Government Investment in Family Agriculture

New Opportunities in Mexico and Central America

By Clay Boggs and Geoff Thale

WOLA WASHINGTON OFFICE ON LATIN AMERICA MAY 2013

Introduction

Not long ago, policy makers in Latin America saw family agriculture as a thing of the past. In the 1980s and 1990s, economic advisers and experts from international financial institutions argued that the agricultural sector, with many subsistence farmers and small family enterprises, was inefficient and employed too many people. Non-farm employment, urbanization, and migration, they maintained, would drive economic growth and lead to poverty reduction; agriculture should become a less important part of the economy, and what agriculture remained should become larger in scale, less focused on staple goods, and less labor-intensive. Latin American governments, by and large, followed these policy prescriptions, investing less of their budgets in agriculture and, in particular, less in family agriculture. Average government expenditures on agriculture in the region fell from eight percent of overall government budgets in 1980 to around two percent by 2000.[1]


PHOTO CREDIT: MARY MILLER

The turn away from agriculture, to some degree, reflected real, long-term trends toward urbanization everywhere in Latin America. The agricultural sector shrank during the 1980s and 1990s, and agriculture contributed a smaller—though still substantial—share of Latin American countries' national output in 2000 than it had in 1980. But if agriculture's share of the region's GDP declined, government spending on the sector declined even faster, as governments' poverty reduction and development strategies relied less and less on agriculture. This shift also reflected a broader tendency in the 1980s and 1990s to shrink government spending and pursue market-led approaches to development.[2]

As government spending on the agricultural sector declined, the proliferation of free trade agreements also affected family agriculture. In Mexico and Central America, the North American Free Trade Agreement (NAFTA) and the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA) had a disastrous effect on small farmers; while these multilateral trade agreements helped to encourage the development of vibrant agricultural export sectors, especially in Mexico, they hurt producers for domestic markets. Prices paid to farmers for many crops fell dramatically (up to 50 percent for corn and beans), and small farmers throughout Mexico and Central America found it increasingly difficult to compete with the flood of cheap imported staples, especially heavily subsidized meat, grain, and fruit from the United States.[3]

The combination of decreased government support and increased exposure to competition with subsidized products from abroad has negatively impacted small farmers and rural communities more broadly.[4] In this difficult economic environment, the percentage of the labor force working in agriculture fell significantly. Only 13.1 percent of Mexico's workforce was employed in agriculture in 2010, down from 22.6 percent in 1990.[5] With fewer opportunities in agriculture, inhabitants of rural communities were frequently obligated to abandon their communities. Some traveled to cities in their own countries, others traveled to other Latin American countries, and many made the increasingly dangerous journey across Mexico to the United States.

As rural communities shrank, it seemed that the interest of governments, international financial institutions, and international donors in family agriculture would continue to wane indefinitely. However, in recent years, a confluence of trends—regional, national, and international—have led to the emergence of a policy environment that, while far from favorable for family agriculture, provides more opportunities for advocacy than seemed possible a decade ago.

New Dynamics, New Opportunities

There are four important factors that have contributed to a renewed interest in small farmers:

- **CONCERNS ABOUT FOOD SECURITY.** In the wake of the 2007-2008 spikes in international food prices, governments and international donors are increasingly recognizing that food security concerns (especially the need for access to adequate amounts of food at affordable prices) in developing countries need to be addressed. The rising demand for food, as middle classes grow in China, India, Brazil, and elsewhere, combined with the growing use of biofuels, has led to food shortages and price spikes, spurring hunger and food riots in a number of countries and raising the prospect of future instability. There is an emerging consensus that food production has to increase and that price volatility must be contained; countries that import large quantities of foodstuffs will need to reduce their exposure by increasing national production. There is debate about the role that domestic production, compared to imports and direct food aid, should play in meeting food security needs. And government food security strategies vary from country to country. However, as a result of the growing recognition that small farmers are critical to ensuring food security, it is clear that food security concerns are playing an increasingly significant role in the formulation of government agricultural strategies.[6]

- **CONCERNS ABOUT CLIMATE CHANGE.** The effects of climate change, including altered weather patterns and extreme weather events, are already being felt, and international debates about how to both mitigate and adapt to climate change have generated renewed interest in the role of family farmers. Research and policy recommendations on more sustainable agricultural models have explored the contribution that small producers can make to reducing carbon emissions.[7] And policy makers are recognizing, in the discussions about adaptation to climate change, that climate change presents a very real threat to small farmers, who are particularly vulnerable to droughts, floods, hurricanes, and other environmental changes.[8] The growing international recognition that small farmers and others need help adapting to climate change has also contributed to a renewed interest in supporting family agriculture.[9]


PHOTO CREDIT: MOLLY MOORE

- **CHANGING VIEWS ON ECONOMIC AND DEVELOPMENT POLICY IN LATIN AMERICA.** In the past 10 years, a number of left-leaning governments have come to power across the region, including in Central America. Challenging the dominant economic thinking in Latin America and the Caribbean, they have supported a more activist state, focused on poverty reduction and social spending, and questioned received wisdom about development policy. Brazil is perhaps the best example of a left-leaning government that has focused intensely on family agriculture—although it has also aggressively promoted large-scale and export-oriented agriculture—and provides an important reference point for left-leaning governments interested in returning to a greater focus on rural development and small farmers. (A recent WOLA publication, *Brazil's Lessons for Rural Development*, examines two successful Brazilian programs for family agriculture.)[10] As we will see below, having a left-leaning government is no guarantee of increased or improved investment in family agriculture, but these governments are, at the very least, more receptive to the idea of government involvement in family agriculture and rhetorically committed to expanding government investment.

