FROM PROMISES TO PRIORITIES

Putting small-scale family producers at the centre of a fair food production system in Latin America and the Caribbean

Despite the growth in the agricultural sector in Latin America and the Caribbean, 8 out of every 10 farmers, small-scale producers who are at the base of domestic food production, remain largely excluded from the related benefits. Government efforts for strengthening agriculture allocate public resources to few lines of spending that favour a minority. Investment on small-scale agriculture is difficult to track and where possible, it is disproportionately lower than this group’s contribution to the sector. A reorientation in agricultural spending is necessary in order to contribute to the food system’s equality and sustainability in a challenging global context.
1 THE FOOD SYSTEM CRISIS

Recent years have shown that the food system is in crisis due to several issues. Farmers throughout the world are faced with recurring crop losses caused by extreme climate events and/or by the effects of climate change.\(^1\) Productive resources are degrading, speculation on agricultural products causes instability in domestic and international markets, and the production of biofuels and other agricultural products for export compete with local food production in the context of limited productive resources.\(^2\) Additionally, a growing number of farmers are forsaking farming in the search for more profitable and secure economic options, and there is a constant rise in the price of food (and its volatility) that affects the well-being and food security of consumers.\(^3\)

In Latin America and the Caribbean (LAC), the result of these global dynamics is – and has been for a few decades now – a bipolar context. On one hand, the agricultural sector gains economic relevance given the productive potential of the region, the leadership of several countries as exporters of agricultural products, and the wealth and diversity of natural resources that appear attractive to investors.\(^5\) But on the other hand, a vast majority of agricultural producers (women and men small-scale farmers) are excluded from such processes,\(^6\) there is a growing environmental degradation that limits production, the countries are importing a growing volume of their staple foods, and a large part of the population (especially people living in poverty) have been losing purchasing power. This places the well-being of this group at risk and it also affects their ability to demand their rights and improve their lives in spite of the adversities (resilience).

In this context, the recent commitment made by world representatives (including Latin American States) during the International Agriculture Ministers’ Summit held in Germany in January 2013\(^7\) to make small-scale women and men farmers a priority with “responsible investment” and the United Nations’ declaration of 2014 as the International Year of Family Agriculture are positive steps in the search for solutions to the food system crisis.

What is surprising is that, despite the many years of such commitments and the broader recognition of the role of small-scale producers as instrumental for achieving sustainable farming, protecting natural resources, facilitating food security, and fighting poverty\(^8\), this subsector is still not a policy priority in the region.

In LAC, it is fundamental to prioritize small-scale food producers as a cornerstone for development given their importance to the agricultural, food, and rural sectors in the region. Estimates show that this producers’ group represents approximately 8 out of 10 agricultural production units,\(^9\) accounting for up to 15 million farms.

El Salvador, Haiti, Peru, and the Dominican Republic are considered developing countries and net importers of food products.\(^4\)
Small-scale family farming is characterized as being a diverse group that includes subsistence food producers to producers with obvious links to markets. However, this variety displays common traits: this sector utilizes family labour, has a small workable area and production scale, it faces difficulties and limitations in its access to productive, technological, financial resources, etc. and is highly vulnerable to economic and environmental factors at local and macro levels. Traditionally, small-scale agricultural production has focused on staple foods required by the domestic market. 

In recent years, the countries in the region have adopted diverse policies and have implemented initiatives to strengthen the performance of the food system and to contribute towards the food and nutritional security of its inhabitants. For example, from 2010 to 2012 these policies focused on ensuring food availability, regulating food trade dynamics and conditions, facilitating access to food, and providing basic services. Although these measures cannot, in and of themselves, be considered “positive” or “negative”, their implications in equitable, inclusive, sustainable, and resilient development lead us to question their ability to attain a comprehensive development in the sector.

