. On the basis of the data available, it is thought that even if the deficit-production countries succeed by 1975, in bringing all their land suitable for wheat-growing under cultivation and raising the per hectare yield by 15 per cent, their import requirements will still rise from 3.4 million tons in 1955-57 to 6.1 million tons in 1975. Similarly, if Argentina and Uruguay could bring the whole of their wheat-growing land into production and raise per hectare yield by 16.6 per cent, they might obtain an exportable surplus of about 10.0 million tons, which would be more than enough to cover the regional deficit while maintaining the present volume of trade with the

2/ See Common Market Working Group document E/CN.12/C.1/WG/2/2.

/rest of

the period under review, the percentage share of the United States fell off from 37 to 11 per cent whereas that of Denmark increased from 41 to 78 per cent.

Casein imported into Latin America is mainly of Argentine origin slightly over 70 per cent coming from that country and only 12 and 5 per cent from Uruguay and the United States respectively. The principal Latin American importer of casein is Brazil, mainly from the three countries mentioned. Chile and Mexico also buy from Argentina in fairly sizeable amounts. The casein trade is predominantly intra-regional, and the bulk of the imports go to the more highly-industrialized countries of Latin America.

In order to give some idea of the relative importance of the origin and destination of Latin America's trade in dairy products in recent years, the following general summary has been prepared to show the percentage distribution, by country of origin, of imports effected by Bolivia, Brazil, Central America, Cuba, Peru and Venezuela, which together represent more than 90 per cent of total import trade.[23] (See Figure B).

	United States	Nether-lands	Denmark	Canada	Argentina	Central America	Others	Total
Bolivia	24	58	15	-	2	-	-	100
Brazil	43	-	48	-	6	-	3	100
Central America	41	28	10	11	-	7	3	100
Cuba	58	38	-	-	-	-	4	100
Peru	49	20	12	-	16	-	3	100
Venezuela	53	15	9	17	2	-	4	100

2. Exports

Latin America's export trade in dairy products consists chiefly of butter and casein, of which the region is a net exporter. Cheese ranks next in importance, and last preserved milk, which has not yet been exported in large amounts.

Almost the only Latin American countries which export dairy products

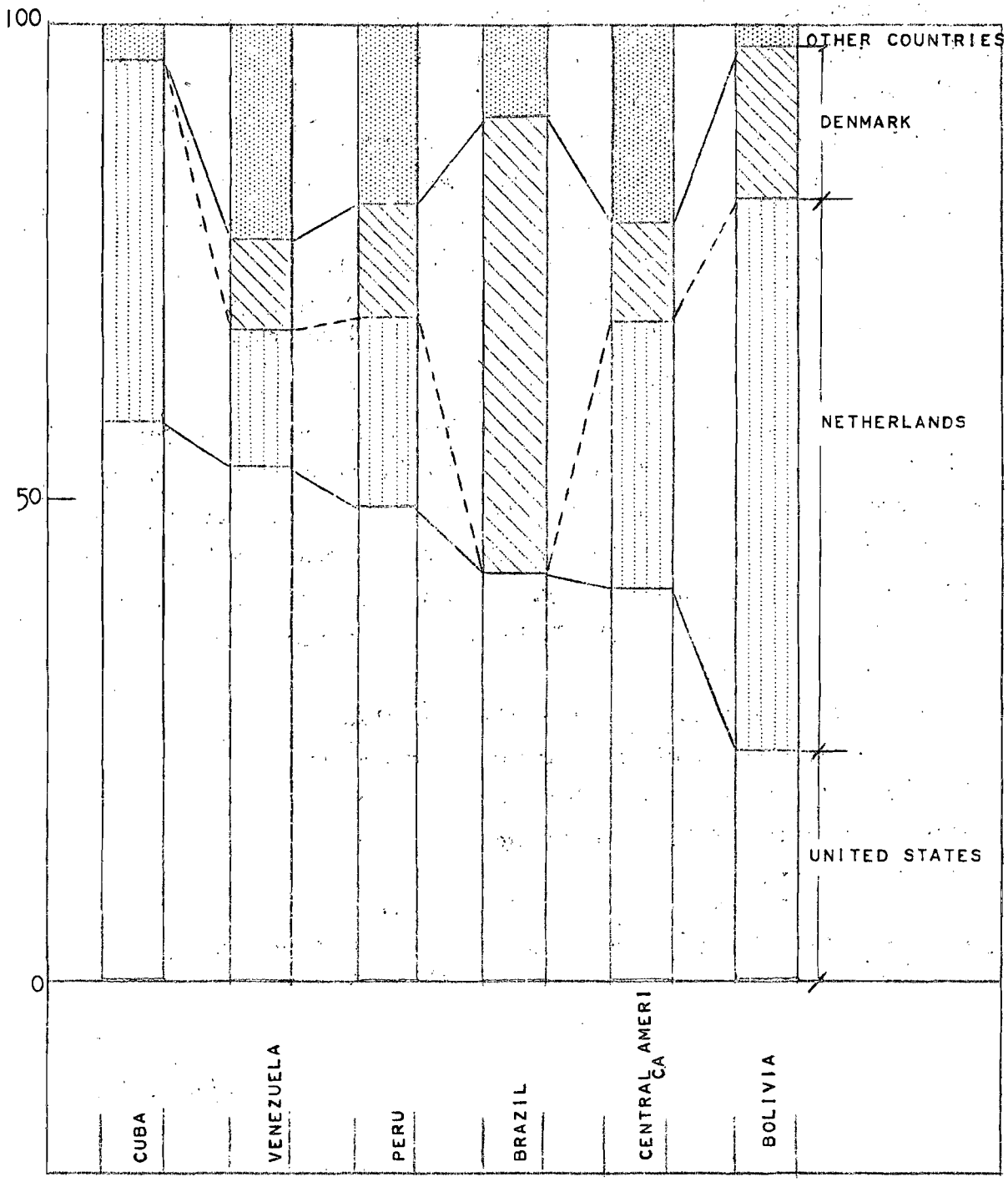
23/ On the basis of approximate value.

/Figure B

FIGURE B

PERCENTAGE DISTRIBUTION OF THE VALUE OF LATIN AMERICAN IMPORTS OF DAIRY PRODUCTS, BY COUNTRIES OF ORIGIN

NATURAL SCALE



/are Argentina

are Argentina (evaporated, condensed and powdered milk, cheese, butter and casein), and Uruguay (casein only). Table III-14 shows the volume of exports by products, and includes data on origin and destination in recent years. The value of such exports was estimated at 28.5 million dollars in 1955-57, slightly over 50 per cent being contributed by casein exports, 38 per cent by butter, 8 per cent by cheese and the remainder by preserved milk. Argentina's share in the value of exports is the largest, the value of Uruguay's sales plus that of the limited Central American trade representing no more than a very small proportion of the total. The principal market is not, despite favourable geographical factors and trade agreements, provided by the other Latin American countries, which absorb only the following percentages of total shipments:

Casein	8 per cent
Butter	13 per cent
Cheese	49 per cent
Preserved milk	97 per cent

The very high proportion they absorb in the case of preserved milk is not particularly important, since, as already mentioned, the total volume of the export trade in that item is quite small. Nearly all (94 per cent) the evaporated and condensed milk exported consists of shipments from Argentina to Bolivia and Paraguay. Trade in powdered milk follows the same direction, except that Brazil, Chile and Uruguay also take a certain amount of the Argentine exports.

The most important external market for cheese is the United States, which buys 42 per cent of Argentina's exports,[24] the next largest buyers are Venezuela, Paraguay and Peru, followed by other countries. More than four-fifths of the butter exported goes to the "rest of the world",[25] 13 per

24/ With an approximate value of 1 million dollars.

25/ The United Kingdom, France, Italy and other countries import an average of 12 128 tons, with a value of 8.8 million dollars.

/Table III-14

Table III-14

LATIN AMERICA: EXPORTS OF PRESERVED MILK AND OTHER DAIRY PRODUCTS BY REGION OF ORIGIN AND DESTINATION, 1955-1957

(Annual averages in tons)

	To region	To United States	To rest of world	Total
Evaporated and condensed milk				
Argentina	700	-	41	741
Central America	3	-	-	3
Mexico	20	1	-	21
Total	723	1	41	765
Powdered milk				
Argentina	866	-	6	872
Cheese				
Argentina	1 506	1 304	256	3 066
Central America	5	-	-	5
Total	1 511	1 304	256	3 071
Butter				
Argentina	1 850	54	12 128	14 032
Casein				
Argentina	2 815	22 995	10 359	36 169
Uruguay	219	250	3	472
Total	3 034	23 245	10 362	36 641

Source: Basic information supplied in official yearbooks of foreign trade.

/cent to

cent to Latin America and a little to the United States. Approximately two-thirds of Argentina's casein exports go to the latter country, which buys 63 per cent of the casein exported by Argentina and Uruguay.[26] The "rest of the world"absorbs 28 per cent of Latin American casein, and the remainder (8 per cent) stays in the region.

In brief, the most active intra-regional trade in dairy products takes place between Argentina and Uruguay, as exporters, and Bolivia, Brazil, Chile, Paraguay and Peru, as the principal importers. Argentina and Uruguayan exports to the Central American and Caribbean countries are very small, but Argentina exports sizeable amounts of cheese and casein to Venezuela.[27]

III. LATIN AMERICAN TRADE RESTRICTIONS, AGREEMENTS AND POLICY WITH REGARD TO DAIRY PRODUCTS

In this part of the study, an attempt will be made to see how far external trade in dairy products is influenced by national trade policies and whether the systems in force have paid due heed to regional economic conditions in relation to the development of the dairy industry. Attention will also be drawn to the fact that the measures of control applied by Latin American countries differ from one country to the other, and that the structure and effects of the customs tariff seem to derive from a policy that is of a fiscal rather than a protectionist nature. Facts will also be given to show whether present treaties, pacts and regulations are having adverse or favourable effects on the inter-Latin American trade in dairy products.

Any analysis of import policies must take into account the fact that milk and its derivatives are in short supply in most Latin American countries, and that present per capita consumption levels are well below nutritional needs. In addition, although it may be true that the under consumption of these basic foodstuffs has been to some extent corrected, through an

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26/ With an estimated annual average value in 1955-57 of 9.4 million dollars.

27/ To a value of 933 000 dollars in 1955-57.

/increase in

increase in imports, it is also true that this increase is thought to be discouraging local production, despite the fact that there are natural resources available to stimulate it. Finally, it should be remembered that the complex structure of the import trade is not determined by the play of interests between producers and consumers and importers and exporters alone, but also by contractual conditions or international agreements.

1. Import restrictions

These may be considered to include customs duties, some differential exchange rates, quota restrictions and certain requirements which, if not explicitly restrictive, act in practice, as a check on imports of dairy products.

An examination of the tariff system in force in Latin America should bring out the fact that up to a few years ago, customs tariffs on imported dairy products were primarily intended to bring in revenue, and placed predominant emphasis on specific duties. It is only in recent years that some countries have revised their customs tariffs to give greater place to ad valorem duties and thereby protect local production.

Among the countries which still use customs tariffs as a source of revenue are Bolivia, Chile, Ecuador, Peru, Paraguay and the Central American nations. Imports of dairy products into these countries are liable to specific and ad valorem duties; however, these have failed to limit them to any significant extent. In Bolivia, Paraguay and Peru, which are large-scale importers of preserved milk and dairy products, ad valorem duties vary between 11 and 15 per cent, chargeable on the c.i.f. value in the first two countries and on f.o.b value in the third. The effect of these duties is relatively smaller, as will be seen below, than that observed in other countries.

In a few countries, on the other hand - for example Brazil and Colombia - ad valorem duties are a fundamental means of controlling imports of preserved milk and other dairy products. In Brazil, such duties range from 50 to 80 per cent of import value, according to the product, plus an additional 5 per cent duty; and in Colombia ad valorem duties go up to 25 per cent, plus specific duties. Specific duties are particularly high in Chile.

/Some idea

Some idea of the influence of customs tariffs can be obtained from table III-15, which gives in relative terms, the approximate ad valorem duties applied in the main Latin American importers of dairy products.

On the whole, customs duties alone are not at present a serious obstacle to the expansion of Latin America's imports from countries outside the region. This is precisely why a few countries have introduced other somewhat more effective protectionist systems such as differential exchange rates and quota restrictions.

In Brazil, the customs tariff for dairy products is supplemented in practice by the exchange measures applied to such products. Evaporated and condensed milk, cream, butter and cheese are included in the so-called "special" category, to which a very small amount of foreign exchange is allotted, with the result that the agio to be paid at exchange auctions is relatively larger. Powdered milk is the only dairy product in the general category, to which the greater part of foreign exchange is assigned; it therefore pays a smaller agio. Generally speaking, exchange measures appear to have had little effect on the importation of dairy products into Latin American countries, except in the case of Brazil.

Quota controls which are effective in practice in restricting imports, exist only in Venezuela, where the conditional purchases system (contingentamiento) is in force. Under the reciprocal trade agreement concluded between Venezuela and the United States, customs duties and the conditional sales system cannot be applied simultaneously, and imports are usually brought in under the latter system. In spite of the quota regulations and fairly high specific duties applied in Venezuela, the country imports large quantities of dairy products. This is attributable to the deficit in its domestic production, its high purchasing power, the high conditional purchases ratio previously in force (1:6) and the fact that the heavy customs duties applied are purely theoretical, since most importers prefer to use the conditional purchases system, which exempt them from payment of duty and which therefore constitutes in practice a stimulus for importers.

It is important to note that although the reciprocity agreement between Venezuela and the United States provides for some preferential treatment in their mutual trade, such treatment is practically non-existent

/ Table III-15

Table III-15

LATIN AMERICA: APPROXIMATE AD VALOREM EQUIVALENT OF CUSTOMS TARIFFS AND ADDITIONAL DUTIES ON IMPORTS OF DAIRY PRODUCTS a/

(Percentages)

Country	Condensed and evaporated milk	Powdered milk	Cheese	Butter
Chile	84	103	235 b/	112 b/
Brazil	55	55	85	65
Colombia c/	58	49	54	44
Venezuela	35	25	49 d/	75
Ecuador e/	76	34	22	38
Paraguay f/	28	25	33	27
Peru g/	16	14	35 h/	20 h/
Bolivia i/	2	2	51	39

Note: To obtain the figures in the table, specific, ad valorem and additional duties were calculated in terms of percentages on the basis of the c.i.f. unit value of each product. For each product the average unit value for Latin America was taken, expressed in dollars. Specific duties were converted into dollars at the average rates of exchange applied to imports in 1957.

a/ Since these refer to general import duties, duties fixed by agreement between certain countries are not included.

b/ Lower duties on imports from Argentina by agreement.

c/ Casein imports were prohibited by Resolution 2587 of September 1958.

d/ Lower duty fixed by agreement on United States Cheddar-type cheese.

e/ Plus ad valorem duties of 18 to 42 per cent.

f/ Imports from Argentina and Uruguay are exempt from duty.

g/ Imports from Chile are exempt from specific duties and enjoy smaller ad valorem duties.

h/ Including an increase of 200 per cent over the specific duty recently established.

i/ Imports from Argentina and Uruguay are exempt from duty.

/in the

in the case of preserved milk, since the rate of 0.50 bolivares per kilogramme of powdered milk laid down in the agreement is identical with that specified in the general customs tariff, and therefore applies to other countries as well. Imports of United States cheese do receive preferential tariff treatment, but this privilege is not exclusive, being extended to other countries also by virtue of the most-favoured-nation clause.[28]

The prior deposits required in Chile, Paraguay and Ecuador, among other countries, and the additional duties imposed in some countries on imports of certain dairy products are not directly restrictive, but do tend to discourage trade by raising prices. The advance import permits required in some countries may also act as a brake on import trade.

With regard to the possible influence of inter-Latin American trade agreements on the volume and evolution of the trade in dairy products, the following observations may be made: firstly, although some countries in the area have provided in various agreements for reciprocal tariff concessions,[29] and although a number of countries have been granted the unconditional benefit of the most-favoured-nation clause,[30] intra-regional trade in dairy products comprises only a small part of the total volume of Latin American trade in these items. Moreover, the existence of bilateral clearing-account trade between several countries [31] also seems to have failed to stimulate intra-regional trade in dairy products to any major extent, in spite of the favourable factor that convertible currency is not required in such cases.

Another point which must be mentioned is that much of the flow of dairy products from the United States to Latin America is subject to reciprocal preferential treatment. This is particularly true in the case of Cuba, whose sugar

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28/ Cheddar-type cheese from the United States is the only commodity on which a lower specific duty is imposed (1.00 bolivares), all other imports carrying duty of 1.20 bolivares.

29/ Bolivia's imports of dairy products from Argentina and Uruguay are contractually exempt from duty.

30/ This applies, for example, to Paraguay's trade with Argentina and Uruguay.

31/ Argentina with Bolivia, Chile, Colombia, Ecuador, Paraguay and Peru; Brazil with Argentina, Bolivia and Uruguay.

/receives preferential

receives preferential treatment in the United States, and it is also true to a certain extent of Venezuela, whose petroleum is imported by the United States on terms of mutual convenience.

2 . Imports under Public Law 480

From July 1954 - when the United States policy for the sale of agricultural surpluses abroad was introduced under Public Law 480 - up to June 1958 Latin America imported dairy products to a value of more than 3 million dollars from that country on the basis of the surplus - disposal programme provided for in Title I of the Law. The commercial value of such exports during the period mentioned amounted to 7 per cent of the total value of dairy products exported by the United States under the surplus-disposal programme.

Table III-16 shows that up to mid-1958 only four Latin American countries had signed agreements by which they undertook to accept such surpluses against payment in local currency. Of these four, Brazil imported the major share. In additon, Bolivia, Haiti and Peru had received grants of dairy products to an estimated value of about 2 million dollars, of which three-quarters had been assigned to Peru.

Although imports under Public Law 480 represent no more than a very small proportion of total Latin American import trade in dairy products, these imports and others effected in larger amounts for social welfare purposes have been considered by various countries to be a disincentive to domestic production and external trade. This is partly due to the fact that such imports have occasionally been smuggled into the ordinary channels of commercial distribution, thereby offering serious competition to local products - although under the relevant agreements such supplies are required to be distributed to consumers in such a way as to offer no harmful competition to production in the purchaser countries.

It should be remembered that, although the purchase of surpluses at competitive prices and the free distribution of foreign preserved milk through official social welfare agencies is in itself a very laudable policy, since it helps to raise low consumption levels, such measures are liable to act as a brake on local production of both preserved and fresh milk, unless special distribution systems are ensured.

/Table III-16

rest of the world. But, to achieve such an increase in production, enormous investment designed to improve farming techniques and expand the cultivated area would be necessary, and an effective policy of incentives would have to be applied. This is a problem that calls for detailed study.

Wheat and its derivatives are the most important items in the imports of foodstuffs and agricultural raw materials of the deficit-production countries. They are also the principal export item of the traditionally wheat-exporting countries.

In the form of bread and food pastes, wheat has become the staple foodstuff of the urban population. Average per capita wheat consumption in Latin America rose from 47.2 kg in 1934-38 to 55.5 kg in 1955-57. The income-elasticity of demand is about 0.4.

The region's total wheat production increased from 8.1 million tons in 1934-38 to 10.9 million tons in 1955-57, but decreased in per capita terms from 70.1 kg in the first period to only 60.8 kg in the second.

Owing to their increased consumption and limited production, the deficit countries have had to rely more and more on external supplies to satisfy their consumption requirements.

The traditionally wheat-producing zone declined in importance as a world exporter, so that Latin America's wheat trade balance has become increasingly unfavourable. If the trend recorded up to now continues, the region may become a net importer in a relatively short time.

While the temperate countries of South America possess resources for increasing their production, ecological conditions in the rest of Latin America do not allow of any expansion of production sufficient to cover the marked increment in demand and to reduce the current level of imports.

Intra-regional trade in wheat and wheat flour has made notable progress in the last few years, but amounts to only 50 per cent of the exportable surpluses of Argentina and Uruguay.

As a result of the surplus disposal programme (Public Law 480), United States wheat exports to the southern zone of Latin America, which had hitherto relied almost wholly on Argentina and Uruguay for its supplies, have increased appreciably. Sales of this kind effected outside the normal trade channels may, if they continue for a considerable time, tend to disrupt production in the zone by discouraging the traditional suppliers.

/In order

Table III-16

LATIN AMERICA: IMPORTS OF DAIRY PRODUCTS a/ UNDER THE TERMS OF PUBLIC LAW 480 CONCERNING AGRICULTURAL SURPLUSES JULY 1954-JUNE 1958

Country	Title I b/		Title II c/
	Volume (thousands of kg)	Value (millions of dollars)	Value (millions of dollars)
Bolivia			0.391
Brazil	3 186.9	2.2	
Colombia	478.8	0.2	
Haiti			0.045
Paraguay	415.4	0.4	
Peru	497.4	0.3	1.551

Source: United States Congress, The eighth semi-annual report on activities carried on under Public Law 480.

a/ Especially preserved milk.

b/ Sales for foreign currency.

c/ Grants up to an unspecified amount.

IV. PROSPECTS FOR AN EXPANSION OF INTRA-REGIONAL TRADE IN DAIRY PRODUCTS

Although there are no data available to permit an appraisal and prediction of the future trends of intra-regional trade in dairy products, a brief evaluation can at least be made of some aspects and factors which may directly or indirectly influence such trade.

The long- and short-term prospects for inter-Latin American trade in dairy products largely depend on the alternatives and possibilities open to production, and on the evolution of demand.[32] On the whole, it is safe to say that in all the Latin American countries conditions would permit raising production to a considerably higher level. However, careful study of the available resources would suggest that the economic expansion of the production of milk and milk products is closely bound up not only with national protectionist and development policies, but also, and, to a much greater extent, with the comparative advantages of the various countries as against the others.

For instance, countries in the temperate zone, such as Argentina, Uruguay and Chile, have advantages as regards climate, the quality of their land and pasture and their zoötechnical level. In these southern countries, the production of dairy products can undoubtedly be carried out at lower cost and be expanded sufficiently to improve per capita supply and increase exports both intra and extra-regionally. On the other hand, the tropical and sub-tropical countries also enjoy favourable production conditions which, while they may not hold out great hopes for future export trade on a large scale, would certainly permit partial or total import substitution, or the attainment of self-sufficiency at higher per capita consumption levels. Brazil, Colombia, Ecuador, Mexico, Peru and Venezuela among other countries, are cases in point.

32/ On the basis of a coefficient of income-elasticity demand of 0.9, and an annual rate of growth of income of 2.7, consumption of preserved milk would increase from 17 million tons in 1954-56 to 45.5 million in 1975.

/One aspect

One aspect which should not, however, be overlooked in relation to the prospects for establishing a regional market is the importance, not only of developing production but of ensuring a production-structure such as to guarantee a rise in productivity and a reduction in unit production costs. It follows from this that the significance and scope which will attach to programmes for Latin American economic integration will largely depend on the measures concerted by the countries concerned with a view to co-ordinating their production policies. As regards dairy products, these policies will have to be drawn up with two considerations in mind: firstly, the national programmes for self-sufficiency that have been put into effect in some countries, and secondly, the advantages which would accrue from intra-regional trade carried on on the basis of the selective and specialized development of production. It should not be forgotten that while self-sufficiency and import substitution are attainable for a large number of countries, a generalized trend in this direction might become a serious obstacle to economic complementarity. Integration programmes should therefore lay particular stress on the need to specialize production on the basis of comparative advantages.

So far as concerns the regional production of processed milk, a substantial increase does not appear to be feasible over the short term, in view of the nature of the dairy industry and the fact that its organization on a mass production basis would call for time and intensive exploitation techniques, which are often slow to take effect. If preserved milk production is to be developed, it will be indispensable to concentrate from the outset on existing milk plants and ensure that their productive capacity is used to the full; a large proportion of this capacity is wasted in several countries owing to irregular or insufficient supplies of fresh milk, price controls or lack of economic incentives to industrialists. One of the principal factors preventing the expansion of the preserved milk industry in the region is the strong competition offered by foreign products, resulting occasionally from discrimination against some grades of domestic production, but more especially from inadequate governmental protection.

/In view

In view of these circumstances, any expansion in the production of condensed and powdered milk and other dairy products will presuppose guaranteeing the producers adequate protection of their industry against the effects of production surpluses in countries outside the region.

Since, as has been seen in other sections of this study, Latin America imports a great part of its dairy products from countries which are traditional exporters, careful consideration will have to be given in organizing a broader intra-regional trade to any policies which those countries are at present applying or may in the future introduce to expand their external markets. The policy of internal price support and regulation applied in several exporter countries (the United States and the Netherlands, for instance) constitutes a stimulus to production and, consequently, to exports. In the countries of north-east Europe, the dairy industry is the major source of income, and their Governments therefore usually fix the prices of dairy products and subsidize the dairy industry and, in some cases, the export trade.[33/]

Extra-regional competition may become even more intensive if new competitors appear on the world market. In the United Kingdom, production of evaporated and condensed milk has increased so much that by 1954 the country had become a net exporter. Other European countries hitherto known as occasional exporters of dairy products are now showing a persistent trend towards increased exports. In 1955, Russia exported only 5 000 tons of butter, but its exports thereafter increased substantially and by 1957 it was selling as much as 49 000 tons.[34/] The high productivity of the dairy industries in other countries, their ample development capacity and the frequently traditional roots of their production will always give such

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33/ In April 1958, the Netherlands Government announced that cheese exports to various countries would be subsidized, because of the 15-per-cent increase in milk production during the first quarter of 1958 and to facilitate the sale of surpluses. At the same time, producers of condensed and powdered milk were expecting similar agreements to be made on export subsidies for these two items (see Foreign crops and markets, 12 May, 1958, p. 7).

34/ United Nations Economic Commission for Europe, Paper No. 6, Milk Products.

/countries an

countries an advantage over their competitors on the world market; all these factors, therefore, will inevitably have to be taken into account in formulating programmes for the integration or development of inter-Latin American trade.

1. Prospects for short-term expansion

There are fairly immediate possibilities of substantially expanding intra-regional trade in all branches of the dairy industry; this is particularly true of butter, casein and, to a lesser extent, cheese, since imports of these products from outside the region could be partially replaced from Latin America's exports to the rest of the world. Argentina and Uruguay could not only concentrate on broadening the market for dairy products in their neighbours in the southern zone, but could also extend their markets in the northern Latin American countries. Bolivia, Brazil, Paraguay, Peru and Venezuela already import dairy products from Argentina and Uruguay; all that is needed is to sign agreements for the development of their mutual trade. There might also be some possibility of expanding the preserved milk trade among these countries over the short term, but this could be done only within very narrow limits, since any rise in the present level of production will be largely absorbed by local consumption requirements. Table III-17 indicates the current direction of the intra-regional trade in dairy products, and gives a general idea of the considerable possibilities that exist for an expansion in this trade.

2. Long-term prospects

The northern countries of the region, particularly those with a satisfactory level of purchasing power and a large demand, are not self-sufficient; on the contrary, they offer important potential markets for the region's export products - not only those from Argentina and Uruguay but also those from other not too distant countries with exportable surpluses. Colombia and Venezuela could become importers of some Ecuadorian dairy products; and in the Central American countries also, conditions are suitable for an expansion in mutual dairy trade. There is no doubt that the growing demand for certain types of dairy products will always act as an incentive

/Table III-17

Table III-17

LATIN AMERICA: DIRECTION OF INTRA-REGIONAL TRADE IN DAIRY PRODUCTS, 1955-57

Country of destination \ Country of origin	Argentina	Uruguay
Bolivia	Evaporated and condensed milk Powdered milk Butter	-
Brazil	Powdered milk Cheese Casein	Casein
Chile	Evaporated and condensed milk Powdered milk Cheese Butter Casein	-
Colombia	Casein	-
Paraguay	Evaporated and condensed milk Powdered milk Cheese Butter Casein	-
Peru	Evaporated and condensed milk Cheese Butter Casein	-
Venezuela	Cheese Casein	-
Dominican Republic	Casein	-
Mexico	Casein	-

Country of destination \ Country of origin	El Salvador	Guatemala	Honduras	Nicaragua
Costa Rica	Cheese	Cheese	-	-
El Salvador		Powdered milk Cheese	Powdered milk Cheese	Powdered milk
Guatemala	Cheese Fresh milk	-	-	-
Honduras	Cheese Butter Fresh milk	-	-	-
Nicaragua	Powdered milk Cheese Butter	-	-	-

Source: Basic information supplied in yearbooks of foreign trade.