  In Central America, both Nicaragua and El Salvador have seen political shifts in recent years, with

potential implications for family agriculture. After being governed by the conservative Nationalist Republican Alliance (*Alianza Republicana Nacionalista*, ARENA) for 20 years, in 2009, El Salvador elected a President with ties to the Farabundo Martí National Liberation Front (*Frente Farabundo Martí para la Liberación Nacional*, FMLN), the political party that emerged from the wartime coalition of guerrilla organizations. This political shift opened the possibility of greater investment in smallholder agriculture, given the role that land distribution patterns and rural poverty played in the original political agenda of the FMLN and the Salvadoran guerillas.[11] The discourse of President Mauricio Funes and his administration on small farmers and family agriculture has been markedly different from that of its conservative predecessors, and the government has created several new initiatives to support family farms. Like El Salvador, Nicaragua has a government led by former guerillas with historic commitments to agrarian reform and the concerns of the rural poor. The Sandinista National Liberation Front (*Frente Sandinista de Liberación Nacional*, or FSLN) governed Nicaragua throughout the 1980s. After losing power in an electoral defeat in 1990, the Sandinistas returned to power in 2006, led by President Daniel Ortega. As we will see below, despite the victory of left-of-center governments, neither of these countries has, so far, carried out substantial changes in agricultural policy, but the ruling parties' relative openness and historical commitment to supporting family agriculture represents a significant opportunity in both El Salvador and Nicaragua.

Brazil's successful rural development strategies have a clear influence on the discourse and framing of Mexican and Central American programs. Several of the Central American food security strategies take the name of former President Luiz Inácio Lula da Silva's flagship Zero Hunger initiative (*Fome Zero* in Portugese, *Hambre Cero* in Spanish). However, these strategies tend to lack the comprehensive approach that has allowed Brazil to achieve significant reductions in rural poverty. Civil society advocates for rural development in Nicaragua, for example, note with dismay that the government's "Zero Hunger" strategy consists almost entirely of simply distributing livestock, seeds, fertilizer, and other materials instead of sustained investment for long-term growth.

Thus, the emergence of left-of-center governments presents opportunities for a new focus on the needs and interests of family agriculture, though much remains to be done to translate this focus into innovative and effective policies and programs.

- **CHANGING ATTITUDES AT THE INTERNATIONAL LEVEL.** International donors and governments—who for decades saw family agriculture as largely irrelevant to development planning—are increasingly recognizing that strategic public investments in agriculture, and in particular family agriculture, are essential to reducing rural poverty. The World Bank's 2008 World Development Report, *Agriculture for Development*, is perhaps the clearest example of this shift. The report states that, "In the 21st century, agriculture continues to be a fundamental instrument for sustainable development and poverty reduction," and that "using agriculture as the basis for economic growth in the agriculture-based countries requires a productivity revolution in smallholder farming."[12] While the bank's prescriptions vary depending on the level of development in each country, it is striking that an institution that long advocated liberalization of agriculture and saw urbanization as the key to development is now calling for increased investment in family farming.

Advocates for Family Agriculture

Changing discourses about agriculture and development at the international level have helped create an environment that is more conducive to the expansion of pro-smallholder policies. Domestic pressures, though, are key to taking advantage of this new environment. Campesino organizations, cooperatives, NGOs, universities, and think tanks throughout Latin America have pressured governments to increase spending on agriculture and to support family farming. In some cases, they have called for the passage of specific laws or programs. In Guatemala, for instance, a coalition of NGOs worked for years to secure the approval of the National Policy for Comprehensive Rural Development (*Política Nacional de Desarrollo Rural Integral*, PNDRI), a comprehensive framework for development policy.[13] In other cases their demands are for profound transformations of the economic model. Mexico's National Growers' Association (*Asociación Nacional de Empresas Comercializadores de Productos*

del Campo, ANEC) has helped to lead a series of campaigns aimed at profound changes in the Mexican agriculture policy, so that it favors small farmers.[14]

Interestingly, along with the emphasis on national policies and new directions, some NGOs, finding minimal reception at the national level, have focused on shifting municipal-level policies. In Honduras, for example, NGOs have worked with municipal governments to form City Councils for Food Security (*Mesas Municipales para la Seguridad Alimentaria*) to implement policies at the local level that support family farms, such as purchasing programs, technical assistance, fertilizer distribution, and in some cases increased access to credit. While robust national-level programs supported by strong institutional commitments would be ideal, a strong commitment at the local level can provide small farmers with significant support, even if the resources of municipal governments are comparatively limited.[15]

Government Programs in Mexico and Central America Today

The next two sections of this report analyze current levels of government spending for agriculture and the types of programs that are directed at smallholders. Despite the increased profile of family agriculture and food security and the proliferation of new programs for small farmers, the share of government spending for agriculture has not, in general, increased, nor are there indications that small farmers are receiving a greater percentage of overall agricultural spending. Furthermore, some of the new flagship initiatives are simply old programs repackaged with new, comprehensive-sounding names. In particular, the distribution of seeds, fertilizer, and livestock continues to be a favored mechanism for supporting family agriculture. Handing out agricultural supplies allows governments to provide benefits for political supporters and provide assistance in a visible, tangible way. But the results in agricultural productivity and poverty reduction are unclear, the programs lend themselves to clientelism and favoritism, and they do not sufficiently address the complex set of challenges facing small farmers in the region. Although the notion that family farmers can play an important role in development strategies is no longer anathema, it is clear that public policies in Mexico and Central America have yet to fully respond to the changed policy environment.


