ELLA
Evidence and lessons from Latin America

The Moderator aimed to share knowledge and foster debate on three main policy issues regarding sustainable small-scale farming. Participants exchanged their own perspectives and assessed how such policies could be adapted to their own regions.

PUBLIC POLICIES TO SUSTAIN SMALL-SCALE FARMING

SUMMARY

During the three weeks of Module 3, the Moderator, Manuel Glave, focused the dialogue on three policy issues. First, the compliance challenge around agricultural health standards. Second, the conditions for increasing financial inclusion of rural households in order to reduce rural poverty and promote economic diversification, and, finally, a discussion of the dynamics of land grabbing, with the corollary dilemmas of food security, environmental degradation and distributional effects.

This document summarises participants' contributions as well as main conclusions drawn from the discussions. Materials shared are also hyperlinked.

KEY ISSUES:

- The main challenge for ensuring food safety and agricultural health standards is establishing and enforcing domestic market standards (currently poorly enforced).

- Appropriate institutional arrangements for rural microfinance are lacking in many countries of Africa and Asia. From Latin American experience it appears that institutional innovations for risk management are needed in order to enhance the reach and success of rural microfinance.

- Land grabbing may have perverse effects on food security, environmental sustainability and resource distribution. Regulations need to include a set of public policies to mitigate the negative social and economic effects of this current trend.

CONTENT

Week 1: Agricultural Health as a Key Factor for Successful Market Integration

Introduction

Food safety and agricultural health standards are designed to manage risks associated with the spread of plant and animal pests and diseases, and can also be used as a trade protection measure. The Report on Food Safety and Agricultural Health Standards highlights the concerns regarding how developing countries lack the administrative, technical, and other capacities to comply with new or more stringent requirements, and, moreover, how the costs of meeting standards may undermine the comparative advantage of developing countries in the high-value food trade. Chapters 3 and 4 of the report provide a comparative assessment of compliance in selected countries in Latin America, Africa and Asia for specific sectors (fish and fisheries, horticulture and spices, and meat products).

The establishment of a national service for agricultural health appears to be a key measure for promoting more competitive small-scale commercial agriculture. Two documents are provided as background reading for this module, a case study of integrated pest management (IPM) and potato production in the Northern Andes of Ecuador and an article about the positive impact of IPM on the net return of farmers and consumers.

Questions posed to LEA members:

Are there any examples in your country (or region) of compliance with agricultural health standards that have induced rapid market integration of small-scale producers? Vice versa, can you give an example of a lack of compliance has limited opportunities for smallholders to increase their competitiveness?

In your opinion, what are the main limitations faced by your country in order to enhance institutional capacity for the development of a national system of agricultural health standards?

Summary of the Exchange

First, participants shared examples of good agricultural practices and compliance with agricultural health standards. Obert Maminimini from FAO in Zimbabwe mentioned that his country is promoting organic production as a main strategy for meeting food safety and agricultural health standards set by the European and American markets. For example, the Zimbabwe Organic Producers and Promoters Association (ZOPPA) together with the Standards Association of Zimbabwe (SAZ), private companies, NGOs and research institutions are drafting organic agricultural production standards to comply with Zimbabwean and World Health Organization (WHO) food safety standards. In Uganda, James Kizito from the Uganda Coffee Development Authority pointed out that the government is actively promoting Integrated Pest Management (IPM), as well as providing technical assistance through the 'Farmers Field Schools'. In Ghana, William Kofi from the Center for Agribusiness and SME Development asserted that there is "excellent product safety performance" in the cocoa, horticultural and fisheries sub-sectors. Finally, India Shalini Kala, Independent Consultant highlighted the examples of sea-fish, spices and chilli production, where a long tradition of growing and trading exists along with trader associations.

Despite these successes, most of the contributors pointed out that the use of pesticides is not currently controlled. Gladson Makowa from the Info-Exchange Agency in Malawi mentioned that smallholders are in a "desperate situation" and use any chemical at their disposal regardless of known dangers. For William Kofi, the main challenge to meeting food safety and agricultural health standards establishing and enforcing domestic market standards (currently poorly enforced). In particular, he mentioned the need to strengthen disease and pest surveillance and control systems for production, processing and distribution systems, as well as the related capacity for risk analysis. The beef sector in Zimbabwe provides a poignant example of the importance of such surveillance and control systems; when the European Union banned all beef exports from Zimbabwe due to an outbreak of foot and mouth disease (FMD) outbreak, smallholder farmers, who had been benefiting from the exports, were dealt a heavy blow.

