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EUROPEAN AGRICULTURE IN AN INTEGRATING ECONOMY

AGRICULTURAL ECONOMY, FOOD AND FARMING ECONOMY, RURAL ECONOMY

by

Louis MALASSIS

Director

Institut Agronomique Méditerranéen de Montpellier

President

Société Française d'Economie Rurale

IAM

BP. 1239

34011 MONTPELLIER CEDEX



## AGRICULTURAL, AGRI-FOOD AND RURAL ECONOMICS.

L. MALASSIS ,

Director of the Mediterranean  
Agronomic Institute, Montpellier,  
President of the French  
Society of Rural Economics.

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(1) The aim of this report is to put forward a few introductory ideas on the field of activities of economists who are interested in facts and ideas dealing with agriculture. I do not wish to present a complete and accurate overall picture of "Rural Economics" as a research and teaching subject, but simply to present a few ideas suggested by the program of the second European Conference of Agricultural Economists.

The facts concerning agriculture may only be interpreted as components of forms of economic and social organization or, in other terms, of socio-economic systems. Briefly, let us say that the forms of organization of agriculture in the socialist economy are socialistic, or tend to become so, and that the forms of organization of agriculture in capitalist economies, even if they retain craft-based forms, tend to become more and more integrated in the market economy, or even to become capitalized, sometimes in specific ways. If the average farm size is 10 to 12 hectares in Western countries, and several thousand hectares in Eastern countries, these differences are explained basically by historical processes, and by specific socio-political contexts, at a given stage of development.

The explanations most often put forward for the "differences in scale", relate to the density of the agricultural population, technology, production systems, management capacity etc..., which are certainly not lacking in interest, but only take on their true significance when considered within a specific economic and social framework. It would seem that rural economists may only reach an overall understanding of agricultural facts by situating and interpreting them in the context of the different forms of economic and social organization, and by considering their

relationships within the world eco-system.

I trust that our colleagues from the Eastern countries will forgive me, but my comments will deal mainly with the countries with a market economy. If I do not say much about the socialist countries, I ask my colleagues from these countries not to interpret it as a lack of interest, but on the contrary because, in spite of the numerous links I maintain with these countries, I do not consider myself sufficiently informed about them to be able to develop a critical analysis which would be truly useful.

(2) I do not agree with the name of our association which groups together the European "agricultural" economists. I hope that the Economists who are participating in this Conference are not exclusively "agricultural". Some, probably more and more, are concerned with agri-food economics, and others have a geographic vocation and call themselves "rural", whereas others are known as "general" economists. I consider that, within a specific socio-economic context, the facts concerning agriculture may be observed and interpreted with respect to three sub-groups : agricultural, agri-food and rural.

The agricultural sub-group relates to the activity of the farmers, whose principal aim is to produce Man's food. This sub-group, however, is more or less included in two other sub-groups: that of agri-food economics, of which agriculture is a "functional sub-sector", and that of rural economics, defined by appropriate criteria delimiting the rural zones, and of which agriculture constitutes an activity sub-sector.

We are going to make a few comments about these three sub-groups, before considering the links between agricultural, agri-food and rural development.

#### I - Agricultural Economics.

(3) For reasons which are understandable, agricultural economists have, in general, devoted a lot of time to the study of farms. In Europe, Dr. LAUR has been a veritable pioneer in this

field, particularly by building the basis of an accounting network which has made possible the thorough analysis of Western peasant holdings.

In the period following the war, the agricultural economists became very interested in methods of farm management and they proposed increasingly sophisticated models for "interpreting" and "programming". This approach which was meant to be basically "operational," did enable the conditions of farm management to be improved, and the "structural effects" and the relationships between agricultural policy and the future of the different types of holding to be better understood. It contributed to the collection of a vast amount of information, and the European accounting network, for example, became an instrument able to contribute to the establishment of the price policy, or to test the effects of certain aspects of this policy.

This operational approach, which strongly motivated the agricultural economists after the war, but also took up the greater part of their time budget, may perhaps have reduced critical analysis, in the widest sense, which is the basis of scientific development. Thus, for operational reasons, farm analysis has been based for the most part on the maximization of the market value (profit, valuation of labour, farm income etc..) This aspect is certainly basic in a market economy, but other criteria may be employed in order to evaluate the systems and processes of agricultural production. Thus, depending on the socio-economic contexts and the objectives of the analysis, it is possible to have recourse to the value in use (nutritional productivity in calories and proteins) the labour value (the amount of direct and indirect labour consumed in a production process), and biological productivity (the number of initial calories to produce a final calory in a specific food channel) and the productivity of commercial energy (the number of mechanical calories injected per biological calory) etc...

