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FROM - USAID/Montevideo

SUBJECT - Agricultural Production and Marketing PROP

REFERENCE -

Country: URUGUAY Project No. 528-55-130-041.2

Submission Date: Original: X

Project Title: Agricultural Production and Marketing

U.S. Obligation Span: FY 65 through FY 74.

Physical Implementation Span: FY 66 thr ugh FY 74

Gross life-of-project financial requirements:

U.S. Dollars (DG only) ..... (for food projects show CCC value including estimated ocean freight)	$ 3,169
U.S. owned local currency	-
Cooperating Country Cash Contribution ..... (in $ equivalent, current exchange rate)	1,150
Other Donor (Technical Assistance) ..... (for food projects, including voluntary agency contribution)	7,900
Total:	$ 12,219

PAGE 1 OF PAGES 18

DRAFTED BY	OFFICE	PHONE NO.	DATE	APPROVED BY:
R.Sandage:ln	Rural Dev.		8/20/70	William G. Rhoads AID Representative

AID AND OTHER CLEARANCES

T. Stephens- Rural Dev.

A.S. Lezin - Program

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AID.6.39 (9-62) PRINTED 3-63

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I - SUMMARY DESCRIPTION

The agricultural sector of Uruguay provides more than 95% of the country's exports, employs less than 20% of the labor force and provides approximately 14% of the gross domestic products. These figures, however, tend to underrate the importance of the sector. Much of the industry is dependent upon agriculture for its main basic raw materials. Many private businesses and the employment that they provide are based on agriculture. Agricultural land, exports and other trade in agricultural commodities are important source of tax revenues. Despite this importance, however, less than 3% of the Government's budget has been devoted to agriculture annually.

The growth rate of the agricultural sector has been negative until recent years. Only twice between 1955 and 1968 did the value of total agricultural production equal that of the 1952-56 average. The annual rate of growth 1955/57 - 1965/67 was negative - 0.2 percent, the lowest in Latin America. Despite this performance the potentials for growth are excellent. The quality of most of the land is high. The Uruguayan farmer is intelligent, well educated and capable. The climate is favorable for many crops and enterprises. Markets for many of the products that Uruguay can produce appear to be available.

To a large extent the economy of the country is dependent upon meat and wool although wheat and flax have been relatively important from time to time. Because of this narrow base coupled with declining agricultural production and lower commodity prices, Government revenues have been insufficient to meet the increased demands of the country's high consumption - low savings and investment economy.

The situation has been aggravated by an accumulation of Government policies that have increased production costs to a point where production for the world market is now uneconomic for some crops that should be exportable.

The principal problems of the agricultural sector are related to GOU policies. Import restrictions and duties make important agricultural inputs excessively expensive or unavailable on a timely basis. Taxes on the agricultural sector in 1968 averaged 29.7 percent while that for non-agriculture was only 11.9 percent; although since reduced, there is little certainty of future tax burdens. Government control of prices of agricultural products and the Government's operational involvement, in some instances, in the processing and marketing of agricultural commodities increases marketing costs and inefficiencies and makes it politically difficult to free the marketing mechanism so that increased efficiencies will increase returns to good management.

The overall economic problems of Uruguay have made it impossible for the GOU to respond to many legitimate needs for local currency, agricultural credits and programs. Until the AID agricultural Sector Loan was signed in 1968 the reduced availability of credit to the rural sector and the high rate of inflation had virtually forced farmers into a "no-input" method of operation. The generally deteriorated capability of the Ministry of Agriculture, and of some other agencies and organizations as well, that has accrued over a number of years, dictates the need for considerable technical and training assistance if the GOU is to respond effectively to agricultural development needs.

II. General Approach

GOU (and USAID) hope to reverse the stagnation in the agricultural and agro-industrial sectors while keeping price and wage increases under control. This will require significantly increased investment in the agricultural sector in the form of agricultural credit and other agricultural and agro-industrial inputs. Because much of the machinery equipment, etc., that is essential to production and marketing is not presently available in Uruguay, it will also require a considerable increase in imports.

