



منظمة الأغذية
والزراعة
للأمم المتحدة

联合国
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Food
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Agriculture
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Продовольственная и
сельскохозяйственная
организация
Объединенных
Наций

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

THIRTY-FIRST REGIONAL CONFERENCE FOR LATIN AMERICA AND THE CARIBBEAN

Panama City, Panama, 26 to 30 April 2010

A POLICY PROGRAMME FOR FAMILY FARMING

I. INTRODUCTION

1. The food crisis in the last biennium, caused by soaring food prices and the financial and economic crisis, not only continues but has worsened in some countries, making it even more difficult for the more vulnerable social groups to access food. Under such circumstances, the domestic availability of staple foods and the producers of those foods, the family farmers,¹ acquire new priority in the public policy agenda of the region.
2. It is widely recognized that the key issue regarding food security in the region – its “Achilles heel” – is access to food by those who do not have the means to acquire that food.² However, from the standpoint of national economies, the recent hike in food prices has also had an economic impact which, in many cases, has challenged the food supply policy that accompanied the process of globalization. The notion of comparative advantage had in fact been postulated to support the importation rather than the production of staple foods, as these could be found at lower, normally subsidized, prices on the global market and were always available in the required volumes.
3. Since mid-2006, higher international prices of food and fuel have impacted on inflation around the world, reducing household purchasing power, especially among poorer households spending a large proportion of their income on food. Although international food prices have fallen, as has general and food inflation, local prices of essential foods remain above their pre-crisis levels.³ In such a situation, the production of staple foods by family farming and the functioning of domestic food markets are key determinants of domestic prices and inflation.

¹ Family farming is generally understood as involving production units that essentially rely on the family workforce and only occasionally on casual labour (contracted, barter or other form). The term family farming tends to be used interchangeably with smallholder agriculture, peasant farming or own-account farming, in other words, small-scale agriculture.

² FAO RLC. 2009. Panorama of Food and Nutritional Security in Latin America and the Caribbean. Food and Agriculture Organization of the United Nations. Regional Office for Latin America and the Caribbean, Santiago.

³ FAO (2009) reports that national cereal prices in July 2009 were 25% higher than two years earlier.

4. Thus, in many countries of the region proposals have arisen to implement agricultural import substitution policies, using existing but idle production capacity and promoting the production of indigenous and/or traditional foods that have high nutritional value, but whose consumption has given way over the years to the prevailing food market development model.
5. In sum, raising the priority of more active public policy on promoting family farming can be seen as a strategy to convert a perceived problem (poverty, vulnerability, food insecurity, etc.) into a solution (local supply of staple foods).
6. The food crisis has not impacted evenly on all the countries. The most affected have been those with the most adverse factors: more dependent on food and fuel imports, high levels of poverty, less demand for their exports, and reduced external financial flows (remittances, funding and official development assistance). In some countries, the situation has been compounded by catastrophic natural events, such as acute drought in various countries of Central and South America in 2009, followed by flooding in parts of Mexico and Central America and the disastrous recent earthquakes in Haiti and Chile. The countries most affected by these negative factors are precisely those that have a majority rural population and a relative predominance of family farms.
7. This document sets out to underscore the contribution of family farming to staple food supply in the region and to propose an associated public policy agenda. Section II briefly reviews the importance of family farming in Latin America and the Caribbean; Section III examines policies to promote family farming implemented in the region as a result of the crisis; while Section IV makes recommendations for a medium-term policy agenda aimed at enhancing the contribution of family farming to food security and improving living conditions of the population in general.

