

The Other 94: Coming Growth Market for U.S. Farm Products

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“The media have a vested interest in calamity.” That remark, from a newsmagazine reporter in Washington, may help to explain why African drought is now in the news while chronic hunger affecting a half billion people may go virtually unreported for decades.

The drought-hunger equation is dramatic, pictorial, easy to grasp, and relatively easy to report. Persistent poverty on the other hand, though it may submerge hundreds of millions in hunger, disease, and a perennial cycle of disadvantage, just doesn't fit a news budget geared to morning headlines and the 6 o'clock news. The attention span of public and media is not that great.

The U.S. Department of Agriculture estimates that some 7 million people in 20 African countries face severe hunger and possibly starvation in the present emergency. Some estimates are higher. That problem, and the international efforts to deal with it, deserve all the media attention they get. This is a big story and one of interest to many ACE members who are involved in international work at home and abroad.

But the continuing question is also crucial. How can these countries and other developing nations in Africa, Asia, and South America be helped to break out of a permanent condition of poverty that makes them totally vulnerable to a year of drought or other misfortune?

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World Hunger Is Still With Us

Ten years after the world food scare of 1974, the number of hungry and malnourished people in the world appears not to have declined and may actually have increased. The Food and Agriculture Organization of the United Nations estimates that almost 500 million people suffer from hunger and the effects of malnutrition—more than double the population of the United States.

Statistically, the global availability of food has improved in the past decade. World food production has increased by 30 percent since 1969-70. Moreover, this improvement is especially pronounced in developing countries, where food production has increased by some 40 percent. The other side of the coin, however, is that continued high rates of population growth in developing countries have offset most of that improvement, with the result that per capita food production in developing areas has expanded by only 5-6 percent.

The problem for most developing countries is worsened by the fact that their ability to pay for imports has declined. The upshot is that, while food supplies are at a high level, the number of people in developing countries suffering from hunger and the effects of malnutrition remains about the same as it was when the World Food Conference was called in 1974 to focus a new effort on the elimination of hunger.

For Many Countries, It's Now Worse

The developing countries have experienced severe economic reverses in the past 5 years. They were the hardest hit by the "the second oil shock" that began in 1979. They suffered most from the recession of 1981 and 1982. And their economies are responding only slowly to the recovery that is taking hold in the industrial countries.

Export earnings by developing countries as a group declined in 1983 for the third consecutive year. The growth rate for gross domestic product fell below zero in 1983 after declining in 1981 and 1982. Meanwhile, per capita food production declined in 1982 and showed no improvement in 1983. A serious deterioration in per capita consumption would have occurred had it not been for food aid from other countries and international organizations. Serious deterioration did occur in individual countries, notably in Africa.

Hunger Is a Threat to Security

Persistent hunger and poverty lead to declines in health, an adverse impact on infant mortality rates and life expectancy, a weakening of education, and a loss of worker productivity. These factors, in turn, may result in further declines in the ability of a people to improve economic levels and obtain adequate food. Finally, in many countries, the continuing cycle of deprivation and impoverishment threatens a weakening of social and political institutions.

These conditions and the attendant suffering are a matter of great humanitarian concern to the people of the United States and other industrial nations. But they are also a drag on the entire world economy, since the countries involved must reduce imports, reschedule debt, and seek larger amounts of direct food aid. Most frightening of all, this kind of suffering and deprivation breeds political unrest in large areas of the world at a time when the global community can ill afford the dangers of further instability.

Global Abundance Is Not Enough

For the longer term, there is general agreement that the world has the resources to meet food needs beyond the end of this century. For that time period, at least, land, water, and energy are not considered to be critically limiting factors in global food production. It will be necessary to increase the productivity of available agricultural land. But the resources are present to assure adequate diets for the remainder of this century, *provided* the economic, political, and social impediments can be overcome.

Unfortunately, however, the prospect of adequate global supplies does not imply a lessening of world hunger. The story of the past decade tells us that even global abundance does not assure adequate diets to the chronically hungry and malnourished. Large world supplies may benefit the poor countries by lowering prices. But in general, the number of hungry and malnourished people will not be altered radically by changes in the global availability of food.