/...

to imports from extra-regional countries, but it could also operate in favour of greater intra-regional trading acitivity, within the framework of GATT regulations and without detriment to present trade relations with other countries outside the region.

It is clear that the best policy for the development of intra-regional trade would be to start by selectively liberalizing trade, leaving certain countries at liberty to adopt whatever measures of protection and control in relation to third parties they deemed to be necessary. Several countries will of course continue with their programmes for self-sufficiency, and will doubtless continue to restrict imports of dairy products. Milk production is of such importance in most Latin American countries, and in some of them investment in the dairy industry has proved to be of such economic value, that Governments are always interested in taking steps to protect the industry. Moreover, the considerable volume of milk production achieved in several countries contributes so substantially to the national product, and the number of producers is so large, that imports consistently tend to be regarded as disruptive discouraging to internal production, although such imports are equivalent to a mere 4 per cent of Latin America's total output.

One important conclusion to be drawn from this preliminary study is that a substantial long-term expansion of intra-regional trade in preserved milk and other dairy products will be practicable only if measures are taken to protect established or projected industries, with the primary aim of ensuring that local producers are able to compete on favourable terms with foreign production. It has already been remarked that tariff and exchange restrictions and the conditional sales system, to cite the most important policies applied, have been fundamentally ineffective as measures of protection, although they appear to have been instrumental in reducing imports in some cases. The protective power of such measures will clearly depend on the force and stability with which they are applied in the future and on their successful adjustment to the conditions of each country, avoiding any interference with plans to broaden regional markets and achieve economic integration on the basis of greater reciprocity.

/Chapter IV

Chapter IV

LATIN AMERICA'S TRADE IN FATS AND OILS AND PROSPECTS FOR EXPANDING INTRA-REGIONAL TRADE

INTRODUCTION

Fats and oils play a very important role in the Latin American economy. In recent years about eight million hectares, or some 8 per cent of the region's total arable land area, have been devoted to the production of vegetable oil-seeds alone, and animal fats are a by-product of the important livestock industry.[1/] Practically every household in Latin America uses one or more fats of vegetable or animal origin in the daily preparation of food, and these products are also widely used in manufacturing industrial products, such as soaps, paints, varnishes and candles. Fats and oils commodities therefore also constitute one of the bases of a growing manufacturing industry, and it is important to study the possibilities of increasing their production, with a view to improving the supply of existing food and industrial needs and bringing about an expansion in international trade.

Latin America produces nearly all types of edible and industrial fats used in the world. The region's south-eastern zone, including Argentina, Uruguay and part of Brazil, is one of the world's principal supplying centres of inedible products such as linseed and castor oil; and at the same time it produces large quantities of edible vegetable oils, and of animal fats. In most other parts of the region, fats and oils production is mainly oriented towards supplying domestic requirements. On the whole, these areas are net importers.

Before the war, not only did the region as a whole supply most of its own consumption requirements of fats and oils, but exports exceeded imports by about half a million tons, or approximately one third of

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1/ FAO, Yearbook of food and agricultural statistics: production, 1957; on the basis of the following products, which do not include all oilseeds produced: cotton-seed, linseed, sunflower-seed, groundnuts, sesame seed and soybeans.

/production. In

production. In recent years, however, total consumption has been larger than production. In the period 1955-57, for instance, imports exceeded exports by some 70,000 tons annually, or 4 per cent of current production.

In nearly all countries, favourable prospects exist for expanding fats and oils production further, and for reducing import dependence on, or increasing exports of, these commodities. However, in order to obtain such a reversal of the long-term trend it would be necessary for production to increase at rates in excess of 5 per cent per year, the current rate of increase of demand. It is clear that such an achievement will not be easy, and will require, in addition to favourable production conditions, the conscious effort of the Governments concerned.

Despite the strong growth in the demand for fats and oils, Latin America's consumption per person is low in comparison with that of other regions of the world.[2/] It may therefore be assumed that a large potential demand exists for these products, and that consumption requirements will continue to rise sharply, in line with the pace of economic development in general.

Fats and oils products are both exported and imported in sizeable quantities by many Latin American countries. But the commodities imported by some countries are in general not the same ones as those exported by others, although their uses are often similar. This circumstance appears to be the principal factor that has limited intra-regional trade in the past to a proportion of less than 10 per cent of total trade. It would seem therefore that any increase in intra-regional trade on the basis of the products demanded at present will be hampered by lack of exportable supplies; but a possibility exists of, to some extent, substituting Latin American products for those now imported from outside sources. Argentina and Brazil appear to be the main potential exporters to other parts of Latin America.

2/ FAO has published the following estimates of apparent consumption *per capita* of all fats and oils for 1955-56: Latin America, 10.8 kgs.; Western Europe, 23.8 kgs.; North America, 29.4 kgs. See: Commodity Reports, *Fats and Oils N° 7*, December 1957.

/The existing

The existing trade pattern is influenced to a considerable extent by policy factors. Trade barriers, in the form of tariff duties and quantitative and other restrictions, are relatively high, but this has not prevented the rapid growth of fats and oils imports.

In the long run, a more rational exploitation of the region's large production potential of fats and oils could change the existing trade structure considerably. It is therefore necessary to analyze the situation of this group of products from the point of view of production and consumption and from that of inter-regional and intra-regional trade. It is clear, however, that a full evaluation of the region's possibilities in this respect would require on-the-spot inspection and analysis in the major centres of production, consumption and processing of fats and oils. Consequently, any conclusions presented in this paper are strictly preliminary.

The main objective of the present paper is to describe the structure of Latin America's international trade in fats and oils in the last few years, with a view to defining the basic problems emerging from the trade pattern and to providing the factual basis for a discussion of the possibilities of increasing intra-regional trade in fats and oils. For this purpose, special reference will be made to five edible vegetable oils and their primary materials, which together make up 90 per cent of Latin America's production of edible vegetable oils and which account for nearly one half of the region's total fat supply; some attention will also be given to inedible vegetable fats and oils and animal fats. These products are, in the order of their production importance in the region: cottonseed and cottonseed oil; groundnut and groundnut oil; sunflower seed and sunflower seed oil; copra and coconut oil; and sesame seed and sesame seed oil.

In view of the complexity of the fats and oils situation, and the fact that little previous study has been made of this subject, there are serious limitations to be faced in analyzing this important group of commodities and in reaching conclusions on the prospects for the industry. The difficulties are enhanced by the absence of adequate basic data regarding the production and consumption of many fats and oils.

/I. TRENDS

In order to keep the price of bread within the reach of the lower-income groups, most importing countries have lowered the duty on wheat.

In the deficit-production countries in which efforts are being made to grow more wheat, Governments have established a monopoly or imposed absolute control on imports, and fixed import quotas, in order to prevent competition from foreign wheat.

The main obstacles to a greater increase in intra-regional wheat trade are to be found not so much in tariff systems but in international transport problems (lack of direct two-way traffic communications, lack of unloading facilities, low demand, etc.), the lack of trade connexions and the limited extent of trade between the northern and southern zones of Latin America.

The increasing competition for South American wheat on European markets offers a further reason for developing Latin American intra-regional trade. It is important, however, that any such development should so far as possible not be achieved at the expense of the region's sales to the rest of the world.

3. Dairy products

The production of milk and milk products has made great strides in Latin America during the last few years. However, since supplies have not increased sufficiently to meet the expansion of demand arising from the growth in population and the rise in income levels, the import trade is becoming larger every year.

Although imports of dairy products from countries outside the region represent no more than 4 per cent of regional production, they entail considerable expenditure of foreign exchange and act as a discouraging influence on Latin America's dairy industry and intra-regional trade.

The present tariff system and the exchange and quota restrictions in force do not appear to be a serious obstacle to imports from outside the region, which increased by 54 per cent between 1950-52 and 1955-57.

The dairy industry is particularly important for the economy of Latin America, and could make an appreciable contribution to the expansion of intra-regional trade.

/4. Oils

I. TRENDS IN TOTAL PRODUCTION, TRADE AND CONSUMPTION

Total production of all fats and oils in Latin America increased by 30 per cent between the period 1934-38 and the year 1957, or only about half as much as the net increase in population during the same period, estimated at 59 per cent. As table IV-1 shows, this difference between the rates of growth of total production and of population was mainly a phenomenon affecting the period before 1950. From 1950 to 1957, production increased by 17 per cent, nearly matching the 18 per cent growth of population.

According to estimates made by FAO, the income-elasticity of demand for fats and oils is higher than that for most agricultural products, appearing to average 0.8 - 0.9. Because of the low level of current fats and oils consumption, the income-elasticity in Latin America is even higher. For several countries coefficients of 0.7 to 1.5 have been found, the lower demand elasticities corresponding to animal fats and the higher ones to vegetable fats and oils.3/

Approximately one half of the increased requirements in the period under review, about 0.5 million tons, were supplied out of larger production. The balance was obtained both by means of greater domestic utilization of available supplies at the expense of exports, and by means of larger imports. The latter have more than doubled since before the war, and apart from 1957 steady annual increases have occurred.

The combined effect of these tendencies has been that the region as a whole has shifted from being a sizeable net exporter of fats and oils in the 1934-38 period to being a net importer in recent years. This is illustrated in figures C and D. In 1957, exports again exceeded imports by a small amount, reflecting increased production, but it is too early to tell whether this change represented a new trend or merely a short term fluctuation.

The changes in the fats and oils position of the region as a whole

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3/ FAO, The State of Food and Agriculture 1957, p. 92; ECLA, unpublished data.

/Table IV-1

Table IV-1

LATIN AMERICA: PRODUCTION, TRADE AND TOTAL SUPPLY OF ALL FATS AND OILS, AND POPULATION, 1934-38 AND ANNUAL 1950-57

Year	Production	Exports	Imports	Net trade a/	Total supply	Population (thousands)	Per capita supply (kg)
	(Thousand tons oil equivalent)						
1934-38	1 520	680b/	188b/	-492b/	1 028	115 622	8.9
1950	1 692	629	222	-407	1 285	155 421	8.3
1951	1 753	620	237	-383	1 370	159 197	8.6
1952	1 663	201	328	+127	1 790	163 019	11.0
1953	1 709	351	372	+21	1 730	166 906	10.4
1954	1 710	428	420	-8	1 702	170 907	10.0
1955	1 761	350	446	+96	1 857	175 068	10.6
1956	1 856	223	462	+239	2 095	179 381	11.7
1957	1 977	402	373	-29	1 948	189 819	10.6

Source: United Nations Commission on International Commodity Trade, Fats and Oils, document E/CN.13/L.56 (25 March 1958).
Population: Official statistics adjusted by ECLA.

a/ - = net exports; + = net imports.

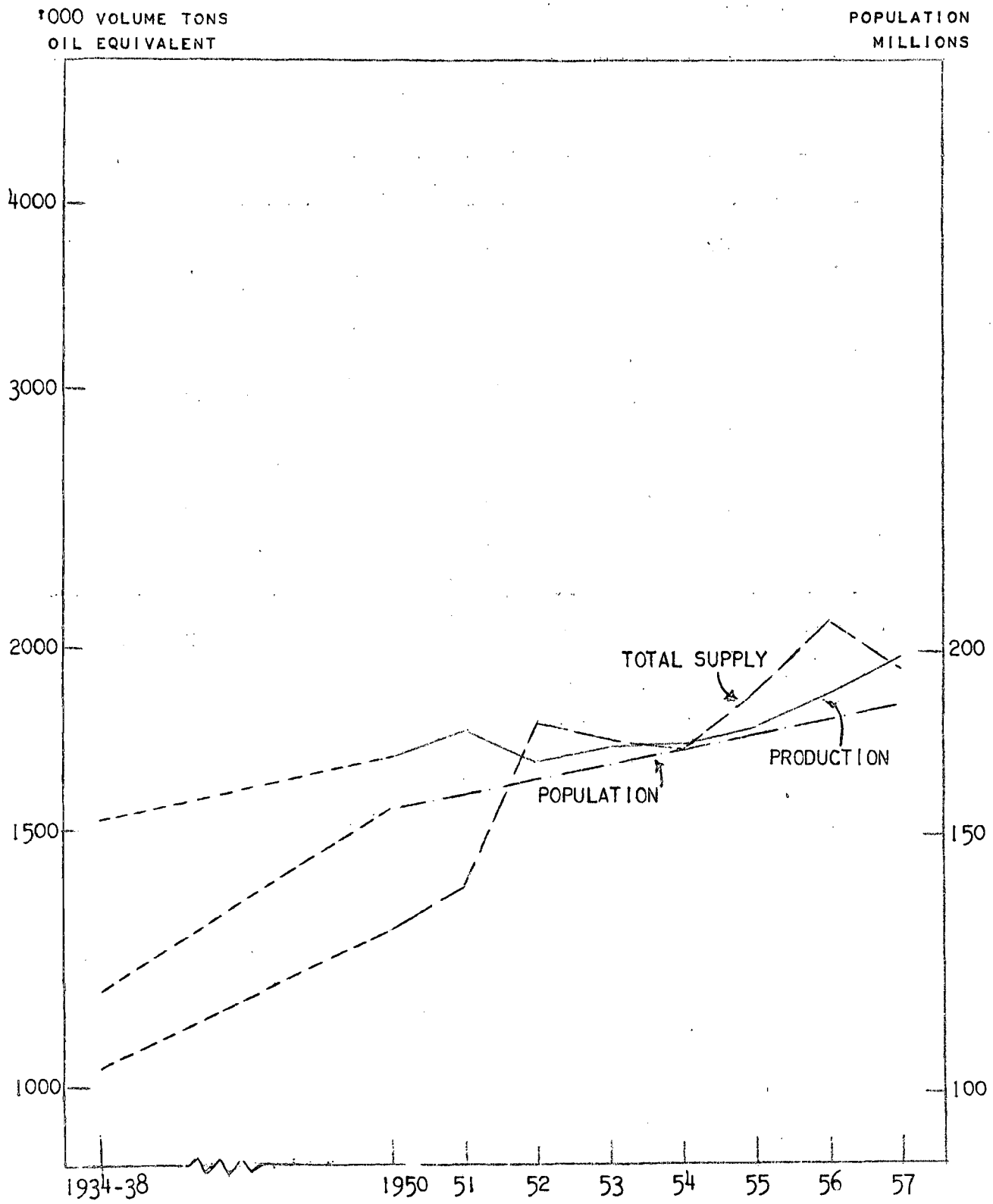
b/ 1938.

/Figure C

FIGURE C

LATIN AMERICA : PRODUCTION AND TOTAL SUPPLY OF ALL FATS AND OILS, AND POPULATION

SEMI-LOGARITHMIC SCALE

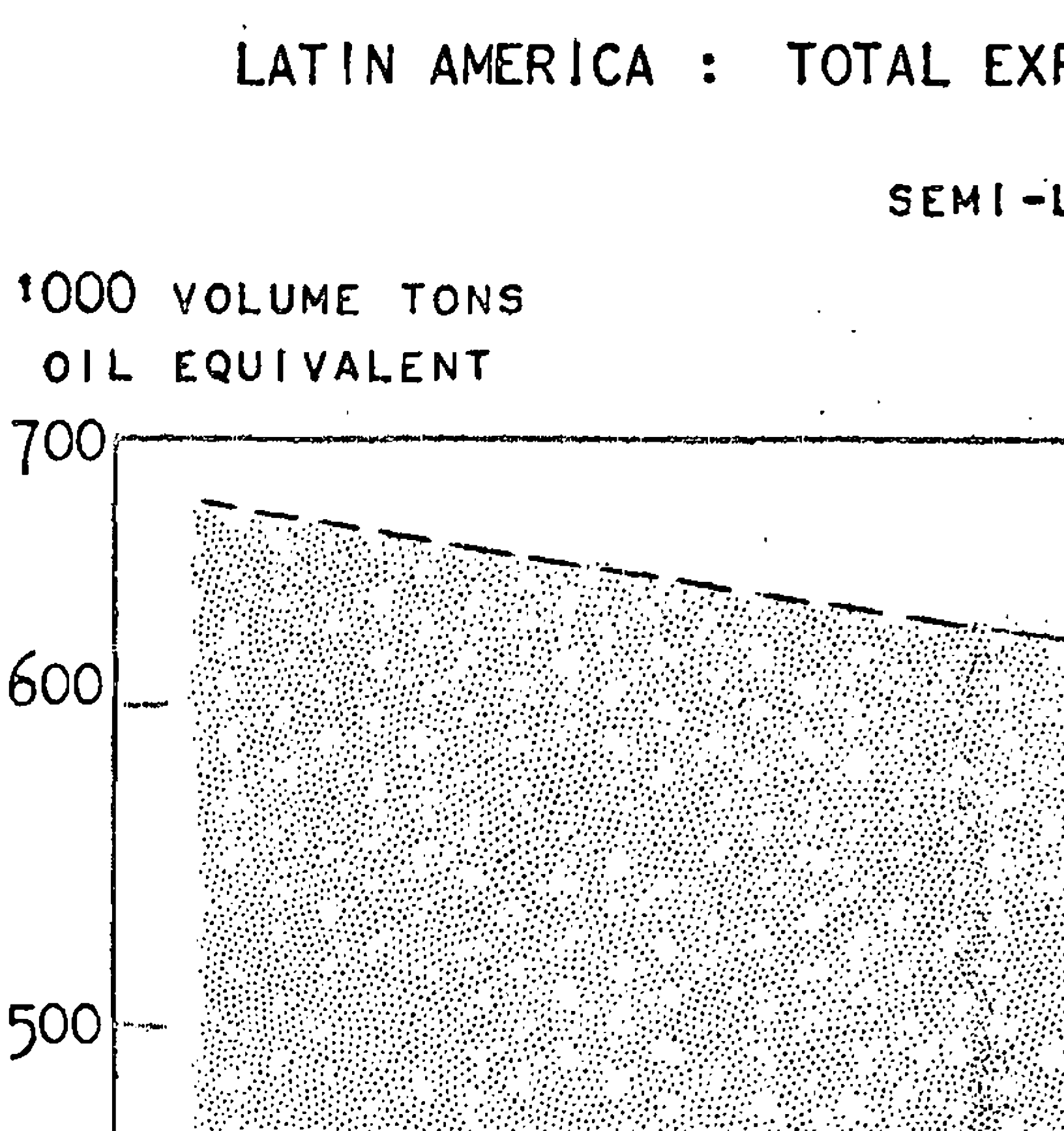


SOURCE; UNITED NATIONS, SEE TABLE 1.

/Figure D

LATIN AMERICA : TOTAL EXP

SEMI-L



were to a considerable extent due to developments in one country, Argentina, which before the war produced about one half and more recently has produced from 30 to 40 per cent of all fats and oils in Latin America. Table IV-2 shows that, whereas Argentine production fell significantly below the pre-war level, and recovered that level only in 1957, production in the rest of Latin America in the last three years has averaged 57 per cent above that in 1934-38, though no further increases seem to have taken place since 1955.

Consequently, per capita production in the region as a whole fell from 13.1 kg. in 1934-38 to 10.8 kg. in 1957; actually, however, it was roughly maintained at 7.5 - 8.0 kg. in all countries except Argentina, where it declined notably.

The large decline in Argentina's production of fats and oils was mainly due to reductions in the acreage and production of linseed which began before the War as a result of the loss in 1939 of the European export market for linseed. Following that event, a crushing industry was established in Argentina in order to process domestic oilseeds, and after the war the exports of oilseeds was prohibited in favour of exports of oils and oilseed cakes. This in turn caused several traditional importing countries, including Canada and the United States, to expand linseed production in order to protect their established crushing industries, and demand for the Argentine products declined. On the other hand, growers in Argentina were paid lower prices than those prevailing on the world market, and they consequently turned to more profitable products.

A notable increase in Argentina's production of other oilseed, such as sunflower seed and groundnuts, partly offset the fall in the output of linseed, but total fats and oils production nevertheless declined greatly.

In other parts of the region, the output of cottonseed, groundnuts and other edible vegetable oil materials increased, so that Latin America as a whole shifted to some extent from the production of inedible vegetable oils to that of edible ones.

Thus, in most Latin American countries apart from Argentina the production of fats and oils increased at the same rapid pace as population,

/Table IV-2

but insufficiently to cover the additional demand caused by higher average income levels. Consequently, this demand had to be met from larger imports. These were not available in the region and were therefore generally obtained from outside sources.

If total population and average income levels continue to grow at rates comparable with those of the immediate past, the long-term trend towards smaller exportable supplies of fats and oils and increased import requirements from outside the region may well continue in the foreseeable future. In those conditions it would be very difficult to increase the intra-regional trade in fats and oils, because of the unavailability of supplies in Latin America itself, unless special efforts were made to increase production at appreciably higher rates.

From the standpoint of available resources, Latin America is well situated for expanding and improving fats and oils production. Among the many possibilities, an increase in the area of annual quick-bearing oilseed crops such as sunflower, sesame and groundnuts would seem to offer the best immediate prospects for increasing production. Over a longer period, the cultivation of coconut palms and African oil palms could be greatly increased, and this would help to overcome Latin America's chronic shortage of lauric acid oils. Finally, more effective slaughter and processing methods could increase the availability of animal fats in the region.

II. TOTAL CURRENT TRADE IN FATS AND OILS, BY TYPE OF COMMODITY

A useful insight into the structure of Latin American trade in fats and oils may be obtained by grouping the many different commodities traded by origin (from vegetable or animal sources) and by utilization (for human or industrial use). Tables IV-3, IV-4 and IV-5 present this overall view of the region's trade in fats and oils in the recent three-year period 1955-57.

Total annual imports in this period amounted to nearly 400,000 metric tons, representing a value of about 120 million dollars. On the other hand, more than 320,000 metric tons were exported, the export value amounting to some 65 million dollars. The largest volume of imports in

/Table IV-3

Table IV-2

TOTAL AND PER CAPITA PRODUCTION OF ALL FATS AND OILS, ARGENTINA AND REST OF LATIN AMERICA, 1934-38 AND ANNUAL 1955-57

	1934-38	1955	1956	1957
		(Thousand tons oil equivalent)		
Total production	1 520	1 761	1 856	1 977
Argentine	740	521	648	748
Rest of Latin America	780	1 240	1 208	1 229
		(Kg oil equivalent)		
Per capita production	13.1	10.1	10.3	10.8
Argentine	55.8	27.3	33.2	37.6
Rest of Latin America	7.6	8.0	7.6	7.5

Source: United Nations Commission on International Commodity Trade, Fats and Oils, E/CN.13/L.56 (25 March 1958); per capita data calculated on the basis of ECLA population estimates.

/but insufficiently

Table IV-3

LATIN AMERICA: IMPORTS OF ALL FATS, OILS AND OILSEEDS IN TERMS OF OIL; 1955-57 AVERAGE BY MAIN TYPES AND BY COUNTRIES OF DESTINATION

(Thousand tons oil equivalent)

Country	Edible animal	Inedible animal	Edible vegetable	Inedible vegetable	Total
Mexico	6.0	18.7	12.5	0.5	37.7
Cuba	77.1	15.5	18.0	0.5	111.1
Costa Rica	3.1	0.1	2.2	0.4	5.8
Dominican Republic	-	1.8	0.2	-	2.0
Haiti	4.1	-	2.2	-	6.3
Guatemala	4.9	2.9	0.2	0.1	8.1
Nicaragua	0.6	1.6	1.0	0.2	3.4
Panama	2.7	-	0.9	0.2	3.8
El Salvador	2.2	1.6	0.1	0.2	4.1
Argentina	0.1	0.1	36.9	0.3	37.4
Bolivia	2.8	1.9	-	0.5	5.2
Brazil	3.3	0.5	10.0	-	13.8
Chile	1.7	4.9	23.6	0.3	30.5
Colombia	2.3	9.4	51.7	1.3	64.7
Ecuador	-	2.6	1.8	3.9	8.3
Paraguay	0.2	-	0.3	-	0.5
Peru	14.0	5.5	2.3	0.4	22.2
Uruguay	0.1	0.1	0.8	0.1	1.1
Venezuela	0.8	3.8	26.6	2.5	33.7
Total	126.0	71.0	191.3	11.4	399.7

Source: FAO.

General note: For the purposes of tables 3, 4 and 5, the following classification of products has been used: Edible animal fats: butter, lard, fish oil, whale oil; inedible animal fats: tallow and greases; edible vegetable fats products: groundnuts, soybeans, cottonseed, sesame, rapeseed, sunflower seed, olive oil, shortening, margarine, copra, palm kernels and palm oil; inedible vegetable fats products: linseed, castorseed, tung oil. The slight differences in totals as compared with those of table 1 are the result of differences in country coverage. The data in table 1 include estimates for dependent territories of Central and South America.

/Table IV-4

Table IV-4

LATIN AMERICA: EXPORTS OF ALL FATS, OILS AND OILSEEDS IN TERMS OF OIL, 1955-57 AVERAGES BY MAIN TYPES a/ AND BY COUNTRIES OF ORIGIN

(Thousand tons oil equivalent)

Country	Edible animal	Inedible animal	Edible vegetable	Inedible vegetable	Total
Mexico	-	-	8.2	1.3	9.5
Nicaragua	-	-	11.7	-	11.7
Other Central American countries b/	0.8	-	9.1	1.4	11.3
Argentina	24.4	6.8	27.2	134.8	193.2
Brazil	-	2.5	8.4	61.1	72.0
Uruguay	-	-	-	20.1	20.1
Other South American countries	1.2	1.2	1.6	5.1	9.1
Total	26.4	10.5	66.2	223.8	326.9

Source: FAO.

a/ See general note to table 3.

b/ Including Caribbean countries.

/Table IV-5

Table IV-5

LATIN AMERICA: NET a/ TRADE IN ALL FATS, OILS, AND OILSEEDS
IN TERMS OF OIL, 1955-57 AVERAGE
BY MAIN TYPES b/ AND COUNTRIES

(Thousand tons oil equivalent)

Country	Edible animal	Inedible animal	Edible vegetable	Inedible vegetable	Total
Mexico	+6.0	+18.7	+4.3	-0.8	+28.2
Central America c/	+93.9	+23.5	+4.0	+0.2	+121.6
Argentina	-24.3	-6.7	+9.7	-134.5	-155.8
Bolivia	+2.8	+1.9	-	+0.5	+5.2
Brazil	+3.3	-2.0	+1.6	-61.1	-58.2
Chile	+1.7	+4.9	+23.6	+0.3	+30.5
Colombia	+2.3	+9.4	+51.7	+1.3	+64.7
Ecuador	-	+2.6	+1.8	+3.9	+8.3
Paraguay	+0.2	-	+0.3	-	+0.5
Peru	+14.0	+5.5	+2.3	+0.4	+22.2
Uruguay	+0.1	+0.1	+0.8	-20.0	-19.0
Venezuela	+0.8	+3.8	+26.6	+2.5	+33.7
Total d/	+99.6	+60.5	+125.1	-212.4	+72.8

Source: FAO.

a/ Net exports indicated by -; net imports indicated by +.

b/ See general note to table 3.

c/ Including Caribbean countries.

d/ Allowing for a small amount of exports by non-specified countries.

/the period

4. <u>C</u>

Latin American demand for oi
before the war, owing to the rapi
trend of <u>per capita</u> consumption.
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Latin America's production c
cent between 1934-38 and 1957; bu
cover the expansion in demand. A
declined, while imports have moun

the period under review was accounted for by edible commodities, of both animal and vegetable origin, which together made up nearly 80 per cent of the total regional imports of fats and oils. Within this group, vegetable products ranked higher than animal products. Imports of inedible animal fats also reached a sizeable volume, but the region's imports of inedible vegetable oils was relatively insignificant (see table IV-3).

Cuba and Colombia are the largest importers, followed by Mexico, Venezuela and Chile. These five countries accounted for almost 70 per cent of all Latin American imports in the 1955-57 period, or a larger proportion if Argentina's imports are disregarded. The other countries of the region imported smaller quantities of fats and oils; but it may be seen that no country could do without some imported supplies.

