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REPORT AND RECOMMENDATIONS

OF THE

U.S.D.A. SURVEY TEAM

TO

USAID/ECUADOR //

November 1963

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I. Introduction

The Foreign Assistance Act of 1961 provided that AID should utilize as far as practicable the technical competence of the other federal departments in carrying out a program of technical and capital assistance (Humphrey amendment). The Secretary of Agriculture has expressed a willingness to cooperate fully with AID in providing technical assistance in the field of agriculture in underdeveloped countries. For this purpose there was established in the Department of Agriculture an International Agricultural Development Service as the agency responsible for cooperation with AID in all technical assistance and training programs. On May 1, 1963 the first participating agencies service agreement between AID and USDA provided for technical services in connection with agricultural production and diversification in El Salvador. In process of negotiation is a general participating agency service agreement between AID and USDA providing for technical agricultural services in connection with cooperating programs between the United States and certain countries in Latin America. A USDA team is in Brazil evaluating the AID agricultural program there, a team from USDA and USDI is soon to go to Colombia on a similar mission, and a team is also scheduled for Paraguay.

The Mission Director of USAID/Ecuador requested that the USDA send a team to Ecuador to explore the possibilities of entering into a special inter-agency project agreement to supply needed agricultural technical assistance. The duties of this Team were defined in PIO/T 40004 and AIDTO-60. These included: 1) defining programs which the USDA can support and the problems involved in their implementation; 2) determining USDA responsibility with respect to these programs; and 3) appraising the attitude and capabilities of the GOE to support and foster programs assisted by the USDA.

The USDA Team is composed of Dr. Quentin M. West (leader), Deputy Director, Regional Analysis Division, ERS (Land Use Economist); Dr. Martin Kriesberg, Marketing Economist, Marketing Economics Division, ERS; and Julian Brown, State Director for Alabama, Farmers Home Administration (Supervised Credit).

Upon arrival in Quito the USDA Team received the revised 1964-65 Country Assistance Program. The agricultural program emphasized three areas of action: agrarian reform, agricultural credit, and agricultural marketing. Also included, were advisory services in agricultural economic development, livestock development, agricultural extension and agricultural research. Fortunately, the competence of the three members of the USDA Team fit very well the three major projects to be emphasized in the agricultural program.

Following a discussion with the Mission Director, the Team was given a memorandum in which a two-fold objective for the Team visit was suggested. The first, as spelled out in the PIO/T, was to review, analyses and to make recommendations concerning effective implementation of the currently proposed USAID 1964-65 agricultural program. The second, an additional objective, was not in the original program of the USDA Team; "to make as thorough an analysis as time will permit of the overall Ecuadorian agricultural scene including recommendations for priority efforts to achieve required increases in production and revenue, as well as improvements which have, in short-term objectives at least, basically political and social significance".

Although the Team had considered making some observations outside of the three areas emphasized in the 1964-65 CAP, it did not feel that it should be presumptuous enough, in the very limited time available, to make the comprehensive analysis suggested in the second objective of the Mission Director. The Team had been requested by AID for only two weeks; it came prepared to extend the time another week, but no longer. Also, the job proposed in the second objective was the area of work defined for the agricultural development economist which was proposed in the 1964-65 CAP. In addition, AID has contracted the services of the Coordinator of the ITALCONSULT Team to assist USAID in evaluating the ITALCONSULT report (which includes a general evaluation of the agricultural situation in Ecuador) in relation to uses of US resources for present and future agricultural development.

It was the decision of the USDA Team that it would concentrate its efforts on the program proposals in the 1964-65 CAP which were not already covered by USAID direct-hire personnel. These projects included agricultural economic development, agrarian reform, agricultural credit and marketing. Comments and recommendations are made in other areas of agricultural development as they seemed appropriate.

The USDA Team reviewed numerous documents on agricultural development in Ecuador prepared by agencies of the Ecuadorian Government, by USAID officials and consultants, and by international agencies. Conferences were held with USAID and Embassy officials, key members of the Ecuadorian Government, Ecuadorian agricultural, and agro-business leaders, and representatives of different agencies involved in agricultural development in Ecuador. Visits were made to other areas of the country, including Latacunga; Santo Domingo, which is to be the center of concentrated colonization and agricultural development area; Pichilingue, the principal research station; Guayaquil, to see some of the agricultural processing and export facilities; and Cuenca, a regional self-help economic development project.

The USDA Team wishes to express its appreciation for the full cooperation given to the Team by all US officials and Ecuadorian Government and agricultural leaders during its brief stay in the country.

II. General Observations

a. Agricultural Development in Ecuador

The importance of agriculture in the economic development of Ecuador has been well documented both in GOE and USAID efforts and need not be repeated in this brief report. Also well documented are the problems involved in agricultural development and the lack of attention which has been given by the Ecuadorian Government to this important sector of the country's economy. However, the USDA Team feels it might be helpful to make some observations on this point, which helped guide the structuring of USDA participation in the agricultural development of Ecuador.

Agriculture has a three-fold role in Ecuador's overall development, and probably a similar part in other hemisphere countries at similar stages of advancement. First, agriculture can and should contribute to a better livelihood for the approximately 70 percent of the population who derive their income directly from their work in agriculture. If one objective of economic development is to improve the people's standard of living, this might be done most directly by helping those engaged in agriculture to gain a better return for their efforts. In many developing countries, the rural population has lagged behind in the improved standard of living achieved as the nations have advanced.

Secondly, agriculture can and should contribute to a better nutrition for the people of Ecuador. In 1962 there was a deficit in the minimum protein requirements among the people of Ecuador of more than 30 percent. The country can probably produce enough of the basic crops, livestock and dairy products to provide the people with substantially their total nutritional needs. Helping agriculture produce more, and market more efficiently, can directly help the nation achieve the dietary standard needed for a more healthful, productive life.