II. FAMILY FARMING IN LATIN AMERICA AND THE CARIBBEAN

8. Even before the crisis, the FAO Regional Office had been drawing government attention to the strategic role of family farming in food security and to the need for targeted public policies for this sector. In 2007, FAO/RLC and the Inter-American Development Bank (IDB) produced a joint analysis and policy recommendations for family farming in the region.⁴ The analysis, conducted in Brazil, Chile, Colombia, Ecuador, Mexico and Nicaragua, noted the importance of family farming for staple foods, employment and the use of natural resources.
9. Studies have highlighted the highly varying importance of family farming in the region, as indicated in Table 1. The aggregate contribution of family farming to the national sectoral economy (agriculture, livestock, fisheries and forestry) varies from one-quarter to two-thirds. It should be noted, however, that its contribution to sectoral employment is much higher, accounting for at least 50% of rural employment and as much as 77% in Brazil. This difference between share of employment and share of generated product is evidence of the major gap in productivity that faces family farming.

⁴ Soto, F; Rodríguez, M and Falconi, C. 2007. Family farming policies in Latin America and the Caribbean, FAO Regional Office for Latin America and the Caribbean, Inter-American Development Bank. Santiago, Chile.

Table 1: Main characteristics of family farming

Main characteristics	Brazil	Chile	Colombia	Ecuador	Mexico	Nicaragua
Sectoral importance						
Share of value of sectoral production (%)	38	27	41	45	39	67
Share of sectoral employment (%)	77	57	57	--	70	--
Number of holdings						
Total number of agricultural holdings (thousands)	4 139	285	737	740	4 834	287
Share of total holdings (%)	85	87	87	88	78	98
Size of holdings						
Average size of family farms (ha)	26	23	3	7	6	16
Average size of units not under family farming (ha)	433	1 090	15	71	--	343

Source: FAO-IBD Technical Cooperation Project (2007), Family Farming Policies in Latin America and the Caribbean.

10. Family farming in fact plays an important role in several countries as provider of food and contributor to the domestic basic food basket. In Brazil, for example, it produces 67% of beans, 84% of cassava, 49% of maize and 52% of milk; in Colombia, it accounts for more than 30% of annual crops (mainly maize and bean); in Ecuador, family farming covers 64% of potato production, 85% of onion production, 70% of maize, 85% of sweet maize and 83% of sheepmeat. In the countries of Central America, virtually all maize grown for human consumption, bean, sorghum for animal feed, roots and tubers and much of the livestock, which is dual purpose, are produced on small family farms.

III. FAMILY FARMING POLICIES IMPLEMENTED BY THE COUNTRIES OF THE REGION

11. Although the region has clearly been experiencing a food crisis in recent years, we need to distinguish between two periods, both from the standpoint of determining factors and from that of policy measures adopted by countries in response. First came the hike in international food prices (2006-2008) where the main challenge was to curb inflationary pressure in an external context of great uncertainty. Then the financial crisis reached its peak (September 2008) when interbank lending came to a virtual halt. Since early 2009 there has been sharp economic slowdown with consequent fall in trade, increase in unemployment and reduction of remittance flow. The low-income sectors saw their already precarious living conditions deteriorate even further.

12. Thus, the main factors that had driven agriculture in the region between 2002 and 2007 changed direction in mid-2008: agricultural commodity prices fell and agricultural producers were faced with a severe credit crunch. The fall in international commodity prices also had a positive aspect in that it helped countries curb inflationary pressure. The main challenge in the second phase of the crisis thus shifted from controlling inflation to hurriedly cushioning the impact of recession, mainly unemployment, by reviving the productive sector in a framework of anticyclical macroeconomic policy.

13. Although family farming measures had initially been conceived by governments as a way of addressing the crisis, many have led to the establishment of programmes that sought to vitalize small-scale production over a longer horizon, providing support that seeks to be as integrated as possible. The main policy areas in which governments are taking measures are the promotion of staple food production and the management of agrifood markets with a greater involvement of the State.

14. In order to promote the domestic production of staple foods (see Table 1), most governments of the region introduced initiatives to support the productive sector, channelling sizeable subsidy flows in the form of inputs, credit, technical assistance services and so forth.

