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TWENTY-NINTH FAO REGIONAL CONFERENCE FOR LATIN AMERICA AND THE CARIBBEAN

Caracas, Venezuela, 24 to 28 April 2006

TRENDS AND CHALLENGES IN AGRICULTURE, FORESTRY, FISHERIES AND FOOD SECURITY IN LATIN AMERICA AND THE CARIBBEAN¹

INTRODUCTION

1. This document is the synthesis of a broader document, with the same title, that recounts the trends identified in regional agriculture in the last two years and the issues expected to be of greatest relevance to its future development. As in the documents for the previous regional conferences, four main thematic areas are considered: i) international setting; ii) macroeconomic framework; iii) agricultural sector development; and iv) international trade in agricultural products.

I. INTERNATIONAL SETTING

Growth of the world economy²

2. World economic output surged in the last biennium (2004-2005). The real growth of 4% in 2004 represented a return to the maximum rate achieved in 2000 and a resumption of the upward trend in economic growth that had been achieved in the second half of the 1990s and that had been interrupted by the crisis of 2001. Preliminary estimates for 2005 indicate sustained, albeit at more moderate, growth of approximately 3.1%.

3. Growth of the world economy in the last two years was mainly cemented by the recovery of the North American economy, after the stock exchange crisis and the recession of 2001-2002, and by the extraordinary growth of the Chinese economy.

4. United States GDP grew 4.2% in 2004, much higher than the levels of previous years (0.8% in 2001, 1.6% in 2002 and 2.7% in 2003). Policies to counter the recession included a reduction in interest rates, an increase in public expenditure and tax cuts. These measures served

¹ Summary document. Also available is a comprehensive version of this document with detailed information on each country situation.

² Unless otherwise indicated, the data in this section come from IMF, *World Economic Outlook*, September 2005.

to turn around the decline in economic activity that had affected the US economy in previous years. The latest estimates point to a continuing period of relative upswing of 3.5% in 2005 and 3.3% in 2006.

5. However, US macroeconomic policy management also widened the external imbalance (deficit of US\$668 000 million in 2004, equivalent to 5.4% of GDP) and the fiscal deficit, which has been above 4.0% of GDP since 2002 (compared to only 0.7% in 2001). Both indicators represent factors of risk for sustained growth and generate uncertainty over future growth of the world economy.

6. The recovery of the US economy led to a strong increase in demand for imports (10.7%) after three years of negative or low growth (-2.7% in 2001, 3.4% in 2002 and 4.6% in 2003). The increase in international purchases of the US gave a strong stimulus to world exports, especially from China and other Asian countries that have been gradually taking over from Mexico and other suppliers.

7. The significant increase in demand in the US and China had a very positive impact on the world economy, generating significantly higher rates of growth in Europe and Japan, and in the developing world.

8. The positive impact on the developing countries was notable. India's economy grew by more than 7%, both in 2003 and in 2004, exceeding the levels of close to 4% of previous years. The average annual rate of growth in the other developing countries of Asia in 2003 and 2004 was approximately 6%. The rate of growth also increased in Africa, reaching an annual 5.3%, the highest in recent years. The same occurred in Latin America and the Caribbean, where an annual growth of 5.9% was recorded, the highest level since the 1970s.³

International trade⁴

9. The high rate of growth in world economic output of recent years has been strongly driven by the increase in international trade. The 4% increase in output of 2004 was accompanied by a 9% increase in international trade of goods and services. For 2005, trade is estimated to have continued growing at double the rate of output, achieving an increase of 7%.

10. The process of globalization – with all its attendant technological and institutional changes – and the trend of relocating manufacturing from the more advanced economies to the Asian countries means that a growing proportion of world production is earmarked for international trade. The current proportion of exports in GDP is almost at 30%, compared to 12% in 1970 and around 20% until 1994.

Participation of Latin America and the Caribbean in the world economy⁵

11. In the last 25 years (1980-2005), growth in Latin America and the Caribbean has been the lowest of all the regions of the world, at only 2.4% per year. The average growth of world GDP was 3.4% per year; in the developed countries 2.8%; in Asia 7.1% (in China 9.5%); in the Middle East 3.5%; and in Africa 2.8%.

12. This trend has continued in recent years, with all developing regions growing above the world average (3.8% per year) this century, with the exception of Latin America and the Caribbean. Asia has maintained high growth (7.3%), while economic growth in the Middle East has accelerated to 5.1% and in Africa to 4.4%. Only in Latin America and the Caribbean does average growth continue to be worryingly low (2.5% per year), below the average growth of world GDP and barely higher than growth in the developed economies (2.1% per year).

³ The figure for economic growth in Latin America and the Caribbean is from ECLAC; the figure from IMF is slightly lower at 5.6%.

⁴ Unless otherwise specified, the data in this section are from the World Trade Organization, *World Trade Report* 2005.

⁵ Unless otherwise stated, the estimates in this section are based on figures from IMF, *World Economic Outlook*, September 2005.

13. When demographic variables and absolute values are factored into growth, a comparison of the economic vitality of the developing regions and the industrialized countries gives highly worrying results. In 1980 *per capita* GDP in Latin America and the Caribbean amounted to more than half the average of the industrialized countries (55%) but in 2004 it was only one third (35%). The corresponding figures for the Middle East were 44% and 28%, and for Africa 18% and 10%. Even Asia only posts 17% of the *per capita* GDP of developed countries, despite its accelerated growth.

14. The world is becoming increasingly integrated and interdependent, but at the same time more polarized with an ever wider economic gap. In the best of situations (Asia), progress is so slow that many decades of rapid and sustained economic growth will be needed to begin to close in on *per capita* GDP levels of the industrialized countries. But in most cases the gap between *per capita* GDP of the industrialized countries and that of the developing countries is not closing, not even slowly; it is widening.

15. While there is greater interdependence between countries and accelerated development of transport and international trade, there is also more extreme polarization of living standard. Such conditions are clearly strong determinants of migration. In a context of facilitated international movement of capital, goods, services, information, technology and ideas, restriction on the movement of persons increasingly keen to migrate sparks serious social tensions and political conflicts at the borders between the two worlds.

II. MACROECONOMIC FRAMEWORK⁶

Economic growth

16. The Latin American and Caribbean economy grew by 5.9% in 2004, which was the highest annual growth since the 1970s. This was on top of the 2% growth in 2003 when the world economy began to turn around after two years of crisis and recession (growth of regional GDP of 0.3% in 2001 and of -0.8% in 2002). Lower growth of 4.3% is estimated for 2005, down to 3.8% for 2006.

17. The vibrancy of the world economy played a key role in driving the exceptional economic growth of Latin America and the Caribbean in 2004. The general advance and strong expansion of international trade generated higher demand for raw materials and an increase in commodity prices, which boosted growth of regional exports, especially in the countries of the Southern Cone. Regional exports grew by an extraordinary 22.9% in 2004, after rising 8.9% in 2003, which gave a strong impetus to production, transport and economic activity as a whole and generated new opportunities for employment and investment.

18. The low interest rates of the international financial system and expectations of good returns from the Latin American and Caribbean economies again attracted positive flows of foreign direct investment into the region. The lower cost of capital favoured profitability, investment and growth. This was accompanied by higher employment and an expansion of the wage bill. The level of unemployment did not fall because greater employment was matched by a higher availability of workforce, especially from women joining in the labour market; as a result salaries remained virtually unchanged. However, the increased wage bill from higher employment and the favourable medium-term outlook boosted domestic demand – a new element of vitality to add to the impact of higher external demand.

19. The positive impact on growth was widespread throughout the region, with 30 of the 33 countries recording higher growth in 2003 and 2004 than in the previous two years. Preliminary estimates for the next biennium (2005 and 2006) point to an average annual growth of between 2.5% and 4.5% for most of the countries of the region.

⁶ Unless otherwise specified, the data included in this section are from ECLAC, Economic Survey 2004 – 2005.

Vulnerability and instability of growth

20. The relatively satisfactory levels of growth of recent years represent the beginning of the fifth cycle of growth in the last 25 years, which indicates the enormous instability of the process of economic growth in the region. In each case, the crisis that put a stop to the cycle of positive growth in the region was linked to international conditions. In the early 1980s there was the external debt crisis; at the end of the 1980s there was hyperinflation associated with the adjustments stemming from the debt crisis; in 1995 the "tequila" crisis; in 1999 the Asian crisis and the Russian moratorium; and in 2001-2002 there was the stock market crisis. Seen from a medium-term perspective, the regional economic situation follows the fluctuations of the world economy, but with far more pronounced instability.

21. The successive crises imply a high frequency of years with negative or very low economic growth, which drastically reduce the average level of medium- and long-term growth. The frequent and pronounced fluctuations also entail high economic and social costs. Each crisis provokes macroeconomic imbalances, loss of employment, aggravated conditions of public and private debt, erosion of confidence in investment, discontinuity of development programmes and institutional degradation. There is no immediate or complete recovery of each aspect in the upturn of a cycle; on the contrary, recovery is gradual and partial. With the prevailing frequency of economic crisis in the region, the process of recovery is in fact often interrupted by the outbreak of another crisis. As a result, the regional GDP trend in the last 25 years has been weak, unstable and very vulnerable.⁷

22. Latin America and the Caribbean is more exposed to changes in the world economy than other developing regions, for three principal reasons⁸:

- i) The contribution of exports to the economy is the lowest among the developing regions.
- ii) In relative terms, the region receives the highest proportion of external capital flows, which tend to be procyclical.
- iii) The early over-indebtedness of the region and the need for multiple rescheduling have generated less favourable conditions of external financing.