This briefing note aims to provide insights on the nature and implications of public spending in agriculture in LAC. Section 2 describes the general patterns of public spending in agriculture observed within the region based on information collected in Bolivia, Brazil, Colombia, Dominican Republic, El Salvador, Haiti, Mexico, Nicaragua, Paraguay, and Peru. Section 3 points to implications of agricultural spending from the perspective of equality, sustainability, and resilience, and lastly, Section 4 offers recommendations for improving the performance of the food system based on investment in small-scale agriculture.
2 PUBLIC SPENDING IN AGRICULTURE

The analysis of public spending in the sector represents a starting point in the appraisal of the suitability of the measures adopted and their implementation. This helps determine if the political will of the State translates – or not – into specific actions, who the beneficiaries are, and the implications thereof.

Oxfam analyses of the magnitude and composition of public spending in agriculture in 10 countries in LAC between 2010 and 201213 shows that, although some countries display certain inclination for inclusive, sustainable, and resilient agricultural considerations when prioritizing spending, this is not visible in the majority of cases. The analysis highlights the following:

• In most of the countries analysed only 1 to 5 per cent of the total domestic expenditure is earmarked for agriculture.14 Proportionally to the national Gross Domestic Product (GDP), this figure represents barely 0.1 to 1 per cent. In contrast, the participation of agriculture in the GDP exceeds 10 per cent for several countries analysed (Bolivia, El Salvador, Nicaragua, Paraguay, and a 5 per cent average for LAC). This shows that agriculture receives fewer resources than those it contributes to the economy. Supporting this sector proportionally to its economic contribution means that resources allocated to agriculture should increase considerably throughout the region.

• Public spending in this sector is concentrated on a few line items. The majority of the budget (70 per cent or more) is set aside for administrative management and for programmes focused on technical training and assistance, and infrastructure development (particularly, irrigation in key productive areas.) It is also intended for the cultivation of specific crops (including productive diversification), input provision, production management (plant and animal health), and support for marketing and the development of value chains. While in principle, these expenditure categories are adequate for supporting the development of agriculture, they have a strong focus on “conventional” and commercial food production limited to specific products (high market value) and input intensive production systems. The allocation of public budget for the development and advancement of agro-ecological techniques, for the sustainable management of natural resources, for the cultivation of traditional crops, or for entrepreneurial development of small-scale producers is significantly lower in spite of their importance for the comprehensive and sustainable development of the sector.

• Most countries do not explicitly acknowledge and/or include the small-scale family farming sector in their budget programming, which contrasts with the significant participation of this productive sector in the agricultural sectors and in the alleged political priorities. Of the

In Peru, the irrigation programme utilized 84 per cent and 78 per cent of resources for investment in small-scale agriculture in 2010 and 2011, respectively, at regional government level. Nationally, data shows it was close to 60 per cent.

In the Dominican Republic, different development programmes for agricultural production development (different crops and inputs) utilized 86 per cent of the budget allocated for programmes in the Ministry of Agriculture in 2012.

In Paraguay, administrative expenditures by the Ministry of Agriculture and Livestock utilized 40 and 50 per cent of the public resources available for the ministry in 2010 and 2011, respectively.
countries analysed, only Brazil, El Salvador, and Paraguay acknowledge the concept of family farming in a specific policy or development plan that accepts the distinctive features of this productive group.\(^{15}\) And even in such cases, it is amazing to realize that the public spending allocation represents but a minimum fraction of the already limited resources destined for agriculture.

- The role of women farmers is invisible even though they represent 20 per cent of the agricultural labour force in LAC (with a growing trend due to their specialization in areas of high commercial value). There is not enough data across the region to show the differentiated access of women and men farmers to a variety of programmes and benefits, however, the available evidence suggests women farmers still encounter difficulties in access to land and to other resources and inputs for production, financial services, education, technical assistance, and equal labour conditions (including the mere compensation for their work).\(^{16}\) They experience discrimination due to cultural patterns that do not acknowledge them as “farmers” but as “family help” or “domestic labour”. Gender gaps are accentuated in the case of indigenous women.

- Farming and food security are intertwined, but have little budget. For example, in Haiti, irrigation infrastructure expenditures are allocated to food security, taking up a significant amount of the resources available for this line item. In other cases, such as El Salvador, Mexico, and Nicaragua, food security programmes are instead aimed at supporting the income of vulnerable populations and/or the access to food staples via food aid, with a welfarism approach. Despite its potential to encourage food security, investment in small-scale agriculture with a productive approach is very limited.

