



联合国
粮食及
农业组织

Food and Agriculture
Organization of the
United Nations

Organisation des Nations
Unies pour l'alimentation
et l'agriculture

Продовольственная и
сельскохозяйственная организация
Объединенных Наций

Organización de las
Naciones Unidas para la
Alimentación y la Agricultura

منظمة
الغذية والزراعة
للأمم المتحدة

FAO REGIONAL CONFERENCE FOR LATIN AMERICA AND THE CARIBBEAN

Thirty-third Session

Santiago, Chile, 6-9 May 2014

Towards inclusive and efficient development of agriculture and food systems at the local, national and international level

Executive Summary

- Given the considerable changes that have resulted in increased concentration of food systems in the Latin America and Caribbean (LAC) region during the past two decades there is a great need for more inclusive and efficient agricultural and food systems at local, national and international levels. Globalization, trade liberalization and commercialization have changed how agricultural commodities are produced, distributed and consumed.
- Agricultural and food systems are characterized by increasingly integrated supply chains and have become more science and capital-intensive based. Rapid urbanization has led to a demand for more and a higher level of processed products in a ready to be used form. Consumer expectations with regard to food safety, nutrition and health have required greater attention to standards at all levels of production and distribution, demanding safe, quality and nutritious products in a timely and regular manner.
- Thus, supply chains have become more global, complex and diverse, with agricultural markets generally being more integrated and risky. The impact of these changes has affected countries and communities very differently. Small countries, small holders, women and youth have generally not benefitted evenly from the opportunities and hence FAO's work will place greater emphasis on supporting more inclusive and efficient agricultural and food systems, at local, national and international levels under the Strategic Objective 4 (SO4). Promoting inclusive food and agricultural systems under SO4 includes incentives that enable commercial small and medium scale producers and agro-enterprises to participate in markets sustainably. Improving the efficiency of such systems will help ensure the responsible and productive use of available natural resources, improve incomes, reduce food losses and waste, and promote the delivery of products that are healthy and safe to eat. A comprehensive strategy targeting specific needs of subregions and countries characterizes the implementation proposal for SO4 in the Latin America and Caribbean region.

*This document can be accessed using the Quick Response Code on this page;
a FAO initiative to minimize its environmental impact and promote greener communications.
Other documents can be consulted at www.fao.org*



mk074e

Suggested action by the Regional Conference

The Regional Conference is invited to:

- Take note of the need for the promotion and achievement of more inclusive and efficient agricultural and food systems at local, national and international levels.
- Endorse the approach adopted by FAO as represented by the priority products and services presented under each global outcome as a means to enabling the achievement of more inclusive and efficient agricultural and food systems at local, national and international levels.

Questions on the content of this document can be addressed to Tito Diaz, 32nd LARC Secretary (Tito.Diaz@fao.org).

