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PROSPECTS FOR AGRICULTURAL DEVELOPMENT. 1/

The Economic Survey (Document E/CN.12/82) and the Report of the ECLA/FAO Joint Working Party (Document E/CN.12/83) show the central role of agriculture in the economies of the Latin American countries. Yet agricultural production has barely kept pace with population growth since the prewar period and, in most countries, has added very little to the nutritional level of the people. Some improvement in nutritional status has been achieved in several countries through increased imports or decreased exports of foodstuffs. It should also be noted that a larger proportion of the production of agricultural raw materials now remains within the region for industrial uses.

Two important factors which condition agricultural production are external to agriculture itself: one is the stability of the foreign market, which in turn is determined by the level of employment and production in the highly industrialized countries of North America and Western Europe; the other is the internal purchasing power of the Latin American people. In the long run an accelerated agricultural development can only be achieved on a domestic basis, which means that there would have to be parallel expansion of industry, power, transport, communications and other services.

The history of development in the highly industrialized countries which were once agricultural, demonstrates the mechanization of agriculture must go hand in hand with expansion of industry. As agricultural production is expanded through modern techniques, labour is released from the farms for work in industry.

1/ This paper has been prepared in consultation with the Director General of the Food and Agriculture Organization of the United Nations.

Industrial expansion, on the other hand, provides the purchasing power necessary to take up the increased production of foodstuffs and raw materials.

Prices are of utmost importance for the development of agriculture. At present they are too erratic in character and fluctuate more than in any other economic activity; such variability may result in waste and economic maladjustment discouraging to the efforts of the farmer. Well directed agricultural policies should aim at the stabilization of prices and the regulation of certain aspects of production so as to adjust supply to demand, especially where chronic surpluses are characteristic.

Processing of foodstuffs and agricultural raw materials and their more efficient use offer opportunities both for increasing output and raising the real income of the farmer. The more efficient utilization of agricultural raw materials would serve to improve the economic situation of both producers of raw materials and of finished products. Balanced development of agriculture and industry will present different problems in different areas. In certain countries basic natural resources or other special conditions will suggest for the time being a faster rate of development for agriculture while in other countries industry should expand more rapidly than agriculture.

An expansion of agricultural production can be achieved in only two ways:

1. By increasing the output of the areas which at present are already under cultivation;
2. By opening up new areas through colonization, irrigation and drainage.

The first method implies the modernization of agricultural

practices and techniques and the increased use of farm requisites such as fertilizers, pesticides, and a wide range of machines, implements and tools designed to increase the efficiency and the productivity of the farmer. The second entails large capital investments in irrigation or drainage works, land clearance, sanitation, transportation and communications; moreover these are projects which as a rule must be financed by governments. Both methods of agricultural expansion in Latin America have been carefully reviewed by the ECLA/FAO Joint Working Party on Agricultural Requisites. 1/

The Joint Working Party has found that although there are considerable opportunities for the expansion of the areas under cultivation and although there is a strong sense of public responsibility for utilizing such opportunities, colonization, irrigation and drainage will not contribute materially towards an increased agricultural production in Latin America during the next few years, unless considerable more capital is made available. On the other hand, intensification of agriculture in already settled areas cannot take place while adverse factors remain that retard the greater utilization of farm requisites.

The principal impediments standing in the way of modernization of agricultural techniques and methods are: inadequate agricultural extension services, insufficient research on the problems to be found in the local production processes, and inadequate and insufficient credit facilities both for the purchase of farm requisites and for the general fostering of agricultural development. Farmers in Latin America

1/ See Preliminary Report on Agricultural Requisites, ECLA/FAO Joint Working Party, ECLA document E/CN.12/83

need direct assistance if they are to improve their production methods and learn to utilize agricultural requisites. By themselves they are at a loss when it is necessary to develop new techniques or to solve a problem in the production chain. The small cash receipts of the majority of them do not permit the purchase of farm machinery, fertilizers, etc., without the help of loans especially designed to meet their needs. In order to be effective, credit, research and extension for agriculture should be carried out on a national basis. The governments of Latin America might wish to give serious consideration to these three corner-stones of progress in farming.

A much broader problem but equally important is the necessity to improve domestic market facilities and practices and to stabilize foreign markets through trade relations. The Commission no doubt will wish to consider what further action may be taken to stabilize markets, both foreign and domestic, and to carry out the suggestions of the ECLA/FAO Joint Working Party.