Third, agriculture can and should contribute more foreign exchange earnings for the overall development of Ecuador. A few basic crops (bananas, cocoa, coffee) now account for about 90 percent of the nation's foreign exchange earnings (\$73 million in 1962). As expressed by the GOE Planning Board, this foreign exchange is the "dynamic factor" in the nation's development: it makes possible importation of needed goods and equipment for industry and for building the nation's infrastructure. Hence, efforts to increase agricultural exports will have a direct impact on the overall developmental process.

For these reasons the USDA Team feels that agriculture should play a major role in Ecuador's advancement and should command one of the highest priorities in the nation's development plans.

The USDA Team would point out two other factors in the development process for Ecuador: First, there is an intermingling of the social, economic and political life of the nation; activities in one sector affect the others. Hence, economic projects cannot be evaluated apart from their other implications. Thus, agrarian reform and colonization is not solely concerned with improving the economic well-being of the farmers affected. A graduated income tax and an effective tax collection system are more than revenue producing measures. Indeed, in Latin American countries, social welfare and social structure considerations are and should be tied to most economic proposals. It is these considerations that make economic development of the nations so important to their overall way of life; it is also why advancement is slowed in these countries. An understanding of these interrelations can help in devising programs which have a higher likelihood of success. (The USAID effort to stimulate cooperatives in Ecuador is a good example of this.)

A second observation is that effective development efforts depend, in large part, on building viable institutions that can carry on the work after outside assistance is withdrawn. Thus if agricultural credit or agricultural marketing is to be improved, the work of technical advisors in these areas should be in the context of and in cooperation with Ecuadorian institutions which have responsibilities in these areas. Where such institutions do not exist, it should be a primary responsibility of technical advisors to help the local government and people bring them about.

Ecuador has made tremendous economic progress during the last decade, principally through the expansion of banana exports. The country is determined to continue this development through the next decade and a ten year plan for economic and social development has been completed. This plan seems to be well conceived, though ambitious, and places appropriate priority on government organization, improvement of infrastructure, and agricultural development. During its short visit the USDA Team was impressed by the possibilities for agricultural improvement in Ecuador which will be necessary to carry out the objectives of the plan. This is possible if the proper institutions are developed and/or strengthened to facilitate agricultural development and adequately trained persons are available to direct such institutions.

There is considerable emphasis in the plan on social and economic benefits for a large proportion of the population which has not as yet participated fully in the country's economy. This is an expensive process. It may take many years before social changes are reflected in economic gains. Care should be taken that adequate attention is given to the commercial sector of agriculture, to industrial development, and to administrative and fiscal reform so that Ecuador may find the means to finance such social reforms without being entirely dependent on outside sources of financing.

The major part of the agricultural planning for the ten-year plan was done by an Italian Consultant Team through a grant from OAS. This team apparently has done a competent job. However, it is surprising that in view of the historical role that the United States has played in the agricultural development of Ecuador, that this service was not provided by a USAID Team. There was only one US economist under contract to the Planning Board and his role appears to be more in the overall economic planning than in agricultural development. The USDA Team recognizes some of the factors involved in the decision, principally that US technicians traditionally have not been associated with planning and the desirability of involving the Organization of American States on the planning activity of the Ecuadorian Government.

If agricultural development in Ecuador is to proceed in the most expeditious manner and if the considerable resources provided by the US Government are to be efficiently utilized in this development, it is essential that USAID take a major role in the implementation of the agricultural part of the development program of Ecuador. It is wise, therefore, that in the 1964-65 CAP it is proposed that USAID provide an agricultural development economist to serve as a principal advisor to the Ecuadorian Planning Board and to the Rural Development Officer of USAID.

The present Military Government of Ecuador appears to be committed to make the necessary administrative, fiscal and program changes to bring about an accelerated rate of economic development. There seems to be a better climate for change in Ecuador right now than at any time in the recent past or perhaps in the near future. In the field of agriculture some of the former autonomous agencies dealing with this sector have been brought under the Ministry of Development and a separate Sub-secretariat has been set up to coordinate most of the agricultural activities. It has been stated that this is a step in preparation for the establishment of a Ministry of Agriculture next year. Setting up a separate Ministry to handle agricultural affairs is highly recommended. A comprehensive land reform and colonization law is to be decreed by the first of the year and the Institute for Agrarian Reform and Colonization is organizing for carrying out this program. It would seem that this is the time that USAID should take an active role in assuring the establishment of the type of institutions necessary to carry out an adequate program of agricultural development in Ecuador.

b. U.S. Technical Assistance

The USAID agricultural program has recently shifted from an operation type program under the Servicio to one which emphasizes capital development loans and advisory services at key decision-making points in the agricultural institutions of the Government. The Servicio type operation had its origin in the US effort to increase food production in Latin America during World War II. Thus, the emphasis was on an action program

rather than the development of self-sustaining institutions within the governmental structure. As the United States moved into a technical aid program it was easier to accomplish this through a continuation of the Servicio type program. A major emphasis of the operational program was to prepare and train technicians to take over these functions from US personnel. With the present availability in most Latin American countries of a corp of trained technicians and administrators, and with the renewed emphasis on the responsibility of the countries themselves in carrying out economic development under the Charter of Punta del Este, it is appropriate that AID has shifted from an operational type program in Latin America to one designed to provide public and private institutions with sufficient capital to carry out their own operational programs.