I. Introduction

1. The Goal of Strategic Objective 4 (SO4) is to enable more inclusive and efficient agricultural and food systems at local, national and international level. This Goal is critical to achieving FAO's goal of a world without hunger as it is directly targeted at promoting the efficiency of small and medium sized enterprises in order to increase participation and inclusion in food and agricultural systems. This process should lead to increase employment and higher incomes, thereby increasing access to food and improved food security outcomes. Given the structure of the agricultural and food sector in Latin America and the Caribbean (LAC) the emphasis will be on a continuum of producers, processors, distributors and consumers of food and agricultural products, including home based production, family farming, small and medium sized enterprises as well as linkages and synergies with larger and more corporate level enterprises.
2. A common goal across FAO's five strategic objectives is the importance of decreasing vulnerability faced by some 47 million undernourished persons in Latin America and the Caribbean. A significant proportion of the vulnerable are living on family farms, are indigenous populations and poor urban residents. Thus a multifaceted approach addressing production, consumption, employment and governance issues are an imperative. This approach of course points to the importance of ensuring collaboration of Strategic Objective 4 (SO4) with the other four strategic objectives.
3. Increasing efficiency and the inclusiveness of agricultural and food systems is directly affected by international, regional and national agreements and the countries of Latin America and the Caribbean need assistance in preparing, negotiating and managing these frameworks. However, it is increasingly indicated by producers and the private sector that while there may be market opportunities the capacity to get their products into the market is lacking. This calls for increased investment and improving productivity and standards all along the agri-food value chain. Thus, SO4 has three global outcomes: **a)** International agreements, mechanisms and standards that promote more efficient and inclusive trade and markets are formulated and implemented by countries, **b)** Agribusiness and agri-food chains that are more inclusive and efficient are developed and implemented by the public and private sectors, and **c)** Policies, financial instruments and investment that improve the inclusiveness and efficiency of agri-food systems are developed and implemented by the public and private sectors.
4. Based on the areas of assistance identified in the Country Programming Framework (CPFs) agreements, reflecting consultations with a wide base of national actors, and in accordance with the planning outcomes from different regional integration mechanisms (such as CELAC, ALADI, CARICOM, SICA and others), FAO's SO 4 products and services across Latin America and the Caribbean are directly designed to ensure simultaneous attention to improving food security,

reducing poverty and building sustainable agricultural and food systems. Two crosscutting themes are essential to achieving the goal of SO4. The first is related to understanding that the development of inclusive agricultural and food systems requires specific focus on equality of opportunity for all, with particular attention being paid to women and youth. The second is related to inadequate governance of food security and development goals in general and to food value chains and food systems in particular. These two themes should be addressed continuously as the three global outcomes of SO4 are pursued in the context and needs of Latin America and the Caribbean.

II. Achieving SO4 outcomes in Latin America and the Caribbean

5. The three SO4 global outcomes are relevant to all of the three sub regions of Latin America and the Caribbean (LAC) – Central America, Caribbean and South America. Obviously, there will be different sub-regional and national emphases given the different levels of development, characteristics and structure of the relevant economy, its opportunities for growth and the human, financial, natural and social capital resource endowment of the country and sub-region. Where these differences are of paramount importance, especially as reflected by country requests to FAO through the country programming frameworks (CPFs), FAO's commissions, and subregional forums they will be addressed in FAO's programmatic responses.

A. Global Outcome 1: Agreements, mechanisms and standards for more efficient and inclusive trade and markets

6. The difficulties of the World Trade Organization (WTO) to conclude the Doha round, started in November 2001, has left the results of the Uruguay Round, concluded in 1994, as the main reference point on International Trade Rules and Regulations affecting agricultural sector activity. While market access was negotiated and agreed, with more than 90% of the LAC region's exports now entering developed country markets free of duty, the benefits have been uneven across the region.
7. Up to 2008 the significant advances in integration and high commodity prices led to a considerable growth in the trade of Latin America and the Caribbean countries. However, from the second half of 2008 growth slowed and fell sharply as a result of the world economic crisis. During the periods of growth the larger Latin American countries expanded exports, while small countries of the Caribbean have seen their exports decline and their food and agricultural imports increase. This inability of some countries to benefit arises from many failures in both the policy and production arena and thus the relevance of FAO's interests and commitment to assist member countries in the formulation and implementation of international agreements, regulations and other frameworks that promote transparent markets and enhanced global and regional market opportunities. South-South cooperation to support these areas of work will be particularly pursued.
8. From an external standpoint, there is still the need to negotiate reductions in the high levels of tariff protection in sectors of particular importance for the region's exports, especially agriculture. There are also continuing non-tariff barriers such as rules of origin or strict sanitary and technical standards that in some cases prevent LAC exporters from benefiting from the tariff preferences available to them.
9. There are also considerable restrictions within LAC countries which prevent greater integration and expansion of trade flows. These include the lack of information on trade opportunities, excessive export and import formalities, insufficient financing for small and medium-sized enterprises and problems with logistics and infrastructure.
10. Translating agreements and market opportunities into concrete gains for national enterprises has not been easy. The proliferation of new and revised international standards for food safety and quality and plant health has resulted in decreasing access to markets and needs to be addressed.