Argentina's position as one of the main importers of edible vegetable oils during the years of reference reflects an unusual situation for that country.[4/] In the years 1954 and 1955, production fell to exceptionally low levels, as a result of unfavourable producer prices for sunflower seed and other edible vegetable oil materials, and available supplies became insufficient to cover domestic demand. More recently, however, production has recovered, and imports were discontinued in 1957. The abnormal supply situation in edible vegetable oils did not affect the country's position as the region's major exporter of inedible vegetable oils and of animal fats, as will be seen below.

There is a marked difference in the commodity composition of the fats and oils imports of the various parts of Latin America. In South America, with the exception of Peru, imports consist mainly of vegetable oilseeds and oils, the principal items in recent years having been copra, soybean oil and olive oil. On the other hand, in the Central American and Caribbean countries, and also in Peru, lard constitutes the main imported fat, and vegetable oils imports are much less important.

4/ Before the war sizeable quantities of olive oil were imported, but these were replaced by domestic production of sunflower oil and more recently also of olive oil. In the post-war period, therefore, practically no imports of fats and oils were made.

/Since in

Since in the region itself only very limited supplies of lard are available for export, and since an expansion in lard production would be more difficult to obtain than one in the production of vegetable oils, the pattern described above seems to illustrate one of the important difficulties Latin America would face in supplying the import demand for fats and oils of its northern sub-region. Currently, the region's imports of lard, of which Cuba alone absorbs over 60 per cent, originate almost exclusively in the United States.

Latin American exports of fats and oils are mainly concentrated in Argentina, Uruguay and Brazil. In the former two countries, linseed oil is the main item, whereas in Brazil castorseed and oil, and certain other industrial oils,[5/] account for most of the volume. Argentina also supplies sizeable quantities of groundnut oil, lard, butter and tallow, and is the only country in Latin America which normally has a wide variety of fats and oils available for export in commercial quantities (see table IV-4).

Much smaller quantities of oilseeds are exported by Mexico (groundnuts), Nicaragua (cottonseed and sesame) and the Dominican Republic (copra). However, the total volume of these exports from the northern zone only reached about one tenth that of the exports of the southern zone, comprising Argentina, Uruguay and Brazil. Yet northern zone exports constitute the principal share of Latin America's exportable supplies of edible fats and oils, and, given the increasing scarcity of these commodities in other countries of the region, they are of considerable importance.

In the three years 1955-57, Latin America as a whole was a net importer of fats and oils to the extent of 72.8 thousand metric tons annually, or about four per cent of the average production of these commodities in the period. However, net imports of edible fats and oils of both vegetable and animal origin, amounting to 225,000 tons, constituted 13.6 per cent of the total production of these same commodities in Latin America (see tables IV-5 and IV-6).

With respect to inedible fats and oils the situation was mixed, sizeable net imports of tallow and greases being more than offset by net

5/ Particularly tung and oiticica oils.

/Table IV-6

Table IV-6

LATIN AMERICA: PRODUCTION AND NET TRADE IN EDIBLE AND INEDIBLE FATS AND OILS, 1955-57 AVERAGE

(Thousand tons oil equivalent)

	Edible products	Inedible products	All products
Production	1 649.0	215.7	1 864.7
Net exports	-	151.9	-
Exports as percentage of production	-	70.4	-
Net imports	244.7	-	72.8
Imports as percentage of production	13.6	-	3.9

Source: FAO data.

exports of linseed and castor oil, and minor industrial oils. Considering all inedible fats as a group, net exports amounted to 70.4 per cent of the production of these commodities for the region as a whole.

III. THE TRADE STRUCTURE OF THE PRINCIPAL EDIBLE VEGETABLE OILS

Any increased participation of Latin America in the fats and oils trade, either within the region or with outside areas, will no doubt develop on the basis of the main types of production already in existence. It has been mentioned above that although many minor and potential sources of edible vegetable oils exist in the region, five commodities account for 90 per cent of the total output of edible vegetable oils. Table IV-7 shows the total volume of net trade for each of these commodities during the present decade.

/Table IV-7

Table IV-7

LATIN AMERICA: VOLUME OF NET a/ TRADE IN FIVE MAJOR EDIBLE VEGETABLE OILS b/, ANNUAL 1950-57

(Thousand tons oil equivalent)

Year	Copra and coconut oil	Cotton seed	Groundnut	Sesame seed	Sunflower seed	Total
1950	+34.1	-1.1	-2.1	-4.6	-102.2	-75.9
1951	+35.6	-2.2	-6.1	-3.2	-82.6	-58.5
1952	+41.0	+15.8	-4.8	-4.9	-7.2	+39.9
1950-52c/	+36.9	+4.2	-4.3	-4.2	-64.0	+31.5
1953	+37.6	+8.5	-8.8	+4.3	-19.5	+22.1
1954	+53.4	+29.8	-5.6	-16.4	-2.5	+58.7
1955	+66.7	+44.0	-10.9	-12.3	-	+87.5
1956	+70.5	+84.8	-4.3	-0.1	-4.8	+146.1
1957d/	+60.1	+11.9	-39.0	+7.5	-11.8	+28.7
1955-57c/	+65.8	+46.9	-18.1	-1.6	-5.5	+87.5

Source: Data in official trade yearbooks.

a/ Net exports indicated by -; net imports indicated by +.

b/ Both oil and oilseed are included in terms of oil equivalent.

c/ Average.

d/ Excluding Central America, except Costa Rica, owing to lack of data.

/For the

For the five products together, there has been a major trade shift since the early 1950's. In 1950-52, Latin America exported an average of 30,000 metric tons, but during 1955-57 net average imports of nearly three times that quantity took place, representing an annual value of about 30 million dollars.[6/] This confirms the general trends discussed above. More complete statistics would have shown an even greater shift, for additional net imports of 30,000 metric tons of vegetable oil mixtures and non-specified edible vegetable oils entered the region in the later part of the period, as against only about 8,000 tons of these products annually in 1950-52. A considerable proportion of these additional imports consisted of cottonseed and soybean oils, used for the same purposes as the other products shown in the table.

The main changes took place in copra and cottonseed, net imports of both of which increased by 30-40,000 tons oil equivalent over the period, and in sunflower, exports of which declined from a level of more than 100,000 tons oil equivalent in 1950 to negligible amounts in the later years. Small net exports of groundnuts and sesame roughly maintained their volume, except for a large increase in groundnut exports in 1957.

The regional changes shown in table IV-7 are to a large extent explained by the temporary disappearance of Argentina's exports of sunflower-seed oil and the need of that country to import other edible oils, such as cottonseed oil. The increases in copra imports, however, are not related to the situation in Argentina, as these went mainly to Colombia and Venezuela, countries which do not consume sunflower seed oil.

In tables IV-8 and IV-9 the flow of vegetable oil imports and exports is shown for major regions of origin and destination. It will be seen that the main increases in imports between 1950-52 and 1955-57 were obtained from the United States, closely followed by those from the "rest of the world". Nearly all copra imports originated in the latter, which consequently more than doubled its trade volume with Latin America.

6/ Before the war, the region exported sizeable quantities of cottonseed and cottonseed oil and imported small amounts of copra. Very little trade took place in the other commodities shown.

/Table IV-8

Table IV-8

LATIN AMERICA: IMPORTS OF FIVE MAJOR EDIBLE VEGETABLE OILS a/
BY MAIN REGION OF ORIGIN, 1950-52 AND 1955-57 AVERAGES

	Copra and coconut oil	Cotton-seed	Ground-nut	Sesame seed	Sun-flower seed	Total five commod-ities	Per-cent-age
	(Thousand tons oil equivalent)						
From Latin America							
1950-52	3.6	0.1	0.1	2.0	0.3	6.1	11.3
1955-57	1.1	1.1	-	1.1	-	3.3	2.6
From United States							
1950-52	5.5	12.4	0.1	-	-	18.0	33.3
1955-57	[illegible].3	48.7	0.1	0.1	-	53.2	42.3
From rest of world							
1950-52	29.0	0.2	0.1	0.6	0.1	30.0	55.6
1955-57	64.3	0.4	0.3	4.3	-	69.3	55.1
All countries							
1950-52	38.0	12.6	0.3	2.7	0.4	54.0	100.0
1955-57	69.7	50.2	0.4	5.4	-	125.7	100.0

Source: Data in official trade yearbooks.

a/ Both oil and oilseed are included in terms of oil equivalent.

/Table IV-9

Table IV-9

LATIN AMERICA: EXPORTS OF FIVE MAJOR EDIBLE VEGETABLE OILS, a/
BY MAIN REGION OF DESTINATION, 1950-52 AND 1955-57 AVERAGES

	Copra and coconut oil	Cotton-seed	Ground-nut	Sesame seed	Sun-flower seed	Total five commod-ities	Per-cent-age
	(Thousand tons oil equivalent)						
To Latin America							
1950-52	0.2	0.5	0.1	2.7	3.5	7.0	8.3
1955-57	0.6	1.7	0.1	1.4	0.4	4.2	11.0
To United States							
1950-52	0.8	0.1	0.1	2.0	0.3	3.3	3.9
1955-57	1.5	0.1	2.6	0.5	-	4.7	12.3
To rest of world							
1950-52	0.1	6.4	4.5	2.2	60.6	73.8	87.9
1955-57	1.8	2.0	15.7	5.2	5.1	29.8	78.0
All countries							
1950-52	1.1	7.0	4.6	6.9	64.4	84.0	100.0
1955-57	3.9	3.3	18.4	7.1	5.5	38.2	100.0

Source: Data in official trade yearbooks.

a/ Both oil and oilseed are included in terms of oil equivalent.

/The larger

The larger imports of cottonseed oil were provided almost entirely by the United States, and accounted for the entire increase in imports from that country.

In both periods, and for all products, the proportion of imports drawn from the region itself was small or even insignificant. Furthermore, intra-regional imports fell from an average of 11 per cent of all imports in 1950-52 to less than 3 per cent in 1955-57, as a result both of an absolute fall in intra-regional imports themselves and of the rapid growth of imports from outside the region.

The shortage of exportable supplies is probably one of the main factors explaining the low level of the fats and oils trade between Latin American countries, and the region's increasing import dependence on the United States and on other parts of the world. Yet it can be seen that Latin America exported sizeable quantities of the products shown to the United States, and, especially, to the rest of the world, while it also obtained imports from these areas. The region's exports of sesame, for instance, increased from 1950-52 to 1955-57, a decline in exports to Latin America and to the United States being more than offset by a rise in exports to the rest of the world. At the same time, imports from the rest of the world also increased. A similar situation existed for copra, and the greater export availabilities in 1955-57 did not result in an increase in intra-regional trade in this commodity, although Latin America is a large importer of copra.[7/]

7/ At this point attention is drawn to the fact that differences exist between statistics on intra-regional trade, depending on whether export or import data are used for the compilation. Thus, the region's copra imports from Latin America, 1.1 thousand metric tons in 1955-57, did not compare with the figure on intra-regional exports, 0.6 thousand metric tons, etc. Furthermore, while table IV-8 shows a fall in regional copra imports between 1950-52 and 1955-57, table IV-9 indicates an increase in regional exports. These and other divergencies may partly be explained by time lags between export and import registration, or by other normal phenomena, but they also seem to point at differences in the quality of the basic data supplied by the various countries.

/A much

A much greater volume of intra-regional trade could, however, develop if ways were found to utilize the commodities available for export which are currently sold exclusively to outside areas. In 1950-52, for instance, exports of sunflower seed oil alone to areas outside Latin America exceeded the entire region's import requirements of both copra and cottonseed oil. Similarly, no imports of groundnut oil took place in the reference periods, though in 1955-57 a considerable quantity of this product became available for export, and could have been used for the same purposes as those of the oils actually imported. This shows that the flow of trade in these vegetable oils is to a great extent determined by factors other than the availability of supplies in nearby countries. Detailed studies would be required to explain fully the trade movement in any particular fats commodity.

One factor influencing the pattern of trade in most fats and oils commodities is the degree of processing of the products involved. While tables IV-8 and IV-9 give data converted to the oil equivalent of each product group, trade is in many cases carried on in oilseeds as well as oils, and in the latter case too, various degrees of processing and refining exist, for each of which the demand may be different. Thus imports of a product may be determined, for instance, by the availability of processing facilities and by the value and uses of by-products, as well as by the net import demand for the oil concerned.

Of the commodities shown in tables IV-7, IV-8 and IV-9, copra is imported largely as such, from Far Eastern sources. In the case of sesame, trade is also in terms of seed. But most of the other products are traded in terms of oil, unless they are used for direct consumption, as with groundnuts.

Other reasons for the existence of a particular trade structure in fats may be differences in prices or consumer preference for the various similar products. Colombia, for instance, has traditionally met its fats deficit by imports of copra, whereas Chile imports mainly cottonseed and soybean oil. In many Central American countries, and in the Caribbean area, a consumer preference for lard appears to exist, a commodity not available for export in any part of Latin America in quantities sufficient to cover the region's demand.

/Detailed data

Detailed data on the trade in each of the commodities selected are presented in the statistical appendix. Together with other available information, they permit the following brief conclusions on the situation of each commodity.

1. Cottonseed

Over the past eight years, exports of cottonseed have declined from 7,000 tons to about 3,000 tons oil equivalent, while imports have risen sharply though irregularly to some 50,000 tons per year. The only exporting countries in the region are those of Central America, but in recent years much greater quantities have been imported by the rest of the region than were available for export in Central America. In 1955 and 1956, Argentina imported exceptionally large quantities of cottonseed oil, amounting to more than 100,000 tons; in the absence of these the region's exports and imports would have been more balanced. The region's exports consisted predominantly of Central America's cottonseed, sold to Europe and the rest of the world. Imports, on the other hand, consisted of United States cottonseed oil, much of which was supplied under Public Law 480. Since cottonseed is a by-product of cotton production, no rapid independent increase in the region's supply of cottonseed oil is possible; this limits trade prospects for this commodity.

2. Copra

Because of the region's shortage of lauric acid oils, imports of copra and of coconut oil are relatively large, and exceed export availabilities. Imports have doubled since 1950 to about 70,000 tons oil equivalent currently, most of which amount is absorbed by Colombia and Venezuela. The Dominican Republic has traditionally exported some copra to the United States. Nearly all Latin American imports are at present obtained in the form of copra from the Philippines and other sources in the Far East. Smaller quantities are obtained by Cuba and Argentina from the United States and Europe, mainly in the form of coconut oil. It is unlikely that the region's demand for copra can be met from its own output in the foreseeable future, because of production difficulties and relative inelasticity; but production is increasing in Ecuador and in Mexico.

/3. Groundnuts

Chapter I

LATIN AMERICA'S TRADE IN AGRICULTURAL COMMODITIES AND PROSPECTS FOR EXPANDING INTRA-REGIONAL TRADE

I. SUMMARY OF CONCLUSIONS

a) Agriculture remains the main occupation of more than one-half of the population gainfully employed in Latin America. It is, moreover, responsible for about two-thirds of the total export earnings of the region. Agricultural products also account for about two-thirds of the total intra-regional trade, and the exports of many countries of the region are virtually composed of such products alone. Thus, it is likely that agricultural produce will play a major part in any form of regional market organization should any substantial volume of exchanges be effectively included therein.

b) Intra-regional trade in agricultural commodities is already appreciable reaching nearly 400 million dollars per year. Compared with the total agricultural export earnings of the region, evaluated at more than 4,200 million dollars, this amount seems rather limited. However, it represents more than two-fifths of all agricultural imports of the region, which amount to about 900 millions. Latin America is thus its own largest single supplier of agricultural goods; following it, in the order given, come the United States and the rest of the world.

c) At present intra-regional trade takes place mainly among the southern countries of the region, i.e. Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay, where commodity-wise, production varies considerably from country to country.

d) In view of the probable very gradual implementation of any plans of regional integration, the long-run repercussions of any future scheme are likely to differ substantially from the short-term effects. In particular, no drastic changes in the structure of the Latin American agriculture should be expected in the first few years after the initiation of integration.

e) The development of the intra-regional trade would partly derive, in the short term, from removing extra-regional suppliers from the regional import markets. However, while the total value of the agricultural

/imports of

3. Groundnuts

Production of this commodity has increased greatly in recent years, notably in Argentina, Brazil and Mexico, permitting exports of both groundnut and groundnut oil to areas outside Latin America, where a strong demand for these products exists. In 1957, exports amounted to 40,000 tons oil equivalent. Latin American imports have been insignificant up to the present time, but may increase as consumer resistance is overcome and prices become competitive with those of other edible vegetable oils.[8/] It appears that favourable prospects exist for increasing intra-regional trade in groundnut products, and that Latin America's export availabilities may increase.

4. Sesame

Trade in sesame seed has been fairly small, with both imports and exports at about 5,000 tons oil equivalent; but a somewhat irregular tendency appears to exist towards larger exports of these products. Central America is currently the main source of exports from the region, and several thousand tons of sesame seed are exported annually to Venezuela. Colombia has recently started to supply Venezuela with sesame seed. There are good prospects for increasing production and, consequently, trade. Most of Venezuela's imports of sesame seed originate in countries outside Latin America.

5. Sunflower

The only country exporting sunflower seed oil is Argentina. A production crisis in the commodity occurred in that country between 1953 and 1955, and the formerly large exports have virtually disappeared.

A large reduction in sunflower seed crops took place when producer prices for this product became unfavourable relative to those of grains.

8/ In Mexico, for instance, groundnut oil is still a relatively expensive oil which cannot effectively compete with cottonseed oil, despite favourable production prospects. See: Comercio Exterior de México, Dec. 1958, p. 20.

/Recently Argentine

Recently Argentine production has recuperated, and this has permitted a resumption of exports, though at far lower levels than before. Chile is the only Latin American country which has in the past imported sunflower seed oil from Argentina, but these imports were discontinued during the production crisis referred to. Sunflower seed oil is one of the products that might contribute to a larger volume of intra-Latin American fats and oils trade, but this would involve a shift away from traditional products to the more widespread use of this relatively little-known commodity.

6. Other edible vegetable oils

Trade statistics show appreciable exports and imports in various mixtures of oils, and in non-specified oils many of which are composed of the products mentioned above but also include soybean and other additional products. Since 1955, Latin America's exports of these oils have declined to insignificant levels. On the other hand, the region's imports have risen appreciably, especially from the United States. These increases apparently reflect sales of United States surplus commodities under Public Law 480 during the period 1955 to 1957, sales which made up for the region's growing deficit.

7. Oilseed by-products

In addition to trade in oilseeds and in processed oils, Latin America exports a large volume of oilseed cakes and meals, mainly to Europe and the United States, where these products are utilized as animal feed. Exports of oilseed cakes and meals have in the last few years amounted to about 700,000 tons, valued at some 40 million dollars, the bulk of this amount having been exported by Argentina. The region's own requirements of oilseed by-products have increased in line with the development of livestock production, and in several countries imports have risen in recent years. However, most of these imports have been supplied by the United States, and their total volume has been only a fraction of regional exports. There seems to be considerable possibility of improving the utilization of by-products of fats and oils in Latin America, and the remaining import requirements may well be supplied from regional sources.

IV. TARIFF

IV. TARIFF LEVELS AND OTHER ASPECTS OF COMMERCIAL POLICY AFFECTING THE REGION'S TRADE IN FATS AND OILS

Governmental policy measures of various types play an important role in determining the total volume of the fats and oils trade in Latin America, its commodity composition and, sometimes, the geographical origin of imports. In a number of deficit countries, including Mexico, Colombia, Ecuador and Chile, national self-sufficiency campaigns are under way, and trade policy tends to discourage imports of fats and oils in various ways. As has been seen above, however, imports of many of these commodities nevertheless rose substantially from 1950 to 1957, and large increases in their production would be required to satisfy existing demand from this source. Such increases have not so far generally been obtained. In other important fats and oils deficit countries, such as Cuba and Venezuela, there are no early prospects for achieving domestic self-sufficiency in fats and oils, and trade policy is accordingly more liberal.

One of the major factors influencing the direction of trade in fats and oils has in recent years been the sale of united States surplus products. In the four years ending June 1958 a total value of more than 70 million dollars of fats and oils were exported to Latin America.[9/]

The various national trade policies have been implemented through the tariff structure and through additional measures such as quantitative import restrictions, regulations requiring the purchase of domestic products in combination with imported ones, additional taxes and levies and the prohibition of imports of non-essential fats and oils. The use of multiple exchange rates, which have until recently been powerful policy instruments, has greatly declined in the last two years, and only in Brazil are they currently of importance for the trade in fats and oils. To a considerable extent, the existence of non-tariff measures

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9/ U.S. Congress, Eight Semiannual Report on Activities Carried on Under Public Law 480, 83rd Congress. See also table IV-11 below.

/has weakened

has weakened the influence on trade of the tariffs themselves, but recently many new tariffs, or important modifications of the existing ones, have been established, and this has tended to reverse the pattern. In 1957 and 1958 such major tariff modifications were introduced in Bolivia, Brazil, and Colombia. The general increases in Peru's tariff rates in 1958 did not affect fats and oils products.

The highest tariff rates prevailed in Venezuela, cottonseed and groundnut oil being taxed at 3 - 4 times the value of the product. For the principal import items, copra and sesame seed, duties still exceeded the product in value. Brazil imposed the second highest tariff duties, equivalent to 60-120 per cent ad valorem applied on all fats and oils products; and there were higher duties for processed oils than for oil-seeds, in order to protect established crushing industries (see table IV-10).

In Chile and Ecuador, tariff rates are also relatively high, but they differ greatly between various products. In both countries, lard pays much higher duties than vegetable oil products, favouring imports of the latter.

The lowest tariff duties among the region's importing countries exist in Bolivia, Colombia, Cuba and Peru. In all of these countries, fats and oils imports are an important part of the total supplies, and tariff duties therefore have a bearing on the cost of living.

Tariff duties are, however, only one way in which governmental policies affect the trade in fats and oils. In addition, a number of other regulations are of relevance. In Brazil, for instance, most fats and oils items have been classified in the "special category" for the purpose of determining the relevant exchange rates. This means that, in addition to the duties shown in table 9, exchange rates apply which are about double those of "normal category" imports and which serve as an additional restriction on imports of fats and oils. A complex exchange rate structure prevails in Brazil, effective import rates depending on the category of imports and the currency of their country of origin. During 1958 average rates applying

/Table IV-10

Table IV-10

TARIFF RATES ON SELECTED FATS AND OILS PRODUCTS IN SEVEN PRINCIPAL IMPORTING COUNTRIES IN LATIN AMERICA

Country	Product	Nature of tariff	Approximate ad valorem equivalent of tariff duties	Additional duties and taxes	Notes
			(Percentages)		
Bolivia	lard	-	Free	6	-
	edible vegetable oils in general	ad valorem	4	6	
	coconut and palm oil	ad valorem	10-20a/	6	
Brazil	lard		60	5	in addition important exchange rate measures
	cottonseed oil	ad valorem	60-80b/	5	
	coconut oil	ad valorem	100-120b/	5	
	sunflower seed oil	ad valorem	60-80b/	5	
Chile	lard	mixed specific and ad valorem	75	-	previous deposits required
	semi-refined edible oils	mixed specific and ad valorem	28	-	
Colombia	copra	mixed specific and ad valorem	21	4	quota restrictions; many products prohibited
	hydrogenated fats	mixed specific and ad valorem	45	-	
Ecuador	lard	mixed specific and ad valorem	205	18-42c/	many products prohibited
	copra		24	18-42c/	
Peru	lard	ad valorem	14	-	-
	copra	mixed specific and ad valorem	20	-	
	cottonseed, soybean and groundnut oil	mixed specific and ad valorem	19	-	
Venezuela	lard	specific	175	-	for copra, sesame seed and hydrogenated fats the duties are not applied when domestic production is absorbed simultaneously with imports
	copra	specific	125	-	
	sesame seed	specific	165	-	
	cottonseed oil	specific	400	-	
	groundnut oil	specific	330	-	

General note: Data derived from tariffs effective in late 1958. Specific duties were converted into ad valorem equivalent by computing their dollar value and applying the latter to world price levels, on the basis of 1957 average effective exchange rates and world prices, generally c.i.f.

a/ According to the quantity in each container. b/ The lower rates apply to unrefined oils, the higher ones to refined oils. c/ Composed of 10 different levies modifying the original tariff; they vary according to product, nationality of ship, port of entry, etc.

/to imports

to imports in the "normal category" were about 150 cruzeiros per dollar, as against 300 cruzeiros for "special category" products.

For export purposes, fats and oils are classified in the highest exchange rate category. Since September 1958, for instance, the effective export rate for these products has been 92.00 cruzeiros per dollar, as compared with only 37.06 cruzeiros for coffee, and 43.06 cruzeiros for cocoa. Imports of fats and oils, however, have been liquidated recently at about 300 cruzeiros per dollar, indicating the wide spread between cruzeiro prices of imported and domestic oils.

In Colombia and Ecuador, many fats and oils products are prohibited. These include for instance groundnut and sunflower oil, products exported by south eastern South America. Furthermore, from 1959 Colombian imports of fats and oils will be affected by quota restrictions. In each successive year imports are to be reduced by 10 per cent, and it is hoped that within 10 years the country will fully supply its consumption requirements.

Imports of fats and oils into Venezuela have not generally paid the high duties shown in table IV-10, under a provision allowing the free entry of materials used by local industries. This system has applied to nearly all imports of copra, sesame seed and hydrogenated fats.

On the whole, it appears that fairly high trade barriers exist on fats and oils commodities. In some countries these consist of high tariff duties, but in practice various types of additional restrictions are even more important. There is little doubt that Latin America's imports of these products would have been much larger in the absence of measures restricting trade. This probably applies to trade with the region itself, as well as to that with other parts of the world. Although factors other than trade policy measures appear to have been mainly responsible for the low level of intra-regional trade in fats and oils, it is also true that in some cases products available in the region are excluded while outside imports are admitted.

The prohibition of many imports of fats and oils products in Colombia and in Ecuador, for instance, in effect, though probably not in intention, constitute a discrimination against trade with other parts of the region, since groundnuts and sunflower seed are included among the prohibited

/products, whereas

products, whereas copra imports are permitted. The latter product can only be imported from the region in small quantities.

In addition to the measures discussed, certain special bilateral trade agreements exist which have an important effect on trade. The most important one of these is the preferential trade agreement between the United States and Cuba, the latter country being Latin America's largest importer of fats and oils, accounting for nearly 30 per cent of regional imports. Other bilateral trade agreements exist among the southern countries in South America, but they do not seem to have had an appreciable effect so far on their reciprocal trade in fats and oils, which has been very small.

Imports of United States surplus commodities

In recent years the region has imported large quantities of United States fats and oils surpluses under Public Law 480. In the four years ending June 1958, sales in Latin America of fats and oils against local currencies (Title I) amounted to 65 million dollars; and in addition, relief allocations of 1.4 million dollars (Title II) were made (see table IV-11).

Almost half of this amount corresponds to sales to Argentina, which helped that country to overcome the exceptional decline in fats and oils production of 1954 and 1955. Chile, Brazil, Colombia and Ecuador were the other Latin American countries participating with important quantities in Title I sales. As to Title II, only Bolivia imported a sizeable volume of United States fats and oils under this provision.

It is not easy to establish what effect these imports of United States surplus commodities have had on the pattern of fats and oils trade or on production in the countries concerned. In the cases of Argentina, Brazil, Chile and Ecuador, however, imports under Public Law 480 constituted a sizeable proportion of total fats and oils imports,[10] and it appears

10/ On the basis of official trade statistics for the period 1955-1957 imports under Public Law 480 represented the following percentages of all fats and oils imports: Argentina, 61 per cent; Brazil, 42 per cent; Ecuador 34 per cent; Chile, 33 per cent.

/Table IV-11

Table IV-11

LATIN AMERICA: IMPORTS OF FATS AND OILS[a] UNDER UNITED STATES PUBLIC LAW 480, JULY 1, 1954 TO JUNE 30, 1958

Country	Title I [b]		Title II [c]
	Thousand metric tons	Million dollars	(million dollars)
Argentina	90.7	30.4	-
Bolivia	-	-	1.1
Brazil	23.1	7.9	-
Chile	40.2	14.9	-
Colombia	16.3	6.1	-
Costa Rica	-	-	0.1
Ecuador	12.9	4.3	-
Haiti	-	-	0.2
Paraguay	3.5	0.5	-
Perú	3.6	1.0	-
Total	190.3	65.1	1.4

Source: United States Congress, Eighth Semiannual Report on Activities Carried On Under Public Law 480, 83rd Congress.

a/ Mainly cottonseed oil and/or soybean oil.

b/ Foreign currency sales.

c/ Famine and relief aid.

