

For more than two decades, Venezuela has enjoyed one of the highest per capita income levels in Latin America or the Third World. In the wake of the 1973 petroleum price boom, the nation's per capita GNP of over \$2,500 places it far ahead of any other country in Latin America. Yet, as in so much of the continent, distribution of wealth is extremely inequitable and per capita averages are a poor indicator of actual living standards. In the late 1960s, the poorest 50 percent of Venezuela's population earned but 14.3 percent of the national income. During the past decade Venezuela's general living standard has clearly improved and there has been some redistribution of wealth from the most affluent 10 percent of the population down to the next 30 percent. But, the relative share of the bottom half has remained virtually unchanged.¹ Thus, amid Caracas' vast wealth, its luxury high-rise apartment buildings, and its imported \$40,000 Mercedes Benzs, there still remain perhaps 40 percent of the population who are ill fed and undernourished.

Undoubtedly Venezuela's general nutritional level exceeds the average for most Latin American and Third World nations. Yet, several nations with significantly lower per capita incomes (Uruguay, Philippines, Trinidad, and Tobago) had lower mortality rates for two-year-old children.² Venezuela has succeeded in bringing infant mortality rates down to a very low level, but data compiled by the Pan American Health Organization point to a surprisingly high rate of child mortality from nutritional deficiency diseases. Since good nutrition is more likely to be a problem for young children than for infants who have not yet been weaned, the inability of

Venezuela to reduce the mortality rate for children ages one to four indicates the seriousness of the malnutrition problem for large segments of the population (see Table 1).

In 1975, Michael Chossudovsky, a British-Canadian sociologist, was commissioned by the Venezuelan government's Council on Development Planning (CORDIPLAN) to conduct a study of socioeconomic conditions within the nation's lower classes. When Chossudovsky's work was completed, however, the government refused to publish his research, labeling its findings excessively critical and "not sufficiently balanced." Ultimately, his study was published commercially in a book entitled, *Misery in Venezuela*.³ In fact, the book's data on malnutrition and hunger were drawn largely from Venezuelan government statistics and its conclusions, for the most part, are fairly similar to the findings of several other studies of Venezuelan living standards.⁴

Using income distribution figures and average food costs for the nation's urban population (80% of the total), Chossudovsky estimated that 70 percent of all Venezuelans lacked sufficient incomes to afford an adequate diet in terms of requisite calories and protein. Initially, the assertion seems to challenge government statistics showing per capita daily consumption of 2,562 calories (only slightly below the desired level of 2,800) and 68.2 grams of protein (well over the desired minimum). Indeed, by 1971, Venezuela had exceeded FAO's recommended minimum of 2,480 calories.⁵ Yet, Chossudovsky insists that average figures are deceptive in that

they reflect overconsumption by the affluent, while masking deficiencies among the poor. A Caracas family making over 2,000 Bolivares (Bs.) (\$460) per month in 1971, he calculates, consumed 30 to 60 percent above the desired calorie level and 63 to 108 percent above their required protein level. The 45 percent of the urban population with monthly incomes of under Bs. 500 (\$115) were consuming only 72 percent of their calorie requirements and received only 60 percent of their protein needs.

While government experts charge Chossudovsky with overstating the problem, they do concede that some 40 to 55 percent of the nation's citizens suffer from insufficient diets, particularly in terms of calorie intake. The nutritional level is obviously most inadequate among the urban and rural poor, with lower-class preschoolers most likely to suffer serious physical consequences.

The most precise available nutritional information on Venezuela is found in a series of surveys conducted by the National Institute of Nutrition (INN). Focusing on a selected sample of families, INN measured their food consumption and calculated the daily consumption of calories, protein, vitamins. A 1966 study of over 7,000 persons in the Caracas metropolitan area—by far the most affluent region in the country—showed daily consumption averaged 2,175 calories. But a subsequent survey of Valencia (then Venezuela's fifth largest city) presented a more somber picture, with consumption averaging 1,523 calories. The most recent INN studies (1974) covering two small rural communities indicate calorie consumption ranging from 1,500 to 1,800 per day—that is, only 65 to 85 percent of the institute's minimal standard of 2,000 calories. In addition, individuals surveyed in these towns were consuming only 65 to 85 percent of their Vitamin C needs and 36 percent of the desired units of Vitamin A.

More extensive, though indirect, nutritional indicators can be drawn from INN's survey of thousands of schoolchildren throughout Venezuela. In 1971-1976, 45-54 percent of the students surveyed were below desired norms of height and weight and, therefore, assumed to be

nutritionally deficient. Approximately 15 percent were suffering from severe deficiencies.⁶

In sum, as one expert recently stated, "An adequate diet (now) appears to be within the means of a majority of Venezuelan families; but there is also strong evidence that low income families are often (still) unable to provide proper nourishment especially for their infants.... Infants and young children pay heavily in human suffering."⁷

Evolution of a Food Policy

Venezuela today is overwhelmingly urban, highly dependent on petroleum exports to generate foreign exchange and government revenue, and reliant on agricultural imports to offset internal food deficits. At the turn of the century, the nation had a rural, agriculturally based economy. In 1913, meat, hides, coffee, cocoa, sugar, and other agricultural products constituted 96 percent of Venezuela's limited exports. The nation ranked among the continent's least socially and economically developed countries.

In 1922, after several years of exploration, foreign technicians discovered their first "gusher" in the Los Barros oil field. With that development, the course of Venezuelan destiny was altered dramatically. By 1927, petroleum had become the country's primary export commodity. Within two more years Venezuela had become the world's leading oil exporter!⁸ Petroleum rose from 2 percent of Venezuela's exports in 1920 to over 90 percent in 1934, where it has remained ever since. At the same time, agriculture's share of exports fell from 96 to 8 percent and continued to fall till it reached its present level of less than 2 percent of export value.⁹

The prospects for agricultural development in Venezuela were never good. Most Venezuelan soil is highly allic (aluminum-based), and this condition, combined with intermittent droughts and floods, made agriculture a costly, high-risk kind of enterprise. On the other hand, the country's "black gold" provided easy access to wealth, and under the circumstances it is not surprising that agriculture was shunted aside and neglected. Although foreign companies dominated the oil fields, compared to coffee and cocoa, there were

large profits to be made in oil-related industries.¹⁰ Increasingly large landowners invested their profits in urban commerce or local industry rather than plowing their capital back into the land.