The goal is to achieve a substantial increase in agricultural exports as a base for overall economic expansion. The GOU's present approach to inadequate agricultural sector growth is to concentrate on a few key areas (such as meat production and marketing) which will give fast returns in terms of exports. Second priority attention will be given under present plans to the increased availability of inputs (especially credit) to the producers of important crops, and to the increased production, for import substitution and export purposes, of more intensive fruit and vegetable crops and of dairy and poultry products, to broaden the base of the agricultural sector. In order to achieve this goal the GOU must commit itself to carry out a series of policy changes, many of which will be difficult and/or politically unpopular.

Those self-help measures which are essential to the success of this program are:

(a) Government policies must be changed as necessary so as to maintain the live-weight price of beef (the price to the farmer) at a level to yield at least a 15% real rate of return on farm improvement investments.

(b) The meat inspection and sanitation service must continue to be improved and upgraded on a priority basis so that it can meet and maintain British and USDA requirements:

(c) Government tax policies which affect general agricultural development must be coordinated by the Minister of Finance, and National Planning Office, preferably with Ministry of Livestock and Agriculture participation, so as to assure that overall tax policy for agriculture will not be unreasonably disincentive in its impact.

(d) The Government must terminate, step by step, its excessive control of agricultural prices and permit these prices to respond more freely to supply and demand. Priority should be given to freeing those products for which there are promising export possibilities.

(e) The export mechanism must be reviewed and simplified.

(f) Agricultural credit policies must be reviewed and improved. Two essential changes are: (1) loans should be made to the extent possible on the basis of a sound annual farm plan taking into consideration the producer's total annual need, and; (2) loan approval should be based primarily on the economic soundness of the plan.

(g) The Government must begin to implement a long-range plan to improve the data collection and economic analysis and planning and management capability of the MGA.

(h) A National Research plan should be drawn up to (1) help coordinate the research efforts of the MGA organizations working in research and also the efforts of the National University, INCAP and others; and (2) to help change the research priorities to assure greater emphasis on high economic yield research, adaptive research and on research in both production and marketing.

(i) Concessionary terms should be granted (free entry, no duty, etc.) on all agriculturally related imports under future AID/International Agency capital assistance.

(j) The percentage of the National Budget allocated to agriculture should be increased as GOU programs become more effective.

In order to implement this project the GOU will require additional dollars, pesos and technical and training assistance. The major target of assistance will be to encourage the creation of agricultural research and economic analysis group to provide policy makers in the Bank of the Republic, Ministry of Livestock and Agriculture, Ministry of Economy and Finance and other institutions active in decisions affecting agriculture with the analysis and policy recommendations from which rational decisions can be made.

A secondary objective is to support implementation of a nationwide directed credit program for production and marketing. Lastly, AID assistance will seek to upgrade and coordinate the GOU's agricultural research activities.

In support of these objectives we plan to make follow-on agricultural sector loans in FY 1971 and FY 1972 the dollars from which will be used for the importation of agricultural and agro-industrial as well as other imports from a positive list.

III. Setting

A. Background

The agricultural sector has been stagnant or slowly deteriorating in many areas over a period of years. Because of the importance of its income from the agricultural sector, the Government has found it necessary to tax the sector heavily in order to meet the high costs of pensions and salaries. Many actions have been taken by the Government in attempts to correct specific problems in the agricultural sector. Tariff barriers have been erected against most competition; subsidies have been granted in many instances; prices have been set by the Government at the farm level, the wholesale level and the retail level; special favors such as free import privileges, extremely low cost credit, exports subsidies, monopolies, etc., have been provided to some key groups. The Government has also entered directly into the marketing of agricultural commodities through Government-owned or Government-controlled factories processing or marketing agricultural products. The net result of these actions over the years has been the growth of a complex inefficient system which does not contribute to increased production or exports. The producer's confidence in the Government has declined; his investment in the agricultural sector has been reduced; and the Government's capability to respond effectively to the problems affecting the rural sector has also been reduced.

