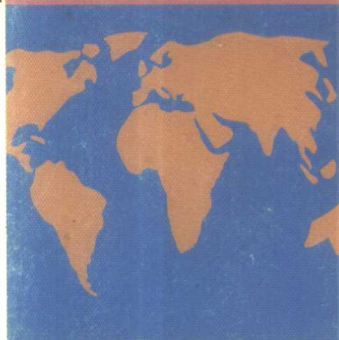


**1998**



**RURAL  
NON-FARM  
INCOME IN  
DEVELOPING  
COUNTRIES**

282

# THE STATE OF FOOD AND AGRICULTURE



Food  
and  
Agriculture  
Organization  
of  
the  
United  
Nations

**DISKETTE  
INCLUDED**

# THE STATE OF FOOD AND AGRICULTURE 1998

**FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS**

**Rome, 1998**

The statistical material in this publication has been prepared from the information available to FAO up to July 1998.

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*The designations employed and the presentation do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries. In some tables, the designations "developed" and "developing" economies are intended for statistical convenience and do not necessarily express a judgement about the stage reached by a particular country or area in the development process.*

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## Foreword

Two years have elapsed since the conclusion of the World Food Summit and the pledge made to bring about a radical reduction in world hunger and malnutrition. To achieve this, policy actions must remain highly focused on fulfilling the Summit's commitments, and wide publicity must be given to the measures that have either been taken or still need to be taken by countries and institutions in order to enhance food security.

The need to be constantly informed and vigilant is all the more pressing given the rapid pace of world events, which present new situations and daily challenges directly or indirectly affecting agriculture and food security. Even the most enlightened and determined efforts to eradicate hunger can be frustrated by events that are beyond the control of policy-makers. This has been demonstrated recently by two features reported in *The State of Food and Agriculture 1998*: the financial crises that initially affected East and Southeast Asia; and the El Niño phenomenon.

The financial crises are a matter for concern, as they threaten to increase in scope and depth. While constituting an element of economic and political uncertainty for the coming years, these crises and their repercussions have already caused deeply depressed economic and food insecurity situations in some countries. For instance, the Russian Federation as well as other countries, especially in Latin America, have been seriously affected by financial turbulence.

A phenomenon of an entirely different nature, El Niño, has also been at the forefront of our concern. Unusually severe in its current cycle, its effects have resulted in massive losses in crop, livestock, forestry and fisheries production, causing severe food shortages in a large number of countries.

On a more positive note, recent encouraging developments are also reported. Despite the uncertainty arising from the Asian crisis, the overall economic situation remains generally favourable for much of the developing world. In particular, several consecutive years of overall improved economic conditions in Africa have strengthened our hopeful expectations of a new trend towards sustainable growth and development in this region. We also welcome the robust economic performances that many countries in Latin America and the Caribbean and in Asia exhibited during 1997, despite the fact that short-term growth prospects in both regions have been lowered by the financial crises. On the agricultural front, the cereal supply situation on the whole appears satisfactory, with global stocks that are within the minimum range considered to be safe for world food security. The weakening in international commodity prices will have opposite effects on net exporter and importer countries; nevertheless, lower food import prices

provide much needed relief to many poor net food-importing countries. Indeed, this report highlights a considerably improved economic situation and outlook in those countries with the lowest capacity to finance food imports – and this is essential for their national food security.

It is appropriate to reiterate the importance of extending the benefits of economic growth to the poorest countries and to their entire populations. This year's report confirms that, in a long-term perspective, the poorest nations' populations have become increasingly poor and food-insecure, pointing out that this unacceptable trend has continued in recent years. The country policy reviews suggest that the promotion of rapid, equitable and broad-based growth remains a difficult challenge. However, growth and equity, far from being horns of a dilemma, are equally essential elements of a sound development strategy. Their achievement requires a genuine commitment to alleviating poverty and addressing social needs, and we must welcome all efforts that are being made in this direction by many countries, especially those in Africa. At the same time, in most countries growth-cum-equity can only be achieved by following a strong, rural-oriented development strategy involving large investments in rural infrastructure, human capital and social services.

Rural development and poverty alleviation are central issues of this year's special chapter, entitled "Rural non-farm income in developing countries". Rural non-farm activities represent a major component of rural household economies, and their crucial importance for development and food security cannot be underestimated. Incomes generated by such activities have a synergistic relationship with agriculture, as they provide farmers with financial resources to invest in productivity-enhancing inputs; and, vice versa, improved farm productivity increases rural incomes and lowers urban food prices. Furthermore, rural non-farm employment and income also have implications for the levels and distribution of overall rural incomes, the pace of urbanization, the incidence of rural poverty and natural resource use. It is my hope that this chapter will raise awareness of the fundamental importance of the topic, which is still inadequately comprehended by policy-makers, development agencies and the general public.

Two other selected themes with a direct bearing on food security are examined in Part I of this report: the problems and issues involved in ensuring a constant flow of food to satisfy the needs of cities; and the integration of fisheries and agriculture.

The task of feeding the world's cities adequately constitutes an increasingly pressing challenge, requiring the coordinated interaction of food producers, transporters, market operators and a myriad retail sellers. It also requires constant improvements in the quality of

transport and distribution systems. Not least, it involves a shared understanding among city officials and national and international development agencies of the common problems and the potential solutions faced when seeking to feed cities on a sustainable basis.