15. The policies introduced at the beginning of the food crisis to encourage production soon came up against a tight restriction on credit at the start of the financial crisis, so priority was channelled through measures to increase availability of agricultural credit, financing of exports and production of family farming. To that end, most countries have mobilized their public financial institutions to direct credit towards specific agricultural activities, such as wheat farmers in Argentina,⁵ milk in Chile, maize and bean in Mexico and Central America, and selected staple foods in Venezuela.⁶

16. In several countries these credit lines are integrated into plans or programmes that include non-financial services (supply of inputs, technical advice, marketing support), involving not only the financial system but also the ministries of agriculture or rural development institutions, for example: the Production Financial Plan in Bolivia;⁷ the revival of staple grain cultivation in Costa Rica;⁸ support to small farmers in savings cooperatives in Honduras;⁹ the National Maize and Bean Programme in Mexico;¹⁰ the Socialist Agricultural Development Fund (FONDAS) in Venezuela;¹¹ or the Mais Alimentos programme to strengthen family farming in Brazil.¹²

17. All these measures to stimulate production have channelled public resources to increase cereal production. However, the expected production figures for the 2009-2010 growing season will not vary substantially from those achieved in the previous cycle, in part because of adverse natural events, but largely because family farming faces structural obstacles that are difficult to remove with short-term policy measures. For family farmers, the traditional obstacles of poor access to production resources and to commodity and financial markets are compounded by a weak public institutional framework for agricultural.

⁵ Initiative to issue soft loans up to a total of 800 million pesos for wheat cultivation.

⁶ The Agricultural Bank of Venezuela has opened credit lines for white and yellow maize, sunflower and rice www.bav.com.ve

⁷ This has subsidized annual interest rates of 6% and terms of up to 12 years (www.bdp.com.bo).

⁸ Targeting small farmers to reduce staple grain imports (www.casapres.go.cr).

⁹ Financed with resources from the Bolivarian Alliance for the Peoples of Our America (ALBA), channelled through the National Bank of Agricultural Development (www.sag.gob.hn).

¹⁰ Its objectives include ensuring the national food supply (www.sagarpa.gob.mx).

¹¹ This Fund provided financing for cultivation of 450.000 hectares in 2008 (www.mat.gob.ve).

¹² Finances investments, technical assistance and marketing support (www.mda.gov.br).

Table 1**Examples of programmes of support to family farming for staple food production**

Argentina has programmes to enhance the terms of financing for dairy and cattle farmers.

www.sagpya.mecon.gov.ar

Bolivia has a productive financing plan and a programme of agricultural mechanization. www.bdp.com.bo

Brazil has the “Mais Alimentos” programme aimed at strengthening family farming. Also, in March 2009, the Bank of Brazil released more than 2 billion reals for the purchase of inputs used to grow soybean and maize. www.mda.gov.br

Ecuador has restarted its “Vamos a Sembrar” programme, which includes technology innovation, organization and training, and legal recognition of communities (comunidades).

Guatemala, Honduras, Nicaragua, el Salvador (www.pesacentroamerica.org/). The SPFS programmes co-financed by AECID contribute to the development of good FNS practices whose impact from support to poor rural households serves as feedback for the formulation, implementation and monitoring of FNS policies at national level.

Chile provides wheat farmers with fertilizer coupons to enhance their competitiveness. www.indap.gob.cl

Colombia has introduced incentives for the cultivation of staple grains in the main coffee-growing areas of the country in order to ensure supplies at harvest time. PROSEAN-FAO (<http://www.prosean-fao.org/>) supports the Food Security Network Programme ReSa of the Presidential Agency for Social Action and International Cooperation which promotes projects of food production for home consumption aimed at keeping in the countryside the population at risk of outmigration and/or encouraging returnees, recovering part of their production capacity.

Costa Rica is implementing its ambitious National Food Plan aimed at combining development of the food production sector with assured national food supply and poverty reduction. www.casapres.go.cr

Mexico is implementing its National Maize and Bean Programme. It is also adjusting and updating PROCAMPO by increasing and anticipating transfers to farmers with fewer than five hectares who plant their fields in the spring-summer 2009 agricultural season. www.sagarpa.gob.mx. Through the strategic project for food security – PESA – the SAGARPA has an instrument to reach producers living in marginalized and highly marginalized areas, providing better levels of nutrition to families and helping reduce poverty through the actions of production projects.