In recent years, partially as a result of USAID efforts, the GOU has undertaken several reforms aimed at stimulating agricultural sector growth.

Efforts are underway to implement a law that will replace export taxes on meat and wool with a land tax based on land productivity. Agricultural credit policies have been somewhat improved and the amount of rural credits have been increased primarily as a result of the AID Fertilizer and Agricultural Sector Loans. The physical facilities of both the public and private sectors as they relate to agricultural production and marketing, have been improved, although much remains to be done. In some areas technical capability has been improved mainly

through technical or training assistance. In total, however, most of the actions taken by the GOU to date attack only isolated segments of the problem. They do not, taken together, constitute a coordinated or carefully planned effort to achieve development objectives.

One of the major obstacles to growth is, that the responsibility for many of the important agricultural sector policies is scattered throughout the Government, with the Minister of Agriculture having little voice in policy determination and with little coordination between the different organizations involved. Because of this scatteration of responsibility, and because of the jealousy with which the different agencies and organizations guard these responsibilities, it is virtually impossible for the Ministry of Agriculture or any other single arm of the Government to achieve any meaningful, coordinated change in policy without going at least to the Council of Ministers level. A picture of this scatteration can be seen from the following list of important items affecting agriculture and the organizations responsible for these items.

1) Export Taxes	Set by a Committee representing the Ministers of Finance, Livestock and Agriculture and Industry and Commerce.	Approval by Council of Ministers.
2) Export Subsidies	Established jointly by Ministers of Finance and Industry and Commerce	Approved by Council of Ministers.
3) Import Quotas	Requests made to the Central Bank which submits to the Ministry of Industry and Commerce which has authority to readjust the amount.	
4) Import Taxes	Ministry of Finance.	
5) Local prices on agricultural products at the wholesale and retail levels.	COPRIN (Comisión de Productividad, Precios e Ingresos).	

Note: COPRIN consists of: 2 representatives of private sector unions
2 representatives of private business owners
5 representatives of the Executive Power.

6. Fees and charges connected with importation or exportation are set by a number of different Ministries, autonomous agencies, etc. Many of these, such as the 12.0% consular fee up to 17.3% port charges, 7.5% average aduana fee, etc., are significant. (Ex. The total charges on the importation of spare parts for agricultural machinery is 159.88% of

the CIF value., i.e., 12% consular fee, 90.5% import duty, 40.58% port and customs fees and 12.8% sales tax.

7) Price Support and Marketing Policies	The Ministry of Livestock and Agriculture
8) Credit Supply and Policy for Production and Marketing Credit	The Central Bank The Bank of the Republic

B. Institutions

The Ministry of Livestock and Agriculture is the arm of the Government charged with the primary responsibility for providing assistance to the agricultural sector. The Rural Credit Department of the Bank of the Republic provides a major portion of the credit available to the rural sector. The National University is the only institution in Uruguay providing training at the college level for agricultural technicians through the Facultad de Agronomia and the Facultad de Veterinaria. The Universidad de Trabajo operates 13 general agricultural vocational high schools and 5 specialized vocational high schools (in livestock, dairying, agricultural machinery, poultry and enology). Dozens of special honorary commissions, most of which consist of both Government and private representatives, have official or quasi-official status. Some of these such as the Honorary Commission of the Plan Agropecuario have important responsibilities for the implementation of programs affecting the agricultural sector.