11. Products and services under this area of work focused on agreements, mechanisms and standards for more efficient and inclusive trade and market's will include: **a)** Support the formulation of trade-related agreements that contribute to governments' rural development and food security objectives; **b)** strengthen global market information and analysis to guide the implementation of trade and market policies; **c)** work with countries to enhance their trade preparedness through improved trade policies and support measures; **d)** facilitate the work of international standard setting bodies for food safety and plant health, including by providing globally relevant scientific advice; **e)** support national policies, strategies and regulatory frameworks for plant and animal health and food safety and quality and **f)** help governments and value chain operators build capacities to comply with requirements for food safety and plant and animal health.
12. This work seeks to increase international (global and regional) trade flows, especially for the countries that have lagged behind relatively or have seen their export sectors decline. Integrating trade considerations into national policy analysis and ensuring the consistency and coherency of these trade policies with national goals will be an important dimension of this work. It will also include assistance in negotiating market access as an essential component of development strategies where this is relevant. An aspect that is critical to success in adoption of inclusive trade related agreements is developing the evidence base to inform the formulation as well as the negotiations of the required policies. For countries to effectively participate in negotiations and markets, they must have increased access and ability to use global market information to better understand and analyse market developments, trade policies, trade rules and related emerging issues. The timeliness, accuracy, and transparency of this information and analysis is essential. Assisting in the development of capacity in collection and use of international market information will thus be an important FAO contribution.
13. Both importing and exporting countries in LAC need specific and different national trade strategies, policies, legislation (trade and trade-related rules) and support measures to ensure preparedness to benefit from the opportunities provided by international trade and to mitigate the potential threats of greater openness to trade. Assisting the countries in this regard necessitates understanding the requirements of countries at different levels of development and supporting them in improving both their agreements with trading partners as well as in their readiness to trade. This includes conventional areas such as improving food and agricultural systems to meet food and agricultural health, quality, timeliness, safety standards. However, it also requires adapting to addressing and meeting the increasing demand that value chains incorporate knowledge or "intangibles" at each of their stages: connectivity, patentability and registration of brands, traceability, environmental conservation and energy efficiency. All these attributes improve product differentiation and access to the most profitable sectors of demand (Rosales, 2009).
14. FAO is a key player globally in establishing agreed standards on plant health, animal health and food safety and is well positioned to assist LAC countries in meeting the standards. While Rome based processes lead these activities, among others related to the Codex Alimentarius Commission (CAC), the International Plant Protection Convention (IPPC) and the World Organization of Animal Health (OIE), the dissemination and use of this information is lacking in the majority of countries of the LAC region. Thus, especially in Central America and the Caribbean, capacity building and training at the national level in the adoption and compliance to standards has been identified as an area for assistance. Training programs related to Hazard Analysis and Critical Control Points (HACCP), quality management systems, certification requirements and marketing and packaging has already been requested by member states.
15. FAO's ability to provide comprehensive market information and analysis allows it to facilitate evidence based policy advice and to offer technical support to enhance the capacity of countries to address both long term market issues and short term shocks. FAO is also well placed to advise and to build capacity of national stakeholders in the formulation of national trade policies and legislation and building alliances to international and regional agricultural trade policy frameworks will be facilitated to promote inclusion of small scale operators in agri-food trade. As

a part of this assistance FAO can also facilitate analysis for the formulation and implementation of national-level complementary policies, strategies and action plans for the agri-food sector.