Neeranjan Rajbhandari, Independent Consultant from Nepal drew attention to the certification of organic coffee in Nepal and other countries. The main bottlenecks here are the certification costs and the lack of international standards laboratories that can detect pesticides and hazardous chemical in the crops to be traded. Rajbhandari calls for good governance at the grassroots level, in-situ conservation, and education and training targeting young children in school, say, with practical kitchen skills and vegetable growing using local resources in a sustainable and healthy way.

An interesting contribution came from Shalini Kala, Independent Consultant, who pointed out that in India - a large producer and consumer of crops - since the primary market for agricultural products is domestic, consumers' agriculture health concerns are not very demanding. Hence, Kalini argues, while there is sufficient capacity to enhance national systems of agriculture health standards (see Plant Quarantine Organisation of India), there is weak consumer concern/awareness to push for it.

From Latin America, Monica Ojeda, from the Rural Support Centre in Peru, highlighted the success story of the National Agrarian Health Programme implemented in Peru, especially its initiative to combat the fruit fly, which induced a rapid increase in international demand for Peruvian fruits, vegetables and other non-traditional agricultural products. The Programme has proven highly instrumental, especially in coastal regions of Peru (for example, the Ica region) where rapid economic growth is based on the production of agro-industrial crops, many set for export.

Week 1 Moderator's Main Conclusions:

- The importance of agricultural exports varies across countries, but it is certain that they play a key role in enhancing social and economic development opportunities for smallholders in Latin America, as well as in Asia and Africa.
- The opportunity for developing countries to engage in high-value agricultural export businesses faces two important constraints. First, trade protection and agricultural production support, and, second, the proliferation and strengthening of food safety and agricultural health standards, a process occurring at the national and international levels, as well as in individual supply chains.
- The main obstacle to smallholders fulfilling international food safety and agricultural health standards is the lack of domestic market standards and weak enforcement. This is the case in many developing countries where the primary market for agricultural products is domestic and where consumers do not have high demands relating to agricultural health concerns.
- Latin America is home to some successful stories, especially the elimination of the fruit fly in the Pacific coastal regions of Peru and Chile, inducing a rapid increase in the international demand for fruits, vegetables and other non-traditional agricultural products from these countries.

Week 2: Rural Microfinance: Lessons Learned After Two Decades of Institutional Innovation

Introduction

One of the most common public policies implemented across developing (and other) countries to support smallholders has been rural microfinance. These schemes have been highly successful in the Latin American region, supporting the integration of smallholders into domestic and international markets, especially through the production of high-value agricultural cash crops. This week, the Moderator asked participants to evaluate lessons learned from Latin America´s efforts to increase financial inclusion amongst rural households, based upon their own experiences in Africa and Asia.

Participants were invited to listen to an interview with Dr Miguel Jaramillo, Senior Researcher at GRADE, and author of the ELLA Brief: Expanding Microfinance in Latin America's Rural Areas. In the interview, Dr Jaramillo discusses the reasons behind including rural areas in financial markets, the consequences of poor access to finance in rural societies, the constraints faced by Latin American countries looking to expand financial services in rural areas, and, finally, he describes the paradigm shift regarding rural microfinance that has been taking place over the last two decades. The main cause of this paradigm shift was the emerging need to reduce and tackle portfolio credit risk in rural areas. Mitigating risk is not the only strategy for improving rural microfinance, however, since improving information access and management, diversifying products and services, and strengthening the legal environment are all key for enhancing value chain financing.

Questions posed to LEA members:

What are the main constraints faced in your country (or region) for the expansion of rural microfinance? Can you give examples of different attempts to resolve these constraints?

In your opinion, what are the main financial products and services required for increasing the reach of rural microfinance to poor small-scale farmers? What are the differentiated roles of community based organisations, non-governmental organisations, public agencies and the private sector?