The "energy crisis" has lead to new assessments of production systems, which have enabled Pimentel and Steinhart to show that western agriculture has "devoured" energy. In order to produce one biological calory, in the mouth of the consumer, it

was calculated that 5 to 10 mechanical calories were required in the western system. This and other data, lead us to believe that the western model of agriculture cannot be generalized to the whole of humanity, and that, from the point of view of world agricultural development, the western model could be a bad reference model. Moreover, the ecologists over the last few years have greatly contributed to drawing attention to the disadvantages of the excessive industrialization of agriculture, to the harming and destruction of resources, to the marginalization processes and their consequences, and even, in certain areas, to the extension of the desertification process.

These recent trends show the disadvantages of models which organize and manage on the basis of one single criterion (for example based exclusively on one market value) whereas this single criterion does not enable us to understand the reality in all its complexity. This signifies that the economists should probably work more and more in pluridisciplinary teams capable of constructing multi-criteria models : thus this bridge, so difficult to build and so long awaited, could be constructed between "technical" and "socio-economic" disciplines.

(4) The information accumulated over some years has enabled us to better understand the structural phenomena, particularly the mechanisms of growth, stability and decline of the different forms of socio-economic organization of agricultural production (capitalistic, craft-based, cooperative), or the appearance of new more or less specific forms (group farming), or new combinations of activities (part-time farming).

The theory of the survival of the family holding, in a more and more capitalized economy, is probably one of the most important that exists for the understanding of the evolution of the forms of organization of agricultural production in Western countries.

Kautsky looked for the factors of resistance of the family holding to the extension of agrarian capitalism, whereas other authors stressed the difficulties of penetration of the capitalistic forms in agriculture, because of the specific nature of the agricultural production processes and their slow rate of

industrialization.

However, if agriculture does not become capitalized in its structures (it remains based on family production relationships) this does not signify that it is not more and more part of the capitalistic system of production. Here it would be possible to develop the thesis of the "indirect capitalization" of agriculture which is manifested in several ways :

a) the increasing participation of the agricultural economy in the market economy (growth of intermediate consumption and capital at higher rates than that of the value added by agriculture, reduction of home consumption, etc...) ;

b) the growth of capitalistic intensity : the reduction of the active agricultural population (by 4% per annum in Europe) and the growth of technical capital ( 5% per annum in Europe), bringing about a rapid growth in per capita capital (about 9% per annum). The consequences for agriculture are difficult problems of financing and an increasing process of indebtedness.

c) the development of agro-industrial complexes (to be dealt with later) which tend to place agricultural activity within groups which move the decision-making power of the farmers towards "integrating poles" which are usually capitalistic.

(5) The direct and indirect capitalization of agriculture poses numerous problems. In Western countries, the rural exodus has often been regarded as a bad thing, and sometimes even as a destructive factor of the family holding. Our theory is different : we consider, on the contrary, that the exodus was the necessary condition for the survival and modernization of family holdings. When, as is the case in Western countries, the marginal productivities of capital and intermediate consumption become negative, the growth of the weighted total productivity of the factors of production is basically explained by the decline of the active agricultural population. The essential source of the increase in productivity, which is necessary in order to ensure the modernization of agriculture, is the decline of the agricultural population. The predictable slowing of this decline is liable to

result in the slowing down of the rate of growth of industrial inputs, and therefore of the rate of modernization of agriculture based on these inputs.

However, the modernization of agriculture could be greatly facilitated by a modification of the terms of trade between industrial inputs and agricultural products.

## II - Agri-Food Economics.

(6) Agri-food economics may be considered as a developing discipline. It embraces all of the activities which, in the nation, participate in the "food" function. Its field is broadly that of agri-business defined several years ago by Goldberg. This discipline, however, also involves the formation and development of models of food consumption, the changes in the production-distribution apparatus, and the relationships between consumption and production models.