The Ministry of Agriculture, despite its key responsibility for the development of the Agricultural Sector, has little influence in the determination of agriculture policies critically important to the development of that sector. The technical capability of the Ministry at the present time quite accurately reflects the technical and training assistance that the Ministry has received from International agencies and organizations over a period of years. Those departments or sections which have received significant assistance such as the "Alberto Boerger" Agricultural Research Center which has received help from the U.N. Special Fund for its Animal Production and Grasslands Program, and the Soil Survey Section of the Soils Department of the MGA with assistance from an Iowa State University/AID contract, presently have the capability to fulfill their responsibilities in an Agricultural Development Program. Other Departments of the Ministry however, are less competent and need technical and training assistance if they are to provide support to such an effort. The problem of institutional support to the agricultural sector has been aggravated by the fact that the Ministry of Economy, with budget disbursement authority, has tended to make disbursements only to those departments of the Ministry of Agriculture which presently

have a relatively high capability or good political connections. This situation has caused greater and greater scatteration of authority and responsibility among the different Ministries and Departments of the Government and more and more confusion for the producers.

The Department of Agricultural Economics in the Ministry of Agriculture and the Office of Policy and Planning, which is a staff office of the Minister, have declined in capability and importance over a period of years and are presently very low on both talent and influence. Technical competence in marketing is almost non-existant in the MGA although the Ministry has a broad responsibility for marketing studies and information and is heavily involved in marketing of agricultural commodities through its Supply and Marketing Division. In general, the technical level in the area of livestock production is considerably higher than that in crop production and in marketing. There are, however, some significant gaps in this technical competence which could be filled with training and technical assistance. In crop production the technical competence presently available is not being properly utilized. In crop research there is too much emphasis on basic research and too little on variety trials and other adaptive research. Information gained from research is not being disseminated to the producer as well as it could be. Additional technical and training assistance is needed in several of the disciplines that affect all agricultural production, such as, soil fertility, animal and plant pathology, pest control and especially in management and marketing.

The administration of agricultural projects and programs by the Ministry of Agriculture and by most of the other agencies and organizations concerned with agriculture is slow and wasteful. The inefficiency of the Ministry of Agriculture, for instance, has led to the creation of honorary commissions or committees to execute priority programs outside the framework of the regular Government. This method of operating outside the regular Government bureaucracy has tended to change the direction of the agricultural program with each change in Minister (on the average, one each nine months during the last 3 years) since the incoming Minister usually gives little support to the previous Minister's priority projects. Again, this has contributed to the confusion of the producer and has been detrimental to the overall agricultural effort.

Coordination between Ministries and other agencies and organizations of the Government and coordination between the departments within the Ministry of Agriculture has been practically non-existant for the past three years. Primarily this is due to the fact that in the face of Uruguay's economic problems sufficient funds have not been available

to cover all items in the budget. This shortfall has resulted in increased competition and power struggles between the different Ministries and agencies and between the different departments within the Ministries, for the financing of their portion of the budget. This has had a detrimental effect on any attempt to improve coordination which was already poor.

C. Price Policy

Government control of agricultural prices coupled with import restrictions on agricultural inputs and the absence of free competition among agricultural suppliers have created disincentive cost-price distortions that are completely unrealistic in the present world market. As taxes on the agricultural sector have increased over the years and as the cost of agricultural inputs has grown, the Government has responded to producer's pressures by establishing subsidies, monopolies, increasing tariff barriers, or increasing internal prices. Concurrently, as consumer pressures have been applied, the Government has responded with subsidies to the prices of meat, bread and milk. The net result of all of these Government actions and manipulations, as reflected in the situation at the present time is, that except for meat, bread, milk and perhaps wine, the prices of agricultural products to the consumer in Uruguay are higher per edible pound than for the same product in the U.S. Even at these prices, however, farmers are not earning adequate returns because of the high cost or unavailability of needed inputs and other inefficiencies in agricultural operations that have not been corrected over the years. In short, for the last thirty or forty years, Uruguay has tried to solve its agricultural problems through a series of tariffs, price supports, subsidies, etc., instead of permitting or forcing its agricultural producers to become more efficient.

It would be disastrous to the agricultural sector at the present time to immediately free the pricing mechanism and permit unlimited competition from imports, to remove all subsidies, etc. These changes will have to be made on the step-by-step basis while simultaneously "catching up" on technical know-how, capital investment in the agricultural sector, planning and management capability, etc.