(<http://www.sagarpa.gob.mx/saladeprensa/boletines/paginas/detalle.aspx?SiteUri=http://www.sagarpa.gob.mx/saladeprensa/boletines/ListUri=Boletines%202010&ItemID=397>)

Peru has created the Munitractor Programme to facilitate small farmer access to credit to acquire machinery. www.minag.gob.pe

Venezuela is supporting production through its “Todas las Manos Siembran” programme and is distributing inputs through the Socialist Agricultural Development Fund (FONDAS), which in 2008 financed production on 450 000 hectares. www.mat.gob.ve

18. With regard to the second policy area relating to the management of agrifood markets, the innovatory feature has been the tendency of several countries to raise the capacity of intervention of the public sector into processes that impact on supply and prices, such as direct purchases, both domestic and external, when it has been necessary (Table 2) to gather strategic cereal reserves as an instrument to regulate domestic prices; public financing of agriculture; diversification of sources of imported food supply; and finally, new intraregional trade agreements, using national currencies as means of exchange.

19. Of particular interest to the consolidation of family farming have been the public purchase programmes that many countries have implemented, either to form strategic food reserves to supply institutional social welfare networks or, in some cases, to resolve emergency situations of temporary shortages caused by natural events, although not all such programmes involve small farmers. Interesting related examples are the incentives Colombia offers for cultivating staple grains in coffee-growing areas, the aim being to cover the increased demand at coffee harvesting,

and the Family Farming Food Procurement Programme in Brazil, which associates the food supply needs of social programmes with production incentives for small family farming. (Table 3).

20. A final noteworthy feature in this brief overview of policies to strengthen the role of family farming in food supply has been the recent, and somewhat belated in terms of production sector needs, action of certain countries to start analysing vulnerability and to engage in activities relating to risk management, in particular subsidies for agricultural insurance, a topic of increasing relevance given the uncertain context of climate-based disaster and agricultural price volatility.

Table 2

Examples of expansion of the public purchase mechanism

Brazil. Public food purchases have been increased to create reserves (maize, wheat, rice) which are periodically auctioned to influence consumer prices.

Ecuador. The “Feeding Development” programme includes 2800 small milk producers in public purchases by the Government, with the purchased milk subsequently used for public feeding programmes.

Guatemala. To deal with food shortages from serious drought, in August 2009 the Government imported 150 000 hundredweight of staple grains, costing 7.5 million USD. A further sum of 17 million USD was spent on inputs and food aid.

El Salvador. In order to offset an expected reduction in maize harvest due to El Niño, the Government is planning to directly import seeds and agricultural inputs to safeguard the next sowing season.

Nicaragua. Public bean purchases were made from more than 30 000 small farmers, guaranteeing them minimum prices and commitments to future purchases through the National Food Supply Enterprise www.enabas.gob.ni

Colombia. There have been seasonal public purchases of surplus milk production for distribution through the Institute of Family Welfare. www.icbf.gov.co

Venezuela. The Government guaranteed the import of basic items for the food basket through the Oil Harvest Plan which consists in transferring international reserve funds to the National Development Fund (FONDEN). www.inia.gob.ve

Table 3

Family Farming Food Procurement Programme (PAA)

The PAA is a structural arm of Brazil’s Zero Hunger Programme aimed at interlinking local production with food consumption. Its objectives include establishing minimum reserves of basic food basket products through direct and early purchase of family farming output in the consumption regions themselves and distributing those foods for consumption by populations at dietary risk.