As peasants flocked to the oil fields and the city in search of far higher wages than they could hope to earn in the countryside, the nation's demographic structure also changed dramatically. As recently as 1936, approximately two-thirds of the country's population was rural.¹¹ By 1950, Venezuela's population was half urban. During the next 2 decades the march to the cities accelerated further so that by 1977 only 20 percent of the nation's population remained in the countryside. Therefore there has been great pressure on the rural sector to increase agricultural productivity so as to feed the ever-growing urban population. While agriculture remained the largest single source of employment into the sixties, by 1961 less than one-third of the labor force was employed in farming, a very low percentage by Third World standards.

Thus, by mid-century, agriculture's contribution to Venezuela's GNP was less than half the proportional share of agriculture in Argentina or Mexico and about one-fourth that of Brazil or Colombia. Venezuela had become the least agriculturally oriented nation in Latin America and remains so today.

When Venezuela embarked on an era of democratic rule in 1958 its new political leaders had to face the cumulative effect of this neglect of the agricultural sector. On January 23 of that year, massive popular demonstrations and a general strike, followed by a military uprising, brought down the regime of Colonel Marcos Pérez Jiménez and ended Venezuela's nearly unbroken history of dictatorial government. Only once before (1945-1948) had the country experienced a government with any substantial base of popular support and aspirations for socioeconomic reform. Elections following the 1958 uprising eventually returned to power Acción Democrática (AD), a reformist, social-democratic party. Since that time, AD has continuously been the largest party in Congress and has won all but

one presidential election. Principal opposition has come from the Christian Social Party (COPEI).

The democratization of Venezuelan politics and the dominant role of Acción Democrática had immediate effects on the agricultural sector. AD President Romulo Betancourt faced two interrelated problems: the spurt in Venezuela's urban population and the country's spiraling dependence on food imports. During Pérez Jiménez's last years, food imports had steadily mounted, reaching a then unprecedented level of 45 percent of total consumption in 1958. Betancourt's first major thrust in the agricultural sector was in the area of agrarian reform, a basic tenet of official AD doctrine since its brief rise to power in the 1940s.¹²

Land Reform and Social Welfare

The case for reform in the countryside seemed overwhelming. Approximately 5,000 large landholders (*latifundistas*) controlled nearly 80 percent of the readily cultivable land. Beyond any social injustice which such a concentration might represent, latifundism seemed to have encouraged a large-scale flight of peasants to the cities. The quadrupling of Caracas' population (from 415,000 in 1941 to 1,500,000 in 1961) had put tremendous strains on housing and urban services, while sharply increasing the urban demand for food. Agrarian reform, it was hoped, would keep more *campesinos* (peasants) back on the farm where they could at least be producing food for themselves rather than merely consuming it. Because of the importance of maintaining food supplies, a basic principle of the reform was that productive agricultural units would generally not be affected. But by distributing unused or inefficiently used lands to the peasantry, it was hoped that agricultural output would in fact increase. In addition, this policy had the objective of increasing rural purchasing power and reducing urban unemployment.

Beyond both economic considerations and AD's ideological commitment to agrarian reform, the party was undoubtedly moved by political considerations. From its inception in the 1940s, Acción Democrática had actively sought peasant votes. Following its return to power in

1958, the party was closely associated with the creation of peasant federations throughout the nation.¹³ Indeed, the rural vote has been the core of AD electoral support for the past two decades. Finally, the case for agrarian reform was given further impetus in the early 1960s by the Alliance for Progress.

During the 1960s, Venezuelan rural reform became a showpiece for the Alliance. Undoubtedly, the extent of land redistribution exceeded that of most Latin American nations except Cuba. Given the dismal record of agrarian reform in that region, however, this constitutes faint praise. In fact, the accomplishments of Venezuela's program were quite disappointing. When the reform bill was passed in 1960, an estimated 280,000 to 380,000 peasant families were in need of land. Ten years later, fewer than 120,000 families had received plots, and over one-third of these had subsequently abandoned their land because of their inability to secure credits from private or public agencies, poor soil, lack of technical assistance, and lack of infrastructure (roads, irrigation, etc.). Moreover, the vast majority of the reform's "beneficiaries" had not received title to their plots and were, consequently, in a very precarious legal position.¹⁴ Subsequent redistributive efforts have been limited except for a spurt of activity in the past two years of the COPEI government (1969-1974). Expenditures for the agrarian reform agency (IAN) actually reached their peak in 1961 and in "real" (constant currency) terms declined steadily thereafter. By 1973, any serious attempts at land redistribution had been terminated. The present administration has distributed less land to the peasantry than any of the four previous democratic regimes.

One of the cornerstones of agrarian reform in Venezuela was an official "social function" clause which separated very clearly the welfare from the productivity objectives of land reform. More specifically, the governing principle for expropriation of private land according to the 1960 law was the nonfulfillment of the social functions of privately owned estates. Criteria such as efficiency in land utilization, allocation of the producer's own labor and other resources to agricultural production, conservation of natural



As in other parts of the world, rapid urbanization in Venezuela has created problems of congestion and unemployment. In barrio San Antonio outside Caracas, the government is building houses, sanitation, and water supplies.

resources, and acceptance and application of labor legislation were used to determine whether or not to expropriate private lands. All public lands were affected by the reform, but the law applied rather high limits below which land area could not be expropriated. For example, ownership of irrigated or humid crop land was to be retained up to 150 hectares, and of dry crop land up to 300 hectares. In addition, land on which the principal export and domestic crops were grown were exempted from expropriation. While in the first three years of the program, emphasis was given to the purchase of private property, from 1963 on priority shifted to utilization of unexploited public lands. As of 1973, only 6 percent of private farm land had been affected.¹⁵ In effect, small farms were created for the poor, mostly from public lands without much expectation of productivity potential, while productivity growth on the bigger farms was facilitated by the social function exemptions for efficiency and by the availability of capital for technical improvements on large farms.¹⁶

