

THE EFFECT OF PRICE AND CREDIT  
POLICIES ON DOMINICAN REPUBLIC AGRICULTURE

By

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I. Introduction

The stagnation of Dominican Republic agriculture in the last 4 or 5 years has been discussed by the Dominican government as well as by international lenders such as the U.S. Agency for International Development (A.I.D.). Although the stagnation of Dominican agriculture (measured in terms of real gross domestic product) may have natural causes such as hurricanes, droughts, floods, diseases or infestations, government policies toward agriculture must also be examined to determine whether these policies may have contributed to the stagnation of production.<sup>1/</sup> The rate of growth in gross domestic product of the crop sector has been less than that of the livestock sector and both sectors have grown slower than the total Dominican economy (Table 1). The growth rate of the crop sector has been most disappointing with four years of negative growth from 1971 to 1980 including a stagnation of production since 1976.

The purpose of the present paper is to examine the impact of price, exchange rate and credit policies on the aggregate

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<sup>1/</sup>The stagnation of production is defined to be a rate of growth in real gross domestic product of less than 4 percent annually. This is the minimum required to keep pace with domestic food demand, given that the Dominican population is estimated to be growing at 3 percent annually and per capita incomes at one percent or more annually.

performance of Dominican agriculture during the 1970s. It will be argued that The Dominican Republic, not unlike many other developing countries, has pursued price, exchange rate and credit policies which have adversely affected the performance of the agricultural sector.

Agricultural price policy in developing countries is often based on a compromise between forces that argue for domestic self-sufficiency and hence high prices and those that argue for low prices to stimulate industrial processing of raw materials and to provide low cost food for urban, industrial workers. Such a compromise often tends to emphasize the level of nominal prices rather than "real" prices (that is, to adjust nominal prices for inflation), and this becomes particularly serious in an inflationary setting where prices are adjusted with a lag.<sup>2/</sup> Moreover, domestic prices are rarely compared to international prices, and when such comparisons are made, the appropriateness of the exchange rate is seldom considered. Government credit policies for the agricultural sector typically focus on preferential low interest rates and fail to recognize that credit is fungible and cannot easily be tied to particular activities. Moreover, in an inflationary setting such interest rate policies discourage banks from maintaining the real volume of agricultural lending while providing substantial income transfers to a relatively few credit recipients.

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<sup>2/</sup>In the present paper, nominal prices will be adjusted for inflation using the Gross Domestic Product (GDP) deflator.

The analysis in the present paper focuses on the behavior during the 1970s of fourteen of The Dominican Republic's principal agricultural products: rice, corn, sorghum, beans, pigeon peas, plantain, coffee, sugarcane, cocoa, tobacco, beef, milk, eggs and broilers. The following section relates the output performance for the products to their real (deflated) prices after discussing the various Dominican governmental institutions which control agricultural prices. The next section compares the prices of these products to international prices, that is, the prices of these products in the United States. International price comparisons are made at the official exchange rate and at a more appropriate exchange rate which takes into account the substantial over-valuation of the official rate. The next to the last section examines the real volume of bank credit by source of credit and discusses the problems of agricultural credit. The final section summarizes the main conclusions of the analysis for government price and interest rate policies.

## II. Agricultural Price Policy Institutions

Several government institutions play a major role in agricultural price policy. The Instituto de Estabilizacion de Precios (INESPRE), established by Law No. 526 in December of 1969, has the responsibility in Article 2 "to regulate the prices of agricultural products in the national market which in the judgment of INESPRES require such regulation using the process of demand and supply of these products." The key features of INESPRES

market intervention policies are the price support program which guarantees minimum purchase prices to farmers for a wide variety of basic food products (rice, sugar, red beans, black beans, corn, sorghum, garlic, potatoes, red onions, and yellow onions) and the monopoly control over imports and exports of food products which effectively protects the domestic market from the international market. To implement the price support program INESPRES buys directly from farmers through about 50 purchase agencies located throughout the country and it also buys from merchants for some products such as rice. In August of 1982, INESPRES's total storage capacity was about 1.4 million quintales for grain, 10,000 tons of edible oil storage and 12 cold storage facilities.<sup>3/</sup>

To maintain favorable and stable consumer prices, INESPRES sells most (95%) of the products to wholesalers and retailers and the remaining portion (about 5%) directly to low income consumers in the "Programa de Ventas Populares" through mobile stores and INESPRES stores. Because of high operating costs, management inefficiencies, and lack of adequate employee training, INESPRES has regularly depended upon substantial government subsidies to remain in operation.

To assist in the price control program, Law No. 13 of April 27, 1963 established the Direccion General de Control de Precios of the Secretaria de Estado de Industria y Comercio with broad authority to set maximum selling prices at the retail,

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<sup>3/</sup>One quintale is equal to 100 pounds.

wholesale and producer level for articles of primary necessity. This authority included nearly all food products and maximum selling prices were established for these products throughout much of the 1960s and 1970s. The maximum selling prices will cause decreasing real farm prices whenever the maximum selling price is adjusted upward by less than the inflation rate. However, by April of 1982 the actual number of food products subject to price controls had been reduced to edible oils, sugar, rice, wheat flour, pastas, bread, tomato paste, milk and broilers (Appendix Table 1). Because of the many problems associated with price controls, the move to eliminate such controls for food products is noteworthy.<sup>4/</sup>

Government institutes for selected export crops also make important contributions to agricultural price policy. The Consejo Estatal del Azucar (CEA) has vast control over the production, marketing and price policy for sugar in the export and domestic markets. Likewise, the Instituto de Cafe and the Instituto de Cacao make valuable contributions to coffee and cocoa price policy. Producer organizations and cooperatives also play an important role in agricultural price policy for major commodities such as coffee, sugar, cocoa, beef, dairy, and poultry.

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<sup>4/</sup>For a discussion of these problems, see "The Problems and Effects of Price Controls on Honduran Agriculture" by Donald W. Larson, ESO 929, Department of Agricultural Economics and Rural Sociology, The Ohio State University, Columbus, Ohio, April, 1982.