Today like yesterday, Man lives almost exclusively on products derived from agricultural activity, and this will still be the case in the predictable future. Within agri-food economics, agriculture remains the basic irreplaceable activity, but on this basis a more and more complex and dominant industrial and commercial superstructure is being built, in relation with the historical law of the increasing division of social labour, there comes a time when food depends on a greater number of non-farmers than farmers.

In France, when the consumer of food products spends 100 Fr., food industries and distribution receive about 55, the industries which supply agriculture with productive equipment about 15, and agriculture about 30. The agricultural economists have studied the relative decline of agriculture within the economy as a whole, but in actual fact, this decline has a triple aspect : agriculture is declining in the nation, within the agri-food economy, and even within the production of the agricultural branch, because intermediate consumption is increasing more rapidly than the value added by agriculture.



In France in 1972, the value added by agriculture in the agricultural and food production complex (A + AFI), which is in the order of 60%, is still greater than the value added by the AFI (40%), but the gap is shrinking from year to year. In the years to come all western economies will reach the stage of agro-industry as such, characterized by a value added by the AFI equal to or greater than that added by agriculture.

This has been the case in the United States since the beginning of the '60s, and in the United Kingdom for a long time. For, if this country "sacrificed" its agriculture to industrial expansion in the 19th Century, it also built the most powerful agri-food industry in Europe.

At a certain stage of agri-food development, per capita consumption in final calories no longer increases (the maximum is situated at about 3,200 final calories per capita and per day), and the major part of the additional purchasing power allocated to food goes to the AFI, which therein find the basis of their economic expansion.

(7) All of the consequences of this historical mutation of Western agri-food economics do not seem to have yet been drawn. Let us mention a few aspects :

a) at the agro-industry stage, food products are penetrating increasing numbers of secondary and tertiary activities, and agro-industrial products are becoming more wide-spread. Consumers are buying fewer and fewer products coming directly from agriculture and more and more products coming from the food industries branch; the proportion of these is greater than 70% in Europe and 90% in the United States.

The relative increase of agro-industrial products is in relation to the evolution of purchasing power and the social conditions of food consumption. The increasing participation of women in economic activity, the desire to reduce "house" work, the generalization of the continuous workday, which are some of the causes of the development of collective consumption etc..., favour the increasing consumption of agro-industrial products.

This increase brings about that of the value added by the AFI, which now encompass processing activities which were effectuated previously by agriculture, and meal preparation activities formerly effectuated by households.

b) Agri-food economics is reaching the stage of consumption, distribution and mass production. Mass consumption does not mean egalitarian consumption, but signifies that there exists a market that is sufficiently vast to enable a large quantity of standardized agro-industrial products to be produced. Neither does mass consumption signify homogeneous and monotonous consumption ; on the contrary, agro-industry industrializes craft type preparations, and places at the disposal of Western society the most sophisticated regional recipes, innovates and creates new "food articles". Competition by the product, an important component of firm strategy, tends to differentiate products, personalize them and "brand" them. This differentiation is at the basis of advertizing : the means of mass communication (radio, television press etc...) are the support of food market expansion.

c) At the stage of mass agro-industry, the capitalist forms of organization of the economy are substituted more and more for the craft-based forms all along the agri-food channel. The capitalistic sub-sector is becoming very predominant, and according to the laws of capitalistic development the agri-food economy is becoming concentrated and internationalized. In the United Kingdom 30 firms are responsible for 80% of the turnover of the AFI, in Western Germany about 55%, and in France 35 to 40%. On the basis of recent trends it has been possible to make the hypothesis that about one hundred multinational firms will control 50% of the agri-food market in the years to come. The concentration also occurs within distribution and restauration, both commercial and collective, particularly in the form of management societies.

In the case of the more sophisticated products, a few firms produce pasta, soups, potato crisps, ice-cream, biscuits, baby food and also dog and cat food, beer and soft drinks for a large part of the Western population !

d) At the agro-industry stage, the economic structure of the agri-food markets is transformed. The theory of "agricultural

markets", drawn up in the 19th Century, and constantly perfected since, is scarcely adapted to the explanation of agro-industrial markets.

Two basic trends characterize these markets :

1) the formation of agro-industrial groups and complexes and therefore of oligopolistic type situations ;

2) the differentiation of agro-industrial products and the generalization of commercial brands. These trends themselves lead to the generalization of monopolistically competitive markets at the final stage of the agri-food channel, and to the predominance of oligopolistic markets all along this channel.