This transfer of operational programs to local governments was probably too abrupt in most countries and a transition period should have been allowed to enable the change over to have taken place without the loss of the efficiency, and almost the destruction of programs in some countries. Many of these countries are not prepared to take on a development program of the scale envisioned under the Alliance for Progress. Ecuador presents a good example where there are many more loans already granted or in the process of being granted than the government structure is prepared to efficiently utilize.

It is essential that USAID maintain a corp of technical advisors in the field of agriculture to help develop adequate government and/or other institutions and to give guidance in the utilization of development loans, and in carrying out satisfactory programs of agricultural development.

III. Review of USAID Agricultural Programs in Ecuador, FY 1964-65

In the review of the USAID agricultural programs in Ecuador, the USDA Team has evaluated the desirability of USDA participation in these programs and not necessarily tried to justify USAID selection of these programs as those having highest priority in Ecuador. This was done in the 1964-65 CAP. In general, this report avoids a repetition of the CAP and should be used in conjunction with it. The USDA Team agrees with USAID selection of the priority programs included in the 1964-65 CAP for agricultural development of Ecuador and proposes USDA participation in the following areas:

a. Agricultural Economic Development

(1) Observations: The Government of Ecuador has organized a Planning Board which has developed a very comprehensive social and economic development plan for Ecuador over the next ten years. This plan gives very high priority to the development of agricultural

production and considerable emphasis to agricultural marketing and credit. It is essential that in the implementation of the plan USAID provide an agricultural development economist to serve as an advisor to the Planning Board, and to coordinate the capital development loans and technical assistance which the United States is willing to provide in this important sector of the Ecuadorian economy.

(2) Recommendations: It is recommended that the US Department of Agriculture provide the services of this agricultural development economist. His responsibilities will include a continuing review and evaluation of the economic and social development plan and he will serve as advisor to the Planning Board in implementing the agricultural programs under the plan. He would also serve as principal economic advisor to the Rural Development Officer in the utilization of USAID capital loans and technical assistance services in the field of agricultural development. This person would also serve as project leader for the USDA technical assistance team.

b. Agrarian Reform

(1) Observations: Ecuador is committed to a program of agrarian reform. This program is outlined in sections 1 and 2 of the sixth book of the National Economic and Social Development Plan. An Agrarian Reform Law has been proposed and it is planned that a decree will be issued in January of 1964 or sooner. There is no question that such a program is needed in Ecuador, particularly in colonizing unused productive agricultural land, giving titles to persons now occupying land and in the more efficient utilization of large land holdings operated by Government agencies and, eventually, of unused private land.

U.S. participation in this activity has been recommended by Raymond Davis, Elmer Holmgreen and others who have reviewed the USAID program in Ecuador. A detailed program for USAID participation in agrarian reform was prepared by Harold T. Jorgenson who was in Ecuador on TDY for 60 days. This report was completed in October and is summarized in the 1964-65 CAP. It includes financial aid as well as technical assistance and training. The USDA Team agrees in principle with the program as outlined by Mr. Jorgenson so there is no reason to repeat an outline of this program in this brief report. The Team noted that the brief services of Mr. Jorgenson were apparently very efficiently utilized by the Institute of Colonization. It also noted that since this program is moving forward rapidly it is essential that a specialist in land reform, or in the broader area of land use economics, be made available as soon as possible as principal advisor to the above Institute in implementing its proposed program. Even though there is an FAO technician in this field, it is important that a US specialist serve as advisor in view of U.S. objectives and interest in agrarian reform and the considerable U.S. economic resources that are to be devoted to this activity.

(2) Recommendations: It is recommended that USDA provide the services of a land use economist or an agrarian reform specialist to serve as principal advisor to the proposed Institute of Agrarian Reform and Colonization in implementing the programs in this area and in supervising US participation.

Part of the agrarian reform program includes land resources surveys in the areas to be colonized. If the USDA technician in this field has a broad training in land use economics, he could be especially helpful in this activity. Also, one of the important needs of Ecuador is a country-wide program of land and water resource surveying and charting. This technician could be of valuable assistance in moving forward such a national program.

Mr. Jorgenson also recommends some short-term consultants to be furnished by AID on IBO to assist the Institute. Some of these consultant or services could be provided by the USDA, if appropriate.

c. Agricultural Credit

(1) Observations: There has been a commendable increase in agricultural production during the past decade, even though there has been a decrease in the percentage of credit available for agricultural purposes. The credit that has been extended has been confined largely to the larger operators and even though it has, no doubt, contributed to the exports and to the income of this group, it has left a large segment of the population without credit resources.

The Development Bank of Ecuador with its 15 branch banks, the Central Bank of Ecuador with its 10 branches, and private banks supply practically all of the agricultural credit. Funds loaned by private banks for agricultural purposes represent less than 4 percent of their total loans. This appears to suggest definite reluctance to invest capital in agriculture and accept hazards that accompany crop production. Many farmers in need of agricultural credit are not being served by the present system.

Aside from the inadequacy of loan funds, interest rates are excessive, and loan terms limited. Credit is not available to the large segment of low income farmers who must be reached if they are to contribute to an increase in the GNP and it does not appear possible to accomplish this under present credit practices. There must be a reorganization or reorientation of existing credit systems, or the development of a new agency to better serve agriculture.

Officials and others in Ecuador have exhibited a genuine interest in agricultural credit and an appreciation of the importance of agriculture in the total economy. Authorization for the formation of

cooperative banks and efforts by the Government to stimulate lending in the agricultural sector by private banks is evidence of the interest of the Ecuadorian Government in this field. However, except among certain agricultural technicians and agricultural leaders there has been little interest shown in a credit system based on technical information and sympathetic guidance. We believe the acceptance of this basic principle essential to success. The approach and policies of conventional lenders will not meet the need of the large number of low-income farm families in need of credit and technical information.

