LETTERS

To you . . . From you

My Week

My recent weeks have focused entirely on bringing this magazine to you. Have you ever waited for a new calf, a colt or a litter of pigs to arrive or a baby to be born into your family? Then you will understand my anxiety and my wonderment at the birth of this first issue of *CHOICES*.

Breathing life into this magazine has challenged my skills and imagination in ways never before realized. I have literally drawn from every experience of my life: growing up on a Corn Belt farm, my formal education; military service; a job with a large agribusiness firm; and government service that involved at different times—trade negotiations, management of research, overseas development efforts, and economic research.

But these experiences would have counted for little without the input of many others. They were absolutely essential to the *CHOICES* you now hold.

First are the persons who dared to dream that such a magazine was possible and who worked diligently in the American Agricultural Economics Association (AAEA) to make it possible.

Second are the AAEA officers who embraced the concept of the magazine and said, "Do it!"

Third are the members of the Advisory Council who provided insightful and persuasive suggestions that in many different ways influenced what you see in this copy.

And, fourth, are the authors who have individually and collectively contributed freely their time and many talents.

This magazine has a special purpose—to bring to you information about food, farm and resource issues important to you. The magazine will include a diverse set of articles and information, all designed to enhance your understanding of these issues and related policies.

We value you as a reader. Therefore, let us know soon what you like in this magazine and how we can make it more useful to you. You can also help by writing "Letters to the Editor" to share with other readers of *CHOICES* your opinions about the issues discussed by other authors. In this way, you, too, will be contributing to the success of the magazine and helping to "make my week."

Will It Still Work in the '90s?

These weeks we hear a lot about the Farm Credit System and the Farm Credit Administration. Votes in Congress confirm substantial support for these institutions. However, Congress and the Executive Branch insist that procedures for lending and internal administrative practices of these institutions must change.

Discussions leading to the Farm Credit Act of 1985 focused closely on the lack of authority of the Farm Credit Administration, the difficulty in making "reserves for losses" held by the banks and associations of the system that are not in trouble available to the banks and associations that are in trouble, the cost of borrowing, the extent of government influence on the new Farm Credit Bank, and the amount and form of public money to be made available to the Farm Credit System. These are all important issues. The choices selected will influence credit conditions in rural America for many years to come.

I ponder the discussions that led first to FCS and FCA officers admitting that there was a problem, and second, to congressional and executive actions. These discussions were intense. However, they did not focus on what I consider to be the critical question: Is the Farm Credit System, even in its prospective modified form with greater regulatory oversight by the Farm Credit Administration a viable system for the 1990's?

The Farm Credit System is a specialized institution tied to one industry, farming. It was initiated at a time when U.S. commodity prices were largely isolated from international commodity markets and money markets were not extensively linked throughout the world.

Today, however, U.S. farm commodity markets with exceptions such as sugar, dairy and citrus are closely linked to international markets. U.S. farming is internationalized. The important point is that international markets are volatile and cyclical.

Thus, those involved in the FCS and its related institutions (farm borrowers, FCA and FCS officers and holders of FCS bonds) and those who have public responsibilities to these public institutions (USDA officials, Congressmen and university researchers) confront several serious questions as they join together to save the Farm Credit System.

Many of these questions are being addressed. However, we may be overlooking the most critical one: Is it possible for a specialized lending institution (FCS) to effectively serve farming when that sector is internationalized and not be subject to severe financial slumps like the one that now threatens it? There are alternatives, among them: (1) FCS could follow conservative lending policies and be much less responsive to those who have limited resources, and (2) FCS could be changed from a specialized institution to a diversified one serving a diverse clientele. The FCS has another option available to it, however: go to the public till for help during the down side of farm price cycles in order to stay alive. This approach seems to be working this time, but will it another time?

LPS

U.S. Policy Issues in Subsaharan Africa

The state of affairs in Subsaharan Africa from 1983 to early 1985 was drastic. Millions of people faced starvation. This was especially the case in Ethiopia, Chad, Burkina Faso, Sudan and the Central African Republic. By late 1985 food production recovered in many countries. However, fundamental food problems remain widespread. Many countries are importing increased amounts of grain. They are doing it commercially, through concessionary programs or as outright gifts from donor countries, including the United States.

Many analysts and African politicians blame the worst drought in 15 years for the 1983-85 disaster. The drought undoubtedly contributed to the present food imbalance. More importantly, it accentuated the underlying trends which involve continued deterioration of the food situation and the growing dependence upon food aid.

The facts for Subsaharan Africa are clear—population growth rates have increased, the growth in food production

Continued on page 54.

LETTERS

Continued from page 5

has slowed and is less than the population growth rate, and thus food production per capita has fallen.