E.H. Chamberlin, who first formulated the theory of monopolistic competition, characterized this type of market by a small number of firms competing among themselves, each disposing of a preferential supply, based on personalized and branded products, the basis of advertizing.

The model of monopolistic competition still seems to be little used by rural Economists, although it would seem the most suitable for understanding the formation and dispersion of agri-food prices, as well as firm strategy based on the product (innovation and differentiation), the quantities (production and mass distribution), and the prices (segmentation of the market). The theory of monopolistic competition even enables us to show how internationalization and diversification result from the logic of their comportment.

e) In the Western economy, industrialization and capitalization make agri-food firms "aggressive". Marketing and growth strategy are the bases of the market expansion of food consumption. When faced with this situation, consumers do not remain indifferent. We must neither underestimate nor overestimate the rôle of consumers' movements. On the whole, they represent rather an improvement in the food market model than a radical challenging of this model. However, the basic problem of the food future of humanity probably necessitates a readjustment of the consumption models, certainly in developing countries, but also in developed countries where in some cases excessive consumption and waste could be reduced.

(8) These few comments, which are far from sufficient for considering the essential aspects of the change in our food economy, nevertheless enable us to envisage some consequences from the point of view of the rural economy.

a) Consumers buy more and more agro-industrial products, and fewer and fewer agricultural products, and the AFI constitute the main market for agriculture. In the agro-industrial production complex, industry (and distribution) tend to become the dynamic pole of agricultural development. There are numerous reasons for this : industry's greater capacity for innovation (the potato is an agricultural product, and dehydrated potatoes, flakes, crisps and frozen chips etc... are agro-industrial products), its greater concentration, its presence on the terminal markets of the agri-food channels, where the agri-food development strategy is put into action. At the agro-industry stage, an ~~an~~ all-powerful food industry constitutes a necessary condition for agricultural development. This necessary condition is not sufficient, however, given the possible geographic diversity of the supplies of agricultural raw materials.

b) Agri-food development tends more and more to take place on the basis of diversified groups and complexes. These groups may have the ownership or control of firms situated at different points in the agri-food channel. Certain distributing firms possess their own manufacturing plants, or tend to have other plants work under their brand names, etc...

Agriculture is tending to penetrate these groups by means of contract techniques. These contracts may be of several types : supply, quasi-integration, piece-work, etc... The contractual economy has developed considerably in agriculture, but the generalization of quasi-integration is certainly not an inevitable phenomenon. It represents a procedure of adjustment which is profitable for the industrial producer whenever it comports relative advantages in relation to the functioning of the markets. Quasi-integration is also an advantageous process for industry when it speeds up technological changes which in turn generate "rent" that the mechanism of tied sales (raw materials, finished products)

enables the industrial producer to recuperate to a certain extent. Thus both the industries from which agriculture purchases its production requisites (backwards linkage), and the industries which process and distribute agricultural and food products (forwards linkage), have played an important part in the "industrialization" of agriculture (meat poultry, eggs, pigs, cattle fattening, market gardening etc...).

c) When faced with the industrialization and capitalization of the agri-food sector and the development of oligopolistic and multinational groups, the farmers are reacting and are attempting to construct, in the words of K. Galbraith, "compensating powers": groups of producers, interprofessional groups and cooperatives are the main forms. We must examine the significance and actual scope of these powers.

The cooperatives, which probably represent the most efficient form of compensation, come up against numerous difficulties at the agro-industry stage. In order to participate in the agri-food development strategy and ensure their own development, they must penetrate the monopolistically competitive terminal markets, becoming brand sellers and thus agro-industrial producers. It is a case of substituting agro-industrial cooperatives (collection and processing) for agricultural cooperatives, whose traditional function was rather the collection of the products. The penetration of cooperatives into the agri-food channels is a slow and difficult process; the cooperatives which take this direction are usually situated at the first stage of processing, and their presence is still rare at the stage of highly sophisticated agro-industrial products. This situation is explained by the historical process of the formation of cooperatives in Western countries, and by the difficulty of penetrating channels that are more and more concentrated and capitalized. However the progression is continuing, particularly in France, and of the first ten French agri-food groups, three are cooperatives. These large groups are veritable agri-food complexes, organized by Unions, including farms by means of "supply obligations" or contract techniques.