- Expenditure implementation is poor. Additionally to the limited budget allocation to the sector, estimates show that up to 60 per cent of resources allocated go unused by fiscal year end, with variations depending on the programme/initiative analysed or the type of expenditure (investment, management, etc.), and government level making the expense (national, state, municipal/district).\(^{18}\) Thus, although there is political will and resources are available to support certain initiatives, institutional limitations block the implementation of the actions proposed in some countries.
3 IMPLICATIONS OF THE PUBLIC SPENDING TRENDS

In recent decades the support to agriculture generated an annual economic growth in the sector of 3 per cent from 1995 to 2010. However, this has not benefitted all stakeholders equally. According to several sources, some of its effects have contributed to food insecurity, rural poverty and the unsustainable use of natural resources. The sections presented next question the implications of public spending on equality, environmental sustainability, and resilience.

EQUALITY

Much needs to be done in terms of equality to guarantee that the vast sector of small-scale and family agriculture participates and benefits from spending initiatives, just as other farmers benefit.

In several countries (especially South America), public investment has prioritised headings related to agricultural exports, with a special emphasis on livestock farming, oleaginous crops (mostly soybean), and vegetables and fruits in high demand in the global market. This production is dominated by large agricultural operations and large-scale agricultural businesses. Thus, the participation of small-scale women and men farmers in agricultural exports is limited, which means that the benefits associated with farmer participation in high-value international markets are limited to a select few. This has hindered the social and economic impact of the agricultural exporters’ boom and has also caused unequal competition for natural resources. Recent estimates show that the Gini index for inequality in the distribution of rural income oscillated between 0.359 and 0.596 in 18 countries in the region, while the index for land distribution reached 0.75 in Central America and 0.9 in South America. LAC is one of the most unequal regions in the world.

In Mexico, research on the access to public benefits such as credits and subsidies in the agricultural sector shows that producers with more resources and larger production units have more access to greater support, when compared to small-scale producers. According to 2010 estimates, producers in the upper income decile utilize close to 40 per cent of the Procampo resources, 60 per cent of resources destined to energy and hydric resources, and 90 per cent of the Target Income allocation.

In Brazil, the number of credit contracts granted to small-scale farming through PRONAF (Programme for Strengthening Family Farming) has been decreasing gradually since 2007. This programme grants credit to crops – such as wheat, soybean, and coffee – and monocrops that are heavily input-intensive, all of which are dominated by large-scale...
agriculture. Also, the credit system has become a debt trap for small-scale farmers who face difficulties because their debts exclude them from accessing any other type of support or resources.\textsuperscript{24}

In terms of pro-gender equality investment, countries such as Brazil, Mexico, and Nicaragua have allocated some resources to programmes and/or initiatives that benefit rural women and women farmers. Several productive activities for women have been implemented, although it is clear that a significant amount of resources goes to social expenditures, where women are targeted for conditional welfare support (especially in the lines of poverty reduction and food insecurity). There are also cases like Brazil where the promotion of certain productive activities leads to competition for resources that are usually managed by women, deriving in a reorientation of resource use to productive activities by men.\textsuperscript{25}

Equitable spending can be achieved when the current spending pattern reflects the contribution of the sector to the economy and adjusts to the needs and capacities of the different types of farmers (women and men) through differentiated lines of action, while promoting the collective and comprehensive development of the sector. Advocating for equality does not necessarily mean an increase in public spending aimed at programmes or initiatives to benefit one or another type of producer. Rather, it means a fair redistribution of the resources available, both in quantity and in quality, for the benefit of society in general.

Some countries have made progress on aspects that do in fact benefit small-scale producers, such as land access and tenure, production support (technical assistance, input and equipment, crop management), access to credit, and the creation of value chains. However, although these are all very important, its scope is limited when advocating for equality and inclusion because public investment funds for small-scale producers (especially for the case of women) are usually low when compared with the needs, conditions, participation, and contribution of this sub-sector to agriculture.

ENVIRONMENTAL SUSTAINABILITY

In contrast with the political discourse on protecting and preserving the environment, there are limited initiatives focused on ensuring access and use of natural resources in the future, and those that exist have insufficient funds to operate.