It is quite evident, supported by statements of leaders in the area, that there is an impelling need for guidance in the application of proper agricultural credit. The extension of credit to the lower income groups without technical guidance and a certain amount of supervision would not appear to be a sound or worthy undertaking. By the same token, technical information in the hands of the farmer without the resources for putting it to use is of little value.

We believe it reasonable to expect the Ecuadorian Government to provide the necessary organization and a reasonable part of the funds for a satisfactory credit program. This assumption is made with full realization of the nation's economic limitations. It should be noted that agriculture provides 40 percent of the GNP and 90 percent of the foreign exchange earnings while receiving only 1 percent of the revenue from the Central Government for agricultural services.

We are not attempting to set forth the total funds needed for the implementation of such a program. Some have estimated \$150 million for the next five years, others suggest that only 20 percent of the credit needs for agriculture can be met with present funds. The amount of funds needed may be debatable, but the need for an improved credit system to serve agriculture is recognized and accepted and is not debatable. The 1964-65 CAP summarizes the funds now available from US sources and IBD for this activity; these funds seem adequate for the program at this time. After the program is underway, it may be necessary to consider new loan applications, perhaps up to \$5 million to broaden the usefulness of the new credit system.

An effective loan program for low income farmers must provide low interest rate loans (not in excess of 5 percent) amortized over a period consistent with the purposes of the loan and prudent loan practices. In the absence of adequate funds to meet all needs it would appear desirable to limit loans to production purposes, including the purchase of chattels, but there should be authorization and funds provided as soon as possible to assist with the program of agrarian reform and farmer cooperatives.

(2) Recommendations: We recommend that the USDA enter into an agreement with AID and assign a man to Ecuador who is qualified and experienced in the credit field for the purpose of developing and submitting to the Ecuadorian Government plans for a credit system that will meet the needs of its farm people. In developing this plan we urge that careful consideration be given to the report of Mr. Floyd F. Higbee, consultant on agricultural credit, which covers a more detailed study and specific recommendations.

In developing recommendations for a farm credit system the representative should work closely with representatives of existing institutions and carefully consider the possibilities of adapting these institutions to the new needs. He should especially consider the Development Bank, and also the authorized Cooperative Bank in establishing a credit system. However, consideration should not be limited to these. Developments and proposals will be carefully reviewed from time to time by other representatives of the USDA in the credit field and particularly the final proposal before it is submitted to the Ecuadorian Government. The proposal should, among other things, contemplate a training program for future employees of the system.

If the program as developed and submitted is accepted by the Ecuadorian Government, the USDA specialist will, upon request, remain in Ecuador to help organize and implement the system and perhaps bring in one or more other credit specialists, for special short-term assignments. A resident specialist can also be helpful in the credit programs affecting the agrarian reform and in USAID cooperative development programs.

The USDA Team does not agree with the recommendation, in the memo of Apton to Daughters of November 4, 1963, that IBD provide technical assistance in the agricultural credit program and that AID concentrate its assistance in the industrial field.

d. Agricultural Marketing

(1) The Background

In Ecuador, agricultural marketing is characterized by the intermingling of the past and the present. In Quito and Cuenca, the early hours of the day see Indian women carrying produce to market on their backs and men struggling up the cobbled streets hitched to crude carts overburdened with the product of nearby farms. In Guayaquil the city's livestock slaughterhouse is circled by vultures overhead and crowded about by the poor of every age--all seeking remains from the crudely butchered carcasses. At the same time, a supermarket in Quito offers an array of fresh and processed foods from the US that is similar to those in smaller US cities a few years ago; in Guayaquil a fully automated grain mill processes wheat, rice and cocoa in facilities

as modern as any in Europe or the US. The overall marketing pattern is one of contrasts and, at almost every turn, an absence of the institutions and facilities that are essential to an efficient marketing system.

As a consequence of deficiencies in Ecuador's agricultural marketing system, prices to the grower are held down while the consumer fails to receive the full benefits of low farm prices and growing production. Farmers sell their products on the farm or to dealers for what they can get, products deteriorate in quality and are often lost completely for human consumption during the marketing process. Lack of storage and warehouse facilities means distress at harvest time and deficiencies in the supply of food afterward. Export crops, the "dynamic factor" in Ecuador's development fail to bring the foreign exchange they might.

Concern over improved marketing of agricultural products is recent for the GOE and for USAID. What interest has been evidenced by the government has been over exports of exchange-earning bananas, cocoa, and coffee. Estimates place the loss of banana exporting because of poor movement of the product from the grower to shipping vessels at 40 percent of the total or \$58 million (1962 export rate). While an overestimate of the losses incurred, since much of the product not exported is for domestic, human and animal consumption, it is clear that better marketing would increase the earnings of Ecuador's major export crop. The banana association has been studying its problems and the cocoa and coffee associations too have been concerned with their marketings. The GOE has had studies made on the feasibility of increasing exports of these and other agricultural products.^{1/} Recently too, studies have been made under the aegis of AID on specific aspects of domestic marketing in which the GOE was interested, e.g. marketing livestock and building silos to improve marketing of grains.

In its detailed 10 year development plan, the GOE gives considerable attention to agricultural marketing, assigning high priority to facets of the problem.^{2/} In a commentary on the plan, Mr. Marrama, an Italian economist from Rome University who reviewed the overall plan, suggested that agricultural marketing be given highest priority among the fifteen objectives listed. The GOE plan also proposes the establishment of government units to aid in agricultural marketing, together with the creation of a Ministry of Agriculture. The revised 1964-65 program of AID/Ecuador properly cites the need for assistance in agricultural marketing and an advisor is proposed for 1964-65. An improved marketing system can contribute to the three fold role of agriculture in Ecuador: increase the returns to producers for their effort; make possible a better dietary level for more people; increase exchange-earnings through exports.

