Ag under fire in Central America

WASHINGTON, D.C. — From a hot spot on travel posters, Central America recently jumped into world headlines as the trouble spot of the Western Hemisphere.

Attention has focused primarily on El Salvador, Nicaragua, and Guatemala, but important changes have also confronted neighboring Honduras, Panama, Costa Rica, and Belize (pronounced Bah-leez'). In a combined land area smaller than Texas, these seven nations of 23 million people share a host of common problems.

Perhaps the most serious is the increasing violence on the narrow land bridge that links North and South America. Guerrilla activity, terrorism, and political uncertainty have economic consequences even for those nations not directly involved.

"The rising level of violence and uncertainty in the region is contributing to declining investment, capital flight, growing foreign debts, and social, economic, and agricultural disruptions," says economist Donnel O'Flynn, a specialist on Central America with USDA's Economic Research Service.

Food and farming are at the very core of the crisis. Agriculture is, by far, the major industry, major occupation, and major export earner, so a healthy agricultural sector is vital to the region.

The fighting in El Salvador and Guatemala has affected not only the credit available to agriculture. It has interfered directly with food production, trade, and land reform; it has added to refugee problems, food shortages, and overcrowding in cities; and it has spread fear among rural populations, which generally take the brunt of the violence.

But even if all hostilities ended today, Central American would still be facing difficult times, according to O'Flynn. He points to the current depressed state of the world economy, rapid regional population growth, and the obstacles to earning enough foreign exchange to meet expanding demand for imports — imports not just of consumer goods by also of oil, industrial products, and agricultural inputs needed to feed productivity gains.

Only Panama and Nicaragua made good economic progress last year. For most of Central America, however, high interest rates and tight credit severely crimped or reversed economic growth Lower prices for the region's chief export commodities — beef, coffee, sugar, bananas, and cotton — hurt, too. Even worse, agricultural output has been falling behind population gains.

Despite this turmoil, Central American agricultural exports remain high. Unlike most of our trading partners worldwide, all seven Central American nations can claim a favorable balance of agricultural trade with the United States.

In total farm product commerce with us, Central America earns around four times more than it spends. The region sold from $1.3-$1.7 billion in agricultural goods to the United States in each of the last 3 years, compared with imports from us of $251 million in fiscal 1979, $385 million in fiscal 1980, and $373 million last year.

The United States in Central America's top customer, accounting for about 40 percent of the region's farm export earnings. Close to 10 percent of our total agricultural import bill is spent there on such products as sugar, cocoa, coffee, bananas, beef, and tropical fruits.

For U.S. farmers, however, Central America is a small and currently depressed market. It represents only around 1 percent of our agricultural export earnings, although the region buys more from us than from any other supplier.

Overall, about nine out of every ten dollars worth of U.S. exports are on commercial trade terms, but the percentage varies from year to year and from country to country. In fiscal 1981, 30 percent of U.S. agricultural exports to El Salvador were under long — term credit, P.L.-480, or other concessional programs, whereas 98-100 percent of our exports to Panama, Costa Rica, and Belize were commercial.

Panama is the biggest commercial customer for our farm goods in Central America, with $81.3 million in purchases last year. Another $1.6 million in exports came through concessional programs. Total U.S. farm exports to Guatemala were slightly higher — $85.1 million — but commercial sales amounted to only $77.7 million.

From us, Central America buys wheat, flour, wheat, flour, corn, soybean meal and oil, tallow, and many processed foods. Our fiscal 1980 export record of $385 million wasn't matched in 1981 because of the suspension of food aid to Nicaragua and smaller sales to

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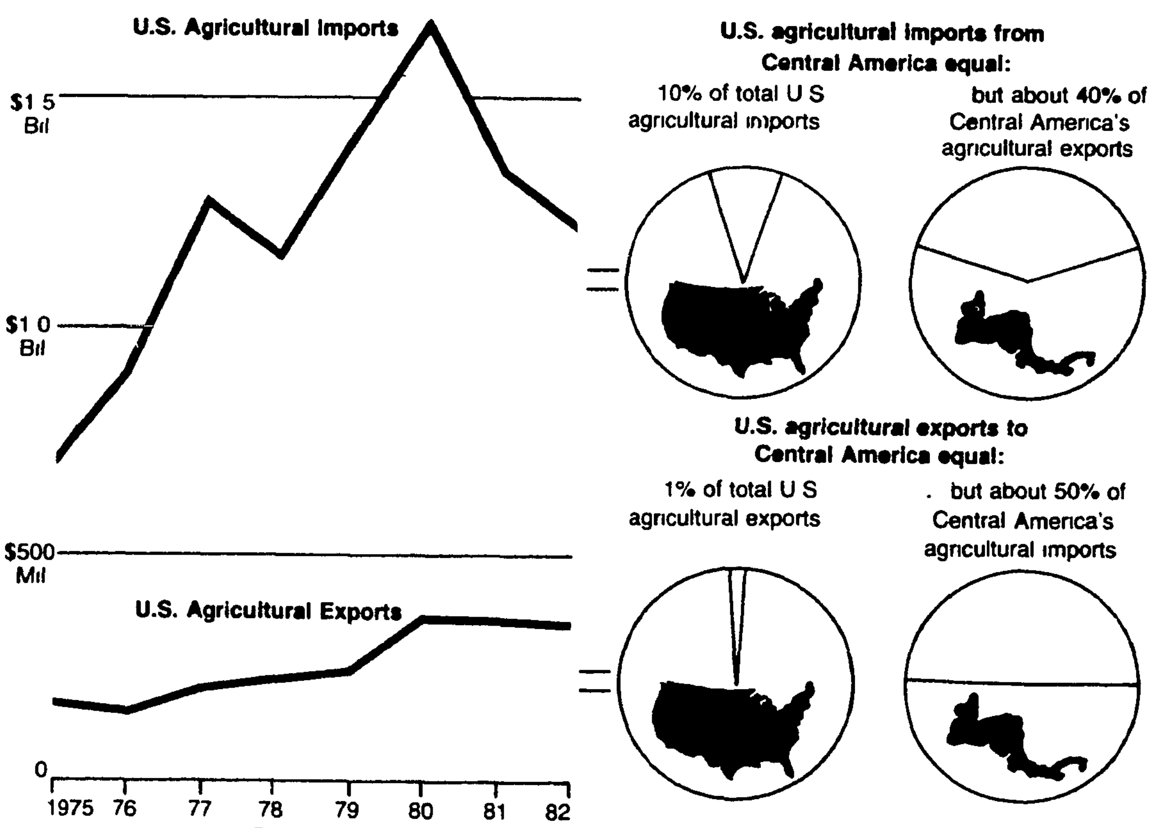
U.S. Imports Far Exceed Exports In Farm Trade with Central America, But Central America Counts on the U.S. as Both Buyer and Seller



1981 Estimated, 1982 Forecast