Another aspect of the Venezuelan agrarian reform which underscores the government's lack

chasing power. Those persons in the lower 40 percent of the income pyramid continue to lack sufficient purchasing power to improve their diets significantly. During periods of short-term downturns in production, this group may be particularly hard hit. In 1972 and 1973, for example, severe drought, combined with floods in some areas, led to poor harvests. Per capita food production in those years was lower than in any year since 1967.²³

The drop was particularly serious for corn (used almost exclusively for human consumption in Venezuela) and black beans, the two crops which, along with rice, potatoes, yucca, and plantains constitute the heart of the lower-class diet.²⁴ Black beans, for example, are the primary source of protein for both rural and urban poor. While rice and potato production fell off badly in 1972, both made a strong recovery in 1973 which has been maintained since. Yucca, on the other hand, began to perform badly in 1973 and production has recovered only gradually (see Table 5). Whereas corn production averaged 679,000 metric tons from 1967 through 1971, it dropped to 540,000 for the period 1972 through 1976. For black beans the 1967-1971 annual average amounted to 49,000 metric tons, whereas for 1972-1976 it came to only 31,000.

Obviously, the 1972-73 food shortages were most likely to hit hardest among the poor, who were least able to sustain added food costs. More important, however, a pattern of stagnation in the peasant sector had been developing for some time. Except for rice, the production growth rate for major food crops in Venezuela for the period 1963-1976 was barely one percent per annum. By contrast, throughout the period production of foods consumed by higher income classes, such as red meat, sugar, and eggs, increased significantly. Thus the increase in average per capita food availability shown in Table 4 does not fully reflect the increasing disparity in its distribution.

The differing performances for what might be called "lower class foods" and "middle class foods" are not due to any technological breakthroughs in the area of egg or meat production, nor to significant changes in yield per acre.

Increasing demand for meat and poultry—Venezuela's major "growth" foods in this period—made it profitable to invest in their production. Thus, from 1961 to 1973, the amount of cultivated pasture land in Venezuela nearly doubled while crop lands increased by only 15 percent.²⁵

The poor performance of the agricultural sector in the early 1970s, coupled with continuous, high population increases, re-established Venezuela's heavy dependence on imported food. From 1960 through 1970, the country had actually reduced its agricultural imports in terms of "constant" (noninflated) currency. Agricultural imports, which accounted for 25 percent of the value of total consumption in 1960, dropped to only 16 percent. But by 1974 the real value of agricultural imports had doubled and once again over one-fourth of the country's food was produced abroad.²⁶ The drought of 1972-73 and the resulting increased dependency on food imports came at a particularly unfortunate time since they coincided with a tremendous surge in world food prices. From 1970 through 1973 world prices of wheat, corn, and sorghum—the nation's three largest food (and feed) imports at that time—rose 66, 45, and 109 percent, respectively.²⁷

Agricultural Policy (1974-1978)

In March 1974, Carlos Andrés Pérez assumed the Presidency, thereby returning control of Miraflores (the Venezuelan White House) to Acción Democrática after five years of COPEI government. Facing a "minicrisis" in the agricultural sector, CAP, as he is commonly known, made food policy a central component of his administration's development goals. The task facing the new administration was twofold: first, to revive food production from the effects of the 1972-73 drought, and to raise the supply sufficiently to meet both the rapid rate of population growth and an explosion in per capita demand; and, second, to keep the price of food to the consumer from rising too rapidly.

Although Pérez has emphasized agricultural and food policy, he has apparently accepted the proposition that food output can best be increased through the stimulation of large, mechanized agricultural units. The Pérez adminis-

tration's rural policies have implicitly accepted the widely-held assertion that the social and political case for equity in the countryside (i.e., agrarian reform and land redistribution) conflicts with urban pressures for more food.

By the early 1970s, Venezuela's rate of population growth had slowed (from 3.75% to perhaps 3%) thus easing population pressures on food supply. But per capita demand accelerated tremendously. The oil boom of the early 1970s had produced both an extremely affluent minority and a majority with gradually rising real income. Unlike many Latin American nations, Venezuela had not been greatly troubled by inflation before 1973. But the influx of large amounts of petrodollars, coupled with worldwide inflation, drove prices up rapidly. Despite increasing demand, farmers complained of facing an economic squeeze in which the cost of production inputs (farm machinery, fertilizer, insecticides) was outstripping the selling price of their crops. The new administration therefore set out to find ways to make farming more profitable, while at the same time containing the cost of food for the urban consumer.

If the problems facing the Pérez administration in the wake of the 1972-73 drought were formidable, so too were its resources. The new President took office one year after OPEC embarked on its aggressive policy of petroleum price increases, inheriting a fiscal picture that would make any politician in the world envious. The tax revenues available to the Venezuelan central government in 1974 were triple the amount of the previous year. Simply by increasing its budget correspondingly, Pérez was able to triple the funds available to the Agriculture Ministry in his first year in office.

Beyond its great economic resources, the government was armed with yet another weapon, a tradition of state intervention in the economy. Following nationalization of the petroleum, petrochemical, iron, and steel industries, the state controlled all major sectors of production, and exercised greater control over the economy than in any other Latin American nation outside Cuba. In addition, Acción Democrática's social democratic ideology encouraged a strong gov-

ernmental role in solving the nation's food problems (as well as other social ills). Development Minister Gumersindo Rodríguez, in presenting the government's "Fifth National Economic Plan" (for 1976-1980), argued that "only government action can alter the devastating and unjust effect on the nation's human resources of unequal distribution of wealth and income...."²⁸

Production Incentives

In a special message to Congress on agriculture, delivered just one month after taking office, President Pérez stressed that the price received by farmers must be brought more in line with the costs confronting them.²⁹ In pursuit of this goal, the government has extended a series of benefits to the grower beyond the wildest dreams of farm lobbies in the industrial nations of the world.

Under the Agricultural Debt Relief Law of 1974, farmers were, in effect, exonerated of all past debts owed to government agencies. In addition, debts to banks and other private lenders could be consolidated through a state loan at 3 percent interest (incredibly low by Venezuelan standards) and up to 30 years to pay. By late 1975, over Bs. 1.5 billion (\$350 million) in rural debts had been completely forgiven and approximately Bs. 285 million (\$66.5 million) had been renegotiated on favorable terms.³⁰

A tax reform decree, issued later in 1974, exempted both farmers and food processors from all income taxes. Equally important, banks were freed from paying taxes on profits made from low interest loans to the agricultural and food processing sectors. Virtually all profits emanating from investments in agriculture are now tax free.

