

Report of the Third Regional Meeting on

FOOD and AGRICULTURAL PROGRAMS and OUTLOOK in LATIN AMERICA

Buenos Aires, 1-10 September 1954



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

Rome, 1955

AGRICULTURAL DEVELOPMENT ---

FAO publications on various aspects of agricultural development include the following. Editions in English, French and Spanish are indicated by E, F, S respectively.

Prospects for Agricultural Development in Latin America 1953. 146 pp., tables, diagrams (ES)	\$1.00	5s.
Report of the Inter-American Meeting on Livestock Production 1950. 100 pp. (ES)	\$0.50	2s.6d.
Report of the Second Inter-American Meeting on Livestock Production 1953. 138 pp. (ES)	\$1.50	7s.6d.
Consolidation of Fragmented Agricultural Holdings 1950. 99 pp., maps, tables. (EFS)	\$1.00	5s.
Land Classification for Agricultural Development 1952. 37 pp. (EFS)	\$0.50	2s.6d.
Communal Land Tenure 1953. 57 pp. (EFS)	\$0.50	2s.6d.
Inter-relationship between Agrarian Reform and Agricultural Development 1953. 65 pp. (EFS)	\$0.75	3s.9d.
Using Salty Land 1948. Second printing 1953. 51 pp., charts. (EF)	\$0.50	2s.6d.
Soil Conservation: An International Study 1948. Second printing 1952. 189 pp., illustrated. (EFS)	\$2.00	10s.
Soil Surveys for Land Development 1953. 110 pp., illustrated. (ES) French edition in preparation.	\$1.00	5s.
Farm Management Investigations for Agricultural Improvement 1952. 36 pp. (EFS)	\$0.50	2s.6d.

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INTRODUCTION

1. THE Third FAO Regional Meeting on Food and Agricultural Programs and Outlook in Latin America took place from 1 to 10 September, 1954. The Meeting was held at the Faculty of Law and Social Sciences of the National University of Buenos Aires, thanks to the hospitality of the Argentine Government.

2. As is shown in detail in this report, the Meeting examined the present situation in Latin America as regards the production, distribution and consumption of food and other agricultural products, including fisheries, and studied the supply and demand outlook according to plans extending to the agricultural year 1956-57. In the light of this outlook, recommendations were made for the formulation of national production and consumption policies and programs, and also for measures to improve the organizations and the means by which these programs may be put into operation.

Delegates

3. The Meeting was attended by delegates of the following governments (for further details see Annex A):

Argentina	Ecuador	Netherlands
Bolivia	El Salvador	Nicaragua
Brazil	France	Panama
Chile	Guatemala	Paraguay
Colombia	Haiti	United Kingdom
Costa Rica	Honduras	United States of America
Dominican Republic	Mexico	Uruguay

Observers

4. Observers of the following organizations were also present (for further details see Annex A):

Holy See

Economic Commission for Latin America (ECLA)

Inter-Governmental Committee for European Migration (ICEM)

Inter-American Council of Trade and Production

Organization of American States

Inter-American Statistical Institute

Inter-American Institute of Agricultural Sciences

Pan-American Sanitary Bureau

Ministry of Agrarian Affairs for the Province of Buenos Aires

International Labour Organisation

World Union of Catholic Women's Organizations

5. The plenary sessions were public.

Opening Ceremony

6. At the opening ceremony on 1 September, speeches were made by: His Excellency the Minister of Agriculture and Livestock of Argentina, Mr. Carlos A. Hogan; the Representative of the Director-General of FAO: Mr. William G. Casseres, Director of the Regional Office for Latin America; the Representative of the delegates to the Meeting: His Excellency the Minister of Agriculture of Honduras, Mr. Benjamín Membreño.

Officers

7. At the first working session, the Meeting elected the following officers:

Honorary Chairman: By acclamation, His Excellency the President of the Argentine Republic, General Juan D. Perón was designated Honorary Chairman.

Chairman: His Excellency the Minister of Agriculture and Livestock of Argentina, Mr. Carlos A. Hogan.

Vice-Chairmen: His Excellency the Minister of Agriculture of El Salvador, Mr. Roberto Quiñones; His Excellency the Minister of Agriculture of Honduras, Mr. Benjamín Membreño; His Excellency the Minister of Justice and Labor and interim Minister of Agriculture and Livestock of Paraguay, Mr. Fabio da Silva.

Credentials Committee

8. The Meeting appointed a Credentials Committee composed of the delegates of the following four member countries:

Costa Rica	Netherlands
France	United States of America

Co-ordination Committee

9. The Meeting appointed a Co-ordination Committee composed of the delegates of the following eight member countries:

Argentina	El Salvador
Brazil	Mexico
Chile	Nicaragua
Ecuador	Uruguay

Condolences

10. Tribute was paid to the memory of Sra. Eva Perón, the delegates to the Meeting standing in silence for one minute.

11. Homage was also paid to the memory of the recently deceased President of Brazil, Sr. Getulio Vargas, the delegates to the Meeting standing in silence for one minute.

Agenda

12. The Meeting adopted the following subjects for discussion:

- I. Developments in food and agriculture since the Second Regional Meeting (December 1950) and analysis of the production targets and estimates for 1956/57 in the light of the world and regional situation and outlook:
 - a) problems arising from recent developments in production, prices, trade and consumption, including the surplus problem
 - b) progress towards implementation of the 1956/57 targets and their adequacy in relation to (i) population growth (ii) nutritional standards and (iii) trade prospects
- II. Statement by the representative of the Director-General on the work of FAO in Latin America

- III. Organizational, economic and social measures to implement agricultural programs, including consideration of ways in which FAO assistance can be of maximum benefit:
- a) Government services to farmers
 - b) Improvement of agricultural statistics
 - c) Improvement of marketing facilities and methods
 - d) Processing of agricultural products and the development of rural industries
 - e) Land tenure
 - f) Co-operative organization
 - g) Forestry matters; creation of the Latin American Forestry Institute
- IV. Technical programs for increasing agricultural production including consideration of ways in which FAO assistance can be of maximum benefit:
- a) programs for better land and water use and for increasing the area under cultivation, including irrigation and colonization, and taking into account measures for soil and forest conservation
 - b) Use, production and maintenance of agricultural implements and machinery
 - c) Use and production of fertilizers
 - d) Seed improvement
 - e) Plant protection (including the World Reporting Service, consideration of a Regional Plant Protection Organization and the status of locust control in the region)
 - f) Improvement of livestock and better integration of animal husbandry and crop production
- V. Appraisal of fisheries development and the related work of FAO in the region.

Organization

13. Two secretaries were appointed:

General Secretary, by the Argentine Government: Mr. Fortunato Tomás Desimone, Public Accountant, Third Director in the Ministry of Foreign Affairs of Argentina.

Technical Secretary, by FAO: Mr. Alfredo M. Saco, Representative of the Economics Division for Latin America and Chief of the FAO-ECLA Joint Program.

14. Mr. Saco was assisted by several FAO staff members headed by Dr. F. T. Wahlen, Director of the Agriculture Division.

15. The Meeting held plenary sessions on the mornings and afternoons of 2 and 3 September, on the morning of 4 September and every morning and afternoon from 6 to 10 September.

16. The Meeting appointed a special Working Party on agricultural prices, trade and surpluses. The Working Party consisted of the delegates of the following countries (without prejudice to other delegates being free to attend if they so desired):

Argentina	Mexico
Brazil	United Kingdom
Chile	United States of America
Ecuador	Uruguay

This Working Party met under the Chairmanship of Mr. José Carlos Vidal, Legal Adviser on Agrarian Policy of the Secretariat of Economic Affairs of Argentina, on the mornings of 3 and 4 September, the morning and afternoon of 6 September and the mornings of 7 and 8 September, and delivered their report to the Plenary Session on 9 September.

17. During the last working session of 9 September, the Chilean delegate, on behalf of his Government, proposed Santiago as the place for the Fourth Regional Meeting, in principle planned for 1956. This proposal was seconded by the delegates of Argentina, Uruguay, Brazil and other countries and it was unanimously agreed to notify the Director-General of FAO of the proposal.

18. At the end of the last plenary session a motion of appreciation and thanks was voted to Mr. Carlos A. Hogan, Minister of Agriculture and Livestock and Chairman of the Meeting, for his kind hospitality to all the delegates attending the meeting.

19. After having approved the present report, the Meeting closed with a final session at 6 p. m. on 10 September, when speeches were delivered by the following: The Chairman, His Excellency the Minister of Agriculture and Livestock of Argentina, Mr. Carlos A. Hogan; the Technical Secretary, Mr. Alfredo M. Saco; the Under-Secretary for Livestock and Agriculture of Uruguay, Mr. Esteban F. Campal, on behalf of the delegates.

I. BASIC AGRICULTURAL PROBLEMS AND POLICIES IN LATIN AMERICA

CURRENT SITUATION

1. In recent years, the pattern of agricultural development in Latin America has been increasingly affected by the rapidly changing domestic demand conditions. Whereas before the Second World War the state of international markets and economic conditions in the main industrial countries of Europe and North America were the main factors determining agricultural progress in Latin America, the recent industrialization in the region and the continued rapid growth in population have greatly increased the importance of local demand.

2. Population in the region has been increasing at the rate of about 2.3 percent annually during the last 10 years. At the same time, levels of per caput national income in real terms are estimated to have increased about 3.2 percent per annum between 1945 and 1952 as a result of industrialization and the favorable prices received for primary export products. Thus, total demand for food and agricultural products appears to have risen at an unprecedented rate. Despite an increased rhythm of food imports in agricultural deficit countries and an absorption into additional domestic consumption of traditional export commodities in other countries, total supplies in the recent past appear, in general and with certain exceptions, to have been insufficient to meet the growth of demand. This scarcity of supplies of food and agricultural products has manifested itself in various forms, e. g., chronic balance of payments difficulties and a rise in the levels of food prices in many countries at a faster rate than the increase in the cost of living.

3. In formulating their economic and commercial programs, all countries in the region have run into a problem which is the essence of the difficulties of their present stage of economic development. This problem is whether to satisfy growing domestic demand by increasing imports of consumer goods or to utilize their limited foreign exchange earnings to import capital goods to accelerate economic development. Actually, most Latin American countries, with the objective of ulti-

mately saving foreign exchange for the import of capital equipment, have made and are continuing to make efforts to produce consumer goods locally, although they have allowed some increases in imports of these goods. In the present conditions of international trade and economic development, a strong tendency towards policies of national self-sufficiency in agricultural products has become apparent; this tendency may today be considered as one of the most salient characteristics of current agricultural development in Latin America. Intra-regional trade in agricultural products has increased very little since before the war and present conditions are such that each country is not specializing fully in the commodities for which it enjoys the greatest comparative advantage. For example, in many deficit countries of the region like Brazil, Colombia, Peru and Mexico, intensive wheat production campaigns are conducted with considerable success. In most cases, however, wheat imports have also risen significantly, at prices which are often much below costs of the locally produced wheat.

4. With regard to maintaining a proper balance between agricultural and industrial development, it was noted that all Latin American countries had taken measures and had formulated plans to increase the pace of agricultural development following the recommendations made by the Second FAO Regional Meeting held at Montevideo in 1950.

5. The effects of this change in attitude, notable throughout Latin America have, however, not yet become fully apparent. Although available statistics indicate that agricultural production in the region has continued to rise up to the current year, these increases have, in many cases, been insufficient to meet the higher demand and, in some cases, not enough progress has been made in producing those commodities which would find a ready market abroad at remunerative prices. Examples of this are the slow progress in coffee, cocoa and meat production in Latin America, the output of which has not yet reacted to the high prices prevailing in the last five years. Nevertheless, the increased attention to agricultural development on the part of all governments has been gratifying. The fruits of the new policies especially as to less abrupt changes and gradual increases in levels of demand and income, foreseen for the near future, may contribute greatly to a more balanced development of the Latin American economy.

PROSPECTS AND POSSIBLE SOLUTIONS OF THE EXISTING PROBLEMS

6. In connection with the possible rate of agricultural development within the next few years, the Third Regional Meeting took due note of the statements in documents LA/3/1* and LA/3/2* submitted

* Document LA/3/1 was published separately under the title *Prospects for Agricultural Development in Latin America*; Document LA/3/2, *A Note on Agricultural Problems and Policies* is attached to this report as Annex C.

LATIN AMERICA: INDICES OF PRODUCTION OF
SELECTED AGRICULTURAL COMMODITIES

(1934-38 = 100)

Item	1948/50	1952/53	1953/54 ¹
<i>Basic foods</i>			
Maize	81	91	100
Wheat	94	126	113
Rice	223	248	259
Roots and tubers	190	193	198
Sugar (centrifugal)	170	182	183
Bananas (excluding plantains)	134	155	160
<i>Animal products</i>			
Meat	116	113	114
Milk	137	142	145
<i>Other crops</i>			
Cotton	133	180	157
Coffee	88	95	94
Cocoa	110	98	104
<i>Fisheries products</i>			
Fish	189	266	284

¹ Provisional.

by the FAO Secretariat, and felt that it must state its concern regarding the problems affecting this development.

7. It is true that the documents mentioned show that if goals and estimates for 1956/57 are reached, levels of production in 1956/57 will be adequate to meet the increase of demand. Nevertheless document LA/3/2 (see Annex C) emphasizes that the rate of increase of agricultural production over the last few years, which was only 2 percent per annum, would have to be practically doubled to reach the established goals and estimates. Much light is shed on this matter in Table 4 of document LA/3/2 referring to possible increases in demand as a function of rises in real per caput incomes and population growth.

8. These figures show that production levels would adequately meet demand only if real per caput incomes were not to increase more than 1.5 percent per annum, but that in the case of greater rises in income, regional production as a whole would be insufficient. In

any case it appears that the increase in production will not be distributed evenly over the region. The major gains are foreseen for the countries located in the extreme north and south of Latin America; while it appears that increases in production will not meet requirements in the tropical zone of South America and the Caribbean area.

9. The same document indicates that if the 1956/57 regional production goals and estimates are attained there is likely to be a significant change in the levels of gross and net exports of agricultural products from Latin America, reversing the declining trend prevailing until 1952. The change, which appears to have started during 1953, might also be affected if the production levels foreseen are not reached.

10. In order to orient countries in the formulation of their future agricultural policies, the Meeting was obviously unable to make an over-all recommendation which would include all the countries since each one has its own particular problems and different situations. Nonetheless, in the present state of the general economic development of the region, there are certain common basic factors, which may be stated as follows:

- i) In spite of the development of industry and economic activities other than agriculture, the latter continues to be the main economic activity.
- ii) Furthermore, agricultural development is not only the basis of the material welfare of the population, including the levels of food consumption, but also an indispensable factor in the development of other activities and a source of raw materials for local industry and of foreign exchange by means of which capital goods for both industry and agriculture can be imported.
- iii) Consequently, anything which affects adversely the development of agricultural production, whether for consumption or exportation must necessarily have an extremely harmful effect on the economy of the whole region, and on that of each country.
- iv) Moreover, it is important to realize that a decrease in the volume or value of exportable Latin American agricultural production would not only have an adverse effect upon the economy of the countries of this region, but that the impact of such a state of affairs would be deeply felt in other regions by countries with which Latin America trades. A reduction in the purchasing power of Latin American nations must necessarily have an adverse effect upon the countries from which Latin America purchases indispensable durable goods, machinery, and other industrial equipment,

for which it constitutes a wide market. It should be stressed that this effect is neither simple nor restricted to the present, but cumulative and of long-term implications, as the continuity of unfavorable situations for Latin American exporting countries would tend to delay their general economic development and their capacity to absorb industrial goods from the more developed countries.

Better Co-ordination of Regional Production

11. But, as stated above, the solution to the problem of maintaining the rate of agricultural development cannot be the same for all countries of the region. In the first place a substantial difference can be established between those countries with unsatisfied local requirements, in which the efforts of the government are directed towards the development of production in order to meet a growing internal demand, and those where local requirements have been covered and the principal concern is to maintain and increase foreign markets. In the former, it is evident that government efforts towards agricultural development should keep in view local consumption, but it is also evident that if such efforts are made independently of each other, the existing trends towards self-sufficiency might be accentuated and this would not be in all cases the best solution.

12. It would seem more appropriate if Latin American countries were, as far as possible, to join in a co-ordinated and common effort to find a more satisfactory solution. It would be harmful, however, to be too optimistic in this respect. Document LA/3/2 points out, and the Third Regional Meeting agreed that, in view of the present situation, it is difficult to make sudden and immediate changes in the agricultural policy of many of the countries in the region. These changes are only possible and desirable in cases where they fulfill the three following fundamental requisites: 1) that they satisfy urgent national food requirements; 2) that the new products would be a better source of income to farmers than those which they would replace; 3) that they do not produce unfavorable effects on the balance of payments.

13. Several countries also stated that they encounter difficulties in modifying production structures already established. In many cases this has meant large investments in agricultural machinery and other equipment which, if discarded, would mean the loss of the capital invested and serious damage to the farmers already engaged in such production.

14. On this subject, the Meeting adopted the following resolution:

THE THIRD REGIONAL MEETING,

Although recognizing the difficulties exposed, does not consider them insurmountable;

Recommends that, whenever necessary, governments reorientate their long-term production plan with a view to improved intra-regional co-ordination;

Requests FAO and other international organizations able to co-operate with it to submit to a future regional meeting a study on the following three points:

- a) the geo-economic areas into which Latin America can be divided from an agricultural point of view;
- b) a study of the agricultural commodities best adapted to the geo-economic areas so defined;
- c) the effects on intra-regional trade in agricultural commodities of a better specialization in Latin American production and the implications of such specialization.

Immediate Measures

15. Of course, the policy changes based on a better co-ordination of agricultural production between the various countries can only bring about the desired effect after a considerable period. Meanwhile, immediate solutions to the problem of shortages and the improvement of nutritional levels must still be found.

16. First, the possibility of a decrease in the levels of incomes, causing a drop in the demand for agricultural commodities in the near future, is not only an unsatisfactory prospect but also does not seem likely to solve the problem of insufficient supply. In its final part, document LA/3/2 points out that, during the last four years, agricultural production in the region has only increased at a rate of 2 percent per annum. Unless this rate is modified, it evidently will not be sufficient to keep pace with the growth of population which, in the near future, is estimated at a rate of 2.4 percent per annum. As for total demand, even assuming a per caput income rise of only 1 percent per annum and a factor of 0.5 for the income-elasticity of demand, production would have to rise at an approximate annual rate of 3 percent.

17. This implies that the governments will have to pursue their efforts to raise the levels of production at a quicker rate than at present, and to approach as nearly as possible the production targets for 1956/57,

which are mentioned in documents LA/3/1 and LA/3/2. This recommendation can of course be only of a general character. Nevertheless, there are in document LA/3/1 some conclusions relevant to future requirements in each one of the areas into which, for purposes of analysis, Latin America has been divided. The governments concerned may use them as a basis for the formulation or redirection of their programs.

18. This document points out, for example, that in order to improve nutrition levels and to check the rapid increase in food imports, the countries included in the *Mexico and Central American* sub-region particularly must ensure that the production targets for 1956/57 are reached, especially if it is realized that the possible levels of production for that year will depend to a large extent on a quick increase in Mexican cereal production. It is also pointed out that meat and milk production are not increasing satisfactorily and that 1956/57 production levels should be 10 percent above those set.

19. In the *Caribbean* sub-region there are several crops whose rate of expansion is insufficient to meet local requirements. In this area, a decrease in sugar production might permit a diversification of agricultural production and a greater supply of foodstuffs than that expected for 1956/57: this applies to beans, roots and tubers, bananas, and meat, whose level of production for that year should surpass that expected by 10 percent; as for the production of edible oils, it should be larger by 30 percent.

20. In the *tropical area of South America*, the supply shortages are fundamentally due to insufficient progress in livestock production, whose rate of increase until 1956/57 will be much below requirements. Also, even though the rise in the production of beans has been satisfactory, it would be convenient to increase this to the maximum in order to compensate to some extent the notorious deficiency in the supply of animal proteins. For all the products mentioned, an additional increase of 10 percent for the year 1956/57 is suggested, over and above that expected.

21. With respect to the *temperate area of South America*, the targets and estimates for 1956/57 show that the total agricultural and livestock production will surpass the levels necessary to meet the increase in demand. Nevertheless, it should be especially pointed out that the production levels for the whole of Latin America will depend fundamentally upon the increases which are expected from this sub-region. If they should not be reached, the prospects of adequate supply would be seriously jeopardized, and this would only contribute to increase the tensions already existing. As stated in the documents mentioned,

a key to the situation for 1956/57 is to be sought in the expansion planned for cereal production, mainly in Argentina, that is, in the high targets of wheat and maize production set by the Second Five Year Plan of this Republic. Consequently, it would be highly desirable that such targets be reached, for the benefit of the region as a whole. In connection with other commodities, document LA/3/1 also suggests for the area a quicker increase than that planned, for roots and tubers, edible oils and meat.