The population growth rate in the region is steadily increasing—from an annual rate of 2.4 percent in 1960-70; 2.8 percent in 1970-82 and an expected 3.3 percent from 1980-2000. Kenya, Botswana and Zimbabwe currently have population growth rates exceeding 4 percent. Their population will double in about 16 years. In contrast to the increasing rate of population growth, the rate of growth in food production in the region declined from 2.5 percent for 1960-70 to 1.7 percent from 1970-82.

Food production per capita necessarily fell. This decline was partially offset by increased food imports which rose from slightly over 1 to nearly 9 million tons per year in the past two decades. Nearly one-fourth of this 9 million tons is food aid. Even with the increase in imports, belt-tightening was necessary, at least for the poor. Grain supplies per capita—production plus net trade—in many countries has declined over several years.

With declining production per capita, commercial imports and food aid will have to increase if mass starvation is to be avoided. The rate of increase in food imports into Subsaharan Africa is now 12 percent per year. Simultaneously, food aid imports are increasing at a 20 percent rate.

The food aid demand in 1984 far exceeded the "normal" growth rate. Drought was partially responsible. However, Ethiopia, where 7-10 million faced the spector of starvation, discovered on the basis of a national census that they had 10 million more people than they had previously thought. Kenya, a country whose agriculture has been doing relatively well, was forced to import food in 1980-1981 and again in 1984-85. While drought had been the explanation offered, their 4 percent-plus rate of population growth, which is increasing population at about 1 million per year, may be making food deficits the norm rather than the exception.

Several conditions need to be addressed by officials in the recipient countries. These include:

1. The need to control fertility rates in light of declining rates of mortality. Past neglect of these situations has resulted in an increasing percentage of the growing population entering the child-bearing ages, thus further accelerating population growth rates.

While food aid undoubtedly reduces the threat of starvation, it also facilitates fertility and thus adds to these countries' food requirements, ultimately compounding the problem. Recognition of this situation surely rests with officials of the food aid recipient countries.

2. The need to optimally utilize available agricultural production resources. Zambia, for example, has hundreds of thousands of acres of high-potential agricultural land lying undeveloped. Much of this land can be readily irrigated. The past preoccupation with copper led to a neglect of agricultural development.

Generally, throughout Subsaharan Africa the percentage of government revenues committed to agricultural development remains a minor part of total development budgets. The pressure to provide the "basic needs" infrastructure for the rapidly growing population absorbs the larger part of government funds.

3. The need to protect the quality of the natural resources utilized for food production. Rapid population growth has upset the traditional farming systems used to maintain soil productivity and forest cover. Encroachment upon river banks, forests and grazing lands is causing soil erosion, declining soil fertility and declining water yields. Failure to control animal numbers and adopt improved grazing practices is contributing to desertification.

4. The need for careful management of fiscal and monetary policy to avoid government expenditures exceeding revenues and, in some cases, contributing to high internal inflation rates. The willingness of international agencies, developed country governments and the international commercial banking system to lend funds to offset these deficits has led to financial commitments often beyond the capability of the borrowing countries to service the debt.

External debt servicing absorbs resources that are badly needed for domestic development. Simultaneously, government borrowing from internal sources has restricted the amount of investment funds available for private sector development, thus slowing the GDP and employment.

5. The need to change the widespread presence and implicit social and political acceptance of mismanagement, embezzlement and corruption in government, quasi-government (including cooperatives) and private organizations. These conditions discourage the development efforts of the "Wananchi" who do not have access to "the system."

These hard-working people are mostly in agricultural production. They have little incentive to invest their resources and labor to increase food production if the parastatal marketing agencies fail to pay them on time (the delay may be from a few months to several years) and their cooperatives cannot pay them for their deliveries because the manager and/or directors have "misused" the proceeds from commodity sales. This diversion of funds has an even greater impact when the funds are transferred out of Africa to foreign bank accounts or utilized for luxury consumption rather than domestic investments.

6. The need to achieve political stability in order to limit internal and external defense expenditures. Monies spent on military activities are not available for agriculture and infrastructure programs. Yet progress in these programs may be essential for political stability. Chad, Sudan and Ethiopia are examples of explicit internal dissension, while in Uganda, Zimbabwe and others the ruling groups have less formal opposition. Ethiopia's Marxist government's failure to distribute food aid to those starving in rebel-controlled areas is a byproduct of this type of situation.

The question remains—what are the short and long-term obligations of the United States toward countries in Subsaharan Africa under their existing internal situations? Does the United States have any prerogative for insisting upon internal reform as a condition for continued food aid and other assistance?

Is there an obligation from a humanitarian standpoint to continue food aid regardless of local, in-country conditions? Should Congress convince constituents that more food aid to Subsaharan Africa is in the best interest of the United States? Could these resources be used elsewhere to better advantage?

These are some of the real questions that must be examined in formulating long-term U.S. policy towards this important region.

J.B. Wyckoff
Nairobi, Kenya