In seeking to reduce food production costs, the government-owned petrochemical industry has sold farmers fertilizers at subsidized (below-cost) prices. Tractors, farm machinery, and a variety of agricultural inputs which Venezuela does not adequately produce have been freed of tariff or other import restrictions. In addition, price controls have been placed on all major "raw materials" needed for farming. As a further means of trying to reduce rural production costs, the government has spent substantial amounts on irri-

gation, rural roads, and other infrastructural projects. Emphasis has been placed on expanding crop land under cultivation, particularly for sorghum, corn, and other cereals.

The most significant area of government activity, however, has been in the extension of agricultural credits. In June 1974, President Perez formally created the "Agriculture-Livestock Credit Fund" (FCA) to channel nearly Bs. 2 billion (\$465 million) of oil revenues into food production. Most of these funds are not loaned directly by the FCA, but rather through private banks or two government agencies: the Agriculture-Livestock Credit Institute (ICAP), whose main function is to provide credits to small and medium-sized farmers; and the Agricultural Development Bank (BANDAGRO) which serves large landowners. Funds are lent at preferential interest rates: 3-5 percent for ICAP, 4.5 percent for BANDAGRO, and 7-7.5 percent for private banks.

Beyond these direct government programs, President Pérez announced in October 1975 measures requiring all private banks to earmark a portion of their loans to the agricultural and food processing sectors. By the close of that year, 5 percent of the banks' loan portfolio had to go to agriculture; that figure would rise to 10 percent by mid-1976 and 20 percent by early 1977. Since private banks had previously been allocating only about 7 percent of their loans to agricultural producers, the President's decree has brought about a substantial increase in rural credits. Initially, the burden on the banks was not really very great, since most of the additional money that they lent to farmers and processors in the first year of the decree was actually channeled to them from the FCA. Moreover, banks were exempted from paying taxes on interest earned from these loans. By 1977, when the proportion legally reserved for rural credits reached 20 percent, most funds were no longer coming from the FCA and bankers were complaining that they



couldn't find enough "good credit risks" to meet their agricultural quota.

The result of administration policy has been a dramatic rise in rural credits.

As Table 6 indicates, total credits rose from Bs. 1.8 billion (\$420 million) in 1973 to over Bs. 4.8 (\$1.12 billion) in 1975, almost doubling between 1974 and 1975 alone. By 1977, loans to agriculture exceeded Bs. 10 billion (\$2.34 billion). Two billion of those credits were administered directly through government agencies; Bs. 1.5 billion were channeled from the FCA through private banks; and Bs. 6.5 billion (65% of the total) came directly from private banks out of their government-imposed agrarian loan quota. In all, Pérez administration policies had raised credits to agriculture and food processing by some 560 percent in 4 years. The President's goal of diverting large amounts of petroleum income into food production has been accomplished.

More broadly, the administration's package of subsidized fertilizers, loan forgiveness, low-interest credits, price controls on farm machinery and agricultural "raw materials," and tax exoneration have all combined to reduce production costs (relatively) for the farmer. One more facet of the "increased profitability" equation remained: if production were to increase, the farmer had to be guaranteed a sufficiently attractive selling price for his crop. Basically, this has been accomplished through the government's Agricultural Marketing Corporation (Corparmercadeo or CMA), an agency charged with providing the grower with minimum price levels for cereals and other basic food staples.

In 1973, only five commodities were supported with a minimum price at the farm level, and only three of those crops (rice, corn, and sorghum) were food or animal feed items.³¹ By April 1976, the number of price supported crops had risen to 28, of which 24 were foods. Most Venezuelan food staples are affected: meat, fish, poultry,

eggs, milk, corn, rice, sorghum, bananas and plantains, potatoes, and black beans. The CMA purchases all or part of the production of these items directly from the grower and resells it to private food processors, middlemen, or food stores.³² The CMA also imports a significant amount of raw materials for animal feed (sorghum, sesame seed meal, fishmeal) and sells it to processors at a loss.

Because the government's minimum farm price policy has to be balanced with the goal of containing food prices for the urban consumer, virtually all basic foods in Venezuela are price-controlled at the marketplace. Only luxury foods such as choice cuts of meat (tenderloin or porterhouse steak, for example) are uncontrolled. Most of the CMA-purchased products (constituting the bulk of the nation's foodbasket) are resold to wholesalers or retailers at minimal markups or below cost. Thus, the CMA serves as a mechanism for subsidizing foods by guaranteeing the producer an adequate profit while limiting prices at the store.³³

As in the other areas of food policy, oil revenues have permitted a rapid growth of this subsidization. In 1974, CMA subsidies amounted to Bs. 828 million (\$193.5 million); subsidies for the first half of 1977 alone (the latest available data), reached Bs. 1.11 billion (\$259.3 million) and will undoubtedly exceed Bs. 2 billion (\$467 million) for the year. Moreover, the Corporation's total budget for 1977 of Bs. 2.88 billion (\$652 million) will nearly double in 1978.³⁴

An essential part of CMA subsidization policy is the recently initiated program of "popular markets" designed to offer the lower classes basic foods at reduced prices. Handling between 60 and 80 basic foods, these markets sell their products at prices averaging 14 percent below those prevailing at private stores (where prices are already government controlled).³⁵ By the close of 1977, a network of approximately 500 popular markets had been established in low-income urban neighborhoods throughout the country, serving an estimated one million people. While anyone is free to buy at their markets, it is assumed that their location in low-income neighborhoods will guarantee access for the desired clientele.

In Gramovén, another barrio on Caracas' outskirts, dwellings which begin as assemblies of packing crates and construction wastes often become brick and tile bungalows within a few years.

Evaluating Government Policy

Vast resources are obviously currently being allocated to stimulate food production, and in his 1978 New Year's address to the nation, President Pérez cited increased food production as one of his administration's proudest achievements. While the government points to the record 1977 harvest, spokesmen for COPEI and Movimiento al Socialismo (MAS)—the major leftist opposition party—both depict Pérez' agrarian program as a highly expensive and wasteful failure. In 1977, a group of agricultural experts and leaders issued their analysis of current administration agrarian policy. The title of their book—*CAP: Zero in Agriculture*.