/that without

that without these the United States share of the market would have been smaller and that of other fats and oils exporters larger. In view of Argentina's production shortages, and the virtual disappearance of that country as an exporter in the years of reference, it is not likely that the exports of United States surpluses have so far interfered with the development of a wider regional market for fats and oils. But because of their large volume, and of the recent increases in production in Argentina and Brazil, this situation may well change in the near future.

At any rate, imports under Public Law 480 are obtained under more favourable conditions than those obtaining on the free market, and unless special measures are taken regarding their use they may well discourage the production of fats and oils in Latin America itself and place obstacles before the development of higher levels of intra-regional trade.

V. PROSPECTS FOR A LARGER INTRA-REGIONAL TRADE IN FATS AND OILS

Since at its present level intra-regional trade in fats and oils makes up only a small proportion of Latin America's total trade in these commodities, and only a fraction of production, prospects for the expansion of intra-regional trade may differ widely according to the future trend in production and in trade with other areas of the world.

There is little doubt, however, that if the proper economic stimuli were provided there would be considerable scope for increasing the volume of intra-Latin American trade in fats and oils. Though it has been seen in previous sections of this report that a long-term trend towards smaller exports and larger imports of fats and oils has prevailed in the past quarter-century, and that the region's net deficit in certain types of fats is large, even today sizeable quantities of these products are still exported by certain countries, and might conceivably supply the deficit of other parts of the region.

In the future, much greater opportunities will exist, it would seem, for a wider interchange of fats and oils products, provided that each area concentrates on the types of fats it can produce most efficiently. Ample resources are available in the region to increase fats and oils production in accordance with such a pattern, and there would therefore

/appear to

appear to be no important physical limitations to hinder the expansion of intra-regional trade in fats and oils. This contrasts with the outlook for certain other important agricultural commodities, such as wheat, the production potential of which in Latin America seems to be more limited.

On the other hand, it must be realized that under present circumstances the most feasible immediate opportunities for expanding fats and oils production and exports are not always those favouring intra-regional trade. Two considerations are relevant in this respect: 1. Favourable prospects for increasing exports to areas outside the region; 2. Policies to achieve national self-sufficiency.

1. Exports to outside areas

The existing trade pattern in fats and oils is largely based on exports of castor and linseed oil to Europe and other destinations outside Latin America, and on imports of semi-refined or refined edible oils and fats from the United States and of copra from the Far East. There is a strong argument for stimulating the region's exports to outside areas as much as possible, since they earn foreign exchange which may be utilized for purchasing capital goods necessary for economic development. That being so, exporting countries will naturally be inclined to prefer an expansion of trade with non-Latin American areas to expanding intra-regional trade unless the outside markets become saturated and cannot absorb all available supplies, or unless Latin American countries can pay for the exports in dollars.

At present, world market prospects for fats and oils are favourable, unlike those of many other agricultural products, and it would seem advisable that first priority should be assigned to increasing production and exports of the commodities demanded by the world market. These include not only linseed and castor oil but also groundnuts and sunflower, which are available for export in Argentina, Brazil and Uruguay. None of these products are at present imported to any great extent by other parts of Latin America.

In this case, therefore, increased emphasis on exports outside the region might be incompatible with the expansion of intra-regional trade,

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unless the importing countries could absorb the available commodities under the same conditions of payment as those offered by Europe and North America. Thus, neither exporting nor importing countries in the region would seem to have any special incentive for increasing intra-regional trade, and it would probably not be in the interest of the region as a whole to stimulate exports to Latin America artificially at the cost of exports to outside areas.

2. National self-sufficiency policies

The large outlays of foreign exchange on fats and oils imports have led to a general tendency in importing countries to aim at national self-sufficiency in these products. As a result of protective policies, a number of Latin American countries have had some success in this field, and have even been able to export certain quantities of fats and oils. Examples are Uruguay, El Salvador and the Dominican Republic.

In other countries, such as Mexico, Colombia, Ecuador and Chile, current policies aim at achieving self-sufficiency, but this has not yet been attained.

In nearly all countries of the region, sufficient resources exist for the production of all requirements of fats and oils. However, there is a danger that self-sufficiency policies may result in inefficient production and high prices. The variety of production conditions found in different parts of Latin America seems to favour, rather, a pattern of regional complementarity. Palm oils, for instance, can be produced in hot tropical areas, not only to supply the consumption requirements there, but also for export to the temperate zones. On the other hand, certain annual oilseed crops, such as sunflower and groundnuts, are favoured in somewhat cooler and dryer zones, and might be exchanged for palm oils.

It would not be possible, of course, for each country to import certain oils and export others in the same quantities. Countries such as Chile, Cuba, Venezuela and Colombia are likely to remain net importers of fats and oils for a considerable period. But intra-regional trade would be favoured considerably if national self-sufficiency policies were

/modified to

modified to take account of the possibilities of obtaining certain supplies from other Latin American countries. Until that is done it appears that existing national self-sufficiency programmes will constitute another barrier to the development of intra-regional trade in fats and oils.

3. Commodities with favourable prospects

Although more detailed studies would be required to determine the relative feasibility of increasing intra-Latin American trade in specific fats and oils commodities, a preliminary survey such as the present one can give some indications in this direction.

One of the important factors influencing trade prospects is the possibility of increasing production rapidly under prevailing Latin American conditions. Great differences appear to exist in this respect between vegetable fats and animal fats. Production of the latter generally require abundant feed supplies, more capital, less labour and a higher level of organization than that of the former. Consequently, difficulties have arisen in expending animal fats production in Latin America, and on the whole there seems to be little possibility of increasing the volume of trade in animal fats.

More favourable prospects exist for vegetable oils and oilseeds, the use of which is increasing in Latin America. This applies especially to annual oilseed crops, the production of which can be expanded rapidly, except in the case of cottonseed. Cottonseed supplies depend on the output of cotton fibre, and are therefore less flexible than those of crops primarily cultivated for oil production. The cultivation of oil-bearing palms, on the other hand, is a long-term possibility which deserves much attention in Latin America, but which cannot change the immediate outlook for intra-Latin American fats and oils trade.

In many countries of the region, the cultivation of annual oilseed crops is a fairly recent development, and these crops are likely to supply an increasing proportion of Latin America's fats requirements. Vegetable oils of these types could gradually replace the scarcer and more expensive animal fats, as well as palm oils, the production of which is more difficult to expand.

/4. Short-term

4. Short-term possibilities of increasing trade

It is probable that in the short run a greater trade in fats and oils between countries of the region would in the first place have to be based on the expansion of existing trade channels and on a greater volume of trade in the traditional commodities. Table IV-12 summarizes the direction of existing intra-Latin American trade in vegetable oil products.

It will be seen that there are two separate zones of interchange, one composed of the Rio Plata countries plus Brazil and Chile, and the other comprising Mexico, Central America, Panama and the Dominican Republic, with some trade reaching Colombia, Ecuador and Venezuela. Between these two zones there is at present no trade in fats and oils. The principal characteristic of existing trade is thus mainly that of interchange between neighbouring or near countries.

In the south, Argentine, and to a much smaller extent Uruguay, export edible vegetable oils, such as sunflower seed, groundnut and cottonseed oils, to the surrounding countries and Paraguay exports a special type of coconut oil, used for soap making, to Argentina and Uruguay.

In the northern zone El Salvador is the most active exporter of processed cottonseed and sesame products, especially to the other Central American countries, from which part of the raw material is first imported. Nicaragua and Guatemala export oilseeds to Costa Rica and Venezuela. Finally, some copra is exported by the Dominican Republic and by Honduras, principally to Venezuela and Colombia. Colombia has also started sesame seed exports to Venezuela and Costa Rica.

Among the products under consideration, the most favourable prospects for increasing intra-regional trade in the short run appear to exist in the following directions: 1. Sesame seed: increased imports by Venezuela from Colombia and Central America; 2. Copra: increased imports by Colombia and Venezuela from the Dominican Republic, Ecuador and Honduras; 3. Sunflower seed oil: increased exports by Argentina to recover its traditional position as a supplier of the southern sub-region. At present, part of the export availabilities of sesame, copra and sunflower are sold to areas

/Table IV-12

Table IV-12

DIRECTION OF INTRA-LATIN AMERICA TRADE IN MAJOR a/ VEGETABLE OILS PRODUCTS, 1954-57

n	Argentina	Uruguay	Paraguay	Colombia	Ecuador	Panama	Nicaragua	Salvador	Guatemala	Honduras	Dominican Republic
/outside Latin	-	-	coconut and palm oil oilseed cake	-	-	-	-	-	-	-	-
a/ So	-	-	Coconut and palm oil	-	-	-	-	-	-	-	-
Me	groundnut oil, sunflower seed oil, cottonseed oil	non specified edible vegetable oil	-	-	-	-	-	-	-	-	-
Ha	sunflower seed oil	-	-	-	-	-	-	-	-	-	-
El	edible vegetable oil mixtures	-	-	-	-	-	-	-	-	-	-
	sunflower seed oil	-	-	-	-	-	-	-	-	-	-
Gu	-	-	-	-	oilseed cake	-	-	-	-	copra	copra
	-	-	-	-	-	coconut oil	-	-	-	-	-
Ho	-	-	-	sesame	-	-	sesame	sesame	cottonseed sesame	-	copra
	-	-	-	-	oilseed cakes	-	-	oilseed cakes	-	-	copra
De	-	-	-	sesame	-	-	sesame cottonseed	cotton-seed oil sesame oilseed cakes	-	coconut oil	-
Tal	-	-	-	-	-	-	-	cotton seed oil	-	-	-

.e IV-12 (continued)

Origin / ;ination	Argentina	Uruguay	Paraguay	Colombia	Ecuador	Panama	Nicaragua	Salvador	Guatemala	Honduras	Dominican Republic
luras	-	-	-	-	-	-	-	edible oils, oil-seed cakes	-	-	-
,emala	-	-	-	-	-	-	-	sesame cotton-seed oil oilseed cakes	-	-	-
Salvador	-	-	-	-	-	-	sesame	-	cottonseed	-	-
,i	-	-	-	-	-	-	-	cotton-seed oil	-	-	-
.co	-	-	-	-	-	-	-	cotton-seed oil	-	-	-

:ces: Official trade returns.

'ottonseed, groundnut, copra, sesame and sunflower; these products make up 90 per cent of the regional production of dible vegetable oil products.

outside Latin America, and greater exports to the region would therefore have to be effected at equally favourable conditions.

5. Longer-term possibilities

Since fats and oils imports go in their bulk to the countries of northern South America and exportable surpluses of a comparable volume are available mainly in Argentina and Brazil, the question arises whether a basis could not be found for starting fats and oils trade between these two areas. The main obstacle seems to be the fact that Venezuela and Colombia have traditionally imported copra for the preparation of vegetable fat, and that this product is not available in the exporting areas mentioned. Moreover, both these countries have an established crushing industry and would probably not be willing to import processed oils from Argentina or Brazil - the products which these two countries would by preference trade.

Increased trade in this direction would therefore involve the substitution of copra as a source of oil by groundnuts and sunflower seed. Clearly, such a shift could not take place in a short period, but there is no a priori reason why a gradual substitution could not take place, if sufficient supplies were available at reasonable prices. Both products can be utilized in the same ways as copra.[11/]

Both groundnut oil and sunflower seed oil are prohibited imports in Colombia, and in Venezuela copra imports are favoured in comparison with these products by the partial tariff concessions. It therefore appears that the former products do not at present compete freely with copra, and that a modification of trade policy affecting these commodities could be one factor assisting a possible import substitution.

In this connexion, it is of interest that in Brazil, increased emphasis may be given by farmers to the production of oilseeds as a result of the fall in coffee prices relative to those of oilseeds. If such

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11/ In many developed countries copra and coconut oil are preferably utilized in soap-making, and not mainly for human consumption, as in Colombia and Venezuela.

/changes were

changes were to take place, Brazil could well become an important exporter of vegetable oilseeds and oils. Groundnuts are one of the products concerned.

From the point of view of regional complementarity in fats and oils production and trade, the greatest difficulty is at present the determination of many countries to strive for complete national self-sufficiency. It may be possible to attain this objective; but if each country could specialize in those types of production for which it was best suited, it is likely that considerable trade in fats and oils could be developed within the region, while the available resources would be utilized more efficiently.

In the long run, there would seem to be some possibility both of increasing fats and oils production and of supplying the remaining deficit in importing countries largely from regional sources. Since world demand for these products is favourable and ample resources are available, a regional fats and oils programme might well concentrate on the promotion of exports.

i) In most countries of the region there are a number of structural factors at work which considerably impede the development of agriculture. If these factors are not eliminated, there is a danger that the stimulus brought about by any sort of integration might be too limited to be of appreciable benefit to the agricultural output of the region.

j) The general obstacles to Latin American trade have been considered elsewhere.[1] However, problems such as abnormally high freight rates or simply the lack of adequate means of transportation are particularly likely to have adverse effects on the agricultural trade. The gradual elimination of such obstacles may be decisive for the success of the entire integration scheme.

k) Sizeable amounts of agricultural commodities have recently been supplied to countries of the region on non-wholly commercial terms or as outright grants. While serving many useful purposes, these imports may contribute to enlarge the margin of uncertainty of any integration plan.

II. THE POSITION OF AGRICULTURAL PRODUCTS IN THE INTRA-REGIONAL TRADE

In Latin America, intra-regional trade is based almost exclusively on primary products, the so-called traditional commodities, among which agricultural goods are by far the most important. A sample of over 90 per cent of the total value of all the products traded in the region in 1955 shows that intra-regional trade was distributed roughly as follows:[2]

1/ See Doc. E/CN.12/C1/WG2/2 of the Working Group, of the Latin American Regional Market.

2/ Document N° E/CN.12/369 of the Trade Committee.

/LATIN AMERICAN

LATIN AMERICAN I

Groups of commodities
Foodstuffs
Agricultural raw materials
All agricultural products
Metals and other minerals
Fuels (predominantly oil)
Other primary products
All primary products
All manufactured products
All products

to be liberalized, and the example of the Central American Integration Scheme points to such a possibility, the agricultural commodities would nevertheless have to remain the basis of the arrangement.

Apart from the fact that agricultural products are already the main item in the trade, the diversity of climates and other natural conditions within the region result in the existence of a marked complementarity of production possibilities between its different parts. Thus, the exchange of agricultural goods corresponds to natural and well-defined economic and technological needs. Moreover, practically all these products are easily produced in the area in large quantities, and in general their quality and cost compare favourably with international standards.

There exists fair knowledge of the marketing problems of these products, and considerable experience in handling them. Finally, the high rate of demographic expansion and the low bracket in which incomes are still increasing in the region give rise to a rapidly developing demand for many agricultural products which, under present conditions, have to be imported in gradually larger quantities from abroad, although they might easily be made available from regional sources if better trade arrangements were established for this purpose.

It remains to be seen which products are most likely to benefit from integration, and to what extent they might effect the outcome of the whole scheme. This, however, will have to be analysed from two different points of view. Firstly there is the problem of assessing which changes could perhaps be immediately introduced in the structure of the trade. Secondly, there is the much more conjectural problem of investigating the likely long-term developments of the situation in order to ascertain to what extent integration might influence them.

III. LATIN AMERICAN AGRICULTURAL EXPORTS

1. Analysis by commodities

General tables on the agricultural trade of Latin America are presented below. They refer to the annual average of the values traded in the triennium 1955-57, the last period for which suitable figures were

/available. The

available. The tables were calculated for a three-year period because agricultural production and, consequently, trade vary considerably from year to year owing to weather and other factors. To facilitate comparison, values are given in U.S. dollars. The problem of choosing adequate exchange rates has been solved by using the converted figures in the case of countries which have already published them. Where such figures were not available, conversion of national values to dollars were made at the I.M.F. rates.[3/]

The most important agricultural commodities participating in the Latin American trade are included in the tables. In each case the amounts corresponding to trade within the region, with the United States, and with the rest of the world - the latter represents mainly exchanges with Western Europe and Canada - are given separately.

Table I-1 shows the main agricultural exports of the region. The table shows the prominent position which foodstuffs - including beverages and tobacco - play in agricultural trade: more than four-fifths of the region's exports, totalling more than 4,200 million dollars, consists of foodstuffs. However, this situation is largely due to the dominant role played by coffee, which accounts for about 44 per cent of all the export earnings included in the table. The composition of the export trade shows, furthermore, that no broad economic diversification exists in the region. Two products alone - coffee and sugar - together account for almost 60 per cent of all sales. In order of importance, the commodities representing more than one per cent of the total exports are:

Coffee	43.8 per cent
Sugar	15.0 " "
Cotton	8.0 " "
Meat	6.0 " "
Wheat and wheat flour	5.1 " "
Fruit (mainly bananas)	5.1 " "
Wool	4.3 " "
Cocoa	2.9 " "
Wood	2.3 " "
Hides and skins	2.0 " "
Maize	1.1 " "
Tobacco	1.1 " "
Total above	96.7 " "

3/ See International Financial Statistics.

/Table I-1

Table I-1

LATIN AMERICAN AGRICULTURAL TRADE BY COMMODITIES. FOB VALUE OF EXPORTS, AVERAGE 1955-57

(Thousands of dollars)

Commodities	To Latin America	To United States a/	To rest of world	Total
Cattle	13 843	8 344	210	22 397
Sheep	908	-	446	1 354
Pigs	45	-	1	46
Total livestock	(14 796)	(8 344)	(657)	(23 797)
Meat, chilled and frozen	3 763	8 671	153 745	166 179
Meat, preserved	873	29 433	58 224	88 530
Total meat	(4 636)	(38 104)	(211 969)	(254 709)
Total livestock and meat	(19 432)	(46 448)	(212 626)	(278 506)
Fish b/	338	5 521	4 203	10 062
Milk, preserved	893	44	10	947
Butter	1 425	-	8 836	10 261
Cheese	1 233	953	183	2 369
Total dairy products	(3 551)	(997)	(9 029)	(13 577)
Wheat	94 248	8	11 218	206 474
Wheat flour	9 445	-	17	9 462
Total wheat and flour	(103 693)	(8)	(112 235)	(215 936)
Rice, husked	2 566	145	7 726	10 437
Maize	1 962	712	43 474	46 148
Malt	3 140	700	-	3 840
Total grain	(111 362)	(1 565)	(163 435)	(276 361)
Sugar	31 704	277 161	321 213	630 078
Fruit, fresh	38 913	120 465	38 245	197 623
Fruit, dry	1 798	5 320	5 696	12 814
Fruit, preserved	723	234	1 447	2 404
Total fruit	(41 434)	(126 019)	(45 388)	(212 841)
Cocoa	10 765	64 111	49 361	124 237
Coffee	38 272	1 262 264	545 734	1 846 270
Tea	358	35	19	412
Mate	14 790	22	314	15 126
Total beverages	(64 185)	(1 326 432)	(595 428)	(1 986 045)
Edible oils	729	111	21 029	21 869
Edible fats	3 037	-	1 978	5 015
Total oils and fats	(3 766)	(111)	(23 007)	(26 884)
Pulses and preserved vegetables	1 155	915	3 574	5 644
Tobacco, raw	2 771	12 784	31 732	47 287
Total food	(279 697)	(1 797 953)	(1 409 635)	(3 487 285)

/Table I-1 (Cont.)

Table I-1 (cont.)

Commodities	To Latin America	To the United States a/	To rest of world	Total
Cotton, raw	19 259	112 451 c/	205 232	336 942
Other vegetal fibres	548	6 739	7 235	14 522
Total vegetal fibres	(19 807)	(119 190)	(212 467)	(351 464)
Wool, greasy	286	45 923	120 700	166 909
Wool, clean	1 533	10 980	2 342	14 855
Total wool	(1 819)	(56 903)	(123 042)	(181 764)
Total fibres	(21 626)	(176 093)	(335 509)	(533 228)
Hides and skins	2 801	5 650	75 855	84 306
Oil seeds	595	1 273	8 302	10 170
Roundwood and sawnwood	84 096	3 798	9 346	97 240
Total raw material	(109 118)	(186 814)	(429 012)	(724 944)
All agricultural commodities above	388 815	1 984 767	1 838 647	4 212 229

a/ Including trans-shipments.

b/ If all processed fishery products had been included in this item the corresponding totals would have been considerably higher.

c/ Mostly trans-shipments from Mexico.

The composition of intra-regional trade is different. The products which represent more than one per cent of the total exports directed to other countries of the region are, again in order:

Wheat and wheat flour	26.7 per cent
Wood	21.6 " "
Fresh fruit	10.0 " "
Coffee	9.8 " "
Sugar	8.2 " "
Cotton	5.0 " "
Maté	3.8 " "
Cattle	3.6 " "
Meat	1.2 " "
Edible oils and fats	1.0 " "

However, the percentage of the total exports of each product directed to markets within the region is generally small and sometimes insignificant. As a consequence of this, intra-regional trade in all agricultural commodities accounts for less than ten per cent of all the Latin American export trade as a whole. Only five among the commodities mentioned above

/exceed this

exceed this average. For each of them the percentages of trade directed to other countries of the region are in order:

Wood	86.5 per cent
Cattle	61.8 " "
Edible fats	60.6 " "
Wheat and wheat flour	48.0 " "
Fresh fruit	19.7 " "

As regards other destinations, the fact that the United States is itself a very large exporter of agricultural commodities considerably influences the direction of the trade by commodities. While there is no sizeable difference between the value of exports to the United States and those sent to other destinations - 47.1 and 43.7 per cent of the total respectively [4/] - purchases of the former concentrate mainly on tropical products such as coffee, fresh fruit (specially bananas) and cocoa, of which more than two thirds of the trade goes to the United States. There are, however, considerable exports of commodities competitive with United States domestic production, purchased at times by the United States under special trade arrangements. Sugar alone represents almost 300 million dollars, i.e. about seven per cent of all the agricultural export trade of Latin America. Apart from these special cases, all other competitive exports are mainly directed to other regions of the world, especially to Western Europe.

The existence of special trade arrangements between the United States and some Latin American countries generally involves a certain amount of reciprocity. This is particularly the case for sugar, mentioned above. Therefore, in assessing the opportunities for expansion of intra-regional trade by the possible displacement of imports originating in other regions, the staying power of all these special situations should receive due consideration.

2. Analysis by countries

Table I-2 gives the total values of the agricultural exports of the Latin American countries, as averages for the period 1955-57. The total

4/ If trans-shipments were given as final destinations, the percentages would probably be reversed against the United States.

/Table I-2

Table I-2

LATIN AMERICA: AGRICULTURAL TRADE BY COUNTRIES, TOTAL FOB VALUE OF EXPORTS, AVERAGE 1955-57

(Thousands of dollars)

Country	To Latin America	Percentage	To United States a/	Percentage	To rest of world	Percentage	Total	Percentage
Argentina	128 266	33.0	79 628	4.0	515 580	28.0	723 474	17.2
Bolivia	269	0.1	-		-		269	-
Brazil	145 018	37.3	565 699	28.5	530 660	28.9	1 241 377	29.4
Chile	16 239	4.2	1 631	0.1	15 145	0.8	33 015	0.8
Paraguay	9 858	2.5	6 165	0.3	18	-	16 041	0.4
Peru	31 377	8.1	17 925	0.9	84 998	4.6	134 300	3.2
Uruguay	19 772	5.1	13 480	0.7	90 198	4.9	123 450	2.9
Total Southern area	350 799	90.3	684 528	34.5	1 236 599	67.2	2 271 926	53.9
Colombia	1 181	0.3	423 524	21.3	112 303	6.1	537 008	12.7
Ecuador	8 442	2.2	52 707	2.6	22 518	1.2	83 667	2.0
Venezuela	67	-	-		24 861	1.4	24 928	0.6
Mexico	2 489	0.6	211 270b/	10.6	72 655	4.0	286 414	6.8
Costa Rica	1 992	0.5	37 531	1.9	31 743	1.7	71 266	1.7
El Salvador	2 497	0.6	61 545	3.1	37 042	2.0	101 084	2.4
Guatemala	9 615	2.5	66 660	3.4	10 107	0.6	86 382	2.0
Honduras	1 319	0.3	72 710	3.7	715	0.1	74 744	1.8
Nicaragua	772	0.2	33 538	1.7	-	-	34 310	0.8
Cuba	8 471	2.2	279 614	14.1	211 813	11.5	499 898	11.9
Haiti	-	-	9 163	0.5	6 810	0.3	15 973	0.4
Panama	139	-	8 368	0.4	-		8 507	0.2
Dominican Rep.	1 032	0.3	43 609	2.2	71 481	3.9	116 122	2.8
Total Northern area	38 016	9.7	1 300 239	65.5	602 048	32.8	1 940 303	46.1
Total	388 815	100.0	1 984 767	100.0	1 838 647	100.0	4 212 229	100.0

a/ Including trans-shipments.

b/ Largely trans-shipments of Mexican cotton.

/earnings of

earnings of the southern and northern zones are also considered separately, and the destination of exports is given as previously classified. An auxiliary column shows, in each case, the percentage referring to the total of the corresponding column.

Brazil accounts for the largest export earnings, mainly because of its prominent position in the coffee trade. Argentina and Colombia are second and third, respectively, the latter closely followed by Cuba. In spite of its size, Mexico accounts for only about one half of the exports of Colombia. Other countries represent much smaller percentages of the total trade but, there is, again, no stable relation between the size of the countries and their capacity to export agricultural products.

Exports of the southern zone to other Latin American countries amount to 350 million dollars, i.e. nine-tenths of all the intra-regional trade, and Argentina and Brazil alone are responsible together for about 270 millions. Except for Bolivia where total agricultural exports are insignificant, the countries of the southern zone show the highest percentages of participation in the intra-regional export trade. In the northern zone, only Guatemala, Cuba and Ecuador - this last occupying in fact some sort of intermediate geographical position - show appreciable participation in the intra-regional trade.

So far as the total amounts of inter-regional exports are concerned the two zones are now not far apart quantitatively. However, they differ considerably as regards the destination of their trade. In fact, while the total amount of exports of the southern zone to the rest of the world is approximately twice as large as the amount sent to the United States, the position in the northern zone is practically the opposite. This might be due in part to geographical vicinity, but, considering that Brazil - also largely a tropical country - does not show the same asymetry in its trade, it appears that the fact is essentially due to the net export position of the United States in temperate-zone agricultural commodities.

The structure of the export trade of Latin America clearly shows marked differences between the region's two main zones both as regards intra-trade and inter-trade.

/While the

While the total amount of the exports of each country already gives an indication of its dependence on foreign trade, the per capita export earnings are likely to furnish more refined information. Table I-3 shows the per capita dollar export earnings of all the Latin American countries. An auxiliary column gives those earnings as percentages of the corresponding gross national products.

The dependence of each country on agricultural exports is made very clear in this table. Cuba followed by Costa Rica is well ahead of all other countries of the region in what concerns the per capita earnings derived from those exports. Large and more developed countries like Argentina, Brazil and Mexico appear much less dependent on such exports as is to be expected. The case of the last country, with one of the smallest per capita export incomes, is particularly noteworthy. It derives essentially from the rather well balanced economic development of this country which has achieved a substantial diversification of production and could thus become less dependent on export gains of agriculture. Such a situation might not favour participation in a large regional scheme, at least in the near future. At the lower levels are Bolivia, Venezuela and Chile which depend mainly on non-agricultural exports.

An appropriate measure of the importance of agricultural exports for the countries of the region can be obtained from a comparison of these exports with the corresponding national products (see the last column of the table). It may thus be seen that, except for the cases mentioned above, the Latin American economies are strongly dependent on the returns of their agricultural export trade. Consequently, it is likely that the majority of the countries of the region will show particular interest in the possible effects which integration may have on this trade.

The comparatively small amount of intra-regional exports results to some extent from the policies of self-sufficiency in agriculture which many countries of the region try to implement.[5/] However, the

5/ Other obstacles to the trade are discussed later.