IMPROVEMENT OF NUTRITION

22. The information at present available on the state of nutrition in many Latin American countries is insufficient to define clearly the trends in food consumption. Nevertheless, the data recently obtained indicate great progress on this point. The food surveys carried out in 11 countries of this region, showed that calorie needs were adequately fulfilled, but that there are serious deficiencies in the quality of the diet, particularly in animal proteins, vitamin A, certain B complex vitamins and calcium. It was also observed that poverty contributed markedly to lowering the quality of the diet.

23. Although statistics on production and consumption have improved in some countries, it is necessary to perfect them in several others, to be able to prepare food balance sheets for every country. Important data are still missing as regards utilization of food, which varies greatly according to regions, and, sometimes, within the same country.

24. However, the available information offers some suggestions. An increase in the production of foods of animal origin, particularly milk, is urgent, as this constitutes a vital food, which contributes not only to the improvement of diet in general, but also specifically to solving the problem of the insufficiency of proteins of high biological value, an insufficiency which seriously affects mothers and children in many parts of the region, as demonstrated by the survey carried out by FAO in co-operation with the World Health Organization and the United Nations Children's Fund. It is necessary to investigate, in countries where meat and milk production is very expensive or difficult, the possibilities of producing and providing substitutes such as fish and pulses. In this connection, mention should be made of the experiments carried out by FAO in co-operation with several governments, to introduce fish meal suitable for human consumption among the foods of daily and extensive consumption. This product has high protein value and other nutrients.

25. When preparing projects and programs of agricultural production, it is indispensable to take into account nutrition targets.

This task necessarily implies closely co-ordinated work by technicians in agriculture, economics, trade, nutrition and the food preservation industry.

26. It is likewise indispensable that consumers' purchasing power be sufficient to meet their minimum food needs. In this connection the Meeting approved the following resolution:

THE THIRD FAO REGIONAL MEETING,

Considering that whereas food must fulfill the biological needs of the individual and of the family, as a firm basis for health and capacity to work, which can only be achieved through a balanced and correct diet; and

Further considering that this diet has a minimum cost;

Recommends that the practice be generalized among Latin American governments of determining for each region, the minimum cost of a suitable family diet, establishing it as the basis for determining wages.

27. As a contribution to the educational program in the field of nutrition, so necessary to Latin American countries, the Government of Argentina has offered to each country, at the National School of Dieticians:

- 1) Two three-year fellowships each year for the study of nutrition and dietetics;
- 2) Two two-year fellowships each year for physicians to specialize in nutrition and dietetics.

28. The Meeting expressed its gratitude to the Argentine Government for this generous offer and recommended Latin American countries to take the greatest possible advantage of it.

OUTLOOK FOR PRINCIPAL EXPORT PRODUCTS

29. The Meeting took note of the situation of the different export products and their prospects in the international market, as detailed in document LA/3/2. It also deemed it interesting for governments to take into consideration these prospects when formulating or reorientating their development programs. These prospects may be outlined thus:

30. With regard to *grains*, the large world stocks currently existing are likely to continue over the next few years. The recovery of European grain production after the war, as well as a further tendency

towards self-sufficiency in many importing countries, have caused the international grain market to shrink in recent years. Grain export prices have declined and are not likely to improve in the near future. In assessing grain export prospects for Latin America, however, certain favorable factors are noted, such as the region's position as a non-dollar grain supplier and the growing intra-regional market for cereals. The European market prospects for Latin American grain also seem fair, considering the economic prosperity in that region and the consequently rising trend in food consumption.

31. *Sugar* production has expanded greatly since the war years, especially in importing countries and in territories producing for protected metropolitan markets. As a result, international free markets, both within the region and outside, are not likely to expand greatly, and Latin American sugar exports are not likely to rise above current levels.

32. *Banana* exports from Latin America may increase further over the next few years since market prospects appear favorable.

33. International trade in *vegetable oils and oilseeds* has been characterized by increasing domestic consumption in exporting countries, as well as by large increases in production in importing countries. Latin American production targets and estimates for 1956/57 indicate large increases in production both for edible and inedible oilseeds, principally sunflower and linseed. Export possibilities do not appear to be very favorable for these products, but they depend greatly on U.S. surplus disposal and farm policies and also on the level of U.S.S.R. purchases.

34. *Cotton* export prospects are fair for the moment, but it seems unlikely that world trade in cotton will return to prewar levels in view of a greater self-sufficiency in importing countries. A moderate expansion in Latin American exports may occur.

35. The favorable conditions of the world *wool* market since the war have stimulated wool production, except in Argentina and the United States. No disposal problems are foreseen for this commodity, provided economic prosperity is maintained in the main importing areas, and Latin American prices are kept in line with world prices.

36. The region's exportable *meat* surplus is likely to find a favorable market abroad over the next few years, but any expansion in Latin American meat exports depends upon the possibility of expanding production above the rapidly increasing domestic consumption.

37. The postwar rise in income in many countries, as well as a growing taste for *cocoa* products, have created favorable conditions for increased cocoa consumption. Since supplies have increased only

slightly as compared with prewar, prices have risen greatly. Cocoa production has become highly profitable in most areas, but indications are that supplies will not expand substantially during the next few years. The expansion of cocoa cultivation offers great economic opportunities for Latin American countries.

38. Demand for *coffee* has also grown during the past few years. Indeed U.S. consumption is now substantially higher than in prewar years, while European consumption is approaching prewar levels. Since world production is still slightly below prewar levels, prices have risen greatly and exporting countries have obtained considerable amounts of foreign exchange. The long-term interest of Latin American countries would undoubtedly be furthered by a steady, moderate increase in the production of both coffee and cocoa.

PROBLEMS OF PRICES, TRADE, AND SURPLUSES OF AGRICULTURAL PRODUCTS

39. The Meeting recognized the great importance of current problems of trade and prices of agricultural products, and particularly of those problems which have resulted from the accumulation of surpluses that are not easily disposed of. In view of this, it was decided to set up a special Working Party which would study these problems and submit pertinent recommendations. A Summary of the Working Party's report is appended to this report as Annex B.

Agricultural Surpluses

40. The Working Party's report specifies that the persistence of the surplus problem gives rise to the following harmful effects on the marketing of agricultural products: *a)* lowering of prices on the international market; *b)* postponement of purchases by consumer countries; *c)* speculation based on the possibility of a greater decrease in prices; *d)* possible conversion into inexportable surpluses of stocks that would normally be exportable.

41. In view of the dangers involved in such a situation, the governments represented at the Meeting were agreed on the need for joint consideration of the problem of agricultural surpluses and of expressing their desire that, in order to obtain concrete solutions, the most practical means would be to give wider terms of reference to the Consultative Sub-Committee on Surplus Disposal established by FAO in Washington, as well as to bring about the greatest harmony possible between producing countries and consuming countries in order to seek an adequate solution.

42. The Meeting also considered that a solution to the agricultural surplus problem must continue to be the subject of careful study by the appropriate international organizations and that the Third FAO Regional Meeting in Latin America should transmit to these organizations the viewpoints of the countries represented in it. Acting upon a proposal of the Working Party, the Meeting approved the following resolution:

THE THIRD REGIONAL MEETING,

Having noted with satisfaction the statements in document LA/3/2, on the problems and prospects of surpluses;

Considering that

1. The 24th Session of the Committee on Commodity Problems will review the findings to be submitted to it by its Consultative Sub-Committee on Surplus Disposal;
2. The 4th Extraordinary Session of the Inter-American Economic and Social Council — Meeting of Ministers of Finance and Economy — will consider the work on the subject carried out by the Council “with the specific purpose of promoting the adoption of definite measures designed to prevent economic disturbances in the region resulting from recurrent agricultural surpluses, and examine methods of international management of stocks”;
3. Principles, methods and procedures suggested or adopted for the disposal of surpluses and for the prevention of surplus accumulation will be more effective if minimum conditions are agreed upon ensuring a position of equity for consuming countries in their negotiations with exporting countries;
4. The 20th Session of the FAO Council will consider the recommendations to be submitted to Member Nations arising out of the survey undertaken by the CCP of the most suitable means of disposing of surpluses, including proposals for setting up consultative machinery through which the disposal of agricultural surpluses can be facilitated, ensuring that, in such consultative machinery, adequate representation is provided for both producing and consuming countries, thus avoiding meetings of some countries leading to agreements without full and effective participation of other countries;
5. Any action for the solution of the surplus problem, in order to prevent harmful effects on prices and markets, should

take into account the legitimate interest of producers and consumers and methods for expanding production and consumption, and should also take account of the possibility that, whether the present surpluses remain or are disposed of, similar accumulations of other commodities produced in Latin America may occur in the future;

6. One method of preventing future accumulations of surpluses may be the reexamination of measures aiming at indiscriminate increases in agricultural production applied in various countries as a result of policies of national self-sufficiency;
7. The same objective may be achieved in Latin America through an expansion of intra-regional trade, such as may be provided within the framework of a gradual co-ordination and integration of regional economies.

Declares

1. That the Latin American countries are firmly resolved to seek adequate solutions of the problem of agricultural surpluses, in accordance with the principles and recommendations already laid down by FAO, by means of emergency action designed to mitigate the depressive influence on prices and at the same time to avoid speculative movements and harmful interference with trade through the adoption of policies of prices and stocks and of rules governing gifts and concessional transactions;
2. That they are also firmly resolved that the solutions to be applied to the surplus accumulations shall be effective in order that similar situations may not recur in the future;
3. That the terms of reference given to the CCP Consultative Sub-Committee are inadequate to permit it to implement the mandate contained in Resolution 14 of the Seventh Session of the FAO Conference which envisaged "the setting up of a consultative machinery through which the disposal of agricultural surpluses can be facilitated";

Requests the Director-General to transmit these findings to the Committee on Commodity Problems, to the FAO Conference and to the Council, and requests the last named to convey them to the Fourth Extraordinary Session of the Inter-American Economic and Social Council, emphasizing the interest with which Latin America awaits solutions on the international level to the problem of surpluses;

Recommends that, with due regard for national requirements, Latin American countries should re-examine and, where appropriate, modify the trend recently evidenced towards self-sufficiency in agriculture, co-operate among themselves with the aid of selective criteria for agriculture, and intensify their intra-regional trade in accordance with rational, ecological and economic criteria, thus avoiding indiscriminate expansion which would lead to an accentuation of the surplus problem.

Trade and Prices

43. Upon examining trade and prices problems it was agreed that Document LA/3/2 deals efficiently with the general aspects of the agricultural production situation in Latin American countries, and it was therefore resolved to include it in this report, recommending its analysis to the Conference and Council of FAO, and to the Committee on Commodity Problems.

44. The Working Party decided to stress the Meeting's concern at the tendency of prices of agricultural products and raw materials to fall faster, on the whole, than prices of manufactured products; a tendency which has become more marked during the past year due to the surpluses problem, and in consequence more damaging to the interests of Latin American countries by reducing earnings of the hard currency so necessary to their economic development. The coffee and cocoa exporting countries alone managed to avoid this situation, all the rest finding their balance of payments and in consequence their economy fundamentally affected.

45. The notable price fluctuations of agricultural and livestock products and their various marketing systems have affected both private economies and the national economic development. Some countries have attenuated the adverse effect of such fluctuations by fixing support prices in advance.

46. It is evident that not only agricultural producer countries have been affected by this drop in prices and trade levels. It will clearly be to the interest of industrial countries to examine means of attenuating sharp oscillations of the purchasing power of the agricultural producer countries, as otherwise the normal sales levels of their own manufactures will be affected.

47. The Working Party expressed its desire that FAO should pay constant attention to price fluctuations and recommend measures that will preserve Latin American countries from the unfavorable effects of such price variations.

48. It also recommended the maintenance of close contact and co-operation between the various international organizations concerned with this matter.

49. The Meeting approved the following Resolution:

THE THIRD REGIONAL MEETING,

Having noted with satisfaction and interest the statements made in Document LA/3/2 on "Agricultural Problems and Policies in Latin America," with special reference to trade, prices and consumption of agricultural products, their trends and prospects;

Acknowledging that the increase in demand for foodstuffs which has taken place in recent years in the region, over and above the rate of increase in population, could be taken care of by means of a proper intensification and expansion of intra-regional trade and through the creation of new markets and possibilities among Latin American countries;

Taking into account that the declining trend in prices of agricultural products has lately shown unfavorable effects on the price relationships of foreign trade (terms of trade) in the Latin American countries;

Considering that the Advisory Commission on International Commodity Trade of the Economic and Social Council of the United Nations has been established, to study suitable measures to prevent excessive fluctuations in the prices of products and the volume of trade, including measures tending to maintain a just and equitable balance between the prices of raw materials and those of manufactured products;

Declares that it is in the interest of the Latin American countries to combine their efforts and to co-operate in every possible way to increase intra-regional trade through agreements tending to achieve an adequate, gradual and progressive economic co-ordination and complementation which will be beneficial for their economies, enabling them to raise nutrition levels and standards of living;

Recommends

1. That the Committee on Commodity Problems and the technical bodies of the Organization be continually attentive to price fluctuations and the demand for agricultural products so as to supply governments with pertinent information and

opportunely recommend measures they deem advisable to prevent their unfavorable influence upon the economies of Latin American countries; and

2. That, to this end and considering the specific aims of FAO, these bodies keep contact and collaborate with the Advisory Commission on International Commodity Trade of the Economic and Social Council of the United Nations.

50. The Working Party examined Document LA/3/5 on the marketing of agricultural products in Latin America, and resolved to include it in this report.*

Investments for Agricultural Development

51. The Meeting, studying the prospects of the food situation of the Region, and recognizing the need to apply to a greater extent modern techniques to agriculture, also examined the financial implications involved. It recognized the fact that a great part of the capital required would have to come from credits usually difficult to obtain. With the intention of eliminating this obstacle it approved a recommendation in the following terms:

THE THIRD REGIONAL MEETING,

Considering that the efforts on the part of the governments of Latin America to increase the food production in their respective countries, although praiseworthy, in some particular cases prove to be insufficient and of little effect from the economic point of view;

that the technical assistance rendered by FAO has greatly contributed to a better knowledge of the potential wealth of these countries and of the possibilities of increasing their food production, and also of suitable and efficient means of achieving a greater and improved consumption in line with the rising standard of living of their inhabitants;

that some governments of Latin America lack sufficient financial resources to put into effect, in their entirety, the proposed plans and programs for the mechanization of their agriculture, the improvement of roads and transport, and to intensify the flow of wealth by means of increased trade;

that the programs and recommendations of FAO, although of inestimable value for the improvement of agricultural pro-

* Annex D: *Note on Agricultural Marketing in Latin America.*

duction and therefore of the food situation of all the peoples of Latin America, are nevertheless obstructed by financial problems such as lack of foreign currency, inflation and deflation, which hinder the normal development of internal and international trade in the countries of Latin America;

Recommends that through the good offices of the highest authorities of FAO, the interest of international, state and private banking institutions, and the important concerns which produce agricultural machinery and implements, insecticides and fertilizers, be aroused in order that credits for reasonable periods and at low rates of interest be granted to the countries or to the autonomous state institutions of the interested countries, with the object of stimulating and intensifying food production.

II. SPECIFIC PROBLEMS RELATED TO THE IMPLEMENTATION OF TECHNICAL PROJECTS AND PROGRAMS

PROGRAM OF WORK OF FAO

1. THE Meeting took note of a detailed statement by the representative of the Director-General on the work of the Organization in the Latin American Region, both under the regular and the technical assistance programs. It was noted with satisfaction that since the first and second Latin American Meeting on Food and Agricultural, Programs and Outlook, held in Quito and Montevideo respectively, the activities of the Organization in Latin America had been greatly intensified through the advent of the Technical Assistance Program. Thus, the Technical Assistance budget for the region in 1954 amounted to U.S. \$1,200,000, while 120 expert posts and 23 fellowships are tentatively budgeted for 1955. It was realized that technical assistance on this scale could make an extraordinary contribution to the development of the region, provided there was full co-operation between the requesting governments and the Organization, and that due attention was paid to the training aspects of each particular project, including a careful selection and a well-conceived study plan for fellowships.

2. The Meeting paid particular attention to projects of a regional character, either for the whole region or for groups of countries with similar problems. It realized that by initiating such projects, technical assistance funds could be used more efficiently, and that such projects were eminently suited to foster co-operation between neighboring countries with similar climatic conditions and economic problems. Statements were made by the observers of the Economic Commission for Latin America and of the Organization of American States in which the close co-operation existing between FAO and these organizations was emphasized.

3. The representative of the Director-General gave a brief outline of the report recently produced by the Co-ordinating Committee, in order to illustrate the long-term aims of FAO's program of work. The

Meeting concluded that this report will provide a suitable background for the discussion of this important subject at the 8th Session of the Conference in 1955. Suggestions for consideration by the Director-General for future programs of work are contained in subsequent sections of this report.

TECHNICAL ASSISTANCE AND GOVERNMENT SERVICES TO FARMERS

4. The Meeting discussed the FAO enquiry at present under way as to the form and the extent to which Member Governments are providing essential government services to their farming populations. It was recognized that in proportion to the importance of agriculture in the economy of Latin America and to the percentage of the population engaged in agriculture, budgetary appropriations for the Ministries of Agriculture were generally very inadequate. The Meeting stressed the necessity of providing integrated services, covering all the needs of agriculture, as a prerequisite of progress. Thus, due attention must be paid to research, effectively linked with education and extension services, to progressive legislation in the fields of land tenure and taxation, to credits and the fostering of co-operatives, to the development of rural industries and marketing facilities, all in the framework of well conceived national agrarian policies.

5. The Meeting recognized that technical assistance provided by FAO could make a substantial contribution to the implementation of such agrarian plans and policies. It took note of the change which will occur in the planning and budgeting of technical assistance beginning with the budget for 1956, and urged the governments of the region to plan their requests well ahead of time, so that agriculture will receive its due share of technical assistance funds as compared with other branches of activity. To this end it was recommended that co-ordinating bodies or offices for technical assistance be established within the Ministries of Agriculture.

6. Summing up these considerations, the Meeting approved the following recommendation:

THE THIRD REGIONAL MEETING,

Having examined the needs of the farming population of the countries of this region, having noted with regret the fact that, in relation to the importance of agriculture in economic development, and in proportion to the population engaged in agriculture, budgetary appropriations are extremely low;

Takes note with satisfaction that FAO is at present studying the state of government services to agriculture in the different member countries and requests those governments which have not yet replied to the questionnaire to do so as early as possible;

Recommends

1. That governments consider the need to increase their budgetary appropriations for agricultural development;
2. That government services to agriculture be strengthened in order to carry out efficiently the plans and programs for this sector of the national economy;
3. That co-ordination offices be set up in the Ministries of Agriculture in order to obtain the maximum benefit from technical assistance provided by international organizations in the field of agriculture, in particular that made available by FAO, and to attain a high level of co-ordination.

AGRICULTURE AND LIVESTOCK PLANNING

7. A survey of the current outlook on agricultural and livestock development in Latin America caused the Meeting to re-affirm its belief in adequate planning as essential to the efficient and orderly development of agricultural resources. Nevertheless, the lack of technicians capable of drawing up projects and programs hinders many countries of the region in their efforts toward organized development of their agriculture and livestock farming. This lack of technicians being felt more particularly in Central America, at a time when — by reason of the project for economic integration of the countries of this area — they are most necessary, the Meeting adopted the following resolution:

THE THIRD REGIONAL MEETING,

Recognizing that

Sound agricultural planning is of outstanding importance in the development of agriculture;

Correct drawing up of agricultural and livestock projects is also of great assistance in obtaining the technical and financial aid essential to their fulfillment;

In several Latin American countries there is a shortage of technicians specialized in agricultural planning;

A project of economic integration of the countries of Central America is currently under way;

Requests that the Food and Agriculture Organization of the United Nations establish, not later than 1956, a Center for Regional Training in Agricultural and Livestock Planning for the benefit of the Central American countries along the general lines of the Center which functioned in Santiago de Chile at the end of 1951 with similar objects.

AGRICULTURAL STATISTICS

8. The Third Regional Meeting took note of the development of agricultural statistics in Latin America during the four years which have elapsed since the Second Meeting was held. It noted with appreciation an increase in the volume of activities in this field and the gradual improvement of the technical methods used. However, the Meeting was convinced that there is still a lot to be done in order to satisfy urgent requirements.

