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FINAL REPORT

AID Contract csd-3283  
with North Carolina State University  
entitled  
Agricultural Diversification and Trade in Latin America

R. L. Simmons, Principal Investigator

Contract Period: July 1, 1971 to May 31, 1972

Period Covered by Report: July 1, 1971 to May 31, 1972

Total Funding: \$50,000

Total Expenditures: \$49,956.47 (see Attachment A for breakdown by categories)

I. Objectives of Work:

A. General Objective:

As stated in the contract document, the general objective was to provide a feasibility study for a specific research project in agricultural diversification and trade in Latin America, to develop specific collaborative effort and coordinated work plans for host-country counterparts, and to enlist local host-country support for said project.

B. Specific Objectives:

As stated in the contract document, specific objectives were to:

- (1) develop a cooperative research project with host-country institutions and design adequately detailed workplans and budgets.
- (2) visit with professional agricultural economists in at least four countries to discuss possible collaborative research and sources for funding for in-country research.
- (3) hold a workshop for participants in (1) above to cooperatively specify work responsibilities and methodologies.
- (4) enter into a sub-contract with the East West Center, University of Hawaii, using approximately \$25,000 of the funds. The sub-contract would be made for the purpose of: (a) attempting to identify Asian professionals potentially interested in collaborative research; (b) organize a workshop in Asia to develop a specific research project. East West Center was also charged with the responsibility of coordinating this work with

a "planning group" consisting of the project monitor in TAB and the research directors for the North Carolina and ERS contracts on agricultural diversification with TAB. The idea was that East West Center would develop and coordinate a research project in Asia similar to the one developed in Latin America by North Carolina State University.

A narrative report of East West Center's activities under the sub-contract is included in a separate section.

I. Narrative Report:

List of Trips Taken by Project Director

During the course of this contract the Project Director made the following trips to Latin America:

- (1) August 1-28, 1971 to Mexico, Brazil, Argentina, Peru, Colombia and Costa Rica.
- (2) September 28 to October 17, 1971 to Costa Rica, Nicaragua, El Salvador, Guatemala and Mexico.
- (3) November 29 to December 5, 1971 to Guatemala and Mexico.
- (4) February 14 to February 24, 1972 to Honduras, Nicaragua, Guatemala and Mexico.
- (5) March 19 to March 25, 1972 to Guatemala and Mexico.
- (6) May 24 to May 31, 1972 to El Salvador, Guatemala and Mexico.

A. Results of August 1 - August 28, 1971 Trip

Considerable interest in collaborative research and an acceptable level of research capability was encountered in Brazil, Peru, Colombia and Mexico. Beef was considered the commodity of highest priority. It seemed obvious that a highly useful research project on beef trade could have been developed with participation by all four countries. However, such a project was not pursued because of extreme reluctance of AID mission personnel in Brazil, Colombia and Costa Rica to encourage such an activity. Reluctance was due in part to the feeling that beef production should not be encouraged because it was a large-scale, capital-intensive enterprise. A lack of understanding of economic research and a feeling that research would produce information contradictory to existing program emphasis were also factors.

Efforts to develop a cooperative research activity in South America were postponed and attention was shifted to the possibility of developing a research project on vegetable exports from Central America.

B. Results of Trip Taken to Central America September 28 to October 17, 1971

A visit was made to Costa Rica, Nicaragua, El Salvador, Guatemala and Mexico during the period September 28 to October 17, 1971 to assess the feasibility of a research project on horticultural exports.

1. Costa Rica

Discussions were held with the University of Costa Rica and the economics section of the Ministry of Agriculture. The University of Costa Rica did not seem to have adequate research capability or financial resources for viable participation in the project proposed. Discussions were held with members of the Institute for Economic Research at the University, and although there was interest in participating, it was clear that outside financial support would be necessary. It was not clear where financial support would be obtained.

Discussions were also held with the economics section of the Ministry of Agriculture. However, this section had a distinct lack of economic research capability and no budget resources to employ additional resources. Hence, despite a considerable interest in horticultural exports, collaboration was not developed in Costa Rica.

2. Nicaragua

Preliminary discussion with Agricultural Officers in AID-Nicaragua indicated a lack of interest in research on horticultural products and a belief that research capability in the Ministry was inadequate in any case. As a commodity focus, beef would have had more interest, but beef had been dismissed from consideration after the experience of visiting other countries.

3. Guatemala

The Agricultural Development Officer in AID-Guatemala had received the Project Director's prior communications about possible research on horticultural exports and had already encountered considerable interest in discussions with Guatemalan counterparts. Consequently, upon the arrival of the Project Director in Guatemala, strong positive encouragement was received from the AID mission and from the Guatemalan counterparts. Enthusiastic encouragement from the Agricultural Officer and ready agreement from INDECA (a viable Guatemalan organization capable of research) to cooperate in the project ensured at least a starting point in developing the project.

Discussions were also held with ICAITI, a Central American research organization, and the Central Bank economics research group but the participation of neither seemed feasible. ICAITI

required project support, which was not forthcoming, and the Central Bank did not seem to be able to understand the objectives of such a research program.

4. El Salvador

The experience of Guatemala was repeated in San Salvador. Encouragement from the AID mission and enthusiastic response from the Direccion General de Economia Agricola combined to ensure that participation from El Salvador would be forthcoming.

5. Mexico

Participants in both Guatemala and El Salvador pointed out that their principle competitor in the export of horticultural products was Mexico, and that a research project which did not include consideration of the largest producer-exporter would be meaningless. Hence, the project director re-visited Mexico to secure the cooperation of Chapingo and the Direccion General de Economia Agricola, two organizations which had previously expressed strong interest in a cooperative research program.