### III. Production and Real Farm Prices

In this section, changes in production and real farm prices (nominal farm prices adjusted by the GDP deflator) are analyzed for rice, corn, sorghum, beans, pigeon peas, coffee, cocoa, tobacco, sugarcane, plantain, beef, milk, eggs, and broilers from 1970 to 1981.

As might be expected, nominal prices for all 14 products have increased steadily from 1970 to 1981 primarily because of the general inflation in the economy (Tables 2 through 5). However, the real farm prices for 7 of the 14 products have decreased, in some cases substantially, during the 1970s (Table 6).

#### Basic Grains and Beans

The production-consumption balance for basic grains and beans is such that The Dominican Republic is a large importer (deficit producer) of basic grains. With the exception of 1979 and 1982, The Dominican Republic has been a deficit producer of rice (the staple of the Dominican diet) with domestic production equal to about 90 percent of consumption. Rice imports in 1981 were about 65,000 metric tons. Since The Dominican Republic does not produce wheat, it must import all the wheat for domestic consumption which averages about 160,000 metric tons annually. In the case of feed grains (corn and sorghum) imports have averaged about 180,000 metric tons annually because domestic production equals only one-third of consumption. The Dominican Republic is nearly self-sufficient in red and black bean production since it generally exports a small amount of

black beans and imports small amounts of red beans or pinto beans to meet domestic consumption needs. The Dominican Republic is self-sufficient in pigeon pea production.

Production of rice was quite dynamic during the 1970s, increasing at an average annual rate of almost 9.0 percent (Table 6). On the other hand, the real farm price of rice has decreased at an average annual rate of nearly 2 percent in this same period. At the end of the 1970s, the real farm price of rice was significantly below the price which prevailed at the beginning of the decade. Price controls in combination with INESPRES rice policy have been major factors contributing to these declining real farm prices of rice. Sorghum production has increased faster (an average annual rate of 18 percent) than the production of any of the other products studied. This rapid rate of growth in production has been achieved in part because of intensive government efforts to promote sorghum production as a substitute for imported corn. Despite this rapid growth in production, sorghum production is only about half as large as corn production (Table 7). Since sorghum is a relatively new crop, a published series of farm level prices is not available so the INESPRES support price was used as a substitute. Surprisingly, the deflated value of the support price has declined slightly from 1973 to 1980. Corn production has increased at a satisfactory rate of 4.7 percent annually; however, production declined steadily from 1977 to 1980 and then rebounded in 1981 (Table 7). The real farm price of corn increased at a

rate of 2.6 percent annually; substantially higher than the rate of 0.5 percent annually for the deflated value of wholesale corn prices in Santo Domingo. The latter price trend seems more consistent with prices of other basic grains.<sup>5/</sup>

Red bean production has increased rapidly (7.6 percent annually) in response to rapidly increasing prices (8.8 percent annually) at the farm level (Table 6). Because this rapid rate of increase in real farm prices looked unreasonably high, the rate of increase in the deflated wholesale price of red beans in Santo Domingo was also calculated (Table 6). The 2.9 percent annual rate of increase in the real wholesale price of red beans seems more reasonable than the rate of increase in farm prices. Pigeon pea production has stagnated and is currently below the production levels of the early 1970s. The real farm prices of pigeon peas have also declined during the 1970s.

#### Livestock Products

Among the livestock products (beef, milk, broilers and eggs) The Dominican Republic is a net exporter of beef, self-sufficient in eggs and imports varying amounts of milk products and broilers. Beef production has expanded at a satisfactory 5 percent annual rate with the benefit of increasing real farm prices (Table 6.) About 90 percent of beef production is destined for domestic consumption and 10 percent is exported; all exports of beef are to the U.S. Thus, farm prices are essentially determined by domestic market conditions.

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<sup>5/</sup>Larson and Vogel [1980] found a similar pattern of rapid expansion in rice and sorghum production and stagnant corn production in Costa Rica during the 1970s.

Milk production which has expanded at only a 2.7 percent annual rate has failed to keep pace with domestic demand that is likely growing at a 4 percent annual rate (Table 6). Part of the domestic milk production shortage has been satisfied by imports of powdered milk products which are reconstituted for sale as fluid milk in the domestic market. Another part of the production shortage is solved by rationing the limited milk supplies among all potential users. One of the causes of the stagnation of milk production is declining real farm prices. Milk producers who have suffered from declining real farm prices at the rate of 1.3 percent annually, have had no incentive to increase production. The maximum selling prices of milk and milk products of the Direccion General de Control de Precios have contributed to much of this decline in the real farm price of milk.

Broiler production, a success story in Dominican agriculture, has increased at a very high annual rate of 9.5 percent (Table 6). Egg production, increasing at a 5.5 percent annual rate has been less dynamic in the 1970s, in part because of declining real farm prices for eggs.

Broiler and egg prices are determined in large part by the domestic markets. Neither broilers nor eggs have been imported or exported in amounts large enough to significantly influence farm prices. The real farm price of broilers increased at a 1.4 percent annual rate while the real farm price of eggs decreased at a significant 3.4 percent annual rate in the 1970s

(Table 6). Modern production techniques among the few large vertically integrated firms which control 95 percent of the market may be the most important factor explaining the rapid growth in production even with declining farm prices for eggs.

#### Export Crops

The main export crops (sugar, coffee, cocoa and tobacco) accounted for 60 percent or more of The Dominican Republic's export earnings during most years of the 1970s. In many of those years sugar and sugar derivatives accounted for nearly 50 percent of all export earnings.