^{1/} See the report by "Survey Research Corp." and the studies of Italconsult.

^{2/} Cap. II pg. 27 Vol. I "Objectives and Policies of Development," also Cap. III, pages 51 and 75-76.

(2) The Need for a General Improvement of the Marketing System

The basic need is for a broadly based effort to establish the institutions, develop the processes, and construct the facilities which are the foundation stones of an efficient marketing system. Within the limits of Ecuadorian resources and of the several sources of outside aid, work should go forward on most of the basic commodities, in the major producing and marketing centers of the nation and throughout the marketing cycle. Among the commodities that should be especially dealt with are: the export crops such as bananas, cocoa, coffee, small grains and rice, livestock and dairy products, and produce.

This USDA Team recognizes the critical importance of Ecuador's export crops to the overall development of the country. However, it feels that a USAID marketing advisor should not become identified solely with the work on these crops. Bananas, cocoa and coffee are not products with which USDA personnel are likely to have special competence. Equally important, losses in export of these crops can result from many factors over which neither Ecuadorians nor a US marketing advisor in the country could control. Finally, if agriculture in Ecuador is to fulfill its three-fold role, efforts to improve the marketing system should also be reflected in better earnings to the thousands of farmers producing other crops and better quality foods in greater abundance for domestic consumption.

Of course, there are not enough resources to do everything that is needed at the same time; hence priorities must be established. These priorities have been identified by the GOE and by USAID, namely: (1) improved marketing of bananas, cocoa and coffee to increase exchange-earnings; (2) storage facilities for grain storage, to improve returns to the growers and a better supply of grain to consumers; (3) packinghouse facilities to stimulate production and consumption of meat and hence better nutritional levels in the country. Any program to improve agricultural marketing in Ecuador should include these priority items.

Although work on these aspects of marketing should be given priority, efforts to develop a generally more effective marketing system should not be long delayed. An improved marketing system will need to be concerned with such factors as: grades and standards, transportation and storage facilities, food processing and preserving, direct distribution and subsistence pricing, etc. 3/

3/ The GOE has a program of sponsoring food stores with low prices for subsistence families.

This kind of effort can best be initiated and maintained by an "Agricultural Marketing Service" for Ecuador as an integral part of the government structure. Such an agency might be part of the Ministry of Development on the level of the recently created subsecretary of agriculture (now solely concerned with production); as a major function of a Ministry of Agriculture if established; or as part of the Ministry of Commerce and Banking. ^{4/} The GOE Plan proposes the creation of a Department of Marketing to be concerned with studies on marketing, pricing, grades and standards.

The new agency should be organized to provide essential marketing services. Many of these services are now being performed on an informal, haphazard basis by public and private agencies. Although there is no government grading and inspection service for agriculture, these services are performed at dock-side for bananas destined for export. Although there is some government activity and many private organizations that collect statistics, no agency pulls together data on agricultural marketing and analyzes it in terms of public and private marketing policies. Hence an AMS in Ecuador would initially further work already being done on an ad-hoc basis. Moreover, the several kinds of services outlined below need not and would most certainly not be undertaken simultaneously. Those for which technicians and trade association support could be obtained, and those which, in the judgment of the GOE and the marketing consultant, had highest priority would be undertaken first. As the value of these efforts were demonstrated, services could be broadened and new services added.

(a) Grades, standards and inspection: This service would cover both crops and livestock. Initially the standards should probably be relatively easy to distinguish; the grades few and relatively simple to determine. Inspection services would be provided at critical points in the marketing process; e.g. at a livestock slaughterhouse, a banana loading dock, a dairy processing plant, etc. Some provisions would need to be made for enforcing the rules established--in the interest of producer, dealer and consumer.

(b) Operation efficiency: This service would offer technical assistance to increase operating efficiency of facilities and institutional arrangements in the marketing process. It would be primarily concerned with the application of industrial engineering techniques and of scientific management to the operation of produce markets, storage facilities, warehouses, etc.

(c) Export crops: ^{5/} This service would be concerned with improving the process of preparing crops for export and would work closely with the two units previously mentioned in this connection. It would

^{4/} See Chap. II. p. 85 of the GOE Plan. On the eve of this study team's departure from Quito, the Ministry of Commerce and Banking announced the establishment of a division for agricultural marketing.

^{5/} See the report by Surveys and Research Corp., op. cit., for details on what Ecuador's potentials are in this area.

also work closely with the relevant associations and units now in the agricultural agency of the Ministry of Development. Its principal objective would be to help move more bananas, cocoa, coffee, meat and other agricultural products into export and hence increase the nation's foreign exchange earnings.

(d) Food processing and preserving: 6/ This division would be concerned with developing a food processing industry and improving the products now being produced in Ecuador. The service would provide technical assistance to existant organizations and work with public and private agencies to guide the development of new firms in this field. It would work closely with the export crops unit to develop those processed products which might move into export.

(e) Direct distribution and price structure: This division would be concerned with the process and problems of making food available to Ecuador's needy who are not part of the commercial marketing system. This unit would work with religious, educational and social welfare institutions in Ecuador and with US agencies to provide foods at reduced prices or without charge to needy children and adults. It would also work with producers, distributors and the subsistence unit of the Ministry of Commerce and Banking on price policies.

(f) Marketing economics and statistics: This unit would be concerned with the collection, analysis and distribution of significant data concerning agricultural marketing. It would not duplicate any existing statistics gathering work by public or private organizations, but would serve in a technical advisory capacity to them, as needed. It would analyze collected data as a basis for better policy making by private and public agencies. Price information on crops and livestock might also be included in the work of this unit.