The programme allows the Government to purchase food from family farming without tendering, up to a maximum value of 5000 reais per year. The purchased products must be donated to school feeding programmes, populations at dietary risk and public establishments such as nurseries and hospitals. In June 2009, the programme had spent some 20.5 million USD on food purchases from 97 000 farmers.

www.fomezero.gov.br

IV. A MEDIUM- AND LONG-TERM POLICY PROGRAMME

21. As indicated, the food crisis has helped to hurriedly place the concept of food sovereignty and food and nutritional security back on the national policy agenda and has sparked a reappraisal of the role of agriculture. In addition, the crisis of confidence in the functioning of agrifood markets has opened new spaces for the management of public policies intended to counter the increase in conflicts between private and public interests.

22. These new circumstances should crystallize into a policy agenda with a broad range of medium-term items, as explained in the official FAO-RLC documents for this Regional Conference.¹³ Essentially, there are two key intervention areas for strengthening family farming which is the focus of this document: revitalization of the domestic staple food market; and food security and the territorial approach to rural development.

A. Revitalization of the domestic staple food market

23. The widely accepted policy objectives of securing greater availability of staple foods and broader access by low-income groups call for a shift in policy approach from the hitherto mindset of prioritizing comparative advantage in order to promote exports to a long-term perspective of production and income potential of the domestic market. This does not necessarily mean seeking self-sufficiency in food supply but rather replacing imports of staple foods, to bring about food sovereignty and food security.

24. There are three key policy thrusts to revitalizing the domestic food market: incentivized production of small-scale agriculture; development of more competitive, efficient and equitable agrifood markets; and risk management. Each of these is touched upon below.

Incentivized production of small-scale agriculture

25. As explained in the introduction, the countries of the region have a great opportunity to convert a perceived major social problem – smallholder farmers living in poverty and generally viewed exclusively as targets of social policy – into part of the solution; in other words, into a sector that makes a fundamental contribution to basic food supply, while at the same time raising its income and reducing its vulnerability to food insecurity.

26. With due attention to its differences and constraints, family farming could effectively become a significant player in supplying domestic staple food markets, especially foods that are not tradable and/or that compete with foods that are imported, thereby playing an important role in containing consumer prices and thereby restraining inflation, which largely applies to food. Another way that it can contribute to reducing domestic food prices is by supplying local markets, secondary cities and widespread rural areas because of the lower inherent costs of transport and logistics, which are key determinants of food cost in the countries of the region.

27. To meet these challenges, family farming draws its potential from its idle capacity that can be rapidly deployed, thereby achieving significant increases in productivity, in a context in which fertilizer prices are expected to remain high. This of course presupposes a broad domestic market with demand for common staple foods and considerable potential for the supply of local and regional markets.¹⁴

28. Small family farmers also clearly face significant production constraints, due mainly to an inadequate supply of assets, particularly in relation to education and skills, quantity and quality of land, availability of equipment and technology. However, these are all factors that can be reversed

¹³ See Food and nutritional security: The Human Right to Food (LARC/10/2) and Rural territorial development and its institutional implications in Latin America and the Caribbean (LARC/10/4)

¹⁴ The widespread implementation of programmes of income transfer and other social programmes, together with subsidies to foster production and public credit have triggered higher food demand of the low-income population.

with the necessary political will and with policies specifically designed to remove these constraints. Below are selected examples of countries that have introduced policy measures to broaden the access of family farming to production resources:

Country	Policy measures for access to production resources
Cuba	1993 to 2008: Greater access to land with conversion of the State enterprise into free usufruct for indefinite period for cooperative associations (Basic Units of Cooperative Production – UBPC). In 1995, small land ownership became widespread (coffee and tobacco) and was further incentivized in 2008 to deal with the sudden increase in food prices.
Ecuador	The National Development Plan 2009-2013 is one of seven territorial strategies of Ecuador’s policy for rural welfare which itself has five strands: land access, redistribution of access to water, strengthening of farmer organizations, market democratization, access to services.
Honduras	The Land Access Programme (PACTA) implemented since 2001 is a government programme to facilitate poor rural household access to land and other assets, and the establishment and development of sustainable production enterprises, in a framework of opportunities in value chains and production partnerships, under arrangements of mutual benefit and shared risk.
Bolivarian Republic of Venezuela	The Law on Land and Agricultural Development (2001) lays the foundations for integrated and sustainable development of the rural and agricultural sector and affects the use of public and private land with agrifood potential.