/Table I-3

Table I-3

LATIN AMERICA: AGRICULTURAL TRADE BY COUNTRIES, PER CAPITA VALUE OF EXPORTS, 1955-57

Country	Exports to Latin America	Exports to United States a/	Exports to rest of world	Total	Exports as percentages of gross national product
	(Dollars)				
Argentina	6.5	4.1	26.4	37.0	6.6
Bolivia	0.1	-	-	0.1	0.1
Brazil	2.4	9.4	9.0	20.7	9.0
Chile	2.4	0.2	2.2	4.8	1.6
Paraguay	6.2	3.9	-	10.0	9.4
Peru	3.3	1.9	8.9	14.0	8.6
Uruguay	7.4	5.1	33.9	46.5	12.9
Colombia	0.1	32.7	8.7	41.4	16.4
Ecuador	2.2	13.9	5.9	22.0	15.0
Venezuela	-	-	4.2	4.2	0.5
Mexico	0.1	6.9	2.4	9.4	3.7
Costa Rica	2.0	38.2	32.3	72.3	21.0
El Salvador	1.1	27.2	16.4	44.6	26.2
Guatemala	2.9	19.9	3.0	25.7	13.5
Honduras	0.8	42.5	0.4	43.7	27.0
Nicaragua	0.6	26.1	-	26.7	14.8
Cuba	1.4	44.8	33.9	80.1	20.2
Haiti	-	2.7	2.0	4.8	5.7
Panama	0.1	9.0	-	9.1	3.1
Dominican Rep.	0.4	16.8	27.6	44.8	17.7

a/ Including trans-shipments.

/fact that

fact that producers of the region concentrate their efforts mainly on the same products (those which principally interest the big import markets in the industrialized areas of the globe) tends to impair the establishment of a larger margin of complementarity in the production of the region. Consequently, it might be dangerous to place too much hope on the expansion of agricultural trade among countries of similar climatic conditions. The situation is generally different as regards exchanges between the temperate and the tropical zone.

It should also be noted that while the development of intra-regional trade in agricultural commodities is likely to contribute to the economic progress of the region, an analysis of the composition and destination of the export trade shows that, in any case, any possible favourable effects can hardly compare with the magnitude of the repercussions which the performance of the big export crops in the international markets may have on the prosperity of Latin America. In this respect, one of the most positive aspects of the establishment of a regional market might be the opportunity to initiate closer co-operation between the countries of the area for the over-all strengthening of their position in international markets, through better co-ordination of their production and export policies.

IV. LATIN AMERICAN AGRICULTURAL IMPORTS

1. Analysis by commodities

Latin America is essentially an exporter of cash crops. Therefore, the very large volume of trade in these products tends to obscure the position as regards the region's agricultural requirements. The situation is clearer when the analysis is carried out using import trade figures. To this effect table I-4 shows the values of the agricultural imports of the region.

The relative importance of intra-regional trade is striking. Although total imports reach nearly 900 million dollars, such trade alone accounts for more than 400 million. Imports from the region itself represent in fact 46.3 per cent of the total. Latin America is, consequently, its own major supplier of agricultural commodities, followed by the United States with 30.5 per cent. The rest of the world provides only 23.2 per cent of these imports. Thus, despite all limitations, intra-regional trade is still able to cover almost one-half of all the agricultural import requirements of the countries of the region.

As in the case of exports, foodstuffs account for about four-fifths of the trade, representing 79.5 per cent of the total against 20.5 per cent for raw materials. However, imports are much more varied. The list of import items accounting for more than one per cent of the total is long, and apart from wheat and wheat flour no one item dominates the trade. By order, the main imports are:

	Per cent		Per cent
Grain	33.2	Coffee	3.0
of which wheat and wheat flour	27.2	Cattle	2.7
Wood	10.6	Tobacco	2.5
Edible fats and oils	8.6	Beef	2.4
of which fats	5.4	Oilseeds	2.3
Dairy products	7.9	Maté	1.7
of which milk	6.3	Wool	1.3
Fruit	6.9	Cocoa	1.3
Sugar	4.2	Hides and skins	1.1
Cotton	4.1	Hard fibres	1.0
Fish	3.1	Tea	.8

/Table I-4

Table I-4

LATIN AMERICAN AGRICULTURAL TRADE, CIF VALUE OF IMPORTS
AVERAGE 1955-57

(Thousands of dollars)

Commodities	From Latin America	From United States	From rest of world	Total imports
Cattle	13 708	4 783	5 645	24 136
Sheep	579	1 980	287	2 846
Pigs	27	137	104	268
Total livestock	(14 314)	(6 900)	(6 036)	(27 250)
Meat, chilled and frozen	3 791	512	98	4 401
Meat, preserved	1 929	7 771	7 143	16 843
Total meat	(5 720)	(8 283)	(7 241)	(21 244)
Total livestock and meat	(20 034)	(15 183)	(13 277)	(48 494)
Fish	839	3 159	24 198	28 196
Milk, preserved	1 358	31 246	24 222	56 826
Butter	2 364	2 255	1 271	5 890
Cheese	1 408	2 359	4 509	8 276
Total dairy products	(5 130)	(35 860)	(30 002)	(70 992)
Wheat	115 745	56 470	9 329	181 544
Wheat flour	10 851	34 708	16 993	62 552
Total wheat and flour	(126 596)	(91 178)	(26 322)	(244 096)
Rice, husked	3 193	1 337	225	4 755
Maize	697	22 130	1 449	24 276
Malt	4 474	7 843	11 851	24 168
Total grain	(134 960)	(122 488)	(39 847)	(297 295)
Sugar	35 345	1 997	545	37 887
Fruit, fresh	38 147	10 308	1 750	50 205
Fruit, dry	3 069	2 199	2 021	7 289
Fruit, preserved	496	2 759	1 117	4 372
Total fruit	(41 712)	(15 266)	(4 888)	(61 866)
Cocoa	10 380	40	1 174	11 594
Coffee	26 756	216	64	27 036
Tea	262	294	6 571	7 127
Mate	15 017	2	1	15 020
Total beverages	(52 415)	(552)	(7 810)	(60 777)
Edible oils	1 568	16 238	11 185	28 991
Edible fats	4 419	26 599	17 508	48 526
Total oils and fats	(5 987)	(42 837)	(28 693)	(77 517)
Pulses and preserved vegetables	2 179	3 332	2 428	7 939
Tobacco, raw	4 206	5 699	12 262	22 167
Total food	(302 807)	(246 373)	(163 950)	(713 130)

/Table I-4 (continued)

Table I-4 (continued)

Commodities	From Latin America	From United States	From rest of world	Total
Cotton, raw	21 991	12 067	2 537	36 595
Other vegetal fibres	361	118	8 850	9 329
Total vegetal fibres	(22 352)	(12 185)	(11 387)	(45 924)
Wool, clean	1 359	255	1 531	3 145
Wool, greasy	245	2 847	5 668	8 760
Total wool	(1 604)	(3 102)	(7 199)	(11 905)
Total fibres	(23 956)	(15 287)	(18 586)	(57 829)
Hides and skins	1 985	5 617	2 681	10 283
Oil seeds	206	1 862	18 626	20 694
Roundwood and sawnwood	86 201	4 757	3 833	94 791
Total raw material	(112 348)	(27 523)	(43 726)	(183 597)
All agricultural commodities above	415 156	273 896	207 676	896 727

/All of

All of these products are currently produced in the region in satisfactory conditions, except in a few cases in which a special grade or quality is required. It is therefore important to determine the extent of the imports from outside the region, in order to be able to estimate which part of those imports could be replaced by Latin American produce. Imports of coffee, cocoa, maté and sugar from other regions are virtually nil. However, considerable amounts are spent in other commodities. The main items which are imported into the region, in spite of substantial regional production, are, in order of amounts:

Wheat and wheat flour	118	million	dollars	Cotton	15	million	dollars
Edible oils and fats	72	"	"	Preserved meat	15	"	"
Preserved milk	55	"	"	Cattle	10	"	"
Fish	27	"	"	Wool	10	"	"
Maize	24	"	"	Hard fibres	9	"	"
Oilseeds	20	"	"	Wood	9	"	"
Malt	20	"	"	Hides & skins	8	"	"
Tobacco	18	"	"	Cheese	7	"	"
Fruit	18	"	"	Tea	7	"	"
				Pulses and preserved veg.	6	"	"

Other items, like sheep, butter, rice, sugar and cocoa are also imported, but none of them reach the 5 million dollar mark for the entire region.

The case of industrial goods such as wood products and of those textiles which are not included in the tables although they are made essentially from raw materials of agricultural origin should also be considered. If, as is expected, integration stimulates the industrial development of Latin America, part of the imports of manufactured goods from other regions will be replaced by regional products and regional demand for raw materials will increase accordingly. The favourable repercussions that this aspect of the integration problem may have on Latin American agriculture should not be underestimated because very large sums are currently spent to pay for imports of industrial products made of agricultural raw materials which are easily procurable in the region. For instance, regional imports of woodpulp, newsprint, paper and board alone exceeded 260 million dollars per year in the period 1955-57.

/In fact

In fact the opportunities for forestry products and related industries within a regional organization seem to be so encouraging that a special note on this question will also be submited to the Session.

Escept for grain and fruit - mainly deciduous fruit - which are principally purchased in the United States, imports are in general evenly divided with respect to origin. This shows that the countries of the region have widespread commercial relations with the main world export markets. So far as the importance of imports is concerned it is clear that wheat, oils and fats and dairy products are by far the main items deserving consideration. Therefore, special studies of these three categories of products are also subsequently presented to the session.

2. Analysis by countries

By countries, Latin American imports are distributed as shown in table I-5.

Brazil and, next, Argentina are, within Latin America, the two most important clients for the regional exporters accounting for about one-half of the total, together. Chile also imports nearly one-sixth. Thus these three countries together represent more than 70 per cent of all imports. By adding Uruguay, 80 per cent of all imports is accounted for.

The difference between the two southern and the northern sub-region is even more striking as regards agricultural imports than was the case with exports, since the amount of the imports of the former compared to those of the latter is almost in the proportion of nine to one. Furthermore, while each of the countries in the southern zone accounts for more than two per cent of all the trade, in the northern zone only the larger countries like Mexico and Colombia account for more than that percentage. Among the others only El Salvador exceeds the one per cent level. In other words, in the northern zone intra-regional trade in agricultural products is almost non-existent. Considering that most of the countries concerned are not far apart and that in many cases there are no special currency difficulties to be overcome, the situation does not appear to be very helpful as regards the establishment of a regional scheme to cover the zone. Apart from Venezuela, which concentrates on oil exports, and

/Table I-5

Table I-5

LATIN AMERICA: AGRICULTURAL TRADE BY COUNTRIES. TOTAL CIF VALUE OF IMPORTS, AVERAGE 1955-57

(Thousands of dollars)

Country	From Latin America	Percentage	From United States	Percentage	From rest of world	Percentage	Total	Percentage
Argentina	107 446	25.9	4 031	1.5	10 155	4.9	121 632	13.6
Bolivia	8 337	2.0	9 635	3.5	3 524	1.7	21 496	2.4
Brazil	119 432	28.8	34 002	12.4	61 049	29.4	214 483	23.9
Chile	67 884	16.4	14 596	5.3	7 796	3.8	90 276	10.1
Paraguay	7 565	1.8	139	0.1	31	-	7 735	0.9
Peru	23 814	5.7	12 179	4.4	12 675	6.1	48 668	5.4
Uruguay	36 231	8.7	4 012	1.5	3 493	1.7	43 736	4.9
Total Southern area	370 709	89.3	78 594	28.7	98 723	47.5	548 026	61.1
Colombia	13 592	3.3	19 367	7.1	25 333	12.2	58 292	6.5
Ecuador	1 025	0.3	4 880	1.8	3 653	1.8	9 558	1.1
Venezuela	3 508	0.8	44 203	16.1	36 381	17.5	84 092	9.4
Mexico	10 548	2.5	36 498	13.3	11 123	5.4	58 169	6.5
Costa Rica	919	0.2	5 305	1.9	1 672	0.8	7 896	0.9
El Salvador	5 903	1.4	8 026	2.9	2 066	1.0	15 995	1.8
Guatemala	1 759	0.4	6 627	2.4	1 653	0.8	10 039	1.1
Honduras	1 107	0.3	8 199	3.0	3 725	1.8	13 031	1.5
Nicaragua	414	0.1	3 534	1.3	1 840	0.9	5 788	0.6
Cuba	2 604	0.6	48 534	17.7	16 396	7.9	67 534	7.5
Haiti	701	0.2	2 756	1.0	920	0.4	4 377	0.5
Panama	1 711	0.4	4 837	1.8	948	0.5	7 496	0.8
Dominican Rep.	655	0.2	2 536	0.9	3 243	1.6	6 434	0.7
Total Northern area	44 446	10.7	195 302	71.3	108 953	52.5	348 701	38.9
Total	415 155	100.0	273 896	100.0	207 676	100.0	896 727	100.0

/Colombia and

Colombia and El Salvador, which have particularly large areas under coffee cultivation, there does not appear to be much room for agricultural exchanges, because all the countries have a very similar production structure.

Imports from other regions are in a situation almost symetrical with that of the export trade. Imports from the United States are higher than those from the rest of the world, but as regards destination, while the northern zone receives almost 200 million dollars of agricultural commodities from the United States, imports from the rest of the world amount to only a little more than 100 millions. In the southern zone on the other hand, the corresponding amounts are about 80 and 100 millions, respectively. This shows again that there are very marked differences between the agricultural trade of the two zones into which Latin America may be divided.

Per capita import expenditure (see table I-6) depends on a number of factors which will not be analysed yet. The high import expenditure of countries like Chile and Venezuela may result, at least in part, from the concentration of efforts and investment on non-agricultural primary commodities. In Uruguay and Cuba it appears to be related to less diversified agricultural activities. The general economic policy of each country and, in particular, the agricultural policy considerably influence or almost determine in some instances the level of imports. Income effects also play an important part in some cases. As shown in the last column, import expenditure taken as a percentage of the national product appear more concentrated, except in the case of Bolivia. The table is mainly useful in giving an idea of the level and relative importance of agricultural imports in each country of the region. It confirms, however, that the relative importance of the United States as a supplier of agricultural products is larger in the northern than in the southern part of the region.

Not all the agricultural imports of Latin America were paid for on a normal commercial basis. Therefore, some aspects of the special trade are briefly considered below.

/Table I-6

Table I-6

LATIN AMERICA: AGRICULTURAL TRADE BY COUNTRIES PER CAPITA
VALUE OF IMPORTS, AVERAGE 1955-57

Country	Imports from Latin America	Imports from United States	Imports from rest of world	Imports total	Imports as percentages of gross national product
	(Dollars)				
Argentina	5.5	0.2	0.5	6.2	1.1
Bolivia	2.6	3.0	1.0	6.7	8.2
Brazil	2.0	0.6	1.0	3.6	1.6
Chile	9.8	2.1	1.1	13.1	4.2
Paraguay	4.7	0.1	-	4.8	4.6
Peru	2.5	1.3	1.3	5.1	3.1
Uruguay	13.6	1.5	1.3	16.4	4.6
Colombia	1.0	1.5	2.0	4.5	1.8
Ecuador	0.3	1.3	0.9	2.5	1.9
Venezuela	0.6	7.4	6.1	14.1	1.7
Mexico	0.4	1.3	0.4	1.9	0.8
Costa Rica	0.9	5.4	1.7	8.0	2.3
El Salvador	2.4	3.5	0.9	7.0	4.1
Guatemala	0.5	2.0	0.5	3.0	1.6
Honduras	0.6	4.8	2.2	7.6	4.7
Nicaragua	0.3	2.4	1.4	4.1	2.5
Cuba	0.4	7.8	2.6	10.8	2.7
Haiti	0.2	0.8	0.3	1.3	1.6
Panama	1.8	5.2	1.0	8.0	2.3
Dominican Republic	0.3	0.9	1.3	2.5	1.3

/V. THE

V. THE PROBLEM OF AGRICULTURAL IMPORTS THROUGH NON-COMMERCIAL CHANNELS

Sizeable amounts of the agricultural imports now reaching Latin America do not enter through traditional commercial channels. They are in the main related to the agricultural surplus disposal operations of the United States; but considerable amounts are also received under other arrangements, particularly as outright grants. While these imports have proved extremely useful and serve well-defined purposes, there is a danger that they may, at times, interfere with the operations of the normal markets and, ultimately, have the effect of discouraging local production of some commodities.

The magnitud of these imports, especially those deriving from activities of private organizations, is not well known. However, the operations under United States Public Law 480, which remain the most important, are known, and are summarized in the following tables.

UNITED STATES EXPORTS OF AGRICULTURAL PRODUCTS TO LATIN AMERICA UNDER TITLE I OF PUBLIC LAW 480

(In millions of dollars at market prices (f.o.b.) commutative totals for the period 1955-57)

Country	Commodities					
	Wheat and wheat flour	Cotton-seed and soya oil	Cotton	Other a/	Total	Total as percentage of total agriculture imports
Argentina		29.3			29.3	8.0
Brazil	58.1			3.0	61.1	9.5
Chile	14.2	14.9	7.1	.6	38.8	13.6
Colombia	7.8	3.3	9.3		20.4	11.6
Ecuador	2.2	3.0	.3	.8	6.3	22.0
Mexico				.4	.4	.2
Paraguay	1.6	.3		.7	2.7	10.9
Peru	9.7	1.1		.1	10.9	7.4
All countries	93.6	51.9	16.7	5.6	167.8	9.2

Sources: U.S. Department of Agriculture publications.

a/ Includes tallow, dairy products, maize, tobacco and oilseeds.

/In comparison

In comparison with the total agricultural purchases of the region, these imports are very significant. They represent more than one-tenth of the total received from other regions during the same period and for some products, such as wheat and wheat flour, the proportion reaches as much as one quarter.

In addition to these imports, there are others falling under other titles of the same Law. Among these, the most noteworthy relate to Title II. They may be sumarized as follows:

UNITED STATES EXPORTS OF AGRICULTURAL PRODUCTS TO LATIN AMERICA UNDER TITLE II OF PUBLIC LAW 480

(In millions of dollars at market prices (f.o.b.) commutative totals for the period 1955-57)

Country	Commodity						
	Bread grain	Coarse grain	Rice	Cotton	Other	Total	Totals as percentage of total agricultural imports
Bolivia	10.2		3.0	2.5	1.5	17.2	26.7
Costa Rica					.2	.2	.8
Guatemala		3.2				3.2	10.9
Haiti	.2	.1	1.6		1.5	3.4	25.9
Honduras			.1		.1	.2	.5
Mexico		.2				.2	.1
Peru	5.4	7.0			.8	13.2	9.0
All countries	15.8	10.5	4.7	2.5	4.1	37.6	7.4

These imports (which usually take the form of outright grants), although important, amount to less than one-quarter of the values received under the Title I of the Law. Furthermore, with the exception of Peru they appear mainly to concern countries which do not receive commodities under Title I.

It is very difficult to ascertain the exact repercussions of these operations on the economies of the recipient countries, although there is no doubt that they make positive contributions towards alleviating specific situations of need. But in spite of the safeguards provided

/under the

under the Law there is always the danger that they may be diverted, at least in part, from their original purpose. It should also be noted that these operations, which depend entirely on the domestic agricultural policy of the United States, may bring an additional element of uncertainty into the formulation of plans for the development of the region.

As regards the plans for the establishment of a regional market, the effects of the transactions under United States Public Law 480 may not be favourable. One of the stimulating effects expected from the implementation of the plans is the possibility of substituting regional produce for imports from abroad particularly in what concerns expected increases in regional demand. It is clear, however, that imports made under special conditions may not easily be diverted to the intra-regional trade. It should also be noted that, at times, these imports are subject to simultaneous purchase of equivalent quantities under wholly commercial terms - a fact which further reduces the possibility of displacing these purchases to Latin American suppliers.

Notwithstanding, the operations under Public Law 480 are mainly concerned with products which are in short supply in the region, such as grain, oils and fats, and dairy products. Therefore, until further evidence is produced, it might be premature to underline the possible adverse effects of United States surplus disposals under Law 480 on the expansion of the Latin American agricultural production or on regional market prospects. It might be noted, however, that transactions in surpluses seem to have depressing effects on the prices of Latin American produce, both in domestic and in international markets.

/VI. OUTLOOK

VI. OUTLOOK ON THE LONG-TERM DEMAND FOR AGRICULTURAL PRODUCTS IN LATIN AMERICA

If the regional market is to be implemented in the near future, study of the present situation and recent evolution of agricultural trade will deserve first priority. If, however, the integration plans are devised so as to benefit the ultimate general evolution of the region, it is clear that the question of the probable future level of demand for agricultural commodities becomes of vital importance.

The high rate of demographic development in Latin America and the considerable gains expected in the future disposable income of the population should exert a gradually increasing pressure on available supplies of agricultural commodities. It is unfortunately hardly possible to produce, in a satisfactory way, definite quantitative estimates of the probable level of the demand. Nevertheless, it is possible to put forward adequate a priori hypotheses on the evolution of the elements determining demand and thus to calculate the aggregate future requirements of the population. Such an exercise is largely conjectural, and very different results may be obtained according to the assumptions initially adopted. Provided that the results are not taken as forecasts, they may serve two very important uses. In the first place, they can give a fairly good idea of the order of magnitude of the demand to be expected, or better still - as frequently done - permit the presentation of two alternative extreme projections between which the final outcome may reasonably be expected to fall. In the second place, the quantitative model thus established may assist in making a better analysis of the problem of the equilibrium between supply and demand, and, in particular, may be extremely useful in helping to determine the policies which appear more likely finally to favour such equilibrium.

Very little has yet been done in this field in Latin America. However, following a recommendation made at ECLA's last period of session, the secretariat is currently carrying out an exercise of the type mentioned above. Another was presented by FAO at its last Regional Conference, recently held in Costa Rica, on the basis of the following conditions: (a) in accordance with the demographic projections published by the United Nations, it was assumed

/that Latin

that Latin American population will increase by 67 per cent in the next twenty years, that is a geometric rate of development of 2.6 per cent per year; (b) two alternative hypotheses were used for income, a lower rate of 1.7 per cent per year and a higher one of 2.4 per year - the latter corresponding to the recent pace of development in the region; and (c) for each commodity, income-elasticity coefficients were estimated from past experience in the region and from similar situations elsewhere. Prices were assumed to remain constant, as is usual in this type of calculations. The FAO results are shown in the second and third columns of the table below.[6/] For comparison purposes, a fourth column indicates the actual percentage development over the last twenty years.

PROJECTIONS OF DEMAND FOR CERTAIN AGRICULTURAL COMMODITIES IN LATIN AMERICA

Commodities	Increase in consumption projected to 1975 as a percentage of the average in 1954-56		Increase in production in 1954-56 as a percentage of 1934-38
	Lower hypothesis	Higher hypothesis	
Cereals	75	80	20
Pulses	50	55	80
Sugar	90	100	86
Meat	100	120	25
Milk	100	120	69
Cotton	100	120	102
Total agricultural products	90	100	37

The validity of these projections may be questioned on more than one ground. However, as noted above, they indicate the order of magnitude of the problem facing Latin American agriculture in the next twenty years. As it now stands, the problem looks formidable, and unquestionably calls for the utmost attention. If prices are not going to be strongly forced up or the demand satisfied by considerably larger imports from other regions, aggregate agricultural output must expand on an average of three times as fast as it has done in the last twenty years.

6/ FAO, Doc. IARC.58/6.

/The situation

The situation is clearly very different in each particular country and each specific commodity. While the increases which appear to be necessary in products like sugar and pulses (and presumably some other commodities not dealt with in the study) are clearly within easy reach of the productive capacities of the region, the same can hardly be said of many other products such as cereals, meat and dairy products. A very great effort to develop output must be carried out by all countries of the region, particularly those which, for climatic or other reasons, seem better equipped to increase appreciably their contribution to the region's aggregate output of those commodities for which there is more danger of a situation of short supply.

To achieve the necessary expansion of regional agricultural production it will certainly be necessary to increase considerably the area under cultivation and, at the same time, its productivity. While in many cases suitable land may still be available there will be instances where this is not possible. Thus the two requirements may prove to a certain extent contradictory, and the need to improve the average productivity of the region may call for extended specialization; a problem which the existence of a regional market may help to solve in a satisfactory manner.

The cooperation which is expected to follow any steps towards closer economic integration within Latin America should be very helpful in many other respects. The improvements necessary in agricultural production techniques require action in the scientific, technological, educational and other fields which might better be achieved on a collective basis than through the isolated efforts of each country of the region. Finally, it may also be expected that some degree of integration at the regional level will stimulate investment, which is so much needed for the progress of Latin American agriculture.

VII. INTERNAL STRUCTURAL OBSTACLES TO THE DEVELOPMENT OF AGRICULTURE IN LATIN AMERICA

The average per capita income of Latin America has more than doubled during the last twenty years, in spite of considerable population increases. However, agricultural output did not follow the general pattern of development, lagging considerably behind in the task of satisfying the increased needs of

/a larger

a larger and wealthier population. Table I-7 gives a useful summary of the recent developments in Latin American agriculture.

While the region experienced a population increase of more than one-third, agricultural output failed to keep pace with this rise. Thus per capita agricultural production fell by about one-tenth. However, the decrease was mainly due to non-food products, of which output declined by more than one-fifth. As regards foodstuffs, plant production almost managed to keep in step with population growth, whereas animal output fell short of this target by more than 10 per cent. This caused the serious deterioration in the animal-food position already noted.

The situation was further aggravated by the substantial increases in the disposable income of the population. This improvement in wealth exerted considerable pressure on the demand for agricultural products, particularly in view of the fact that the income-elasticity of the demand for such products is especially high within the income brackets still prevailing in Latin America. As a result, the region was unable to raise the volume of its agricultural exports; on the contrary, they decreased during the period under consideration by about one-third on a per capita basis. Simultaneously, agricultural imports greatly increased, doubling their total volume within the same period.

The net result of this situation was twofold. In the first place, net exports of agricultural products decreased by about one-fifth - or about two fifths on a per capita basis - considerably reducing the earning power of the region. In the second place, while the volume of imports was sufficient to maintain the per capita availability of agricultural commodities, there was no margin to cover the expansion of demand arising from income-elasticity effects. Thus prices were forced up, contributing to a serious inflatory process which adversely affected economic development.

It is well known, however, that in most countries of the area agricultural prices, particularly those of foodstuffs, were subject to all sorts of controls and interferences. Therefore, it would be inappropriate to establish a one-way casual relation between the shortage of supplies and the prices. In fact, there are good reasons to suppose that in many instances

/Table I-7

Table I-7

LATIN AMERICA: MAIN CHANGES IN AGRICULTURAL INDICES DURING THE LAST 20 YEARS

	1954-56 as percentages of 1934-36		
	Yearly rate of change	Total	Per capita
Population a/	2.2	150	
Gross national income in real terms b/	4.5	233	150
Availability for domestic demand:			
Gros agricultural supply	2.3	153	102
Food supply	2.4	157	105
Non-food supply including coffee c/	1.1	123	82
Non-food supply excluding coffee	2.0	146	97
Agrilcultural production	1.7	137	91
Food production	1.9	141	94
Plant production	2.2	149	99
Animal production	1.6	133	89
Non-food production	0.9	119	79
Gross agricultural exports	0.2	103	69
Food exports	-0.5	90	60
Non-food exports	1.1	124	83
Gross agricultural imports	3.7	201	135
Food imports	3.4	189	126
Non-food imports	5.5	275	183
Net agricultural exports	-0.6	89	59

Source: FAO, Doc. LARC 58/6.

a/ United Nations.

b/ Official data elaborated by ECLA.

c/ Liquidation of coffee stock adversely and irregularly affected the index.

/production was

production was considerably discouraged by price limitations. Thus, a sort of a vicious circle was created leading to very severe shortages and consequent pressure from demand which the simple recourse to imports was clearly unable to eliminate.

However, it would be wrong to believe that the interplay of market forces has been basically responsible for the deficient performance of Latin American agriculture. The failure of Latin American agriculture derives essentially from a low rate of investment as compared with other fields of economic activity in which expectations of profit have clearly been much more brilliant than in agriculture - except in a few cases such as the coffee area of North Paraná, in which both investment and returns were among the highest in the region. Furthermore, for social, political and other reasons there is always the danger that profits in the agricultural sector may at some time be considerably curtailed or even completely eliminated by price fixing and other types of governmental intervention. On the other hand, except where land has been distributed by the Government - and Paraná is again a good example of an exceptional case - it was in the hands of traditional owners who have at times been neither sufficiently enterprising, nor prepared to make their property easily available to those who might put it to more efficient use. In this way, land, the fundamental element in agricultural development, has not always been available on terms suitable to attract enterprising people, and consequently, has inevitably failed to play an adequate role in the Latin American drive for faster economic development.