Initially, each of these units should be small and would not all become operational at once. Personnel to man each might be located among Ecuadorians who have received relevant training in the US or in institutions of Ecuador and elsewhere. Further training and specialization would be developed on an ad-hoc basis as needs and opportunities were available, and some guidance could be provided by US technician(s) in the country.

The AMS in Ecuador should be an action oriented agency. At every level and in all phases of its operation it will need to be concerned with establishing programs and winning support for them among Ecuador's agricultural producers and distributors. It should utilize existing trade associations as sources of information and of guidance and at the same time to disseminate its proposals and gain adherence to the procedures and regulations it establishes.

6/ See the report by Surveys and Research Corp.,
o.p. cit., for details on what Ecuador's potentials
are in this area.

Financing of increased marketing services should come, in part, from the trade associations whose membership will be aided. Moreover, the direct, tangible gains in foreign exchange earnings will offset the modest government contribution that will be necessary. But more importantly, the longer term benefits to producers, consumers and distributors will contribute to strengthening the nation's economy and boost its financial base out of all proportion to the government's contribution to improve marketing services.

(3) Recommendations: Technical Assistance to Improve Agricultural Marketing in Ecuador

The breadth and complexity of agricultural marketing problems and the functions for an AMS in Ecuador are beyond the present technical competence available in the country. There are individuals, Ecuadorians and others working in the country, who could deal with some aspects of the proposed program, but none could give impetus, inspiration and guidance to the overall effort. For this purpose the USDA Team recommends that an outstanding technical advisor should be brought to Ecuador and remain long enough to render continuous counsel in agricultural marketing and to help establish the AMS as a viable institution within the government structure. Such a person would need to combine the talents of promoter, teacher, technician and organizer. He should also be knowledgeable of Latin American countries at this stage of their development and have the ability to lead, and to work with public and private officials concerned with agricultural marketing.

Specifically, the functions of this marketing advisor in agricultural marketing should include the following: (a) to win broad support for the concept and functions of an AMS and to assist in developing the legal and organizational structure of the agency; (b) to render continuing impetus and counsel to the nation's efforts to improve its marketing system, to the development of an AMS and to help develop a corps of technically qualified personnel to man it; (c) to serve as advisor in agricultural marketing to the GOE, and the AID Rural Development Officer and the USDA group proposed for Ecuador; (d) to recommend and facilitate recruitment of short-term agricultural marketing specialists to help in specific areas or on specific problems of agricultural marketing in Ecuador.

The work of improving agricultural marketing, generally, of organizing an AMS along the lines proposed, and of making it an effective instrument for the modernizing of Ecuador's marketing system will require years. Continuing, on the scene technical guidance and promotion will be needed for at least four or five years. It is, therefore, proposed that a consultant in agricultural marketing be brought to Ecuador for a term of two years plus an option of renewal for two or three more years. He should have the backstopping support from USDA and specifically in the amount of approximately 4-man months during each of the first two years and 3-man months during the latter years. Additionally, the agricultural marketing program should provide for short-term,

ad-hoc training for Ecuadorians in the US and in Latin American countries offering suitable specialized training (such as Colombia and Puerto Rico). 7/ Such training would be for personnel of the proposed AMS and those in agricultural marketing institutions such as a dairy processing plant manager, a livestock slaughtering house supervisor, a supermarket operator, etc.

(4) Some Observations on Current Issues in Agricultural Marketing

A number of studies have been made or are in process that are concerned with specific aspects of agricultural marketing in Ecuador. In accordance with the request of the Rural Development Officer and in order to make this program review as helpful as possible, some observations are made on the specific proposals which are pending:

(a) Building storage silos to improve marketing of small grains: Three studies were made in recent years: one in September 1961 by Mr. Graf, a USDA grain specialist on the feasibility of a building project under consideration for a Development Loan. The second in the summer of 1963 by Mr. Rues an official of the Farmers' Union Coop Marketing Association on cooperative organization and operation of the silos. A third study was made by the group of Italian consultants as part of a broad survey of the agricultural situation in Ecuador; it was also completed in the summer of 1963 though not yet published at the time this study team was in Ecuador.

This study team has not had time to review the bases and assumptions made in these previous studies, nor does its frame of reference cover a specific evaluation of proposals made by these others--including the USDA grain specialist who was responsible for the first comprehensive study (followed in large part by the other surveys).

It seems clear, however, that increased storage facilities are urgently needed and the development loan of \$2 million scheduled for FY 1964 is well advised. Indeed this study group can only urge that implementation of the recommendations made in these studies be speeded. The broad program of silo construction envisaged in the 1961 study seems well conceived and the first stage plan agreed upon then was reasonably related to Ecuador's resources.

The proposal that the silos be built by the GOE and then turned over to operating coops is basically sound. It should be noted, however, that this proposal carries with it the recommendations of an intensive educational effort for the farmers and training for the coop

7/ Colombia is establishing an agricultural marketing education program at its National University in Bogota, under a major grant from the UN's Special Fund.

managers during the time the silos are being built. The facilities will not improve the marketing of grain unless they are used by the producers and operated efficiently by their managers. Fortunately, the program of coop development in Ecuador is well advanced and AID technical personnel could probably be made available for this training.

(b) Construction of packing house at Guayaquil: On this issue too, at least three studies were made in recent years: the first by David McKintosh of Kansas State University in 1960; a second by the Italian Consulting Team in 1963, and a third by James Kelleher of the Farmers' Union conducted during the time this study team was in Ecuador. Reports on the last two studies were not published at the time, but discussions were held with Kelleher and a representative of the Italian Consulting Firm. Again, this study team has not had time to retrace the steps of those making earlier studies nor does its frame of reference cover an evaluation of this specific aspect of marketing. Hence, its observations are general and for the most part, are in agreement with views expressed in the more intensive studies.

