

IICA and the new paradigm for agriculture

- **Global economic crisis and agricultural trade: winners and losers**
- **Platforms for exporting agrifood products**
- **PRONAF: construction of agrarian policies in Brazil**
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Global economic crisis
and agricultural trade:
winners and losers in the
Americas at the close of 2008

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- **Coordination:** Federico Sancho
- **Editing:** Olga Patricia Arce
- **Design and layout:** Ana Catalina Lizano
- **Translation:** Language Services Unit
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Authors in the current issue: Victor Villalobos, Hugo Chavarria, Daniel Rodriguez, Carlos Guanziroli, Carlos Basco and Federico Sancho.

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Following the recent economic crisis, at the close of 2009, most of the countries in Latin America and the Caribbean reported a decline in terms of production, investment and consumption compared with the early years of the present decade. Agriculture, however, was able to survive the crisis because important production sectors benefitted from higher prices for their commodities. In addition, others, seeing potential risks, reassessed their business models and production and marketing practices in attempt to make their business more profitable. This shows that change, as a result of opportunity or need, promotes new ways of thinking and acting.

Following a crisis, many lessons are learned and many possible courses of action may open. The full complexity is felt when it comes time to make decisions, coordinate efforts and take action; this falls to both the private sector and, as the source of support for domestic production, the public sector.

We will have to live with the fact that agriculture will continue to be vulnerable for many years to come, especially in food importing countries. In addition, polarization is increasingly evident in

the hemisphere's agricultural sector. All over the world, some gain greatly from agriculture, while others in the same sector have come to a standstill or have lost sight of the future of agriculture and its farmers. In this scenario of instability and diversity, the net consuming countries are exposed to levels of food insecurity and poverty that will have an irreversible effect on the health and education of their inhabitants.

Unfortunately, ongoing concerns regarding a world facing hunger and undernutrition have not been reason enough to give agriculture the importance it deserves. Other crises, such as the energy and climate crises, will do little to convince decision makers of the urgent need to adopt a comprehensive approach to the problem of food security, unless concrete actions are taken: investing more, developing more knowledge and modernizing institutions.

Agriculture, considered a priority in solving these problems, must be approached from a new, modern and comprehensive angle that is in keeping with our realities, which have changed significantly. Therefore, it is necessary to develop a new paradigm, one that can effectively meet the needs of agriculture today and in the future.



We must not lose sight of the fact that rural territories are where the highest levels of poverty are found and where there are true prospects for sustainable development.

Accordingly, IICA is beginning a new administrative term with a very realistic view of the challenges facing agriculture. Above all, it is time to take action: modernize institutions, adopt better food security strategies and social protection systems, provide new services for farmers, increase the generation and sharing of technical-scientific knowledge, increase the number of sustainable agribusinesses, promote agricultural innovations and patents, and provide better services to everyone in the sector, including entrepreneurs and the operators of small- and medium-scale enterprises.

The present edition of **COMUNICA** displays this trend toward new ways of seeing agriculture, going beyond the conventional views that have been around for decades. It discusses a number of issues that will be coming under IICA's lens and presents an overview of the impact left by the recent crisis in the global economy and in agricultural markets.

These pages describe the experience of IICA in strengthening the agribusiness skills of small-

and medium-scale producers. Such programs have increased the number of agrifood exporters, diversified market offerings, and boosted the value of agrifood exports by taking them into new markets. This type of work is also illustrated with an experience from Brazil under the Program to Strengthen Family Agriculture (PRONAF), which could serve as a model for providing new alternatives to consolidate agriculture based on the rural communities of the Americas.

Together with these interconnected issues that lie at the heart of the new paradigm for agriculture, this edition also introduces discussion of agricultural and rural entrepreneurship. It is an approach designed to motivate production sectors and inspire institutional support mechanisms to forge sounder strategies and visions and ultimately take concrete actions that will benefit small- and medium-scale farmers.

COMUNICA, also available at www.iica.int, is a forum for presenting new proposals, experiences and inspiring ideas so that decision makers in the hemisphere can have useful and up-to-date tools regarding agriculture, competitiveness and the sustainable development of their peoples.