PHOTO CREDIT: JESSAMINE BARTLEY-MATTHEWS

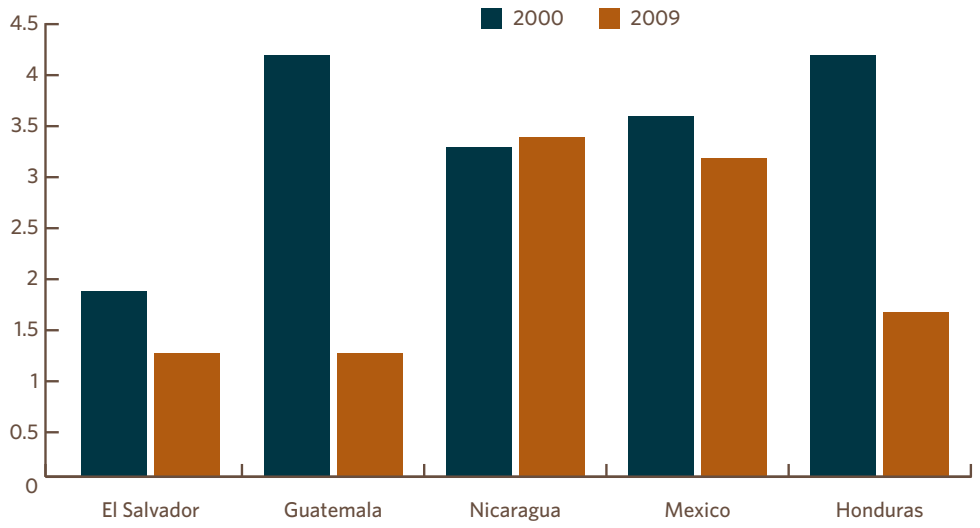
I. GOVERNMENT SPENDING ON AGRICULTURE: HOW MUCH MONEY AND WHERE IS IT GOING?

The recent prominence of family agriculture and food security has yet to lead to an increased budgetary commitment by Mexican or Central American governments, to either agriculture in general or family agriculture in particular. Agricultural spending as a percentage of overall spending remains at around two percent.[16] There are no signs that any of the countries in this region have significantly increased agricultural spending or that they have shifted the balance of spending toward small producers (although the lack of readily available information on government spending levels or clarity about whether programs target family farmers makes it more difficult to evaluate which farmers benefit from government programs).[17]

The announcement of the National Policy for Comprehensive Rural by the Guatemalan government was a process in which civil society actively participated. We fought for this policy for many years. The law has a comprehensive focus and gives family farming a central role. Unfortunately, it has not been fully implemented. We continue in this effort, but for us, its approval was a great achievement that gave legitimacy to our demands.

— Byron Garoz, Center for Rural Studies IXIM (Centro de Estudios Rurales IXIM)

FIGURE 1: Agricultural Spending as a Percentage of Overall Central Government Spending, 2000 vs. 2009



Source: United Nations Economic Commission for Latin America and the Caribbean[18]

As figure 1 indicates, governments in Mexico and Central America have not, in general, identified increased agricultural spending in general as a priority (only Nicaragua shows a slight shift in favor of agricultural spending since 2000; the other four countries considered show a continued decline). One exception is El Salvador, where the Ministry of Agriculture and Ranching (*Ministerio de Agricultura y Ganadería*, MAG) notes in its 2010-2014 strategic plan that agriculture spending in El Salvador has been insufficient (spending was reduced from eight percent in the 1980s to between one and two percent currently). But it is not clear whether this recognition or the historical commitment of the FMLN will result in higher agricultural spending in general or a greater commitment to small farmers.[19]

Of course, increased spending on agriculture does not necessarily mean more support for family agriculture. Mexico, for example, spends relatively heavily on agriculture, yet most of its spending is directed to large-scale producers. In a 2010 Woodrow Wilson Center study of Mexico's agricultural policies, University of California at Santa Cruz Professor Jonathan Fox noted that Mexico spent a higher percentage on agriculture than any other Latin American country in the 1990s, but that most of this spending goes towards supporting large export-oriented farms and capital-intensive production, rather than family agriculture, and the Mexican states that receive the most agricultural aid are the wealthier states.[20]

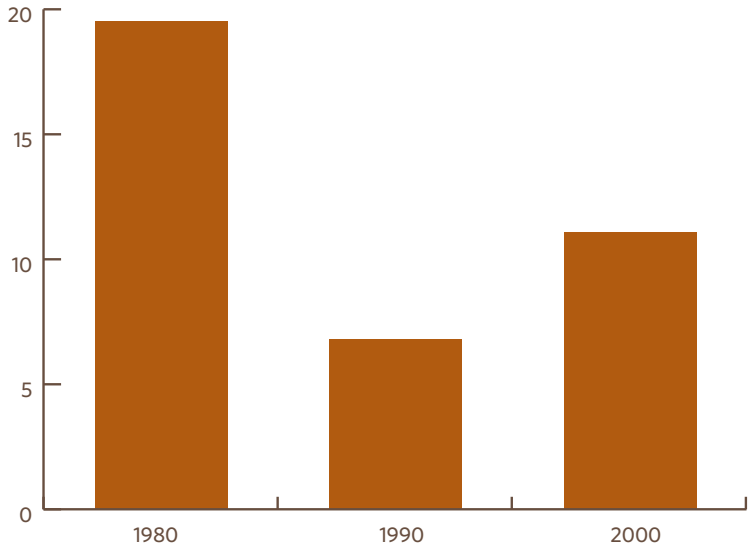
While some governments' programs are clearly