16. Success will be determined greatly by the improved governance mechanisms in place and how effectively they are applied. Improved coordination among concerned ministries and departments in the implementation of regulations and the promotion of participatory processes to ensure that national regulatory strategies and programs take into consideration concerns and interests of stakeholders is essential.
17. Given the role that women play in the value chains of LAC, especially in the implementation of food safety, plant health and animal health and production standards it is crucial to take into account gender roles in food chains and trade negotiations.
18. Some of the LAC countries have increased their competitiveness by adopting new technological and economic paradigms, reflecting more cross border integrated partnerships and greater incorporation of the innovative technology systems. Generally these changes improve productivity and efficiency of value chains. For greater inclusion and narrowing the gap between developed and developing countries there is need for increased knowledge products to be available to especially the poorer countries and an expansion in efforts to strengthen the human resources base and organizational networks in these countries to use them successfully and sustainably.
19. Finally, the importance of intra-regional trade as a vehicle to increased global competitiveness and market entry should be recognized and its promotion pursued. Targeting intra-regional markets will enable a faster transition towards the changed production patterns with a possibility of increased equity being achieved. Intra-regional trade is more friendly to small and medium sized enterprises and is thus also more linked to intra-regional investment flows. Perhaps most critically it serves for learning and building the economies of scale needed for penetrating more demanding markets.

B. Global Outcome 2: Agribusinesses and agri-food chains that are more inclusive and efficient are developed and implemented by public and private sectors

20. Agri-businesses and agri-food chains have changed drastically in LAC over the past two decades. Demand for high-value commodities, processed products and ready-prepared foods have increased, along with consumer concerns about food safety and quality, and with sustainability issues. Increased vertical integration, increased concentration, the dominance of supermarkets, the increasing number and variety of prepared foods suppliers, changes in how persons shop and their consumption patterns have all led to the need for greater understanding of agri-business and agri-food¹ chains. From the standpoint of SO4 the major interest is in understanding how these changing market structures and processes have affected small and medium sized producers and processors and how to increase their participation in these modern agri-food markets.
21. A prerequisite to increasing the inclusion and participation of small producers in the food and agricultural sector is a better understanding of their characteristics and capacities. These agricultural and livestock product producers, fisherfolk, forest dwellers, small producers with limited resources have the following characteristics: (i) limited access to land and capital resources (ii) family labour is the main workforce (iii) the head of the family is directly involved in the production activities and (iv) income from family farming is the main source of income.
22. Further, the vast majority of small and medium-sized agricultural enterprises in the region face serious limitations in access to information, productive assets, and management capacity, which are partly responsible for reducing their share in the food market.

¹ The terms agro-industries and agri-food are understood to encompass food and non-food crop and livestock, fishery, aquaculture and forestry systems and their products including wood.