9. The sampling technique, for instance, might help in many cases in the collection of data, but this technique must be adapted to local conditions. Also, more statistical series must be compiled to meet the requirements of specialized workers. It is not sufficient, for instance, to know the average individual consumption of a certain foodstuff in a country, since it is also necessary to know how consumption and income are distributed among the different sectors of the population, in order to make an accurate appraisal of nutritional levels and the elasticity of demand, in order to establish sound production and importation policies.

10. After considering the main problems of the present situation, the Meeting made the following recommendations:

1. That governments strengthen and complete their statistical services, so as to meet the requirements both of the national agricultural activities and of international agricultural statistical services, including, at the first opportunity, data related to:
 - a) prices of agricultural products and their distribution;
 - b) production costs and profit margins;
 - c) income derived from agriculture;
 - d) index of purchasing power of agricultural producers;
 - e) stocks and carry-overs;
 - f) distribution of consumption;
2. That governments issue their statistics in good time and ensure their international comparability:
 - a) accelerating the compilation and periodical publication of their statistics;
 - b) adopting internationally recognized weights and measures;
 - c) adopting internationally or regionally recognized dates in order to relate the statistics to agricultural production years;
3. That governments take advantage of the possibility of obtaining technical aid from FAO on problems of statistics:

- a) by requesting the services of statistical experts who might simultaneously advise several neighboring countries;
 - b) by sending national technicians to training centers organized by FAO in the Region for the purpose of perfecting their knowledge of new statistical techniques;
4. That FAO continue its work in this field in the region, offering its services for the application of statistical techniques in the design of agricultural experiments and in the evaluation of the results of measures adopted to achieve economic development.

MARKETING PROBLEMS

11. The marketing of farm products has become one of the main obstacles to an orderly and constantly increasing agricultural production. Bigger and more complex problems, both in transportation and distribution, have contributed to a larger spread between prices received by the producer and those paid by the consumer, with the well known discouraging results in both sectors.

12. Several factors have been responsible for such large differences. Population growth and economic development in Latin America have advanced at an increasing rate during the last fifty years. Industrialization and trade created larger and larger urban centers such as Buenos Aires, Rio de Janeiro, Sao Paulo and Santiago de Chile, cities that, in a short time, have more than doubled their population. Other cities in Latin America had smaller rates of growth, but the trend towards urbanization is evident in the whole region.

13. Together with this population growth, there has also been an increasing improvement in the *per caput* income of the people with corresponding changes both in the quantity and quality of the demand for farm products and especially for foodstuffs. To name only one example, a study made at Santiago de Chile in 1936 showed vegetable consumption to be about 36 kilos per caput; another study completed in 1954 showed that in 1952 consumption had increased to 96 kilos per person.

14. The very fact that these cities are growing and are being fed is proof that many marketing developments have been made. On the other hand, there are many indications that such developments are lagging behind urban center growth. Furthermore, marketing costs are mounting and will continue to do so unless corrective measures are taken. In most of the Latin American countries, agricultural

marketing problems, especially those related to the feeding of rapidly developing industrial and commercial centers, are of such recent origin that only a small number of people are aware of the basic factors involved.

15. Few studies have been made of the marketing systems of the region but those completed to date show quite clearly the enormous and complex problems involved. It has been shown, for example, that many inefficiencies exist in the marketing system and that the costs of many articles could easily be reduced. On the other hand, there is little evidence to prove that the monopolistic position of the middleman gives him a great profit advantage. In general it has been found that middlemen must charge high fees for their services because they have high operating costs, many of which can be attributed to the failure to adopt more efficient and economic methods of operation.

16. Huge losses in weight and quality take place from the time the products leave the farm until they reach the consumer. Some recent studies in Chile show that livestock lose as much as 12 to 15 percent of carcass weight because of improper marketing methods. When quality losses are added to the losses in weight, the total value of losses reach an even higher percentage. Another study shows that the cost of milk in the Concepción area could be reduced considerably if this urban center were supplied from an area where production costs are lower. Before this low cost production area can be exploited, improved transportation facilities must be provided.

17. The results obtained from the few marketing studies made to date show that the first approach to marketing problems should be by conducting studies to determine where and why inefficient marketing practices exist. It then becomes possible to make sound plans for removing the difficulties.

18. Because of the seriousness of marketing problems in Latin America, the following resolution was adopted:

THE THIRD REGIONAL MEETING,

Considering that due to urban and industrial development, the normal food supply of the population is becoming increasingly difficult and that consequently it can be expected that the marketing of agricultural products will deteriorate unless adequate measures are adopted,

Recommends that FAO pay special attention to these problems and provide adequate assistance in the form of training centers on the marketing problems of the following groups of commodities:

1. Meat, including cattle on the hoof, and by-products;
2. Cereals and by-products.

The above-mentioned centers, which it is recommended should be held in 1955, should be followed by additional centers on other groups of commodities such as vegetables, fruit, dairy products, etc.

PROCESSING OF AGRICULTURAL PRODUCTS AND DEVELOPMENT OF RURAL INDUSTRIES

19. The Meeting discussed the importance of rural industries for large areas of Latin America as a means of creating additional sources of income for the farmer, of decreasing unemployment and, of firmly establishing the rural population in farming areas, preventing a rural exodus with all its social and economic consequences. The Meeting believed that due to the large-scale industrialization of recent years, small industries are going through difficult times and that, in order to recover their efficiency and their capacity to compete, they need official support. This aid should take the form of technical and economic assistance, preferably centralized in a specialized service or department, which would undertake surveys of the situation of each of the small rural industries, to determine their economic output, seek more suitable industrial processes and spread knowledge of these processes, and which would channel credits.

20. The Meeting noted with interest a statement on the development and promotion of rural industries in Bolivia, in conjunction with plans for land distribution, and one on the situation of rural industries in Chile. In addition, it was informed of the work of FAO in this field which includes publications on methods of processing various agricultural products such as cotton and other vegetable fibers, tea, sugar, hides, skins and others, and direct technical assistance given by experts, and commented favorably thereon. Moreover, the Meeting considered the role FAO may play in the future, together with other international organizations such as ILO, in promoting rural industries.

LAND TENURE AND CO-OPERATIVE ORGANIZATION

21. The Meeting took note of a report summarizing the results of the Latin American Land Problems Seminar organized by FAO in Campinas, Brazil, in 1953. It reaffirmed the policies adopted by Member Governments in the region which tend to introduce the necessary changes in the agrarian structure of their countries. The Meeting recognized that land reform is a highly complicated process, which involves, apart from the redistribution of lands, the necessity of organizing cadastral surveys, facilities for the registration of titles, the

provision of credit and advisory services. In short, land reform without a parallel reform of the whole agrarian structure is liable to achieve its ultimate aim, the increase of production and the improvement of living standards of the rural population, only in a very limited measure.

22. The Meeting heard with interest statements by the delegates of Argentina and Bolivia on the aims and the achievements of the land reform programs now under way in these countries. It also heard reports by other delegates and the observers of ILO and the Intergovernmental Committee for European Migration on the activities of their governments or organizations in this field, including the important aspect of colonization either for facilitating the transfer of national farm families from over-populated regions to unoccupied lands, or for settling overseas immigrants. The Meeting called upon FAO and the other international organizations interested in these subjects to continue the closest co-operation possible in order to assist the governments of the region in the implementation of their plans and programs in this field.

23. Attention was called to the great contributions co-operative organization could make in improving land use and the efficiency of production in general, and in improving the diets of farm families. The Meeting heard statements by the representatives of FAO and ILO on the activity of the two agencies in this field, and commended the program of work of FAO which includes a Training Center for Methods of Rural Sociology and a Technical Meeting on Co-operative Organization which will be organized, within the availability of funds, under the regular and the technical assistance programs.

24. On the points covered in this section, the Meeting adopted the following recommendation:

THE THIRD REGIONAL MEETING,

Recognizing that one of the main causes of the backward state of large sections of the rural population in some countries is their reduced purchasing power due to the survival of semi-feudal working conditions;

that by means of work systems in line with modern production techniques for a better use of agricultural resources, the co-operative system offers great advantages which further the incorporation within national economies of large sections of rural laborers which are at present excluded because of their low economic capacity;

that the unsatisfactory territorial distribution of rural populations in some cases prevents efficient exploitation of the potential agricultural wealth of several nations;

that the countries which are affected by problems of under-production or low consumption, and the international organizations which are attempting to solve them, should lend every assistance to those institutions which are carrying out plans to overcome these deficiencies;

Recommends that

1. All measures which tend to overcome semi-feudal conditions in agricultural work and technique be adopted;
2. Small farmers be grouped in co-operative societies in order to create better conditions of production and consumption;
3. Agricultural populations at present living in areas which, due to excessive subdivision of the land, lack of good roads or poor soil, offer no prospects of economic betterment, be transferred to those areas which assure better returns;
4. That rural workers be supplied with all possible credit facilities and technical assistance, so that they may perform their agricultural work rationally;
5. That FAO, in co-operation with governments and other international bodies, organize a Technical Training Center for Latin America, to train suitable persons to carry out the development programs recommended above;
6. That FAO and its Member Nations in the Americas assure the governments adopting the measures recommended above of their maximum co-operation.

FORESTRY MATTERS

25. The Meeting took note of the recent activities of the FAO Forestry Office in Latin America and the background of a project to establish a Latin American Institute for Forestry Training and Research. In view of the fact that the Fifth Meeting of the Latin American Forestry Commission will be held at the beginning of 1955, and considering that the establishment of such an institution would not only be very useful, but that it also was urgent that a decision be taken in this respect, the Meeting decided to pass a resolution in the following terms:

THE THIRD REGIONAL MEETING,

Agrees with the FAO Latin American Forestry Commission that the establishment of a Latin American Forestry Research and Training Institute constitutes an essential step in the proper development and utilization of the great forestry resources of the region;

Requests the Director-General of FAO to submit to the governments of the region, before 1 March 1955, a detailed plan of the organization and operation of the Institute and co-operating agencies, including a scale of financial or other contributions, bearing in mind the recommendations put forward by the *ad hoc* meeting of the Research Committee held in Rio de Janeiro in June 1954;

Urges the governments to instruct their delegates to the Fifth Meeting of the Latin American Forestry Commission so that they may state whether their respective Governments are still interested in the establishment of the above-mentioned institute, and if this is the case, indicate their Government's support of the scale of financial or other contributions that may be recommended in the above-mentioned plan, or otherwise make specific counter-proposals.

BETTER LAND AND WATER USE

26. The Meeting discussed the importance of irrigation in Latin America's agrarian economy, reviewing its development during the past five years, as well as projects which may produce a considerable increase of the irrigated acreage in the near future. It was pointed out that the relation of planning and implementation had improved owing to better financing, lack of which had proved an impediment in the past. At the same time, the notably unequal distribution of irrigated area amongst the various countries of the region was noted, four of them possessing more than 80 percent of the regional total. This is to be attributed in part to irrigation requirements, but also to difficulties of several kinds in carrying out the necessary projects.

27. The Meeting then dealt with degrees of efficiency of irrigation works, and considered that, before or at the same time as planning new works, special attention be paid to obtaining the best possible service from those already in existence, so that full advantage may be taken of available water supplies. It was agreed that such a desirable state of affairs has not yet been achieved for various reasons, among which are the cost of supplementary installations, particularly those required to bring water to private lands at the owners' expense; the lack of technical knowledge of many farmers with regard to the management of both soils and water; the limited research carried out to date on special problems of irrigated crops and soils; and in some instances, legislation that fails to meet modern requirements in the field of irrigation.

28. It was considered advisable that governments should seek to remove these difficulties gradually by granting credits, providing technical assistance and training, and carrying out research.

29. As a result of the discussion, the Meeting approved the following resolution:

THE THIRD REGIONAL MEETING,

Considering the main problems concerning irrigation, amongst them the need for improvement of irrigation methods in order to use available water to the best advantage and the need for the proper use of irrigated soils;

Recommends that a Training Course in methods of irrigation and proper use of irrigated soils be arranged as soon as possible, in order to provide a better grasp of the principles and practice of irrigation, and the methods of passing such knowledge on to farmers.

30. The Meeting also considered that all multipurpose water-use programs should take into account the use of continental waters for fishery exploitation in order to supply additional proteins for the diet of rural populations.

31. The Meeting further discussed FAO's work in connection with irrigation, principally technical assistance in planning irrigation works, the proper administration of soils and waters, and relevant publications, amongst them the compilation of South American water laws.

RURAL SETTLEMENT

32. The Meeting considered the progress made in rural settlement in Latin America. The Delegate of Argentina spoke on the support given by the Government to rural settlements in his country and the progress made in recent years. He stated that vast tracts of land were distributed annually for this purpose, full support being given to new farming settlers in the way of credit facilities, technical assistance and so forth, the necessary equipment to ensure economic development being provided. He also referred to measures adopted for the purpose of protecting landholders and ensuring adequate distribution of land.

PRODUCTION, USE AND MAINTENANCE OF AGRICULTURAL IMPLEMENTS AND MACHINERY

33. The Meeting discussed the rapid development of agricultural mechanization in Latin America as evidenced by: 1) an increase in the number of tractors, which rose from 35,000, before the last world war, to about 200,000 this year; 2) the fact that while in prewar years almost all mechanized equipment was concentrated in a few countries, at present nearly all nations of the region are carrying out mechanization programs; and 3) whereas formerly motorized equipment was only used on large estates and for extensive farming, its use has now been extended to medium and small properties and to intensive farming.

The problems which that expansion had frequently created and which account for the fact that mechanization has not always given the favorable results desired, were thereupon considered.

34. The Meeting felt that it was the responsibility of governments to create a favorable atmosphere for mechanization in their respective countries by training the necessary personnel for the operation and maintenance of equipment, ensuring the regular provision of spare parts, making machinery available for the use of small farmers by the establishment of mechanization centers, promoting the collective use of machines and, generally, by adequate planning. This must result from a careful study that will enable mechanization to meet the real requirements of the countries, bearing in mind not only mechanization with motorized equipments but also the improvement of traditional farming implements. The work carried out by FAO in this connection in the form of technical assistance was noted with interest, as was also the publication of three technical pamphlets giving information upon the principles which refer to the introduction, maintenance and operation of agricultural machinery.

35. The Meeting listened with great interest to the statement of the delegate of Argentina concerning the increasing use of agricultural machinery in that country, the measures taken by the Government to stimulate mechanization, and plans for the future which provide for an increase in local production, the earmarking of foreign currency for imports, and credits for production and purchasing. The Argentine delegate also stated that the figures on mechanized area contained in document LA/3/1 do not give a true picture, in view of the fact that, due to ecological conditions, the area tilled by each tractor was nearly 200 hectares. Therefore, 25 percent of the cultivated area must be considered as mechanized.

36. The delegate of Uruguay made a statement upon the use of agricultural machinery in his country, to the effect that there was increasingly favorable development in this respect. He said that at present there were approximately 20,000 tractors in use in Uruguay and that 1,600,000 hectares — 80 percent of the total cultivated area — were cultivated mechanically.

PRODUCTION AND USE OF FERTILIZERS

37. The Meeting debated the situation and problems relative to the production and use of fertilizers in Latin America, considering that, with few exceptions, the use of fertilizers was still very limited; since it was restricted to a few areas and to certain crops. The causes of this situation were then discussed. Among them were the high prices of fertilizers, the low prices of many agricultural products and

the lack of technical knowledge on the part of large sections of rural communities. Consequently, it was deemed advisable for governments to take the necessary measures tending to foster the use of fertilizers as one means of increasing production per unit. The Meeting then expressed its support of FAO's work in the field of fertilizers; in particular, the proceedings of the Technical Meeting held under its auspices at Rio de Janeiro in 1951.

38. The Meeting summarized its decisions by adopting the following Resolution:

THE THIRD REGIONAL MEETING,

Recognizing that

it is imperative that Latin American countries should use fertilizers and soil improvers on a larger scale in order to aid soil conservation, increase and improve the quality of production and reduce unit costs;

the use of fertilizers is at present very small and limited to a small number of crops;

although nitrogen fertilizers are produced in excess of potential requirements in the Region, there is no adequate production of phosphate and potash fertilizers or of lime;

the prices of fertilizers are high mainly due to the high cost of transport, containers, ocean freights, credits, etc.;

farmers do not use fertilizers to improve many crops because they are not paid remunerative prices for their products, or because the beneficial results of the use of fertilizers are not fully known; that not enough natural sources of phosphate and potash are to be found in Latin America.

Recommends

1. That countries of the region should campaign for an increased use of soil improvers and fertilizers and carry out research work and tests in order to obtain the maximum data on the benefits to be derived from the use of fertilizers in the most important areas and for the various crops;
2. To encourage the production of phosphate and potash fertilizers and lime improvers, intensifying prospecting for such natural resources as may provide raw material for the manufacture of fertilizers, and facilitating the import of these raw materials;
3. That every possible measure be adopted to obtain the maximum use of the by-products of fertilizing value derived from the agricultural and livestock industries, such as packing-

plant by-products (dried blood, bones), from fish-preserving industries (fish meal), from edible oils (oilseed meal);

4. That the distribution of fertilizers be fostered, so that their prices become as satisfactory as possible to producers, and that other economic conditions should also tend to the profitable use of fertilizers;
5. That the possibility of granting credits to farmers for the purchase of fertilizers be studied;
6. That governments co-operate actively with FAO, reporting in detail on production, distribution, imports and use of fertilizers by means of a system of officially appointed correspondents, in support of the recommendation made by the Technical Meeting on Fertilizers, held in Rio de Janeiro in 1951.

SEED IMPROVEMENT

39. The Meeting noted with satisfaction the progress achieved in some Latin American countries in the production of new varieties, the multiplication and distribution of high quality seed, and the development of facilities for the testing and certification of seeds, which were reported in the basic working papers. However, progress is still unevenly distributed according to countries and according to crops, and it was realized that varietal improvement and more general distribution of high quality seeds still constituted one of the most promising means of increasing production at a reduced cost of production per unit of weight harvested.

40. The Argentine delegate offered his country's assistance to other Latin American republics in obtaining resistant varieties and genetic material that could be used in their national breeding programs.

41. In consequence, the following recommendation was adopted:

THE THIRD REGIONAL MEETING,

Considering that the improvement of cultivated plants is a basic and fundamental factor in agricultural efficiency;
that plant improvement in many cases enables those areas which are ecologically fit for cultivation to be extended, so contributing to the expansion of agricultural production;

Recommends

1. That the governments intensify their efforts in order to encourage both official and private work on plant improvement.

2. That FAO, in co-operation with the International Seed Testing Association, should attempt to collect information upon previous work carried out for plant improvement in the different countries, including legislation for the testing and certification of seeds, with the object of placing it at the disposal of the different governments for their guidance.
3. That the governments inform FAO of the work carried out in their respective countries, so that the record of progress achieved may be available to all.
4. That, through FAO and in co-ordination with the Organization of American States, a study be made and submitted to the next Latin American Regional Meeting of the possibility of organizing in America, with official and private collaboration, a chain of gene-centers covering the principal species of American origin under cultivation, with the object of improving such species, including their resistance to plant diseases and pests.
5. That governments make use of the FAO Seed Exchange Service, which is provided for cases where national institutions find it difficult to obtain seed samples directly from the country of origin.

PLANT PROTECTION

42. After hearing a report of the progress achieved in the administration of the International Plant Protection Convention, the Meeting considered two main aspects of this work, namely the improvement of the World Reporting Service on Plant Diseases and Pests, and the setting up of a regional plant protection organization. It also heard reports, by the delegates of El Salvador and Argentina, on the locust situations in Central America and South America respectively. With respect to the International Plant Protection Convention, attention was drawn to the fact that only 10 Latin American States had so far signed this instrument.

43. The Meeting noted with interest the progress achieved in some countries in the improvement of phytosanitary services, and particularly the initiative taken by the governments of the Central American States, Mexico and Panama to set up a regional organization for the protection of agricultural production (*Organización Internacional Regional de Sanidad Agropecuaria*), which will function as one of the regional organizations under the International Plant Protection Convention. It was hoped that this organization would later be widened to include the Caribbean area. It was also hoped that the Inter-American Plant Protection Convention of 1948 could furnish the basis for

a South American Plant Protection Organization. In this connection, and also with regard to the World Reporting Service, the Meeting stressed the necessity of avoiding duplication.

44. Concluding the discussion on this point, the Meeting adopted the following recommendation:

THE THIRD REGIONAL MEETING,

Recommends that, in accordance with the provisions of the International Plant Protection Convention, Regional Plant Protection Centers be set up, one for Central America, Mexico, Panama and the Caribbean, and another for South America, to study common problems, and decide upon measures to be taken, and to co-ordinate their labors.