directed to small farmers, it is not always clear which farmers are the intended targets. Part of the problem is simply a lack of transparency and clarity in government documents, but another significant obstacle is the lack of a shared working definition for the terms "smallholder" and "small and medium producers." There are, of course, many types of farms in Mexico and Central America. There are big, sometimes profitable commercial farms, which produce for the national market and/or for export and employ both permanent and seasonal workers. Smaller farms, using mostly family labor to produce for national or local markets and for family subsistence, make up the overwhelming majority of the farms. An IFAD study noted that in Guatemala, for example, only about two percent of farms are commercial farms.[21] While some are commercially successful, selling in local, national, and even international markets, many small farmers struggle to be profitable. They often have to supplement their income with non-farm employment, and a substantial number of small farmers function only at the subsistence level. While there are many different terms that can be used to classify these different types of farms, it is important for governments, donors, and others to be as clear as possible when defining the target population for a given program.

Mexican or Central American governments are unlikely to return to 1970s or 1980s levels of investment in agriculture (as a percentage of overall spending), nor are they likely to make support for smallholders a principal focus of their development strategy. The relatively high levels of agricultural investment in those years were a reflection of the economic orthodoxy of the period, which emphasized national production and a strong state role in management of the economy, and of relatively large rural populations, which have since declined. But even if significant increases in overall


PHOTO CREDIT: JESSAMYN BARTLEY-MATTHEWS

FIGURE 2: Agricultural Spending as a Percentage of Agricultural GDP (Latin American Averages)

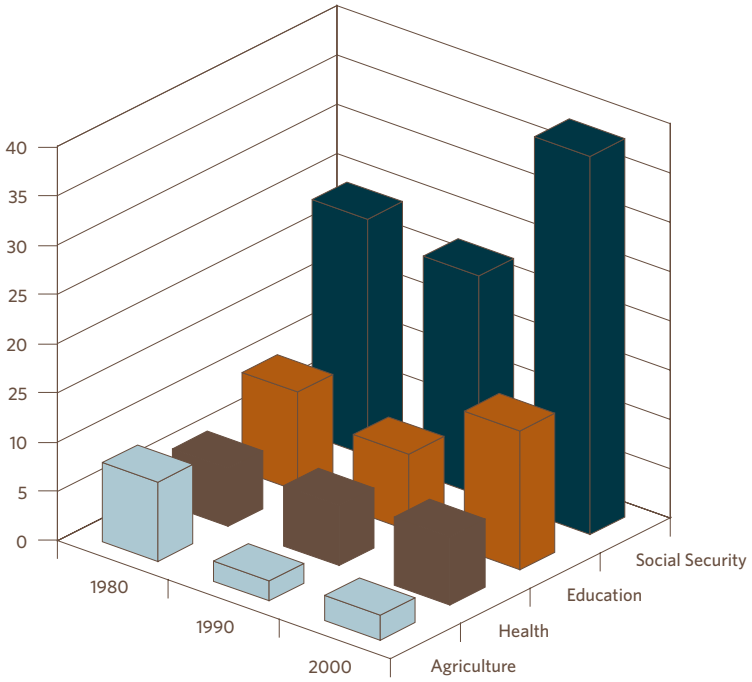


The decline of agricultural spending in Latin America and the Caribbean can be partially explained by the decline of the agricultural sector in the region. But that is only part of the story. The above chart shows that agriculture spending has declined as a share of agricultural GDP—which means that it has declined faster than agricultural GDP.

SOURCE: Fan and Saurkar, "Public Spending in Developing Countries."

Even if significant increases in overall agricultural spending are unlikely, governments could shift current spending toward programs that explicitly favor family agriculture and focus on programs that lead to sustainable development.

FIGURE 3: Agricultural and Social Spending as a Percentage of Overall Spending (Latin American Averages



Between 1980 and 2000, agricultural spending as a percentage of overall spending has declined, especially in comparison to social security, education, and health care.

SOURCE: Fan and Saurkar, "Public Spending in Developing Countries."

agricultural spending are unlikely, governments could shift current spending toward programs that explicitly favor family agriculture and focus on programs that lead to sustainable development. Civil society has a key role to play in creating the political conditions in which government feels obligated to increase spending; international donors, aid organizations, and international financial institutions can also play an important role.

2. GOVERNMENT PROGRAMS: NEW APPROACHES?

Successful development strategies depend not only on increased funding, but also on effective strategies and successful implementation. But if governments in Mexico and Central America have not increased agricultural budgets, neither do they seem to have adopted innovative approaches to support family farming. In contrast to Brazil's comprehensive approach to supporting family agriculture, which includes state purchases, access to credit, irrigation assistance, and other programs, the dominant strategy in Mexico and Central America continues to largely consist of distributing aid to farmers, whether in the form of money in the case of Mexico, seeds and fertilizers in the case of El Salvador, or livestock in the case of Nicaragua.