Evaluation of government food policy is particularly difficult. Per capita food production may rise for a period and then fall sharply. Variations in rainfall or other climatic conditions may be more important determinants of short-term agricultural performance than decisions made by either the public or private sector. Since the 1975 harvest was the first to be affected by the Pérez administration's policies, it is somewhat early to pass judgment. Moreover, production trends are not clear.

The 1975 harvest was a fairly good one, but 1976—marred by devastating floods—was a disaster. Rice production fell 25 percent, corn and black beans by 20 percent, and potatoes by 10 percent. Only sorghum—planted after the floods—bucked the trend by registering a spectacular 450 percent gain. Not surprisingly, administration critics spoke of CAP's agrarian *fracaso* (total failure). Yet, one year later near perfect growing weather helped produce a record harvest. Harvests of rice (up 67%), corn (up 60%), sorghum (65%), potatoes (40%), and black beans (185%) all registered spectacular gains.³⁷

While the 1977 cereal harvest was indeed very impressive and provides good election year propaganda for AD, it is only fair to point out that the dramatic gains in rice, corn, bean, and sorghum production mentioned above are based on comparisons with the extremely poor harvest of 1976. Nevertheless cereal gains over the past four years have been significant, whereas somewhat surprisingly, livestock has been relatively

static. More important, per capita food consumption is 20 percent higher than in the 1961-1964 base period, and because of the relative shift in favor of field crops, more of it is probably going to poor consumers.

Critics of recent food policy insist that these production increases are quite meager in relation to the extensive resources poured into the agrarian sector. This evaluation was stated most vividly to me by Luis Esteban Ray, a journalist and Acción Democrática Deputy who is one of the most articulate critics of his own party. Ray compared recent agrarian programs to a man trying to put out a fire by dousing it with money.

There is general agreement that food policy has been hampered by the usual administrative problems afflicting developing nations—red tape, lack of coordination, bureaucratic incompetence, and corruption. Often agencies such as the Ministry of Agriculture, the National Agrarian Institute (administrator of the land reform), ICAP, and the FCA unknowingly duplicate programs. Technical assistance and training for farmers (particularly smaller ones) is widely discussed but rarely implemented. While neighboring countries such as Colombia have been broadcasting technical information for farmers over commercial radio for years, Venezuela only started in 1974. Often farmers are unaware of infrastructure available to them. One expert estimated several years ago that only 30 percent of Venezuela's installed irrigation capacity was actually being used. Agricultural experts complain that Ministry of Agriculture technicians are often ignored while policy is being introduced by nonexperts.³⁸

Critics also question the government's policy of channeling most of its agricultural credits (from the FCA) through private banks. Administration spokesmen justify this policy on the grounds that it is harder for the government to recover its loans and to take action against defaulters than it is for banks. Under the present policy of decentralized loans channeled through private banks, however, there is no coherent planning regarding the use of credits to stimulate particular crops which may be in short supply, or geographical regions which may be in particular need of

credits. Huge amounts of funds have been lent with little knowledge of how wisely or effectively they are being spent. Credits are more likely to go to persons having personal contacts or established lines of credit with their local bank than to farmers who might be able to use the funds most productively.

Given the loose administrative control over the agrarian credit program, it is not surprising to find charges that money being lent out under very favorable terms for food production has been used for other purposes. In fact, it is virtually impossible for lending agencies—public or private—to trace what actually happens to the credits they extend. Joseph Mann, a leading foreign correspondent, quotes a large cattleman who told him, “one fellow I know got a one million bolívares (\$233,000) loan from the government and sent it straight to Miami” for investment in real estate.³⁹

On the whole, there is reason to believe that the net effect of recent agrarian policies has been to reinforce the position of large landowners vis-à-vis the small peasant and to extend the pre-existing trend toward greater domination of the commercial food market by large estates. Debt forgiveness programs, for example, have tended to benefit the medium and large owners who are more likely to know how to deal with the bureaucracy and to handle the extensive paperwork needed to secure debt exoneration. Loan policies have also benefited large farms disproportionately. All too often, peasants lack clear title to the land, or at least the documentation to establish ownership, which is a prerequisite for securing private or public loans. Eighty percent of the peasantry on agrarian reform land have no titles to their plots. As noted, private banks are obviously more prone to lend money to farmers with personal contacts and who are considered “better credit risks.” The record of public credit agencies is not much different. Of the first 5,000 farmers to secure loans (through February 1976) from the FCA, 48 percent received loans exceeding Bs. 500,000 (\$117,000). The average amount for all 5,000 loans was Bs. 387,000 (\$90,000).⁴⁰ These loans were not going to small peasants! On balance, credit policy has tended to favor large ranchers and grain producers (who primarily

grow animal feed), as well as poultry growers. Thus, loans to the poultry and poultry-feed sectors (with the two often linked in horizontal combinations) have helped three producers—Ralston, Granmovel (General Mills), and Protinal to secure 70 percent of the rapidly expanding egg and poultry market.⁴¹

Implications for the Future

To be sure, Venezuela's long-term food production increases (1950-1977) have more than kept pace with the nation's rapid population growth and compare favorably with the records of other Third World nations. In the short run, it is obviously too early to determine the efficacy of the current administration's huge investment in agriculture. While recent programs are likely to contribute to increased outputs in the future, many experts feel such gains will not be proportionate to the enormous government expenditure.

At the close of President Pérez's first year in office, the National Agrarian Reform Institute invited René Dumont, the noted French agronomist, to evaluate Venezuela's agricultural programs. In his report, Professor Dumont lamented the tremendous misuse of the country's natural and economic resources. Deforestation, he warned, was advancing at an alarming rate, resulting in serious soil erosion. Burning of pasture land in order to convert it to crop use threatened the countryside's ecological balance. Pastures were being grossly misused or underutilized. Small farmers were not getting the credits or technical education and aid needed to help them produce efficiently.