23. The simultaneous impact of these three factors – less autonomy in external purchasing capacity, greater dependence on international capital flows and a heavy burden of external payments – causes high vulnerability of regional economies to the international setting. Fluctuations in international setting have a greater impact on economic development in Latin America and the Caribbean than in the other developing regions.

24. The ups and downs of the international setting are beyond the control of the countries of the region. The most likely scenario is that successive external shocks will continue to occur and to shake the Latin American and Caribbean economies. Nonetheless, the degree of vulnerability and negative impact also depend on domestic conditions and policies. Key elements include the relative balance on the current account, the share of domestic saving in development financing, the size of the fiscal deficit, the quality of the financial system and of bank supervision, exchange rate policies, capital inflow regulations and the macroeconomic policy framework.⁹

⁷ Although this summary document does not examine the issue further, a fourth characteristic of economic growth in Latin America and the Caribbean is its concentration, which makes it the world's region with the worst distribution of income.

⁸ For a more detailed explanation of the causes of Latin America's greater vulnerability to changes in the international setting, see: FAO "Trends and Challenges in Latin American and Caribbean Agriculture, Forestry and Fisheries – 2004".

⁹ See: FAO "Trends and Challenges in Latin American and Caribbean Agriculture, Forestry and Fisheries - 2004".

III. AGRICULTURAL DEVELOPMENT ¹⁰

Sectoral growth

25. Agricultural GDP in Latin America and the Caribbean increased by 3.6% in 2004, following the 4.0% growth of 2003. This gives the highest level of growth in two consecutive years in more than two decades. It also raises the level of sectoral growth this century to an annual 3.3%, which is higher than the average in the 1980s (1.9% per year) and the 1990s (2.7% per year).

26. This would appear to confirm the trend of greater stability of sectoral growth in the region without the major fluctuations of past decades. Regional agricultural GDP has grown between 2% and 4% in nine of the last eleven years (falling below 2% in only one year and slightly exceeding 4% in another).

27. However, there are marked differences between countries. Most of the CARICOM countries have registered negative growth of agricultural GDP this century. On the other hand, another Caribbean country, Belize, together with Chile and the MERCOSUR countries, excepting Argentina, achieved an average annual growth of more than 5%.

Share of GDP

28. Agriculture's share of regional GDP amounted to 5.9% in 2004, confirming the steady decline in agricultural contribution to the overall economy. This share has only varied by one percentage point in the last 25 years, with a maximum of 6.9% in 1985 and a minimum of 5.9% in 2004.

29. The figures for agriculture's share of the economy of Latin America and the Caribbean are lower than those considered until a year ago because of a change in the baseline year for prices. For the latest calculations, overall GDP and sectoral GDP have been calculated at year 2000 constant prices instead of 1995 constant prices, which gave a similar trend over time but with slightly higher values. In most countries, the input-output tables updated with year 2000 prices indicate a fall in relative prices of agricultural products, so the updating has disclosed a lower share of agriculture in the economy which was not apparent from the previous relative prices.

30. Agriculture's share of the economy is relatively stable in the case of Latin America and the Caribbean. Although its contribution can vary according to country, the changes in the regional average as a whole seem to reflect more the fluctuations of overall GDP than changes in the agricultural situation.

31. There are two important considerations regarding the recognized downward trend of agricultural contribution to overall GDP of the region:

- i) The high variability that exists between countries;
- ii) The inadequacy of this coefficient to reflect the importance of agriculture or to estimate its contribution to development.

32. Agriculture accounts for more than 10 percent of overall GDP (up to 32% in the case of Guyana) in eleven of the 33 countries of the region – distributed among all the subregions.

33. The strategic importance of agriculture is far greater than its share of GDP. Agricultural production is the basis for a large proportion of domestic manufacturing and commercial activity, while many prominent export items are agro-industrial. In contrast to the share of agriculture in GDP, there is no downward trend in vertical integration in the development process; on the contrary, the higher the level of development, the greater the linkages and multiplier effects of agricultural production. By acting on the cost of food, the efficiency of the agricultural sector impacts on the real incomes and wages of the whole population. Agriculture is the basis for rural

¹⁰ The GDP information is that of ECLAC while information from FAOSTAT was used for the other variables.

development and plays a central cross-cutting role in development, associated with efficient and sustainable management of natural resources, environmental sustainability, alleviation of poverty, regional balances and land-use planning.

Crop and livestock production

34. In 2004, crop and livestock production in Latin America and the Caribbean reached a value of US\$185 000 million.¹¹ This represented an annual increase of 2.8% after the 5.2% increase of 2003. These results have raised the average medium-term level of growth for this century (2000 to 2004) to an annual 3.5%, higher than the previous decades (2.3% in the 1980s and 3.0% in the 1990s).

35. A large proportion of this high growth can be put exclusively down to increased production in Brazil, which rose by an annual 6% between 2000 and 2004. Apart from Brazil, only two countries of the region have posted average annual growth higher than 4%: Paraguay with 6.6% and Bahamas with 4.2%. At the other extreme, six countries have recorded negative growth and a further eight have seen production growth below 1% per year.

36. The value of crop and livestock production for 2004 broke disaggregated as 57% for crops and 43% for livestock products. This proportion has remained virtually unchanged since 1993 when hitherto lagging agricultural production caught up with the medium-term growth rate.

Crop production

37. In 2004 regional crop production amounted to a record value of US\$106 000 million, exceeding the US\$104 million of 2003. Although the percentage increase over the previous year was limited, at only 1.6%, this was achieved on the back of 7.1% growth in 2003.

38. The accumulated increases (especially in the bumper years of 2001 and 2003) have served to produce a high level of growth this century, which confirms the recovery the region's agricultural sector that began in 1993. The average growth between 1993 and 2004 of 3.5% per year represents the highest level of medium-term growth for several decades.

39. Two-thirds of agricultural growth (66% of the total) can be attributed to greater cultivated area (the land area effect accounts for 2.3% of the increase in production). The increase in yield per hectare accounted for another 43% of the increase in value of production (the yield effect explains 1.5% of the increase in production). The relative increase of economically less intensive crops produced a reduction in value of production equivalent to 9% of the total (the impact of changes in crop structure had a negative effect of -0.3%).

40. Almost two-thirds of the total value of crop production come from three main commodity groups: cereals, oilseeds and fruits. Each of these groups has a similar value of production, each accounting for 21% of the total value of agricultural production in the region. The remaining 37% is from sugar (12%), vegetables (8%), coffee and spices (7%), roots and tubers (5%), pulses (2.5%) and plant fibres and rubber (2.5%).

41. The greatest relative growth in recent years (2000-2004) has been that of oilseeds at an annual 8.4%. However, their value fell in 2004 from 2003, mainly because of lower soybean yields in the MERCOSUR countries where, in spite of a greater cultivated area, production was adversely affected by poor climatic conditions, especially drought. At world level, this reduction was compensated by higher soybean yields in the US.

42. The soybean *boom* has played an important role in accelerating agricultural growth in the region and market conditions suggest that this sector will continue to be buoyant in the medium term. However, various problems affecting development of this crop need to be addressed: there are significant bottlenecks from inadequate transport and storage infrastructure; the monocropping

¹¹ Value of crop and livestock product output at average prices for 1999 – 2001. This does not include information on the value of regional production of forestry or fishery products.

of soybean is proving highly vulnerable, affecting yields and increasing costs of prevention and control; there could also be future costs for patent rights over transgenic seeds.

Livestock production

43. In 2004 livestock production in the region reached a value of US\$79 000 million which represented an increase of 4.5% over the previous year. This was the highest increase since 1999. Livestock production increased by an average of 3.0% per year between 2000 and 2004, down from 3.8% in the previous decade (1990 to 2000).

44. The most dynamic item is poultry meat which increased 8.8% in 2004 and which has increased by an average of 6.4% per year this century. However, this is lower than the annual 9.2% growth of the previous decade.

45. Another buoyant product between 2000 and 2004 was pig meat which increased by an average of 3.4% per year. Beef rose by a significantly lower margin (2.3%), while the other products increased by about 1% per year or less, with wool actually decreasing.

46. The most important item continues to be beef which accounts for 40% of the value of regional livestock production. However, the dynamic poultry sector has rapidly increased its share of the total value of livestock products to 24%, twice that of 1990. If we include eggs, its share amounts to 30% of the livestock total. Other products contributing significantly to the value of regional livestock production are milk with 21% and pig meat with 7%.

47. Prospective demand for the more dynamic lines of production (poultry, pig, beef and milk) suggest their long-term sustainability, although issues that constitute major constraints need to be addressed, especially in the field of health and how this affects international trade. International cooperation in the prevention and control of transboundary diseases is crucial. Likewise, certification and traceability should enable the sanitary advantages to be reflected in better terms of trade.

Forestry production

48. In 2004 forestry production registered a slight decline. The most dynamic items with moderate rates of growth were paper and paperboard with 3.4% and wood pulp with 3.3%, although in this latter case the increase has to be combined with the 16.2% surge of the previous year. Production of other items remain unchanged.

49. The lethargy of forestry production has existed for a number of years. Except for paper and paperboard, the average rate of growth this century has been lower than in the previous decade. At the same time, most countries are having problems achieving an efficient supply of forestry products.

50. The region of Latin America and the Caribbean has a total natural forest area of 954 million hectares, equivalent to 26% of world forest cover. However, its annual net loss of 4.7 million hectares of forest is 65% of the world total. The region has particularly serious loss as a proportion of resource availability.

51. Except for two or three countries, forestry development is unsatisfactory and making little progress. There is a strong need for institutional change and new mechanisms that can guide operators towards sustainable and efficient forest use.

