



## Agriculture in Latin America and the Caribbean

# A fortress in times of crisis... the engine driving development

Photo: Jane Kögel



**“In the short term, agriculture can lessen the impact of the economic crisis and, in the long term, contribute significantly to development and help solve the problem of food security. For this to happen, the true value of agriculture must be recognized, and that recognition must be translated into more and more effective investments in the rural milieu.”**

*Chelston W.D. Brathwaite,  
Director General of IICA*

**F**or the countries of Latin America and the Caribbean (LAC), now is the time to take the actions and make the investments needed to tap the potential agriculture and rural territories offer for meeting the challenges of the current global economic crisis and returning to the path to development.

Gathering storm clouds threaten to wipe out the progress made during five years in which agriculture performed well in the region, to erase the advances made in combating rural poverty and to put the achievement of the Millennium Development Goals in jeopardy.

Exporting countries benefitted temporarily from the higher prices received

for the major agricultural commodities through the middle of 2008, but then saw their production costs rise due to higher prices for inputs. Net importing countries were more vulnerable to these increases, with more consumers and small-scale producers finding themselves in a situation of food insecurity.

Nonetheless, the abundance of natural resources available in the region, as compared with others, would be possible to increase food production, meet the challenges of food security and climate change and help large segments of the population to escape from poverty.

This will require the adoption of sound public policies and the existence of

institutions capable of addressing this complex, volatile and highly unpredictable international context.

*As a result of developments in recent years, most people had come to accept that the days of cheap energy were over. Now they are beginning to understand that the days of cheap food may have also ended, and that they should be worried about the economic recession which began in the developed countries and is now spreading throughout the world.*



## Weighty reasons for thinking in the long term

*Governments have chosen to adopt short-term measures in response to the current economic crisis. Today, however, it is more important than ever to consider long-term scenarios, because...*

- The current world population of 6 billion will have risen to 9 billion by 2050 and will require twice as much food, but less land will be available for food production.
- Even though increases in yield per hectare are on the decline, investment in agricultural science and technology in the region is limited.
- A scarcity of water will place important restrictions on agriculture.
- There is growing pressure to produce biofuels, which will consume resources currently used to produce food.
- Climate change will affect the structure of agricultural production and well-being in rural areas, having the greatest impact in the tropics and lowlands and coastal plains.
- Natural resources and technology, when properly combined, can contribute not only to solving the problems of hunger and social exclusion, but also to tackling the challenges posed by climate change.
- The current volatility of prices affects food security, worsens malnutrition, generates poverty and social instability and threatens political governance.
- In times of crisis, the temptation to adopt protectionist measures, which have proven to be harmful to the general well-being, is greater.
- The increasing concentration and transnationalization of agrifood trade affect price formation and income distribution, given ineffective efforts to establish regulatory frameworks and promote competition.

## Reassessing agricultural production

### *Agriculture as a buffer and as a driving force behind development*

Agriculture can help to minimize the impacts of a crisis and to prevent a country's economy from contracting even more rapidly. Inasmuch as the redistributive effect is greater in agriculture, it is estimated that an increase in the Gross National Product attributable to agriculture has a positive impact on the incomes of the poorest deciles. This impact is two to four times greater than when such growth is generated by other sectors.

***The best strategy for combating poverty and surviving the contraction of international markets is to invest in agriculture. This requires a State that is more committed to social investment and to the improvement of conditions, in order to encourage small- and medium-scale private investment aimed at national markets.***

As an economic activity, agriculture is highly efficient in terms of reducing extreme poverty (more so than other sectors such as industry and construction), and helps stem the migration of people from rural communities to cities and other countries.

In LAC, the highest levels of poverty are reported in the small-scale or family agriculture sector, which is an important source of staple foods, accounts for 57 and 70% of employment in the agricultural sector and takes up 30 to 60% of agricultural and forest lands. With adequate policies in place, it has the potential to increase productivity in the short term, help improve food security, reduce dependence on imports and contribute to reducing poverty.

### *Less specialization, greater diversification and more value added*

To increase agriculture's contribution to development, it is necessary to promote greater diversification of crops, increase value added activities and promote agroindustrialization. This will require more than having an aggressive strategy for entering markets. It will also be necessary to have specific policies that encourage investment and technological development aimed at making the sector more competitive.

Family agriculture should be incorporated into agrifood chains, not only to promote the inclusion and participation of small-scale producers in the benefits of growth, but also as protection against the threats posed by economic concentration and transnationalization, while taking advantage of their potential benefits.

Linkages between agriculture and other economic activities in rural territories should be encouraged. Rural agroindustry makes it possible to incorporate small-scale farmers into value chains.