While the increasing disequilibrium between the rate of development in the agricultural and industrial sectors is gradually endangering the prospects for further progress in many parts of Latin America, it is clear that unless these structurally adverse characteristics of agriculture are improved there is a real danger that plans for regional integration will fail because of lack of opportunities at the national levels. That is, unless each country parallels its efforts at the regional level with the necessary domestic structural changes, in order to give agriculture the flexibility it needs to react to the incentives which should arise from concerted intra-regional action, the effects might finally prove too circumscribed to help bring agriculture to the path of development which is necessary for the harmonious progress of the whole region.

/VIII. OTHER

VIII. OTHER OBSTACLES TO INTRA-REGIONAL TRADE

Latin America is, by a considerable margin, a net exporter of agricultural products, and there is virtually no agricultural commodity which cannot be produced at a reasonable cost in some part of the region. Even with products of which sizeable imports are made, the balance of trade is generally in favour of Latin America. There are, however, a few cases in which agricultural output still proves unable to match regional requirements. Table I-8 gives trade balances for the main agricultural commodities, separated by regions, as annual averages for the period 1955-57.

As the table shows, there are instances in which the region is an over-all, a net importer of agricultural goods. The most significant cases are: fish, preserved milk, tea, oils, fats and oilseeds, and wood, but the net deficits are never very large. In all these cases it seems that dependence on imports might be eliminated by stimulating regional output. The implementation of a regional market could contribute to this purpose, but it is by no means the only way to achieve it.

In other cases - in which imports exist in spite of a final positive position for the region as a whole - there might be neither justification nor advantage in shifting trade from one direction to the other in order simply to dispense with imports - unless this helps to stimulate production. Furthermore, the primary purpose of establishing a structure such as a regional market should be to create trade, not to displace it.

In any event, there are a number of obstacles in the way of such a displacement of trade. On the one hand, the abnormally high freight rates or the simple non-existence of adequate means of transport between some areas within the region may, in some instances, discourage the development of intra-regional trade. On the other hand, there are limitations related to the entire structure of the regional economy, and in particular to its relations with other regions, which frequently play a determinant role in directing the trade of the countries of the region.

It was shown, for instance, that the trade relations between the northern part of the region and the United States are considerably more close than those between the United States and the southern part of the region. Furthermore, there are special trade arrangements between Governments, which naturally

/Table I-8

Table I-8

LATIN AMERICA: NET TRADE BY PRODUCTS, 1955-57 a/
(Annual averages in thousands of dollars)

	Trade with United States b/	Trade with rest of world	Total regional trade
Cattle	+3 561	-5 435	-1 874
Sheep	-1 980	+159	-1 821
Pigs	-137	-103	-240
Total livestock	+(1 444)	-(5 379)	-(3 935)
Meat, chilled and frozen	+8 159	+153 647	+161 806
Meat, preserved	+21 662	+51 081	+72 743
Total meat	+(29 821)	+(204 728)	+(234 549)
Total livestock and meat	+(31 265)	+(199 349)	+(230 614)
Fish	+2 362	-19 995	-17 633
Milk, preserved	-31 202	-24 212	-55 414
Butter	-2 255	+7 565	+5 310
Cheese	-1 406	-4 326	-5 732
Total dairy products	-(34 863)	-(20 973)	-(55 836)
Wheat	-56 462	+102 889	+46 427
Wheat flour	-34 708	-16 976	-51 684
Total wheat and flour	-(91 170)	+(85 913)	-(5 257)
Rice, husked	-1 192	+7 501	+6 309
Maize	-21 418	+42 025	+20 607
Malt	-7 143	-11 851	-18 994
Total grain	-(120 923)	+(123 588)	+(2 665)
Sugar	+275 164	+320 668	+595 832
Fruit, fresh	+110 157	+36 495	+146 652
Fruit, dry	+3 121	+3 675	+6 796
Fruit, preserved	-2 525	+330	-2 195
Total fruit	+(110 753)	+(40 500)	+(151 253)
Cocoa	+64 071	+48 187	+112 258
Coffee	+1 262 048	+545 670	+1 807 718
Tea	-259	-6 552	-6 811
Mate	+20	+313	+333
Total beverages	+(1 325 880)	+(587 618)	+(1 913 498)
Edible oils	-16 127	+9 844	-6 283
Edible fats	-26 599	-15 530	-42 129
Total oils and fats	-(42 726)	-(5 686)	-(48 412)
Pulses and preserved vegetables	-2 417	+1 146	-1 271
Tobacco, raw	+7 085	+19 470	+26 555
Total food	+(1 551 580)	+(1 245 685)	+(2 797 265)
Cotton, raw	+100 384c/	+202 695	+303 079
Other plant fibres	+6 621	-1 615	+5 006
Total fibres	+(107 005)	+(201 080)	+(308 085)
Wool, greasy	+43 076	+115 032	+158 108
Wool, clean	+10 725	+811	+11 536
Total wool	+(53 801)	+(115 843)	+(169 644)
Total fibres	+(160 806)	+(316 923)	+(477 729)
Hides and skins	+33	+73 174	+73 207
Oil seeds	-589	-10 324	-10 913
Roundwood and sawnwood	-959	+5 513	+4 554
Total raw material	+(159 291)	+(385 286)	+(544 577)
All agricultural commodities above	+1 710 871	+1 630 971	+3 341 842

a/ Imports (-); exports (+).
b/ Including trans-shipments.
c/ Mainly trans-shipments.

/involve some

involve some degree of reciprocity. The case of the protected import market for Cuban sugar in the United States is a good example of such situations. Besides, some of the present suppliers of agricultural commodities to Latin America are sometimes able to offer attractive payment conditions and other facilities which possible suppliers from within the region might not be in a position to match.

Historical experience has shown the notable staying-power of old established business relations when confronted with new preferential systems.7/ This is due largely to the existence of close ties between the two ends of a trade relationship frequently involving two branches of the same firm. Therefore, the implementation of some sort of integration scheme may not always easily bring about a preference for the suppliers (or customers) within the arrangement.

Finally, there is the question of the very clear complementary relationship between the production of tropical Latin America and its traditional markets to the north, which, in many instances, are more accessible or more interesting than the markets of the temperate parts of Latin America. Thus, much of the inter-regional trade corresponds to the natural needs and interests of the two regions involved, which are likely to subsist in spite of the creation of a regional market.

To sum up, while there is a good case for the establishment of a regional market involving the agricultural commodities, the possible impact of this arrangement on the present trade structure of the region is likely to be gradual. In any event, benefits should result more from the gains in intra-trade resulting from the expansion of demand stimulated by the increased prosperity which the new market is intended to bring to the region, than from a simple displacement of the exchanges from the inter- to the intra-regional trade.

7/ See GATT, The possible impact of the European Economic Community, in particular the Common Market, upon world trade, Dec. 1957. This study also points out the fact that the effects of the establishment of a preferential trade area are likely to affect relations with outsiders more strongly during a period of contracting world trade.

Chapter II

LATIN AMERICA'S EXTERNAL TRADE IN WHEAT AND PROSPECTS FOR EXPANDING INTRA-REGIONAL TRADE

INTRODUCTION

Wheat undoubtedly constitutes one of Latin America's most important agricultural products, from the point of view both of external trade and of consumption.

In all the countries in which wheat production is inadequate or non-existent, wheat, wheat flour and other foodstuffs made from them are the main item of food imports. For the traditional exporting countries, similarly, wheat products are the most important agricultural export item, both in value and in volume.

In the form of bread and pastes, wheat has become the staple food of the urban population; in most towns especially among the poorer sections of the people, apparent per capita consumption of wheat is higher than that of any other foodstuff. In rural areas, on the other hand, marketing difficulties and low income-levels limit consumption. However, the country offers the area of largest potential demand, for any improvement in the conditions referred to results in the immediate replacement of root-crops, maize and bananas by wheat food products. Similarly, rural migration to the towns is followed by the almost complete replacement of these foods by bread. As a result of these factors, and of the very low average per capita consumption, the income-elasticity of demand for wheat is very high, and accordingly great increases in consumption have been recorded. Thus, average per capita consumption for the region as a whole rose by 19 per cent between 1934-38 and 1955-57, reaching a level of 56 kg in the latter period. The region's apparent total consumption during this period was 9.96 million tons.

In a region where the greater part of the agricultural area is in the tropical zone, the prospects of increasing production sufficiently to meet the sharp increase in demand are relatively small. Most of the countries possessing areas ecologically favourable for wheat cultivation have made great efforts to increase their production; but only in Mexico, Brazil and Chile has any significant progress been made. The other countries -

/including Brazil

including Brazil - have to rely on imports to meet their growing deficit.

Nevertheless, the region includes a very large wheat-growing area which could more than satisfy the greater part of Latin America's wheat needs. Owing to meteorological conditions and internal political problems, however, this area has declined in importance as a world exporter - although this trend is now being rapidly reversed. As a result, the regional balance of trade in wheat has continously deteriorated. Net exports dropped from 3.3 million tons in 1925-29 to only 217,000 tons in 1955-57.[1] If this trend continues, it would seem inevitable that Latin America will become a net importer in the fairly near future.

Very preliminary estimates of the region's future demand made by ECLA in order to obtain some idea of orders of magnitude indicate that Latin America's demand for wheat will rise to approximately 20 million tons in 1975. The information available suggests that even if the deficit production countries managed by 1975 to bring under cultivation the entire area of available land suitable for wheat-growing and to improve the per hectare yield by 15 per cent, their import needs would go on rising from 3.1 million tons in 1955-57 to 6.1 million tons in 1975. At the same time, if Argentina and Uruguay could bring all their wheat lands under production and improve the per hectare yield by 16.6 per cent, they would have an exportable surplus of approximately 10 million tons, more than enough, that is, to cover the region's deficit while maintaining the present volume of their trade with the rest of the world.

But in order to achieve such an increase in production, enormous investment designed to improve techniques and expand the cultivated area would be necessary, and an effective policy of incentives would have to be applied. This is a problem which calls for detailed study.

But in spite of the decline in total exports noted in earlier paragraphs there has been an intensification of intra-regional trade: between 1925-29 and 1955-57 exports from Argentina and Uruguay to the rest of the region almost doubled, making up little less than 50 per cent of their total exports of wheat and flour (see table II-5).

The importing countries of the region have been drawn into the spheres of influence of the two main producing areas on the American continent;

1/ During the period 1945-51 the region was a net importer.

/thus, the

thus, the countries on or north of the Equator depend for their supplies almost entirely on the United States and Canada, while those in the southern region - with the exception of Bolivia - get the bulk of their imports from Argentina and Uruguay. It should be remembered, however, that since 1955 the United States has placed large consignments through sales in free dollars and shipments made under Public Law 480 on Agricultural Surplus Disposal.

Although these exports have not so far caused any great displacements in intra-regional trade, the very existence of enormous surpluses on the world market and the policy applied to dispose of them have had indirect effects of some importance both for the present and for the future. For example, international wheat prices have been depressed, harm has been caused to third countries by disturbing their balance of trade with Argentina and reducing their trade, the potential demand for wheat in certain countries has been captured with consequent loss of incentive to the region's traditional exporters, and the danger has been created that some countries will come to depend predominantly on United States relief and will give up their efforts to increase their own production.

Most of the deficit-production countries in the region have set up import control systems, designed to prevent wheat of foreign origin from competing indiscriminately with the national product, which is usually of fairly high cost or grown under the protection of development policies and very favourable price systems support. These controls - based mainly on import quotas - have had to be established because in most countries wheat is given very favourable customs treatment in order to bring it within the reach of the lower-income groups. In non-producing countries the cutoms duties are purely nominal.

It seems unlikely, then, given the growing need for imported wheat that there will be any great obstacles in the future to an increase in intra-regional trade. So far as the supply situation is concerned, it is thought that Latin American export wheat will meet growing competition on European markets, and that a larger and larger proportion of the export supply will have to be sold in Latin America. It is important, however, that despite this increase, sales to the rest of the world should so far

/as possible

as possible be maintained.

Bearing in mind the various problems connected with transport, established trade relations, bilateral agreements and the limited character of trade outside the southern zone, it would seem that the only possibility for an increase in intra-regional trade lies in a common market.

I. CONSUMPTION

Wheat is probably one of the foodstuffs for which demand in Latin America has grown most rapidly. Consumption has increased at a much faster rate than has been warranted by the population increase. Thus, while the population increased between 1934-38 and 1955-57, by some 55 per cent wheat consumption during the same period went up by 82 per cent. Apparent per capita consumption rose from 47 kilogrammes in the first period to 56 kg in the second, an increase of 19 per cent.

The very rapid increase in the demand for this cereal is the result of the special features of wheat consumption. Wheat in the form both of bread and of pastes and other products, is consumed mainly in urban centres, where it has become one of the staple items in the diet of the lower-income groups. In rural areas, particularly in countries with a tropical climate, the situation is quite different, since these areas do not possess the essential processing and marketing facilities which would be necessary to reach the large rural population - a population which forms a considerable potential market. This is why it cannot be said categorically that the only factor limiting the consumption of wheat and wheat products is the low level of income in the agricultural sector. On the contrary, it can easily be shown that whenever people from the rural areas get to the towns they buy small quantities of bread and macaroni products. There must, indeed, be very few rural populations in Latin America which are totally ignorant of the existence of these foods and are not in a position to buy them at least occasionally. Among rural groups in areas of temperate climate, wheat in its various forms - bread, macaroni products, wheat mote and semolina - forms one of the main items of diet.

There are various reasons for this state of affairs. On either political or social grounds, wheat has almost always been given preferential

/treatment by

treatment by the authorities, in order to ensure an adequate supply to the population. By means of price controls, import and production subsidies, the lifting or reduction of import duties and the reduction of internal freight rates, efforts have been made in many countries to bring wheat within reach of the lower-income groups. Most countries have been able to keep the relative price of bread at a more stable level.

From both the dietary and the practical points of view, bread and macaroni products have many advantages over other competing foods, such as rice, potatoes, maize and manioc. Bread is not only of slightly higher nutritive value, but also has the advantage of being sold in a form in which it is ready for immediate consumption. Furthermore, its agreable taste and its bulk, have made it a food which can be eaten either alone or with no more accompaniment than some stimulating drink. As for macaroni products, the very ease and rapidity with which they can be prepared gives them a slight advantage, especially among certain groups of the population, over alternative foods.

The greatest tendency towards the consumption of this type of food and the highest substitution elasticity are undoubtedly to be found in connexion with the migration of rural population groups to urban centres. In countries with a tropical climate, in particular, the agricultural worker who comes to the city changes his diet radically and automatically; maize and manioc are no longer easily obtained and rice takes time and fuel to prepare. He therefore turns to wheat products, which are usually more within his means and better suited to his cooking facilities. It should not be forgotten, on the other hand, that there is a strong trend towards the consumption of wheat in rural areas too, and that an appreciable share of the increase in consumption is due to improvements in income levels and in means of production and distribution which place it within reach of part, at least, of the rural population.

It can therefore be said that in the lower-income groups in particular the income-elasticity of the demand for wheat approaches unity.

As income increases, this elasticity tends to decline, becoming negative among the privileged classes. This is because as income rises wheat is replaced by more nutritive and better-tasting foods, finally

/becoming a

becoming a mere accompaniment to the main meal or a food for occasional consumption by itself. Nationally, it is estimated that whereas in countries like Bolivia, the Central American countries, Paraguay, Peru and Venezuela the income-elasticity of demand is virtually unity, it drops to 0.8 for Colombia and Ecuador and to no more than 0.6 for Brazil and Mexico. On the other hand, in countries like Chile and Uruguay where per capita consumption is high, the coefficient is almost 0.0; and in Argentina it is even -0.2. For the region as a whole it is approximately 0.4.[2/]

In view of these high coefficients of income-elasticity of demand and their effect on consumption, it is not surprising that the latter should have increased, as already indicated, by 19 per cent in a period of roughly 20 years.

In examining the problem in greater detail, it will be useful to deal with the region in the two main zones into which it falls from the standpoint of wheat consumption: countries with a temperate climate and a high per capita consumption (over 120 kg per capita per annum) such as Argentina, Chile and Uruguay, which in addition are traditional exporters or are able to supply a large percentage of their consumption requirements from their own production; and the rest of Latin America, where consumption is low and depends mainly on external supply.

The trend of consumption has followed entirely different lines in these two regions. In the first, in which per capita consumption is high and the income-elasticity of demand is almost zero, it has risen at a moderate rate: in Chile and Uruguay, for instance, per capita supply rose from 159 to 162 and from 124 to 130, respectively, between the periods 1934-38 and 1955-57. In Argentina, where the coefficient of income-elasticity is negative, per capita supply has dropped from 174 kilos to 169. (see table II-1).

2/ The coefficients of the income-elasticity of demand were calculated on the basis of special surveys or of analyses of family budgets in Argentina, Chile, Colombia, Ecuador and Mexico. For the other countries, estimates were made on the basis of the changes in apparent consumption and the changes in the gross national product.

/Table II-1

Table II-1

LATIN AMERICA: APPARENT PER CAPITA CONSUMPTION OF WHEAT AND FLOUR (IN TERMS OF GRAIN) 1934/38-1955/57

Country	1934-38	1955-57	Index (1934-38 = 100)
Argentina	174.2	168.7	96.8
Chile	159.5	162.1	101.6
Uruguay	124.0	130.0	104.8
Average for high-consumption countries	165.6	163.6	98.8
Venezuela	12.0	42.0	350.0
Colombia	12.0	17.3	144.2
Cuba	28.7	38.3	133.4
Mexico	18.9	36.1	191.0
Dominican Republic	4.8	7.8	162.5
Peru	29.6	44.1	149.0
Other countries	25.1	35.6	141.8
Average for low-consumption countries	22.4	34.6	154.4
Average for Latin America	47.2	55.5	116.5

Source: Official statistics and FAO statistical yearbooks.

/In the

In the second region the situation is entirely different: apparent consumption has increased rapidly, even though it still remains low. For these countries together, apparent consumption rose between the two periods referred from 22 to 35 kg per capita a 54 per cent increase. Among them, particular mention should be made of Venezuela, where supply rose from 12 to 42 kg, Peru, where it rose from 30 to 44 kg, and Mexico, where supply rose from 19 to 36 kg (see again table I-1).

These very appreciable increases in apparent consumption are due principally, as has been shown, to the dietary changes brought about by the migration of rural population groups to the towns, changes consisting in the replacement by wheat of maize, manioc and other foodstuffs which are widely consumed in the country but not in the towns.

It must be pointed out that frequently, and in various countries wheat consumption has been limited by difficulties in obtaining adequate supplies from abroad, these in turn resulting from restrictions on the allocating of foreign currencies or on import quotas. The shortages thus often brought about necessitate rationing and the imposition of ceiling prices, with their natural consequence, the formation of parallel markets with excessively high prices.

While there are no sufficiently precise figures available to illustrate the decline in the consumption of foodstuffs competing in the diet with wheat, it is known that in countries like Cuba, Brazil, Ecuador and Peru the apparent consumption of maize has fallen appreciably.[3/] It is presumed that the consumption of root-crops such as manioc, yams and so on must have declined to a much greater degree.

3/ Between 1934-38 and 1954-56 the consumption of maize declined, in Cuba, from 41 to 26 kg, in Brazil from 145 to 117 kg, in Ecuador from 48 to 35 kg and in Peru from 68 to 38 kg per capita.

II. PRODUCTION

Leaving aside problems of intra-regional trade, and taking Latin America as a whole, it may be seen that wheat production has increased at a rate far below that of the increase in population. While population rose between the pre-war period and the years 1955-57 by 55 per cent, production rose during the same interval by only 34.5 per cent, increasing from 8.10 million tons to 10.9 million tons.

This slow rate of increase in wheat production in relation to population places Latin America in a very disadvantageous position with respect to the other regions in the world, for in the more developed areas production has risen a good deal more rapidly than population, while in Africa it has increased by 16 per cent and in Asia by practically the same percentage. The only real decline in production has taken place in Oceania, where Australia and New Zealand have restricted their sowing areas in order to stimulate livestock raising.

Nevertheless, in 1955-57 the share of Latin America in world production remained at virtually the same level as in the pre-war period, increasing from 6.3 to 6.8 per cent in the more recent years (see table II-2).

Latin America is not among the most favoured areas in the world for wheat production. Owing to the fact that the greater part of its territory is in the tropical zone, it does not possess large areas having ecological conditions allowing it to expand its area of cultivation at will.

In the southern part of Latin America - the traditionally wheat-producing part - the cultivated area has shrunk considerably, from an average of upwards of 8 million hectares during the pre-war years to only 7.2 million in 1955-57. Of the three countries providing this area - Argentina, Chile and Uruguay - Uruguay alone has increased its cultivated area, practically doubling it thanks to a policy of very remunerative support prices as a result of which grasses and certain other crops were rapidly supplanted. In Argentina and Chile, on the other hand, wheat has had to compete with other crops and enterprises offering higher yields and better profits: this is particularly true of Argentina, where the sown area has shrunk from 6.8 million hectares in the pre-war period to only 5.7 million hectares in recent years. When in addition it is remembered that

/Table II-2

Table II-2

WHEAT: WORLD AND LATIN AMERICAN PRODUCTION

(Annual averages)

	1934-38		1955-57	
	Total thousands of tons	Per capita kg a/	Total thousands of tons b/	Per capita kg b/
Latin America	8 102	70.1	10 907	60.8
United States	19 476	151.0	26 182	155.7
Canada	7 170	632.3	13 043	811.0
Europe c/	42 310	113.9	48 336	117.3
Oceania	4 380	417.1	3 943	261.1
Asia	44 195	37.9	52 311	34.6
Africa	3 800	22.7	5 376	24.4
World total c/	129 370	65.4	160 100	63.2
Latin America, percentage of total	6.3		6.8	

Source: FAO statistical yearbooks and official statistics.

a/ Basis of calculation, population of 1937.

b/ Basis of calculation, population of 1956.

c/ Excluding the U.S.S.R.

/most producers

most producers in the region are extraordinarily slow in absorbing technical improvements, despite the highly encouraging results achieved at experimental stations in the area, it will not be found surprising that production has increased very little more than has the cultivated area. Average yields in these three countries rose between the two periods in question - from 910 kg to only 1174 kg per hectare - a very poor result compared with the increases achieved in more developed countries (see table II-3).

Thus, production in these three countries has not expanded to the degree which might have been hoped for, the figure for the latest period exceeding that for 1934-38 by only 15 per cent.

Details will be given later to illustrate the role of the region's two traditional exporters - Argentina and Uruguay - in regional supply; but it may be said at once that the smallness of the increase in production over so long a period justifies some pessimism as to the possibility of this part of Latin America expanding its production fast enough to be able to contribute in larger measure to meeting the needs of the region's deficit-production areas. While at the same time maintaining the present level of its trade with the rest of the world.

The production picture in the latter is quite different; and while the cultivated area in the ten countries concerned 4/ - 2.6 million hectares - is barely a third of the cultivated area in the other two countries, it nevertheless has some importance. Despite the fact that the areas in which wheat can be grown economically in the ten countries are relatively small, the Governments of most of them have made tremendous efforts to increase their wheat production. The main features of the policy applied to increase production and at the same time reduce the dependence of the countries in question on external supplies have in nearly all cases been the promotion of scientific research and experimentation to find the varieties best suited to ecological conditions in the different areas and

4/ Bolivia, Brazil, Colombia, Ecuador, Guatemala, Mexico, Paraguay, Peru, Venezuela and Honduras.

/Table II-3

Table II-3

COMPARATIVE AVERAGE YIELDS IN CERTAIN LATIN AMERICAN COUNTRIES AND IN THE REST OF THE WORLD

(Kg per hectare)

Country	1934-38	1955-57	Percentage increase
Argentina	903	1 172	29.8
Chile	1 062	1 308	23.2
Uruguay	745	1 042	39.9
Mexico	760	1 230	61.8
Brazil	901 a/	854	-5.2
Canada	1 230 b/	1 470	19.5
United States	980 c/	1 380	40.8
New Zealand	2 110	2 860	35.5
Denmark	3 040	4 030	32.6
Netherlands	3 030	3 830	26.4

Source: FAO statistical yearbooks and official statistics.

a/ Brazil's wheat yields appear to have been greatly exaggerated in the official statistics. In the period in question the latter were based solely on estimates.

b/ Average for the years 1938/42. This period was taken in order to avoid the five drought years which caused very low yields in 1934/38.

c/ Average 1937/41; this period taken for the reason given in b/.

/to improve

to improve soil quality and to control pests and diseases, together with development measures and price-supports.

The results of these steps have been fairly satisfactory; after years of patient effort the difficulties of the environment have been overcome and marked increases in production obtained, so that wheat growing has in many areas become an efficient enterprise with production costs permitting competition with the imported product.

In the ten countries referred to, production rose from an average of only 765,000 tons before the war to 2.4 million tons in 1955-57 - an increase of 214 per cent. The most striking results were obtained in Brazil, Mexico and Peru. Brazil multiplied its production more than six times, its output rising from an average of only 144,000 tons in the first period to 0.9 million tons in the second. Mexico practically tripled its production between the two periods - an increase from 374,000 to 1.1 million tons - and Peru's production increased from 76,000 tons to 138,000. Of the remaining countries, some succeeded in increasing their production at a rate faster than or at least comparable with the rate of population increase and only in Bolivia, Venezuela and Honduras did production decline. In the first of these countries the decline was due to internal difficulties and in the others to the unfavourable conditions for cultivation of the crop (see table II-4).

Among the deficit-production countries, only Mexico succeeded in increasing its production at a rate sufficient to satisfy all its consumption needs. Brazil, which by dint of economics efforts achieved a proportional increase in production far higher than that of Mexico, thereby succeded in meeting the greater part of its consumption increases, and has as a result been able in recent years to stabilize and even reduce the volume of its wheat and flour imports. Chile's production has developed irregularly; whereas before the war and in the years 1949 and 1950 it was able to export small quantities of wheat in 1954 and 1955 it had to import about a quarter of a million tons. In 1957 it was able to reduce the figure to 98,100 tons.

Of the remaining countries, only Ecuador and Guatemala were able to increase their production sufficiently to reduce their dependence on imports from abroad.

/Table II-4

Table II-4

LATIN AMERICA: PRODUCTION OF EXTERNAL TRADE AND APPARENT CONSUMPTION OF WHEAT

Country	1934-1938					1955-1957				
	Production	Exports	Imports	Apparent human consumption a/	Production / Consumption (percentages)	Production	Exports	Imports	Apparent human consumption a/	Production / Consumption (percentages) b/
Argentina	6 127.7	3 340.5	-	2 312.4	264.9	6 680.0	2 989.3	-	3 291.2	203.0
Uruguay	360.7	80.8	8.7	254.9	141.5	772.9	377.8	-	343.2	225.2
Chile	849.9	23.4	12.6	759.1	111.9	1 019.1	-	178.8	1 120.0	91.0
Mexico	373.8	0.1	19.1	346.9	107.8	1 156.3	-	31.6	1 102.7	104.9
Brazil	144.2	0.4	990.3	1 119.0	12.9	912.5	-	1 611.6	2 397.3	38.1
Peru	76.3	-	128.2	195.2	39.1	138.3	-	299.5	423.8	32.7
Colombia	98.4	-	14.8	100.4	98.0	145.0	-	91.3	222.6	65.1
Ecuador	19.0	0.1	12.8	27.5	69.1	39.0	-	53.3	86.8	44.9
Bolivia	33.0	-	35.5	65.4	50.5	18.5	-	117.5	133.9	13.8
Guatemala	10.0	-	13.3	22.0	45.5	19.5	-	47.8	64.2	30.4
Paraguay	1.0	-	31.7	33.5	3.0	2.4	-	62.9	65.0	3.7
Venezuela	6.5	-	30.4	35.8	18.2	2.3	-	259.0	261.9	0.9
Honduras	2.0	-	6.9	8.7	23.0	1.0	-	15.1	15.9	6.3
Costa Rica	...	-	11.5	11.5	0.0	-	-	42.7	42.7	0.0
Nicaragua	...	-	5.8	5.8	0.0	-	-	24.0	24.0	0.0
El Salvador	...	-	9.6	9.6	0.0	0.2	-	32.0	32.0	0.6
Panama	...	-	11.2	11.2	0.0	-	-	23.4 c/	23.4	0.0
Cuba	...	-	121.3	121.3	0.0	-	-	239.3	239.3	0.0
Dominican Republic	...	-	7.3	7.3	0.0	-	-	20.3	20.3	0.0
Haiti	...	-	14.3	14.3	0.0	-	-	49.3 c/	49.3	0.0
Total	8 102.0	3 445.3	1 485.3	5 461.7	100.0	10 907.0	3 367.1	3 199.4	9 959.5	100.0

Source: ECLA, from official statistics on production and foreign trade.
a/ Excluding seed and wheat.
b/ Percentage of consumption met from domestic production.
c/ Average for two years.