Fishery production¹²

52. In 2003 fishery and aquaculture production amounted to a total of almost 15 million tonnes, with 93% from capture fisheries and 7% from aquaculture. This represented a reduction of 13% from 2002 and was mainly explained by the lower landings of anchoveta and horse mackerel (53% of total landings), species used almost entirely for fishmeal and whose abundance fluctuates widely for environmental reasons.

¹² Data from FISHSTAT Plus.

53. Excluding these two species (anchoveta and horse mackerel) from the marine fisheries total, there has been a constant decline in other marine landings of 2.6% each year since 1999, which highlights the overexploitation of most of the region's fishery resources.

54. Fishery development in the region urgently needs regulations, systems of exploitation and institutional arrangements for the harvesting of resources and the commercialization of products under responsible fishery management.

IV. INTERNATIONAL TRADE IN AGRICULTURAL PRODUCTS¹³

Trade balance

55. In 2004, Latin America and the Caribbean forestry and agricultural exports amounted to US\$81 000 million, which represented an increase of 18.2% over 2003, when they had risen by 16.2%. The accumulated increase in these two years was one of the highest in consecutive years.

56. In spite of the strong increase in sectoral exports in recent years, the sector's share of overall exports has rapidly fallen because of the even sharper increase in exports of industrial and mining products. In 2004, forestry and agricultural products accounted for 17.4% of overall exports (up to 19% if fishery exports are included).¹⁴ The corresponding figure for 1980 was 34% and for 1990 28%. However, the importance of agriculture to the region's external trade can be gauged from the still significant share of agricultural exports and from the intense use of agricultural and forestry inputs for many manufactured exports.

57. Forestry and agricultural imports amounted to US\$41 000 million, which represented an increase of 9.1% over the previous year and a 9.3% share of the region's total imported goods. With fishery imports, the share amounts to approximately 9.5% of the total.

58. The 2004 balance of trade in forestry and agricultural products produced a US\$40 000 million surplus, which is extremely significant for the region's external accounts.

59. Both the export and the trade surplus tend to be increasingly concentrated in a handful of countries. Exports and a positive balance of trade have intensified in Brazil and in the countries of the Southern Cone, while Mexico and the Caribbean countries have experienced a rapid deterioration of their sectoral trade deficit.

International trade in agricultural crops

60. In 2004 the region's exports of agricultural crops reached US\$61 000 million, which was 15.4% up from 2003, which had itself posted an increase of 17.4% - thus an exceptional accumulated increase over the two years.

61. Exports of agricultural crops account for 70% of total sectoral exports, a share that has remained relatively stable in the first years of this century, although significantly down from previous decades (81% in 1980 and 76% in 1990).

62. Imports of agricultural crops amounted to US\$26 000 million in 2004 which was 10% up from the previous year which had itself seen an increase of 11%. These imports constitute 20% of total sectoral imports.

63. The trade balance for these products amounted to US\$35 000 million accounting for the largest share of the sectoral trade surplus.

International trade in livestock products

64. In 2004 the region's exports of livestock products amounted to US\$13 500 million, which represented an extraordinary growth of 45.3% over the previous year which had itself registered

¹³ Unless otherwise stated, the data in this section are from FAOSTAT.

¹⁴ Data on the international trade of fishery products are still unavailable for 2004.

strong growth of 21.3%. The value of livestock exports in 2004 was twice that of 2000 (average annual growth of 19%).

65. This steep increase raised the share of livestock exports in total sectoral exports from 10.9% in 2000 to 15.4% in 2004.

66. Livestock product imports also grew in 2004, reaching US\$8 600 million which represented an increase of 13.4% from 2003. However, part of this increase served to make up for the reductions of 2002 and 2003. The average annual growth of livestock imports for the first years of this century has been a relatively modest 3.3%.

67. In 2004, for the first time, the region posted a significant surplus of trade in livestock products, amounting to US\$5 000 million.

International trade in forestry products

68. In 2004 Latin America and the Caribbean's forestry product exports amounted to US\$5 800 million while its imports stood at US\$6 300 million. As has been occurring for several decades, its purchase and sale of forestry products are more or less the same, with a small net balance. The deficit in 2004 amounted to US\$450 million which was the eighth consecutive year with a slight trade deficit.

69. Exports have remained flat in recent years, with 2004 slightly below 2000 (US\$6 000 million). Imports present a similar picture, changing from US\$7 000 million in 2000 to US\$6 300 million in 2004.

70. The share of forestry products in sectoral international trade is relatively low, representing 7% of exports and 15% of imports.

International trade in fishery products¹⁵

71. In 2003 fish and fishery product exports reached a value of US\$7 325 million which was 12.4% up from the previous year. However, there has been a clear medium-term decline since the 1997 peak of US\$7 700 million. Since then the region's fishery exports have mirrored the flagging world situation, indicating that more general factors transcending the regional level are at play.¹⁶

72. Imports have traditionally been low at around US\$1 000 million. There is therefore a trade surplus with a volume determined mainly by changes in exports. Because exports have levelled off in recent years, the surplus has stood at around US\$6 000 million.

V. MAIN CHALLENGES¹⁷

73. **Consolidating sustained economic growth.** Frequent crises have produced weak average growth lower than that of other developing regions and high economic and social costs. In addition to pursuing macroeconomic reform, it is essential to temper vulnerability to fluctuations in the world economy, strengthening current account balances and fiscal discipline, improving financial systems and supervision of banking institutions, establishing exchange rate policies that permit accurate projections and adopting complementary regulatory policies for capital inflow. Improvement of the macroeconomic framework needs to be coupled with an arsenal of microeconomic policies directed towards removing bottlenecks to growth arising from inadequate infrastructure and absent services, with special attention paid to the development of small

¹⁵ Data from FISHSTAT Plus.

¹⁶ FAO, 2004. The State of World Fisheries and Aquaculture - 2004

¹⁷ The more comprehensive version of this document looks at challenges for issues omitted from this summary, especially those relating to enhanced equity, reduction of poverty and achievement of food security. The comprehensive version also presents broader challenges relating to rural development, agricultural production and international trade in agricultural products.

enterprises. It is essential to achieve institutional development that can transmit confidence to investment, ensure the rule of law and adherence to contracts, and provide a clear and socially equitable framework for property rights.

74. **Vertically integrating agricultural development.** The historical marginalization of the rural sector has often resulted in the alienation of much agricultural activity from the more dynamic processes of economic growth. Although agriculture underpins much production activity in the region, distribution channels tend to be tightly organized which generates broad margins for selected agents and high transaction costs for most agricultural producers. A key requisite will be cooperation between the State and the producers of the different production chains to address specific problems and establish measures for integration.

75. **Responding strategically for the development of agricultural crops in countries with limited natural resources.** Agricultural progress in the region tends to be increasingly concentrated in those countries that have greater production potential: Brazil and the countries of the Southern Cone. This subregion's agricultural development by increasing cultivated area for the large-scale production of basic commodities would be difficult to transpose to many other countries of the region that have different resources, characteristics and environmental conditions. These other countries require not only a sectorally neutral macroeconomic policy framework and institutional arrangements for the sustainable use of natural resources, but also medium and long-term processes directed towards the intensification of production, the development of integrated production chains, the tapping of niche markets and the use of efficient technologies and management systems.

76. **Controlling transboundary diseases.** Governments and international technical cooperation face the challenge of providing the necessary priority and budgetary resources for sanitary measures, for providing training in diagnosis, epidemiological surveillance and risk analysis, and for designing institutional arrangements that will ensure the effectiveness and efficiency of programmes for the development of livestock production. The control of avian influenza is an obvious current priority.

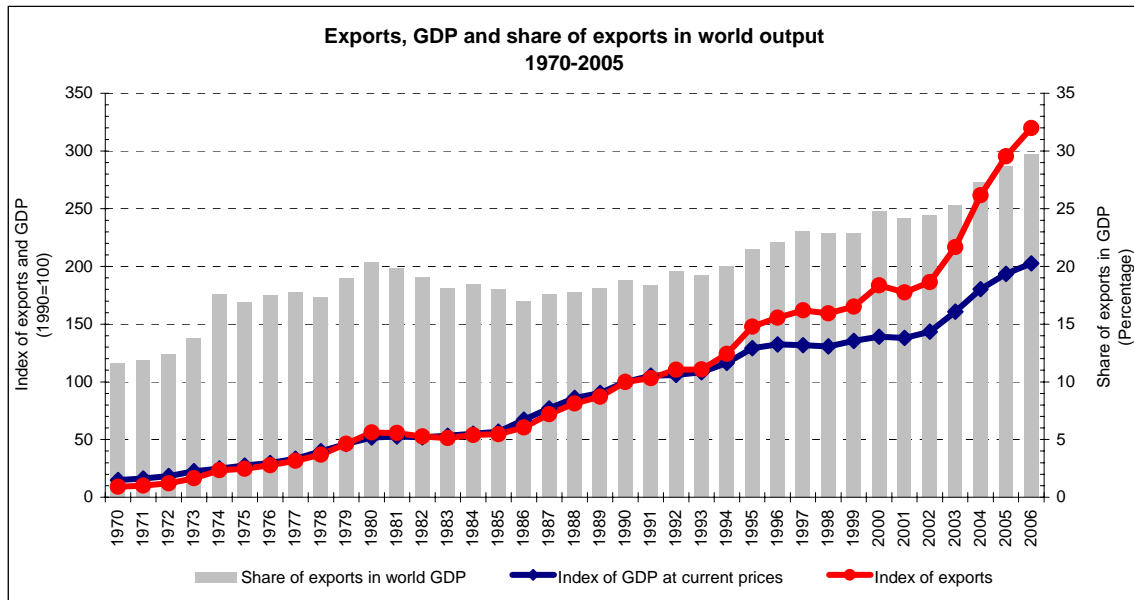
77. **Imbalance between forestry production and potential.** A policy decision is required for the establishment of effective institutional arrangements – including property rights, development policies and technology and management systems – to achieve a better utilization of forestry resources and reduce the serious level of deforestation.