Domestic prices for the main export crops are determined by a combination of world market trends for these products and The Dominican Republic government policy which is carried out through various governmental and private organizations. The deflated farm price of sugarcane contains only a small increasing trend from 1970 through 1979 even though it fluctuated widely from year to year. The real farm price of sugarcane reached a peak in 1975 and by 1979 had decreased to less than one-third of that price (Table 10). Production of sugarcane has been stagnant throughout the 1970s and by the end of the decade sugarcane production was below that of the early 1970s. The outlook for improved sugar prices and production is generally poor because of the currently high inventories of sugar in world markets and because of a change in the demand for sweeteners in the U.S. market where corn sweetener consumption has increased very rapidly and currently accounts for nearly

40 percent of the U.S. sweetener market. Sugar exports reached a peak of 90 percent of production in 1973 and have declined to about 78 percent of production in recent years. Domestic sugar consumption, increasing at a fairly rapid 5 percent annually since 1970, has absorbed the additional sugar caused by the declining proportion of production that is exported (Table 12).

Output response in the coffee sector has been much better than that observed for sugarcane. Coffee production has increased at a 5.5 percent annual rate in response to real farm prices which increased at the very rapid rate of 18.5 percent annually (Table 6). Coffee production reached a peak in 1977, dropped markedly in 1978 and then rebounded to 1977 levels in 1979 and 1980 (Table 10). The real farm price of coffee increased steadily throughout the decade and then increased sharply in 1980.

Unlike prices and price policy for sugar and coffee, tobacco prices are determined by supply and demand in a competitive market. There is no price support program for tobacco and the government does not buy tobacco. Neither is there any government monopoly to control tobacco marketing. Tobacco marketing is in the hands of the private sector and dependent upon world markets since 80 percent or more of domestic production is exported. Tobacco production has expanded at the very rapid rate of 12 percent annually with real farm prices decreasing slightly from 1970 to 1980 (Table 6).

In contrast to tobacco production, the output performance of cocoa has been a failure. Cocoa production has declined at

about a 1.0 percent annual rate so that production was less at the end of the decade than at the beginning (Table 10). On the other hand, the real farm price of cocoa, increasing at a 23 percent annual rate, has fluctuated widely in the 1970s. The real farm price of cocoa increased four hundred percent from 1970 to 1977 and decreased to 60 percent of that peak price by 1980 (Table 10). The 1980 real farm price of cocoa was still more than double the level at the beginning of the 1970s. In spite of this strong increasing price trend, cocoa production remained stagnant in the 1970s.

#### Other Crops

Although plantain production decreased only slightly during the 1970s, production fluctuated widely in a couple of years. From 1970 to 1975 plantain production was stable; however, a drought in 1976 caused production to decrease by nearly 50 percent and to continue at that reduced level through 1980. Because of government incentives to increase production, plantain production rebounded in 1981 to a level about 80 percent as high as that at the beginning of the decade (Table 11). Plantain prices have increased rapidly during the 1970s whether one considers real farm prices or real wholesale prices. The real farm price of plantains has increased at a very high 30 percent annual rate while real wholesale prices in Santo Domingo for plantains increased at a 12 percent annual rate. Such different rates of increase between farm and wholesale prices cannot be possible and raise some questions of data inconsistency which

are beyond the scope of the present paper. Such issues merit further study and investigation because sound economic analysis requires a solid data base.

### III. International Price Comparisons

When the prices of agricultural products in The Dominican Republic are compared with the prices of these same products in other countries, and these comparisons are made at the official exchange rate for the Dominican peso, The Dominican Republic appears to be non-competitive in the production of many agricultural products. However, using the official Dominican exchange rate for such comparisons is inappropriate and misleading. Using the official exchange rate is not only likely to mislead government officials in setting price policies for the agricultural sector, but also directly affects agricultural output through incentives for producers. If, as is the case in The Dominican Republic, the official exchange rate is over-valued, then revenues received in domestic currency for export sales are accordingly reduced, so that the incentives for producers to export, or even to produce those products which might be exported, are thereby reduced. In addition, the over-valued exchange rate reduces the domestic currency cost of imported goods so that the incentives to import goods, even goods that substitute for local production, are greatly increased. The over-valued exchange rate becomes, in effect, a tax on export products and a subsidy for import products. When such distortions of incentives become large, balance of trade deficits become inevitable.

For more than 20 years the official exchange rate has been one Dominican Republic dollar per United States dollar while at the same time the Dominican government has permitted trading in an open market whose rate fluctuates daily. As can be seen in Table 13, the premium of the U.S. dollar in the open market averaged less than 10 percent throughout the 1960s. However, the premium increased steadily throughout the 1970s and reached nearly the 50 percent level by April of 1982. In September of 1982, the premium of the U.S. dollar in the open market was about 50 percent.

There are two separate reasons for this over-valuation of the Dominican peso as measured by the premium of the U.S. dollars in the open market. The first reason is based on traditional purchasing power parity arguments.<sup>5/</sup> This involves an analysis of the inflation rates of a country compared to a major trading partner. Inflation rates in The Dominican Republic which are higher than inflation rates in a major trading partner such as the U.S. will lead to an over-valuation of the fixed exchange rate. The consumer price index in Santo Domingo increased by 119.3 percent from 1969 to 1978 while the U.S. consumer price index increased by 78 percent in this same period which implies an over-valuation of about 25 percent in 1978. It is likely that since 1978, inflation in The Dominican Republic has increased at an even faster rate relative to the U.S. Furthermore, the Dominican peso was already selling at a

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<sup>6/</sup>See Officer [1976] for a discussion of these arguments.

premium to the U.S. dollar of about 10 percent in 1969. For these reasons a reliable measure of the over-valuation of the peso due to the purchasing power parity argument is the premium of the U.S. dollar in the open market.

The second reason results from the structure of protection. It is now widely recognized that the protection of import competing activities through tariffs and other trade barriers implies negative protection for export activities, in part because the domestic currency is valued higher via-a-vis foreign currencies than it otherwise would be.<sup>7/</sup> Tariffs and other barriers against imports reduce the demand for foreign exchange and thereby raise the value of the domestic currency. Estimates of over-valuation due to the structure of protection are based on comparing the existing exchange rate with estimates of what the exchange rate would be under a regime of free trade.<sup>8/</sup> This depends, in turn, on estimates of the elasticities of demand for imports and of supply and demand for exports together with the rate of tax (or subsidy) on exports and the rate of nominal protection for imports (including both tariffs and other trade barriers).<sup>9/</sup> The above reasons together

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<sup>7/</sup> See Balassa and Associates [1971] for a full discussion of effective protection and for estimates of effective protection for several developing countries including Brazil and Chile.

