

## ABSTRACT

## Foreign Exchange in the Jamaican Agricultural Sector

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Expenditure on imported agricultural inputs accounts for a large proportion of Jamaica's total imports each year. This 'high' level of dependency of the sector on imported inputs, has caused doubts as to whether;

- (1) the sector contributes positively to net foreign exchange earnings, or is a depletor of this scarce resource;
- (2) the net foreign exchange earnings of the sector are comparable to those of other sectors;
- (3) substituting local commodities for imported commodities would save foreign exchange;
- (4) the combination of export crops and the technologies of production which result in import-cost minimization differs from that combination and technologies which maximize net revenues.

To provide reliable responses to these questions, this study attempts to investigate foreign exchange expenditures, earnings, and savings in the sector for the period 1980 to 1990.

Statistical time-series data, input-output and linear programming analyses, were employed in this empirical assessment of the sector. Data sources were mainly official statistics published by the Ministry of Agriculture, Jamaica; Statistical Institute of Jamaica; Planning Institute of Jamaica; Bank of Jamaica among others.

The conclusions which were being derived from the study are:

- (1) The agricultural sector has been a net earner of foreign exchange during the period 1980 to 1990.
- (2) The net earnings of this sector were comparable to those of other productive sectors - manufacturing and mining.
- (3) Foreign exchange could have been saved by local commodity utilization as opposed to importation of similar commodities.
- (4) The combination of technological sub-industries of the agricultural sector which minimized the use of foreign exchange, while satisfying the resource (land, labour, financial capital), and production (output) constraints, differs from that combination which maximized total net revenue.

The policies and programmes which were proposed and implemented during the 1980s should be continued. These policies and programmes were geared towards modernization of the sector and increased levels of output.