Investment in irrigation infrastructure is common in the region. Although the use of irrigation systems means better use and maximization of water resources, in several countries in LAC access to water and irrigation is dominated by wealthier farmers with production systems that are intensive on input use and which do not implement environmentally friendly agricultural practices. Production in small-scale agriculture is still predominantly rainfed.
Investment in environmental protection initiatives for farming is very low. Efforts made along this line could also take place within the broader technical assistance and support activities for crop management. However, there is not enough information to determine if this type of assistance goes beyond technical production specificities to include assistance and advice on sustainable resource management (biodiversity conservation, soil improvement, reforestation, etc.).

Some countries (Bolivia, Brazil, Colombia, El Salvador, Haiti, Paraguay, and Peru) have earmarked resources for agricultural research and development in order to encourage sustainable resource conservation and management, as well as the use of new technologies. While research has prioritized conventional practices and crops, there is scope for increasing the focus on the search for alternatives for a different productive system, one that is more responsible with the environment.26

RESILIENCE

If resilience is understood as the ability of women, men, and children to demand their rights and improve their well-being in spite of the shocks, tensions and uncertainty (Oxfam’s approach), public spending allocation for this key issue in agriculture is almost null. It is especially the case for resources destined to climate change adaptation. Moreover, some countries still have not created a clear policy and/or strategy to guide the development of the agricultural sector under the resilience approach.

Expenditure categories that are associated to resilience include those related to risk management and response during crisis, such as: promotion of agricultural insurance, the creation of a food reserves system, and aid (monetary and/or in kind) to households or producers affected by adverse climate events. In budgetary terms, these categories have limited resources to operate.

El Salvador, for example, has the Environmental Strategy for Adaptation and Mitigation to Climate Change in the Agriculture, Forestry, and Aquaculture Sectors (2012) as part of the Plan for Family Agriculture (PAF). However, as many other policy instruments and plans, it does not have a specific budget for implementation or a monitoring and evaluation system in place. Peru created in 2010 its National Strategy for Climate Change, which the Ministry of Agriculture has used to define the Plan for Adaptation to Climate Change for Agriculture Competitiveness. This plan identifies the different adaptation strategies and measures that have to be implemented in the sector. Nevertheless, most of the projects implemented along these lines are closely linked to the presence (and funding) of the international cooperation, which limits the role of the State in said activities.28

This is alarming given the high exposure and vulnerability levels of the region to extreme climate events, whose frequency and intensity have wrought disaster throughout the continent in recent years. The occurrence of hurricanes, landslides, floods, draughts, tropical storms, and others has severely impacted agricultural production. This has

The droughts in 2004-2006 in Brazil (Rio Grande do Sul) meant a 65 per cent and 56 per cent reduction in the production of soybean and corn, respectively. Hurricane Stan in 2005, generated losses of close to $3m in Guatemala, Mexico, El Salvador, Nicaragua, and Costa Rica. The drastic reduction of glaciers in Peru, Colombia, and Bolivia will have severe consequences on water availability and energy generation.27
affected food production, the use of land for agricultural purposes, the condition of productive infrastructure, and environmental conservation.  

The most vulnerable persons are women and those with limited resources that prevent them from coping and overcoming the impact of such events.

Likewise, vulnerability to other types of crisis and risk has not meant a systemic refocusing of public spending. In times of high volatility and high food prices, measures were adopted to regulate foreign trade (exports and imports), control food prices (Bolivia, El Salvador, Dominican Republic), and increasing food aid. These measures focused on the short term and were not designed to reconfigure the priorities of development and spending in agriculture.
4 IN SEARCH OF SOLUTIONS: PRIORITISE SMALL-SCALE FOOD PRODUCTION

In light of the innumerable challenges – present and future – faced by the food system, the region must implement “responsible” public investment by prioritizing small-scale, family agriculture. As the evidence indicates, growth within the smallholder sector translates in broader farm and non-farm development (additional income, employment possibilities), investment in sustainable production practices, and the reduction of poverty, food insecurity, and vulnerability.

There is no one-way to engage on responsible investment. Rather, it has to adapt to the diverse context in terms of products, production systems, agro-ecological zones, and micro-regions, access to different productive resources, and vulnerability to adverse climate changes and other risks.