A comparison of production with apparent consumption in the deficit-production countries shows that in all of them except Mexico and Brazil production has increased more slowly than consumption, so that they have had to rely to a greater extent on external supplies. The extreme cases, without any doubt, are Bolivia, Venezuela and Honduras. In the first of these, production in 1934-38 was enough to cover about 50 per cent of consumption. In 1955-57 it covered only 14 per cent, average production having dropped to half the pre-war figure. In Venezuela, the figures were 18 per cent for the first period and only 1 per cent for the second; a sharp decline in production was accompanied by one of the highest rates of increase in apparent consumption in the world. In Honduras, the situation developed along much the same lines as in Venezuela, although on a much smaller scale.

In the other countries, the smaller ratio of production to apparent consumption was due principally to the more rapid rate of increase of the latter (see again table II-4).

III. EXTERNAL WHEAT TRADE

As has already been seen, of all the countries in Latin America only two - Argentina and Uruguay - are in a position to satisfy all domestic consumption needs and yet retain an exportable surplus. Mexico has recently, in 1958, become fully self-sufficient, while Chile, once an occasional small exporter, has now become a permanent importer. The other countries are compelled to import part or all of their supplies from abroad, and in view of the growing per capita consumption have had to increase the volume of their imports progressively.

The importance of the wheat trade will at once be seen from the fact that in the period 1955-57 Latin America's aggregate imports reached a total of 3.2 million tons, with a value of 238.7 million dollars,[5/] representing 2.9 per cent of the region's total imports. Of this sum, 130.9 million dollars - 54.8 per cent - represent imports originating outside Latin America and 107.8 millions imports from Argentina and Uruguay.

5/ C.i.f. value.

/1. The balance

1. The balance of external trade in wheat

Among the countries dependent wholly or in part on external supplies, apparent consumption of wheat and flour increased from a total of 2.9 million tons in 1934-38 to 6.3 million tons in 1955-57. During the same interval, the production of these countries 6/ rose from 1.6 million tons to only 3.4 million tons. There was thus a deficit of more than 1.5 million tons which had to be covered by imports, provided in part by the Latin American exporting countries and in part by the large world exporters. The region's total imports accordingly rose from 1.48 million to 3.4 million tons.

It must be borne in mind, however, that Latin America includes one of the world's largest wheat producers, Argentina; and exports from this country and Uruguay outweigh the region's imports and make it a net exporter. For reasons of geography, economics and commercial policy, and because of transport difficulties, these two traditional exporters, while supplying a large part of the demand of the countries in the southern sector of Latin America, have had to place the greater part of their exportable surpluses on the markets of other continents. But owing to increasing regional demand and the keener competition which Latin American wheat is meeting in the world market, there has been a gradual change in the direction of these exports, a larger proportion of them remaining in the region. Bearing in mind that the total exports of the two countries have remained practically stationary between the two reference periods - 3.41 million tons in the pre-war period and 3.37 in 1955-57 - it will be noted that intra-regional trade has increased from 1,175,000 tons to 1,550,000 tons, despite trade-balance difficulties and various other problems which will be dealt with in more detail below.

If a balance sheet for Latin America's external wheat trade is drawn up, it will be seen that, except for certain years when Argentina's harvests have been poor and its exportable surpluses much reduced, the region has been a net exporter, although the excess of exports over imports is constantly declining.

There is no sufficiently detailed information available to permit an accurate calculation of the wheat trade balance in 1925-29; but an estimate

6/ This group includes Chile and Mexico.

/based on

based on Argentine [7] and United States exports to the region and to the rest of the world indicates that demand from the deficit-production countries during that period was no more than 1.1 million tons, whereas exports from Argentina alone reached an average of 4.4 million tons. This would mean that net exports during the period exceeded 3 million tons. With demand increasing in the deficit-production countries at a much greater rate than production, and the marked decline in the volume of Argentina's exportable surpluses resulting from the fall in that country's production, Latin America's position greatly deteriorated, net exports falling in the period 1934-38 to 1.9 million tons. This general tendency continued in subsequent years, and by 1955-57 extra-regional exports had fallen to 1.6 million tons, the volume of intra-regional trade rising. Since at the same time imports from outside the region greatly increased - reaching a figure of 1.5 million tons - net exports fell to a mere 217,000 tons [8] (see table II-5).

Here again, the unfavourable trend in the balance of the regional wheat trade becomes apparent. Since the pre-war years, imports from outside the region have multiplied almost six times, while imports from the region itself have increased only by a little more than a third. It would seem inevitable, therefore, that Latin America will tend to become a net importer of wheat despite the efforts being made to avoid this.

2. Origin and direction of trade

Despite occasional fluctuations resulting from Argentina's production problems and the United States Government's surplus disposal programme the wheat trade has followed its traditional channels.

7/ Argentina's exports in 1928-29 were undoubtedly the highest registered to date.

8/ During the periods 1946-51 and 1952-55 Latin America became a net importer mainly as a result of the poor harvests of 1946, 1949 and 1950, which led to reduced exports.

/Table II-5

Table II-5

LATIN AMERICA: BALANCE OF EXTERNAL WHEAT TRADE a/

(Annual averages in thousands of tons)

	1925-29	1934-38	1946-51	1955-57
Exports b/				
Total	4 448	3 445	2 242	3 103
Intra-regional	870	1 195 c/	834 c/	1 503 c/
Extra-regional	3 518	2 250	1 408	1 600
Imports d/				
Total	1 100	1 485	2 288	3 367
Intra-regional	870	1 175 c/	811 c/	1 550 c/
Extra-regional	230	310	1 477	1 817
Net exports	3 348	1 940	-	217
Net imports	-	-	69	-

Source: Official statistics adjusted by ECLA.

a/ Wheat and wheat flour expressed in terms of grain.

b/ Argentine exports only.

c/ The discrepancy between the figures for intra-regional exports and imports is due to the fact that very often exports for a given year do not appear in the records of the importing countries until the following year.

d/ Estimates.

/The two

The two main producing regions on the American continent - the northern, consisting of Canada and the United States, and the southern, consisting of Argentina and Uruguay - have established specific spheres of influence within the region. Thus, the southern zone of Latin America, consisting of Brazil, Chile, Bolivia, Paraguay and Peru, has depended largely on the exportable surpluses of Argentina and Uruguay. On the other hand, all the countries on or north of the Equator have fallen almost entirely into the commercial system of the United States and Canada.

As regards the countries in the southern zone of Latin America, dependence on Argentina and Uruguay has not been complete, and has indeed been diminishing in the most recent years. As a consequence, again, of the rapid increase in consumption and the relative stagnation of Argentine production, as also of the facilities offered by the United States Government under its surplus disposal programme, the proportion of these countries' total imports accounted for by Argentina and Uruguay has appreciably declined.

During the pre-war period such exports amounted to about 97 per cent of total exports; but in 1950-51, owing to the relatively small harvest of these two years, they declined to only 55 per cent.[9/]

During the period 1955-57, imports originating in the region itself increased in volume to 1.47 million tons - 293,000 tons more than before the war; but as extra-regional imports increased at the same time, the share of the former in the zone's total imports rose only to 66 per cent (see table II-6).

The growing participation of extra-regional producers in supplying the zone began in the period immediately following the last war, when the importing countries, unable to obtain their normal supplies from Argentina, had to

9/ During the immediate post-war period the proportion fell to a minimum, owing to the fact that in view of the shortage of grain on the world market Argentina greatly raised its prices and shipped the larger part of its exports to other parts of the world, in order to take the greatest possible advantage of the market situation.

/Table II-6

Table II-6

LATIN AMERICA: ORIGIN AND DESTINATION OF WHEAT TRADE a/

(Thousands of metric tons)

Origin / Destination	Argentina		Uruguay		Rest of world		Total	
	1934-38	1955-57	1934-38	1955-57	1934-38	1955-57	1934-38	1955-57
Bolivia	32.8	5.8	-	-	2.7	113.4	35.5	119.2
Brazil	940.7	960.4	32.7	220.6	16.9	430.5	990.3	1 611.5
Chile	11.3	63.1	-	-	1.3	115.7	12.6	178.8
Paraguay	30.8	48.1	-	6.8	2.3	9.0	33.1	63.9
Peru	106.2	146.7	10.2	21.0	11.8	130.6	128.2	298.3
Colombia	0.6b/	-	-	-	14.2	91.3	14.8	91.3
Ecuador	3.9	-	-	-	8.9	53.3	12.8	53.3
Venezuela	-	-	-	-	30.4	258.9	30.4	258.9
Uruguay	8.7	-	-	-	-	-	8.7	-
Costa Rica	-	-	-	-	12.3	42.7	12.3	42.7
Cuba	0.6c/	-	-	-	121.0	191.0	121.6	191.0
El Salvador	0.9c/	-	-	-	9.0	32.5	9.9	32.5
Mexico	-	-	-	-	19.1	31.5	19.1	31.5
Nicaragua	-	-	-	-	5.6	21.3	5.6	21.3
Dominican Republic	-	-	-	-	7.9	30.1	7.9	30.1
Guatemala	-	-	-	-	14.1	47.8	14.1	47.8
Haiti	-	-	-	-	15.3	47.9	15.3	47.9
Panama	0.1c/	-	-	-	10.0	23.2	10.1	23.2
Total Latin America	1 136.6	1 224.1	42.9	248.4	302.8	1 670.7	1 482.3	3 143.2

Source: Official foreign trade statistics and FAO statistical yearbooks.

a/ Wheat and wheat flour in terms of grain.
b/ Imports from Ecuador.
c/ Imports of unspecified regional origin.

turn to the United States and Canada in order to meet their minimum requirements adequately.[10/]

From that time onwards, despite the recovery of Argentine production and the great increase in Uruguayan exports, extra-regional markets have had to be resorted to for 30 to 45 per cent - depending on the year - of the region's needs. The United States contributed the greater part of this supply - in 1955-57 approximately 89 per cent. Canada contributed to a significant degree only in 1950 and 1954; thereafter it exported relatively small quantities to Peru and virtually stopped trading with the other countries in the southern zone. There were no imports from European countries except under occasional agreements; such imports at no time amounted to more than 5 per cent of total wheat and flour imports.

It should be noted that in years in which intra-regional supply was normal the United States contribution to the zone's supplies tended to decline appreciably;[11/] but since the end of 1954, when the surplus disposal programme was first put into effect, with liberal credit facilities under Title I of Public Law 480,[12/] the United States has again acquired importance as a supplier, and its exports to Latin America have risen to average levels never before registered - 628,700 tons in 1955-57. The countries mainly benefiting from this trade have been Brazil, with an average of 319,000 tons annually, Chile with 80,000 and Peru with 53,000. It should also be remembered that the sales made under this Title entail an obligation, on the part of the beneficiaries, to purchase additional quantities in free dollars, through the ordinary trade channels with the United States.[13/]

10/ Brazil's imports from outside the region rose from only 19,600 tons before the war to 341,000 tons in the period 1945-49; and even then the Government had to take various steps to restrict consumption, increase the extraction percentage and order the addition to wheat of other flours - such as manioc, maize and rice - for bread-making. There were similar situations in neighbouring countries.

11/ In one year - 1952 - United States exports to the zone amounted to 1.3 million tons; but this took place to counteract the effects of the bad Argentine harvest. This however, can be regarded as a case of emergency.

12/ Sales in foreign currency.

13/ In view of the persistence of these sales to Brazil, the Government of the United States asked the Brazilian Government to declare it its normal supplier. This aroused natural apprehensions on the part of the Argentine Government, which opposed the step and succeeded in having it reversed.

/Bolivia and

Bolivia and Peru received considerable benefits under Title II of the same Law (grants for emergency relief).

The countries in the northern zone [14] are almost totally dependent on the United States and Canada, from which they obtained about 97 per cent of their total needs before and immediately after the war and have obtained almost 100 per cent of their supplies in recent years.

Of a total of 925,500 tons imported by the countries in question in 1955-57, only 600 tons came from outside the continent.

The traditional supplier of these countries is undoubtedly the United States, which has maintained its predominance over the years, providing between 70 and 75 per cent of their imports, Canada, too, has retained a very constant share of this market amounting to approximately 25 per cent of imports.

The best customers of the United States have been Venezuela, Colombia and Cuba; between 1934-38 and 1955-57 their imports increased by 638 per cent, 659 per cent and 126 per cent respectively. In the latter period 157,200 tons of wheat and wheat flour were imported by Venezuela, 76,700 tons by Colombia and 164,800 tons by Cuba (see table II-7).

Only Venezuela, with its trade in petroleum, can be considered an important customer of Canada; in 1955-57 it imported a total of 101,500 tons. The other countries are only small purchasers, the imports of none of them exceeding 33,000 tons. Attention should, however, be drawn to Cuba, whose imports fell from 48,000 tons in 1934-38 to only 26,200 tons in 1955-57.

It should, finally, be noted that in addition to the changes recorded in the direction of imports, there has also been an important change in the composition of these imports. At the beginning of the century, when most Latin American countries had very little in the way of flour mills, wheat imports mostly took the form of flour. As the region industrialized itself and became conscious of the advantages to be gained from flour manufacture [15] facilities were granted for setting up mills, and tariff protection were introduced to protect them from competition. Thanks to this policy, the proportion of imports of flour [16] to total imports fell from 24 per cent in 1934-38 to only 20 per cent in 1955-57. For the Central American and Caribbean regions as a whole, on the other hand, the proportion of wheat flour imports increased, rising from 61 per cent before the war to 83 per cent of the total recently.

14/ Comprising Ecuador, Colombia, Venezuela, Panama, the West Indian and Central American countries and Mexico.

15/ Particularly the use of its by-products in cattle-raising.

16/ Expressed in terms of grain.

/Table II-7

Table II-7

LATIN AMERICA: ORIGIN AND DESTINATION OF WHEAT TRADE a/

(In thousands of metric tons)

Destination \ Origin	Latin America		United States		Canada		Rest of world		Total	
	1934-38	1955-57	1934-38	1955-57	1934-38	1955-57	1934-38	1955-57	1934-38	1955-57
Bolivia	32.8	5.8	2.7	105.4	-	7.8	-	0.2	35.5	119.2
Brazil	973.4	1 181.0	12.7	406.8	0.4	-	3.8	23.7	990.3	1 611.5
Chile	11.3	63.1	1.3	109.1	-	-	-	6.6	12.6	178.8
Paraguay	30.8	54.9	-	9.0	-	-	2.3	-	33.1	63.9
Peru	116.4	167.7	11.8	87.9	-	42.6	-	0.1	128.2	298.3
Colombia	0.6b/	-	10.1	76.7	4.1	14.6	-	-	14.8	91.3
Ecuador	3.9	-	8.9	19.6	-	33.7	-	-	12.8	53.3
Venezuela	-	-	21.3	157.2	9.1	101.5	-	0.2	30.4	258.9
Uruguay	8.7									
Costa Rica	-	-	10.8	27.7	1.5	14.8	-	0.2	12.3	42.7
Cuba	0.6c/	-	73.0	164.8	48.0	26.2	-	-	121.6	191.0
El Salvador	0.9c/	-	6.1	26.8	2.9	5.7	-	-	9.9	32.5
Mexico	-	-	19.1	31.5	-	-	-	-	19.1	31.5
Nicaragua	-	-	4.3	18.1	1.3	3.2	-	-	5.6	21.3
Dominican Republic	-	-	5.8	19.5	2.1	10.4	-	0.2	7.9	30.1
Guatemala	-	-	14.1	37.8	-	10.0	-	-	14.1	47.8
Haiti	-	-	15.3	47.9	-	-	-	-	15.3	47.9
Panama	0.1c/		10.0	23.2	-	-	-	-	10.1	23.2
Total Latin America	1 179.5	1 472.5	227.3	1 369.0	69.4	270.5	6.1	31.2	1 482.3	3 143.2

Source: Official foreign trade statistics and FAO yearbooks.

a/ Wheat and wheat flour in terms of grain.
b/ Imports from Ecuador.
c/ Imports of regional origin, unspecified.

/3. The direction

3. The direction of regional exports

As has already been said, at the beginning of the second quarter of this century Latin America was the second largest exporting region in the world, and of its exportable surplus of little more than 4.4 million tons not less than 3.3 million tons left the continent for various other parts of the world. This situation has been changing gradually, as regards both the volume and the destination of these exports. The European market, formerly the largest customer of the main Latin American exporting country, has been losing in importance, while intra-regional trade has been growing. Exports to other parts of the world have also been steadily declining in importance.

During the period 1925-29 approximately 70 per cent of Latin American exports were shipped to Europe, 16 per cent went to the rest of the world, principally Asia, and only 14 per cent remained in the continent. This distribution was undoubtedly due to the limited regional demand and to the lack of established direct lines of transport between the northern and southern zones of Latin America.

By 1935-38 the situation had changed radically: despite reduced exportable surpluses the countries bordering the producing zone were absorbing 40 per cent of the total exports of wheat and flour, while Europe received only 45 per cent. By 1955-57, exports to the region had increased to approximately 45 per cent of the total, exports to Europe having partly recovered their former position (rising to 50 per cent), and exports to other parts of the world having fallen to no more than 5 per cent of the total.

The recovery of trade with Europe was undoubtedly due to the maintenance and improvement of the traditional commercial relations between the two regions. In addition, unlike certain South American countries which - as regards the volume of their imports - are erratic purchasers, the European countries offer a steady and guaranteed market.

Among the European countries, Germany, the Netherlands and Italy have gained in importance as purchasers of Latin American wheat and flour, but the United Kingdom is the main buyer, attracting almost 40 per cent of the total volume going to Europe.

/Lastly, it

Lastly, it should be observed that within Latin America there is a small international wheat trade which exists mainly for reasons of geographical convenience. The main current of this trade is over the frontier between Ecuador and Colombia; Ecuador sends Colombia a large part of the wheat produced in the Province of Carchi, near the frontier, while Colombia, in the Province of Nariño, has the milling facilities necessary for processing it. This market offers a natural outlet for Ecuador's wheat, which would be expensive to carry to the main centres of consumption in Ecuador.

Very similar conditions are found in the producing areas of Guatemala and Mexico.

The total value of Latin American wheat exports in the period 1955-57 was approximately 220 million dollars.[17]

4. Restrictions on the wheat trade

As an article of prime necessity, especially in the diet of the lower-income groups, wheat has received preferential treatment from Governments in order to maintain an adequate supply at relatively low prices. This privileged treatment is most noticeable in connexion with customs duties. Almost all the countries which have to import wheat and flour to meet part or all of their needs admit these foodstuffs at specially low tariff rates and very often grant them complete exemption from any kind of charge. They have, however, had to take steps to ensure that these imports are not larger than the deficits of domestic production in relation to consumption, in order to prevent a competition which would in many cases be ruinous to local producers.

Among the South American countries, Bolivia, Brazil, Chile and Colombia fall into the latter group; while their customs tariffs provide for specific and ad valorem duties on wheat and flour, there are provisions exempting the latter from these charges when they are imported by Government bodies. It must be borne in mind, however, that except for Bolivia, where in recent years the wheat and flour supply has been

17/ F.o.b. value.

/provided exclusively

provided exclusively through Title II of United States Public Law 480,[18] such bodies have a monopoly over the import of wheat in the countries in question.

In Brazil, for instance, the Government, through the Wheat Expansion Service and the Wheat Advisory Council, decides what quantities of grain are to be imported annually to ensure an adequate supply without harming or competing with national production. Imports are made through the Foreign Trade Department (Carteira de Comercio Exterior)(CACEX) and are then distributed to the mills through the Wheat Expansion Service in such a way as to ensure the milling of the established quotas fixed for domestic wheat, which is considerably higher priced than the imported product. Even so far as exchange rates are concerned, Brazil accords wheat very special advantages, having placed it in the "normal category" and assigned the minimum agio to it. In June 1958 the latter was set at 61.18 cruzeiros, which, added to the basic rate of 18.82, gives a total of 80 cruzeiros per dollar.[19]

In Chile, foreign wheat trade is concentrated entirely in the hands of the National Trade Institute (Instituto Nacional de Comercio), which effects imports subject to presentation of a certificate of need issued by the Ministry of Economy in consultation with the Ministry of Agriculture. Such imports are entirely free of import duties, but INACO itself is required to deposit in advance with the Central Bank, and leave there for a period of thirty days, a sum equivalent to 100 per cent of the value of the wheat to be imported.

18/ Deliveries are made to the Bolivian Government, which distributes them through millers and merchants.

Imports through ordinary trade channels would be free of ad valorem duty and of consular and service charges. They would be subject only to a specific duty of 20 bolivianos per gross kg.

19/ The average agio for the normal category in September 1958 was 195 cruzeiros per dollar.

/In Colombia,

In Colombia, wheat from abroad was until recently liable to a very high rate of duty, designed to prevent its competing with the national product, the cost of production of which is high; but it has now been entirely exempted from any entry duty. At the same time, however, an absolute monopoly over the importing of wheat has been granted to the National Institute of Supply (Instituto Nacional de Abastecimiento), a body which determines the quantities to be imported according to national production and consumption needs.

In Ecuador, Paraguay and Venezuela, wheat and wheat flour may be imported only on issue in advance of a permit by the competent Government control agency, but the import is then made by the firm concerned, which pays the duties specified in the customs tariff. The purpose of the permit system is to ensure control over the quantities imported and regulation of prices and, in the case of Ecuador and Venezuela, to encourage the use of the quotas allotted under the International Wheat Agreement. In Paraguay and Venezuela, import duties are low, but in Ecuador wheat, like all other items, is subject to various charges, which may amount to 17 per cent for wheat and 22 per cent for flour.[20]

The only country in South America where wheat and flour may be imported without any permit, deposit or subsequent control is Peru. Imports may be made by anyone, subject to the corresponding customs duties, namely, one and a half sol cents per gross kg and 7.667 per cent *ad valorem*,

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20/ In Venezuela, the duty on wheat is only two bolivar cents per gross kg; in Paraguay it is three dollar cents per hundred gross kg. In Ecuador, in addition to a basic rate of 10 sucre cents per gross kg and an *ad valorem* tax of 12 per cent, there are various emergency taxes and duties which considerably raise the total import duty. These are as follows:

1. A consular fee of 9.5 per cent of the f.o.b. value if the wheat is carried in foreign vessels and 8.5 per cent if it is carried in national vessels.
2. Two per cent contribution to support sales in the southern provinces.
3. One per cent charge under National Defence Emergency Decree No. 10.
4. A stamp tax, payable to the Central Bank before receipt of the import permit, at a rate of 5 per cent of the c.i.f. value for wheat in the grain (Category I) and 10 per cent for flour (Category II).

/plus a

plus a surcharge of two per cent.[21] Very frequently, however, wheat imports have been exempted from all duties for certain periods, in order to ensure an adequate supply.

In most of the countries referred to, imports of flour are subject to surcharges bringing the duty up to a figure of twice to almost ten times the duty on wheat grain. In Colombia only, imports of flour are specifically prohibited; however, the National Institute of Supply has made occasional imports of special flours for use in blends.

Most of the countries in the northern zone of Latin America do not grow wheat themselves; and since they have free trade systems there are no serious obstacles to the importation of wheat and flour, and customs duties, as in the other Latin American countries, are low.

Free Cuba gives preferential treatment to United States flour, with a rate of only 63 dollar cents per 100 kg, as against 83 cents for the other members of GATT.

In most of the other Central American and Caribbean countries there is no wheat production, and since customs duties are low there should be no substantial obstacles to imports of wheat and wheat products.

It may be seen from the foregoing that although customs duties do not impose a heavy additional burden on the wheat trade, the trade is rigorously controlled by many Governments; in fact, in most of the countries in the southern zone international trade in wheat is effected through inter-governmental-contracts under established commercial agreements and exchange or matching arrangements.

Document E/CN.12/423, "Inter Latin American Trade: Current Problems", gives fairly detailed information on the agreements which governed the wheat trade in the southern part of Latin America up to 1956.

The only changes or additions which have occurred since the publication of this document appear to have been those arranged by the Joint Chilean-Argentine Commission which met in Santiago on 28 May 1957 and

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21/ Under laws promulgated in 1958, imports are subject to an additional duty of 1 per cent for the restoration of Arequipa and 1 per cent contribution to the reserves of the Peruvian Reserve Bank (Banco de la Reserva de Peru).

/those laid

those laid down in the exchange of notes between the Governments of Argentina and Brazil amending the wheat agreement between the two countries for the years 1958, 1959, and 1960.

Under the first of these arrangements Chile agreed, inter alia, to purchase 250/280,000 tons of wheat at a value of 15 million dollars, and to import any necessary supplies of wheat and edible oil from the Republic of Argentina, on terms of equality of price and quality with the products of any other country.

Under the second, the Government of Brazil confirmed the position of Argentina as its traditional supplier and undertook to purchase from that country one million tons annually whenever Argentina's exportable surpluses amounted to more than three million tons. At the same time, it indicated that those quantities would be purchased subject to the condition that they would not compete with national production.

The Government of the United States, for its part, has concluded various agreements with South American countries for the sale of wheat and wheat flour under Title I of Public Law 480. Between July 1956 and June 1958, agreements were reached with Bolivia (65,600 tons), Brazil (1,770,500 tons), Colombia (116,700 tons) Ecuador (295,000 tons), and Peru (96,200 tons) 22/ (see table II-8). These agreements, however, were not carried out in full, and actual shipments were considerably smaller, especially in the case of Brazil (see table II-9).

Finally, mention must be made of the effect on the wheat trade of the International Wheat Agreement. Up to 1954, when the international wheat situation was one of relative shortage, this agreement did very useful work by guaranteeing the importing countries a reliable supply at fairly stable prices. Since then, however, there has been a radical change in the situation, and with the accumulation of surpluses in the main producing countries there has been a gradual decline in prices, and evidence of some anxiety on the part of those countries to dispose of their grain in larger quantities than those normally absorbed through normal trade channels. In these circumstances, the purchasing countries have shown

22/ The quantities given for Ecuador and Peru cover two agreements, one for each year.

/Table II-8

Table II-8

LATIN AMERICA: AGREEMENTS SIGNED BETWEEN THE UNITED STATES AND VARIOUS COUNTRIES FOR THE SUPPLY OF WHEAT AND FLOUR UNDER TITLES I AND II OF PUBLIC LAW 480

Country	Title I (thousands of tons)				Title II (thousands of dollars)
	1954-55 a/	1955-56	1956-57	1957-58	1 Jan.1954 30 June 1958
Chile	36.6	198.8	-	-	-
Colombia	22.2	49.2	116.1	-	-
Peru	100.2	38.2	56.1	40.1	5 361
Brazil	-	548.6	1 770.5	-	-
Ecuador	-	16.2	14.5	15.0	-
Paraguay	-	27.2	-	-	-
Bolivia	-	-	65.6	-	10 102
Haiti	-	-	-	-	205
Total	159.0	878.2	2 022.8	55.1	15 668

Source: Eighth semi-annual report on activities under Public Law 480, 83rd Congress, Document No. 431.

a/ Each year runs from 1 July to 30 June.