Suggests that steps be taken to

1. Organize a body of official correspondents where they do not now exist, to furnish information to the regional centers and to FAO's World Reporting Service on Plant Protection Activities in their respective countries;
2. Encourage the interchange of technical information, regulations, and control methods;
3. Promote international co-operation in connection with research on the more important plant pests, and their control;
4. Facilitate the fulfilment of Plant Protection Agreements signed by the various countries;
5. Publish a news bulletin on the activities of the Regional Plant Protection Centers.

IMPROVEMENT OF LIVESTOCK AND BETTER INTEGRATION OF AGRICULTURAL AND LIVESTOCK PRODUCTION

45. The Meeting discussed the development of livestock production in Latin America in regard to breeding and improvement of livestock disease control and pasture improvement. It was agreed that despite the fact that livestock plays a very important role in the economy of all the countries of the region, its development was very uneven and therefore, required improvement in many countries.

46. The Meeting heard with interest the statement of the delegate of Uruguay regarding the condition of the cattle industry in his country and on the measures being put into operation by his Government, as well as those that were being planned. He referred in particular

to the preparation of a plan that will effect basic improvements in cattle breeding. Under this plan measures will be taken to improve and expand artificial grazing lands, to increase the water supply for cattle and to effect other improvements. He said that this plan is an excellent example of the contribution that agencies such as FAO and the International Bank for Reconstruction and Development can make to further economic progress since the plan was based on the joint recommendations of these agencies and had been drafted with the co-operation of Uruguayan technicians, several of whom had attended the training course on agricultural planning held in Santiago de Chile in 1951, under the auspices of FAO, IBRD and ECLA.

47. The delegate from Chile referred to the situation of livestock production in his country, confirming the words of the Uruguayan delegate in praise of FAO, OAS, ECLA and other international agencies. He described measures that his Government was putting into force and has planned for the near future in order to increase livestock production. Among these he mentioned the increase of artificial grazing lands, imports of breeding stock and technical assistance to producers.

48. The debate closed with the statement made by the delegate of the United Kingdom regarding the meat supply situation in his country; he pointed out that meat rationing had recently been ended, that the present tendency is for prices to stabilize and that the prospects of the meat trade between the United Kingdom and Latin America were, in his opinion, good. He remarked on the accuracy of the estimates made by the Secretariat regarding the above points which appear in document LA/3/1.

49. These discussions resulted in the adoption of the following resolution:

THE THIRD REGIONAL MEETING,

Noting that, within the prospects for agricultural development of the region in the coming years, in several countries a marked deficit of animal foodstuffs such as meat and milk, which are fundamental for the attainment of a balanced diet, will persist; this deficit of animal foodstuffs, especially of beef, will also persist in many other countries of the world, thus ensuring the convenient disposal of possible surpluses in Latin America; the expansion of livestock offers an interesting opportunity for the selective development of agriculture, inasmuch as the former can adequately be related to many annual crops; the incorporation of grazing on the basis of improved pasture ranges, as a rotation element, ensures the conservation, and even the increase, of soil fertility;

all Latin American countries have wide possibilities for the expansion of livestock, which it will be possible to obtain by profiting from the experience and techniques of the more highly developed countries of the region in this respect.

Recognizing

1. the recommendations of the Second Inter-American Meeting on Livestock Production, held in Baurú 1952, as regards the need of setting up a Latin American Committee on Livestock Production of a permanent character;
2. that the Third Inter-American Meeting on Livestock Production, thanks to the hospitality of the Argentine Government, will be held in Buenos Aires in April 1955, on which occasion the above Latin American Committee would be set up, and its functions determined;
3. that it is already an accepted procedure that at all FAO meetings basic documents on development and outlook of agriculture be prepared by the Technical Secretariat;

Requests the Director-General of FAO to instruct that a summary technical report be drawn up on the present state and prospects of livestock production in Latin America, to serve as basic document for the proceedings of the Third Inter-American Meeting on Livestock Production;

that FAO, in cooperation with ECLA and other international agencies, carry out a detailed study on the possibilities in Latin America for the long-term development of animal husbandry and the means required to that end.

Recommends that the Latin American Governments pay due attention to the Third Inter-American Meeting on Livestock Production, and give instructions to their delegates so that the Standing Latin American Committee on Livestock Production be finally set up at that Meeting.

EVALUATION OF FISHERIES DEVELOPMENT AND FAO ACTIVITIES IN
THE REGION

50. The Meeting considered and approved document LA/3/13, in which the general situation and the factors limiting fisheries development in the Region are considered; the work carried out in this field by the Organization is described, especially that effected under the Expanded Technical Assistance Program, and an analysis is made by countries of recent progress in the field of fisheries which shows considerable differences in the degree of development attained.

51. The delegates received reports regarding the Fisheries Training Centers which the Organization has established or is about to operate in the Region with favorable results in the training of personnel for fisheries administration as well as for the fisheries industry and research. They were also informed that the intention of FAO to set up within the current year the projected Latin American Fisheries Council will not be carried out, due to the fact that countries concerned did not forward the number of ratifications required by the Agreement which was approved by the 6th Session of the Conference of FAO for the creation of such a Council. The role such a Council might play in the promotion and rational use of the fisheries resources of the region was given consideration.

52. The Meeting recognized the importance of increased production and consumption of fish for improving the nutrition of the Region's population rapidly and without great capital outlays, in order to correct at least in part, the existing deficiencies in animal proteins. It also considered that, although it is true that in recent years several countries of the Region have greatly developed their fishing industries for domestic and foreign markets, there are, however, many zones in the Region in which great possibilities exist for wider use of their potential fisheries resources.

53. The Meeting also realized that the promotion of fisheries in Latin America depends upon the development of production through the modernization and mechanization of craft, equipment and fishing methods, as well as through improvement of the marketing of fish products. This would permit offering to the consumer a high quality product at the lowest possible price. This is why the need for technicians and specialists in the different branches of this industry — a need which is felt in the whole region, as well as the need for strengthening or organizing fisheries administrations — must be satisfied as a prior requisite.

54. Information was received on the excellent results achieved in different countries of the Region, with the technical assistance of FAO, through the breeding of fish in ponds, as well as on the importance of better utilization of inland waters in many Latin American countries, and the balancing of the diet of rural communities by means of fish culture.

55. The Delegate of Argentina expressed his approval of the document although making reservations on two of its conclusions, since he believed that the project of acclimatizing carp in Haiti should not be put into practice in other countries, especially where there are indigenous species of greater economic and nutritive value; and he stated that Argentina should not be underestimated as a fish-consuming country since per caput fish consumption had increased in recent years

in spite of the increase in population. He favored international co-operation in order to make the best possible use of fish resources which are of common interest to several countries, and to this end, he proposed the organization of a Regional Council on Fisheries, suggesting Buenos Aires as its headquarters. In view of the fact that procedure might delay the organization of the Council, he submitted a draft resolution proposing the immediate establishment of a Regional Commission to begin work on the program.

56. These discussions resulted in the approval of the following resolutions:

THE THIRD REGIONAL MEETING,

Recognizing that the development and proper utilization of the living aquatic resources of the region can make an important contribution to the implementation of food and agricultural programs and that the attainment of these ends requires international co-operation;

Noting that FAO has organized Regional Fisheries Councils in several areas of the world to establish contact between fisheries experts and assist the development of the fisheries in the areas which they serve; that Fisheries Councils for the Indo-Pacific and the Mediterranean regions have been already established; that a resolution was adopted by the Second FAO Latin American Regional Meeting on Food and Agricultural Programs and Outlook, held in Montevideo in December 1950, to establish a Latin American Fisheries Council; that, in September 1951, a meeting was held in Lima, Perú, to organize this Council, at which most of the countries of the region were present and drafted an agreement for the constitution of the said Council; that this agreement was subsequently approved by the Sixth Session of the FAO Conference for submission to interested governments for ratification; that as yet the Director-General of FAO has not received sufficient notifications of ratifications for the formal establishment of the Council,

Declares that the establishment of the Latin American Fisheries Council constitutes an essential step in the proper development and rational utilization of the fisheries resources, both marine and inland, of the region;

Recommends that the governments of the region adhere to the agreement establishing the Latin American Fisheries Council, at the earliest possible date, so that the Council be constituted to help the governments of the region in finding solutions to the problems of their fisheries industries.

57. THE THIRD REGIONAL MEETING,

Noting that a Draft Agreement for the establishment of a Latin American Fisheries Council was formulated in Lima, Perú, in September 1951, by some Member Governments of FAO and that the Sixth Session of the Conference of FAO subsequently approved the substantive provision of the Draft Agreement and recommended it for favorable consideration by all interested Member Governments of FAO;

that a Draft Resolution has been submitted to this Meeting urging the interested governments of the region to ratify such an agreement;

Considering that it is desirable that some of the functions of the proposed Latin American Fisheries Council be initiated on a provisional basis, pending the coming into force of the draft agreement, and that a Regional Commission can be established for that purpose under Section 1 of Article VI of the FAO Constitution;

Requests the Director-General of FAO to seek the authorization of the Conference under Rule XXVII/6 of the Rules of Procedure of the Organization, to enable him to establish a Regional Commission for the Fisheries of Latin America, and when so authorized, to proceed with the establishment of such a Regional Commission, provided this appears to him expedient and desirable under the circumstances;

Recommends that this Commission be made up of Sub-Commissions established according to geographical areas and fisheries of common interest.

58. THE THIRD REGIONAL MEETING,

Considering that one of the best forms of technical assistance provided by FAO in Latin America for the development of the fishing industries, consists of the organization of fisheries training centers; that these centers have so far been of a general character, providing instruction in biology, technology, economics, statistics and fisheries administration; that the first of these centers was held in Valparaiso, Chile, during the months of January, February and March of 1952 and that the second, of 10 weeks' duration, will be inaugurated in Mexico on 10 October next;

Recommends that, as from 1955, and under the Technical Assistance Program, FAO shall organize, in those countries of the region best able to provide the necessary facilities, training centers of a more specialized character, which will cover the technical

problems of fisheries, to ensure the most rational use of existing resources, and the improvement of the nutrition of the people. One of these specialized centers should be devoted to fisheries biology, another to technology and a third to economics and fisheries administration; that FAO and other Specialized Agencies, such as ILO, UNESCO, OAS, etc., grant fellowships, so that these centers can be attended by the greatest possible number of representatives from the interested countries.

LIST OF DELEGATES, OBSERVERS
AND OFFICERS OF THE MEETING

DELEGATES

ARGENTINA

President of the Delegation

Mr. Carlos A. Hogan
Minister of Agriculture and Animal Husbandry

Vice-President of the Delegation

Mr. Santiago Boaglio
Under-Secretary for Agricultural and Animal Husbandry

Ministry of Foreign Affairs and Cultural Relations

Dr. Conrado Carlos Beckmann
Envoy Extraordinary and Minister Plenipotentiary; Director
of Social Economy

Mr. Enrique Abal
Envoy Extraordinary and Minister Plenipotentiary; Sub-
Director of International Organizations and Treaties

Mr. Alberto Domingo Pérez Villamil
Envoy Extraordinary and Minister Plenipotentiary

Ministry of Agriculture and Animal Husbandry

Mr. Juan José Billard
Director-General of the Department of Agricultural and Cattle
Economy

Mr. Norberto A. R. Reichart
Director-General of the Department of Agricultural Development

Mr. Ubaldo C. García
Director-General of the Department of Agricultural Research

Dr. Carlos Piazza
Director-General of the Department of Cattle Research

Dr. Raúl C. Sorcaburu
Director-General of the Department of Fisheries and Preservation of Fauna

Dr. Juan J. Moreno
Director-General of the Department of Animal Production

Dr. Roberto Escobal
Director-General of the Department of Animal Health

Mr. Angel C. Stura
Acting Director-General of the Department of Plant Health

Captain José G. Costa Palma
Director-General of the Land and Soil Department

Mr. Osvaldo A. Lorenzini
President of the Central Parity Chamber of Settlements and Compulsory Arbitration of Rural Partnerships and Rents

Mr. Antonio F. Bravo
Inspector of Rural Delegations

Mr. Juan B. Marchionato
Honorary Adviser to the Minister

Ministry of Social Welfare and Public Health

Prof. Enrique D. Pierangeli
Director-General of the National Institute of Nutrition

Ministry of Trade and Commerce

Mr. Leonardo Vartalitis
Head of the Department of Conferences and International Organizations

Mr. Juan Pasqual Martínez
Director of Economic Studies of the Argentine Institute for the Promotion of Inter-Change

Ministry of Finance

Mr. René R. Thiéry
Official of the Argentine Bank of the Nation

Dr. Eugenio L. Malatesta
Official of the Central Bank of the Republic

Mr. Pedro Graziano
Official of the Central Bank of the Republic

Ministry of Industry

Mr. Carlos Alberto Dillon
Official of the General Administration of Water and Electric Power

Mr. Juan Ramón Delgado
Official of the General Administration of Manufacturing
Industries

Secretariat of Economic Affairs

Mr. José Carlos Vidal
Adviser on Agrarian Policies

Secretariat of Technical Affairs

Mr. Silvio Antonio Tosello
National Director of Scientific and Technical Research

Secretariat of the Delegation

Mr. Italo José Peretti
Secretary of Embassy.
Secretary-General of the Argentine Delegation

Mr. Carlos Osvaldo Tanzi
Chief of the Secretariat of the General Division of Development
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Joint Secretary-General of the Argentine Delegation

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Secretary of Embassy

Mr. José María Vásquez
Secretary of Embassy

Advisers

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Mr. Febo A. E. Terzi
Official of the Ministry of Agriculture and Animal Husbandry

Mr. Rogelio F. Cornejo
Official of the Ministry of Agriculture and Animal Husbandry

Mr. Eduardo L. Ramperti
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Mr. Nevio F. de Bernardis
Official of the Ministry of Agriculture and Animal Husbandry

Mr. Jorge L. Bellati
Official of the Ministry of Agriculture and Animal Husbandry

Mr. Arturo E. Ragonese
Official of the Ministry of Agriculture and Animal Husbandry

BOLIVIA

Delegate

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Director-General of the Department of Communications and
Agricultural and Cattle Co-operatives of the Ministry of Rural
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Head of the Delegation

Ambassador Orlando Leite Ribeiro

Delegate

Prof. Miguel Franchini-Netto

Minister-Counsellor for Economic Affairs

Advisers

Mr. Paulo Cabral de Mello

Secretary of Embassy

Mr. Espedito de Freitas Resende

Secretary of Embassy

Mr. Milton Gaeta

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Delegates

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Minister-Counsellor of the Embassy

Mr. Florencio Aguila Williams

Co-ordinator of the National Department of Agriculture

Mr. René Enríquez Frodden

Head of the Technical Agronomy Department of the Cor-
poration for the Sale of Saltpeter and Iodine

Mr. Hugo Vigorena Ramírez

Secretary of the Chilean Embassy and Secretary-General of
the Delegation

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Head of the Delegation

Mr. Luís Humberto Salamanca

Minister-Counsellor

Delegate

Mr. Hernando Pastrana Borrero
Cultural Counsellor

COSTA RICA

Head of the Delegation

Ambassador Dr. Emilio Valverde Vega

Delegate

Mr. Ruben Esquivel de la Guardia
Counsellor of Embassy (Alternative Delegate)

DOMINICAN REPUBLIC

Delegate

Mr. Francisco Torres Aristy
Secretary of Embassy

ECUADOR

Head of the Delegation

Mr. Eduardo Arosemena Gómez

Delegate

Mr. Nelson Vallejo Charles

EL SALVADOR

Head of the Delegation

Mr. Roberto Quiñónez
The Minister of Agriculture for El Salvador

Delegates

Mr. Rafael Huevo Selva
Mr. Agustín Alfaro Morán
Mr. Miguel Angel Salaverría
Mr. Roberto Amaya Díaz
Attaché of Embassy (personal secretary to the Minister)

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Mr. Joseph Rumeau
Expert on Tropical Agronomy, Director of the Ministry of Supply

Delegate

Mr. Emile Bullé
Advisory Delegate, Director of the Agricultural Department
of Martinique

GUATEMALA

Delegate

Lieut. Luis Archila Peña,* Chargé d'Affaires of Guatemala

HAITI

Delegate

Dr. René Jeanty,
Ambassador of Haiti

HONDURAS

Head of the Delegation

Mr. Benjamín Membreño
The Minister of Agriculture

Delegate

Mr. Guillermo López Rodezno
President of the Development Bank

MEXICO

Head of the Delegation

Mr. Vicente Beneitez Claverie
Mexican Ambassador

Delegate

Jorge Coromic, Civil Attaché

NETHERLANDS

Delegate

Mr. Jacobus M. Wagenaar
Second Secretary for Economy

NICARAGUA

Delegate

Mr. Otto Lamm Jarquín
Ambassador of Nicaragua

* Accredited as an Observer according to his credentials.

Adviser

Mr. Julio Cesar Alegría
Counsellor of Embassy

PANAMA

Delegate

Mr. Agustín Méndez
First Secretary and Chargé d'Affaires of Panama

PARAGUAY

Head of the Delegation

Dr. Fabio da Silva
Minister of Justice and Work and Acting Minister of Agriculture and Animal Husbandry

Delegates

Mr. Anastasio Fernández
Chief of the Agriculture Division of the Ministry of Agriculture
Mr. Oscar Cabello
Member of the Directorate of the Bank of Paraguay

UNITED KINGDOM

Delegate

Mr. R. H. Smyth
Food Attaché of the Embassy

UNITED STATES OF AMERICA

Delegate

Mr. John A. Hopkins
Counsellor for Economic Affairs

Alternate

Mr. Robert C. Tetro, Agricultural Attaché

Adviser

Mr. Louis J. Franke

URUGUAY

Head of the Delegation

Mr. Esteban F. Campal
Under-Secretary of the Department of Animal Husbandry and Agriculture

Delegates

Mr. Luís H. Castelli
Mr. Antonio Bandeira
Mr. Crisólogo Brotos

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Mr. Luís J. Carulli
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PAN-AMERICAN SANITARY BUREAU

Dr. Emilio Budnik, representative of Zone VI
Dr. Benjamin D. Blood
Adviser on Veterinary Medicine for Zone VI

WORLD UNION OF CATHOLIC WOMEN'S ORGANIZATIONS

Mrs. Elena B. Z. de Hueyo

President of the Women's Catholic Action Association

Mrs. S. P. de Bary Tornquist

Ad-hoc Secretary of the Women's Catholic Action Association

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Director of the Agriculture Division

Dr. William G. Casseres

Personal Representative of the Director-General

Mr. Alfredo M. Saco

Technical Secretary of the Third Latin American Regional Meeting

Dr. Bibiano Osorio Tafall

Representative of the Fisheries Division

Mr. Albert Viton

Expert of the Economic Division

Dr. Arturo Vergara

Representative of the Nutrition Division

Count Siegfried von der Recke

Representative of the Forestry Division

Mr. Roger Burdette

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Mr. Ricardo Ortiz

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Mr. Gerardo E. Bildesheim

Assistant to Technical Secretary of the Meeting

Mr. Onno van Teutem

Assistant to the Technical Secretary of the Meeting

Miss Norma Spinney

Administrative Assistant for the Meeting

SUMMARY OF THE REPORT SUBMITTED BY THE WORKING PARTY ON PRICES, TRADE AND SURPLUSES

ESTABLISHMENT OF THE WORKING PARTY

1. At its First Plenary Session, the Meeting approved an Argentine proposal to establish a Working Party on Prices, Trade and Surplus Problems because of the great importance of these issues to all the assembled countries (See Introduction, para. 16).

2. It was considered that the Meeting lacked sufficient authority to consider the problem on a world level, and it, therefore, limited itself to dealing with the problem in its regional aspect. In spite of the fact that prices, trade and surpluses are inter-related, the Working Party considered that they must be dealt with separately — trade and price problems being of a permanent nature, while surpluses disposal problems are transitory.

3. It was stated that the problem which at present affects certain nations only, should, however, concern all, because a surplus may arise in any commodity owing to lack of demand. It was also noted that disturbance of international markets affects FAO's basic principles, because technical efforts to achieve increasing production would be useless if producers were not assured an adequate return.

4. The delegates expressed special concern that the disposal of surpluses should not disturb the economy of the Latin American countries, which are principally food and raw material producers.

Background

5. The Working Party considered the following documents: The Report of the 23rd Session of the Committee on Commodity Problems (document CCP/54/13, 11 June 1954); the statement of the Secretary of FAO's Washington Consultative Sub-Committee on Surpluses; the report of the First Plenary Session of this Meeting (document LA/3/WG/3); an International Plan for the defense of world commodity

markets; the Argentine proposal to the FAO Sub-Committee on the disposal of surpluses, 3 August 1954; proposal for a system of regulated liquidation of agricultural surpluses on an international basis; proposal of the Uruguayan delegation to the Sub-Committee in Washington, 31 August 1954 (document LA/WG/5) 6 September 1954; United States Aid and Development of Agricultural Trade Act, 1954 (document LA/3/WG/6); report on agricultural problems and policies in Latin America; working paper LA/3/2 of this Third Latin American Regional Meeting.