<sup>8/</sup> See Bacha and Taylor [1979].

<sup>9/</sup> Estimates of the over-valuation due to the structure of protection for Costa Rica based on data for 1978 were 20 percent which is quite modest compared to the estimates of Belassa and Associates of 27 percent for Brazil and 68 percent for Chile as of the mid-1960s. The structure of protection in The Dominican Republic is not likely to differ substantially from that in other Latin American countries.

with the premium of the U.S. dollar in the open market seem to indicate that it is not unreasonable to assume at least a 50 percent over-valuation of the Dominican peso in relation to the U.S. dollar in 1982.

When the official exchange rate is used to compare farm level prices in The Dominican Republic with those in the United States, one set of conclusions is reached about the competitiveness and efficiency of Dominican agriculture, but the conclusions are quite different when the over-valuation of the exchange rate is taken into account. As shown in Table 14, the ratio of Dominican farm level prices to U.S. farm level prices at the official exchange rate suggests that The Dominican Republic is more efficient than the United States only for beef and milk among the six commodities examined. However, when a 50 percent over-valuation of the official exchange rate is taken into account, The Dominican Republic is more efficient in five of the six commodities: rice, sorghum, beef, beans and milk.<sup>10/</sup> Such a dramatic change in the competitive position for these products indicates clearly that an over-valued exchange rate can introduce serious distortions in government price policies and can eliminate price incentives for producers of import substituting products or producers of actual or potential exports.

The price ratios of Table 14 clearly indicate that Dominican agricultural prices for these commodities are low relative to

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<sup>10/</sup> A price ratio of less than one indicates that The Dominican Republic is more efficient in the production of that product.

the U.S. farm prices and that Dominican agricultural prices could be increased for some of these products to provide greater incentives for local production of corn, sorghum, rice and even milk to substitute for imported products. The over-valued exchange rate subsidizes the imports of agricultural products which depress local prices and discourage domestic production.<sup>11/</sup> Price support agencies such as INESPRES who import food at the over-valued official exchange rate frequently receive a large financial benefit from these subsidized imports which can be resold in the local market at much higher prices. If such an agency needs additional financial resources in the short run, the incentive to increase imports and earn a profit may be quite strong.

When the differential between the official and market exchange rates become as large as that for The Dominican Republic, the difficulties of maintaining that differential may become insurmountable. Importer access to foreign exchange at the official rate becomes quite valuable and can lead to bribes and favoritism to gain access to that foreign exchange. Likewise, how does the government convince exporters to surrender their foreign exchange earnings to the government at the official exchange rate when they can get 50 percent more Dominican pesos at the market exchange rate.

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#### IV. Agricultural Credit

The agricultural credit system of The Dominican Republic consists of the formal and informal lenders. The formal lenders

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<sup>11/</sup> See Larson and Vogel [1980] for a discussion of this issue.

consist of thirteen commercial banks, the government owned Banco Agricola and seventeen financeiras (quasi-banks which avoid many government banking regulations). A variety of informal lenders such as agricultural product buyers, agricultural input suppliers, moneylenders, friends and relatives also serve as important sources of agricultural credit.

Among the formal lenders, the Banco Agricola is the main lender with about 55 percent of the value of new loans to the agricultural sector followed by the commercial banks with 30 percent and the financeiras with 15 percent (Table 15). Although the Banco Agricola is still the main source of funds, loans from the financeiras have increased much more rapidly than loans from either the Banco Agricola or the commercial banks (Table 15).

The amount of new loans approved for agriculture increased steadily from 1974 to 1979 in nominal terms and even increased by about 28 percent in 1970 Dominican Republic dollars. However, new loans approved will overstate the amount actually lent to agriculture because of the time lag between loan approval and amounts dispersed under the loan. If the time lag is large, the amount actually lent to agriculture in real terms may have declined from 1974 to 1979.

The most important attribute of Banco Agricola lending is the objective of serving the small and medium farmer with loans at low interest rates. Large commercial farmers who require large loans are supposed to obtain their financing from commer-

cial banks and financeiras at higher interest rates. With interest rates on the Banco Agricola loans set at 9 percent, the real interest rate (nominal interest rates adjusted for inflation) has been low or even negative in recent years. A frequently heard argument for these subsidized, low interest rates is that they improve the distribution of income and promote agricultural production in the face of other distortions which place the agricultural sector, and especially small farmers, at a disadvantage. With respect to the distribution of income argument, bank agricultural loans in many countries have been found to be highly concentrated in large loans to relatively wealthy farmers, a pattern likely to exist in the Dominican Republic and unlikely to improve the distribution of income.<sup>12/</sup> For example, Banco Agricola loans up to RD\$500 equalled nearly 54 percent of all loans and nearly 10 percent of the value of all loans in 1975 and only 14 percent and 2.4 percent, respectively, in 1981. Banco Agricola loans of RD\$20,000 or more equalled 0.5 percent of all loans and 20 percent of the value of all loans in 1975 and then increased to 3 percent and 43 percent, respectively, in 1981.

The relationship between agricultural credit and agricultural production is also unclear.<sup>13/</sup> As can be seen in Table 16, the nominal and real value of approved Banco Agricola loans

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<sup>12/</sup> See Vogel [1977] for a discussion of subsidized interest rates and income distribution in Costa Rica.

<sup>13/</sup> See Larson and Vogel [1980] for a discussion of this relationship in Costa Rica.

increased steadily from 1970 to 1980 and then decreased substantially (20 percent in nominal terms) in 1981. None of the products considered in this study had production decreases of that magnitude in 1981. Table 16 also shows that the proportion of Banco Agricola loans for the crop and livestock sectors has remained quite stable throughout the 1970s, even though the crop and livestock sectors performed quite differently in this period as shown in Table 1. The lack of data on amounts of money actually lent by product and year during the 1970s by the banking system precludes any closer examination of the relationship between agricultural credit and production in the Dominican Republic at the present time.