/Table II-9

Table II-9

UNITED STATES: SHIPMENTS TO LATIN AMERICAN COUNTRIES OF AGRICULTURAL SURPLUSES SOLD AGAINST FOREIGN CURRENCIES UNDER TITLE I OF PUBLIC LAW 480; 1955, 1956 AND 1957

(Wheat in volume and value) a/

Country	1955		1956		1957	
	Volume	Value	Volume	Value	Volume	Value
Brazil	29.9	1.8	519.0	31.6	408.1	24.7
Colombia	22.3	1.6	49.2	3.4	38.7	2.8
Chile	36.6	2.2	113.0	6.4	90.4	5.6
Ecuador	-	-	15.2	1.2	13.4	1.0
Paraguay	-	-	27.0	1.6	-	-
Peru	88.1	5.3	12.0	0.7	59.2	3.7
Total	176.9	10.9	735.4	44.9	609.8	37.8

Source: United States Department of Agriculture, Foreign Agricultural Service. Title I, Public Law 480. Amounts programmed under agreements signed through December 31, 1957, and shipments through December, 1957, by country and by commodity.

a/ Volume in thousands of tons. Values in millions of dollars.

/less and

less and less interest in taking up in full the quotas laid down in the agreement. In fact, whereas in the period 1949/50-1952/53 actual transactions amounted to 90 per cent of the quantities each country had undertaken to purchase under the Agreement, in 1955/56 the percentage was only 47 (see table II-10).

Most of the small purchasers in the region fulfilled their commitments practically without change; it was precisely the large importers - Brazil, Mexico and Peru - which reduced their imports most.

In 1956, Argentina became a party to the Agreement, undertaking to sell all its surplus not committed under bilateral agreements. For the year 1955/56, accordingly, its quota was fixed at 387,725 tons; this appears to have been disposed of among the European countries.

5. Sales by the United States Government, and their effect on the inter Latin American wheat trade

The agreements reached between various Latin American countries and the United States for the sale and purchase of agricultural products under Public Law 480 concerning the disposal of agricultural surpluses have now attained levels of some importance: in 1955, 1956 and 1957 shipments were made up to a total value of 167.8 million dollars, 93.6 million of which were accounted for by wheat and wheat flour.[23/]

In making these sales, the United States Government has tried to avoid bringing these surpluses into competition with the normal international trade. With this object in mind, it includes in the sales contracts a clause under which the contracting Governments agree to take all reasonable precautions to ensure that the purchase or sale of the agricultural surpluses covered by the agreement should not unduly disrupt world prices of agricultural commodities, deprive the United States of its

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23/ Between 1 July 1954 and 30 June 1958 agreements were signed with the Latin American countries for sales up to a value - at international market prices - of 292 million dollars. The cost of these products to the Commodity Credit Corporation (including the prices paid to the growers and storage but excluding freight costs) amounted to 491.6 million dollars, mainly owing to the high support prices maintained in the United States, which in all cases are above the international market prices.

/Table II-10

Table II-10

LATIN AMERICA: QUANTITIES GUARANTEED UNDER THE INTERNATIONAL WHEAT AGREEMENT AND SALES ACTUALLY EFFECTED

(Thousands of metric tons)

Country	1949/50-1952/53			1954/55			1955/56 a/		
	Quantities guaranteed	Sales effected	B/A (percentage)	Quantities guaranteed	Sales effected	B/A (percentage)	Quantities guaranteed	Sales effected	B/A (percentage)
	(A)	(B)		(A)	(B)		(A)	(B)	
Bolivia	75	67	89	110	20	18	110	106	96
Brazil	360	245	68	360	203	56	360	6	2
Costa Rica	32	32	100	35	35	100	35	32	91
Cuba	202	192	95	202	198	98	202	201	100
Dominican Republic	23	23	100	28	26	93	30	30	100
Ecuador	35	34	97	65	61	94	65	33	51
El Salvador	11	12	109	20	20	100	20	20	100
Guatemala	21	22	105	35	22	63	35	22	63
Haiti	28	29	104	50	50	100	50	48	96
Honduras	10 b/	9 b/	90	20	13	65	20	11	55
Mexico	325	324	100	250 c/	4	2	400	108	27
Nicaragua	9	9	100	10	10	100	10	10	100
Panama	17	16	94	23	18	78	23	18	78
Peru	150	149	99	200	20	10	200	2	1
Venezuela	160	152	95	170	170	100	170	170	100
Total Latin America	1 458	1 315	90	1 578	870	55	1 730	817	47

Source: World Wheat Statistics, May 1957, International Wheat Council.

a/ Figures subjet to revision.

b/ Average 1950/51-1952/53.

c/ 150 000 tons were transfered from Mexico to the Netherlands.

/customary markets

customary markets for such products or materially disturb the trade relations between the nations of the free world.

Despite these efforts, however, it cannot be said that the surplus disposal programme has been entirely successful in avoiding these problems; in a number of cases, affecting different products, the surpluses have competed directly or indirectly, with Latin American export production. This, however, does not apply to wheat and wheat products; so far, at least, the region's exporters have not had any difficulty in placing their entire exportable surpluses with their traditional buyers.

There have, however, been indirect effects which have caused difficulties of various kinds with respect to current transactions; and these difficulties will probably increase in connexion with future transactions, especially if the programme takes on a more or less permanent character.

It is an indisputable fact that the existence of enourmous surpluses in the United States and Canada, and the policy adopted by the former to dispose of them have had a depressive effect on international prices. The international prices registered during the last months of 1957 and the first months of 1958 showed a decline of 20 per cent by comparison with those of 1950-54, and further declines appear to be possible in view of the unprecedented harvests expected in the United States for the agricultural year 1958/59.[24/] Moreover Canada, too, has been accumulating considerable stocks, and it would appear that the Soviet Union has reached a stage at which it may be able to begin competing on the world market.

The sale of surpluses on terms extremely favourable to the beneficiary countries, terms which can hardly be said to be commercial, has enabled these countries to acquire agricultural products they could not have obtained in normal conditions, but for which there was a potential demand.

24/ It is estimated that this harvest will bring stocks from 24 million tons at the end of 1957/58 to 35.8 million tons in 1958/59.

/By means

By means of Public Law 480, therefore, the United States has absorbed a potential market which has always been a stimulus to the producing countries in the region.

Even though sales of United States wheat in the region have not prevented the complete disposal of the exportable surpluses of Argentina and Uruguay, they have caused certain dislocations in the market which have harmed the trade in other products.

The most interesting case is undoubtedly that of Chile, which, by transferring part of its wheat trade with Argentina to the United States, has disturbed its trade balance with the former. As a result, it has been obliged to reduce its exports of timber to Argentina, with consequent damage to its timber industry.

It must also be borne in mind that the supply of foodstuffs and agricultural raw materials on such favourable terms on a more or less permanent basis could make the less developed countries with chronic food shortages almost absolutely dependent on the United States. Given the ecological, cultural and economic characteristics of these countries it is possible that the present relative abundance will act as a disincentive to the expansion of their domestic agricultural production. This could give rise to grave difficulties if the surplus disposal policy were to be terminated.

One of the clauses of Public Law 480 provides that funds deriving from the sales of surpluses and directed towards the economic development of the importing countries may not be used to increase the cultivation of crops which might compete with United States products. This limitation is prejudicial to the temperate zone countries and to many of the tropical countries also.

Lastly, it must be pointed out that the sale of surpluses in local currencies carries with it the purchase of certain quantities of these products under normal trade and payment conditions in freely convertible dollars. This means the opening up of new trade channels which might in time result in demands that the United States should be recognized as the traditional supplier of markets to which, until recently, it contributed only occasionally.

/Possibilities of

IV. POSSIBILITIES OF EXPANDING INTRA-REGIONAL TRADE

We have already seen that the spheres of influence in the wheat market are established, and that an important sector of Latin America has become closely tied to foreign suppliers, while about half the output of the region's two exporting countries has to be sold outside the continent. In drawing up the balance-sheet of the region's foreign wheat trade, we also noted that with the rapid increase in regional demand and the relative slowness with which domestic production is responding to this demand, it seems inevitable that the region will tend to become a net importer.

Projections worked out by the Economic Development Division of ECLA indicate that in 1975 the demand for wheat in Latin America will reach about 20 million tons.

These same projections show that even if the deficit-production countries succeed by 1975 in putting to use all the land suitable for wheat growing and in improving yields by 15 per cent, their deficit balance will continue to increase, rising from 3.2 million tons during the period 1954/56 to 6.1 million tons in 1975. At the same time, if Argentina and Uruguay could place all their wheat lands under production and improve their per hectare output by 16.6 per cent, they could furnish an exportable surplus of approximately 10 million tons, which would more than cover the region's deficit.

If these projections are to be realized, however, much greater effort will have to be devoted to wheat production than ever before, and considerable funds will have to be invested in the improvement of new lands (especially irrigation), the purchase of machinery and the improvement of agricultural techniques. All this, of course, would have to be accompanied by a very well-planned policy of incentives. The point here, however, is not so much to decide whether or not this possibility could be realized but to note that as time passes the non-producing countries and the deficit-production countries will depend more and more on supplies from abroad, and that it is only the traditional wheat-producing area of Latin America which is in a position

/to reverse

to reverse the negative trend described above with regard to the balance of the region's wheat trade.

It may be presumed, therefore, that the future will see an accentuation of the trend, already indicated, towards a progressive increase in imports from the region itself. However, some analysis should be made here of the factors favouring and opposing this trend.

Argentine and Uruguayan wheat is likely to meet increasing competition in the European markets, especially in Western Europe; consumption is expected to decline in this region, concurrently with an increase in production, principally as a result of improved yields. The region's demand for foreign wheat will thus be much lower in 1975 than it is at present. From the point of view of supply, it seems certain that with the expansion of cultivated areas and the improvement of techniques going on in Eastern Europe and the Soviet Union, that region will substantially increase its production and will by 1975 have available exportable surpluses which will be able to compete with advantage for the European demand. As for the United States, this country appears to be faced with a more or less permanent problem of over-production; the measures taken to deal with the problem, such as the reduction of support prices and the restriction of sown areas through the Soil Bank plan, did not have the results hoped for - on the contrary they were followed by a substantial increase in production.[25/] It is probable, therefore, that if the present price support policy is maintained, the United States will continue to be a serious competitor in the European and world markets, both through normal sales and through sales under Public Law 480.

This competition in the markets of other continents could encourage an expansion in Latin American intra-regional trade, but various obstacles will have to be overcome if this is to go beyond the present spheres of influence.

In the first place, it has to be admitted that the natural markets for Argentine and Uruguayan wheat are in the neighbouring

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25/ Farmers handed over their marginal land to the Soil Bank, but in their other land intensified the use of modern techniques, with a consequent increase in yields.

/countries and

countries and Peru, and that apart from these the two countries referred to have no commercial links of any importance with any other country on the continent. Consequently, there are no established direct maritime transport lines, with freight travelling in both directions, permitting normal rates. Furthermore, many of the countries in the central and northern zones of Latin America are small consumers and do not possess the port facilities necessary for receiving bulk shipments by complete shiploads. The expansion of trade with these markets would therefore have to take place through an increase in regional exchanges, with greater multilaterality. The establishment of a Latin American common market could contribute effectively to the attainment of these goals.

/Chapter III

Chapter III

LATIN AMERICA'S TRADE IN DAIRY PRODUCTS AND PROSPECTS FOR EXPANDING INTRA-REGIONAL TRADE

INTRODUCTION

The main purpose of this study is to describe the structure of Latin America's trade in dairy products and to assemble information on the possibilities of expanding intra-regional trade in these commodities.

In order to determine the recent trends in the external trade in dairy products of the countries of Latin America, the following items have been selected: evaporated and condensed milk, powdered milk, cheese, butter and casein. These constitute virtually the entire trade in dairy produce, imports and exports of fluid milk and of products other than those listed being almost negligible.

The reason for the preferential attention given to study of the preserved milks and other products selected is, firstly, that Latin America is a region of low per capita consumption levels, and secondly, that there are possibilities of expanding the production of these items appreciably, thereby helping both to increase local supplies and to stimulate intra-regional trade.

In the first part of this study an approximate balance-sheet will be drawn up of the production and consumption of dairy products, bringing out the role which net foreign trade in these items is coming to play and indicating the levels of current per capita consumption. The next section will deal with the volume of imports in 1950-57 and of exports in recent years (1955-57), in the light of the region's aggregate trade and, in particular, from the standpoint of the relative importance of each product and the source and destination of the external trade in it by countries. Attention will then be turned to tariff and other restrictions applied by the different countries to their external trade in dairy products, and to the extent to which current trade agreements and policies favour or limit such trade. Lastly, the prospects for Latin America's future trade in dairy products will be examined, together with the conditions for or possibilities of organizing a broader regional market in this branch.

/It will

It will be seen from what follows that the dairy industry is of special importance for all countries in the region, providing as it does staple foods required for daily consumption, but that production is unfortunately far from adequate to meet proper consumption levels. Although the region is ecologically suitable and possesses sufficient natural resources to develop the dairy industry, the volume of production is only about 17 million tons, which is equivalent to an annual average of about 100 kg per capita. This figure is markedly low in comparison with the United States level of some 340 kg, and the much higher per capita production levels in such countries as Canada, the Netherlands and Denmark.

Although milk production in Latin America is moving steadily upwards (22 per cent between 1950-52 and 1954-56) and there has also been an appreciable increase in the processing of dairy products (77 per cent in the case of preserved milk), the region is resorting to imports in order to satisfy, at least in part, the large and expanding demand resulting from population growth and the rise in disposable personal income.[1] Thus, in 1955-57 imports of preserved milk and cheese (not including officially imported products) amounted to the equivalent of an annual average of 709 000 tons of fluid milk, i.e. virtually the entire output of Chile, for example.[2] Although these imports amounted to only 4 per cent of Latin America's production, they compelled the region to spend a large amount of foreign exchange, estimated at more than 70 million dollars.[3] The figure may be even higher in the future, if the trend towards increasing production and consumption continues; during the period specified, imports from countries outside the region increased by 54 per cent. Regional production played a very small part, either absolutely or relatively, in Latin America's import trade; thus, in 1955-57 imports from countries outside the region amounted to 674 000 tons,[4] while intra-regional imports barely totalled 22 000 tons

1/ In Latin America, dairy products have a high coefficient of income-elasticity of demand, estimated at 0.9.

2/ In most countries, official imports are not recorded in foreign trade yearbooks.

3/ Including the value of butter and casein imports.

4/ Preserved milk and cheese expressed in terms of fluid milk.

/(3 per

(3 per cent of total imports), compared with 10 000 and 30 000 tons imported from Latin America in 1950-52 and 1955 respectively. This means that the small intra-regional trade in these commodities has declined even further in recent years.

In butter and casein, Latin America is a net exporter,[5] but in spite of its favourable position in this respect the region imports well over 4 000 tons of butter from other regions, especially Europe and the United States. This seems to suggest some possibility of replacing imports not only of these items, but to a certain extent of preserved milk and cheese too, through an expansion of intra-regional trade in these products.

It should be stressed that even though the increase in imports of dairy products during the period under review was not an obstacle to the expansion of production, there is now some evidence to show that in various countries such imports are becoming a fairly serious barrier to the development of the dairy industry. This seems to be true of both imports made through the usual trade channels and of imports made through social welfare institutions. Although the latter are brought in with the laudable intention of improving consumption in the needier social groups, they are often drawn into local markets, since while the products in question are distributed gratis, the beneficiaries often sell them at ruinously competitive prices, instead of keeping them for their own consumption.

This study also points to the conclusion that if the production of fluid milk and its derivatives is to be increased and the intra-regional trade in dairy products to be stimulated, imports will have to be regulated and controlled; and, above all, their free distribution will have to be properly organized. Regional producers and industrialists will be able to count on a wide market for their products only insofar as they can protect themselves against foreign competition. In this respect, it may be asserted that customs duties and exchange and quota controls on imports of dairy products have not been sufficiently stringent to be described as protective or restrictive. They have had little effect, indeed, in some cases, and in countries with high purchasing power, none.

5/ An annual average of about 14 000 tons of butter and 37 000 tons of casein in all, at an estimated value of 25 million dollars in 1955-57.

/Lastly, it

Lastly, it is concluded that there are considerable possibilities of encouraging and stimulating a far more extensive intra-regional trade in dairy products (without necessarily affecting trade with other regions), on the basis of trade reciprocity and a policy of suitably planned and protected selective production. In the fairly near future, a marked expansion could be achieved in the trade in dairy products between Argentina and Uruguay, as exporters, and Bolivia, Brazil, Chile, Paraguay and Peru, as importers. Over the longer term, a much greater trade could be developed between the northern and southern countries of Latin America, and, to a certain extent, sub-regional trade in Central America and the Caribbean zone, could be expanded.

This study should be regarded as provisional, since a more detailed analysis of present trade conditions and future prospects would call for thorough research in several countries into the adverse factors and conditions currently hampering or liable to hamper the expansion of intra-regional trade. Moreover, a study in depth of production problems and consumption trends relating to dairy products will not be carried out until a later stage, and only then will it be possible to reach more definite conclusions on the prospects and possible future direction of intra-regional trade. This, of course, presupposes first-hand study in the countries concerned of specific trade and production problems on which no information is available.

I. SUPPLY OF MILK AND DAIRY PRODUCTS IN LATIN AMERICA

The changes in the supply of milk and dairy products in recent years have been as follows:

	Annual averages (Thousands of tons expressed in terms of fluid milk)		Percentage increase
	1950-52	1954-56	
Production	13 846	16 832	21.5
Exports	- 34	- 44	29.4
Imports	+ 461	+ 672	45.7
Total supplies	14 273	17 460	22.3

/These figures

These figures show that as a result of an increase in production, a slow growth in exports and a marked increase in imports, gross total supplies of milk and milk products rose to a little over 17 million tons in 1954-56. This is equivalent to an increase of 22 per cent over total availabilities in 1950-52 and of 9 per cent over the per capita supply during the same period. (See tables III-1 and III-2.)

It should be remembered that the simultaneous increases in production and in the import trade originated from an expansion in demand, this in its turn resulting from the growth of population and a rise in income levels. None the less, it is important to note that these increases in production and imports were insufficient to cover the increase in demand. Moreover, the present per capita consumption levels are still very low, and as the income-elasticity of demand for dairy products is fairly high in nearly all the Latin American countries, production will have to continue to expand.[6/] If this expansion is still not enough to satisfy increased consumption requirements, several countries will have to add to their imports to meet the pressure of growing demand.

1. Production of milk and milk products

With the exception of Argentina and Uruguay, where per capita milk production exceeds 200 kg, milk output is extremely low in the Latin American countries, particularly in Bolivia, Brazil, the Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Panama, Paraguay, Peru and Venezuela, where total per capita production barely reaches 100 kg per year. In Chile, Colombia, Costa Rica, Cuba and Nicaragua, conditions are less unstable, but production is still clearly deficient. Comparison with other countries where stock-farming is highly-developed emphasizes the unfavourable situation of per capita milk and dairy products production and supply in Latin America as a whole.

6/ According to various studies, the coefficient of elasticity in most Latin American countries is 0.8-1.0, i.e., roughly the same as the figure of 0.9 calculated by FAO for milk, dairy products and butter in Ceylon, Finland, Iceland, India, Pakistan and Portugal. (See FAO, The state of food and agriculture, 1957.)

/Table III-1

Table III-1

PER CAPITA MILK PRODUCTION AND AVAILABILITIES IN LATIN AMERICA AND SELECTED COUNTRIES, 1954-56

(Annual averages in litres)

Country	Production	Net availability for consumption a/
Latin America	96 b/	98 c/
Australia	660	187 d/
Denmark	1 170	212
Netherlands	547	234
United States	340	264
Canada	497	300
New Zealand	2 388	329

Source: FAO, Yearbook of food and agricultural statistics: production, 1957.

a/ Net availability of dairy products (excluding butter) expressed in terms of fresh milk, and estimated on the basis of the per capita calorie supply derived from them. (See FAO op.cit., p.241).

b/ Provisional estimate based on information from FAO, ECLA studies and official national statistics.

c/ Gross availability.

d/ 1954-55.

/Table III-2

Table III-2

LATIN AMERICA: MILK AND DAIRY PRODUCTS, PRODUCTION, TRADE AND SUPPLY BY COUNTRIES, 1954-56 a/

(Annual averages, in thousands of tons)

Country	Production	Exports b/	Imports b/	Supply Total	Supply Per capita kg
Argentina	4 850 c/	44	-	4 453 d/	251
Bolivia	40 c/		44	84	26
Brazil	3 743		63	3 806	65
Chile	743		43	786	116
Colombia	2 003 e/		16	2 019	159
Ecuador	285 f/		11	286	78
Paraguay	123		7	130	83
Peru	378 g/		62	440	47
Uruguay	595		-	595	227
Venezuela	319		241	560	97
Costa Rica	153 h/		15	168	177
El Salvador	197		13	210	96
Guatemala	203		26	229	70
Honduras	106		-	106	64
Nicaragua	193		2	195	157
Cuba	759		70	829	136
Haiti	16 i/		-	16	5
Mexico	1 962		44	2 006	74
Panama	36		7	43	47
Dominican Republic	128		8	142	56
Total Latin America	16 832	44	672	17 103 d/	98 j/

Sources: FAO, Yearbook of food and agricultural statistics: production, 1957; ECLA studies and national statistics.

Note: The production figures are provisional, because estimates had to be made for several countries, and statistical sources were not always adequate. The marked fluctuations in per capita supplies indicated in the table, and the favourable position of some of the less developed countries in the region, might be attributed to these circumstances.

a/ Excluding butter and casein. b/ Evaporated, condensed and powdered milk and cheese expressed in terms of fresh milk. c/ ECLA report. d/ Discounting the equivalent of butter but not of casein exports, the latter being a by-product. e/ National crop and livestock survey. f/ First agricultural census, 1954. g/ ECLA study. h/ Based on agricultural census. i/ ECLA estimate. j/ Average weighted by number of inhabitants.

/It is

It is true that Latin American production of milk and milk products has mounted steadily in the last few years, but per capita availabilities are still so far below the region's potential capacity that there is ample room for expansion. Conditions in most Latin American countries would favour the development of milk production, partly through the enlargement of dairy herds and grazing areas, but in particular through the introduction of intensive techniques which would raise productivity per cow and per hectare. Although it is often said that there are numerous difficulties to be overcome if the dairy industry is to develop in tropical zones, the fact remains, as statistics show, that noteworthy progress has been made in production not only in the temperate zones (Argentina, Uruguay and Chile) but also in the tropical and sub-tropical zones of Brazil, Colombia, Ecuador, Cuba, El Salvador and Mexico. (See table III-3).

The major part of the production increase registered in the first group of countries in table III-3 was due to the great expansion achieved in Brazil, where the annual average rose from 2.6 million tons in 1948-52 to 3.7 million in the three-year period 1954-56 - an increase of 43 per cent. The appreciable rise in production in Latin America as a whole during the same period (23 per cent) is attributable to an increase in dairy stock numbers and possibly to improvements in feeding and management practices. In spite of these improvements, the technical level of dairy production still leaves much to be desired, especially in livestock management on disease control.[7/] In several countries, milk production is carried on exclusively by extensive farming-on-the-range methods, and there are still many dairy industries which operate on the basis of native cattle or poor half-breed strains grazed on pastureland of low nutritive value, the resulting average yield per cow being no more than two or three litres a day. It should be emphasized that the low productivity and high cost of milk production in

7/ Particularly mastitis, infections, abortion and foot-and-mouth disease, which have serious repercussions on milk production.

/Table III-3

Table III-3

COMPARATIVE MILK PRODUCTION IN SELECTED COUNTRIES, 1948-52 AND 1956

(Annual averages in millions of tons)

Country	1948-52	1954-56	Percentage increase
Brazil, Colombia, Ecuador, Cuba, El Salvador and Mexico	6.8	8.9	31
Argentina, Chile and Uruguay	5.3	6.2	17
Canada	7.1	7.8	10
United States	52.4	57.0	7
Netherlands	5.4	5.9	9
New Zealand	4.7	5.2	8

Source: FAO, Yearbook of food and agricultural statistics: production, 1957. National Statistics and ECLA studies.

/Latin America

Latin America derive directly from the extremely low rate of yield for dairy cows, which ranges from 400 to 800 litres per year in the northern countries of the region, and from 1 000 to 1 500 in Argentina, Chile and Uruguay. These figures compare unfavourably with the average yields of approximately 4 000 litres in the Netherlands, 3 440 in Denmark, 3 000 in the United States, 2 400 in Canada and 2 000 in Australia.

The volume of preserved milk produced in Latin America is still small, but a fairly persistent upward trend has been observed in some countries (see table III-4).

Complete information on all the countries in the region is not yet available, but the figures in table III-4 suffice to show that preserved milk production has increased considerably in recent years. It is estimated to have risen between 1948-52 and 1954-56 by 77 per cent, i.e., at a far more rapid rate than fresh milk production. Progress has been particularly striking in Argentina, Brazil, Cuba, Perú and Venezuela: Argentina, which before the Second World War used to import processed milk, is now an exporter of this item.

2. External trade in dairy products

Since the production of milk and milk products in Latin America fails to meet consumption requirements, most countries have had to import these commodities, generally from outside the region, in increasing amounts. For instance, in 1934-38 South America imported an average of 7 000 tons of condensed, evaporated and powdered milk, as against a total for Latin America as a whole, of 50 000 tons in 1948[8/] and a little over 100 000 tons in 1955-57. This means that the volume of imports has expanded fairly rapidly, import trade in these items having increased by about one-third in the short time between the three-year periods 1950-52 and 1955-57. Cheese imports too jumped from 5 000 to 12 000 tons between 1950 and 1957, and butter imports from 6 000 to 8 000 tons in the same interval. Casein imports also showed a relatively marked increase, but were mainly intra-regional in origin, as will be explained in another section of this study.

8/ FAO, "Dairy products", Commodity Series, Bulletin No. 24, February 1953.

/Table III-4

Table III-4

LATIN AMERICA: PRESERVED MILK PRODUCTION, 1948-52 AND 1954-56

(Annual averages in thousands of tons)

Country	1948-52		1954-56	
	Condensed and avaporated	Powdered	Condensed and evaporated	Powdered
Argentina	7	4.5	12.0	11.0
Brazil	18	6.0	22.0	20.0
Chile	10	1.0	12.0	2.0
Colombia	2	2.5	2.8 a/	4.4 a/
Cuba	17 b/		30.0	
Panama	1		3.0	
Peru	6 c/		11.0 c/	
Venezuela	2	1.0	4.0	4.0
	63	15.0	96.8	41.4

Sources: FAO, Monthly bulletin of economy and statistics, No. 2, 1958; national statistics and ECLA estimates.

a/ Data supplied by the Ministry of Development for 1956. (Ministerio de Fomento).

b/ 1949-50.

c/ Including powdered milk.

/It is

It is important to note that the foregoing figures refer to trade imports only, and do not include purchases made under the terms of United States Public Law 480 or by social welfare agencies and organizations;[9] this means that total imports are actually much larger.

Table III-5 shows that the main current of trade corresponds to imports of preserved milk, exports of this item having amounted to only 1 per cent of imports. Given the upward trend of consumption, it is only logical to conclude that there are no very encouraging prospects for the replacement of imports by local production and the expansion of intra-regional trade over the short term, unless measures are taken to ensure a substantial increase in output which would permit both an improvement in the levels of per capita consumption and an expansion of inter-Latin American trade. On the other hand, there are great possibilities for a rapid expansion in the intra-regional trade in butter and cheese, in view of the fact that these products are exported to countries outside the region and are also imported from the rest of the world. (See table III-5.)

3. Supply and consumption of dairy products

Table 2 shows that the average per capita milk supply is decidedly low in nearly every country. Allowing for the loss of part of the milk output owing to unsatisfactory handling and distribution, and for the proportion set aside for animal feeding and other uses, it will be seen that relatively little remains for human consumption, whether in the form of fresh or preserved milk or of cheese, butter and other milk products. As regards preserved milk, per capita consumption is extremely low in Latin America, even though there are several zones where, for geographical, climatic or other reasons, other milk substitutes, let alone fresh milk, are unobtainable.

Table III-6 shows that approximately 56 per cent of total consumption of preserved milk is based on regional production, and the remainder covered by extra-regional imports. Annual apparent per capita consumption in Latin

9/ To give an idea of the size of these imports, the case of Chile may be quoted: in 1958, Caritas was instrumental in bringing into Chile in the form of powdered milk and cheese, the equivalent of 222 000 tons of fresh milk, i.e., almost a quarter of Chile's own production.