Summary of the Exchange

The exchange mainly focused on the conditions that facilitate (or constrain) efforts to increase financial inclusion amongst rural households in order to reduce rural poverty and promote economic diversification. First, various contributors listed factors that constrain the expansion of rural microfinance. Nathan Kanuma, from the National University of Rwanda started this by citing a lack of refinancing facilities, limited financial products for agriculture, low levels of financial education, poor governance and low technical capacity. Patrick Mussa, from Arise and Shine International in Malawi, added the lack of coordination amongst community-based organisations, NGOs, public agencies and the private sector. Ali Kunbher, from FAO Pakistan, stressed the fact the majority of the banks prefer to loan to larger growers, with small-scale farmers rarely relying on financing institutions. Prashanta Raut from Mercy Corps Nepal added that overlapping of programmes or overcrowding of MFIs in a few easily accessible areas can lead to some smallholders clocking up significant debt. In general, contributors agreed that most limiting factors are poor access and unfavourable loan terms (predominantly high interest rates due to perceived risk of smallholder vulnerability). As pointed out by Shalini Kala, Independent Consultant from India, the banking system was developed for a larger market size (cities) and therefore is unable to assess small loans at low transaction costs.

A further constraint, identified by Victoria Adongo, from the Peasant Farmers Association in Ghana and other contributors, is that rural microfinance "operates without specific policy guidelines and goals ... it suffers from lack of direction, fragmentation and coordination".

William Kofi Horsu from the Center for Agribusiness and SME Development in Ghana made a very specific comment on the importance of using ´farmers maps´, which help smallholders to estimate expected yields for the year. This information is used to calculate the amount of funds the farmer will be loaned through a cooperative group. Joseph Saakur Bapule from Rural Innovation Consults in Ghana shared a link to an article by the Economics Institute of the Bank of Ghana, which describes the evolution of the microfinance sector as well as the relationship between microfinance, development and poverty reduction. Similarly, Komal Kantariya from the Gujarat State Disaster Management Authority shared a link to an article on microfinance and small farmers in India, where small-scale farmers are being served by a new breed of MFIs using the successful Self-Help Groups model.

Week 2 Moderator's Main Conclusions:

- From an institutional point of view, rural microfinance in Africa and Asia suffers from inappropriate institutional arrangements, a poor regulatory environment, weak institutional linkages (between formal and informal financial institutions), and a lack of investment capital and technically qualified personnel.
- As discussed in our learning space, Latin American experience shows that institutional innovations for risk management are key to enhancing the reach and success of rural microfinance.

Week 3: Land Titling Programs and the Dynamics of Land Grabs: Impact on Smallholders and Food Security

Introduction

One of the most heated debates on the international agricultural development arena today is related to the dynamics and impacts of land grabs. This debate has arisen after almost two decades of uncertain social and economic effects of large investments in land titling and registration across Latin American, African and Asian countries. Food, energy and fuel production, climate change mitigation strategies and demand for resources from newly identified hubs of natural resource capital are key drivers of land grabbing across the developing world.

In Latin America, a substantial part these 'neo – latifundios' (large-scale agricultural land) are devoted to agro-export production, with soybean the most widely produced crop, but by no means the only, example, or for the production of biofuels. Many of the owners of these agricultural businesses are not typical landowners that characterised the old haciendas. They are corporations with diverse economic interests; banking, insurance, fishing, real estate, wholesale trade etc. Shareholders of big multi-nationals are part of the main power groups.

Property is not the only way to concentrate control over land. In his interview, Fernando Eguren, Executive Director of the Peruvian Centre of Social Studies (CEPES) refers to Argentina's so-called "sowing pools"; firms that control up to one million hectares without owning any land. What they do is organise, lead, fund and commercialise production in a centralised way, as one company, but the land belongs to hundreds of owners. The paper by Borras, Franco, Kay and Spool shows how these land deals (involving foreign or national capital) have resulted in the eviction of people from their lands in Latin American countries. Data from FAO studies suggest that this phenomenon in Latin America and the Caribbean is at a less dramatic scale when compared to incidences of dispossession in other regions in the world, especially Africa.

It is in this context that, in Latin American countries, policies aimed at promoting smallholder agriculture and medium size farms are either non-existent or marginal, in spite of the fact that these producers provide the basis for food security in the region.

For this week's discussion, the Moderator invited participants to listen to an interview with Fernando Eguren, Executive Director of CEPES (Peruvian Centre of Social Studies), who has been actively engaged in research into the social and economic impacts of land re-concentration in Latin America. Participants were also referred to a recent paper published in the Journal of Peasant Studies on land grabbing in Latin America and the Caribbean. Both the interview and the paper refer to a recent FAO study carried out in 17 Latin American countries (available only in Spanish) which shows that in most of them there are ongoing processes of land (re)concentration.