## V. Conclusions

Dominican Republic agriculture has tended to stagnate during the 1970s, especially the crop sector since 1976. Adverse government price and exchange rate policies have contributed significantly to this stagnation. Although nominal prices of all 14 agricultural products studied have increased in the 1970s converting to real prices using the deflator for gross domestic product reveals lower real prices for half of these products at the end of the decade than at the beginning or in mid-decade. Government price policies have either ignored the effects of inflation on agricultural price levels or have attempted to combat inflation through agricultural price controls, and these have been costly in terms of agricultural output foregone. The

basic grains (rice, corn and sorghum), beans and milk appear to have been most affected by these policies.

When the prices of agricultural products in The Dominican Republic are compared with the prices of these same products in other countries, and these comparisons are made at the official exchange rate for the Dominican peso, The Dominican Republic appears to be non-competitive in the production of many agricultural products. However, using the official Dominican exchange rate for such comparisons is inappropriate and misleading because of the substantial over-valuation of the Dominican peso which becomes a tax on export products and a subsidy on import products. When a 50 percent over-valuation of the official exchange rate is taken into account, Dominican producers are shown to be efficient and competitive in several products which are not currently being exported or are even being imported. In fact, the price ratios indicate that Dominican agricultural prices are low relative to U.S. farm prices and that Dominican agricultural prices could be increased for corn, sorghum, rice and milk to provide greater incentives for local production. The over-valued exchange rate introduces another bias toward food imports because price support agencies such as INESPRES who import food at the official exchange rate receive a large financial benefit from the subsidized imports. If such an agency needs additional financial resources in the short run, the incentive to increase imports and earn a profit may be quite strong.

Government credit policies of subsidized low interest rates on bank agricultural loans, especially for small and medium farmers have done little or nothing to offset the adverse effects of price and exchange rate policies. The relationship between agricultural credit and agricultural production is unclear. In addition, the subsidized, low interest rates have led to an increased concentration toward large borrowers among the loans approved by the Banco Agricola (the main agricultural lender) during the late 1970s.

CUADRO 1

Tasa de Crecimiento del Producto Bruto Interno de la Economía Total y  
los Sectores de Agricultura y Pecuaria República Dominicana, 1971-80

Año	Tasa de Crecimiento del Producto Bruto Interno en Precios de 1970		
	Agricultura (%)	Pecuaria (%)	Economía Total (%)
1971	6.6	6.0	8.4
1972	-1.2	5.3	12.3
1973	13.8	3.8	12.2
1974	0.1	-0.6	7.4
1975	-5.8	5.6	5.1
1976	9.1	4.1	6.7
1977	-0.2	7.2	5.0
1978	2.6	8.4	2.1
1979	-2.0	3.0	4.7
1980	3.0	7.5	5.8
1981			

Source: Banco Central de la República Dominicana,  
Departamento de Estudios Económicos.

Cuadro 2

Precios Promedios Corrientes Pagados en Finca Para Granos,  
Republica Dominicana, 1970-80

Año	Precios Promedios Corrientes en Finca Para		
	Arroz	Maiz	Sorgo
	- - - RD\$ per tonelada metrica - - -		
1970	158	76	N.D.
1971	158	76	N.D.
1972	152	81	N.D.
1973	182	110	94
1974	232	105	94
1975	253	146	94
1976	248	119	110
1977	269	127	132
1978	276	119	143
1979	242	154	143
1980	282	198	172

N.D. significa informacion No Disponible.

Fuente: Banco Central de la Republica Dominicana, Departamento de Estudios Economicos.

Cuadro 3

Precios Promedios Corrientes Pagados en Finca Para Cultivos Seleccionadas, Republica Dominicana, 1970-81

Año	Precios Promedios Corrientes en Finca Para		
	Habichuelas Rojas	Guandules	Platanos
	RD\$/TM		RD\$/000 unidades
1970	270.0	189.8	6.39
1971	275.6	198.0	5.56
1972	298.8	233.5	6.95
1973	422.7	245.7	12.50
1974	452.2	278.1	14.17
1975	797.4	318.2	34.80
1976	565.1	343.2	26.00
1977	788.9	387.1	36.80
1978	731.2	400.8	28.00
1979	683.4	308.7	50.00
1980	1,029.5	388.1	84.00

Fuente: Banco Central de la Republica Dominicana, Departamento de Estudios Economicos.

Cuadro 4

Precios Promedios Corrientes Pagados en Finca Para Cultivos De Exportacion, Republica Dominicana, 1970-18

Año	Precios Promedios Corrientes en Finca Para			
	Cafe	Cana de Azucar	Cacao	Tobaco
	- - - - - RD\$ per tonelada metrica - - - - -			
1970	250.7	6.77	443.0	643.2
1971	270.9	6.77	374.0	682.2
1972	295.3	7.72	396.0	713.7
1973	346.7	8.49	671.0	772.9
1974	388.7	14.42	1,327.0	750.3
1975	426.1	21.93	902.0	788.8
1976	734.8	12.89	1,548.0	602.3
1977	1,277.0	9.47	2,896.0	933.3
1978	1,091.4	10.00	2,456.0	505.2
1979	1,376.1	9.48	2,116.4	661.4
1980	2,498.3	N.D.	2,116.4	1,016.3

N.D. Significa informacion No Disponible.

Fuente: Banco Central de la Republica Dominicana, Departamento de Estudios Economicos.