D. Tax Policy

The tax structure on agriculture has grown piece by piece as problems have arisen or as opportunities for increased revenues have appeared. The structure is very complex and this complexity is increased by fees, duties, special charges, etc., that are not considered by the tax office to be taxes. Many of the more important taxes affecting agriculture and agriculture industry are disincentive to the achievement of the various development objectives. Some steps are being taken to improve the tax

situation in the agricultural sector. A law passed in 1967 establishes a new tax on land based upon the land's productivity. Although the first returns, due in 1970, are being submitted, it is estimated that the tax will provide little revenue in 1970. The GOU plans that the tax will gradually replace the present export taxes on meat and wool which have had a strong disincentive effect on the production of these two commodities. Additional steps need to be taken, however, which will reduce gradually the high tax rate charged to the agricultural sector, and to increase proportionately tax support by the non-agricultural part of the economy. The livestock portion of the agricultural sector recently was carrying the biggest portion of the agricultural sector tax burden as can be seen in this table below:

Incidence of Taxation

	Gross Domestic Product (million of $)	Total Taxes	1968 Incidence (percent)
Total Gross Domestic Product	343,000	48,337	14.1
Agriculture	41,978	12,476	29.7
Livestock Sector	(31,530)	(10,793)	(34.2)
Other Agriculture	(10,448)	(1,683)	(16.1)
Non-Agriculture	301,022	35,861	11.9

Source: Movimiento Nacional de Entidades Agrarias: Presion Tributaria sobre el Sector Agropecuario: and IBRD Staff estimates.

E. Credit Policy

Agricultural producers in Uruguay have been referred to as "no-input farmers". This has been due to the unfavorable cost-price relationship for agricultural commodities and inputs. Agricultural production costs have been extremely high and in most cases, prices have not been sufficiently high to compensate. The result has been a trend toward the kind of farming requiring the least amount of capital input or capital investment. The general economic situation, with a high inflation rate and a relatively low savings rate, has created alternative opportunities for investment capital at interest rates far exceeding the possible return obtainable in agriculture. As previously mentioned, this has resulted in a general decapitalization of the agricultural sector.

Any meaningful agricultural development effort will require a considerable infusion of capital into the agricultural sector. Most of this can be provided in the form of credit. Some must be provided by increased public sector investment in the form of increased and improved support to agricultural research, marketing, planning and management, etc.

Most of the credit to the agricultural sector is presently being provided by the Bank of the Republic. Present agricultural credit policies, although somewhat improved as a result of the AID Fertilizer and Agricul-rural Sector Loans, still need considerable revision. Loans are presently made only for the production of specific crops or commodities. Credit availability for a given crop or a commodity varies widely from year to year and between areas. In many instances, credit is not available on a timely basis. For many years, the only credit available for medium or long-term purposes has been from funds made available by the World Bank or from AID. The total amount of credit available to this sector is inadequate even for the present system of agriculture and it is well known that as agriculture develops, credit needs increase.

XV. Strategy

A. Obstacles

The foregoingh s highlighted the major obstacles to the agriculture sector growth, which is essential to the AID strategy in Uruguay. The obstacles are: the lack of a Government-wide planning and analysis process under which policy decisions on sector prices, taxes, charges, subsidies, credit availability, and imports are made; the splintering of authority for agriculture sector policy between the BOR, the Ministry of Agriculture, the Ministry of Industry and Commerce, the Ministry of Economy and Finance and honorary committees such as the Plan Agropecuario; the non-availability of trained and competent agricultural economists both on the policy and production side; the need for a national research and extension policy and for technical assistance to upgrade the Ministry's activities in this area.

Our strategy to overcome these obstacles has two main objectives; first, upgrade the capacity of the career civil service in those GOU agencies active in the Agricultural Sector in order to provide Government policy makers reliable and meaningful economic and statistical information and analysis. Loan negotiations and commitments will concentrate on better structuring and coordin tion by the various policy makers, agencies. Second, but for a distinctly lower priority, is the strengthening of the Government's ability to translate the policy actions into higher production through relevant commodity research and extension activities.