78. **Recovery and sustainable use of fishery resources.** The serious overexploitation of resources calls for new institutional arrangements that will steer operators towards sustainable fishery use.

79. **Removal of trade barriers.** The trade liberalization objectives of international negotiations are fundamental for reducing the distortions in agricultural commodity markets that are hampering the development of regional exports. Equally important are the non-tariff trade barriers, especially those that are defended on grounds of health, quality or safety. Progress in control and certification are essential for dealing with this kind of protectionism. Traceability and good agricultural practices are central items on government agendas to maintain and build competitiveness of the region's agricultural exports.

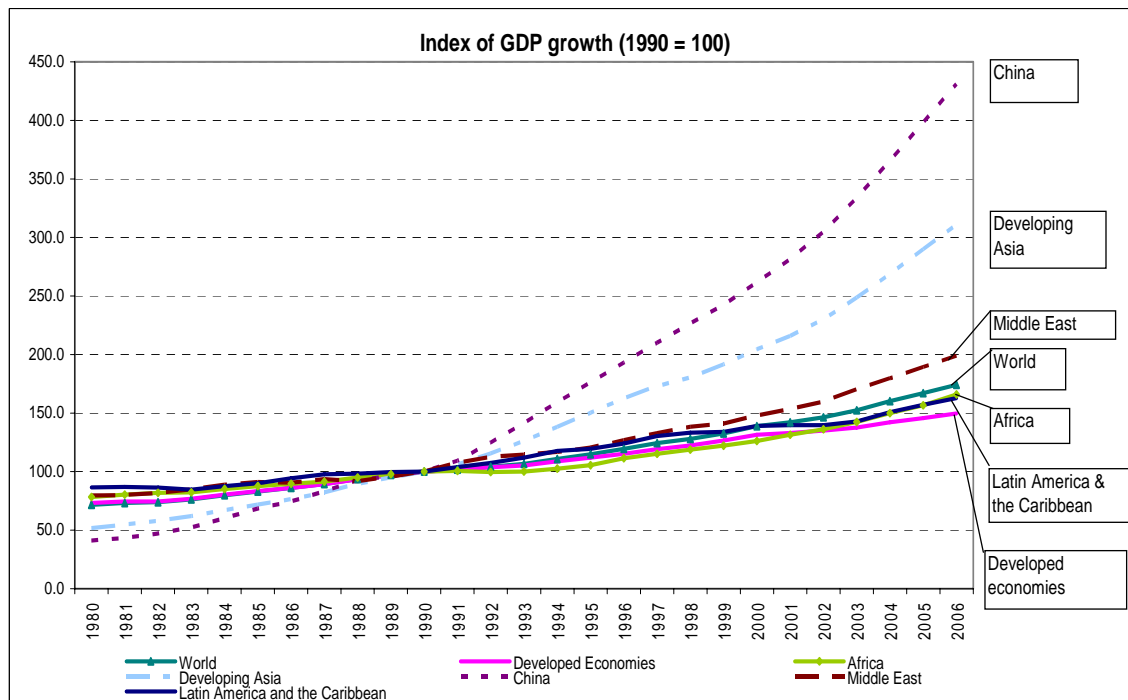
Annex 1

Figure 1



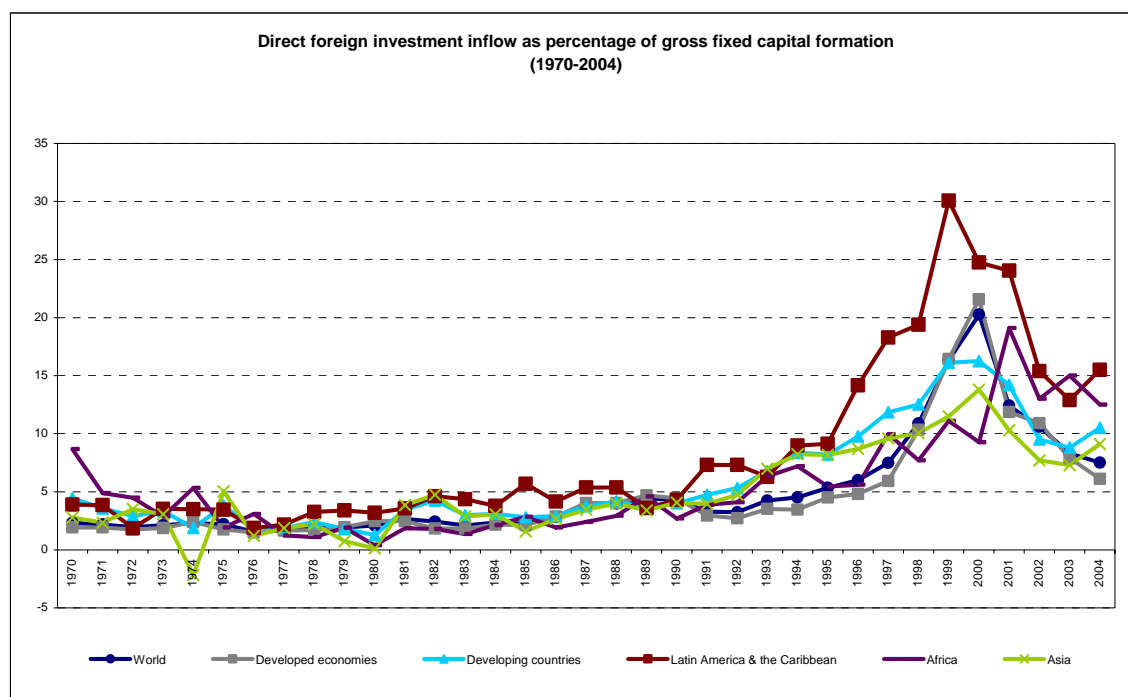
Source: FAO/RLC based on IMF World Economic Outlook, September 2005.

Figure 2



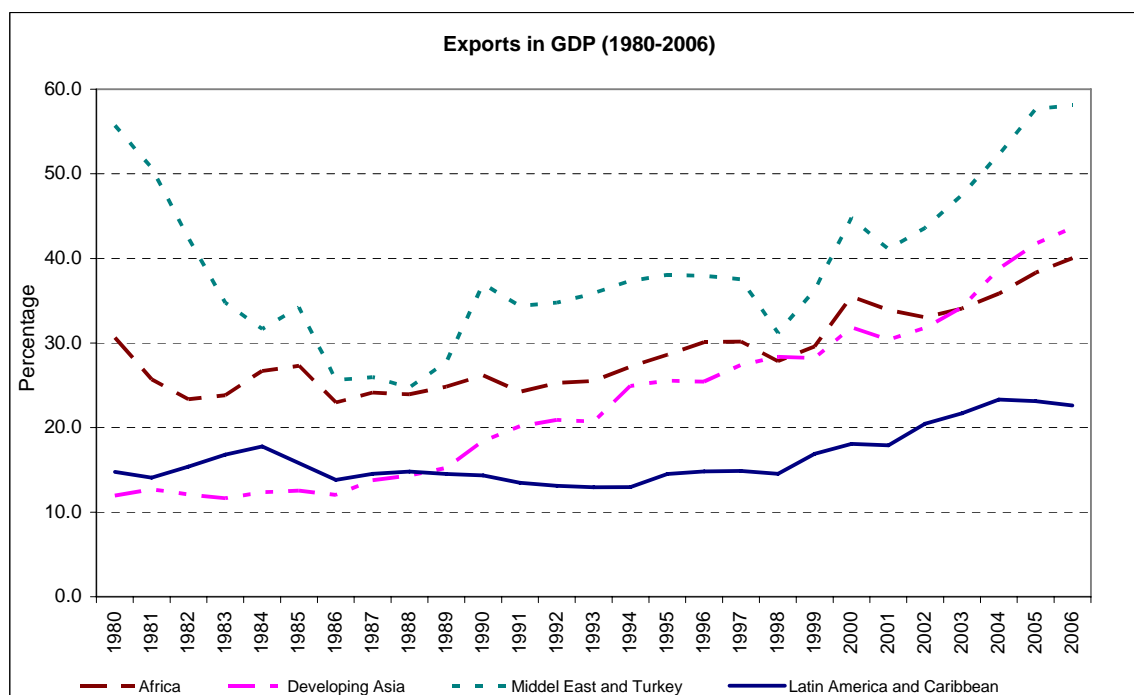
Source: FAO/RLC based on IMF, World Economic Outlook, September 2005. Developing Asia includes China.