Cuadro 5

Precios Promedios Corrientes Pagados en Finca Para Productos Pecuarios, Republica Dominicana 1970-80

Año	Precios Promedios Corrientes en Finca Para			
	Leche RD\$/000 lt	Pollos RD\$/TM	Huevos RD\$/000 Unidada	Carne de Res RD\$/TM
1970	142.8	1,203	46.7	632
1971	154.6	1,291	39.1	678
1972	154.5	1,348	40.6	708
1973	165.5	1,606	42.9	844
1974	188.4	1,791	53.7	941
1975	219.9	1,808	52.1	950
1976	230.9	1,804	48.3	948
1977	237.6	1,823	58.2	958
1978	237.6	1,974	56.7	1,037
1979	281.8	2,542	61.3	1,335
1980	281.8	3,050	73.7	N.D.

N.D. significa informacion No Disponible.

Fuente: Banco Central de la Republica Dominicana, Departamento de Estudios Economicos.

CUADRO 6

La Tasa Anual Promedio de Crecimiento de la Producción  
y Precios Reales en Finca de Productos Seleccionados  
República Dominicana, 1971-1981

Producto	Producción (%)	Precios en Finca (%)	Precio de Mayorista
Leche	2.72	-1.29	
Pollos	9.54	1.38	
Huevos	5.54	-3.39	
Arroz	8.99	-1.94	
Maíz	4.67	2.64	0.55
Sorgo	18.36	-0.87 <u>a/</u>	
Habichuelas Rojas	7.60	8.81	2.97
Guandules	2.14	-0.36	
Café	5.51	18.56	
Plátanos	-0.05	29.88	12.3
Cacao	-0.99	23.45	
Tabaco	12.02	-0.03	
Carne de Res	5.15	1.5	
Azúcar	-0.10	0.7	

a/ Incluye la tasa de crecimiento de los precios reales de sustentación de 1973 hasta 1980.

Fuente: Calculado.

CUADRO 7

Producción y Precios Reales para Granos Básicos  
República Dominicana, 1970-1981 <sup>a/</sup>

Año Calendario	P r o d u c t o s					
	Arroz en Cáscara		Maíz		Sorgo	
	Producción (TM)	En Finca (RD\$/Ton)	Producción (TM)	En Finca (RD\$/Ton)	Producción (TM)	En Finca <sup>b/</sup> (RD\$/Ton)
1970	210,000	158	45,000	76	N.D.	N.D.
1971	212,000	156	49,000	75	6,752	N.D.
1972	214,000	139	50,000	74	5,421	N.D.
1973	373,242	159	46,600	96	9,040	83
1974	259,446	173	48,800	78	15,000	71
1975	218,611	175	46,122	101	16,071	66
1976	312,228	153	66,621	73	17,277	69
1977	308,041	150	65,488	71	17,411	75
1978	351,000	153	49,342	66	18,080	81
1979	376,000	120	48,068	76	22,321	72
1980	397,000	123	45,760	86	24,687	76
1981	400,460	N.D.	62,896	N.D.	33,585	N.D.

<sup>a/</sup> Precios corrientes en finca deflacionados por el índice deflator del Producto Bruto Interno con el año base de 1970.

<sup>b/</sup> Precio real de sustentación de INESPRES.

N.D. significa información No Disponible.

Fuente: Banco Central de la República Dominicana, Departamento de Estudios Económicos y Comité Interinstitucional del Sistema de Información Estadística del Sector Agropecuario.

CUADRO 8

Producción y Precios Reales para Habichuelas  
República Dominicana, 1970-1981 <sup>a/</sup>

Año Calendario	P r o d u c t o s					
	Habichuela Roja		Habichuela Negra <sup>b/</sup>		Guandules	
	Producción (TM)	En Finca (RD\$/Ton)	Producción (TM)	En Finca (RD\$/Ton)	Producción (TM)	En Finca (RD\$/Ton)
1970	25,000	270	N.D.	N.D.	25,000	189
1971	28,000	272	N.D.	N.D.	26,000	196
1972	30,000	273	N.D.	N.D.	27,000	195
1973	33,800	370	N.D.	N.D.	27,016	215
1974	43,730	336	N.D.	N.D.	28,369	207
1975	35,709	553	N.D.	N.D.	29,454	221
1976	36,735	349	N.D.	N.D.	14,512	212
1977	35,873	441	4,866	N.D.	15,465	216
1978	41,542	405	3,522	N.D.	16,553	222
1979	45,676	339	11,651	N.D.	14,694	153
1980	51,502	448	11,295	N.D.	18,454	169
1981	52,387	N.D.	N.D.	N.D.	24,008	N.D.

<sup>a/</sup> Precios corrientes deflacionados con el índice deflator del Producto Bruto Interno con el año base de 1970.

<sup>b/</sup> La producción está incluida con la producción de habichuela roja.

N.D. significa información No Disponible.

Fuente: Banco Central de la República Dominicana, Departamento de Estudios Económicos.

CUADRO 9

Producción y Precios Reales para Leche, Pollos y Huevos  
República Dominicana, 1970-1981 <sup>a/</sup>

Año Calendario	P r o d u c t o s					
	Leche		Pollos		Huevos	
	Producción (000 ltr)	En Finca (RD\$/000 lt)	Producción (TM)	En Finca (RD\$/Ton)	Producción (000 Uni.)	En Finca (RD\$/000 Uni.)
1970	329,557	143	28,337	1,203	199,483	47
1971	338,240	152	29,600	1,276	208,454	39
1972	348,208	141	30,918	1,233	217,806	37
1973	358,469	145	32,288	1,406	227,549	37
1974	369,033	140	29,714	1,334	237,698	40
1975	353,519	153	38,633	1,255	248,263	36
1976	371,190	143	39,039	1,115	259,260	30
1977	382,514	133	45,000	1,019	265,368	32
1978	393,489	132	50,630	1,094	282,735	31
1979	409,191	140	50,135	1,261	294,411	30
1980	431,287	123	58,379	1,330	319,394	32
1981	443,794	N.D.	72,592	N.D.	359,706	N.D.

<sup>a/</sup> Precios corrientes deflacionados con el índice deflator del Producto Bruto Interno con el año base de 1970.

N.D. significa información No Disponible.

Fuente: Banco Central de la República Dominicana, Departamento de Estudios Económicos.