Summary of the September 28 - October 17, 1971 Trip

The position of horticultural export commodities is high in priority in El Salvador and Guatemala. Recent loan documents in both countries emphasized the potential importance of these products. The encouragement from AID-Guatemala and AID-El Salvador and the enthusiasm of host-country institutions to participate in a cooperative research program to evaluate and provide guidelines for the development of these industries, were the essential ingredients in enabling the formulation of a cooperative research project.

C. Results of November 29 to December 5, 1971 Trip to Guatemala and Mexico

Although the trip immediately preceding this one was successful in obtaining concrete agreement on the participation of Guatemala and El Salvador, a further visit was necessary to work out individual details about selection of graduate students to receive fellowships and the initial emphasis of the work. Additional discussions enabled a tentative division of the work into stages so that positive accomplishments could be produced in the first year of the program. It was also decided to place initial emphasis on cucumbers, green peppers and melons since recent experience in Guatemala and El Salvador dealt with these commodities.

A re-visit to El Salvador was not possible at this time because participants were heavily involved in high-priority short-term tasks.

D. Results of February 14 to February 24, 1972 Trip to Honduras, Nicaragua, Guatemala and Mexico

At the suggestion of individuals in the Latin American Bureau, a visit was made to Honduras to determine if collaboration could be developed there. The rural development officer in AID-Honduras suggested contacting the Crop Diversification Section of the Ministry of Agriculture and the National Agricultural Development Bank (Banco Nacional de Fomento). The Ministry seemed more interested in implementing existing programs than in involving itself in additional research. The Bank did not have a section devoted to long-term research and was not able to put together a team of economists to work on the project. Hence, Honduran participation did not seem feasible at that time.

A visit to Nicaragua was made for the purpose of coordinating with a project underway by the Harvard Business School to evaluate the problems of horticultural exports. A discussion with James Austin of the Harvard team was held to determine possible means of coordinating the two projects.

Additional visits to Guatemala and Mexico were necessary to further plan details for the collaborative work plan.

E. Results of the March 19 to March 25, 1972 Trip to Guatemala and Mexico

The Project Director felt it advisable to visit production areas in Guatemala and Mexico to gain personal knowledge of production and marketing conditions. Such personal knowledge, it was felt, would provide a sounder basis for more effective coordination of the project. The harvest season was in its last stages as visits were made to La Fragua, San Geronimo and Las Monjas in Guatemala and Sinaloa in Mexico.

F. Results of May 24 to May 31, 1972 Trip to El Salvador, Guatemala and Mexico.

This was the first visit to El Salvador since their initial agreement to participate. (Elections in El Salvador precluded visits in February and March.) During this visit, a more concrete idea was developed as to how the Direccion General de Economia Agricola would participate and who would be in charge of the work there. Also, a visit to a potential vegetable production area was made.

During the visit to Guatemala arrangements were made to schedule the first workshop for all participants in Antigua, Guatemala.

III. Presentation of Feasibility Report to AID

The objectives of this contract were to develop a specific research project on agricultural diversification and trade with host-country participation in two or more countries in Latin America. A research project designed to evaluate export potential of horticultural products from Guatemala and El Salvador was developed.

Participating host-country institutions lending formal support and collaboration are the Instituto de Comercializacion Agricola (INDECA) in Guatemala, and the Direccion General de Economia Agricola of the Ministerio de Agricultura y Ganaderia in El Salvador.

The research proposal was accepted by TAB/AGF and funded under Contract AID-csd-3632 between AID and North Carolina State University, giving NCSU the responsibility of directing and coordinating the research under this project.

IV. Sub-contract Between North Carolina State University and East West Center, University of Hawaii

With authorization to commence on July 1, 1971, funds were received by the East West Center on September 10, 1971.

A bibliography on Agricultural Diversification, with special reference to Thailand was prepared in draft form. It contains 105 pages, with approximately 1500 entries organized under 31 categories.

Three research planning workshop meetings were held in Bangkok, Thailand with representatives of Kasetsart University, Thammasat University, the Rice Department, the Department of Land Development, and other interested agencies. These meetings were held in October 1971, February 1972 and April 1972. An extensive consulting trip on the United States mainland was conducted during the period April to May, 1972. As a result of these consultations, a final draft research proposal was completed and submitted to the Technical Assistance Bureau of AID in May 1972. Included in the Appendix to the proposal is a listing of the agencies whose representative participated in the planning meetings and consultations.

Five coordination meetings were participated in at the offices of AID with representatives of the Economic Research Service (USDA), North Carolina State University, and the Technical Assistance Bureau (USAID). The dates of these meetings were May 11, 1971, July 1, 1971, October 22, 1971, January 14, 1972 and May 30, 1972.

Attachment A: Expenditures under AID-csd-3283

I	Salaries	\$15,886.40
II	Consultants	0
III	Fringe Benefits (payroll costs)	1,137.70
IV	Overhead	7,315.70
V	Travel and transportation	5,431.35
VI	Allowances	0
VII	Other Direct costs	185.32
X	Subcontract.	<u>20,000.00</u>
		\$49,956.47

Note: As of May 31, 1972, the date of termination of the subcontract with East West Center, a total of \$17,898.30 was reported as expended by East West Center out of the \$20,000 advanced by N. C. State University. The unexpended balance of \$2,101.70 was not returned to N. C. State University nor has it been possible to ascertain the disposition of the unexpended balance. North Carolina State University is awaiting a final financial report from East West Center before closing the accounts of AID-csd-3283.