For the countries of the Caribbean and Central America, agrotourism and ecotourism have proven to be an interesting alternative for generating demand for agricultural products and services, income and jobs and as a source of foreign exchange revenue.

## *Producing bioenergy without affecting the food supply*

It is important to find ways to increase the production of biofuels without threatening with food production.

This will require public policies agreed upon with other sectors (energy, industry, trade) and support measures for the implementation of biofuel production and use projects; the provision of investment capital and operating funds; technology development; management capabilities and the ability to produce on a large enough scale.

*There is a window of opportunity for the insertion of green fuels, specifically ethanol and biodiesel, in the energy matrix of the countries of Latin America and the Caribbean.*

## *Promoting a new technological revolution*

In order to ensure food security, it is necessary to promote a “double green revolution” that will increase productivity by adopting technologies that both use and conserve natural resources and will make it possible, eventually, to restore deteriorated natural capital.

### *To renew investment in R&D*

The region invests only US\$ 3 billion (0.54% of GDP) in research and development, which is not enough to participate actively in the global food market and meet the challenges of climate change. The region should double its annual investment in agricultural research over 3 to 6 years.

*The development of agriculture with knowledge will require the promotion of a new paradigm based on technology innovation, and greater investment in education.*

It is necessary to take advantage of the potential offered by biotechnology and the information technologies and ensure that their benefits reach small producers, to develop the products required for a healthy diet and to rebuild agricultural extension systems, which have declined over time.

### *Technology and irrigated agriculture*

Given the need to increase the availability of food, and the risks posed by climate change, the countries of LAC should bet on two priority variables: technology and irrigated agriculture. It is necessary to adopt strategies for reducing the environmental impact of irrigation, currently very strong, and making it more efficient.

For tropical countries, especially in Central America and the Caribbean, agriculture in protected enclosures is an interesting option for reducing the effects of climate change.



## **Factors that determine the type of actions to be taken**

*Countries have a number of policy instruments at their disposal; how they are designed, applied and managed will vary greatly from country to country depending on specific conditions. In proposing public-sector actions, the following conditioning factors must be considered:*

- Agriculture in the different countries and rural territories are heterogeneous and a variety of actors intervene in each.
- The institutional framework has been weakened and must be modernized to adapt to the challenges of the current context and the new role of the State and civil society organizations.
- Any proposed policies must be highly flexible, given the variety countries and regions involved.





## Better institutions will require investment

*The complexity of the current context demands a State that can envision a new type of agriculture, intervene effectively in the sector and adopt policies that are congruent. Furthermore, the organizations of the private agricultural sector will need to adopt a new role.*

Institutional innovation will be needed, which means greater investment in institutional development.

In the agricultural sector, business organizations and those of civil society must develop the capabilities needed to reach agreement on policies with public stakeholders and to take over management the services agriculture requires to compete.

In rural areas, what are needed are mechanisms for articulating multisectoral policies focused on rural territories and promoting greater participation on the part of the third sector, which comprises the organizations of civil society, in the provision of specialized services needed for the development of said territories.

It is important to promote policies that will boost rural businesses as an instrument for consolidating the effective participation of women and encouraging small and micro rural enterprises to form associations in an effort to add value to their products/services while at the same time facilitating the creation of rural clusters.

## *To promote sustainable development and the payment of environmental services*

The development of sustainable agriculture requires integrated plant and animal production systems that will make it possible in the long term: to meet the human need for food and fiber; to improve environmental quality and the quality of the natural resources on which agriculture depends; to make more efficient use of natural resources; to maintain the economic viability of agricultural production; and to improve living conditions for farmers and society in general.

## *To improve policies related to the international agrifood trade*

*The conclusion of the Doha Round would create confidence in the markets and would increase trade flows, preventing a further deepening of the global economic crisis.*

Countries must make an effort to conclude the negotiations of the Doha Round so that trade can again become the engine for development, under stricter, more stable, transparent and predictable rules, in order to avoid a return to protectionism. This will stimulate trade, increase income and reduce global poverty.

It is also necessary to reinforce policies related to competition because the differences in the structures of agricultural input and product markets affect not only consumers, but also producers, especially the smallest ones, who are affected by an inequitable transmission of prices.

In net importing countries, markets should be kept as open as possible to international or regional competition. On the other hand, net exporters should have both short-term policies aimed at ensuring access to foods at lower prices than those of the international market, and long-term policies aimed at promoting competition, innovation and increased supply.

Given the enormous common challenges that exist today and the stagnation of multilateral negotiations, countries must redouble their efforts to move forward with regional integration processes. This will enable them to speed up development and provide them with protection against the turbulence generated by the crisis.



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