The Problem Is Poverty

The number of hungry and malnourished has remained relatively constant through ups and downs in world produc-

tion. Except for those living in food emergency areas, most of the hungry people in the world are hungry because they are poor people living in areas where they have little opportunity to improve their incomes. As the FAO advised in its 1983 World Food Report, "The surplus stocks of exporters do not fill the bellies of the undernourished."

The World Bank projects that, with a continuation of present circumstances, developing countries will record a per capita growth well below the average of the past decade. Gross national product in developing countries would be only \$10 higher per capita in 1990 than it was in 1980. Meanwhile, even under those adverse conditions, per capita GNP in the industrial countries would increase by \$2,750.

Such projections suggest that poverty-related hunger and other deprivation will become increasingly critical and increasingly dangerous to the global peace and stability that are essential to the security of future generations. The industrial market economies, together with the developing countries, must foster strategies to advance economic development, enhance income, and particularly to reduce hunger, far more rapidly than is now the case.

The Solution Starts With Agriculture

Poor Countries Are Tied to the Land

High-income countries, without exception, have a small proportion of their workers in agriculture. Their economies are less dependent on agriculture to produce jobs and income. And their people, both rural and urban, have the means to buy a wide variety of nonagricultural products. These are factors underlying Engels' law: The higher the per capita income, the lower the proportion of income spent for food.

Poor countries have poor farmers and subsistence agriculture. Most of their workers are tied to the land, much of their income is generated by agriculture, and a large share of that limited income must be spent for food. This concentration of capital resources in the agricultural sector is a fundamental characteristic that separates low income countries from the industrial economies—the United States, Canada, Australia, New Zealand, Japan, and those of Western Europe.

The 34 poorest countries, for example, employ 70 percent of their labor force in farming, and they obtain an average of 37 percent of their gross domestic product from agriculture.

At the other extreme are the 19 industrial market economies, which employ only 6 percent of their workers in agriculture and obtain 3 percent of their GDP from that sector. In the United States, only 4 percent of the labor force is in farming and 3 percent of GDP originates in agriculture.

Development Generates Income

As a country moves up the income scale, it employs a smaller share of its labor force in agriculture. It is able to do this because it has made its agriculture more productive. In effect, agricultural improvement is essential to a high-income strategy of development, for it not only reduces hunger and malnutrition, it also stimulates economic growth and increases incomes both in agriculture and in the nonfarm economy.

Economic development is complex and varies from country to country. Generally, however, improved agricultural production raises the income of farmers while providing food for industrial workers and raw materials for processing. Much of the new farm income goes for local goods and services, which increases nonagricultural employment. That generates more nonfarm income, and a high percentage will be spent for food, further stimulating agricultural growth. As agriculture improves, labor is freed to meet the needs of nonfarm enterprises. New income creates additional demand, allows investment and savings, increases government revenues and expenditures, and enlarges corporate investment based on increased demand for industrial goods.

Development Leads to Trade

Most developing countries want to become more nearly self-sufficient in food. By increasing their own food production, they may hope to lower imports to near zero levels, with a corresponding reduction in food aid dependency and expenditure of foreign exchange. This is understandable. A country with low incomes and few or no resources with which to pay for imports might very well aspire to a self-sufficiency that assures minimum recommended dietary levels.

In fact, however, success in growing more food does not usually bring a reduction in food imports. As diets improve and incomes rise, consumers begin to want more and better food. Increased purchasing power makes possible a growth in food imports. Thus, the affected country does not become self-sufficient in a market sense, because it is importing more

food than ever—and living better. If self-sufficiency were equated with minimal imports, Ethiopia could have been considered self-sufficient in 1960-75, although there was starvation in the last 3 to 4 years of that period. Japan, on the other hand, will never be self-sufficient although it is one of the best fed nations in the world.

Imports Outpace Income Growth

Studies reported by the International Food Policy Research Institute show that the 16 developing countries with the fastest growth rates in basic food production in 1961-76 more than doubled their net food imports during that period. According to IFPRI, "These data demonstrate that although it is possible for rapid growth, low income countries to achieve impressive increases in basis food production, it is unlikely that such production will keep pace with the rate of growth in demand for food during this phase of development."

Research at the University of Illinois also supports the proposition that developing countries in which agricultural production is growing rapidly will import more agricultural products on a per capita basis than will countries that are experiencing slow growth. Ten developing countries among those with the fastest production growth during the 1970's increased their food imports by an average of 68 percent. Ten developing countries among those with the slowest agricultural growth rates during the same period increased domestic food imports by only 3 percent.