SURPLUS PROBLEMS

6. The statements of various delegates prior to the discussion of the proposals, and the report on the activities of the Washington Sub-Committee on Surpluses, showed the following problems:

- a) a decline in prices in international markets;
- b) a restriction in purchases by consumer countries;
- c) possible speculation on the eventuality of a further drop in prices;
- d) possible conversion of normally exportable balances into surpluses, for the reasons mentioned above.

7. Some countries pointed out that the retention of surpluses of grains and some other agricultural products by large producing countries has contributed to the prevention of a more harmful fall of prices.

8. Stress was laid on the decision of Latin American countries to consider jointly the problem of surpluses; it was their unanimous opinion that the quickest way to achieve a concrete solution is for the Consultative Sub-Committee in Washington to exercise its powers fully, and that the interest of both producer and consumer countries be placed on an equal footing.

9. A report on the activities of the Washington Consultative Sub-Committee was received. From the analysis of that Committee's work and from other available data, the following conclusions were reached:

- a) Latin American countries are much concerned about finding efficient methods to solve the problem of surpluses on an international level.
- b) Latin American countries, which have conspicuously helped within the United Nations and FAO to arouse world opinion and to establish adequate international machinery for the

disposal of agricultural surpluses, are ready to observe future developments with the closest attention and to play a role in accordance with their deep interest.

- c) Latin American countries reaffirm the complex nature of the problem and stress once again the need to persist in seeking an integral solution which will take into account all the economic implications and mutual relations between the various commodities for consumption.
 - d) As an immediate step, the terms of reference of the Consultative Sub-Committee should be reviewed, in order to eliminate all possible doubts about its competence to approach matters of general policy concerning food and agricultural commodities.
 - e) Latin American countries consider of primary importance that the terms of the Consultative Sub-Committee be amended, so as to give it more ample authority to carry out its functions (for example, to allow it to submit conclusions or recommendations directly to Member Countries).
10. In this connection, the Latin American countries pointed out that the Sub-Committee should request governments to forward periodic reports on the measures adopted in compliance with recommendations made by FAO and its technical bodies.
11. The basis of the discussion was a joint proposal submitted by the Argentine and Uruguayan delegations.
12. The Chilean delegation stressed the fact that many Latin American countries have insufficient production and therefore the problem of insuring them supplies at reasonable prices is not one nation's problem, but that of a considerable number. The situation of importing countries differs in this case from that of countries which, stocked with surpluses, have a logical interest in selling them. The Chilean Delegation therefore submitted a proposal expressing the point of view of an importing country. As these points were subsequently included in a satisfactory manner in the Argentine-Uruguayan Draft Resolution, Chile withdrew its proposal.
13. Consequently, the following Resolution was adopted unanimously by all delegations forming the Working Party: (See Chapter I, para 42).

PRICES AND TRADE

14. Upon making a study of the problems of prices and trade, which is the second aspect to be considered by this Working Party, document LA/3/2 on Agricultural Problems and Policies in Latin Amer-

ica was discussed. This document, specially prepared by the Technical Secretariat of this Third Regional Conference, reviews in a clear, broad and precise manner, the general situation of agricultural production in the Latin American countries. For this reason it was decided to include it in this report and to recommend its analysis by the Committee on Commodity Problems, the FAO Conference and the FAO Council.

15. Although a reading of this document would suffice for a broad consideration of the price and trade problems in this Region in general, it was decided to stress the deep concern of the Meeting over the recent declines of prices of agricultural products and raw materials which have lately had unfavorable effects on international price relationships (terms of trade) in Latin American countries.

16. This state of affairs is of the utmost importance to the Latin American countries that depend upon their exports of agricultural commodities to obtain the foreign currency necessary to pay for the importations essential to their economic development.

17. In some countries agricultural and livestock products comprise 80-90 percent of the total exports. Only a few countries have not been unfavorably affected in their balance of payments, notably the countries exporting large amounts of coffee and cacao. Practically all other Latin American countries have suffered the consequences of the decline in prices, and are therefore undergoing serious economic disturbances.

18. From the point of view of a healthy economic development, it is also important that prices of agricultural and livestock products have been undergoing the most severe fluctuations; the unfavorable effects of these changes have been accentuated by the fact that the decline in prices has frequently been most abrupt when the products were still in the hands of the farmers, while their recovery frequently chiefly benefited the middlemen. Some Latin American countries have lessened the adverse effects of these unruly fluctuations through the establishment of national prices and trade policies guaranteeing farmers a previously set price.

19. While in some countries such measures have protected agricultural producers, thus avoiding social disturbances, it is evident that these measures have nevertheless had an impact on their national income.

20. Inflationary and deflationary pressures have alternated in various parts of the Region in a dangerous manner. It is obvious, moreover, that this decline in prices and trade levels affects not only those countries producing agricultural commodities, but that it is like-

wise in the interest of the industrialized countries to consider the possibility of arresting sudden fluctuations in the purchasing power of agricultural countries, fluctuations which interrupt the normal sales of manufactured goods. A crisis in agricultural prices is nothing more than a foretaste of a crisis in manufactured goods.

21. The Working Party carefully considered the possible channels to be explored by Latin American countries for a solution to these problems, pointing out with special emphasis the need for a suitable intensification and expansion of intra-regional trade and the opening up of new possibilities and markets among Latin American countries. It recommended that this Meeting declare that it is in the interests of Latin American countries to combine efforts and exert their mutual co-operation in order to achieve the improvement of intra-regional trade by means of arrangements designed to reach an adequate, gradual and progressive co-ordination and economic integration which will have a favorable effect on their economies, thus making it possible to raise the nutrition levels and standards of living of their populations.

22. Finally, it expressed the hope that FAO's technical bodies and especially the Committee on Commodity Problems should constantly watch price fluctuations in order to provide the greatest amount of information to the governments, and to recommend, if possible, measures to prevent the unfavorable influences of such variations upon the economy of Latin American countries.

23. It also recommended that close contact and co-operation be maintained with the Advisory Commission on International Commodity Trade of the Economic and Social Council of the United Nations. The following resolution, submitted by the delegation of the Argentine Republic, was approved: (See Chapter I, par. 49).

AGRICULTURAL MARKETING

24. The Working Party, desiring to contribute towards the best solution of the important problems proposed for the consideration of this Meeting, decided to include Document LA/3/5 on "Agricultural Marketing in Latin America" (Annex D) with this report together with the statements made by the delegate of Argentina relating to the new marketing system established in that country.

FINAL CONSIDERATIONS

25. This Working Party, on coming to the end of its work, wished to request the Meeting to express its satisfaction to FAO and to the Committee on Commodity Problems for the valuable co-operation

received in the work entrusted to it by the Technical Secretary of this Third Regional Meeting, in the preparation of the documents mentioned in this report and to thank the technical experts attending this Meeting for their valuable collaboration and particularly the Secretary of the FAO Washington Sub-Committee on Surpluses, Mr. Albert Viton, for his advice.

26. At the same time, the Working Party wished to express its appreciation of the co-operation received in every respect from the personnel of this Meeting, which made it possible to include in the documents and translations accompanying this report, valuable facts for the solution of the problems under consideration.

A NOTE ON AGRICULTURAL PROBLEMS AND POLICIES IN LATIN AMERICA

INTRODUCTION

1. THE latest developments in Latin American agriculture show more and more clearly the close relationship between agricultural progress and general economic development. In the past, agricultural progress was largely conditioned by the state of international markets and by the need to develop production for export to supply the main industrial countries. Currently, however, agricultural development is more affected by rapidly growing populations with increased purchasing power resulting from industrialization. Patterns of domestic demand for agricultural products have changed significantly and will probably continue to change. The discussion that follows attempts to clarify in some detail the various factors involved in current Latin American economic development as they relate to agriculture. The intention is not to reach clear-cut conclusions but to provide some interpretation of current and prospective developments to help in the discussion of Item 3 of the agenda.

2. Two points that seem to emerge from the analysis are *a*) a lack of sufficient agricultural supplies in the area as a whole to meet rapidly growing demand, and *b*) a trend towards policies of self-sufficiency. In the latter connection the meeting may wish to consider how far these policies are in accordance with the countries' needs, and whether Latin American countries might co-operate more closely in an effort to overcome, even if only partially, the obstacles to better economic co-ordination in the region. In this way, it might be possible not only to alleviate pressing problems in the regional balance of payments situation, but also to modify the present tendency towards national self-sufficiency, which often leads to very high costs of production and retail prices and thus tends to restrict local consumption.

CURRENT TRENDS

CURRENT TRENDS IN SUPPLY AND DEMAND

3. Demand, particularly for food, appears to have been increasing faster than population during the past few years. Population is itself growing very rapidly, but gross income per caput in the region as a whole is estimated to have increased at the even higher average rate of 3.2 percent per year between 1945 and 1952.¹ In countries such as Argentina and Uruguay where standards of food consumption are already high, recent increases in income are unlikely to have had much effect on the consumption of foodstuffs, but in other countries where consumption levels continue low the effects of these increases must have been considerable.

4. The lack of adequate statistics makes it very difficult to estimate the degree to which the rise in income has contributed to the growth in the demand for food, and it is not possible to establish the income elasticity of demand for food products. Such historical data regarding supplies as are available indicate, however, that for foodstuffs and agricultural products as a whole consumption has in fact increased faster than population.

TABLE 1 - LATIN AMERICA: INDICES OF APPARENT GROSS AND PER CAPUT SUPPLIES OF FOOD AND TOTAL AGRICULTURAL PRODUCTS AVAILABLE FOR DOMESTIC CONSUMPTION

Item	Average 1949-51	Average 1952-53
<i>Food</i>	(1934-38 = 100)	
Total Gross Supplies	139	147
Supplies Per Caput	104	105
<i>All Agricultural Products</i>		
Total Gross Supplies	135	143
Supplies Per Caput	101	102

¹ Economic Commission for Latin America.

5. However, the question is not so much whether food consumption per caput has increased, as whether supplies have been fully adequate to meet the growing domestic demand. The answer appears to be negative. If it is assumed that during the last ten years real income per caput rose by 30 percent (2.64 percent per year), and population by 26 percent (2.3 percent per year), and that the income-elasticity of demand for food products was 0.5, then, other things being equal, total demand for these products would have increased by about 45 percent. However, food production actually increased by only 20 percent during this period, an increase quite insufficient to cover the growth in population, and gross supplies for domestic consumption appear to have increased by only 30 percent, not enough to meet the assumed effective demand.² This scarcity of supplies resulted in increased retail food prices, which generally rose faster than the cost of living (see graph I in LA/3/1).

6. Although the above figures are only approximate, they seem to explain some of the stresses and strains in the Latin American food supply situation during the last few years, such as the frequent occurrence of scarcities of specific food products in domestic markets which are described in document LA/3/1 (par. 8 and following).

THE PRESSURE OF DEMAND AND AGRICULTURAL POLICIES: THE TREND TOWARDS SELF-SUFFICIENCY

7. Because of the growing domestic demand for agricultural products, the Latin American countries have been compelled either to increase local production and/or imports, or to reduce exports according to their individual circumstances, which vary greatly.

8. In formulating their economic and commercial policies all countries in the area have run into a problem which is the essence of the difficulties of their present stage of economic development. This problem is whether to satisfy growing domestic demand by increasing imports of consumer goods or to utilize their limited foreign exchange earnings to import capital goods for industrialization and general economic development. Actually, most Latin American countries, with the ultimate objective of saving foreign exchange for the import of capital equipment, have made and are continuing to make efforts to produce consumer goods locally, although they have allowed some increases in imports.

² The estimate of 0.5 as the income elasticity of demand for food in Latin America during the past ten years is in fact a conservative one. However, even if we assume an elasticity of 0.25, which, being the figure for the U.S.A., where food consumption levels are very high, is obviously too low for Latin America, demand would still have increased by about 35 percent, or 9 percent more than population. In this case the increase in ten years due to the higher per caput income is $30 \times 0.25 = 7.5$ percent, and the total demand $\frac{126 \times 107.5}{100} = 135.5$ percent.

9. If the conditions of international trade and domestic economic development had been different, a substantial increase in intra-regional trade might have been expected, with each country specializing in the production of those commodities for which it enjoyed the greatest comparative advantage. Instead, there has been a strong trend towards national self-sufficiency. By volume terms, intra-regional trade in agricultural products has increased very little since before the war, and the share of agricultural products in total trade appears to have fallen.³

10. This policy of self-sufficiency, one of the most salient characteristics of current agricultural development in Latin America, is illustrated very clearly in the case of wheat. Deficit countries such as Brazil, Peru, Colombia and Mexico all have intensive production campaigns to expand domestic wheat production which can in some cases only be understood in the light of this policy.

11. The results of the wheat campaign in Brazil have been spectacular. Against a prewar average production of 144,000 metric tons, the 1940-50 average was 458,000 metric tons and 1953 production was over 800,000 metric tons. In 1954 it is hoped to reach a million tons, which is the original production goal for 1960, and the government is considering revising this goal to 1.5 million tons. With rapid urban development and transport improvements, demand for wheat, which is being substituted for other products such as maize and cassava, has however increased even more rapidly, so that, despite the great progress attained in production, imports have risen more than 20 percent since before the war.

12. Large increases in wheat production have also been registered in the other countries mentioned. In Peru, production rose from 76,000 tons before the war to 170,000 in 1953. Nevertheless, imports, which had amounted to 128,000 tons in 1934-38, roughly doubled by 1953. In Mexico, production rose to 670,000 tons in 1953/54 as compared with 374,000 tons before the war. The 1955/56 production goal is 1.2 million tons. On the other hand, imports fell from 443,000 tons in 1952 to 242,000 tons in 1953 and they are insignificant in the current year. The possibility of becoming a net exporter is already being discussed in Mexico. Progress in wheat production has been slower in Colombia, increasing from 106,000 metric tons prewar to 145,000 in 1953, while imports rose threefold.

13. It is important to determine whether this tendency towards national self-sufficiency has sufficient economic justification. The basic economic motive of the policy has already been discussed, but from

³ For details see UN document E/CN./12/204, Rev. 2, New York 1954, concerning trade between the countries of the southern part of South America, which represents four-fifths of the intra-regional trade of Latin America.

the point of view of international specialization there seems to be less justification. For reasons of soil and climate and because of the general structure of their agricultural economies, production conditions for wheat in some areas of the countries mentioned are not always as favorable as in the traditional major producing areas of the world, including the Argentine "pampas." There is also some doubt as to whether the same land and other resources could not be better employed in the production of other crops. However, due weight should, of course, be given to national comparative advantage and the over-all price structure within the countries themselves. For instance, it is very likely that wheat, or for that matter any other product now grown in the areas concerned, shows an advantage over the crops that were formerly grown in the same areas. Furthermore, a high-cost structure, such as has developed in some Latin-American countries, and of which Brasil is a good example, makes such international comparisons quite useless. The comparative costs of all other products may be in a similar position. Recently, for example, Brazilian cotton and other export products were priced out of the market, which to a certain extent contributed to the devaluation of the Brazilian cruzeiro. Though there is no doubt that in some countries the drive to industrialize is largely responsible for the development of a high-cost structure it should also be mentioned that international prices do not always reflect the level of production costs, due to subsidies and other similar policies.

14. Nevertheless, the fact that average domestic wheat prices are in most cases above those ruling in the international market seems to indicate that the production of wheat in some countries has, *ceteris paribus*, already passed the limits imposed by international comparative advantage. Thus the Brazilian government, at the beginning of this year, was paying Cr. 3,800 per ton for local wheat, while at the same time the price of wheat imported from Canada was Cr. 2,410, from Turkey, Cr. 2,810 and from Uruguay, Cr. 3,158. Even so, Brazilian authorities assert that wheat production is affording farmers an excellent opportunity to improve their incomes and modernize their farming practices.

15. In Colombia, in April 1954, the price of local wheat was 760 pesos per ton, while imports were offered at U.S. \$1.85 per bushel f.o.b., equivalent to 260 pesos per ton, c.i.f. However, in Bogotá this wheat would cost around 636 pesos per ton, of which 296 pesos are taxes and 340 the net price, as follows:

c. i. f. price	260 pesos
freight to Bogotá	80 "
general import duty	120 "
10 % ad valorem	26 "
tax for the wheat campaign	150 "
	<hr/>
	636 pesos

Apart from other duties, imports of wheat are subject to a large special tax, the revenue from which accrues to the national wheat campaign.

16. Another illustration of the tendency towards national self-sufficiency may be found in the introduction of sugar beet into Chile, at the same time as in Cuba, owing to the not very favorable world market situation, sugar cane production is being considerably reduced. The absence of a local sugar industry compelled Chile to import large quantities of sugar, averaging 170,000 tons in the 1949-52 period. Present plans call for a national production of 60,000 tons of sugar by 1958, which would reduce imports by some 25 percent. In order to fulfill the objectives of the program, one sugar refinery, with a capacity of 20,000 tons per year, has already been constructed, while others will be built later.

17. The Chilean Government was motivated by three main considerations in its decision to start sugar production: a) to stop the drain on foreign exchange funds for purposes of importing sugar; b) to increase livestock production, mainly milk, by the large supplies of sugar beet by-products that would be available for feed, and c) to improve the land use pattern in the areas concerned. These considerations are, indeed, of great importance for the Chilean economy. It should also be mentioned that the sugar project was started only after careful technical studies. Nevertheless, it is possible that, if international prices for sugar remain at current levels, the new industry will, for some time to come, have to be strongly protected by the government. In March of the current year the price of imported sugar was 16 Chilean pesos per kilogram, including 4 pesos import tax, while the price at which it will be possible to sell domestically produced sugar is 25 pesos per kilogram. This price has been determined on the basis of a 12 percent annual return on invested capital and of producer prices which would provide an incentive to expand production. The current consumer price of sugar is about 20 pesos per kilogram, but it is considered that this is very low if account is taken of distribution costs. For this reason it will probably be increased to 25 pesos in the near future.

COMPETITION FOR RESOURCES BETWEEN AGRICULTURE AND INDUSTRY

18. While, on the one hand, food production has not increased in line with demand during the last few years, on the other hand, due to foreign exchange considerations, it has not been possible for many countries to import substantial additional supplies from abroad. Economic developments outside the agricultural sector which have themselves contributed to the increase in effective demand appear

to have also played an important role, both in slowing down the expansion of agricultural production and in limiting imports of agricultural products.

19. Besides competition from foreign exchange for the import of capital goods, agricultural development has also met competition from urban and industrial development for available resources such as investment capital and labor, especially since the beginning of the war. As this factor has been considered at length in previous FAO studies⁴ it is sufficient here to remember only certain manifestations of this competition for resources:

- a) use of savings originating in agriculture for urban and industrial investment, as a consequence mainly of the greater security and profitability of industry and construction compared with agriculture;
- b) use of government revenues, which in many countries continue to be derived in large proportion from agriculture, in developing services and economic activities related to industrialization and other fields outside agriculture itself;
- c) official protection of industrial development, including economic development programs and projects not paying sufficient attention to agriculture; and
- d) migration of labor from rural to urban areas, which increases the need for agricultural mechanization.

20. The timeliness with which the Regional Meeting at Montevideo in 1950 called to the attention of governments the necessity of re-establishing an equilibrium between agricultural and industrial development deserves mention. As may be seen in document LA/3/1, Chapter II, all Latin-American countries have, since the last meeting, effected measures and established plans and projects, with the objective of accelerating the pace of agricultural development to that of industrial development. In addition to what is said there, it should be mentioned that Chile completed the elaboration of an integral 8-year agricultural development plan (1954-1962), Uruguay has completed and improved its livestock development program and Brazil has recently adopted an exchange rate system favoring agriculture.

OTHER FACTORS AFFECTING AGRICULTURAL DEVELOPMENT

21. The course of agricultural development in Latin America has also been greatly influenced by factors of a different character, such as a) the urgent need to increase production of basic foods, mainly foods

⁴ See, for example, document LA/2/1 *Development and Prospects of Latin American Agriculture* presented at the Second Latin American Regional Meeting, Montevideo, December 1950.

valuable as sources of calories, and also of certain protective foods, such as milk, which is of special importance in child nutrition; and b) the limits to the capacity of Latin American agriculture to adapt itself to world market conditions.