As regards the integration of fisheries and agriculture, it is important to recognize the positive as well as the antagonistic interactions that arise from their common use of land and water resources. By maximizing synergies, significant contributions can be made to the enhancement of fisheries (coastal, inland and aquaculture) production, agricultural production and food security. Water use, integrated pest management and the recycling of nutrients should be optimized while negative interactions, such as those resulting from the excessive application of pesticides that may be harmful to aquatic organisms, must be minimized.

In presenting *The State of Food and Agriculture* this year, I am confident that a continuous flow of information on progress made and further efforts required to attain food security for all will heighten awareness of the fundamental importance of this goal. I also hope that it will help mobilize concerted action by all partners and enable us to report more convincing evidence of durable progress made in the years to come.

A stylized handwritten signature in black ink, consisting of a large 'J' and 'D' intertwined, with a horizontal line at the bottom.

**Jacques Diouf**  
DIRECTOR-GENERAL

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## Glossary

<b>AMA</b>	Agency for Agricultural Markets (Poland)
<b>APA</b>	Agricultural Property Agency (Poland)
<b>APEC</b>	Asian Pacific Economic Cooperation Council
<b>AsDB</b>	Asian Development Bank
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>CAP</b>	Common Agricultural Policy
<b>CEFTA</b>	Central European Free Trade Agreement
<b>c.i.f.</b>	cost, insurance and freight
<b>CIS</b>	Commonwealth of Independent States
<b>CMEA</b>	Council for Mutual Economic Assistance
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>CONAGRO</b>	National Council for Agricultural Production (Peru)
<b>COPAGRO</b>	Confederation of Commercial Grain Producers Cooperatives (Chile)
<b>CPO</b>	crude palm oil
<b>DAC</b>	Development Assistance Committee
<b>DES</b>	dietary energy supply
<b>ECLAC</b>	Economic Commission for Latin America and the Caribbean
<b>EMU</b>	European Monetary Union
<b>EU</b>	European Union
<b>FDI</b>	foreign direct investment
<b>FELCRA</b>	Federal Land Consolidation and Rehabilitation Authority (Malaysia)
<b>FELDA</b>	Federal Land Development Authority (Malaysia)
<b>f.o.b.</b>	free on board
<b>GDP</b>	gross domestic product
<b>GNP</b>	gross national product
<b>HIPC</b>	heavily indebted poor country
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>ICA</b>	International Coffee Agreement
<b>ICCO</b>	International Cocoa Organization
<b>IDA</b>	International Development Association
<b>IDB</b>	Inter-American Development Bank
<b>IDRC</b>	International Development Research Centre
<b>IEFR</b>	International Emergency Food Reserve
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFPRI</b>	International Food Policy Research Institute
<b>IMF</b>	International Monetary Fund
<b>INDAP</b>	Institute of Agricultural Development (Chile)
<b>INIA</b>	National Agricultural Research Institute (Chile)
<b>IPM</b>	integrated pest management
<b>IRRI</b>	International Rice Research Institute
<b>ISA</b>	International Sugar Agreement
<b>IWRM</b>	integrated water resources management
<b>LIFDC</b>	low-income food-deficit country



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<b>MERCOSUR</b>	Southern Common Market
<b>NEP</b>	New Economic Policy (Malaysia)
<b>NGO</b>	non-governmental organization
<b>ODA</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PFE</b>	permanent forest estate (Malaysia)
<b>PROs</b>	protracted refugee operations
<b>RISDA</b>	Rubber Industry Smallholders' Development Authority (Malaysia)
<b>RNF</b>	rural non-farm
<b>UNDP</b>	United Nations Development Programme
<b>UNRISD</b>	United Nations Research Institute for Social Development
<b>WFP</b>	World Food Programme
<b>WTO</b>	World Trade Organization

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# Explanatory note

## Symbols

The following symbols are used:

- = none or negligible (in tables)
- ... = not available (in tables)
- \$ = US dollars

## Dates and units

The following forms are used to denote years or groups of years:

- 1996/97 = a crop, marketing or fiscal year running from one calendar year to the next
- 1996-97 = the average for the two calendar years

Unless otherwise indicated, the metric system is used in this publication.

"Billion" = 1 000 million.

## Statistics

Figures in statistical tables may not add up because of rounding. Annual changes and rates of change have been calculated from unrounded figures.

## Production indices

The FAO indices of agricultural production show the relative level of the aggregate volume of agricultural production for each year in comparison with the base period 1989-91. They are based on the sum of price-weighted quantities of different agricultural commodities after the quantities used as seed and feed (similarly weighted) have been deducted. The resulting aggregate therefore represents disposable production for any use except seed and feed.

All the indices, whether at the country, regional or world level, are calculated by the Laspeyres formula. Production quantities of each commodity are weighted by 1989-91 average international commodity prices and summed for each year. To obtain the index, the aggregate for a given year is divided by the average aggregate for the base period 1989-91.

## Trade indices

The indices of trade in agricultural products are also based on the base period 1989-91. They include all the commodities and countries shown in the *FAO Trade Yearbook*. Indices of total food products include those edible products generally classified as "food".

All indices represent changes in current values of exports (free on board [(f.o.b.)], and imports (cost, insurance, freight [(c.i.f.)], expressed in US dollars. When countries report imports valued at f.o.b., these are adjusted to approximate c.i.f. values.

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Volumes and unit value indices represent the changes in the price-weighted sum of quantities and of the quantity-weighted unit values of products traded between countries. The weights are, respectively, the price and quantity averages of 1989-91 which is the base reference period used for all the index number series currently computed by FAO. The Laspeyres formula is used to construct the index numbers.

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