

Western Food Surpluses and the Underdeveloped World

by Jonathan Power

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We are entering a new period in man's history. Some men have always been poorer than others; people's skin colours have always been different. But for the first time there is developing a fusion between those who are poor and those who are 'different'. The one supporting the other – they have come to rest with odd exceptions side by side. A line has been drawn across the world. On one side are approximately one third who are white and well fed and affluent, whether they be American capitalists or Soviet factory workers. On the other side are the two thirds who are brown, black or yellow, and are either starving, or at least facing the prospect of always being poor and deprived; certainly standing little chance in the foreseeable future of being affluent.

In the poor part of the world, the so called underdeveloped countries, there is a population growth of 2 to 4%. As well as high birth rates they have some of the lowest death rates in the world because of their over proportioned youthful population.¹ A decrease in their birth rate from even a large birth control campaign would according to the distinguished Swedish economist, Gunnar Myrdal,² have no effect on the labour force for 15 years and only a very minor effect for three decades.

Again as Myrdal³ observes even if industrialization were pushed much more rapidly than has been possible in the underdeveloped nations so far, it will not create much employment. The additional labour demand created by industrialization is a function not only of the speed of industrial growth but of the low level from which it starts.

William Cochrane⁴ (a former Director of Agricultural Economics in the U.S. Department of Agriculture) attempted to estimate what the developed world would have to produce in a year if it were to give the underdeveloped world (presumably more or less free) enough to eat. (Enough to eat meaning a diet of 2,300 to 2,700 calories). His estimate was that it would require 1.1 billion bushels of wheat, 7 billion pounds

¹F. W. Rotesteil, 'World Population Determinants in the Future.' in American Agronomy Society Special Publication No. 6, 1965, p. 26.

²U. S. Farm Policy and the World Food Problem – Speech at a Convention of the National Farmers Union 1965 by Gunnar Myrdal, p. 2.

³*Ibid.*

⁴W. W. Cochrane, 'World Food Budget.' in World Forum, 1962, U. S. D. A., p. 87.

of vegetable oils and 3.3 billion pounds of non fat dry milk.

More realistically he goes on to project the world food gap⁵ in the years 1980 and 2000. His conclusions are startling and we summarize them here. He first surveys the developed countries and assumes a population growth in them of 1%. This means that by the year 2000 their population will have increased by a half. Their real income per capita will have risen from an average of \$900 a year to almost \$2,000 a year. That is there will have been an increase in per capita income of 2% and of total income of 3% per year. Because proportionately less is spent on food as incomes rise, consumption of food will increase by less than 1½% a year. On the other side of the developed countries' coin, the growth of agriculture is increasing at over twice this. If this were allowed to go on unchecked there would be a surplus by the year 2000 of \$126 billion worth of food at today's prices.

He next surveys the underdeveloped countries of the world. The average population growth in the next 40 years is estimated at 2.8%. He assumes, generously, that the per capita income growth will be 2.5%. He further assumes that the percentage of income spent on food will be 70% by 1980 and 60% by 2000. This would mean an increase of the total demand for food in the underdeveloped countries of 4% per annum. That is, \$146 billion worth by 1980. Again if we assume that food production would increase by 3% a year in these countries – which is the highest rate previously observed for this aggregation of countries – we find that the total food output would reach only \$119 billion's worth by 1980. There would be a potential deficit of \$27 billion. By 2000 this deficit would have increased to \$114 billion. Cochrane does not minimize the fact when he calls these projections 'startling'.

Obviously this deficit would never be allowed to happen for the simple reason that the model is not internally consistent. Income would not have been able to develop so far as to create such a gap in food production. A low level of food production would hold the rate of development back.

He then looks at it another way. He assumes the same rate of growth of agriculture production in the underdeveloped world and adds on the food imports they might possibly obtain from the developed countries and then calculates the rate of growth of the economy. He finds that a rate of economic growth of 1.3% per person per year from 1960 to 1980 and 7/10ths of 1% from 1980 to 2000 would balance the food demand in the underdeveloped countries with available supplies. The food imports he assumes are at a level of \$5 billion a year in 1980 and \$10 billion in 2000. They are now standing at less than \$2 billion. This is indeed a gloomy picture of economic development.