Consideration was given to carrying out a sizeable sector analysis effort before undertaking new grant and loan activities in the agriculture sector. Careful review indicates that such a review is unnecessary, however.

In addition to the various Mission analyses over the years, there is detailed and thorough study of the agricultural sector done by CIDE in the last five years. This has just been supplemented by a Sector Analysis prepared for the IDB in late 1969 by Professors Fletcher and Merrill of Iowa State, entitled "The Uruguayan Agricultural Sector - Priorities for Government Policies, Investment Programs and Projects." (Professors Fletcher and Merrill participated in the AID sponsored agricultural sector study of Guatemala on which the recent sector loan there, was based) Professor Fletcher has informed the Mission that he does not believe further general agricultural sector studies are needed in Uruguay before moving into the new loan and project phase.

IBRD staff and consultants have recently completed thorough surveys and studies of the entire livestock industry. There is a general agreement on both well-informed Uruguayan and international circles on the problems of the agricultural sector, and that detailed and feasible programs are now needed to meet the most pressing problems.

B. Policy Improvement

As noted above, policy decisions in the agricultural sector often seem to be made on an ad hoc basis. To a large extent, this is inevitable due to the lack of a sophisticated economic research capacity within the Government. Policy officials have no place to turn for advice and guidance on the economic effects of proposed actions. We propose to assist the GOU establish a capability for providing economic analysis to policymakers.

With the highly splintered division of responsibilities within the GOU on agricultural policy matters, there is presently no obvious focal point to which such agricultural planning activities can be attached. If we are to succeed in creating an appreciation for and use of sophisticated agricultural planning analysis and techniques, our efforts cannot be tied in with Government offices in their present state that do not have access to GOU policymakers. Therefore, we must seek commitments to revitalize these offices and make them responsible for economic and planning studies for the Bank of the Republic, Ministry of Industry and Commerce, and the Planning and Budget Office, as well as the Ministry of Livestock and Agriculture, for technical assistance and training to be effective. Various ways of doing this are now under study. The challenge is to demonstrate how modern analytical techniques can be used to improve rational policymaking.

In planning the agriculture economic project, the Mission carefully assessed the pros and cons of negotiating an agreement with the various GOU institutions involved. We ruled out the Faculties of Agronomy and Economy in the University because of their anti-U.S. leanings and because of a substantial upcoming technical assistance training project from the U.N.

The Ministries of Industry and Commerce and Economics and Finance - while deeply involved in setting export subsidies, import quotas and taxes - do not have offices or departments exclusively concerned with agriculture. The drawback of the Ministry of Livestock and Agriculture is its limited authority. The caliber of the Ministry research and planning staff is low and the political sensitivity of Ministers of Agriculture - who often serve for short periods - is highly developed.

Despite its limitations, however, we believe the Ministry of Agriculture will have to be a key factor in forthcoming AID assistance. While we would prefer to have technical assistance in agricultural economics, research and training follow, rather than precede, a Presidential decision to restructure the policymaking and planning authority in the agriculture sector, we believe this is an opportune time to use loan and grant leverage and assistance to improve GOU coordination, as well as strengthen the Government's analysis and policymaking capability. An indication that the time may be ripe for such an effort and a rare example of collaboration within the GOU is the recently established "Inter Agency Credit Committee" with representatives of the Ministry of Agriculture, Plan Agropecuario, Bank of the Republic, and Colonization Institute. The Committee is responsible for organizing directed credit programs.

