

Distr.  
RESTRICTED

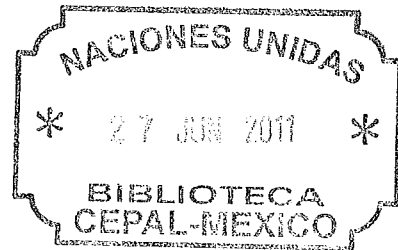
LC/MEX/R.325  
19 September 1991

ENGLISH  
ORIGINAL: SPANISH

---

E C L A C

Economic Commission for Latin America and the Caribbean



PRODUCTION AND COMMERCIALIZATION OF OIL-SEED PRODUCTS  
IN CENTRAL AMERICA (FRG/89/004)

SUMMARY OF THE REPORT ON THE REGIONAL MEETING  
OF EXECUTIVES AND INVESTORS

## INDEX

A. BACKGROUND	1
B. TECHNICAL MEETING ON OIL-SEED AND EDIBLE VEGETABLE OIL PRODUCTION IN CENTRAL AMERICA AND ITS RESULTS	1
C. REGIONAL MEETING OF EXECUTIVES AND INVESTORS	2
1. Documents	3
2. Conclusions and recommendations	4
a). Conclusions	4
b). Recommendations	4

\*\*\*\*\*

### A. Background

The Economic Commission for Latin America and the Caribbean (ECLAC) implemented the project "Production and Marketing of Agricultural Oil-seed Products in Central America" (FRG/89/004). This project, for which the German Federal Republic contributed the financial resources, was carried out in two stages. The first lasted from March 1989 through April 1990 with activities such as gathering of information, the employment of national consultants to analyse the agricultural situation and retaining the services of the *Instituto Centroamericano de Investigacion y Tecnologia Industrial (ICAITI)* (Central American Research and Industrial Technology Institute) for the diagnosis and determination of the prospects of the edible vegetable oil industry in the region. In this respect, a Technical Meeting was held on the production of Oil-seed and Edible Vegetable Oils in Central America. During the second stage, completed by September 1991, a document on the situation of oil-seed in Mexico was prepared and a Technical Meeting was held in Mexico City.

### B. Technical Meeting on Oil-Seed and Edible Vegetable Oil Production in Central America and its Results

ECLAC had defined the production and marketing conditions of oil-seed as well as edible vegetable oil in a preliminary document, which served to convene a meeting of the Central American specialists in the field. The meeting was held at the ECLAC offices in Mexico City on 5-6 April, 1990.

The contents of the document were analysed at the meeting and a series of conclusions were adopted, among which the most important were:

1. Investments are required by the edible vegetable oil industry, in order to modernize the industrial base in some countries of the region and to be able to meet domestic demand;

2. The possibility exists of carrying out an oil and related by-product regional swap. Honduras and Costa Rica, for example, could export palm oil to the rest of the countries in the region and import cotton and soy bean oil or flour; and

3. Relations of a different nature could be established between Mexico and Central America. These could be of a commercial nature by means of the exchange of edible vegetable oil and oleaginous paste and flour, or through joint partnerships to be established in Central America for oil extraction, in order to guarantee the supply of crude oil to Mexico. Central American businessmen could co-invest with their Mexican counterparts for the refining of palm oil.

Based on the opinions expressed at the Meeting, a final document was prepared: Central America: Production of Oil-Seeds and Edible Vegetable Oils. Current Situation and Prospects (LC/MEX/L.123/Rev.1 and (LC/MEX/L.123/Add.1/Rev.1).

It is clear, judging by the contents of the document, that diminishing cotton production --which affected supplies of the principal raw materials of the region-- in conjunction with the generalized economic crisis, has caused a slump or stagnation in oil consumption, except in the cases of Costa Rica and Honduras, where palm oil production allowed an increase of supply as well as local demand.

After a brief analysis of the prospects of foreign demand of oil-seed and edible vegetable oil and based on the abundance of natural resources, the conclusion was reached that Central America should expand its production so as to cope with the increase in demand expected during the 1990's and be in a position to export these products to other markets. Details are given on production capacity, areas to be cultivated and necessary investments to process the product. Reference is also made to aspects related to research and technological advances.