CUADRO 10

Producción y Precios Reales para Cultivos de Exportación  
República Dominicana, 1970-1981 a/

Año Calendario	P r o d u c t o s							
	Café		Cana de Azúcar		Cacao		Tabaco	
	Producción (TM)	En Finca (RD\$/Ton)	Producción (000 TM)	En Finca (RD\$/Ton)	Producción (TM)	En Finca (RD\$/Ton)	Producción (TM)	En Finca (RD\$/Ton)
1970	70,630	251	8,654	6.77	37,924	443	22,319	643
1971	87,192	268	9,973	6.68	32,470	369	22,818	674
1972	96,128	270	9,831	7.06	36,093	362	26,110	652
1973	117,364	304	10,091	7.43	35,900	587	43,618	677
1974	108,622	289	10,130	10.73	38,300	988	33,658	558
1975	103,710	296	9,337	15.21	30,909	626	34,622	547
1976	113,994	454	10,932	7.96	33,100	957	45,385	372
1977	120,416	714	11,091	5.29	34,474	1,619	34,918	521
1978	86,810	604	11,093	6.09	36,960	1,361	54,203	280
1979	120,782	678	10,304	4.70	35,916	1,050	44,562	328
1980	120,182	1,089	9,057	N.D.	28,481	923	52,043	443
1981	109,660	N.D.	9,629	N.D.	31,818	N.D.	55,894	N.D.

a/ Precios corrientes deflacionados con el índice deflator del Producto Bruto Interno con el año base de 1970.

N.D. significa información No Disponible.

Fuente: Banco Central de la República Dominicana, Departamento de Estudios Económicos.

CUADRO 11

Producción y Precios Reales para Carne de Res y Platano  
República Dominicana, 1970-1981

Año Calendario	Carne de Res		Platano	
	Matanza Total (TM)	En Finca (RD\$/Ton)	Producción (Millones)	En Finca (RD\$/000)
1970	32,000	632	1,611	6
1971	34,000	670	1,653	5
1972	37,000	648	1,613	6
1973	38,618	739	1,607	11
1974	39,339	700	1,687	10
1975	36,630	659	1,545	24
1976	40,274	585	830	16
1977	41,700	535	840	20
1978	43,886	574	868	15
1979	44,191	662	919	25
1980	49,188	N.D.	868	37
1981	54,875	N.D.	1,256	N.D.

N.D. significa información No Disponible.

Fuente: Banco Central de la República Dominicana, División Agrícola e Industrial, y República Dominicana en Cifras. Varios años. Oficina Nacional de Estadística.

CUADRO 12

Producción, Exportaciones y Consumo Interno del Azúcar  
República Dominicana, 1970-1981

Año Calendario	Producción (000 TM)	Exportaciones (000 TM)	Exportaciones/ Producción (%)	Consumo Interno (TM)
1970	984.5	769.7	78.2	120,680
1971	1,098.2	981.7	89.4	132,316
1972	1,139.0	1,108.1	97.3	141,427
1973	1,142.9	1,038.4	90.9	151,285
1974	1,194.1	1,024.2	85.8	166,964
1975	1,135.6	946.9	83.4	161,196
1976	1,249.5	969.8	77.6	162,078
1977	1,221.7	1,084.1	88.7	171,392
1978	1,164.0	909.4	78.1	176,763
1979	1,166.4	1,004.8	86.1	185,285
1980	1,012.6	792.7	78.3	208,536
1981	1,107.6	864.0	78.0	206,309

Fuente: Boletín Estadístico INAZUCAR.

CUADRO 13

Premio del Dolar en el Mercado Extrabancario en la Ciudad de Santo Domingo 1979-82

1960's	Premio <sup>a/</sup> (%)	1970's	Premio <sup>a/</sup> (%)	1980's	Premio <sup>a/</sup> (%)
1960	5.0	1970	14.7	1980	26.2
1961	12.0	1971	14.0	1981	28.4
1962	8.0	1972	11.9	1982	
1963	11.0	1973	13.2	January	34.5
1964	10.0	1974	14.0	April	47.6
1965	5.0	1975	18.0		
1966	8.5	1976	19.9		
1967	10.0	1977	22.0		
1968	11.0	1978	25.2		
1969	10.0	1979	22.5		

Source: Banco Central, Boletin Mensual, various issues (1975-1982); Academia de Ciencias de la Republica Dominicana, Economia Dominicana 1976, 1977; pp. 292 (1960-1974), graph.

<sup>a/</sup> Promedio mensual calculado en base a cinco días por semana

CUADRO 14

Una comparacion de los precios en finca en la Republica Dominicana y los Estados Unidos a la tasa de cambio oficial y a una tasa ajustada del 50% para la supervvalorizacion del Peso de la Republica Dominicana

Producto	<u>Precio Medio en Finca</u> <u>de la República Dominicana</u> RD \$/T.M.	<u>Relación del Precio Dominicano</u> <u>al precio de los Estados Unidos</u>	
		Tasa oficial RD\$ 1.00 per U.S. \$	Tasa ajustada del 50% RD \$ 1.50 per U.S. \$
Arroz en cáscara			
1980	282	1.07	0.71
Maíz			
1980	198	1.53	1.02
Sorgo			
1980	175	1.47	0.98
Carne de Res			
1979	1335	0.64	0.42
Dry edible beans			
1979	683	1.36	0.91
Leche <sup>a/</sup>			
1980	282	0.96	0.64

Fuente: Banco Central de la República Dominicana y U.S. Department of Agriculture, "Agricultural Statistics

<sup>a/</sup> El precio de la leche es RD\$ por miles de litros.