Governments in LAC must:

**Make public spending transparent and more effective for agriculture by:**

- complying with access to information and accountability requirements;
- implementing all actions in the budget in order to improve the level of planned spending and comply with the development objectives proposed;
- monitoring and assessing the social, economic, and environmental impacts of public spending in the sector;
- promoting the participation of women and men small-scale producers along the budgetary cycle, from the identification of needs up to the monitoring of the implementation of approved budgets;
- informing about the amount, rationale, and allocation criteria of public spending directed to other agricultural spending categories, such as the promotion of agricultural exports and the support to national and international agribusinesses.

**Promote equality by:**

- reviewing and revising the current budget allocation pattern for agriculture in order to ensure a fair redistribution of public resources;
- including and prioritizing the small-scale food producer sector when creating public policies and budgets at local and national levels;
- democratizing access to productive resources (land, water, infrastructure, energy), productive services (extension, research), and markets in order to revert structural inequalities and the abandonment of agricultural production;
• creating funding systems suitable to the needs and characteristics of small-scale producers, depending on their type of production (annual, perennial, livestock, etc.);

• acknowledging women and making them visible in their productive and reproductive roles and by including specific measures to revert (and not to perpetuate) gender inequalities in the sector – in public policies, as well as in budget programming, development, and implementation.

Guarantee the production of foodstuffs key to the national diet and national food security by:

• encouraging the production of foodstuffs that are fundamental to the national diet and eating habits, while observing the cultural traditions and customs of the population.

Promote sustainable agriculture and resilience in small-scale, family agriculture by:

• including risk analysis and adaptation and risk reduction measures towards adverse climate events within productive promotion programmes and initiatives; differentiated by type of risk and event;

• training and providing technical assistance suitable to the environmental context, production system, and vulnerability during climate risks, with a gender perspective;

• implementing environmental protection measures to reduce agricultural emissions, protect biodiversity, revert environmental degradation, and promote sustainable natural resource management;

• identifying risk transfer mechanisms throughout the food system in order to share risks among all stakeholders involved in the different stages and preventing small-scale producers from bearing a disproportionate share of such risks;

• expanding social protection to include the most vulnerable and disadvantaged sectors in the food system.
NOTES

1 For example: grain production losses in Russia and the United States altered the grains global market from 2010 to 2012; the 2012 drought in Guatemala had a direct impact on four departments located in the dry corridor and indirect impact on the entire country.

2 FAO (2009) "Desafíos en Relación con la Alimentación y la Agricultura Planteados por el Cambio Climático y la Bioenergía". Foro de Expertos de Alto Nivel, Cómo alimentar al mundo 2050. Roma: Organización de las Naciones Unidas para la Agricultura y la Alimentación.


10 The size of the production unit ("small") characteristic of this sector varies according to national and regional contexts.


12 FAO (2011a to c) and FAO (2012 a to d):


13 Research commissioned by Oxfam in: Bolivia, Brazil, Colombia, El Salvador, Haiti, Mexico, Nicaragua, Paraguay, Peru, and the Dominican Republic.

14 Haiti is an exception, as close to 7.5 per cent of its national budget is earmarked for agriculture. However, 80 per cent of this budget comes from development aid. Thus, if only State resources are considered, the percentage is significantly less.

15 In the case of Colombia, the agrarian policy makes a difference between small, medium ad large producers. "Small-scale producers" are more similar to small-scale family agriculture. However, recent studies show there are wide differences between both groups in relation to their access to productive resources, the use of family labour, market participation, and the use of technology. In the case of Mexico, although family agriculture is not acknowledged, there are some actions in place to support "small-scale farmers".
16 ibid.
18 It is worth noting that there is lack of transparency on this matter, since some countries do not publicly share information. This topic is addressed in greater detail in the companion to this briefing note, "Blind budgets: Budget transparency and public spending for small-scale producers".
20 J. Berdegué and R. Fuentealba (2011) op. cit.
31 FAO (2011a to c), FAO (2012a to d); op. cit.
32 IFAD and UNEP (2013) op. cit.
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