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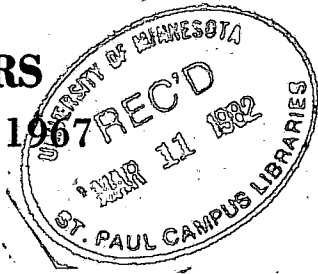
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GROUP 3a. FARM POLICY IN AGRICULTURAL ECONOMIES

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The group decided to deal exclusively with farm policy in relation to the development problems of low income countries. In the development policies which these countries pursue, agriculture must inevitably play an important role. The experience which has been gained in high income countries of the modernization of agriculture might be of some help in solving several problems in low income countries. It was not proposed to deal exhaustively with all problems which might be encountered. Attention was focused on certain points, policies or problems, which had aroused the interest of those members of the group who had experience in agricultural development work.

In some countries the problem is to stimulate demand for agricultural products, whereas in others to increase supply is a pressing need. There is slack demand in several countries for export products. The lowering of the terms of trade for these products since the beginning of the fifties is a symptom that production is increasing faster than demand. Some countries, e.g. Kenya, do not easily find alternative products to which they can turn. As a consequence, development plans may be hampered due to a decrease in export earnings. Solution to this problem is not likely in the short term, as international co-operation in this respect is only moving at a snail's pace, if at all. A systematic approach must be developed which will provide opportunities for integrating the economies of developed and less developed countries in line with the comparative advantages of the less developed world. A weak demand for food products at the farm level may be caused by an inefficient marketing system. Sometimes the diet lacks some essential qualities, because the consumers are ignorant. In these cases the advice of nutritionists is necessary to raise the quality of the diet. Sometimes the deficiencies can be easily met by growing a greater variety of food products, e.g. vegetables and fruits.

In some countries the main problem is the increase in the supply of food. Again this could be caused by weakness in the marketing system. Weather vagaries sometimes cause a harvest depression and



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occasionally a catastrophe, as happened this year in Bihar. In other cases the over-all increase of production is too slow in comparison with the increase in demand, when much effort needs to be spent to speed up the increase of production. Contrary to the opinion of some government officials, farmers may be quite prepared to use modern production techniques, if they are convinced that these are profitable in their circumstances. For instance, the provision of high yielding seed, combined with artificial fertilizers and an improved water supply by means of newly dug wells, has been successful in Pakistan. In other cases, however, proposed measures aiming at increasing production may clash with the social organization or values of the population. Such proposals may meet intensive resistance. It is therefore important to have the advice of sociologists and cultural anthropologists concerning proposed measures for modernizing production systems.

In some countries the existing marketing system may be deficient in several respects, leading to great differences in prices between farmers and urban consumers. Depressing factors may include lack of access to transport, collection, grading, and storing facilities; non-availability of information; and loss due to spoilage, insects, or rodents. Middlemen sometimes have a monopolistic position, taking a disproportionate share of the price. It is necessary to analyse the whole chain of marketing activities, from producer to final consumer, if deficiencies in the marketing system are suspected. A lowering of marketing costs will, other things being equal, stimulate demand and supply, as the experience in several countries, e.g. Mexico, has shown.

Local middlemen are an important source of credit, the interest on which is often very high owing to profitable alternatives for the middleman (e.g. buying and leasing land), extreme scarcity of capital and sometimes high risk for the lender. Credit is often given for consumption purposes, either to tide the farm family over the period of scarcity before the harvest or to provide the means for a feast. A system of alternative lending possibilities could be provided by a chain of local co-operative banks, if necessary in combination with a warehouse system, if the present situation is unacceptable. It is, however, sometimes very difficult to organize an efficient banking system, owing to scarcity of efficient staff. Sometimes the estimated cost of such a programme for the government may be considered too heavy. Moreover, the supervision of the bank over its borrowers,

which has to be on a more rational footing than the often somewhat casual supervision of the private money-lender who knows his clients personally, may give rise to difficulties.

Most low income countries have made plans for a rational policy of development. Planning may be executed at three levels: national, regional, and local. The national plan entails the general development policy and states the main goals. Regional and local plans are more detailed. A system of feedback is necessary, in which information passes to and fro. Specialists on the same level but of different disciplines ought to consult each other regularly. Some responsibility must be delegated to the different levels to stimulate enthusiasm and to prevent overburdening of higher levels. A plan ought to be flexible and must be revised when circumstances change. People at local levels must have the opportunity to state quite freely their opinion concerning proposed measures and their execution. Only in this way can the sometimes extensive knowledge of local people of problems in their areas be put to the most profitable use to the benefit of the whole country.