Examining long-term trends in government agricultural expenditures, Dr. Dumont cited a study conducted by Agriculture Minister Pinto Cohen which indicated that since the 1930s a steadily increasing share of such funds has been siphoned off to urban industrial and commercial interests. Looking more specifically at the new Pérez administration programs, Dumont described a pattern of wasteful, unnecessary and, even, detrimental policies. Huge amounts of money were being poured into new irrigation projects when most of the existing facilities were lying idle. Loans were being extended to farmers without regard for their effective utilization.

Finally, Dr. Dumont objected strongly to the government's debt forgiveness program. The consequence of such a program, he insisted, was to penalize the farmers who had used their loans effectively and reward those who had used theirs incompetently or dishonestly.⁴²

Unfortunately, few if any of Dumont's warnings seem to have been heeded. A recent report to the Congress by the Comptroller General's office cites flagrant inefficiency, incompetence, and corruption within the government's seven agrarian institutes, including the agrarian reform agency (IAN), the agricultural marketing office (Corparmercadeo) and, especially, the Agricultural-Livestock Credit Institute (ICAP). "Audits of ICAP's branches in the interior turned up repeated instances in which loans were given to public officials, . . . relatives of bank employees, and businessmen with no interest whatsoever in the agrarian sector."⁴³ If the resources of the Venezuelan government were unlimited, then such waste might be less disturbing. But this is not the case. A large budget deficit in 1978 has already forced significant cutbacks in government expenditures (for 1978-79) in the agricultural sector.

Moreover, despite the country's long-term growth in food production, there are some disturbing signs for the future. As noted earlier, the rate of growth per annum has been declining continuously since the 1950s. Those gains that have taken place have come largely through the use of additional acreage. That is, there has been little or no increase in productivity per acre. As René Dumont warns, there are only two million hectares of good land in Venezuela, much less than in Cuba, for example. All the best land is already in use. Consequently, such food production growth based almost entirely on expanding land use cannot continue indefinitely.

Nor can the country sustain imports at the very high levels characteristic of the recent period. Perhaps the greatest irony of Venezuela's post-1973 petroleum boom—at least as it relates to food—is that at the same time that billions of dollars of oil revenues have been used to stimulate agricultural production, that very same oil wealth has contributed to food shortages and

increased dependence on imports. In Caracas and other urban areas, as the middle class and skilled working class have become more affluent, demand for "luxury" foods such as beef and pork has grown tremendously. From 1974-1977, livestock output grew by only 5 percent, while demand for red meat nearly doubled (from 288,000 to 434,000 metric tons). Consequently, imports of beef, once an export product, increased tenfold. Large numbers of live breeding cows and other cattle were imported from Colombia and Central America, but it will take some time before increased cattle numbers affect domestic beef supply. Greater purchasing power has also sifted down to some of the lower class, reflected, for example, in the increased demand for powdered milk. Between 1975 and 1977 demand for all dairy products increased by 65 percent and imports tripled from 33,000 to 111,000 tons.

The pressure of increased consumer demand for food became particularly acute following the disastrous 1976 harvest. By the middle of the year, serious shortages had developed in the supply of meat, milk, eggs, poultry, beans, rice, coffee, and other staples. Because CMA, the government agency charged with importing all foods, was unable to handle the crisis, restrictions were lifted on food importation by the private sector. CMA Director, General Giselo Payares, was removed from his post by President Perez, allegedly for his inability to deal with the food crisis. In all, imports accounted for over 50 percent of Venezuela's food supply in 1976, a proportion unmatched in recent Venezuelan history.

The country's heavy dependence on food imports is not healthy, even for a nation with huge oil exports. Total imports, including a heavy, long-term commitment to capital goods, have already risen to outstrip the great increase in petroleum revenues. Venezuela is currently running its first trade deficit in recent history. Economists, businessmen, and political leaders of all persuasions seem to unanimously predict, in private conversations, an economic downturn in the next few years. One leading member of Congress stated privately that whichever party wins the December 1978 election, the new

administration will have to devalue the Bolivar. All this suggests that the country cannot sustain its current level of food imports in the coming years.

Yet the country's dependence on food imports is not likely to be reduced quickly. Despite the record breaking harvest of 1977, Venezuela was forced to import 42 percent of its food. An official of the National Agrarian Research Foundation (FONIAF) recently said it will take at least 20 years before the country can build up its rural infrastructure sufficiently to reduce food importation appreciably. President Perez's brave words notwithstanding, his own actions betray his dissatisfaction with agrarian policies. In the first 3.5 years of his administration, he appointed 4 different Agriculture Ministers, 3 of them in a period of 18 months.

One question remains: Is the average Venezuelan eating better than five or ten years ago? The answer is undoubtedly "yes." Gradual increases in per capita food production, large jumps in food imports, and increased real income all indicate that average food consumption has risen. According to FAO statistics, per capita consumption of calories rose from 2,270 daily in 1965 to 2,416 in 1974.⁴⁴ Government experts speak of an average annual rate of increase in per capita calorie consumption of 1.4 percent in the 1960s, possibly slowing to one percent currently.⁴⁵ Protein levels have not been a significant problem for over a decade.

The caveat still applies, however, that average figures may simply reflect improved consumption by a portion of the population. Despite the gains, improvement in nutritional levels in Venezuela is apparently still a serious problem for both urban and rural poor. Production increases over the past 20 years, and the vast increase in food imports, have generally benefited the middle 40-50 percent of the income pyramid (the richest 10 percent had already achieved a high level of consumption by 1958). The poorest 40-50 percent

of the population have apparently gained in some areas, most notably milk consumption. However, as government nutritional data show, the proportion of malnourished Venezuelans has decreased only slightly during the past decade and a half (approximately 55 to 45 percent).

Unfortunately, data on calorie consumption since 1974 do not exist. But indicators of malnutrition do not show any significant declines. Dr. José Bengoa, a leading nutrition expert for the government's Council on Science and Technology (CONOCIT), expressed the belief that the proportion of undernourished persons in Venezuela has remained fairly constant for the past four years or so. Indirect nutritional data from the National Institute of Nutrition suggest the same conclusion. Based on their measurement of over 560,000 Venezuelan children aged 1-14, conducted in 1976-77, approximately 46 percent were suffering from some level of calorie-protein deficiency, with nearly 10 percent suffering from severe deficiencies.⁴⁶ These proportions were essentially the same as those gathered by INN in 1971.