A slaughterhouse which would also have modern facilities for storing and freezing meat is clearly indicated for Guayaquil. Probably this installation should also provide for utilizing edible and inedible by-products--though this part of the operation may be deferred. It should be noted, however, that a modern packinghouse facility may not directly improve the marketing process between the farmer and his disposal of the livestock to a dealer or slaughterhouse operator.

The packing house may be justified for a number of reasons: (1) more sanitary facilities for the slaughtering and dressing of animals for human consumption; (2) increased capacity to meet the possibilities of growing domestic demand for meat and of greater exports, and (3) willingness of private Ecuadorian cattle interests to meet a major part of the total investment requirements;* (4) the possibility of producing and making available for domestic needs the waste product of slaughtering operations.

While a packing house may thus be justified, better returns for the cattle owner and more meat for the domestic market would depend also on other factors. Increased domestic demand would depend on the ability of Ecuador's poor to purchase (or otherwise obtain) meat. This is likely if real income rises for these people and if prices of meat for them continue to be held down. Better income for the cattlemen, may depend largely on a system of grading and of higher pricing for better

* It should be noted, however, that the present slaughter house is owned and operated by the Municipality of Guayaquil. The city cannot afford two livestock slaughterhouses; nor would it be prudent for the cattlemen to build their own facilities in the face of local government opposition. Hence, efforts should be made to reconcile differences. AID, other outside financial interest and the national government can probably apply sufficient influence to bring about essential agreement.

quality animals together with practices which would assure them full payment for weight and quality of animals they sell. Development of an export market for the near term may also help cattlemen get a better return. Preparing meat for export would probably require freezer facilities at the packinghouse; any possible exports would probably require further processing. It may be prudent to defer adding facilities for complete utilization of offal until the market for such products is more clearly evaluated and the basic operation of the packinghouse is well underway; (high interest rates in Ecuador make doubly unwise the installation of equipment that may not be fully utilized for several years.)

(c) Other Agricultural Development Programs

(1) Agricultural Extension

Agricultural extension was begun in Ecuador in 1954 under the Servicio and was turned over to the Ministry of Development in 1960. According to the AID report on accomplishments, this program was highly successful. Although it might have suffered somewhat at the change over, it still is a going program. The Planning Board has recognized the importance of this activity and has proposed a substantial expansion which would eventually put an extension agent in each Canton throughout the country. Extension activities under other agricultural organizations are to be integrated into and coordinated by the National Extension Service.

Agricultural extension has been essentially a US program, therefore, it is surprising that AID apparently played no role in the formulation of a national extension program as expressed in the ten-year development plan. On the other hand, the FAO extension specialist, whose principal assignment is with the Andean Mission, evidently played a significant role in the plan.

It is strongly recommended that AID exercise an advisory role to the National Extension Service. It is understood that the national Director will be going to the United States for additional training. During the period of his absence and during the period of the projected expansion it would be especially important that the AID extension advisor be in a position to help guide this vital program.

Much of the success of the extension program while under the Servicio may be traced to a strong corp of agricultural technicians to back-up the extension agents. This is lacking in the present National Extension Organization and is not provided for in the plan for expansion. However, the present Director is attempting to establish such a group of technicians; this should be encouraged.

It is recommended that the AID program in extension continue under the direct-hire Extension Specialist. However, it is possible that USDA could provide short-term specialists for particular assignments in the extension program. The Director of the National Extension Service has indicated that such assistance would be desirable in reorganizing the extension information section and in teaching national short courses.

(2) Agricultural Research

Ecuador has an ambitious program of agricultural research. Some research and experimentation programs are underway in a dozen locations and under the aegis of both public and private agencies. In 1959, the GOE established the National Institute of Agricultural Research and in 1961 expanded its role to coordinate most of the nation's research activities in agriculture. The INIAP (as the Institute is called) is an autonomous unit within the Ministry of Development; the Minister is the chairman of its board of directors; which includes several of the nation's leading public figures (including a past president of Ecuador). Several of the major producer associations also engage in research specifically oriented toward the needs of their crop.

Agricultural research in Ecuador has not had a great deal of outside financial assistance. Some of the faculty at the Central University spend part of their time in research; the Rockefeller Foundation has donated some equipment and has made available graduate study fellowships to a number of Ecuadorians and USAID has maintained a technical advisor in research who has worked with one of the country's major experiment stations at Pichilingue.

Since receiving its expanded responsibilities in 1961, INIAP has proceeded slowly to assume the role of coordinator of the nation's agricultural research activities. Indeed, it appears that only under pressure of its board of directors has the INIAP taken on any supervisory role in connection with specific research units operating in different parts of the country. This diffidence can be explained by inadequate administrative, financial and technical resources presently available to INIAP's operating director.

The USDA Team feels that the most urgent need for USAID support in this connection is for a continuation of its direct-hire research advisor. However, this person should assume the broader role of advisor on national research administration as well as on some of the technical problems. There are not enough technically trained personnel in Ecuador to man all the research stations and to undertake all the needed research activities. The US advisor should be able to counsel on research priorities and on the coordination of efforts among some of the existing research establishments.

The USAID advisor on agricultural research might also explore possibilities for other sources of assistance to Ecuador's research program; such as: (a) support by such organizations as the Ford Foundation, Rockefeller Foundation and others; (b) P.L. 480, 104 K grants, if agreements are negotiated; (c) arrangements whereby US graduate students might undertake their dissertations in agriculture research at one of Ecuador's research stations; their presence would offer possibilities for useful apprenticeships by Ecuadorians who could assist them; and (d) review of research findings in other areas of the world to avoid expensive duplication in Ecuador.