Figure 3



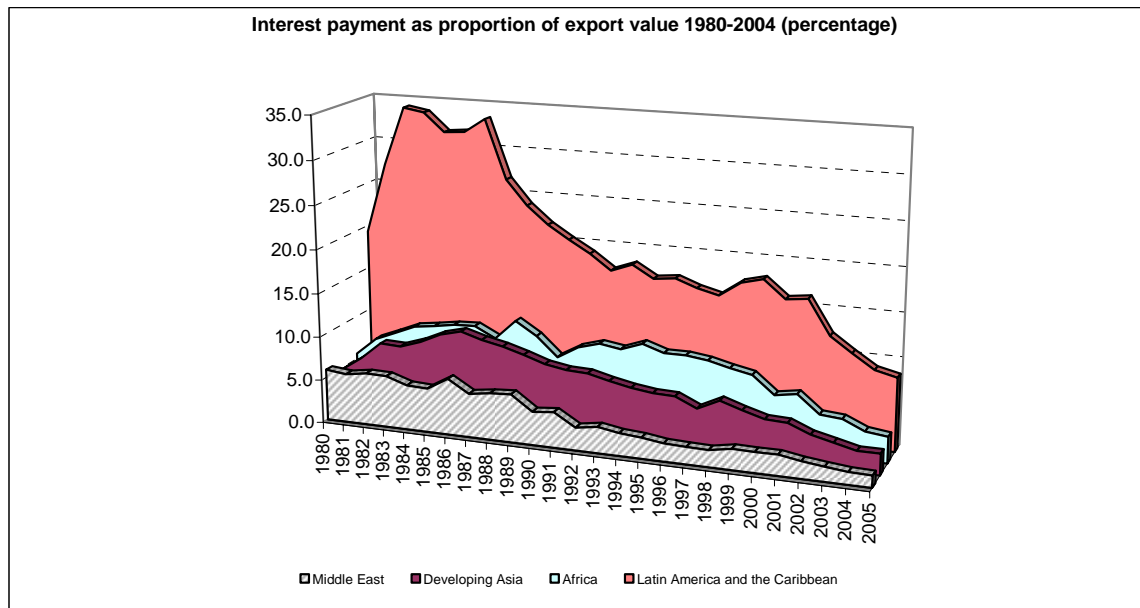
Source: UNCTAD, Foreign Direct Investment Database 2005.

Figure 4



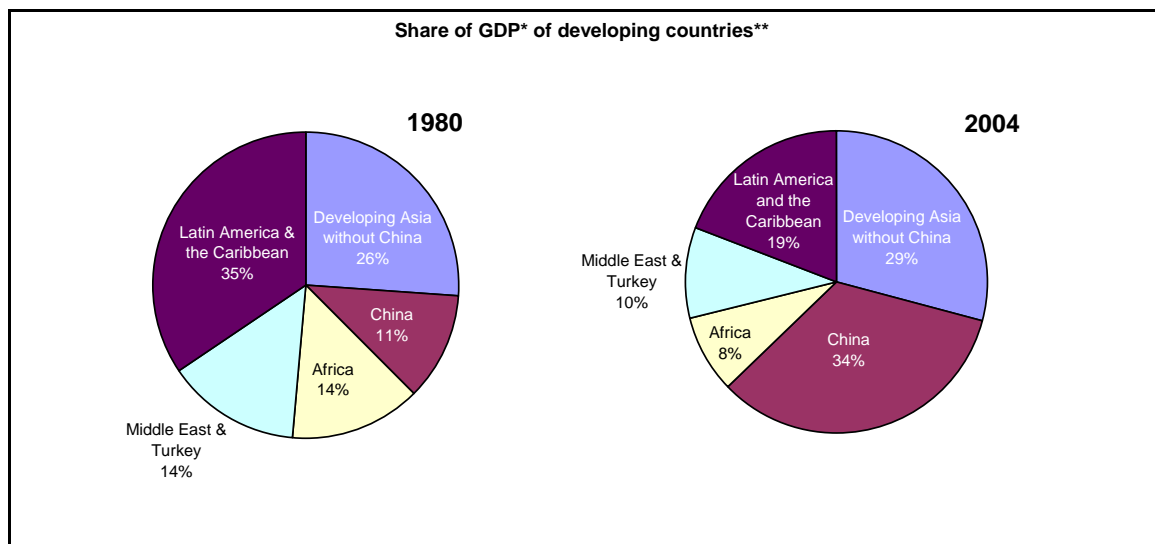
Source: FAO/RLC based on IMF, World Economic Outlook, september 2005.

Figure 5



Source: FAO/RLC based on IMF, World Economic Outlook, september 2005.

Figure 6

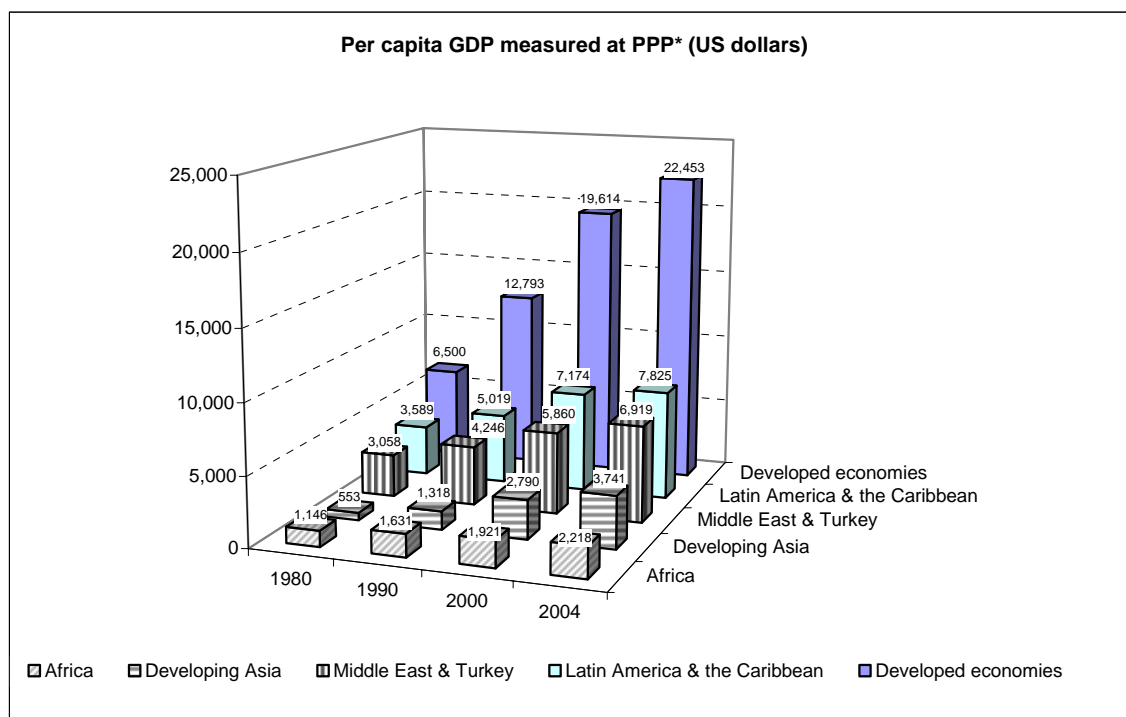


Source: FAO/RLC based on IMF, World Economic Outlook, september 2005.

* GDP measured as purchasing power parity

** The developing countries' share of world GDP was 28% in 1980 and 39% in 2004.

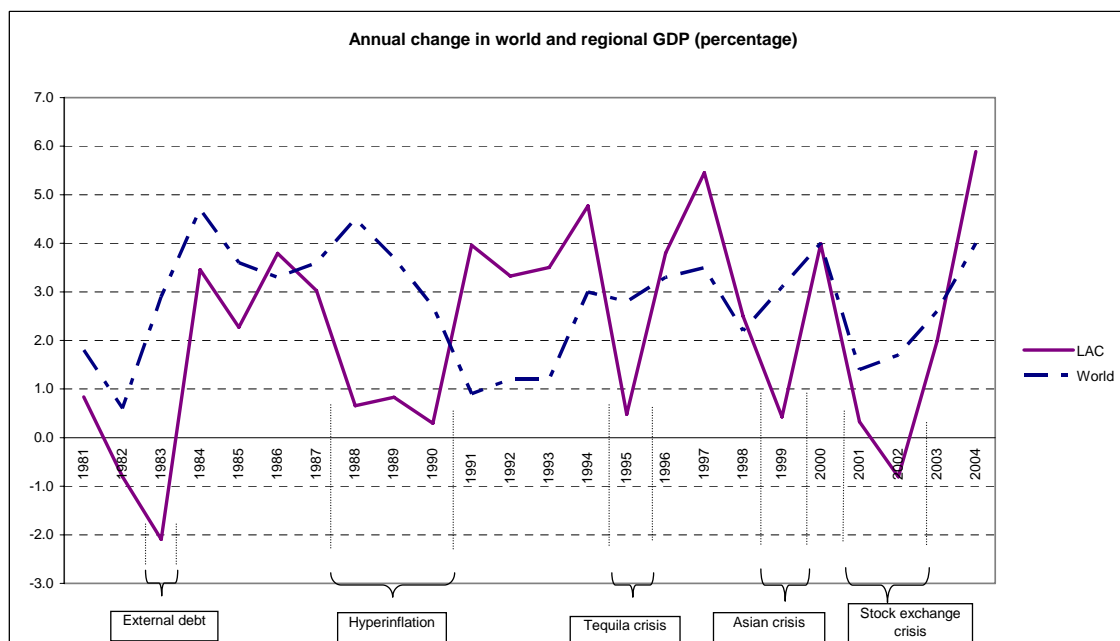
Figure 7



Source: FAO/RLC based on IMF, World Economic Outlook, september 2005 and FAOSTAT.

* PPP: Purchasing power parity.