There is a strong case, then, to be made for a shift in policy toward more emphasis on improving the agricultural productivity of small farmers. Both from the standpoint of aggregate supply and from the standpoint of income and food distribution, more attention must be paid to directing agricultural investment to smaller farmers who can produce the basic food crops consumed by the lower income classes of the population and the feed crops required to sustain a growing domestic livestock and poultry industry. In this way Venezuela can enable its rural poor to earn a better living for themselves and contribute to the welfare of their urban compatriots.

(September 1978)

NOTES

1. See UN Economic Commission for Latin America, *Estudio Económico de América Latina* (New York: 1968), Tables 1-10; Instituto Nacional de Nutrición (Venezuela), *Consideraciones Sobre La Situación Nutricional en Venezuela* (Caracas: 1978), graph 5; A. Figueroa and R. Weisskoff, "Visión de las Pirámides Sociales: Distribución del Ingresos en América Latina," *Cuadernos de CISEPA* (March 1974).
2. *Resumen*, Caracas, June 23, 1974, p. 13.
3. Michel Chossudovsky, *La Miseria en Venezuela* (Valencia, Venezuela: Vadell Hermanos, 1977).
4. Victor E. Childers, *Human Resources Development: Venezuela* (Bloomington: International Development Research Centre, 1974); CONOCIT-CENDES, "Nutrición, Agricultura y Dependencia," *Cuadernos de la Sociedad Venezolana de Planificación* (Caracas: 1977).
5. Inter-American Development Bank, *Socio-Economic Progress in Latin America, 1971*. (Washington, 1972); United Nations World Food Conference, *Assessment of the World Food Situation*, E/Conf. 65/3, Rome, November 1974, p. 53.
6. Instituto Nacional de Nutrición, *Atlas Para Nutrición* (Caracas: 1974), *Consideraciones Sobre la Situación Nutricional en Venezuela* (Caracas: 1978), and unpublished data furnished to me by the Institute.
7. Childers, *op. cit.*, p. 98.
8. Franklin Tugwell, *The Politics of Oil in Venezuela* (Stanford: Stanford University Press, 1975).
9. Gustavo Pinto Cohen, *Agricultura y Desarrollo: El Caso Venezolano* (Caracas: CENDES, 1966), p. 2.
10. Mostafa F. Hassan, *Economic Growth and Employment Problems in Venezuela: An Analysis of an Oil-Based Economy*. (New York: Praeger, 1975), p. 5.
11. Defined as living in communities of under 1,500; Daniel Levine, *Conflict and Political Change in Venezuela* (Princeton: Princeton University Press, 1973), p. 17.
12. John Martz, *Acción Democrática* (Princeton: Princeton University Press, 1966), pp. 238-242; *Acción Democrática, Tesis Agraria* (Caracas Editorial, Antonio Pinto Salinas, 1958).
13. John D. Powell, *Political Mobilization of the Venezuelan Peasant* (Cambridge: Harvard University Press, 1971).
14. On the agrarian reform in general, see: David E. Blanc, *Politics in Venezuela* (Boston: Little Brown, 1973); V.M. Jiménez Lández, *Reforma Agraria: Política y Programa, 1970* (Caracas: 1971); Norman Gall, "Oil and Democracy in Venezuela: Part I: Sowing the Petroleum" [NG-1-'73], *AUFS Reports*, East Coast South America Series, Vol. XVII, No. 1, 1973; Powell, *op. cit.*, pp. 162-181.
15. Theodore van der Pluijam, "An Analysis of the Agrarian Reform Process in Venezuela," in United Nations Food and Agricultural Organization, *Land Reform: Land Settlement and Cooperatives*, Rome, 1972, p. 6, and *Land Reform in Latin America: Bolivia, Chile, Mexico, Peru and Venezuela*. World Bank Staff Working Paper No. 275, April 1978, p. 88.
16. World Bank, *op. cit.*, p. 127.
17. World Bank, *op. cit.*, p. 88.
18. "Informe Final de la Comisión de Evaluación y Reestructuración de la Reforma Agraria" (Caracas, August 1975).
19. Julio Esteves, *et al.*, "Base Para La Planificación de los Sistemas de Riego en Venezuela" (Caracas: CENDES-Ministerio de Obras Públicas, 1976), p. 138. Almost all of this increased market concentration took place during the "reform" period of 1961-1971.
20. Esteves, *op. cit.*, p. 112.
21. Childers, *op. cit.*, p. 46.
22. See Norman Gall, "Los Indocumentados Colombianos" [NG-2-'72] *AUFS Reports*, East Coast South America Series, Vol. XVI, No. 2, 1972. The number of illegal Colombian aliens has continued to grow since Gall's article. Since most of the *indocumentados* are apparently not included in census figures, the per capita data cited may be overly optimistic.
23. Again, if Colombian illegal aliens were included in these calculations, the indices might actually fall slightly further.
24. *Resumen* (Caracas): April 28, 1974, p. 71; June 30, 1974, p. 50.
25. Banco Central de Venezuela, *La Economía Venezolana en los Últimos 30 Años* (Caracas: 1971), p. 109; Ministerio de Agricultura y Cria, *Anuario Estadística Agropecuaria, 1974* (Caracas: 1975), p. 413.
26. Esteves, *op. cit.*, p. 20. Since a significant proportion of Venezuela's internal agricultural production consists of nonfood crops (sisal, cotton, tobacco, coffee), the proportion of food contributed by imports is actually somewhat higher than the proportion of agriculture.