In Mexico, the largest program for family farming is *Procampo*. This subsidy program for grain producers is aimed at compensating small and medium producers who are negatively impacted by NAFTA, in an attempt to offset the subsidies that U.S. farms receive. The program reaches approximately 2.5 million farmers a year, and around 1.6 million of them own plots smaller than five hectares. It consists of direct subsidy payments to farmers; payments are given per hectare of production. However, as Fox points out, because of *Procampo*'s entry requirements, the smallest and most vulnerable producers are, in practice, often excluded from this program. Only seven percent of farmers with landholdings under one hectare receive *Procampo* payments (tellingly, the Mexican government is more likely to provide the poorest landholders with conditional cash transfers through the *Oportunidades* program than through *Procampo* subsidy payments), while 42 percent of farmers with landholdings over 20 hectares receive *Procampo* payments.[22]

The strategy of handing out direct aid to farmers can also figure prominently in government food security programs. Brazil's *Fome Zero* was a comprehensive approach to food security that

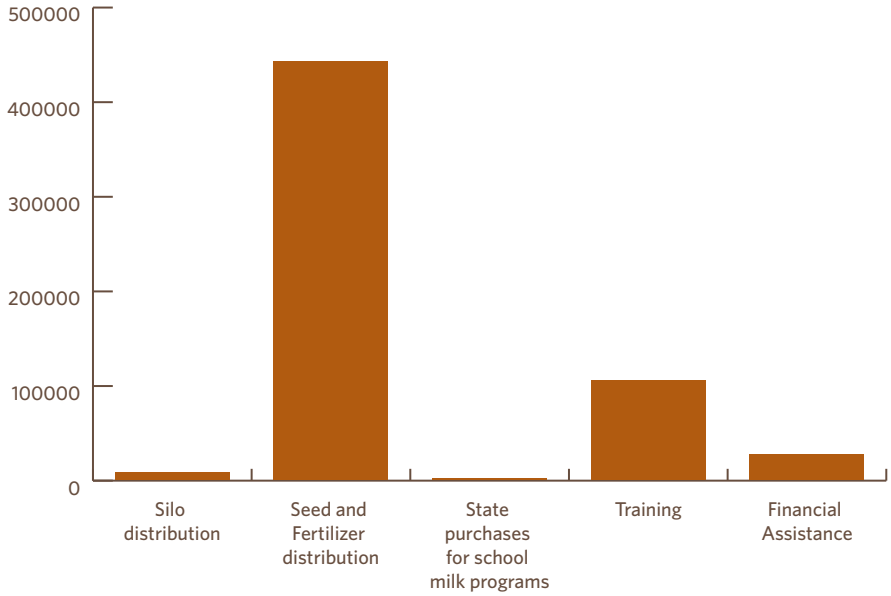
included conditional cash transfers, support for family agriculture, and the national school lunch program.[23] However, a Nicaraguan initiative of the same name (*Hambre Cero*) consists primarily of distribution of livestock, construction materials, and other agricultural supplies to farmers. While such a program may have positive benefits, its one-dimensional approach is inadequate to meet the multidimensional challenges of food insecurity and is unlikely to contribute significantly to the consolidation and development of family agriculture.

El Salvador's initiative to support small farmers, the Family Agriculture Plan (*Plan de Agricultura Familiar,* PAF), mirrors the discourse of Brazilian family agriculture strategies, and El Salvador and Brazil have had increased exchange and cooperation in recent years. The Salvadoran PAF has four principal components:


PHOTO CREDIT: DAVID FRANCOIS

- **THE NATIONAL DISTRIBUTION PROGRAM FOR FOOD AND NUTRITIONAL SECURITY** primarily consists of the distribution of packets of seeds and fertilizer (the "entregas de paquetes" component of this program reached 442,000 farmers in 2011-2012). The program also includes training (105,000 families were trained in the same period) and distribution of silos (7,080 silos were distributed) to allow for better crop storage.
- **THE AGRICULTURAL VALUE CHAIN PROGRAM** focuses on developing a set of value chains around certain agricultural products through the creation of Centers of Productive Development, technology transfers, and technical training for farmers. The scale of this project is significantly smaller; most of the ten sub-programs reach

FIGURE 4: Plan de Agricultura Familiar: Number of Farmers Reached, by Program



Source: Salvadoran Ministry of Agriculture and Ranching

The PAF is currently a policy of continuity, given that it principally consists of the distribution of agricultural "packets," which does not lead to well-being for farming families. Additionally, the focus of the program continues to be agro-chemical and petro-dependent.

— Carlos Cotto, Salvadoran Reconstruction and Development Foundation (Fundación Salvadoreña de Reconstrucción y Desarrollo)

PHOOT CREDIT: JESSAMINE BARKLEY-MATTHEWS

a few thousand farmers each, and the costs of the program are much less.

- **THE AGRICULTURAL INNOVATION PROGRAM** focuses on investing in technological developments that improve production, such as improved seeds, especially of basic grains.
- **THE INDUSTRY AND COMMERCE LINKAGES PROGRAM** focuses on connecting small farmers to industry (the PAF does not give figures for the scale of this program), and includes the MAG-Ministry of Education's Vaso de Leche program, which provides milk to schoolchildren, purchased from 2,000 local small to medium producers.[24]

The PAF has also given US$29 million in loans to producers of basic grains, reaching 27,000 producers.

Hence, while the PAF has a variety of approaches to supporting smallholder agriculture through training, scientific innovation, market access, and other mechanisms, the PAF program with the largest reach, by far, has been the distribution of seed and fertilizer packets.

Whether handing out money, livestock, or packets of seeds and fertilizers, most government programs in Mexico and Central America focus heavily on handing out direct aid to small farmers. These programs still tend to treat farmers as recipients of social welfare, rather than as entrepreneurs and potential motors for development. Their effectiveness is thus limited, as they are insufficient to address the complex challenges faced by small farmers. Moreover, there are rarely clearly defined criteria for who is eligible to participate in the programs, opening them up to the charge that they are merely clientelistic instruments to reward political supporters.