Another difficulty, at the stage of the structural internationalization of the agri-food economy, is that which is



encountered by cooperatives in becoming internationalized. This problem exists today within the EEC : the tradition and status of cooperatives still obstruct the process of internationalization.

### III - Rural Economics.

(9) If we could produce food without having recourse to the earth, the face of the world would be changed. Traditionally, the development of land is basically agricultural development. The agrarian countryside bears witness to the work of Man in quest of ~~this~~ food. But more and more diverse activities have developed in the country. Developing rural areas are essentially those in which secondary and tertiary activities are being established.

Rural economics as such, studies all of the activities which take place in rural areas (these areas are delimited by the appropriate criteria), the relationships which are established between them, between the towns and the country areas etc. More generally, the analysis of a rural area proceeds from that of a "Rural Society", an agrarian sub-group with an overall social and economic formation whose basic relationships must be understood and their nature determined.

Depending on the objectives, the rural areas may be considered as a framework of activity, conservation and renewal of natural resources, dwelling and quality of life etc... All of these aspects are important today, but cannot be properly dealt with in this report. We will limit ourselves to making a few comments on inter-activity relationships.

(10) The interdependence of activities in rural areas, and more generally between "rural" societies and society as a whole, influences all the factors of production : the earth, labour and equipment, as well as the conditions and rate of agricultural production.

Dr. Laur has shown that, for a long time now, the market value of land has been situated above its "capitalized value",

as an instrument of agricultural production. In the past, such a situation resulted mainly from the strong competition between "land-holders", particularly in areas with a high agricultural demographic pressure. This situation became worse in the 20th Century for various reasons related to the evolution of the land use and sites. Urbanization, residential dwellings, leisure activities, industrial activity etc... result in a considerable increase in the price of land (which always has the rôle of a gilt-edged security). This increase in the value of land in turn results in a considerable increase in the capital output ratio in agriculture.

In France, only including buildings and machines in the agricultural capital, the capital output ratio is higher in agriculture than in the AFI, food distribution, and all of the sectors of activity in the national economy (average). Agriculture thus appears to be overcapitalized, both within the food economy and the economy as a whole.

When including land and livestock in the agricultural capital, the capital output ratio of agriculture is among the highest in all sectors of activity : higher than that of the chemical or metallurgy industries. Thus it is true that agriculture has become a heavy industry, which increases its financing difficulties, and necessitates the search for various solutions in order to reduce the costs of land capital.

The interdependence of the various activities explains numerous trends concerning agriculture. The industrialization of the national economy and the development of services have greatly contributed to the reduction of agrarian under-employment, to the substitution of capital for labour, to the increase in agricultural wages, and to the improvement in the living standards of the workers. The industrialization of the rural areas facilitates the development of part-time farming, bringing about new consequences from the point of view of the evolution of agrarian structures, dwellings, orientation of agricultural production, and land occupation. Part-time farming has become very important in certain parts of Europe and North America. In the traditional economy, part-time farming could be considered as an activity procuring a

necessary complement of income, and from this point of view, regarded as having a transitory nature. In the context of mechanical agriculture, where a substitution of capital for labour has taken place, part-time farming may be explained as being the consequence of the modernization of agriculture, free time procured for the peasant family by a greater efficiency of agricultural labour. Some members of the family may then carry out certain non-agricultural activities, and for example ensure most of the functions necessary to the life of rural collectivities: education, health, business, various services, etc... (as can be seen in some areas of the United States and Europe).

(11) The key words in Rural Economics are probably "land use", but land use or land development does not have the same significance in expanding areas and declining ones.

Expanding areas are those with diversified activity. Agricultural growth alone is not sufficient to ensure a high rate of rural growth. Rural areas do not escape the general laws of Western development : this is founded on the growth of secondary and tertiary activities. This explains the importance of efforts made by the very active collectivities to attract industries and services.

In expanding areas, land use necessitates the distribution of activities and the drawing up of plans of land occupation. This zoning is particularly difficult in an economy based on private property.

In Western countries, numerous rural areas are in relative decline. Agricultural development tends to be localized in areas presenting, from the economic viewpoint, "relative advantages" (fertility, situation, crop facilities etc...). The result is that part of the territory is in the process of "marginalization". The theory of the marginalization of rural zones is no less important than the theory of development in order to understand the mechanisms of the evolution of these zones.