22. The first and most urgent need has, of course, been to obtain speedy increases in the production of those foods which can supply the calorie needs of the rapidly increasing population. Cereals, root crops and sugar lend themselves readily to this purpose and, moreover, the income elasticity of demand for these foods has been high, since the average levels of consumption and of income, although there have been marked increases, have remained on the whole quite low.⁵

23. Although the demand for protective foods like animal products does not increase substantially until much higher levels of income are achieved, the fact that milk production has shown an important increase can be explained by the increasing realization of its nutritional importance for certain groups of the population, especially children. Governments are tending now to take special steps to raise milk consumption levels, which are low in many countries.

24. Fish supplies, a good source of protein, can also be increased quickly in many countries and considerable production gains have been achieved since the war. Fish poses special distribution and consumption problems, and governments in the region have paid attention not only to increasing production, but also to improving distribution facilities and stimulating consumption.

25. In food deficit countries, as a result of pressure of demand, production for local consumption has increased more rapidly than for export. The following table, from which Argentina and Cuba,

⁵ Although available information on food consumption levels is still not adequate to establish clearly the trends in food consumption patterns, considerable progress has recently been made in this direction. The results of most of the dietary surveys which were reported to be in progress in document LA/3/1 (par. 27) are now available. The Third Conference on Nutrition Problems, held in Caracas in October 1953, noted that dietary surveys have been carried out since 1950 in eleven countries in Latin America, i. e., in more than half the republics of the region, covering both urban and rural communities. Having reviewed the results of these surveys, the Conference concluded that, in general, supplies of calories were adequate but there were still qualitative deficiencies, chiefly of animal protein, vitamin A, some vitamins of the B group, and calcium. It was also pointed out that data on the relationship between economic level and diet obtained in some of the surveys have demonstrated clearly the influence of the economic factor on the nature of the diet. Nevertheless, the number of community samples covered by the surveys is still small in relation to the large and varied population of the region. The Conference, therefore, again emphasized the need for more surveys, and recommended that special attention be given to the use of satisfactory sampling techniques.

the only food exporters of significance in the regions, are excluded, shows that whereas between prewar and 1952/53 food production, basically for domestic consumption, rose by 51 percent, non-food production, largely for export, increased only 24 percent.

TABLE 2 - LATIN AMERICA, EXCLUDING ARGENTINA AND CUBA: INDICES OF TOTAL AGRICULTURAL PRODUCTION, FOOD PRODUCTION AND NON-FOOD PRODUCTION

Item	1947/49-1950/51 Average	1951/52	1952/53
	(1934-38 = 100)		
Total agricultural production	131	136	143
of which:			
Food ¹	139	144	151
Non-Food ²	110	113	124

¹ Mainly for domestic consumption.

² Mainly for export.

26. Undoubtedly the major possibilities for a rapid expansion of food production in Latin America as a whole are in certain crops such as grains, roots and tubers and sugar. In some countries, fish and fishery products also offer good prospects.

27. The case of wheat in deficit countries has already been discussed. As shown in Table 3, total Latin American production of rice has increased more than 1 ½ times since the prewar period. In Brazil, the largest producer of maize for local consumption in the area, the output was only slightly higher than in prewar years; but in the rest of the region, due notably to increases in Mexico and Central America, production of maize almost doubled during the same period and the increase was about enough to make up for the fall in the Argentine crop. Sugar production, however, regardless of whether Cuba is included or excluded, and also production of roots and tubers, are nearly twice as high as before the war, while the output of bananas, which, along with plantains, are a basic source of food in many tropical countries, especially Brazil, rose by 60 percent.

28. Fish, still of minor importance among the foods produced in the region, has shown rapid gains, particularly in those countries where intensive postwar development has been undertaken. Fish landings now are about three times as great as before the war.

29. Under the direct or indirect influence of the factors enumerated at the beginning of this section and of others related to world market conditions, the development of export crops and those requiring long-term investment has been quite different, with cotton possibly the only exception. Due to very favorable market conditions, important gains have been made in the region's cotton production, but this is mainly due to the very rapid expansion in Mexico, which has already replaced Brazil as the largest exporter of cotton in the area.

30. On the other hand, as may be seen in Table 3, the production of certain commodities which require long-term investment, such as coffee, cocoa and meat, has not grown in proportion to the improvement in relative prices which has taken place in the last few years and the favorable prices which continue to rule in the world market.

31. With respect to coffee, the increase in production since the prewar period is very small, despite some increases registered in countries other than Brazil. In view of the long-time upward trend in the demand for coffee, and the profitability of this crop even at prices well below recent high levels, it is clearly in the interest of the producing countries to increase coffee plantings and available information indicates that they have increased notably in recent years. However, this increase in plantings has not yet been reflected in a larger output, and it may still be some time before production will expand, because of the serious damage inflicted by last year's frost in Brazil, which not only damaged the ripening berries but also killed many young plants. Information available to FAO indicates that this reduced production by some 500,000 metric tons in 1954. Even if this damage had not occurred, however, production would only slightly have exceeded prewar level.

32. Cocoa is in a similar situation, with demand exceeding supplies, and substantial expansion is desirable wherever land and knowledge of the crop are favorable.

33. The effects of the above production trends, arising principally from consumption requirements, have been strongly reflected in Latin American trade in agricultural products, as is fully discussed in document LA/3/1 and will be dealt with in more detail later in this paper. Agricultural exports from the region have declined notably. Because of the simultaneous increase in imports, net exports of agricultural products have fallen much more and on a per caput basis the decline is still more pronounced.

34. In addition to the slow development of the production of export crops, in the traditional agricultural exporting countries local consumption has tended to absorb a larger share of total production. For example, in Argentina the local market now absorbs some 85 percent

TABLE 3 - LATIN AMERICA:¹ PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES DURING GIVEN PERIODS AND YEARS

Item	1934-38 average	1948-50 average	1952/53	1953/54 ²
..... Thousand metric tons				
<i>Basic Foods</i>				
Maize	17 982	14 609	16 328	19 175
Brazil	5 677	5 897	5 907	6 110
Argentina	7 892	2 319	3 550	4 800
Other countries	4 413	6 393	6 871	8 265
Wheat	8 621	8 129	10 868	9 767
Argentina	6 634	5 380	7 564	6 500
Other countries	1 987	2 749	3 304	3 267
Rice	2 050	4 580	5 090	5 300
Roots and Tubers	12 314	23 430	23 740	24 400
Sugar (centrifugal)	6 879	11 688	12 494	12 560
Cuba	2 838	5 515	5 153	4 894
Other countries	4 041	6 173	7 341	7 666
Bananas (ex. plantains)	4 821	6 478	7 490	7 720
Brazil	1 479	2 946	4 703	3 960
Other countries	3 342	3 532	3 787	3 760
<i>Animal Products</i>				
Meat ³	4 904	5 687	5 527	5 598
Argentina	2 066	2 182	1 975	2 000
Other countries	2 838	3 505	3 552	3 598
Milk	10 340	14 176	14 707	15 030
<i>Other Crops</i>				
Cotton (lint)	594	790	1 070	930
Brazil	355	369	516	388
Mexico	69	106	265	260
Other countries	136	225	289	282
Coffee	2 118	1 858	1 920	1 959
Brazil	1 446	1 059	1 125	1 118
Colombia	251	358	343	390
Other countries	421	441	452	451
Cacao	236	259	232	245
<i>Fisheries Products</i>				
Fish	274	519	728	777
Brazil	103	150	223	260
Chile	31	76	118	107
Peru	5	52	107	110
Other countries	135	241	280	300

¹ For other products, see Table 20 and Graph 27 in document LA/3/1.

² Provisional.

³ Beef and veal; pork and mutton and lamb.

of beef production as compared with about 70 percent in the prewar years. To have a clearer picture of the effects on trade of rapidly increasing consumption requirements within the region, the situation should, however, be reviewed commodity by commodity. Practically no country in the region is entirely self-sufficient in agricultural products, and big exporters such as Argentina (cereals), Brazil (coffee) and Cuba (sugar) have to import large and increasing quantities of products which they do not produce themselves, or which they produce in insufficient quantities, such as coffee, wheat and rice, respectively.

PROSPECTS

35. It is now necessary to consider whether the progress so far made in agriculture is likely to be maintained in the future and whether the rhythm of growth which is expected will be sufficient to solve the supply problems were analyzed briefly above. Following this evaluation it will be discussed whether it is necessary to readjust the general objectives of agricultural policy or some of the targets which express these policies.

36. Although the relationship between the fulfillment of the agricultural production goals and estimates for 1956/57 and the growth of population, consumption and international trade in agricultural products has been studied in great detail in document LA/3/1, Chapter III, it is necessary to re-emphasize this relationship because it is crucial in the formulation of the future agricultural policy of the region. Some conditions have of course changed. For instance, the rate of population growth in Latin America is now estimated to be greater than the 2 percent per year which was assumed in document LA/3/1. It now appears that in the next few years population is likely to increase at an annual rate of 2.4 percent. Furthermore, the effect on demand of changes in per caput incomes were not considered in that document.

37. The international trade situation has also changed, and surpluses of some agricultural products have appeared in certain parts of the world. This has shown that it is necessary to expand agricultural production selectively to prevent the surplus problem from becoming more acute. Simultaneously, in view of the low and inadequate level of food consumption in many parts of the world, the necessity is evident not only to increase but also to make selective improvements in consumption, and to improve marketing methods and reduce retail prices where possible. Resolution VI of the Seventh Session of the FAO Conference, apart from making this general recommendation, indicates in broad outline the various measures which governments might adopt to reach these objectives.

38. It should also be mentioned that, by resolution of the Seventh Session of the FAO Conference, regional consultations are to be held at which the possibility of selectivity in agricultural policies and the extent to which the principle can be applied will be discussed with the respective governments.⁶ Preparatory to these consultations, groups of technicians of the FAO Secretariat have visited numerous countries. In Latin America, Chile, Argentina, Uruguay, Brazil, Colombia and Mexico were visited, permitting a preliminary exchange of views with officials of these countries.

RELUCTANCE TO CHANGE BASIC POLICY

39. The extent to which, in the conditions of Latin American agriculture, it is possible and desirable for the various countries of the region to modify their production policies will be considered. Any judgment made now can only be provisional, as it is for the FAO regional meeting in Buenos Aires to reach final conclusions in the matter. Nevertheless, it may clarify the problem to advance some preliminary conclusions based on the visits made to the above-mentioned countries:

- a) In the period of the visits, i. e., during March and April 1954, no problem of agricultural surpluses existed in the area. However, in Argentina the prospects regarding wheat were not clear and the pressure of accumulated stocks in other exporting areas was already being felt. There had, for instance, been a grant of 100,000 metric tons of U.S. wheat to Bolivia, a natural market for Argentina, and there was apprehension about similar transactions in other parts of the world. The Argentine Government was therefore taking precautionary steps to expand storage capacity for wheat. With respect to linseed IAPI was already disposing of accumulated stocks of oil through sales to Russia and France and permits to export seed were being granted, thus reversing previous policies. Regarding maize and other coarse grains, the officials consulted appeared to believe that Argentina would be able to proceed normally with her exports, guaranteed to a great extent by existing commercial treaties.

In Uruguay exportable surpluses from the record 1953/54 wheat crop were partly disposed of through sales to Brazil, but some 200,000 metric tons remained unsold. Plans to reduce the support price for wheat from 16.50 to 15.00 Uruguayan pesos per 100 kilograms did not materialize and the 1954/55 wheat acreage is again expected to be large. As a result a surplus situation for wheat appears to emerge. The national wheat

⁶ In the case of Latin America it was decided that the governments should be consulted at the Third Regional Meeting of FAO.

reserve has been increased from 25,000 tons to 50,000 tons. There was also some concern regarding vegetable oils, since it was felt that a switch to oilseeds might result from any future reduction in wheat acreage.

- b) Consequently, the countries visited intended to maintain their current policies to expand agricultural production unless very unfavorable conditions for export or extremely favorable conditions for import should arise. Thus established production goals and official programs are not for the time being modified. In the deficit countries, governments feel very strongly that they must continue to increase production for local consumption and check the need for larger imports. In Argentina, as an exporting country, the feeling is that the country is not actually expanding production but rather trying to recover previous levels.

40. A brief evaluation of the factors affecting agricultural development in Latin America largely justifies this position. Three fundamental conditions would need to be fulfilled for present development plans to be changed. Firstly, that changes were urgently necessary to meet the nutritional needs of the population. Regarding this point there is increasing evidence, at least in some countries, that these needs are being taken into account. Secondly, that it would be profitable to substitute other products for the present ones, keeping in mind local agricultural conditions. Thirdly, that such a substitution would not have an unfavorable effect on the balance of payments. In any case such a substitution of this kind even if it were possible and necessary, could only be made over a fairly long period, and this conflicts with the necessity to make short-term adjustments caused by the presence of agricultural surpluses in countries outside the region.

41. Naturally, this does not mean that no changes whatsoever should be made in agricultural policies. It means only that any change which is to be introduced must be made on the basis of a careful study of all the factors involved. It is certain that agricultural programming and general economic planning is taking firmer shape in Latin America. However, it is evident that the technique of programming needs to be further improved and that more attention should be paid to certain elements which have so far been somewhat neglected. For example, greater emphasis on nutritional requirements is needed, also a more complete study of local production conditions and farmers' own intentions as well as of marketing facilities and methods. These points would involve the determination of adequate nutritional goals based on food consumption surveys, proper evaluation of national agricultural potentials, improvements in the means of distributing agricultural products, farm management investigations, stronger extension and educational services for farmers, and so on.

DEMAND PROSPECTS AND THE 1956/57 PRODUCTION TARGETS AND
ESTIMATES

42. In the following analysis the first problem dealt with is whether levels of production in 1956/57 are likely to be adequate with respect to the expected regional demand for agricultural products. In the following section the problem will be considered from the point of view of international trade. Finally, if the production levels foreseen for that year are adequate, it should be asked whether it is likely that these levels will actually be reached.

43. With respect to the first question, document LA/3/1 (Chapter III) showed that the regional production expected for 1956/57 implied an annual increase of about 1 percent in excess of the rate of population growth. It was shown that this increase was mainly due to the fact that production in the sub-region of Mexico and Central America and in the temperate zone of South America would grow at a rate substantially higher than the average for the region as a whole. On the other hand, production in the tropical zone of South America, and particularly in the Caribbean area, would lag behind.

44. In order to answer at least partially the question whether possible future demand is likely to be adequately met by agricultural production certain assumptions are made: (a) that the population will grow at an annual rate of 2.4 percent during the next few years; (b) that per caput income in the immediate future may grow by between $1\frac{1}{2}$ and $2\frac{1}{2}$ percent per year; and (c) that the income elasticity of demand for agricultural products will be 0.5 (equal to that assumed in the first section of this paper for the previous ten years).

45. On balance, and assuming that other factors which influence demand will not change basically, it appears that the levels of production expected in 1956/57 will be only a little lower than demand requirements for the region as a whole, given an increase in per caput income of not more than $1\frac{1}{2}$ percent per annum; but if per caput incomes were to grow faster than this, such levels of production would be definitely inadequate. Per caput incomes in the near future, however, may not rise as rapidly as in the last few years following price declines for many Latin-American export products. If the analysis made in this paper is compared with that in document LA/3/1 (Table XXIX), another conclusion is that an annual production increase of 1 percent in excess of population growth appears to be slightly insufficient to meet the combined effects of the increase in population and an improvement of per caput incomes of $1\frac{1}{2}$ percent per year. Should either population or per caput incomes increase more rapidly, this rate of production increase would be definitely inadequate.

TABLE 4 - LATIN AMERICA: ESTIMATED FUTURE INCREASE IN DOMESTIC DEMAND FOR AGRICULTURAL PRODUCTS AT GIVEN RATES OF INCREASE IN PER CAPUT REAL INCOME AND POPULATION

(Base Period: 1948/49-1950/51)

Area	Estimated Population Increase in 7 years ¹	Estimated increase in demand in 7 years		1956/57 production estimated as % over level in 1948/49-1950/51 ²
		at 1.5 % annual increment in income	at 2.5 % annual increment in income	
	 Percentages		
Regional total	17	24	28	22
Mexico and Central America	19	26	31	35
Caribbean area	15	19	24	8
Tropical S. America	17	24	28	20
Temperate area	16	22	27	28

¹ From the middle of the 1948/49-1950/51 period until 1956/57.

² Revised figures.

46. In two of the sub-regions of Latin America, the expected production increases appear to exceed the assumed levels of demand. In the the other two, production goals would lag behind requirements. It is obvious that the situation in each individual country may be different from that in the whole region or in the sub-region involved, since each country has its own problems and its own set of conditions which need to be determined separately.

POSSIBLE FUTURE TRENDS IN AGRICULTURAL TRADE AND THE WORLD SUPPLY AND DEMAND OUTLOOK

47. As was shown in document LA/3/1, full achievement of the 1956/57 production targets and estimates will probably result in larger export availabilities for certain commodities. If there is no great change in world economic conditions and if export opportunities are actively pursued, it may not prove to be so very difficult to expand exports to about the levels suggested by the estimated increases in output. The trends in gross and net exports of agricultural products described in document LA/3/1 should be fully reversed by 1957, as in fact already began to happen in 1953, while the rising trend in gross imports would be checked.

TABLE 5. — LATIN AMERICA: INDICES OF THE VOLUME OF
TRADE IN AGRICULTURAL PRODUCTS

Item	1948-50	1951	1952	1953 ¹	1957 ²
	(1934-38 = 100)				
Gross Exports	101		80	98	122
Gross Imports	155		190	180	179
Net Exports	93		64	85	115

¹ Preliminary.

² Estimate.

48. In the following paragraphs an attempt is made to examine export prospects for the principal Latin American products in the light of the world outlook and the possibility of reaching the export volumes suggested by the 1956/57 targets and estimates. The table on page 91, where past world exports of principal commodities are compared with those from Latin America, illustrates this point in more detail.

Grains

49. The present difficult world market conditions for cereals seem likely to continue without much change for the next two or three years. These difficulties are due to the large surplus that has accumulated over the last two years, chiefly in North America. Production in that region has remained at very high levels and the considerable reductions in exports have caused stock accumulations. The size of wheat stocks, for instance, in the four major exporting countries, namely the U.S.A., Canada, Argentina and Australia, in mid-1954 is estimated at more than twice the current volume of annual world imports.

50. On the other hand, in most of the importing areas there has been in recent years a rising trend in production which has resulted in a contraction of world markets for cereals, and this has also been a contributing factor in the accumulation of surpluses in exporting countries. Minor exporters, as well, have recently had increasing export supplies of grains.

51. Prices have already been affected by the larger supplies, especially prices of wheat from non-dollar countries, which at present are substantially lower than in 1953 and which would possibly have been even lower but for the fact that the bulk of exportable supplies are firmly held in government hands. As large supplies seem likely

to continue to overshadow the market, it is not likely that any significant improvement in prices will occur for some time, while further fall is not to be excluded.

52. The problem, therefore, of expanding Latin America's cereal exports in the near future is not easy to solve. There are, however, some features of the structure and direction of world trade in cereals that may be advantageous to Latin American exporters: (1) Latin American cereal trade is largely within the non-dollar area. Although the dollar problem is tending to disappear, this still makes cereal transactions easier, particularly with European importers. (2) European import prospects are not wholly unfavorable, especially for coarse grains. (3) Latin America's own internal market for wheat has expanded noticeably.

53. European net imports of bread grains, now much larger than before the war, have shown a tendency to decline slightly in the last three years because of increasing domestic supplies. Lower prices, however, may induce European importers to revise their current production policies and to buy larger quantities from abroad. Furthermore, export supplies from non-dollar sources are ampler than in the recent past, particularly from Latin America, and there may be some inducement, in order to strengthen demand for European exports, to shift imports at least in part from dollar to Latin American or other non-dollar sources. It is obvious that if both of these events materialize in the near future Latin America's bread grain exports to Europe will profit.

54. The sharp increase in wheat import requirements of deficit countries in the area is another circumstance favoring Latin America's own exporters of this grain. At present the deficit countries in the region import twice as much as in the prewar period, or a total volume that is about equal to current export availabilities within the region. Inadequacy of export supplies in the region in the recent past made it necessary to import growing amounts from outside the region, mainly from North America.⁷ In 1953, however, owing to the recovery in wheat production in Argentina, imports from outside the region decreased significantly. Although, owing to a variety of circumstances of location, transport, established trade links, commercial treaties, etc., it is not likely that there will be any major or sudden shift in the origin of wheat imports so as to produce in a short period significant increments in Latin America's intra-regional trade in wheat, there is, nevertheless, much scope for improvement and for progressive expansion in the longer term.

⁷ See document LA/3/1, Chapter I, Paragraph 61 and Table 9.