More innovative initiatives do exist, but are often smaller in reach. For instance, there are smaller programs that resemble Brazil's Food Acquisition Program, which, as a recent WOLA report details, is an important component of Brazil's overall strategy to promote family agriculture.[25] In addition to El Salvador's "Vaso de Leche" program, the Mexican Secretary of Social Development has a food procurement program called Liconsa, which purchases milk from 10,000 small and medium milk producers in Mexico and sells it at a subsidized price (cf. Mexico's *Procampo*, which, according to Fox's study, reached nearly 2.5 million farmers in 2005 alone, including 1.6 million low-income producers).[26] Local and provincial programs often have their own programs for smallholders. The Secretary for Rural Development and Equity in Communities (*Secretaría de Desarrollo Rural y Equidad para las Comunidades,* SEDEREC), the rural development secretariat for rural areas in Mexico's Federal District, which includes significant

It is encouraging to see that governments in Mexico and Central America are launching new initiatives for family agriculture, and that small farmers are often featured prominently in the overall strategies for food security. After years of government discourse that minimized the role of small farmers, this is clearly a shift, and one that creates real opportunities for advocacy. However, there is a striking gap between the way that new initiatives are being framed and the actual programs that they contain.

rural areas, is seen by some observers as one of the few government agencies in Mexico that truly emphasizes family farmers, indigenous groups, and women in its rural development approach. SEDEREC also has a strong focus on promoting sustainable production.[27] But its reach is, by definition, limited. In Honduras, the National Program of Rural Sustainable Development (*Programa Nacional de Desarrollo Rural Sostenible*, PRONADERS) has a wide variety of programs for small farmers, including silo construction, irrigation projects, and "cajas rurales" (cooperative microcredit banks).[28] Yet most of these programs are limited in their reach, especially compared to the larger programs that distribute seeds, fertilizer, livestock, or cash.

It is encouraging to see that governments in Mexico and Central America are launching new initiatives for family agriculture, and that small farmers are often featured prominently in the overall strategies for food security. After years of government discourse that minimized the role of small farmers, this is clearly a shift, and one that creates real opportunities for advocacy. However, there is a striking gap between the way that new initiatives are being framed and the actual programs that they contain.

Recommendations:

International donors, international financial institutions, and national governments should work together to design and implement public policies for family agriculture.

1. **Government programs for family agriculture should be comprehensive.**
   It is not enough to simply hand out seeds, fertilizer, or livestock. Nor is it enough to simply distribute subsidies to farmers. Comprehensive solutions need to include a variety of components, tailored to the specific needs of family agriculture in the country, which could include elements such as access to finance, government purchasing, and farm-to-market roads, in addition to subsidies and distribution of seeds, fertilizer, or livestock. Such approaches can be part of overall food security strategies, such as Brazil's *Fome Zero*, or of approaches to rural development, like Guatemala's *Politica Nacional de Desarrollo Rural Integral*. To ensure that governments take a comprehensive approach that fully addresses the needs of family farmers, policy makers should consult campesino organizations, NGOs, and other civil society representatives when developing policies.

2. **Government agriculture and rural development agencies should be more transparent in their operation.**
   It is too difficult for campesino organizations, civil society actors, and others to access government data about programs for family agriculture. (This is, of course, not a problem that is limited to family agriculture). Governments should make available detailed information about spending on family agriculture, including information about overall spending levels as well as criteria for determining which farmers are eligible to benefit from government programs. This will enable international donors, international financial institutions, civil society organizations, and campesino organizations to better evaluate currently existing programs and make more informed recommendations. It will also increase accountability and reduce the likelihood that programs will be used for clientelistic purposes.

Spending levels should, of course, reflect country-specific conditions, but increasing investment in agriculture—especially family agriculture—has many potential benefits, including poverty reduction, job growth, food security, and greater resilience to climate change.


PHOTO CREDIT: LINDSEY CROASDALE

3. **Governments, campesino organizations, civil society, and international organizations should work together to identify clear metrics for evaluation of family agriculture programs.**
What makes a program successful? Beyond the number of farmers served, number of seeds distributed, or amount of money spent on a program, there need to be clearly identified and shared metrics for evaluating the success of family agriculture programs. Farmers, campesino organizations, and civil society in general should have a key role in developing these metrics, and international organizations and donors should support the evaluation of currently existing programs.

4. **Governments should increase overall spending levels for agriculture and for family agriculture in particular.**
Central American governments, and, to a lesser degree, the Mexican government, face seriously constrained budgets and a set of competing and urgent priorities, including public safety, food security, and poverty reduction. However, despite the decline in rural populations and despite the decline in agriculture's share of overall GDP, significant portions of these populations still live in rural areas, and agriculture continues to represent a significant percentage of GDP and an even larger percentage of employment. Spending levels should, of course, reflect country-specific conditions, but increasing investment in agriculture—especially family agriculture—has many potential benefits, including poverty reduction, job growth, food security, and greater resilience to climate change.

Endnotes

1 Shenggen Fan and Anuja Saurkar, "Public Spending in Developing Countries: Trends, Determination, and Impact," International Food Policy Research Institute, February 2003, p. 19, http://siteresources.worldbank.org/EXTRESPUBEXPANAAGR/Resources/ifpri2.pdf.