29. A number of experiences in the region corroborate such possibilities. Significant increases in family farming yields having been achieved by using technologies that save on oil-based inputs and production systems based on the sustainable management of soil, water and woodlands. It is even possible to raise production in ecologically fragile regions with technologies adapted to the natural environment and capable of preserving biodiversity,. This should be one of the pillars sustaining increased production.

30. Finally, family farming in the region faces a very real but largely ignored challenge: an ageing population. The average age of heads of smallholding is about 50 years because of changing demographics, migration and laws on land inheritance. (More details in document LARC/10/4)

More competitive, efficient and equitable agrifood markets

31. There has been a significant increase in agribusiness in the context of agricultural activity in the region. Primary production is now thought to only represent 20% of the value of food production, with the remaining 80% linked to agroindustrial processing, agricultural inputs and trade, especially the retail trade (supermarkets). All these links of the agrifood production chain have a high level of economic concentration and a burgeoning transnational structure. This suggests that problems linked to competitiveness, such as market transparency, competition rules and barriers to entry into the industry, negotiation capacity of different t links of the agrifood chains and the integration of national companies into global agrifood chains, are topics of increasing relevance, especially from an integration perspective.

32. Related policies should aim: a) to foster and promote the development and competitiveness of agrifood chains in order to achieve greater added value and higher employment capacity, starting from primary production; b) to strengthen and develop local links of production chains to capture greater added value at local level; and c) to monitor market transparency and the balances needed within the value chain.

Development of instruments for risk awareness and management

33. In a context of uncertainty and loss of confidence, one of the main objectives of public policy should be to instigate changes in risk exposure, mitigation and management, both among enterprises, producers and rural homes, and among financial institutions. The State needs to play

an active role in implementing mechanisms to mitigate risk in the short term and to manage risk in the medium term, at reasonable private and social cost. Priority should be given to expanding the cover of existing instruments of risk management and transfer in order to broaden the supply of agricultural and rural financing. Such instruments, including State guarantee funds and agricultural insurance, partially cover the risks perceived by financial institutions and encourage them to lend.

B. Food security and the territorial approach to rural development

34. Gradual recognition of the changes that have taken place in rural areas in recent decades has led to a redefinition of ‘rurality’ to include the notion of spatial continuity, market integration and social, institutional and cultural networks merging the urban with the rural. This evolution of rural development is identified with territorial development and is no longer seen as a strategy with agricultural-sectoral connotations or with social policies targeting vulnerable groups residing in the countryside, detached from territorial dynamics.¹⁵

35. The territorial approach means adopting the territory as the target of development policy, incorporating the spatial and geographical dimension as a way of surpassing or complementing sectoral strategies focused on social actors or economic sectors. This therefore implies acknowledging the integrality of development, the multidimensionality of the rural economy,¹⁶ urban-rural links and the alignment of the different public strategies or policies that co-exist in territorial spaces. It should be noted that the traditional instruments of rural development applied by a designated institutional structure, normally answerable to the ministry of agriculture, are just one sectoral component of all the dimensions that the territorial approach imposes.

36. This process of change in the policy agenda for rural development also aims to achieve greater social and territorial cohesion, going beyond compensatory policies (safety nets). Such policies should focus, as a matter of priority, on a reduction in inequalities and on the social and economic inclusion of family farming, with an emphasis on a broadening of access to production resources (land, water) and the building of local capacity (training, financial services, technology, etc.). This topic will be addressed in detail in the document “Rural territorial development and its institutional implications in Latin America and the Caribbean” (LARC/10/4).

¹⁵ Echeverri, R.; Echeverri A. April 2009.

¹⁶ Dimensions such as tourism, agroindustry, arts and crafts, services, trade, construction and especially environmental services, function as components of an economic production agenda with enormous potential and need to be included in the agendas.