23. The context and framework, globally, regionally and nationally, in which these small and medium sized producers operate has changed drastically in the last two decades and these changes have not generally resulted in improving their livelihood systems.-
24. Perhaps the two most important points on the value chain shaping agricultural and food sector development in LAC have been the change in location where consumers purchase food in LAC and the form in which they purchase and consume it. In less than two decades, since the 1990's the supermarket sector in LAC moved from being responsible 10-20% of retail sales to more than 60%. Trade liberalization and globalization also brought the fast food outlets which have led to increased consumption of food outside of the home. The implications of these developments for small and medium sized farmers in LAC are enormous as these entities have a tendency towards increasing industry concentration and accumulation. It has meant a major change in the functioning of agriculture and food markets. Large scale food manufacturers have become the main suppliers of supermarkets and fast food outlets, increasing imported food ingredients and changing consumption patterns away from products produced locally. While these developments have not necessarily meant exclusion of small and medium sized producers it nevertheless has, in many ways, raised the bar for their participation in the sector.
25. There are however many positive signs. It is recognized that small and medium-scale farming provides an important function by ensuring access to and supplies of food for the many rural populations. At the level of rural areas these producing units are also a generator of rural income, especially for the poorest sectors.
26. Trends in the global food market place might also favour small farms if they are more responsive relatively to large farms in meeting consumer demands for food that is fresher and more environmentally friendly. There is also the belief that smaller farmer have a greater social consciousness, especially related to justice and equity. Further, small producers usually use more labour intensive technologies, create income and demand in rural areas and thus have the potential to contribute to economic development outside the urban and industrial centres. These factors contribute to increase opportunities as well as calls for more attention to small producers in order to increase their inclusion in agricultural value chains.
27. One of the target groups of FAO's strategic objectives is small and medium sized producers that have lost ground in terms of market share and thus the task in this context is to find approaches and models to increasing their participation in agribusinesses and agri-food chains. This underscores the need for policies and strategies committed to promoting desirable development outcomes, especially promoting efficiency, equity, sustainability and inclusiveness.
28. The main thrust of the products and services selected for implementation under this SO4 thematic area that focuses on public and private sector collaboration for agri-business and agri-food chain development will be directed at **a)** working with governments to enhance policies, institutions and support services that enable the development of agro-industry and agri-food chains; **b)** supporting countries in formulating and implementing development strategies for the agri-food sector; **c)** Helping develop sustainable and efficient value chains and market linkages that encourage the participation of smallholders and small and medium agricultural enterprises; **d)** working with partners to support agro-industry technologies and enhance managerial and environmental efficiencies along value chains; **e)** building an evidence base on the causes, magnitude and impacts of food losses and food waste, and solutions for reducing them; **f)** supporting the development of national and regional policies and strategies to reduce food losses and food waste programs; **g)** value chain leaders and actors will be provided with technical and managerial support to promote inclusive, efficient and sustainable agri-food value chains. This work will concentrate on support for market linkages through inclusive business models, especially promoting public /private sector partnerships for industry development. **h)** family agriculture organizations and small farmer associations will be exposed to improved models of how to scale up there activities working together and establishing and maintaining linkages with other entities along the value chain for mutual benefit. In Central America, the Caribbean and several countries of South America there will be a focus on local product value chains in order to increase value to

the community related to employment creation, maintenance of traditional cuisine, increased food and nutrition security and sustainable food and agricultural systems.

C. Global Outcome 3: Increased inclusiveness and efficiency of agri-food systems through improved policies, financial instruments and investment.

29. Latin America and Caribbean countries are still recovering from the worldwide economic and financial crisis that reduced sources of financing, both external and internal. This has been evidenced in the form of high debt service ratios and fiscal constraints at the national levels. In rural areas the impact of this period was felt by a loss of remittances that served both as a source of household income and investment capital for the poorest and most vulnerable households. In many countries, exports declined and the cost of imports increased. Food prices have generally stayed high maintaining pressure on the lowest income earners. Foreign direct investment and foreign exchange flows declined reducing financing for public and private sector investments critical to restoring acceptable levels of growth in especially the most hard hit LAC economies.
30. Official Development Assistance (ODA) flows which should be available in these periods of crisis for developing countries were also declining due to the challenges being faced in the traditional donor countries. Further, when commitments of ODA were made, LAC countries were classified as the least needy and often excluded due to the large number of middle and high income countries that exist in the region. The fact that there were many countries whose social and economic sectors were being very negatively affected was overlooked as the region was painted with one brush. As a result of the above, progress on the World Food Summit goals and the MDGs slowed and most countries experienced severe setbacks in their social development objectives.
31. The third outcome area of SO4 seeks to increase inclusiveness and efficiency of agri-food systems through improved policies, financial instruments and investment. It addresses this through the following products and services **a)** working to establish efficient financial institutions and innovative services; **b)** helping governments to mobilize and improve public investment; **c)** working with governments and the private sector to accelerate responsible private investments in markets and supply chains; **d)** help countries develop capacities to track and assess the impacts of policy and market incentives; **e)** work with governments to assess and monitor price volatility and policy stability and to manage the associated risks; **f)** encourage and support evidence-based policy dialogue.
32. This outcome, by seeking to develop and encourage the use of financing instruments for both public and private sector investment that would promote increased inclusiveness and efficiency of agri-food systems. It does so by focusing on three specific areas. Firstly, through mobilizing required investment funds to assist establishment of sustainable food systems and to grow them overtime. Secondly, recognizing the critical role of the public as well as the private sector it seeks to enhance and develop their technical and research capacity to plan and implement competitive and inclusive investments responding to consumer demands. Thirdly, it seeks to promote sustainable rural financial institutions, innovative financial services and delivery mechanisms that meet the specific requirements of agricultural and agribusiness investors — both domestic and foreign — of different sizes, including farmers and forest owners.
33. Increasing the access of small farmers and vulnerable communities to grants and loans to support the strengthening of their production and marketing systems will be a fundamental service to be offered under this outcome of SO4. This will include provision of information on opportunities for financing and the facilitation in meeting the requirements to gain funding. Preparation of enterprise profiles demonstrating potential viability and sustainability will be a key component of this work.
34. Understanding and addressing risk will be an innovative and necessary aspect of this work. The reality is that given the vulnerability of the target stakeholders they are not catered for in the conventional risk management mechanisms. However, there is experience in this area in many