The area under cultivation in Europe has diminished in the 20th Century as a result both of the urban encroachment and the

abandon of cultivated land. It is sometimes possible to combat this decline and sometimes necessary to organize it : this is the significance of measures undertaken to ensure the conservation of natural resources, genetic capital etc..., and to give a new attribution to land, particularly by the creation of "parks" and protected areas. There is a tendency to give a new function to agriculture, that of the "guardian of nature"... but this function is of a social nature, and it is the duty of society to be responsible for the cost of the conservation and renewal of its natural resources.

#### IV - Agri-food, Agricultural and Rural Development, and Overall Development.

(12) The task of the "Minister of Agri-food, Agricultural and Rural Development" is not an easy one : he must coordinate in order to develop, and therefore attempt to resolve the contradictions which exist in the development process, between the social categories which make up the rural society, but also between those of the cities and the country areas, in that the country feeds the city, and the country is becoming increasingly the privileged place where the city-dwellers would like to live. There are few Ministers of this type, however, and the task is usually split up among several Ministries, one of which is the Ministry of Agriculture, and possibly Ministers or Secretaries of State of Consumption, Food Industries, the Environment, the Quality of Life etc... The integration of these sub-groups takes place at the level of the plan (when it exists), and quite often the Minister of the National Economy is required to play a decisive part in this integration.

(13) Agriculture fulfills several functions in overall development, that the economists have analysed. It is expected that agriculture supply food products in necessary quantity (there is a fear of scarcity and its inflationary effects) and sufficient quantity (we criticize the excessive cost of surpluses); workers for secondary and tertiary growth in necessary quantity (in order to avoid the excessive increase in wages and possibly to reduce

the appeal to migrant workers) and sufficient quantity (we prefer the concealed unemployment of the peasant to the apparent unemployment of the city-dweller); it is expected for the most part that agriculture generate the "surplus" necessary for overall growth, and that farmers may at last be able to participate in the society of mass consumption and contribute to its expansion (increasing purchases of intermediate goods, equipment and consumer goods). We would like the rural society to conserve a "system of values", reassuring for the developing society, etc...

We ask a lot of the farmers, and history shows that the adjustment of rural societies to their social function, within a given economic and social context, has not been made without serious difficulties of a structural and cyclical nature being encountered.

The development process is not only of an economic nature, it proceeds from social change. The "functional" adaptation of rural societies involves a profound change of these societies in their productive forces, social structures, institutions and ideologies. This phenomenon of social change is never complete, and the invention of new social institutions capable of facilitating change is just as necessary and important as the invention of new technologies. Real progress has been made in Europe over these last years : the farmers profit from a more and more satisfactory social protection ; in some countries the transfer and conversion of agricultural workers are ensured by the appropriate institutions, agricultural education is better integrated into the rest of education, the creation of new types of farm is encouraged etc... This political task, which consists of facilitating social change by the creation of appropriate institutions, is far from being completed. For a long time society has left to individuals who are the victims of the change, the onus of the social cost of the change, which is necessary for the development of society as a whole. New measures need to be taken, for example, in order to reduce the cost of land capital, to facilitate the development of group farming, to define the farmer's status within agro-industrial complexes, to facilitate the adaptation of the status of agro-industrial cooperatives to an internationalized agri-food economy, to adapt the basic rural



communities and to the new conditions of social life, to set up an authentic system of permanent education etc...

Historically we can consider that Western rural societies have achieved the objectives of society as a whole. This in itself is not a reason for satisfaction for Humanity; we must consider the various constraints and obligations caused by poverty and the different forms of domination, and also the motivations and monetary satisfactions and other advantages which are born of growth.

Long-term agricultural development may only be ensured by men conscious of having reached a certain economic, social and political "parity", motivated by the various satisfactions procured by the profession they have chosen.

(14) Agri-food development considered on the world scale, is taking place in a very unequal manner. Recent trends tend toward an increasing disequilibrium between Northern and Southern countries, and they are usually accompanied by an accentuation of the social inequalities in the South (relative and sometimes absolute pauperization of peasants).

Thus, according to the FAO, in developed countries, agricultural production has risen at a rate of about 2% per annum during the period 1961-74, and particularly during the period 1970-74. In the LDC the progression was greater than that of the DC for the period 1961-74 (2.6%) but fell to a lower rate in the '70s (1.6%). This period was marked by serious droughts in certain areas of the world, a resurgence of famine, an exhaustion of security stocks, a rise in the prices of raw materials and basic commodities etc...