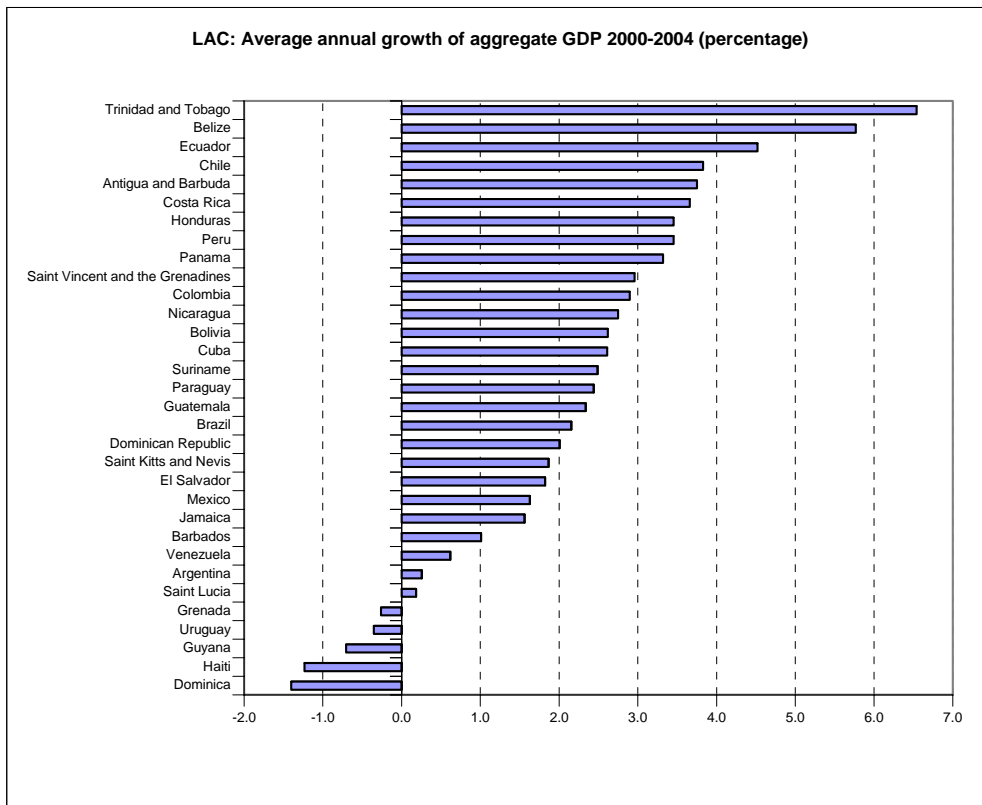
Figure 8



Source: World GDP: IMF, World Economic Outlook, september 2005.

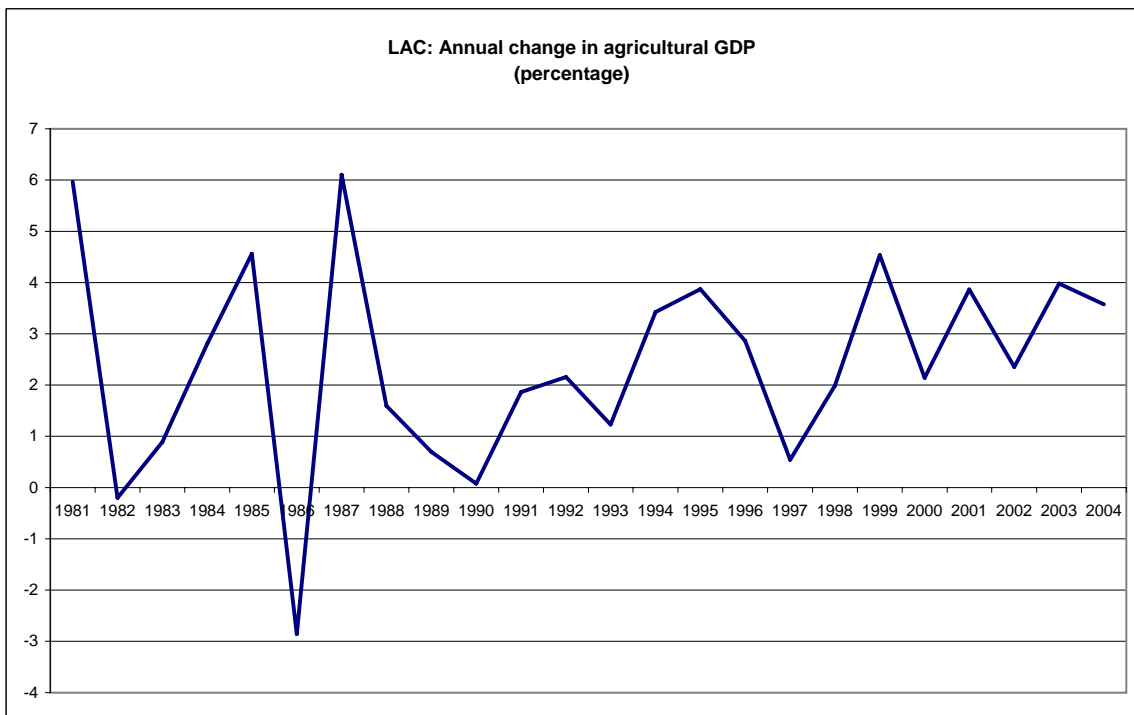
Regional GDP: ECLAC, 2005.

Figure 9



Source: FAO/RLC from ECLAC, 2005. Data unavailable for Bahamas.

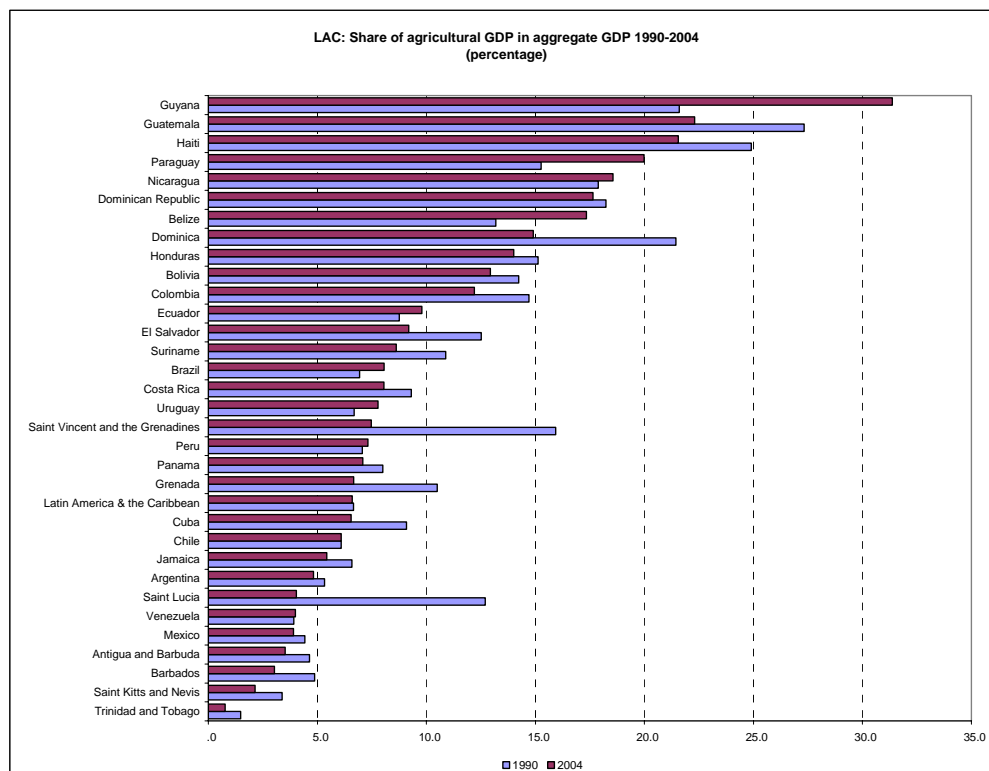
Figure 10



Source: ECLAC, 2005.

GDP valued at year 2000 constant prices.

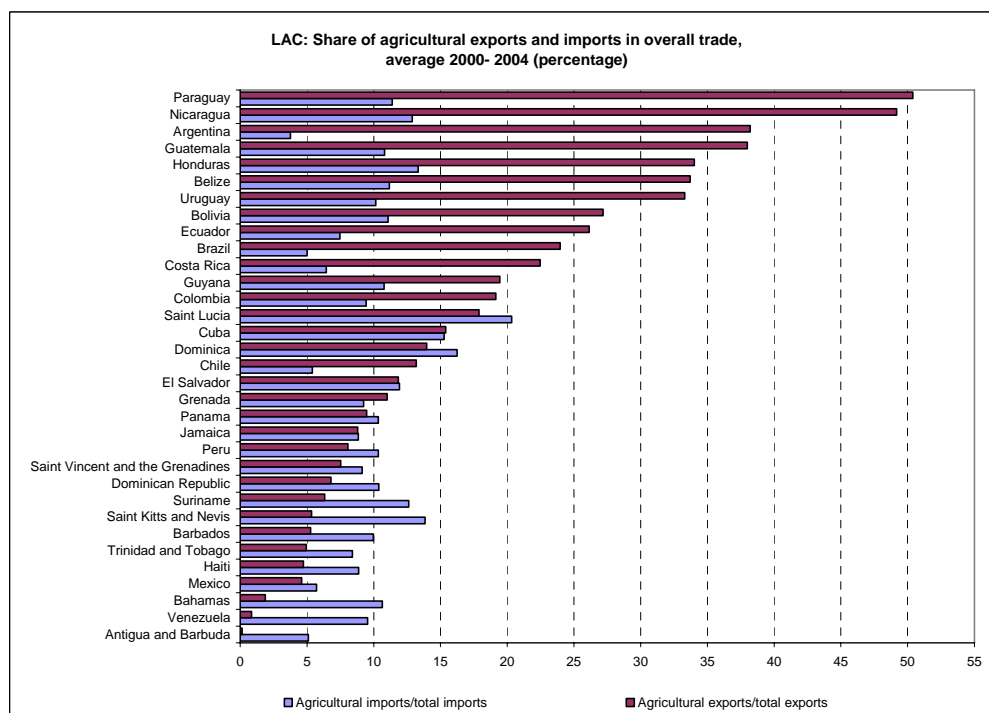
Figure 11



Source: FAO/RLC from ECLAC, 2005.