Questions posed to LEA members:

Is there evidence of a recent trend of land (re)concentration in your country/region? What have been the social and economic impacts of this trend?

What have been the main public policies that have promoted or induced land concentration in your country/region? And what are the main public policies that could be implemented in order to prevent land concentration or mitigate its social and economic impacts?

Summary of the Exchange

Various participants presented evidence of the negative impacts of land grabbing. Brazilian investments in Mozambique, such as the ProSavana project, are considered by Adelson Moises Barroso from Oxfam in Mozambique as a "threat of land grabbing to small-scale farmers", while Rilwanu Muahammad Faralu from the Ministry of Agriculture and Natural Resources in Nigeria warned that an Israeli firm has succeeded in acquiring the government's permission to establish a livestock production company in the Ruma Kuakar Jangarai grazing reserve (120,000 hectares). Victoria Adongo from the Peasant Farmers Association in Ghana indicated the scale of biofuels expansion in Ghana, stating that about seventy per cent of biofuel development comes from jatropha plantations located on large tracts of land in the country's northern, western and eastern Regions.

Yet the majority of the contributors leaned towards a different conclusion. Shalini Kala, Independent Consultant from India synthesised it very well, stating that industrial companies have had considerable influence over governments concerning the acquisition of land for mining, industrial or energy purposes. These deals are contentious since they are perceived to have negative environmental and social impacts on smallholders.

Victoria Adongo considers that political leaders have been responsible for giving land to investors without providing proper compensation to dispossessed families. As can be expected, this process has had a severe impact on the livelihoods of small-scale farmers, while also distorting social identities and local capacity for social organisation and environmental management. Maniminimi explained how in Southern Africa the term 'land grab' has been widely used to describe the illegal occupation of commercial farms (largely) by poor people since 2000. However, recent fears have emerged that the government may also be engaging in land (re)concentration, as in the case of the Chisumbanje ethanol project.

A common obstacle to land grabbing in many developing countries is the tremendous fragmentation of land ownership. Nevertheless, there have been several efforts to reduce transaction costs in order to facilitate entry by agricultural corporations in a bid to modernise Indian agriculture. Shankar Chatterjee from the National Institute Rural Development claims that current policy changes seeks to facilitate the acquisition of land for industrial, infrastructure and housing use while trying to ensure fair compensation for landowners.

Ramjeelal Shrestha from the National Planning Commission Secretariat in Nepal indicated that the Nepalese government has recently implemented a 'land use zoning policy' aimed at promoting the sustainable development of land resources. The policy classifies the national territory as either arable, residential, business, industrial, forest or public use areas, and does not allow for the partition of agriculture land into small lots.

Week 3 Moderator's Main Conclusions:

- According to Fernando Eguren, Latin American experience shows that "it is not easy to limit the consolidation of large agribusiness with huge tracts of land since the power and political influence of corporations involved in agribusiness over governments is very strong." However, there are some examples of policies that have been implemented in an attempt to regulate or control this process, as in Bolivia, but without much success so far. In some cases, governments have tried to reduce the direct ownership of land by foreign investors or have imposed progressive land taxes to discourage land concentration. In many African countries, there is no policy or regulation to limit the size of land an investor could acquire for investment.
- While land grabbing is widely used for the internationalisation of land ownership, land concentration is a process that can also be carried out by national actors. As Gerardo Damonte from GRADE warned, most legislative initiatives around the world are focused on preventing land grabbing by a foreign interest and are less concerned with halting land concentration by local actors (mostly, political or/and economic elites).
- A common impact of this new dynamic of land concentration is the deepening of inequality, in countries that are already struggling to tackle this concern. Weakening of local-level institutions is another social impact mentioned by Eguren and in the paper by Borras, Franco, Kay and Spool. Land-buying corporations exercise a strong influence over local governments and municipalities, thereby reducing accountability to local populations.

CONTACT GRADE

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FIND OUT MORE FROM ELLA

To learn more about Latin America's small-scale farming, read the ELLA Guide, which has a full list of the knowledge materials available on this topic. To learn more about other development issues, browse other ELLA Themes.

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