Cochrane moves on to consider even higher exports of food from from the developed countries in an attempt to get this 1% development

⁵*Ibid.*, pp. 88–95.

figure up to 2%. This would mean that we would increase our exports to \$10 billion a year by 1980 and \$30 billion by 2000. And it would mean increasing the growth rate of food production in the underdeveloped countries to 3.25% per year up to 1980 and 3.75% thereafter. The 2% growth in income would raise the present per capita average incomes of \$100 to \$209 by 2000.

Before we leave Cochrane's gloomy analysis we must in fairness to the problem make the picture even more gloomy. From 1934-38 to 1960 grain production in the underdeveloped countries increased by 46% but 45% of this was from an expansion of the land put under cultivation not from an increase in yields.⁶ In many of the underdeveloped countries land is now scarce. Increased yields are the only alternative given if they are to increase output. This may put into perspective why India's agricultural production, for one, has not increased appreciably for the last 3 years. If it had not been for the American food programme, PL480, there would have been mass starvation, never mind economic growth. The prospects for increased agricultural productivity in Latin America do not seem too good either, when one realizes that its food production per head has been at a standstill for the last decade and is 16% per head below what it was prior to the last world war.⁷

Japan which is the most successful rice producing country has raised yields at 1% a year. Can India whose population is rising at 2.3% a year (and may well be at 3% per year before too long) increase its yield at more than 2.3 or 3%? That is what it should do, assuming no industrialization, just to stand still. It is of little consolation to know that France has been increasing its yields of late at 2.3% a year and the U.S. at 2.7%.⁸

Our next step is to look at programmes such as PL480⁹ and see how they and like programmes have developed and what their potential for growth is. Can they increase from their exports last year of \$1.86 billion to take care of the bulk of \$30 billion (assuming other developed countries take a share of the burden) within 40 years or less. And if this amount can be produced how can it be absorbed?

The United States agricultural production had been high throughout the late 1940's but the emergency needs in Europe took care of the excess at first. However, by 1949 the European countries were standing on their own feet and it was becoming only too apparent that the U.S. was developing embarrassing surpluses. Price supports for some of the U. S.'s major agricultural products had been continuing at incentive levels and little progress had been made in bringing about the

⁶L. R. Bowen, 'World Population Growth, Food Needs and Production Problems,' in American Society of Agronomy Special Publication No. 6, p. 6.

⁷Myrdal, *op. cit.*, p. 2.

⁸L. R. Brown, *op. cit.*, pp. 18-19.

⁹Nearly all the surplus food sold at present on concessional terms is moved under either the United State's PL480 or section 402 of the Mutual Security Act.

re-adjustments needed if surpluses were to be avoided. Technology had taken over. And even though acreages and labor inputs fell new fertilizers, more scientific farming and increased mechanization more than made up for it. Surpluses of several of the major storable commodities began to build up rapidly.

Although the government forced sizeable adjustments in wheat and cotton acreages they were still not sufficient to bring about a satisfactory balance. The Government's holding of surplus commodities continued to increase. The previous boom in demand had not helped matters. Farmers' expectations had risen, and so had their demands for the level of price support. It had also led to continuing heavy investment and to the establishment of patterns of resource use that increased the rigidity of the production organization in agriculture. It was out of this situation that the Mutual Security Act and PL480 were born.

The 1953 Mutual Security Act has its purpose clearly stated in its title. But despite its cold war overtones it was the first piece of major legislation to offer sales of food surpluses to the underdeveloped nations. It authorized the sale of the surpluses for local currencies to importing countries which had had difficulty in buying more from the U.S. because of the high prices and their shortage of dollars.

The more specific and comprehensive Agricultural Trade Development and Assistance Act (PL480) was enacted in 1954. Since 1962 this Act is the only one that is of any importance and exports under it are now running at the equivalent of \$1.86 billion a year.

The aid given by other countries is relatively small. Only Canada, Australia, France and Western Germany have shipped sizeable amounts of food, either for emergency use or development needs. In the 1952-63 period these four nations shipped a total of \$251 million in food and fibre, with Canada supplying 80% of this. During the same period U.S. food and fibre aid came to \$9.9 billion or 97.5% of the world total.¹⁰

Before proceeding to examine the need for future policies we ought to satisfy ourselves that the underdeveloped countries can absorb unlimited food surpluses even if they were available and even if they did not cost money.