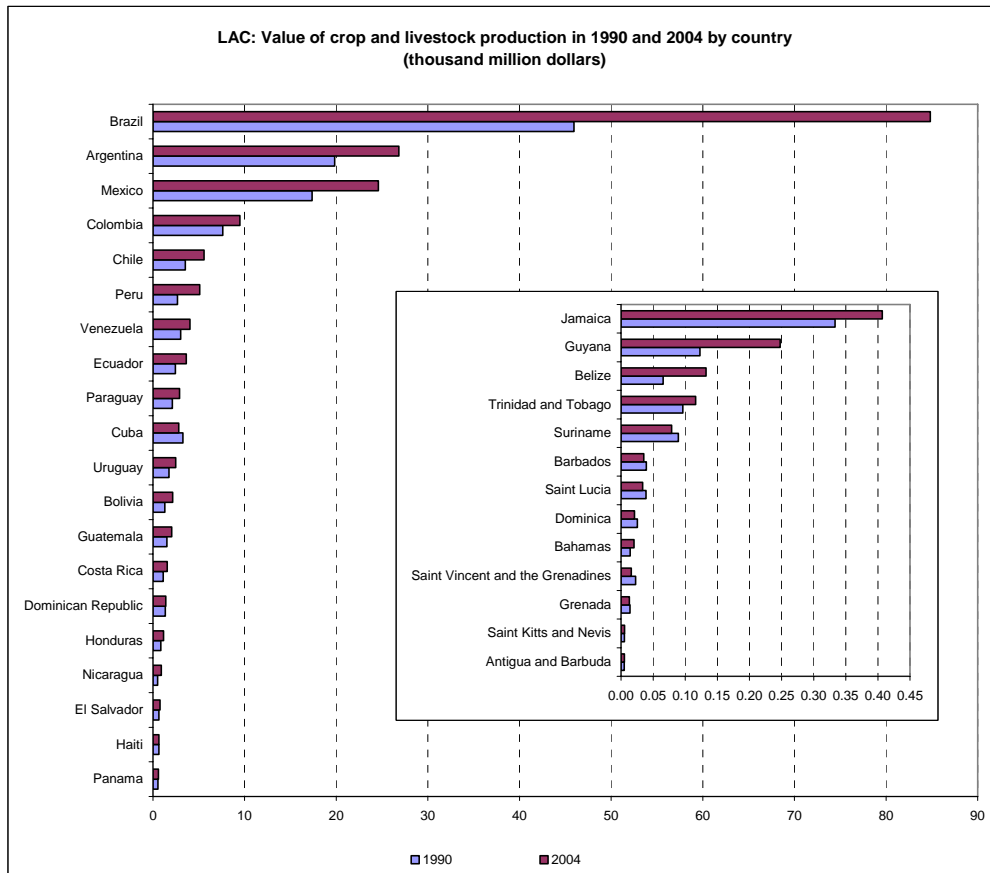
GDPs valued at year 2000 constant prices. Data unavailable for Bahamas.

Figure 12



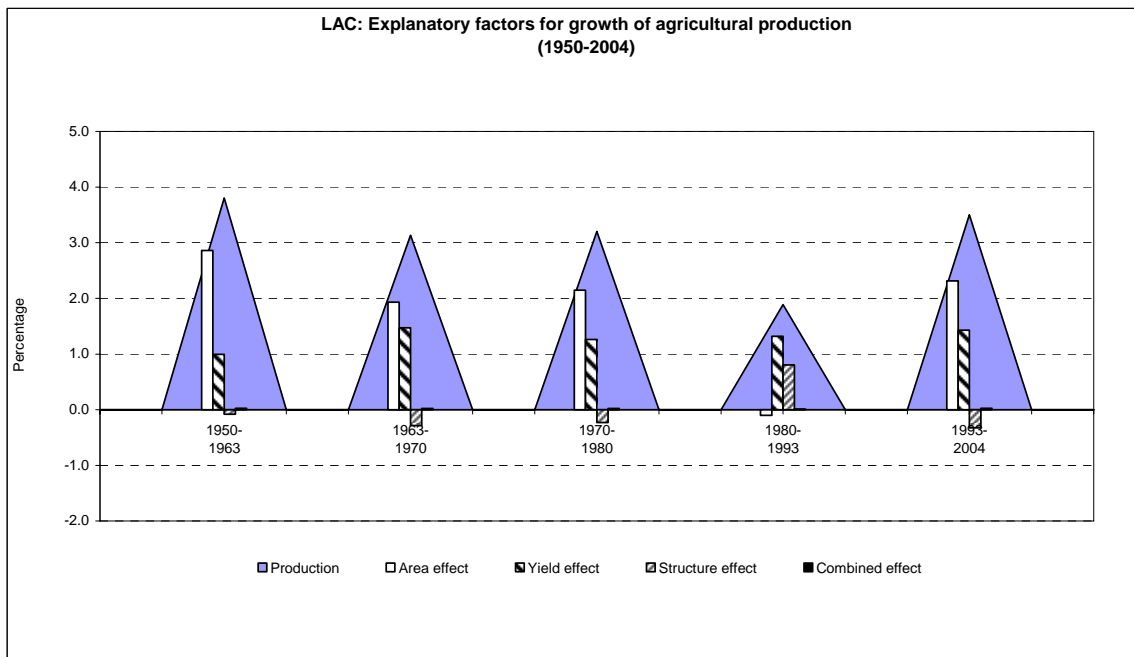
Source: FAO/RLC based on WTO, Database Statistics 2005 and FAOSTAT.

Figure 13



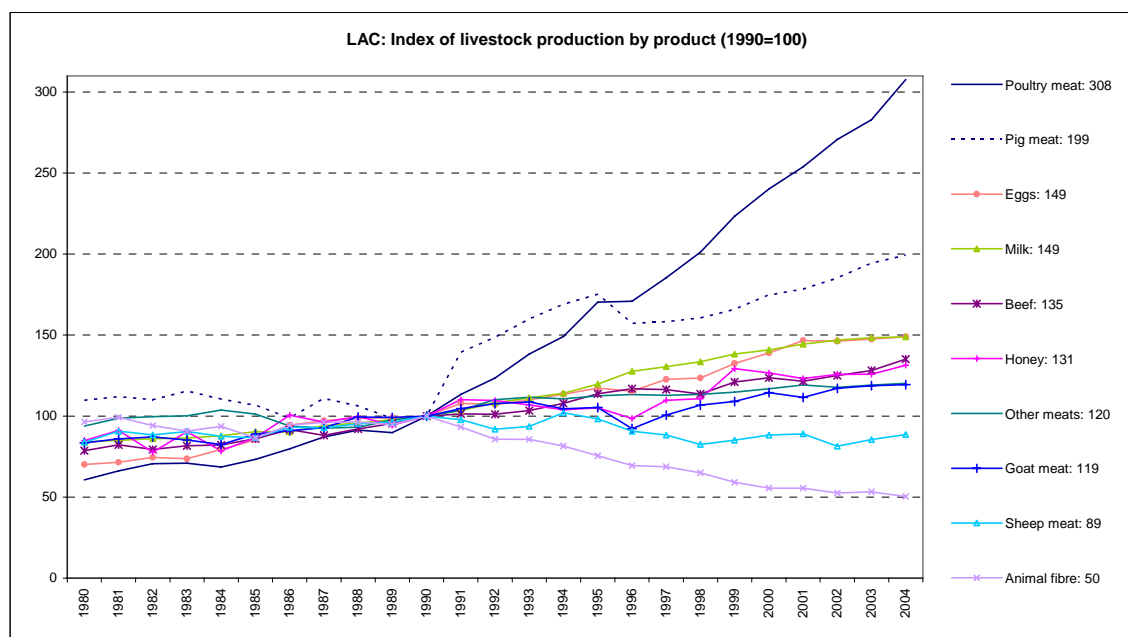
Source: FAOSTAT.

Figure 14



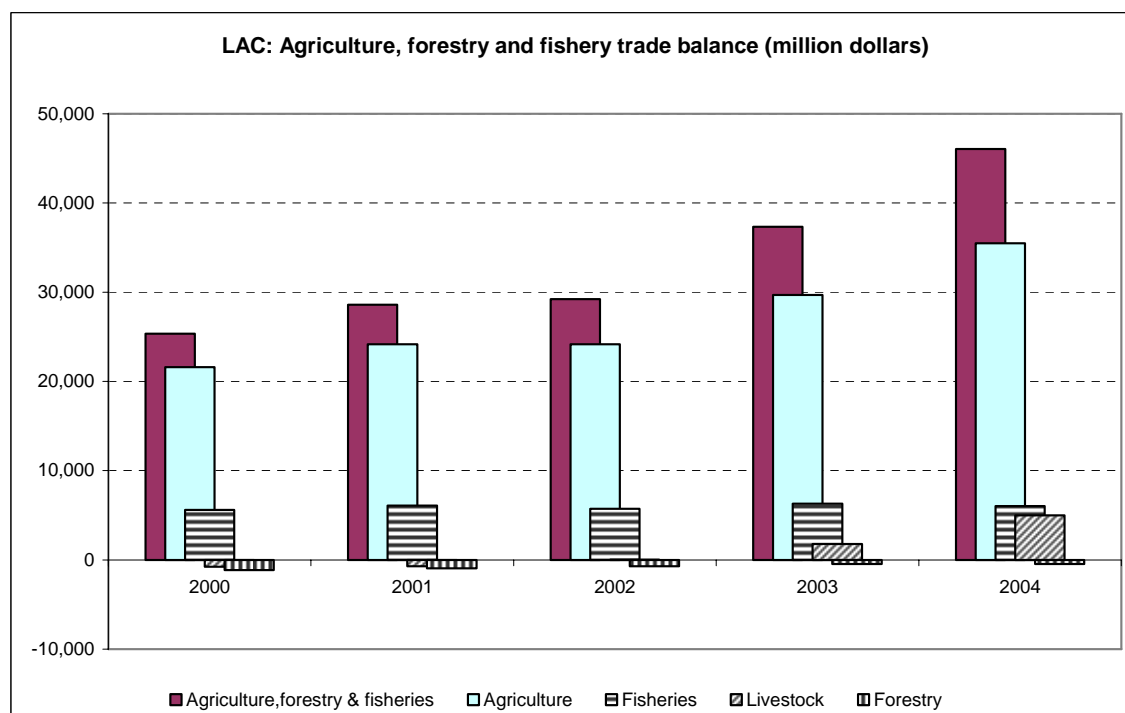
Source: FAO/RLC from FAOSTAT.