relatively more developed countries of LAC on the basis of which risk management programs can be adapted and promoted. Guides and manuals based on these experiences can be developed and demonstrated through South-South cooperation mechanisms.

35. There needs to be an increased understanding and commitment across national level public and private sector institutions related to investment, financing and risk management if there is to be success in including those poor and vulnerable sectors currently excluded from financial markets. There is a cost to the private sector that needs to be better understood by all parties. This arises from the increased risks and higher costs of dealing with smaller, more vulnerable and often more spread out and remote clientele. Thus, strengthening relevant public and private sector institutions to develop processes and products that will include the more vulnerable will be among the important tasks to be undertaken.
36. Capacity development for producer organizations, cooperatives and civil society stakeholders to understand financial mechanisms and markets will be essential. This capacity together with the ability to prepare project concept notes as an input to mobilizing resources will allow for greater inclusion and the establishment more sustainable food systems. A key dimension for success in this regard will be the development of specific communication products and platforms for the dissemination of best practices, and lessons learnt on investment related to enabling efficient and inclusive agri-food systems.
37. Finally, it is essential to create a policy environment that provides reliable, accurate and timely information on the functioning of the food system, paying attention especially to prices that determine the behaviour of the participants in the food system. Evidenced based policy dialogue will lead to an understanding of the situation and will have greater chances of resulting in the development and implementation of appropriate policies. Policy incentives that catalyse changes in operational management decisions and stimulate investment leading to the growth and development will be critical to establishing competitive and sustainable agrifood systems. Collecting, analysing and publishing the trends and impacts of prices, price volatility and transparency, and how they reflect and affect the conduct and performance of markets is an important dimension of this policy support process.

III. Conclusions and recommendations

38. Every aspect of the food system affects the final availability and accessibility of diverse and nutritious food, and simultaneously consumer's ability to choose a healthy diet. SO4 will: a) promote trade and regional integration, establishing agreements, mechanisms and standards for more efficient and inclusive trade and markets determining the levels of food security, food system development, poverty reduction and sustainable development that are achieved now and will be achieved in the future; b) facilitate inclusive business models through value chain development, including importantly for the most poor and vulnerable agribusiness and agri-food chains; and c) collaborate with all partners, public and private sector, civil society and communities to promote policies, financial instruments and investment that improve the inclusiveness and efficiency of agri-food systems. This collaboration is an imperative for improving human development and sustainable livelihoods at all levels. These are the tasks of SO4 working closely with all other SOs to achieve a world free from hunger.

IV. Guidance sought

39. The Regional Conference is invited to:
 - Take note of the need for the promotion and achievement of more inclusive and efficient agricultural and food systems at local, national and international levels.
 - Endorse the approach adopted by FAO as represented by the priority products and services presented under each global outcome as a means to enabling the achievement of more inclusive and efficient agricultural and food systems at local, national and international levels.