It is clear that except in time of famine or other natural disasters it is not very satisfactory to hand out bags of maize and rice from the back of an army truck. For one thing the market mechanism should be allowed to function to allow a price rise in time of shortage so as to encourage the farmers to grow more. But between the extremes of feeding the hungry gratis and not giving away anything for fear of ruining the 'benign influence' of the market there is a whole spectrum of possibilities for which an outsider's food surpluses can be made use of.

¹⁰Congressional Record, vol. III, No. 110, Proceedings and Debates of the 89th Congress First Session, June 17, 1965, p. 6.

The first I shall deal with is, in fact, the use of surpluses to modify the extremes of the market mechanism. Agricultural producers are always one of many: they have no individual control over the market as most industrialists do; they must accept the market price. They respond to a situation of high prices by producing more. But as all of them respond together, this means that the market quickly becomes saturated and prices fall. At low prices they all decide to produce less and the supply then falls short of demand and prices rise. And so it can go on. The process is accelerated where there are great extremes of weather and lack of government intervention in the form of storage facilities and price supports — all disabilities which the developed countries do not have — and the rural economy can become obsessed by uncertainty, the whole market mechanism becoming completely unstable. Prices and production fluctuate wildly. 'Fast buck' speculators take to hoarding until the prices rise still further, and then selling again. All this is quite apart from the fact that if a peasant is starving very high prices are not going to give him the energy to produce more next year.

Food surpluses then are going to play a vital role in any underdeveloped country which has 70% or more of its members on the land and a food shortage. The government, as the Indian government is slowly trying to do, can set itself up as the sole storage agency. When there are rising prices it can use the surpluses from other countries and quietly feed them into the market. And when there are occasional good years it can store the surplus. Thus it can bring about a steady price and a steady supply. And it is free to subsidise the price in, for example, the industrial areas — paying more to the peasant producer for his production than it receives from the worker who buys it.

But there are even more valuable ways of using food surpluses. It is estimated that there is 20–30% disguised unemployment in many of the developing countries.¹¹

Many economists¹² are saying: why not take these underemployed people off the land and if there are no jobs then create them. There will be no fall in production on the land if they leave. In fact it could increase.¹³ The idea is to create jobs by employing them on public works: building roads, digging irrigation ditches etc. These now

¹¹That is there are members of the rural labour force whose labour contribution actually lowers the productive output of the community. (The too many cooks spoil the broth idea). This is because the marginal productivity curve of an individual has fallen below the average productivity curve of the community and may even have reached zero. If it has reached zero it is because those that are in this unhappy state of producing less than nothing are probably part of an extended family. And as long as the average product of this extended family is above subsistence then such a state of affairs can go on. The people in the family whose marginal product is less than the average product eat out of a common bowl and so have their economic position 'hidden'.

¹²M. Ezekial, 'The Basic Economic Ideas of Using Surplus Food to Help Finance Economic Development in International Wheat Surplus Utilization Conference Proceedings, 1958 (Dept. of Economics, South Dakota State College)', pp. 126–128.

¹³As their marginal product is less than their average product.

employed people would have to be paid, and their increased purchases of food, clothing etc., create demand. However this increase in demand coming into the market before the newly created facilities can begin to expand production, would tend to cause inflation. That is where the surplus farm products from other countries would come in. They could help to satisfy a large part of the increased demand. This would make possible increased employment and consumption for the present, and higher productive power, demand for goods, and sustained employment for the future. And, in fact, as the percentage of income spent on food is 70% or above, most of the demand will be satisfied by these surpluses. But to do this, of course, the surpluses would have to be made available without current expenditure by the country concerned, for example, as free grants, or as long term loans with low interest rates.

There are problems, of course. Large public works like Hydro Electric irrigation projects may take 10 to 15 years to come into operation. So resources need to be guaranteed ahead for a long time. It is interesting to note that at the moment the U.S. will only guarantee India surplus food for one month at a time. A second problem is that one needs additional capital for the other linked demands that will come up with rising incomes. Thus all cannot be paid with surpluses. Other forms of aid must, perforce, be tied in.

There are many other ways of using food surpluses. One of the greatest means of investment in a developing country is education. I myself, in Tanzania, have had experience of witnessing high school boys struggling to study for advanced examinations on an inadequate diet. One should not forget the effect of school feeding programmes in our country never mind anywhere else. Skimmed milk and wheat can be channelled for this purpose in great quantities.