In this regard, a major commitment in our proposed FY 71 agriculture sector loan will be the creation of a system for inter-agency agriculture research, analysis and planning. AID technical assistance to support this undertaking is programmed in FY 71 and FY 72 (see below). Other loan commitments will be continued GOU progress in transforming tax and price policy from an obstacle to a stimulus to agriculture sector growth - i.e., continued reduction in "detracciones", further implementation of land productivity tax, stable price support policy for wheat and other basic crops, availability of required fertilizer machinery, seeds and other agriculture sector imports. (A long-term U.S. Land Tax expert is assisting the Cadastral Office in updating the maps required for the Land Productivity Tax and a loan financed Agriculture Soils Specialist has been helping to prepare the soils map needed in the new tax.) Similar to the agriculture sector loan of 1968, the loan will finance both general and agriculture sector imports. Counterpart will be used to complement GOU capital resources in a directed credit program and to finance 1-3 year terms on fertilizer and machinery sales.

To assist in establishing the Agriculture Research and Planning Body referred to above, we propose to finance a U.S. University contract in FY 71.

The contract would ultimately provide for two long-term U.S. economists in Uruguay, funding for additional short-term specialists to study particular problems, and financing of graduate-level economic training in agricultural economics abroad. The participating Government agencies would provide appropriate counterpart staff to the U.S. advisors and would, in cooperation with other Government agencies and the University, identify students to receive special training. In order to assure that U.S. support for this program does not exceed GOU capabilities to effectively utilize the assistance, it may be necessary to phase in U.S. inputs on a graduated scale.

Since the Bank of the Republic is now the dominant institution in setting agricultural credit policy, a full-time advisor has been assigned to that institution under this project, continuing work now underway with the IDS contract. The object will be to help establish a sound agriculture credit policy (including a directed credit program) in which the availability of credit can be intelligently planned and used to expand production.

C. Research and Extension

In addition to the above effort, USAID proposes a continued modest involvement in GOU research and extension activities. Uruguayan agriculture, in comparison with many under-developed countries, already has available the information to apply a high degree of modern technology to its operations. Failure to achieve a "takeoff" in agricultural production has been due less to the technological gap than to the failure to initiate and implement a progressive agricultural policy which provided incentives to improve agricultural practices. If Uruguay is able to improve the policy climate now hampering agricultural development, she will quickly be in a position to take advantage of a modern research and extension service. Thus, while focussing major attention on the first objective above, we propose to provide limited technical and training assistance to the Ministry of Agriculture's research departments with an emphasis on strengthening, a) adaptive research; b) information or extensi n services, c) economic studies.

V. Targets

As can be seen from the preceding strategy section, many of the basic project targets hinge on what can be negotiated in the forthcoming agriculture sector loans. This may require revision of our targets as the project develops.

We can distinguish three major objectives to be achieved with this assistance: (1) the organization and effective operation of an economic analysis and policy formulation group (which presupposes the U.S. academic training of at least 2 agricultural economists per year;

(2) the implementation of a nation-wide directed agriculture Credit Program, and (3) operation of a coordinated agriculture research program based on adaptive research and adequate extension and information services.

Our targets by major objectives are as follows:

Agricultural Analysis and Planning

End FY 71 - Obtain GOU commitment to and organization of an effective Research and Analysis Group. Initiate U.S. graduate training for two agricultural economists.

End FY 72 - Group is well established and has completed analyses and made recommendations concerning (as a minimum) price policy and the agricultural marketing structure. Additional five participants sent to U.S. for training in agricultural economics.

End FY 73 - Three participants for U.S. graduate economic training.

End FY 74 - Two participants for U.S. graduate economic training.

Agricultural Credit

End FY 71 - Initiate long-term training for one Agricultural Credit man and one Banking Operations man. Complete short-term training for five agricultural credit supervisors. Organize directed credit program in three areas and approve loans to 500 farm families.

End FY 72 - Extend program to 3,000 additional families. Initiate long-term training for one Agricultural Credit man and one Banking Operations man. Complete short-term training for five agricultural credit supervisors.

End FY 73 - Extend program to 5,000 additional families. Complete short-term training for at least five agricultural credit technicians.

End FY 74 - Complete short-term training for at least five agricultural credit technicians.