27. Esteves, *op. cit.*, p. 22.
28. *El Nacional* (Caracas, October 26, 1975).
29. *El Universal* (Caracas, April 29, 1974).
30. Esteves, *op. cit.*, p. 198.
31. The other two were sisal and cotton.
32. In 1975, the proportion of the Venezuelan crop purchased by the CMA ranged from 19 percent of the potato harvest to 49 percent of corn and 85 percent of all rice. See CMA, *Informe Anual* (Caracas: 1975). Since then the proportion of the harvest purchased has risen.
33. It should be made clear that, despite these controls, Venezuelan food prices are very high—far higher in Caracas than in New York.
34. U.S. Agricultural Attache, *Situation in Report: 1977*, p. 18.
35. CMA, *Mercadeo Agrícola* (December 1977).
36. José Luís Zapata, *et al.*, *CAP: Cero en Agricultura* (Maracaibo: IRFES, 1977).
37. Unpublished data from Ministry of Agriculture.
38. See Joseph Mann, "Frustration on the Farm," *Business Venezuela* (April 1975), p. 22.
39. *Financial Times* (London: September 30, 1977), p. 27, and personal conversations with Joseph Mann.
40. Esteves, *op. cit.*, pp. 188-189.
41. Interview with Dr. Alfredo van Kesteren, CENDES.
42. René Dumont, "Informe Sobre La Agricultura en Venezuela," *Resumen* (May 11, 1975), pp. 22-29.
43. *Caracas Daily Journal* (June 2, 1978), p. 5.
44. FAO, *Provisional Food Balance Sheets: 1972-74* (Rome: 1977).
45. CONOCIT-CENDES, *Nutrición*, p. 60 and interview with Dr. José Bengoa of the Council on Science and Technology (CONOCIT).
46. Instituto Nacional de Nutrición, *op. cit.*

Table 1

Deaths from Avitaminosis and Other Nutritional
Deficiency States per 100,000 Population Among
Children Under One Year and 1-4 Years of Age
in Eight Countries, 1961-1963 and 1967

Country	1961-1963 ^a		1967	
	under one year	1-4 years	under one year	1-4 years
Canada	1.8	0.4	1.3	0.1
Colombia	142.3	119.9	63.0	84.1
Costa Rica	10.9	19.5	3.2	21.0
El Salvador	1.8	49.0	5.7	37.8
Panama	5.2	12.9	2.0	25.6
Trinidad and Tobago	9.8	11.7	17.6	5.6
United States	0.5	0.5	0.3	0.2
Venezuela	14.9	23.2	3.9	23.1

a. Average annual rate.

Source: Pan American Health Organization, *Health Conditions in Latin America, 1965-1968* (Washington: 1970), p. 31.

Table 2

Venezuela's Rural and Agricultural Sectors: 1950-1974

Year	Rural Population (%)	Agricultural Population (%)	Agricultural Share of GNP (%)
1950	52.0	43.0	8.5
1961	37.4	33.8	7.6
1974	25.9	21.9	6.6

Sources: Dirección General de Estadística, Censo de Población: Resumen (Caracas: 1971); Julio Estaves, *et al.*, "Base Para La Planificación de Los Sistemas de Riego en Venezuela" (Caracas: CENDES, Ministerio de Obras Públicas, 1976).

Table 3

**Indices of Agricultural Production:
1952-56 through 1970 (1952-56 = 100)**

Region	1952-56	1960	1970
North America	100	109	124
Western Europe	100	118	147
E. Europe-U.S.S.R.	100	132	177
Africa	100	120	149
Far East (Exclud. China)	100	121	161
Latin America	100	120	158
VENEZUELA	100	138	235

Source: FAO: *Monthly Bulletin of Economic and Agricultural Statistics*, Vol. 21, No. 1; Vol. 24, Nos. 7 and 8.

Table 4

**Indices of Venezuelan Agricultural^a and Food Production: 1964-1975
(1961-65 = 100)**

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
Total Agriculture	106	112	119	123	129	141	148	150	152	161	169	184
Per Capita Agriculture	103	105	108	109	111	117	120	118	116	119	121	129
Total Food	107	112	119	124	131	141	149	151	153	161	176	n.a.
Per Capita Food	103	105	109	109	112	116	119	116	114	116	122	n.a.
Population			110		117		125		133			

- a. Includes production of food crops and livestock for human consumption (after deducting for agricultural commodities and imports used in agricultural production) as well as tobacco, industrial oilseeds, rubber, tea, coffee, and vegetable and animal fibers.

Source: *Statistical Abstract of Latin America*, Volume 18 (1977), James W. Wilkie, Ed., Los Angeles, UCLA Latin American Center Publications, 1977, pp. 39-41; Ministry of Agriculture figures drawn from *Venezuela: Situation Report—1976* (Caracas: Agricultural Attaché, U.S. Embassy, 1977). In 1977, the Ministry readjusted the basis of computing its food indices. This new calculation, presented in the 1977 *Situation Report*, alters previous indices and—not surprising in an election year—makes food production figures look better.

Table 5
Production of Major Food Crops, 1963-1976
('000 MT)

	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	Per Annum Growth Rates (percent)
Maize	430	475	521	557	633	661	670	710	720	506	454	554	653	532	1.0
Rice	131	166	200	210	223	245	244	226	240	165	302	297	363	277	5.0
Black Beans	38	40	42	47	50	46	46	46	58	30	25	33	37	31	-2.6
Yucca (cassava)	342	312	301	320	316	341	310	317	323	318	272	293	317	353	-0.1
Potato	111	124	136	126	133	113	124	125	115	109	124	152	152	131	0.9
Sugar ^a	3,814	3,959	4,491	4,585	4,052	4,217	4,416	4,900	5,152	5,476	5,623	5,895	5,482	5,500	3.1
Cattle ^b	6,936	7,155	7,380	7,612	7,852	8,102	8,289	8,499	8,485	8,549	8,730	8,843	9,089	9,404	2.1

a. Date for 1963-1970 refers to crop year rather than calendar year.

b. Thousand head.

FAO, *Production Yearbook*, various years.
OAS, *America en Cifras* (cattle, 1963-1970).

Table 6
Credit Activity in the Agrarian Sector: 1973-1975
 ('000 Bs.)

Source	1973	1974	1975
FCA ^a	--	64,800	1,750,279
BANDARGRO ^b	470,300	625,900	894,200
ICAP ^b	414,800	576,700	823,300
Private Banks ^b	922,285	1,167,550	1,383,653
Total	1,807,385	2,434,950	4,856,432

Source: Julio Estaves, *et al.*, "Base Para La Planificación de los Sistemas de Riego en Venezuela" (Caracas: CENDES-Ministerio de Obras Públicas, 1976), p. 196.

- a. Most FCA funds are channeled through the other three sources.
- b. Does not include FCA funds channeled through them.