The document was distributed to officials in charge of the agricultural sector in Central America and to authorities and businessmen in Mexico.

### C. Regional Meeting of Executives and Investors

After distribution of the document resulting from the Technical Meeting, ECLAC, responding to the requests of government institutions and businessmen involved with the edible vegetable oil industry, convened a meeting of Mexican and Central American investors and businessmen in order to promote the barter of edible oils and by-products as well as

joint industrial investments.

The Regional Meeting of Executives and Investors, was held in Tegucigalpa, Honduras, at the offices of the Central American Bank for Economic Integration (CABEI) on 19-20 June, 1991, with the participation of a group of Central American industrialists who attended the meeting in their own right. The Report on the Regional Meeting of Executives and Investors (LC/MEX/R.306) of 12 July, 1991 and list of participants, are attached.

### 1. Documents

In order to steer the debates, two ECLAC documents were available: Central America: Production of Oil-Seed and Edible Oil. Current Situation and Prospects (LC/MEX/L.123/Rev.1) dated 4 May, 1990, and The Situation of Oil-Seed in Mexico (LC/MEX/R.301), dated 13 June, 1991 which, in general, point out:

a) That the edible vegetable oil industry, offers investment possibilities based on consumption potential resulting from demographic growth and the expected recovery of income levels. According to conservative estimates, meeting the demand in the region requires that production capacity be doubled.

The necessary growth required to supply raw materials to the industry, will have positive repercussions on employment levels and on the income of small and medium producers, helping as well in saving much needed foreign currencies. Furthermore, Central American countries will be able to compete successfully in markets to which they will have access in the short term, such as Mexico and the Caribbean countries. When export markets are considered, the prospects of the subsector are much improved.

b) Free trade agreements between the Central American region and neighboring countries as well as the process of tariff reduction, will increase competition in the oil markets of the region. The industry should be in a position that will enable it to compete internationally.

c) The edible vegetable oil industry has, on the one hand, an excess installed capacity that is idle due to insufficient supply of raw

materials and requires, on the other, upgrading and modernizing of some equipment. In addition, the region meets more than 50% of the demand with imported crude oils. Hence, the increase in production of edible oil will require considerable investment in order to achieve international competitiveness.

## 2. Conclusions and recommendations

The following conclusions and recommendations were approved at the Technical Meeting:

### a) Conclusions

The promotion of oil-seed agriculture, requires:

#### i) Adequate government policies:

1) Prices should stimulate production, not only for the establishment of new plantations but for their renewal as well;

2) The introduction of incentive programs to balance production costs with international costs, is necessary; for example, the cost of imported materials and machinery; and

3) It is advisable to coordinate promotion policies in the region.

ii) Financing programs and the organization of producers to facilitate purchasing agreements and technical assistance, specially in the cases of African palm and soy bean.

### b) Recommendations

i) Promotion of a regional organization of edible vegetable oils producers, in order to:

1) Interchange information regarding the development of international markets;

2) Promotion of joint importation of raw materials;

3) Promotion of complementary and specialized aspects of Central American production;

4) Joint negotiation of matters related to the facilitation of regional and extra-regional trade; and

5) Participate actively in free trade agreement negotiations.

ii) Promotion of joint meetings between agricultural producers and industrial processors of edible vegetable oils.

iii) Promotion of meetings with government authorities responsible for pricing policies and the furthering of production and investment, in order to design joint programs for the increase of production of edible vegetable oil in the agricultural and industrial aspects.

iv) It is recommended that the Economic Commission for Latin America and the Caribbean and the Central American Bank for Economic Integration, continue the analysis of edible vegetable oil production, as well as give further support to organized producers in the study and search of solutions to their problems.

v) A meeting of businessmen involved in the oil industry, has been proposed to be held in Guatemala in September in order to discuss the creation of the Central American Association of Edible Vegetable Oil Producers.

vi) ECLAC has been requested to coordinate the arrangements for this event, with the collaboration of the *Federacion de Camaras de la Industria Centroamericana (FECAICA)* (Central American Federation of Industrial Chambers) and the *Federacion de Entidades Privadas de Centroamerica y Panama (FEDEPRICAP)* (Federation of Private Companies of Central America and Panama).

\* \* \* \* \*