The changing rates of demographic and economic growth are resulting in an increase in per capita food assets in the North, and to stagnation and even a decline in the South. For this reason food imports in these countries have shot upwards. This situation is all the more serious because many Southern countries do not dispose of a very great international purchasing power and have large deficits in their balance of payments. The structural trends are accompanied by marked cyclical fluctuations.

It is in the context of unequal development, and the unequal distribution of the international purchasing power, that the evolution of international relationships is analysed. These relationships comport several aspects : they concern the exchanges of intermediate goods (energy, fertilizer, livestock, feed, etc...), equipment (machinery and installations), biological means (seeds, seedlings, breeding animals), agricultural and food products, but also, at the stage of the structural internationalization of the agri-food economy, foreign investments, the extension of multinational firms, the creation of mixed societies, etc... National and international activities have developed considerably in the market economy during recent years, and international exchanges have increased in general to a rate higher than that of the GDP.

On the other hand, the structure of international exchanges has greatly changed. The old international division of labour, based on the "complementarity" between countries producing basic commodities and those producing manufactured goods, justified by the theory of relative advantages, no longer corresponds to the reality. The theory of relative advantages has been weakened by the theory of inequalities in development which implies unequal strength relationships.

In the '70s, if industrialized countries remain the biggest importers of primary products (75% of world imports), they are also big exporters (45%). In particular, the industrialized countries supply almost 60% of world exports of food products. Thus the U.S., which according to Lester Brown, in 1976 exported in the form of cereals, the equivalent of the ration of 400 million inhabitants of the developing countries, has become the first world agri-food power.

(15) The inequalities in development and the uneven distribution of national purchasing power, the trend towards the relative scarcity of food stuffs in the near future, and the rise in prices which will normally result, the appearance of great agri-food powers, the rôle of the large transnational firms, the rôle of agri-food exchanges in East-West and North-South relationships, the constitution of unions and large socio-economic groups (Example EEC), etc... make us wonder if agri-food development is

not a result of "geopolitics" rather than of the liberal theory of relative advantages.

If, as is likely, inequalities in development continue, all nations will not head towards famine, as their relative food situation and their negotiating capacity in the world context are very different. Many studies have been made over recent years to attempt to determine the long term perspectives of our agri-food development. The most recent publication concerns the forecast of Wassily Leontief for 1999. This forecast, which is made in the context of a reduction of the inequalities between the DC and the LDC, predicts that the difference in per capita agricultural production could be reduced by about one half (from 5 to 2.5) before the year 2,000, and imports maintained at their present level in the developing countries, if agricultural production increased in these countries at the rate of 5% per annum, if the area under cultivation increased by 30% in relation to 1970, if productivity was multiplied by 3 or 4 etc... Rapporteurs write that... "the issue of a new technological revolution in agriculture in the developing countries depends to a large extent on agrarian reform and other social and institutional changes which are considered necessary in order to surmount the non-technological obstacles, and a more extensive use of the soil and an increase in productivity". Thus they clearly stress the rôle of social change as being a prerequisite for the satisfaction of food aims.

However, these perspectives appear to us as being extremely optimistic and unlikely. They necessitate both considerable internal changes for many countries, and the advent of a new world economic order. This new order, so long awaited by the developing countries, requires the stabilization of the raw material market and possibly their increase in price, the stimulation of the export of goods manufactured by the developing countries, the progression of the transfers of funds, particularly official funds, towards these countries, the substitution of imports by the national production, etc... How it is possible to reconcile these demands of the LDC with those that are causing the crisis of Western capitalism, is probably the major question concerning the future of the world economy.

(16) The organizers of this conference gave me few instructions for the preparation of this introductory report. This situation has advantages and disadvantages. I suppose that this report has left untouched quite a few important questions that some of you would like to have seen dealt with, or that some of the comments I have made are likely to be likely to stimulate discussion and even active contestation. In this case, it could constitute a good opening report. We are here to exchange our ideas and, by critical analysis, to contribute to a better knowledge of agri-food, agricultural and rural facts, and finally to make our contribution to the drawing up of policies that are better adapted to the necessities of social development.

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