(3) Agricultural Education

Ecuador has four universities which offer some courses in agriculture. The Central University of Quito is the largest and has a School or Faculty of Agronomy and Veterinary Medicine. The Faculty has had the support of the Rockefeller Foundation for laboratory equipment and part-time support of a technician residing in Bogota. The UN-FAO and the UN Special Fund have been giving strong support to the Central University agricultural program; the FAO now has 5 or 6 teachers at the University and this is to be augmented by 12 professors over the next 5 years under a grant from Special Fund of the UN. In the light of urgent needs for assistance elsewhere, the USDA Team feels that USAID need not add its resources to that already available to the university agricultural programs in Ecuador.

Ecuador has 3 major teaching centers for "practical" agriculture--at about the high school level. Vocational agricultural training should be expanded. This is a program in which FAO is also engaged and USAID probably does not need to become involved.

(4) Livestock Development

There has been considerable priority given to the development of livestock, especially of beef cattle, in Ecuador's economic development plan; and in some studies by AID including that made by the Texas A and M Team. In the brief exposure that the USDA Team had to this problem it was not clear whether the impetus was to come from the private or from the public sector. It is difficult to see where AID can utilize a large scale technical assistance team in this field at this time, unless it moves from an advisory level to an operating program.

There has been some research work started at Pichilingue and this should be expanded as rapidly as possible. Also, the work of the Extension Service in fostering livestock development should be strengthened. FAO has given some assistance to certain aspects of livestock development.

It appears that at the present stage of this program in Ecuador, the present AID direct-hire livestock advisor would be sufficient to help direct these activities in both the public and private sector, and to recommend short-term consultants at critical periods in the development of the livestock industry.

(5) Land and Water Resources

One of the greatest problems in agricultural development planning is the lack of information on land and water resources. Some survey work is planned in connection with colonization projects and the ten-year development plan proposes some nationwide surveys based on aerial photos. It is understood that an ecological map of Ecuador is being developed with some assistance from OAS. Also, in the past an FAO technician has done some work in soils surveys. The land use economist recommended in this report could investigate the situation to determine whether AID or some other agency should provide some advisory assistance to the Government of Ecuador in carrying out surveys of land and water resources.

(6) Agricultural Engineering

The USDA Team had little contact in this area of activity. However, in the course of our discussions some questions did arise. AID operated a very successful program in farm machinery under the Servicio program. This is being carried forward under the Ministry of Development, but AID continues support by supplying some farm machinery.

There is considerable money being spent in the area of irrigation, including US P.L. 480 loan funds, and more is planned in the future. Also, considerable expenditure is planned in developing farm roads. It appears that some of the irrigation projects are ill conceived, are not being successfully completed and are not providing for loan repayment.. Perhaps AID or some other agency should be giving some advisory services in the area of agricultural engineering.

(7) Agricultural Cooperatives

AID has a going program in the private sector in cooperative development, particularly in credit unions. This activity has not really touched the agricultural sector as yet, but it is anticipated that production credit associations could be developed for agricultural producers. Also, in the area of slaughter house construction, small grain storage and other agricultural processing facilities, cooperatives may be involved. These activities would benefit from the advice and assistance of the agricultural credit advisor and the agricultural marketing advisor recommended above, working with the present AID advisors on cooperatives.

IV. Summary of Recommended USDA Participation

The USDA Team proposes that the Department of Agriculture enter into a participating agency service agreement with AID to provide technical assistance services to the Government of Ecuador in accordance with the AID agricultural sector program objectives for Ecuador. This technical assistance would consist of four resident technicians who will be appointed for tours of 2 years and several short-term consultants. The technical assistance provided by the USDA would be primarily concerned with, but not limited to, the general area of agricultural economics. The USDA technicians should be available, if needed, on regional as well as national programs; however, their mission should be accredited to the central government, and they should work through agencies of the national government, insofar as possible. The fields of agricultural production, research, extension and education are now being supported by AID direct-hire technicians or technicians from international agencies; short-term consultants might be made available in these fields by USDA, if requested.

The USDA Group of four resident technicians would be constituted as follows:

(1) An Agricultural Development Economist to serve as advisor to the National Planning Board in implementing agricultural development programs and to advise the USAID Rural Development Officer in coordinating AID activities in the field of agricultural development. This officer will also serve as Project Leader for the USDA Group and coordinate the activities of the USDA technicians.

(2) A Land Use Economist or Agrarian Reform Specialist to serve as advisor to the Institute of Agrarian Reform and Colonization.

(3) An Agricultural Credit Specialist to study and assist in developing a program for an agricultural credit system and to serve as advisor to the Development Bank, or other appropriate agency, in implementing this system. He would also advise on credit programs in cooperative development and other AID activities.

(4) An Agricultural Marketing Specialist to study and assist in developing a program for an agricultural marketing service and serve as advisor to the Ministry of Commerce and Banking, or other appropriate agency, in implementing this service. He would also advise other public and private agricultural organizations in improving marketing practices.

The USDA would provide backstopping by Washington technicians in the appropriate agencies to which the four resident technicians are attached. It would also provide short-term consultants, as required and approved by the USDA Project Leader and the Rural Development Officer, in any areas of the AID agricultural program in Ecuador. This is estimated to amount to 8 to 12 man-months per year.

The USDA Group would be a flexible team and technicians may be withdrawn or added as agricultural program priorities in Ecuador change, upon approval of the USDA Project Leader and the Director of USAID/Ecuador.