2 Ibid., 20.

3 Mamerto Pérez, Sergio Schlesinger, and Timothy A. Wise, *The Promise and Peril of Agricultural Trade Liberalization*. Washington Office on Latin America, June 2008, page 9.

See also http://www.ifpri.org/publication/impact-central-america-free-trade-agreement-agriculture-and-rural-sector-five-central-am and U.S. government documents on NAFTA and CAFTA available at http://www.ustr.gov/trade-agreements/free-trade-agreements/north-american-free-trade-agreement-nafta and http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta

4 Julio Berdegué and Ricardo Fuentealba. "Latin America: The State of Smallholders in Agriculture." International Fund for Agricultural Development, 2011. http://www.ifad.org/events/agriculture/doc/papers/berdegue.pdf

5 World Bank Data, available at http://data.worldbank.org/country/mexico

6 See, for example, "Sowing Seeds: Opportunities and challenges facing US assistance for food security in Guatemala." Oxfam Briefing Paper, May 2012. http://www.oxfamamerica.org/files/guatemala-paper-on-ftf-oxfam-may-2012-final.pdf

7 See, for example, Leslie Lipper, Bernardete Neves, Andreas Wilkes, Timm Tennigkeit, Pierre Gerber, Ben Henderson, Giacomo Branca, and Wendy Mann, "Climate Change Mitigation Finance for Smallholder Agriculture: A Guidebook to Harvesting Soil Carbon Sequestration Benefits." Food and Agriculture Organization of the United Nations, November 2011, available at http://www.fao.org/climatechange/29763-0daebe-ae838c70f713da780982f16e8d9.pdf

8 See, for example, "Achieving food security in the face of climate change," Summary for policy makers from the Commission on Sustainable Agriculture and Climate Change, November 2011 http://cgspace.cgiar.org/bitstream/handle/10568/10701/Climate_food_commission-SPM-Nov2011.pdf?sequence=6

9 "Can Small Farmers Protect Themselves Against Bad Weather?" The World Bank. Human Development Network, June 2012, http://siteresources.worldbank.org/INTHDOFFICE/Resources/Nicaragua_E2P.pdf.

10 Joseph Bateman, *Brazil's Lessons for Rural Development: Family Agriculture, Access to Water, and Civic Engagement*. Washington Office on Latin America, 2013, http://www.wola.org/publications/brazil_s_lessons_in_rural_development.

11 Michael Foley, George R. Vickers, and Geoff Thale, "Land, Peace, and Participation: the Development of Post-War Agricultural Policy in El Salvador and the Role of the World Bank." Washington Office on Latin America, 1997.

12 *Agriculture for Development*. World Development Report. The International Bank for Reconstruction and Development/The World Bank, 2008, http://siteresources.worldbank.org/INTWDR2008/Resources/WDR_00_book.pdf.

13 The PNDRI is available online at http://www.segeplan.gob.gt/downloads/clearinghouse/politicas_publicas/Desarrollo%20Rural/Pol%C3%ADtica%20Desarrollo%20Rural%20Integral.pdf

14 See, for instance, the campaign "Sin Maiz No Hay País," which ANEC helped to organize. http://www.sinmaiznohaypais.org/

15 The Honduran Association of Non-Governmental Organizations, (Asociación de Organismos No Gubernamentales, ASONOG) has organized a series of "Mesas Municipales de Seguridad Alimentaria (Municpal Food Security Councils), which work with local governments in Honduras on a variety of food security-related issues. See ASONOG's Spanish-language presentation, here http://www.wola.org/sites/default/files/Presentacion%20MMSA%20San%20Salvador.ppt For another example from Nicaragua, see Jefferson Shriver and Jorge Manuel Brenes Abdalah, *Leveraging Municipal Government Support for Agricultural Value Chains in Nicaragua*, Catholic Relief Services, June 2012, available at http://www.crsprogramquality.org/storage/pubs/microfinance/government_support_value_chains.pdf

16 At the same time, it is important to note that less money for agriculture does not necessarily mean less money for rural development. For instance, in Guatemala there was a 324 percent increase in rural development funds between 1985 and 2006, a period that saw dramatic reductions in agriculture spending across Latin America and the Caribbean. Social spending in real terms (mostly on education and healthcare) increased nearly fivefold from 1986 to 2006. Its share of overall rural development spending grew significantly during this period: social spending was 36 percent of overall rural development spending in 1986, but 49 percent of overall rural development in 2006. Meanwhile, spending on agricultural development went from 15 percent to 11 percent. This change reflects regional trends of making social spending an increasingly large portion of rural development spending and the principal tool for eradicating poverty. Whether the recent surge of interest in family agriculture has the potential to reverse such trends remains an open question.

Ottoniel Monterroso-Rivas, "Institucionalidad y políticas públicas para el desarrollo rural en Guatemala." Revista Cepal 97, April 2009, p. 158 http://www.cepal.org/publicaciones/xml/4/35854/RVE97Monterroso.pdf

17 There are several obstacles to evaluating the currently existing programs. First, governments in Mexico and Central America do not provide consistent figures about their agricultural programs, which are often spread across several ministries (such as the Ministry of Agriculture, Ministry of Social Development, and Ministry of Economy), and there is a surprising dearth of published independent analysis of government spending on agriculture. There is even less independent evaluation of the impact of these programs. This paper draws some information from the reports and plans made publicly available by agriculture ministries. These documents are occasionally helpful in identifying the types of programs that governments are carrying out and, in some cases they reveal information about the spending levels, priorities, and strategic approaches. But the information is inconsistent; some governments reveal more than others, and it is rarely clear who are the principal beneficiaries of agriculture spending (even when governments refer to "small and medium producers," they rarely define these terms). Analysis of the results of government policies and programs is even rarer. Two forthcoming Oxfam Briefing Notes on transparency and

management, and scale and composition (April and May 2013, respectively) of national budgets for small-scale producers in Latin America and Caribbean, should help to fill this gap.