Another use is tied to the development of livestock industries and the control of soil depletion and erosion. Again Tanzania is a good example of a country with wide uninhabited spaces that could offer the potential for a livestock industry. Farmers could be given grain gratis for a certain number of years until the industry was established. A part payment for these could be deducted from future profits. Or again where the main problem is land use, grains would be given on an understanding to return submarginal land to grass for a long enough period to build up a small livestock production. Lesotho (formerly Basutoland), the most soil eroded country in the world, has faced great difficulties in persuading the peasants to take land out of production. Naturally such demands look ridiculous and insane to the peasant. He has no alternative way of feeding his cattle. But such compensation would be a great encouragement.

It is all too clear that the need for surpluses is there and it can be absorbed. The farmers of the developed world must produce *more*. And the major responsibility must lie with the country who can do this most easily and successfully – the United States. Yet as Gunnar Myrdal

recently warned the U.S. government: 'When taking into account reasonable expectations of the rise in food consumption in the U.S. and of commercial exports, the deliveries of PL480 will soon approach the limit of available surpluses'.¹⁴ And in December 1966 the main recipients of American surpluses were officially warned that there will be drastic cuts in shipments of wheat during 1967. The U.S. Department of Agriculture points out that the two year drought in India drew heavily on U.S. reserves and a cold winter in 1965/66 cut last year's summer crop by 300 million bushels.

And although the National Security Council has been ordered by President Johnson to study the need for more surpluses and the Department of Agriculture decided to increase by 30% the winter wheat crop to be planted in 1966/67 other activities of the American government are cause for concluding that it does not understand the gravity of the problem it is dealing with.

When the second year of drought hit India (particularly Bihar) at the end of last year and raised India's import needs the President reacted by suspending American grain allocations for six weeks rather than by expediting or increasing them. Agricultural department and Congressional teams were dispatched to New Delhi. Yet when they reported that fate and weather, not lack of self help measures were responsible for India's increased requirements only half the grain they recommended was released by Mr Johnson.

The stated objective of the squeeze was to force India to seek more aid from the other countries and thus to lessen the American burden. But this objective has not resulted in such positive results. India has been forced to use her precious reserves of foreign currency (which she does not have to use for her U.S. supplies and which she needs for her industrialisation programme) to buy Canadian and Australian wheat. And New Delhi's difficulties in planning food distribution and future production have been aggravated. The Indian Food Minister has confessed that he finds himself unable to spare a moment to work on long term plans when he is surrounded by so many immediate problems. In fact this latest American decision is but the culmination of the long standing policy to guarantee Indian grain requirements only one month ahead at a time.

Washington's efforts to dictate Indian policy on food (and maybe through this on Vietnam too) is not to be sanctioned. They are creating more of the problems they are allegedly trying to solve and they are confusing the central issue that America must produce more and more, much more than she has so far conceived of doing.

It would seem with imagination and with a radical change in outlook of how to treat the U.S.'s (and other countries', for that matter) present and potential surpluses a catastrophe may be avoided. But to assume that the underdeveloped world will sit back and continue to take its place as the poor relation getting poorer is a

¹⁴Myrdal, *op. cit.*, p. 2.

naïve mistake. A line is being drawn across the world. If we do not help those on the other side come over to our side, then they will certainly take matters into their own hands. And it will not be a pleasant performance.

A Tale

Once upon a time God gave man a special tree. In the beginning, when God gave it, it was a beautiful tree, and man said: 'This is very beautiful; we must preserve it, so that it always bears fruit.' So man set to work and buried its roots deep. And sat down in its shade. After a time some leaves started to fall. 'We must not let leaves fall,' said man, 'because this tree is from God, and God does not change, so His tree must not.' So man went and with great and diligent labour got much amber and carefully preserved all the leaves, and bark, and blossoms, and everything, even the branches that had lost their leaves; and man said: 'Now the tree is rightly honoured, it is like God, we have made it like God, because it does not drop leaves in autumn.' And man sat down in its shade.

But man was getting very big, and the tree could not feel the wind and the rain, nor even the sun, because the beautiful amber protected it against all these earthly things; so the tree had not grown. 'We must make the tree grow,' said man, 'but we must not touch the amber or the leaves may fall off, and perhaps some branches.' So man searched and searched to find enough fertiliser to renew the growth; looking for something else to help the life of the tree as much as the mould, formed from the leaves of hundreds of autumns, helped the ordinary trees in the wood.