55. The trend in European net imports of coarse grains has been somewhat different from that in bread grains. Recently net imports of coarse grains into Europe, though still below the prewar level have shown some tendency to increase and may continue to do so, as is suggested by current rising trends in livestock numbers and meat production. During the war and following years owing to decreased world export supplies, Europe imported less maize than at any time before, the difference being made up mostly by larger barley imports. This change in the composition of coarse grain imports into Europe, as shown in the following table, coincides strikingly with the decline in Latin American exports of maize and with an increase in prices of maize in relation to other coarse grain.

TABLE 6 - WORLD IMPORTS AND EUROPEAN NET IMPORTS OF COARSE GRAINS ¹ AND LATIN AMERICAN GROSS EXPORTS OF MAIZE

Years	Coarse Grains World Imports	European Net Imports			Latin American maize exports
		Total	Maize	Percent of maize	
 <i>Million metric tons</i>				
1924-28	13.3	9.5	6.1	64	5.4
1929-33	14.3	9.9	7.1	72	6.3
1934-38	13.7	9.6	7.4	77	6.6
1948-50	9.1	6.5	3.8	58	1.5
1951	10.2	6.9	3.6	52	0.6
1952	11.7	7.3	3.4	47	0.7
1953					1.1

¹ Excluding millets and sorghums.

56. These developments seem to suggest that there is some scope in the near future for expanding European imports of maize, if supplies are available, in line with the trend towards increasing European imports of coarse grains. Here again, it seems obvious that Latin American exporters of maize may profit if competitive prices are offered.

Sugar

57. One of the most important developments during the postwar years has been increasing sugar production in net importing and in self-sufficient countries to meet growing domestic demand. This

almost universal development has been particularly pronounced in Latin America. As a result, within the region the sugar market for the traditional Latin American exporters has not expanded.

58. Sugar exports from the area therefore continue to be heavily dependent on conditions prevailing either in North America and Europe, and on the possibility of easing the surplus situation which has now spread beyond Cuba to other countries. Another possibility is the expansion of the sugar market in Asia. Heavy purchases by the United Kingdom temporarily improved Cuba's trade position but current Cuban sugar exports are, however, less than the output rate, and it would appear that stocks at the end of 1954 will be higher than at the end of 1953. Large changes in international demand and prices are unlikely to occur in the near future, especially since, as far as the "free market" goes, prices are to a great extent stabilized by the current International Sugar Agreement, in effect until 1956. During 1953 international trade in sugar reached the highest level of postwar years, but this was largely due to the relatively low prices, which prompted the United Kingdom to build up stocks in preparation for de-rationing.

59. Europe as a whole, where production has increased considerably since the prewar period does not seem to offer possibilities for larger Latin American exports in the immediate future. The 1956/57 targets and estimates suggest that export availabilities in the region during future years will remain at about current export levels.

Cacao

60. Europe and the United States are the main markets. In the former there are clear signs of expanding trends in per caput consumption. On the other hand, world supplies have shown no signs of improvement in recent years. In the prewar and war years, producers seem in general to have had little inducement to expand production, as past fluctuations in production have usually brought about even sharper fluctuations in prices, especially when good world crops have been harvested. The sharp increases in cacao prices that have taken place in recent years reflect a growth in demand due to higher incomes, inadequate supplies and more recently, some concern that this year's decline in production in the Gold Coast and Nigeria may be the beginning of a trend which will become accentuated in future years, possibly reflecting an increase in the percentage of trees which have passed peak productivity and, according to some observers, long-term climatic changes in Africa,

61. In contrast, it is estimated that output in Latin America may improve somewhat in the near future and that export supplies from the region around 1956/57 may be slightly above current levels.

However, this increase would offset only a fraction of the decline in other exporting areas and if their output does not improve within a few years, as is feared, it may be assumed that, in spite of some tendency to use substitutes, world demand will continue to exceed supplies and export markets remain firm.

Coffee

62. In recent years world demand for coffee has been above available export supplies and prices have risen. In 1953, with the prospect of a significant reduction in future crops in Brazil due to frost, prices increased even more. World export supplies during 1954 and 1955 owing to the predominance of Brazil in world production, may therefore be lower than in 1953 and, of course, still lower than the levels of 1934-1938. At the same time, although consumption may be reduced to a certain extent because of high prices, demand may be estimated much above the prewar level.

63. The U.S.A. alone is importing over 50 percent more than before the war, and imports into Europe, which dropped significantly during the war and immediate postwar years, have recently been expanding rapidly. In fact, European coffee imports, though still about 15 percent below the prewar level have increased over the last four years by more than 30 percent, which is a fairly sizeable expansion in view of the sharp rise in coffee prices since late 1949 (see table below).

TABLE 7 - COFFEE: INDICES OF WORLD PRODUCTION AND OF IMPORTS IN SELECTED AREAS AND PRICES

Year	World Production	Net Imports		World Market prices ²
		U.S.A.	Europe	
 1934-48 = 100			1948-50 = 100
1948-50	91	155	65	100
1951	94	154	69	155
1952	96	153	79	154
1953 ¹	97	158	86	167

¹ Preliminary.

² Santos No. 4 f.o.b. New York.

64. Though production is expanding in other exporting areas, their volumes are still only of minor significance in the world total. Latin America therefore appears to be in a very favorable position regarding prospects for expanding its coffee exports. However, the

estimated increases in output and export supplies until 1956/57 will probably allow for only a moderate expansion in Latin American exports above current levels, which will in turn tend to maintain remunerative prices.

Bananas

65. Though world banana imports are currently only slightly above prewar levels, prices have more than doubled. Since the early post-war years, imports have expanded slowly but steadily over the low wartime levels and with improving levels of income in the principal importing countries, it seems consumption will increase and exports continue to expand steadily.

66. As Latin America is still by far the largest banana exporting area, and as export production is increasing only slightly in other areas, it appears that the region will profit from any future increase in world demand.

Vegetable Oils and Oilseeds

67. Trade in vegetable oils and oilseeds has continued below prewar levels. Among other factors, this has been due to increases in consumption in exporting countries, as well as to large increases in production in importing countries. Support prices above world market prices have contributed to the accumulation of surplus stocks in countries such as the U.S.A. and Argentina. In some instances, too, when measures have been adopted to discourage production of certain oilseeds, farmers have shifted to other oilseeds.

68. While Latin American production of the main vegetable oils and oilseeds is at about the prewar level, the production of edible

TABLE 8 - LATIN AMERICA: PRODUCTION OF VEGETABLE OILS AND OILSEEDS IN TERMS OF OIL ¹

Commodity	Prewar	Average 1948-50	1952/53	1953/54 ²
..... Thousand metric tons				
Edible oils and oilseeds ³	291	645	630	570
Inedible oils and oilseeds ⁴	670	340	336	274
Total	961	985	966	844

¹ Preliminary.

² Total production is shown in oil equivalent, without deduction for quantities used as seed, feed, food or other non-crushing purposes.

³ Groundnuts, cottonseed, sunflower and sesame.

⁴ Linseed and castor seed.

oils alone has doubled, chiefly in response to growing domestic demand, and the production of inedible oils has fallen by more than two thirds. Exports of the former are at about prewar levels, but exports of inedible oils and oilseeds have closely followed the much lower levels of output.

69. No significant changes in world demand are discernible for the immediate future. Nevertheless, competition of animal fats and substitutes such as synthetic detergents is growing. Latin American targets and estimates for 1956/57 indicate a large increase in production of both edible and inedible oilseeds, principally sunflower and linseed. However, although there is a possibility that edible oils will find a ready market within the region itself, with continuing expansion in local consumption, trends in prices seem to indicate that conditions are not favorable for inedible oils. This year, however, import demand for linseed and linseed oil in Western Europe has been stronger than in the immediate past, while the U.S.S.R. has been making sizeable purchases of linseed oil since 1953. This, together with lower export prices, has helped considerably in reducing Argentina's accumulated stocks.

70. Over the next few years, export possibilities for inedible oils and oilseeds in Latin America are likely to be greatly influenced by U. S. policies regarding surplus stocks.

Cotton

71. During the last three years world production of cotton has been greater than current consumption, so that surplus stocks have accumulated, principally in the U.S.A. At the end of the 1953/54 season, world cotton stocks are expected to be equivalent to about seven months consumption. World exports declined only slightly in 1952, but the decrease was greater in 1953. There is substantial evidence of recovering in 1954. The declines to some extent reflected a downward movement in the textile trade cycle, but they were also the result of increased production in importing countries.

72. Production in certain exporting countries is being discouraged or officially restricted, so as to bring production down to demand levels. Largely as a result of official measures, it is estimated that in 1954/55 world production outside the Soviet orbit may decline by 15 percent. In that case, some reduction should take place in the present high stocks. However, under present conditions, it may be some years before existing surpluses are absorbed. Similarly it may be some time before demand expands sufficiently to make possible a return to recent high levels of output, without the need for official stocking of excess production, as has been the case in some countries during recent years.

73. Cotton consumption in importing countries shows an expanding trend. Although production is increasing in the deficit countries, the expansion of consumption in non-producing countries indicates that world cotton imports over the next few years should at least be maintained at current levels. It seems very unlikely, however, that world trade in cotton will return to prewar levels, in view of the greater textile self-sufficiency in many cotton producing countries which formerly imported most — or a sizeable part — of their supplies of cotton and/or cotton products.

TABLE 9 - COTTON (LINT): WORLD CONSUMPTION AND IMPORTS AND LATIN AMERICAN NET EXPORTS

Item	Prewar Average	1948-50 Average	Aug.-July 1951/52	Aug.-July 1952/53	Aug.-July 1953/54 ¹
..... <i>Thousand metric tons</i>					
World consumption ²	4 800	5 440	5 460	5 615	5 765
of which: U.S.A.	1 400	1 970	2 060	2 125	1 975
other	3 400	3 470	3 400	3 490	3 790
World imports ²	2 610	2 220	2 220	2 230	
of which: Europe	1 628	1 490	1 420	1 370	
Japan	736	278	358	444	
Latin America, net ex- ports	372	328	337	353	380

¹ Preliminary.

² Excluding U.S.S.R., China, Eastern Europe.

74. Any reversal of present U.S. policies regarding production prices and stocks might bring about an unfavorable change in trade prospects for other exporting areas, including Latin America. In 1954/55 the basis of the U.S. price support for cotton remains unchanged and no export subsidy is planned. Thus, it seems that under prevailing conditions a moderate expansion in Latin American cotton exports is possible, in the near future, provided that increased export supplies are available and favorable economic conditions continue to exist in the principal importing areas of the world, i. e., Europe and Japan.

Wool

75. World wool production has increased by 20 percent in the last six years and is greater than at any time in the past. Aided by highly remunerative prices and above all by an exceptional run of good seasons, as well as by such factors as (at any rate temporarily) successful pest control, the rate of expansion since the war has been well above the long-term trend. Production has expanded in all major producing countries in the last six years, with the exception of Argentina and the United States. It is most unlikely that the current

rate of increase in production will be maintained, as the very favorable conditions of recent years in major producing areas cannot be expected to continue indefinitely. There was no significant increase in the world clip in the 1953/54 season. There are, however, considerable possibilities for raising the level of production in Southern Brazil and in parts of southern Chile.

76. World consumption has recovered from the 1951-1952 recession and in 1953 was only just below the record 1950 level. Towards the end of 1953 consumption levelled off and it is now closely in balance with current production. One-third of the Latin American clip is now consumed within the region.

77. Following exchange and tax concessions for wool exports from Argentina in July 1952, the sizeable stocks of wool which had accumulated in South America in the preceding sixteen months were virtually all cleared on a rising market. South American exports in the 1952/53 season were, in consequence, heavier than in any previous season. These concessions were withdrawn during the 1953/54 season but the very favorable prices ruling on the international market have resulted in no unsold wool stocks accumulating in the region during 1953-54 despite the special exchange rates ruling for wool exports.

78. Although no major setback in consumption is in prospect for the time being, activity in the wool textile industry is likely to remain below the 1953 level for some time; supplies are, in any case, less ample. Looking further ahead, it appears likely that the increase in apparel fiber requirements will outstrip the probable rate of expansion in wool supplies, so that the relative importance of wool as an apparel fiber will probably diminish. By the same token, the demand prospects for wool appear to be highly favorable. In the long-run, man-made fibers can be expected to exert an increasing influence on wool prices; but even if the relative price of wool may over the longer period be below present levels, it would have to fall substantially before it could be considered unremunerative to reasonably efficient producers.

79. While the over-all demand prospects do not presage any difficulties in the disposal of exportable supplies from South America, the periodic recurrence of accumulations of unsold wool depends mainly on the alignment between South American and world prices, as well as on government measures to facilitate or hamper trade and, to some extent, for instance in Brazil, on the improvement of marketing organization.

Meat

80. Reduced export supplies have been the main cause of lower levels on international trade in meat in the postwar years. U.K. demand is a dominant factor in the world meat market (see Table 10),

and imports into this country have been below prewar levels, but imports into other deficit areas have increased.

81. Latin American export supplies declined relatively more than did total world trade, with the result that the share of this region in world exports is currently much lower than in the past (see table).

TABLE 10 - WORLD, UNITED KINGDOM, AND LATIN AMERICA: INDICES OF TRADE IN MEAT ¹

Year	Imports			Exports		Share in world trade	
	World	U. K.	Other importers	Latin America	Other sources	U.K. imports	Latin American exports
1934-38	100	100	100	100	100	68	34
1948-50	92	75	128	84	94	56	31
1951	90	71	130	64	104	54	24
1952	88	73	120	52	105	51	20
1953 ²	97	86	118	55	113	61	20

¹ Trade in all meats at carcass-weight, including live animals in terms of meat.

² Preliminary.

82. To what extent de-rationing and a return to free trading in the U.K., which came into effect in July 1954, will result in expanding consumption and imports of meat still remains to be seen. Home production has increased, but with official control of meat imports and rationing of consumption in the postwar period per caput supplies mainly of beef have been substantially less than before the war. It seems safe to assume that some tendency to bring up consumption and imports to traditional per caput levels is likely to appear, as long as consumer preference has not changed substantially. World meat imports may, therefore, show a rising trend, provided that there is some expansion in export supplies. In 1953, world and U.K. imports were already larger than in preceding years.

83. From the above considerations it appears that a larger volume of sales to traditional export outlets is possible, especially of beef, and Latin America may well profit from this if larger export supplies are available in the future. However, substantial additions to current Latin American export supplies depend upon the difficulties involved in expanding production above rapidly increasing domestic consumption.

Fish

84. The intra-regional trade in fishery products of the Latin American countries still represents, with the exception of cured fish, a rather small share of the total exports from the region, both in value and in weight. With regard to canned products, the intra-regional trade is still below the average volume and value of other fishery exports from the region. During the first few years after the war the main market outside the region was the U.S.A. which absorbed an increasing volume of canned products.

85. After 1951, trade restrictions reduced substantially this trade with the U.S.A., and Europe has, instead, been taking an increased share in the canned fish exports from the region. Fresh and frozen exports from the region are mainly absorbed by the U.S.A. Tuna and tuna-like species from Mexico, Peru and Costa Rica and shrimps from Mexico and several Central American countries represent the bulk of this trade. Cured products are mainly distributed in intra-regional trade to various South and Central American markets. The trade restrictions, which, since 1949, have limited considerably the free flow of commodities into the traditional markets for fishery products, have seriously affected the export trade of the more industrialized producer countries in the region. This explains why countries such as Mexico, Venezuela and Peru, which have been heavily dependent on their export for the development of their domestic industries, recently found themselves in a very critical situation with huge surpluses of fish products on hand. A swing towards the production and marketing of cheap fish commodities from other Latin American countries would be of benefit to the advanced producers and could to some extent relieve the food situation in deficiency countries.

RECENT PROGRESS IN AGRICULTURAL PRODUCTION AS RELATED TO THE 1956/57 TARGETS AND ESTIMATES

86. In 1954/54, according to preliminary data, total agricultural production remained about the same as in 1952/53, while food production continued to expand, although only at about the same rate as population. Though total agricultural and food production have been at record levels in the last two years, on a per caput basis they are still below the prewar level and even slightly lower than the three-year average 1948-50.

87. The following table illustrates these developments, and also shows how soon the set-back of 1951/52 — due mainly to climatic conditions — was overcome, and how fluctuations in the non-food sector have influenced recent changes in over-all agricultural output.

TABLE 11 - INDEX OF AGRICULTURAL AND FOOD PRODUCTION IN
LATIN AMERICA

Item	1948-50	1951-52	1952-53	1953-54 ¹
	<i>1934-38 = 100</i>			
Total agricultural production	123	120	132	132
Per caput agricultural production	94	88	94	92
Food production	128	125	136	138
Per caput food production	98	91	97	96
Non-food agricultural production	105	106	117	112
Per caput non-food production	80	77	83	78

¹ Preliminary.

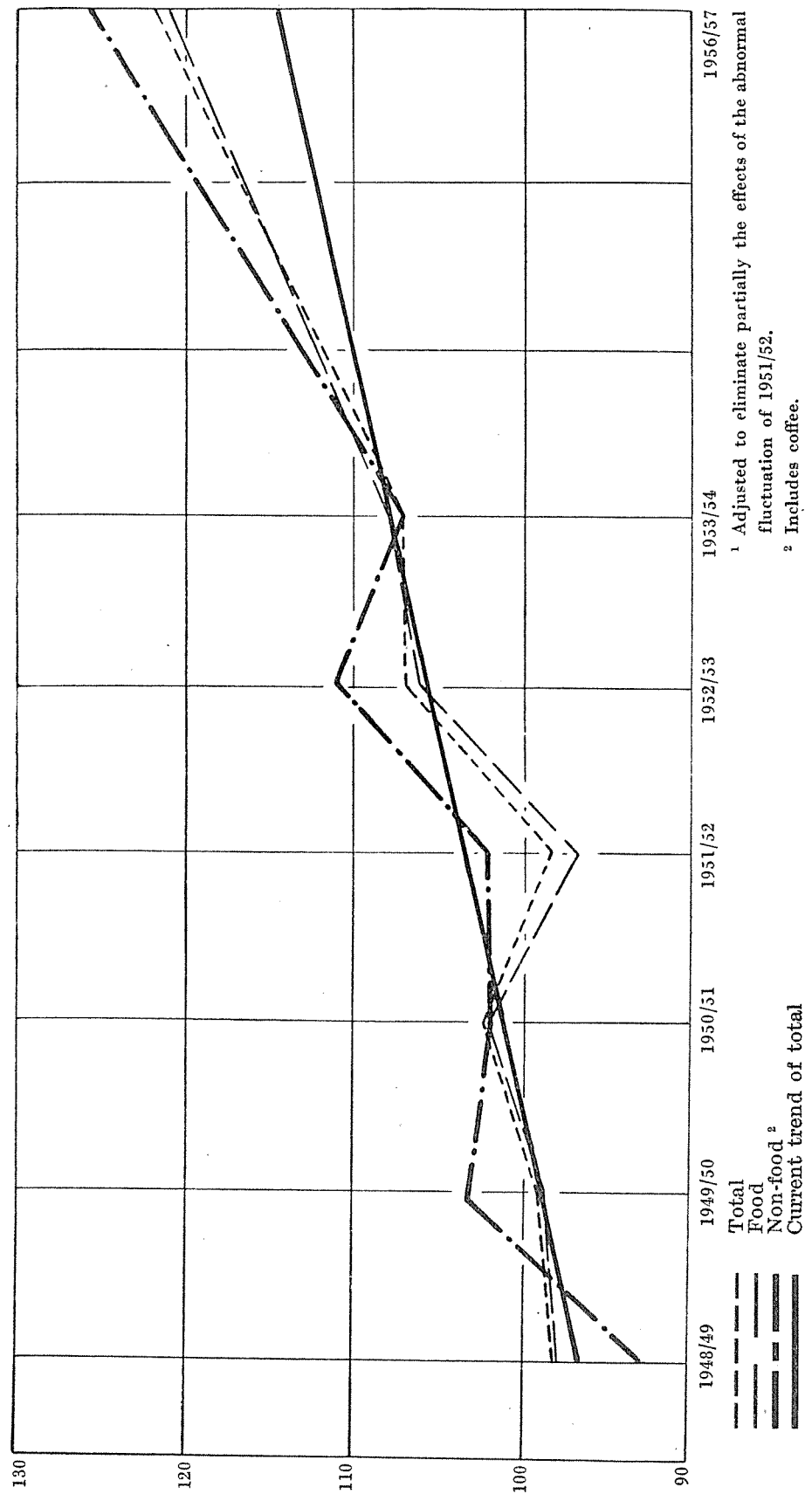
88. Measuring progress towards the production targets and estimates for 1956/57 from the level averaged in 1948/49 to 1950/51, it is seen from the table below that so far only about one-third of the expected increase has taken place.