Studies of about 100 countries by the U.S. Department of Agriculture show that as poor countries increase incomes, their food imports rise more rapidly. In countries with more than \$1,000 income per person, a 10-percent rise in per capita income brought an increase of 5 to 6 percent in agricultural imports in 1959-61, 1964 and 1971-73, and 8 percent in 1979-81. In the poorer countries, those with per capita incomes below \$1,000, equivalent gains in income produced import growth of 12 percent in 1959-61 and 1964, 15 percent in 1971-73, and 8 percent in 1979-81.

U.S. Agriculture Gains Markets

The USDA studies show further that, when poor countries expand food imports, the United States is the exporting country that benefits most. When imports from the United States are considered alone, the poorer countries increased imports

by 33 percent, 25 percent, 19 percent, and 14 percent in the four periods studied—for every 10-percent gain in per capita income. In contrast, the higher income countries increased imports of U.S. products by 10 percent, 8 percent, 2 percent and 7 percent.

USDA's explanation is that when income rises in foreign countries, the people in low income countries are likely to spend a large part of their increased income for more and better food. This need for more food and fiber will be translated into market demand and into increased demand for food imports from the United States in particular. Thus, it seems axiomatic that economic growth is the way to increase a nation's ability to import.

Traditional U.S. Markets Are Slowing

In the past 2 years, U.S. agricultural exports turned sharply downward, declining by 17 million tons and \$9 billion. This year will show a further decline in tonnage and little improvement in value. This turnaround is reflected in low farm prices in 1981 and 1982 and in large government expenditures used to support farm income in 1983.

There are reasons for the export decline: world recession, large global supplies, a strong U.S. dollar, and vigorous and sometimes unfair competition from other exporting countries. Nevertheless, the decline raises the question whether production for export will continue to be a growth element in the U.S. farm economy.

Since World War II, U.S. export expansion has focused on the industrialized countries as markets. In recent years, the United States has sent 45 percent of its agricultural exports to Western Europe and Japan and 20 percent to other developed countries. These nations are not likely to be leading growth markets in the years ahead. They will continue to be important to U.S. agriculture, but they do not offer the potential for expansion that they provided in the 1970's.

Opportunity: Selling the Other 94!

There is, however, a potential growth market for American farmers outside the developed industrial economies. The 94 countries classified by the World Bank as low or middle income countries have three-fourths of the world's population but per capita incomes that mostly average less than 10 percent of average incomes in developed countries. As a U.S.

Secretary of Agriculture once remarked about Asia, "That's where the people are."

The developing countries already provide a market for about one-third of U.S. agricultural exports. But the potential is much greater. With large unmet needs and continuing high rates of population growth, they offer the greatest opportunity for U.S. export expansion in the years ahead. This does not mean that the United States could, or should aspire, to satisfy all of the food deficits of the poor countries. But if U.S. agriculture is to achieve substantial growth in its export market, it must expand sales to the other 94!

This will require new initiatives to stimulate economic development and income growth in those countries. This is a challenge for the developing countries themselves, but also for the international community including the United States. The other 94 will become growth markets only as they increase their ability to buy.

U.S. Farmers Have Much to Gain

It is sometimes argued that a developing country that expands its own food production will then be able to reduce its imports from the United States and perhaps even compete with U.S. farmers for markets in third countries. U.S. farmers may see this as a threat to their traditional markets and perhaps to future export expansion. On its face, that argument appears to be logical. And in fact, there are some specific cases where agricultural improvement in a given country may have caused the U.S. to lose market share with a specific customer for a specific product, at least temporarily.

But in the preponderance of cases, agricultural development that helps a poor country increase its income will also cause that market to expand as a customer for U.S. farm products. The evidence is overwhelming that countries in that situation will most often experience a rapid growth in demand. As they succeed in expanding food production, the expectations of their people are enlarged, and a substantial share of the new income generated will be spent for additional imports of food.

American farmers have little to fear and much to gain from agricultural improvement in developing countries. Such development in rural sectors is essential if those countries are to expand incomes, consumption, and imports of food. This offers U.S. agriculture its greatest opportunity to resume growth in its export market in coming years.