CUADRO 15

Créditos Otorgados al Sector Agropecuario  
por los Diferentes Intermediarios Financieros  
-1974 - Junio 1980-  
(En Millones de RD\$)

Años	Bancos Co- merciales <u>1/</u>	Banco Agrícola	Sociedades Financieras	Total General
1974	68.3	76.6	3.0	147.9
1975	79.2	84.7	17.3	181.2
1976	77.4	90.4	18.1	185.9
1977	89.7	106.0	26.3	222.0
1978	80.8	115.9	28.1	224.8
1979	85.9	158.6	39.6	284.1
Junio 1980	89.4	195.3	39.9	324.6

FUENTE: Boletín Mensual (Julio/80) Banco Central,  
Departamento Financiero,  
División de Encaje Legal.

1/ Incluye compra de valores agropecuarios.

CUADRO 16

Banco Agrícola de la República Dominicana Valor de los Prestamos Formalizados al Sector Agropecuario, 1970 - 1981

	Proporción Para el Sector			Valor de los Prestamos Formalizados <sup>a/</sup>	
	Agrícola	Pecuario	Otros	Total	Total Deflacionado en RD\$ de 1970
	----- Por ciento -----			----- Miles de RD\$ -----	
0	77.7	17.1	5.2	29,246.3	29,246.3
1	76.0	16.6	7.4	30,103.4	29,746.4
2	76.7	17.1	6.2	31,465.4	28,788.1
3	73.2	20.7	6.1	43,354.1	37,963.3
4	74.1	19.5	6.4	68,010.0	50,640.3
5	72.2	24.6	3.2	78,034.4	54,152.9
6	78.5	19.3	2.2	81,480.8	50,358.9
7	80.0	17.7	2.3	83,501.2	46,674.8
8	81.4	15.7	2.9	111,906.9	61,998.3
9	76.1	16.5	7.4	164,288.2	81,532.6
0	78.9	14.8	6.3	188,736.1	82,309.7
1	76.4	17.2	6.4	149,347.1	N.D.

El valor de los prestamos formalizados no es igual al monto de dinero desembolsado durante el año. El valor de los prestamos formalizados es mas grande que el valor del dinero desembolsado.

fuente: Banco Agrícola de la República Dominicana

APENDICE NO. 1. - Lista de Precios Oficiales de los Principales Artículos de Primera Necesidad al 20 de Abril de 1982

ARTICULO	PRECIO (RD\$)
<u>ACEITE DE MANI:</u>	
1 botella, peso neto al detalle.....	1.00
1 botella, envase plástico de 2 libras.....	2.43
1 botella, envase plástico de 1 libra.....	1.26
1 botella de 1 1/4 libra, peso neto (tipo botella grande de cerveza).....	1.25
1 galón, envase plástico de 7 1/2 libras	8.26
<u>ACEITE DE SOYA:</u>	
1 libra, peso neto al detalle.....	0.74
1 botella de 1 1/4 libra, peso neto (tipo botella grande de cerveza).....	0.92
<u>AZUCAR:</u>	
1 libra azúcar crema.....	0.15
1 libra azúcar refino.....	0.26
Saquito azúcar refino (5 libras).....	1.30
<u>CEMENTO:</u>	
Cemento gris tipo Portland Colón (funda), en Santo Domingo...	4.00
Cemento gris tipo Portland Titán (funda), en Santo Domingo...	4.15
Cemento gris tipo Portland Cibao (funda), en Santo Domingo...	4.28
<u>CUADERNOS:</u>	
De 36 páginas.....	0.07
De 72 páginas.....	0.14
De 100 páginas.....	0.17
<u>GAS PROPANO:</u>	
Cilindro de 25 libras.....	5.80
Cilindro de 30 libras.....	7.00
Cilindro de 50 libras.....	11.50
Cilindro de 100 libras.....	22.85
Gas Kerosene, botella de 700 cc.....	0.20
<u>ARROZ (Libra)</u>	0.32
<u>HARINA DE TRIGO:</u>	
Harina Ozama y Ozama G. (libra).....	0.20

APENDICE NO. 1. - (Continuado)

ARTICULO	PRECIO (RD\$)
Harina Molinero (libra).....	0.21
Harina Primavera (libra).....	0.21
Harina Blanquita, funda de 2 libras.....	0.78
<u>SAL EN GRANO</u> (libra).....	0.07
<u>PASTAS ALIMENTICIAS:</u>	
Espagueti, macarrones, coditos de 1 libra (caja).....	0.48
Canelones de 1 libra.....	0.42
Espaguetis, macarrones, coditos, fideos de 1 libra.....	0.40
Canelones (funda de 12 onzas).....	0.51
Espaguetis, macarrones, coditos, fideos, canelones 1/2 Lb..	0.24
<u>PAN:</u>	
Pan de brilla, de agua, unidad.....	0.04
Pan sobado, unidad.....	0.04
<u>PASTA DE TOMATES:</u>	
Lata de 7.2 libras (1 galón).....	4.51
Lata de 1 kilo.....	1.29
Lata de 1 1/2 kilo.....	0.66
Lata de 8 onzas.....	0.37
<u>LECHE:</u>	
Leche cruda (cuartillo 946 cc).....	0.30
Pasteurizada en envase de cartón (cuartillo de 946 cc).....	0.45
Pasteurizada reconstruida (cuartillo de 946 cc).....	0.30
Condensada Nestlé de 412 grs.....	0.70
Condensada Nestlé de 190 grs.....	0.37
Triangulito de Nestlé.....	0.09
En polvo Nido de 1500 grs.....	7.30
En polvo Nido de 454 grs.....	2.28
Evaporada Carnation de 330 grs.....	0.54
Evaporada Carnation de 150 grs.....	0.30
<u>POLI.OS:</u>	
Vivo, libra.....	0.46
Congelado, libra.....	0.64

APENDICE NO. 1. - (Continuado)

ARTICULO	PRECIO (RD\$)
<u>ZINC:</u>	
Plancha Calibre:	
35.....	3.80
30.....	4.90
28.....	5.75
26.....	6.25
24.....	7.50
22.....	8.25
20.....	8.75
<u>CLAVOS:</u>	
Clavos para zinc, libra.....	0.90
Clavos corrientes, libra.....	0.42

FUENTE: Dirección General de Control de Precios.

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