TABLE 12 - LATIN AMERICA: PROGRESS MADE TOWARDS IMPLEMENTATION OF
THE 1956/57 PRODUCTION TARGETS AND ESTIMATES

Item	1952/53 1953/54 average	1956/57 targets and estimates	Increase until 1952/53-1953/54 as % of expected increase until 1956/57
	<i>1948/49 - 1950/51 = 100</i>		
Total agricultural production	107	122	32
Food production	107	121	33
Non-food production	109	126	35

89. This rate of expansion, does not seem fully adequate. Production has been growing by about 2 percent per year during the last four years, which is not only lower than the annual increase of 2.9 percent needed to bring about the agricultural output envisaged, but even lags behind population growth. This means that during the next three years, i. e., until 1956/57, if targets and estimates are to be

LATIN AMERICA: RECENT TRENDS¹ IN AGRICULTURAL PRODUCTION AND THE 1956/57 TARGETS AND ESTIMATES
1948-50 = 100



fully achieved, production will have to expand almost twice as fast, or at the rate of 3.8 percent per year. Otherwise, per caput production will continue below prewar levels, which in time may have the undesirable effect of expanding imports or hampering progress in expanding net exports and domestic consumption. However, it can still be anticipated that action programs started at the beginning of the period under consideration will have a cumulative effect during the last few years of their implementation and that consequently the necessary rate of increase of 3.8 percent per year may, in fact, be achieved.

90. The slow expansion of food production from 1948/49-1950/51 to 1952/53-1953/54, in comparison with the increase expected by 1956/57, has resulted mainly from a decline in meat and edible oilseeds output and from insufficient increases in production of maize, roots, pulses and milk, which have more than offset highly satisfactory progress in the production of other foodstuffs, such as wheat, rye, rice, barley, oats, sugar and bananas.

91. In the non-food sector, the slow progress has resulted largely from falling output of inedible oilseeds and hard fibers and from sluggish increases in most other products, output for cotton was an exception increasing sharply until 1952/53 but it dropped substantially in 1953/54.

92. The graph on page 88 illustrates the trends in agricultural production during the years under consideration. It may be observed there that in 1956/57 total agricultural production will fall short of the targets if current trends are projected. The graph also shows that production of non-food products during most of the period under review grew slightly more than food production. This tendency, which began to show itself in 1949/50 and which will apparently continue until 1956/57 if targets and estimates are realized, contrasts with the long-term trend from prewar to 1953/54. It seems that the increase in cotton production, especially in Mexico, has had a preponderating influence.

93. The above analysis thus appears to indicate that the tensions at present existing in the agricultural economy of the region, including the supply of agricultural products, will continue for some time. In order to relax these tensions, higher production goals for certain products appear necessary, as suggested in document LA/3/1. However, the prospects for much greater investment in agriculture do not seem very promising, especially for animal products, which are of so great nutritional importance. Recent studies by ECLA indicate that in Latin America the rates of total gross investment have declined notably since 1952. This must be ascribed mainly to the deterioration in the terms of external trade and its effects on national incomes and savings of Latin American countries.

94. Although it is probable that the decline in total investment is not felt in agriculture as strongly as in other sectors of the economy, it cannot be denied that it will be difficult, even for governments, to make much heavier investments in the agricultural sector. A possible substitute for domestic savings and investment could be the inflow of foreign capital. However, this factor is relatively insignificant in agricultural development in Latin America and recently the tendency has been for these investments also to decline. Foreign investment during 1951 and 1952 amounted to only about 59 million dollars per year.⁸ In 1953 the inflow was at a much slower rate.

95. The efforts that Latin American countries are making to expand agriculture, which will be reviewed in detail under other items of the meeting's agenda, and which are already reflected in the great increases in tractor numbers, expenditures for soil improvement, etc., must not only be continued but, as far as possible, accelerated. For this purpose, careful planning of public and private investment is necessary, as well as an improvement in techniques aimed among other things at improving agricultural productivity. Increasing care is also required in the carrying out of the projects through which the general objectives of the programs are to be reached.

96. Efficient preservation and distribution is just as important as increasing production. Prices received by farmers do not always reflect favorable demand conditions when marketing facilities are inadequate. One of the weakest spots in the Latin American agricultural economy is probably the distribution system. Losses in transport and storage are in many cases extremely high. Obstacles to the building-up of agricultural reserves, especially adequate operational stocks, naturally a difficult process in view of the current rapid increase in domestic demand, have still to be overcome. Rural credit services are often extremely inadequate.

97. To increase yields per unit and improve agricultural productivity, technical progress in farm practices is essential, and this depends on the aptitude and receptivity of farmers. The teachings of agricultural science and the experience gained through research and experiment — which have already developed to some extent in most Latin American countries — need to be disseminated by means of improved extension and other government services to farmers, including a better rural education.

⁸ See document LA/3/1, Chapter 9, Table 44.

ANNEX TABLE: SHARE OF LATIN AMERICA IN WORLD EXPORTS OF
PRINCIPAL AGRICULTURAL PRODUCTS

Item	1934-38 average	1948-50 average	1951	1952	1953 ¹	1953 as percent of prewar	1957 estimated export availabili- ties as percent of prewar export
 Thousand metric tons						
<i>Wheat and Wheat Flour</i>							
World	17 300	24 400	29 200	27 600	25 000	145	—
Latin America	3 445	2 370	2 600	270	2 600	75	95
Share	20 %	10 %	9 %	1 %	10 %	—	—
<i>Maize</i>							
World	10 200	4 900	4 500	4 550	5 100	50	—
Latin America	6 620	1 550	640	720	1 150	18	95
Share	65 %	32 %	14 %	16 %	23 %	—	—
<i>Rice (Milled)</i>							
World	9 650	4 050	5 150	5 000	4 450	46	—
Latin America	110	240	230	300	150	136	190
Share	1 %	6 %	4 %	6 %	3 %	—	—
<i>Rye</i>							
World	1 000	1 250	800	850	1 160	115	—
Latin America	116	174	203	117	(350)	302	325
Share	12 %	14 %	25 %	14 %	30 %	—	—
<i>Barley</i>							
World	2 700	2 900	4 050	5 700	5 670	210	—
Latin America	390	360	160	130	560	143	150
Share	14 %	12 %	4 %	2 %	10 %	—	—
<i>Oats</i>							
World	900	1 150	1 650	1 900	1 920	213	—
Latin America	423	241	132	71	220	52	110
Share	47 %	21 %	8 %	4 %	11 %	—	—
<i>Sugar²</i>							
World	9 800	10 600	11 300	11 300	12 900	131	—
Latin America	4 030	7 020	7 180	6 980	7 700	191	170
Share	41 %	66 %	64 %	62 %	60 %	—	—
<i>Bananas</i>							
World	2 500	2 350	2 450	2 700	2 800	112	—
Latin America	2 040	1 940	1 970	2 140	2 200	108	140
Share	82 %	83 %	80 %	79 %	79 %	—	—

¹ Preliminary.

² Excluding U.S. trade with its territories.

ANNEX TABLE (Concluded)

Item	1934-38 average	1948-50 average	1951	1952	1953 ¹	1953 as percent of pre-war	1957 estimated export availabili- ties as percent of prewar export
..... Thousand metric tons							
<i>Coffee</i>							
World	1 650	1 930	1 930	1 950	2 070	125	—
Latin America	1 398	1 630	1 559	1 593	1 680	120	130
Share	85 %	84 %	81 %	82 %	81 %	—	—
<i>Cacao</i>							
World	690	700	710	650	755	109	—
Latin America	208	194	180	147	200	96	105
Share	30 %	28 %	25 %	23 %	26 %	—	—
<i>Tobacco</i>							
World	540	530	610	550	610	113	—
Latin America	57	69	72	73	65	115	155
Share	11 %	13 %	12 %	13 %	11 %	—	—
<i>Cotton (lint)</i>							
World	3 070	2 370	2 460	2 330	2 300	76	—
Latin America	340	370	440	400	470	138	175
Share	11 %	16 %	18 %	17 %	20 %	—	—
<i>Oilseeds ² (oil terms)</i>							
World	2 170	1 270	1 440	1 105	1 148	53	—
Latin America	633	334	535	152	245	39	90
Share	29 %	26 %	37 %	14 %	21 %	—	—
<i>Hard Fibers</i>							
World	550	460	580	520	540	98	—
Latin America	100	160	169	101	115	115	170
Share	18 %	35 %	29 %	19 %	21 %	—	—
<i>Meat</i>							
World	2 721	2 379	2 379	2 312	2 460	90	—
Latin America	933	779	576	480	500	54	75
Share	34 %	33 %	24 %	21 %	20 %	—	—
<i>Wool (clean basis)</i>							
World	660	780	580	700	800	121	—
Latin America	117	143	68	104	160	137	130
Share	18 %	18 %	17 %	15 %	20 %	—	—

² Groundnuts, cottonseed, sesame, sunflower, castor, linseed.

NOTE ON AGRICULTURAL MARKETING IN LATIN AMERICA

INTRODUCTION

1. Agricultural marketing, in the widest sense, comprises all of the operations, and the agencies conducting them, involved in the movement of farm-produced foods and raw materials, and their derivatives, from the farm to the final consumers. The purpose of this note is to consider some of the main problems affecting the marketing of agricultural products with special reference to Latin America and to invite consideration of the ways in which improvement can be effected, thus increasing the incentive to the producer, reducing the cost to the consumer and minimizing the physical loss of food and other agricultural products as they move from producer to consumer. In view of the many aspects of marketing and the great differences in conditions in various parts of the Latin American region, this note is necessarily general in character.

2. Improvement in production methods will be more fruitful in fostering output if the methods by which this output reaches the markets, both internal and external, are also improved. As a matter of fact, it is found in an increasing number of cases that an improvement in distribution methods has an over-all favorable impact upon production which is sometimes greater than the direct impact obtained through improved techniques of production. Increased efficiency in marketing helps in two main respects: firstly, it may increase supplies of better quality food to the consumer at reduced prices, and secondly, it may stimulate the producer to increase selectively his production and deliveries through the added income which results from larger sales and more advantageous prices.

3. Though country by country and region by region, conditions tend to vary, the same general pattern of marketing problems is to be found in most less-developed areas. Surveys and studies conducted in a number of countries have clearly established that where the marketing system shows defects and shortcomings, this is attributable to

one or more of the following factors: (i) inadequate transportation and communication facilities; (ii) insufficient or ineffective facilities to store products; (iii) high cost and wasteful methods of handling products; (iv) inadequate merchandizing organizations or the existence of local buying monopolies which enable middlemen to take excessive tolls; (v) grading, packing or pricing systems which fail to repay producers for higher quality products; (vi) slow, inadequate or non-existent market intelligence and news services; and (vii) lack of available short-term credit for producers to hold products until the best time of sale.

4. Some of the measures by which marketing can be improved are: (i) introduction of improvements and economies in the physical handling, processing and conservation of farm products at all stages; (ii) establishment of legal standards and grades applicable to domestic as well as export-markets; (iii) provision of inspection facilities to ensure the maintenance and enforcement of standards; (iv) improvement of market intelligence regarding stocks, supplies, movements, disappearance and prices; (v) reduction in costs of transportation; (vi) development of co-operative organizations of producers for financing, storing and processing; (vii) establishment of governmental units in charge of research, planning and improvement of marketing.

SOME FUNCTIONAL MARKETING PROBLEMS IN THE REGION

Grading and Standardization

5. High marketing costs are due in a considerable degree to the absence of uniform quality standards. Proper grading is basic to improvements in the principal phases of marketing. Without grading systems, neither the buyer nor the seller has any way of knowing to what extent the ultimate price represents fair value for his product. The risk of quality is entirely transferred to the trade and the consumer, calling for careful examination of every lot purchased and making the marketing process more expensive. A further consequence is that the producer receives insufficient economic incentive to raise the quality of production.

6. In most countries in the region, little progress is evident in grading and standardization of those commodities used for domestic consumption. In some countries of the region more progress has been made with the grading and standardization of agricultural products sold in export markets, but much more can be done to meet successfully foreign competition by introducing grading on the farm, by the enforcement of minimum requirements of quality and through quality controls over export. This applies to a great many products among which are wool, meat, vegetable, oils, oilseeds, oranges and cheese.

Transportation

7. The lack of adequate transportation facilities is one of the main factors hindering the development of the marketing system in the region. Deficiencies consist in part of insufficient capacity and in part of inferior quality of service. In many areas, farmers cannot market their products during the rainy season because most farm-to-market roads are impassable. In shipping livestock and wool, fast transportation on improved roads, or movement by railroad with accelerated freight train schedules would mean a reduction in costs. The time-consuming transfer of cargo at railway terminals, the infrequency of freight trains and the lack of refrigerated transport often restrict the production of perishable goods to cities a short distance from the consuming centers. For perishable commodities like meat, milk, eggs, fruits and vegetables, the availability of better transport facilities would permit production to be located in areas of low costs.

8. In general the availability of an adequate transportation system will make possible increased production of those commodities which are now scarce and expensive in the retail stores and markets. As long as transportation is insufficient to move products from the production centers to the consuming areas, there is little incentive for farmers to produce these commodities.

Storage

9. Lack of adequate storage facilities results in heavy losses to farmers, serious waste of food and higher costs to the consumer. It also aggravates seasonal fluctuations in prices and increases the burden on the transportation system at harvest by precluding orderly movement of crops throughout the year. The importance of a well-organized storage program is that it helps to stabilize prices and at the same time returns a substantially larger share of the consumer's price to the producer. Some countries have developed storage loan programs, under which the producer can store his produce and is financed upon the security of his product in storage, thus enabling him to sell at a favorable moment. Such storage loan programs — wherever their application is practicable — would provide considerable economic incentive for increasing production in countries in the region.

10. Cold storage facilities for perishable products are needed in many countries of the region. Cold storage facilities keep the markets from being glutted during the harvesting season, make use of otherwise surplus commodities during the peak- and late-season periods and permit the gradual processing of crops which would otherwise have been lost by spoilage.

11. The reduction of losses of agricultural products in storage and transit due to insects, fungi and other causes is another important problem confronting governments in many countries. In the tropical and sub-tropical areas of Latin America these losses are unusually heavy, but control of infestation is an important issue in every country where products are stored for considerable time. During the last few years interest by Latin American countries in safe grain storage has gradually increased and several countries are developing good storage facilities with modern equipment for drying and disinfecting grain. Many countries, however, are still without satisfactory warehouses for grain and other products and suffer heavy losses.

Processing and Assembly Facilities

12. The food processing industry in the region is in various stages of development. Most countries, though, need more local processing and assembly facilities. Processing of agricultural products close to the areas of production would often help to reduce transportation charges. The development of processing plants in rural areas will have the additional advantage of providing more employment for a part of the farm population which in many areas is not fully employed throughout the year.

13. Processing plants often also assemble locally grown commodities. On the whole, however, assembly facilities in many sections of the region are inadequate for a large percentage of farm products now being produced, or for those that might be profitably grown in certain areas. Where facilities exist for the assembly of products, these facilities are frequently used only for the assembly of commodities used locally and for trading by farmers within the local areas, rather than as assembly facilities to concentrate small lots into larger lots that can be shipped more efficiently to the consuming centers. In some countries, it has also been found that shipping facilities have been improperly located, resulting in increases in operating expenses and higher marketing costs.

THE ROLE OF GOVERNMENTS IN IMPROVING MARKETING

14. Defects and shortcomings in the marketing system become the more pressing when rapid economic development is taking place. This is of particular importance for countries where the total population is increasing and, at the same time, the population is becoming urbanized. In Chile, for instance, it has been found that during the period 1930-1960, the burden on the marketing system will double because of population increases in the cities. The changes that are taking place in the diet and the continually increasing distances involved in getting food from the production zones to the urban consumers

bring with it the need for many new types of facilities — more warehouses, more and better roads, storage, processing and transport facilities, and a better organized and more efficient marketing system.

15. Where such developments take place, the direct contact between producer and consumer gradually lessens. One of the major problems in the region appears to be that specialization and localization of agriculture, in areas which become farther removed from the consuming centers, require the development of more complex agricultural marketing systems to get the products from the producer to the consuming centers.

16. The more complex the marketing system becomes, the more government assistance is needed by both producer and consumer. In most countries, governments are actively concerned with various aspects of marketing but, at the same time, co-ordination is often lacking and duplication and overlapping results, while the work is often conducted by officers who are not sufficiently trained. If the marketing of agricultural products is to be placed on a more satisfactory basis, co-ordination of the various marketing services and functions is, therefore, a first requirement. The types of activities with which governments in general are concerned, in connection with marketing improvement, can be listed as follows: collection and compilation of marketing information and statistics, and dissemination of information through the establishment of marketing news services; marketing research and analysis; development of grades and standards for agricultural products, and preparation of suitable legislation to this purpose; promotion of better market organization; training of staff in all matters affecting sound marketing practices. Governments may also, through such bodies as development banks and corporations, give financial support to the construction of improved marketing facilities.

17. The growth of more efficient marketing systems can further be encouraged by government assistance to producer groups desiring to take collective action to improve marketing conditions. This includes assistance to co-operatives. In some countries in the region, where commodity marketing schemes have not been set up, co-operatives have been given a recognized place therein. In Argentina, for instance, co-operatives are becoming increasingly active under the terms of the Second Five Year Plan. Steps are also being taken in order that co-operative societies may make sales abroad with the assistance of the State Marketing Organization.

18. In countries where, at present, marketing co-operatives are lacking, the successful application of co-operative principles to marketing can make a useful contribution to improvements in respect of grading and standardization, quality improvement, storage, price stabilization and related matters.

FAO AND MARKETING IMPROVEMENT

19. Marketing was prominent in the discussions and recommendations of the Hot Springs Conference, the United Nations Interim Commission of Food and Agriculture, and the First Session of the Conference of FAO. More recently, the Seventh Session of the FAO Conference considered marketing in the light of the policies of selective expansion of production. During the discussions, it was stressed that increased food consumption should be sought through lower retail prices, achieved by reductions in the cost of marketing. The Conference recommended that Member Governments conduct studies of the marketing and distribution of agricultural products, and that FAO study and distribute reports on successful steps taken in various countries especially in the less-developed countries, to improve their marketing systems and reduce their costs. Member Governments were recommended to request technical assistance in these connections and FAO to give high priority to filling such requests.

20. The importance of increasing efficiency in marketing was again underlined in the Report of the Working Party on Surplus Disposal, held in Washington early in 1954. In this Report, it was noted:

“ Keeping in mind that changes in the prices of primary products can influence the ultimate consumers' demand only to the extent that they are reflected in the retail prices of finished products, the Working Party suggests that governments and appropriate international agencies, under both regular and technical assistance programs, should continue to explore means of improving the efficiency of marketing primary products at all stages and of lowering distribution margins, including the costs of transportation and processing.”

21. Technical assistance advice has already been given to a number of governments in various aspects of improved marketing, as illustrated by the following examples: A training center on the grading and marketing of rice was conducted in a country of the Far East in 1953. The economics of grain storage and the management of grain storage systems have been given consideration under the Technical Assistance Program in a number of countries with a view to reducing or regulating price fluctuations, to improving management efficiency and to reducing storage and handling losses through better organization. Another instance of technical aid given by marketing economists was designed to improve the marketing of meat, and resulted in large increases, both in the quantity and quality delivered to the cities, by the introduction of a system of local slaughtering and refrigeration in addition to big central slaughter houses which previously existed. Another successful type of assignment has resulted in the development of export market

outlets for livestock, meat and fruit which previously were not marketed successfully abroad. In some countries, attention has been directed to solving the problem encountered in the handling of a specific commodity at all stages from the producer to the consumer, and this has resulted in the improvement of government services for marketing information, the introduction of grades and standards, and in a more efficient marketing organization.

22. A beginning has been made by FAO in giving technical assistance in this field to Member Governments in the region. Several agricultural marketing advisers have been working for some time in Chile and El Salvador on problems of marketing meat, vegetables and dairy produce. In 1951, advice was given to Ecuador on grain storage questions, and plans are being developed to train local officers in improved grain storage methods. Other projects on the efficient planning and management of grain storage facilities are being undertaken in Guatemala, Honduras and Nicaragua. Venezuela is seeking advice on the improvement of milk marketing and the economic soundness of expanding powdered milk production. There is evidence in the region of growing interest in marketing problems, but a great deal of work remains to be done, particularly in the training of local personnel, research and planning since the lack of efficient marketing facilities is one of the weakest spots in the agricultural economy of many Latin American countries. It is clear that great benefits will result from improved marketing of farm products, benefits which will become apparent in the short-term, as well as over longer periods.

Continued from front cover

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