Agricultural Research

End FY 71 - Obtain GOU commitment to a long-range National Research Organization and a coordinated National Research Plan, which includes an

implementation timetable and a plan to assure financing. A coordinated national fertilizer field trial program should be included in this Plan.

End FY 72 - Implement first year of the National Research Plan. Organize national information service for extension of agricultural and agriculturally related information.

End FY 73 - Implement a planned information effort coordinated with research results and with seasonal agricultural needs and activities.

VI. Course of Action

FY 71. Negotiate follow-on 10 million dollars agriculture sector loan and contract with U.S. university to provide technical assistance and training in agricultural economics to agriculture analysis and policy group. Limited short-term technical assistance in training in agricultural credit, adaptive research and extension, possible short-term technical assistance in meat inspection and livestock marketing. U.S. staff: Chief and Deputy Rural Development Officer, Agriculture Credit Advisor (previously funded), Uruguayan professional and secretarial support.

FY 72. Negotiate 10 million dollar agriculture sector loan. Continue agriculture research contract primarily for U.S. graduate training in agriculture economic short-term technical assistance and training in credit research and marketing. U.S. Staff: Same as in FY 71.

FY 73. Continue contract assistance and training in agriculture economy, credit and research.

FY 74. Continue to reduce contract assistance in agricultural economics.

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Table 1
Page 2 of 2 Exchange Rate $1= UP$250.- Project No. 528-55-130-041.2

Fiscal Years	AID-controlled Local Currency U.S. owned	AID-controlled Local Currency Country owned	Other Cash Contribution Cooperating Country	Other Donor Funds ($ Equiv.)
Prior through Act. FY 70		16,700 a/	350	29,900 b/
Oper. FY 71		4,424	200	19,970 c/
Budg. FY 72		9,100	200	18,070 d/
B + 1 FY 73		7,500	200	-
B + 2 FY 74		3,000	200	-
B + 3 FY				
All Subs.				
Total Life		40,724	1,150	67,940

a/ Represents CPT generated by AID Fertilizer and Ag Sector Loans
b/ Plan Agropecuario IBRD Loan $ (19.7 million)
IDB Dairy Industry Loan ($3.7 million)
UN Technical Assistance (est. $5.9 million)
OAS " " (est. $.6 million)
c/ Proposed IDB Packing Industry Loan ($13.0 million)
Proposed IBRD Plan Agropecuario Phase II ($6.3 million)
OAS TA (est. $.07 million)
d/ Proposed IDB Animal Sanitation Loan, Arroyo ($7.0 million), IBRD
Proposed Plan Agropecuario, Phase III ($15.0 million) OAS TA ($.07 million)

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USAID/Montevideo TOAID A- 148

Table 1
Page 1 of 2
COUNTRY: URUGUAY

NONCAPITAL PROJECT FUNDING (OBKIGATIONS in $,000)

Project Title: AGRIC. PRODUCTION & MARKETING

PROP Date: _____
Original X
Rev. No. _____
Proj. No. 598-55-130-041.2

Fiscal Years	Ap	L/G	Total	Cont	Personnel Serv. AID	Personnel Serv. PASA	Personnel Serv. CONT	Participants U.S. Agencies	Participants CONT	Commodities Dir U.S. Ag.	Commodities CONT	Other Costs Dir. & US Ag.	Other Costs CONT
Prior thru Act. FY70		G	1,058	(720)	78	3	596	39	-	201	-	17	124
Oper. FY71		G	489	(308)	113	-	308	56	-	-	-	12	-
Budg. FY72		G	540	(340)	105	-	340	80	-	-	-	15	-
B+1 FY73		G	582	(407)	79	-	407	80	-	-	-	16	-
B+2 FY 74		G	500	(367)	80	-	367	40	-	-	-	13	-
B+3 FY		-	-	-	-	-	-	-	-	-	-	-	-
All Subs.													
Total Life			3,169	(2142)	455	3	2,018	295	-	201	-	73	124