Figure 15



Source: FAO/RLC from FAOSTAT.

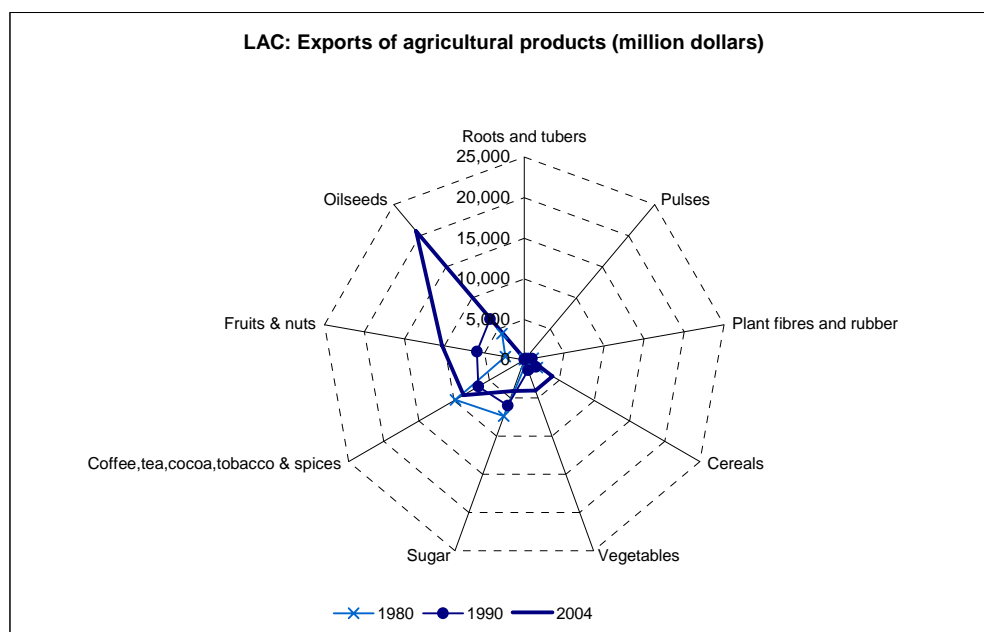
Figure 16



Source: FAO/RLC from FAOSTAT and FISHSTAT Plus.

Fishery balance for 2004 is preliminary estimate

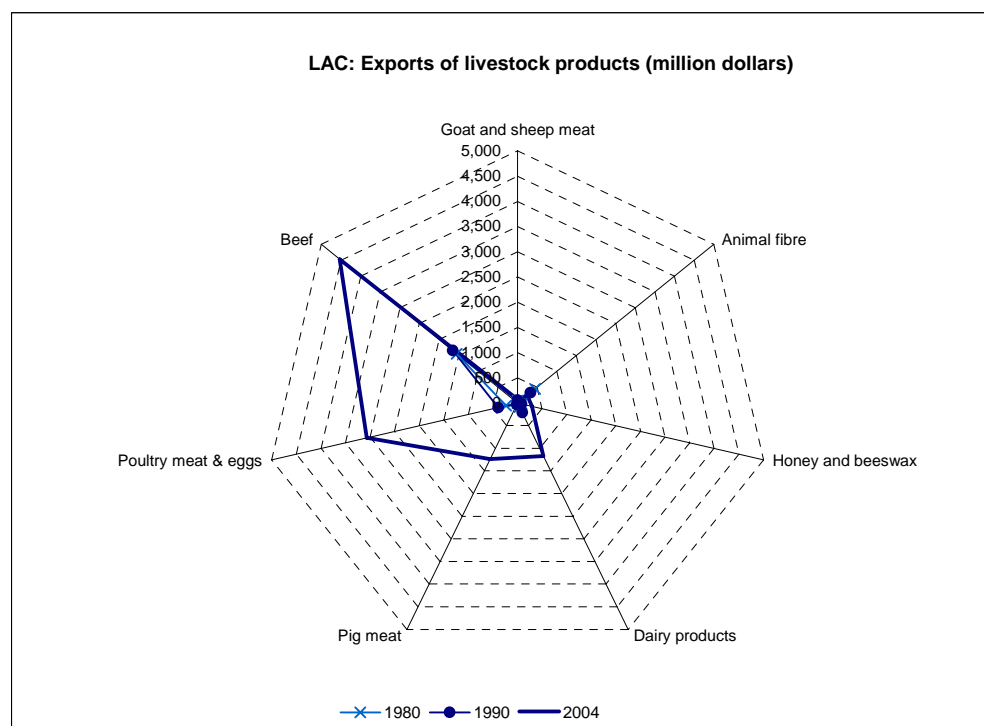
Figure 17



Source: FAOSTAT.

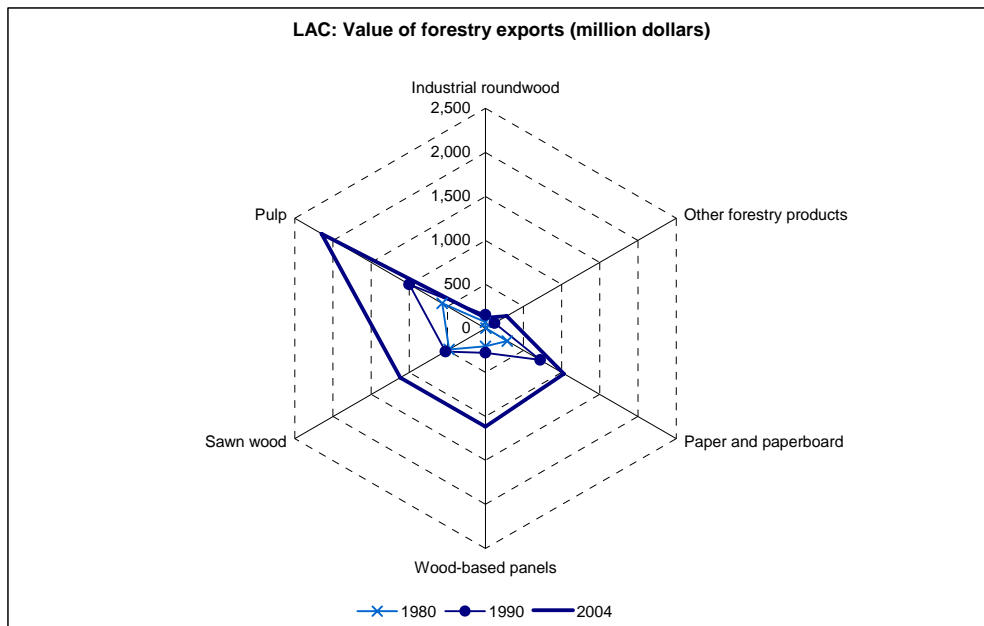
(a) There are included the exports of cereals and wheat meal; other meals or processed products are not included.

Figure 18



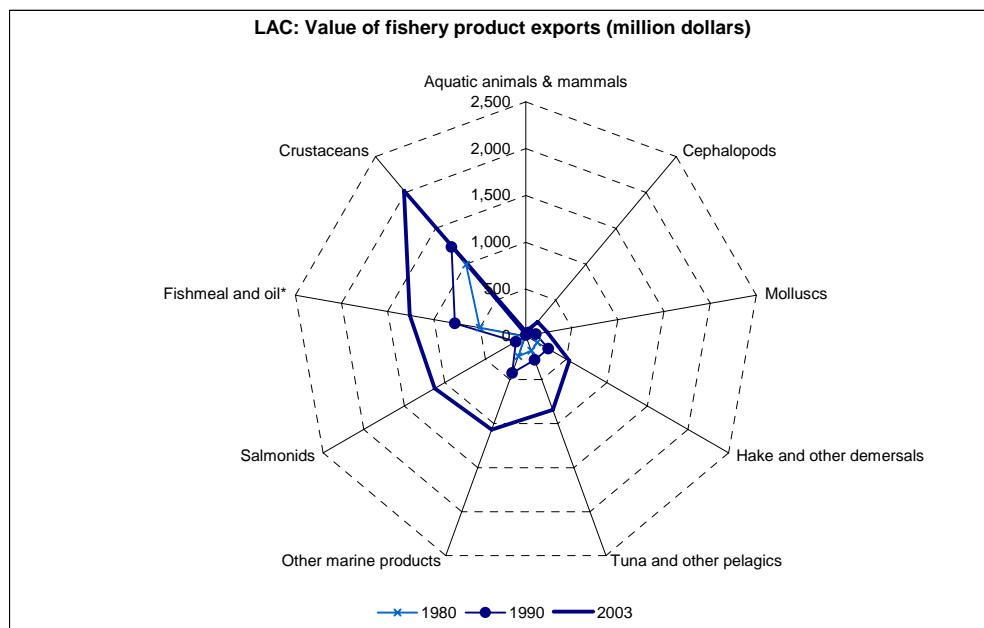
Source: FAOSTAT.

Figure 19



Source: FAOSTAT

Figure 20



Source: FISHSTAT Plus.

* Fish meal is mainly produced from small pelagic fish