18 *Subregión Norte de América Latina y el Caribe: Información del sector agropecuario, 2000-2010, p.* 216, http://www.eclac.org/cgi-bin/getProd.asp?xml=/publicaciones/xml/6/44886/P44886.xml&xsl=/mexico/tpl/p9f.xsl&base=/mexico/tpl/top-bottom.xslt .

19 Plan Estratégico Sectorial 2010—2014: Modernización y ampliación de la base productiva agroalimentaria." Ministerio de agricultura y ganadería, January 2010, http://www.cordes.org.sv/documentos%20para%20web%20Cordes/El%20Salvador/gobierno/plan%20Estrategico%20MAG..pdf.

20 Jonathan Fox and Lobby Haight. *Subsidizing Inequality: Mexican Corn Policy Since NAFTA*. Woodrow Wilson International Center for Scholars, 2010, p. 11.

21 Julio Berdegué and Ricardo Fuentealba. "Latin America: The State of Smallholders in Agriculture." International Fund for Agricultural Development, 2011, http://www.ifad.org/events/agriculture/doc/papers/berdegue.pdf, p.22. In this paper, we use the terms "smallholder" and "family farmer" interchangeably, to refer to those farms that rely principally on family labor. While some definitions consider smallholders to be landholdings of two hectares or less, we consider this definition to be too narrow.

22 Fox and Haight, *Subsidizing Inequality*, p. 17-18.

23 Cecilia Rocha, "Developments in National Policies for Food and Nutrition Security in Brazil." *Development Policy Review* 2009, 27 (1): 51-66.

24 Informe de Rendición de Cuentas de la Gestión 2011-2012, Ministerio de Agricultura y Ganadería, El Salvador, available at http://www.mag.gob.sv/index.php?option=com_phocadownload&view=category&id=44&Itemid=313

25 Bateman, *Brazil's Lessons for Rural Development*.

26 Fox and Haight, *Subsidizing Inequality*, p. 8, 19. For more on Liconsa, see the program's webpage (in Spanish) at http://www.liconsa.gob.mx/adquisicion-de-leche/. In some cases, it is true that trade agreements, including NAFTA, CAFTA, and WTO agreements might open governments to the charge that these programs grant preferences to national producers and discriminate against foreign producers. This may require negotiations over changes in agreements that prevent governments from supporting small producers as part of an economic development strategy.

27 See SEDEREC's website, http://www.sederec.df.gob.mx/?q=desarrolloagropecuariorural.

28 "Anteproyecto Plan Operativo Anual POA—Presupuesto DINADERS 2012." Programa Nacional de Desarrollo Rural y Urbano Sostenible, PRONADERS, http://www.pronaders.hn/transparencia/docs/poa-pronaders-2012.pdf.

About WOLA

The Washington Office on Latin America (WOLA) is a nonprofit policy, research, and advocacy organization working to advance democracy, human rights, and social justice in Latin America and the Caribbean. Founded in 1974, WOLA plays a leading role in Washington policy debates about Latin America. WOLA facilitates dialogue between governmental and non-governmental actors, monitors the impact of policies and programs of governments and international organizations, and promotes alternatives through reporting, education, training, and advocacy.

To Order More WOLA Publications

WOLA has a wide range of publications available on human rights in Latin America and U.S. policy. See our website for a complete list of publications. For some older publications, it may be necessary to contact our office directly. Please do not hesitate to do so.

To Contact Us

Washington Office on Latin America
1666 Connecticut Avenue NW
Suite 400 | Washington, D.C. 20009
telephone: 202.797.2171 | facsimile: 202.797.2172
email: wola@wola.org | web: www.wola.org

Acknowledgements

Many individuals contributed to the research and writing of this publication. Vicki Gass, Mary DeLorey, Erica Dahl-Bredine, Dr. Rodolfo Garcia Zamora, Dr. Jonathan Fox, John Burstein, Manuel Pérez Rocha, Heather Hanson, Maureen Meyer, Jorge Galindo, Steve Brescia, Garth Kahl, and Emilio Espin all helped guide our initial research. In February 2013, WOLA organized a meeting of advocates of family agriculture in Mexico and Central America, including Carlos Cotto, Edgardo Mira, William Castillo, Byron Garoz, Susana Gauster, Victor Campos, José Ramon Avila, Jesus Garza, Enrique Pérez, and Erica Dahl-Bredine. This paper draws from the knowledge that WOLA staff gained during that meeting, and includes some quotes from participants in the meeting. WOLA Program Officer Joseph Bateman provided valuable feedback at various stages of the research and writing of this publication; WOLA Program Assistant Adam Schaffer and WOLA intern Celina Artusi edited several drafts of the text.

This report was made possible with the generous support of the Central America and Mexico Migration Alliance (CAMMINA) consortium, as part of their broader support for an examination of advocacy opportunities to improve the livelihoods of small farmers in Mexico and Central America, whose uncertain economic prospects increase the pressures for emigration.

About the Authors:

Clay Boggs is a Program Officer at WOLA; Geoff Thale is WOLA's Program Director.

ISBN: 978-0-9859307-2-1