IICA's commitment to the new paradigm for agriculture in the Americas

Víctor Villalobos A.¹

The role of agriculture

We have seen that the agricultural sector has the capacity to overcome some of the most pressing problems of this century: poverty, hunger, inequality and climate change. We have also seen, with great sadness, how a society that is hungry can easily fall prey to instability and become ungovernable. Agriculture, in this context, continues to be the most important

economic activity in most of the rural territories of the Americas and is the cornerstone for achieving overall rural well-being.

During the most recent crisis, this sector performed well. Investments in the production of food and raw materials, as well as in the value chains of agriculture, are surely paying off for those who did

¹ Director General of IICA, victor.villalobos@iica.int

► *This new paradigm for agriculture calls for a collective consciousness with a comprehensive, inclusive and harmonious vision to promote the participation of all, drawing on experiences derived from the actual conditions in the countries of the hemisphere.*

not hesitate to bet on agriculture in Latin America and the Caribbean.

In addition to being good business, we cannot overlook the fact that agriculture has a social responsibility to deal with the poverty and inequality that affect most of the countries of the hemisphere and are more evident in the rural sector (Table 1). More than 60% of the poor in the region live in rural areas, which is why an investment in agriculture is also an investment in those sectors with the greatest needs.

The challenge for the governments of the Member States and for the international institutions that support them is very clear: we must produce more, and more effectively, in the countryside and we must incorporate more and more segments of the population into agricultural value chains and increase their incomes. We must assume this commitment to the objectives of agricultural and rural development, aimed at making agriculture in the Americas competitive and sustainable.

A new paradigm for agriculture

The world needs a new paradigm that will make agriculture more efficient and competitive, ensure the sound use of natural resources and include

Table 1. Latin America: national poverty by geographic area

Years	National poverty	Total urban area	Total rural area
1980	40.5	29.8	59.8
1986	43.3	35.5	59.9
1990	48.3	41.4	65.4
1994	45.7	38.7	65.1
1997	43.5	36.5	63.0
1999	43.9	37.2	63.7
2002	44.0	38.4	61.8
2005	39.8	34.1	58.8
2006	36.3	31.0	54.0
2007	34.1	28.9	52.1
2008	33.0	27.6	52.2

Source: CEPALSTAT (ECLAC, Statistics and Economic Projections Division, Social Statistics Unit), based on special tabulations of household surveys of the respective countries.

small-scale agriculture in its benefits. This new paradigm for agriculture calls for a collective consciousness with a comprehensive, inclusive and harmonious vision to promote the participation of all, drawing on experiences derived from the actual conditions in the countries of the hemisphere. This new paradigm considers the following variables:

- Today's world demands a **“modern multilateralism”** based on a common agenda, the commitment of “our countries to common standards in

► *The world needs a new paradigm that will make agriculture more efficient and competitive, ensure the sound use of natural resources and include small-scale agriculture in its benefits.*



terms of democracy, human rights, security and development,” and the formation of “networks and mechanisms to support it.” We view international cooperation as a public good to be offered to all with no strings attached and delivered in a timely and effective manner to solve the most important problems in each of the countries. It also facilitates the adoption of other more far-reaching bilateral, regional or hemispheric strategies which should be focused on strengthening rural areas, as the best place to display fairer agricultural policies for their inhabitants.

- **Agriculture is and will continue to be a matter of strategic importance** for all countries and their societies regardless of level of development or economic conditions. However, it is necessary to recognize that the paradigm of the Green Revolution, which has served as the foundation for agricultural production in recent decades, has just about run its course.
- If agriculture is to be a catalyst for development, **sound public policies**, better practices and, above all, **more investment in the sector** will be needed. We must not only increase investment in agriculture and rural areas, making it more efficient, but also reduce poverty while increasing production.
- As regards priorities for investment, appropriate **technology and its application** must top the list. It is clear that the gap between low-income and middle-income countries vis-à-vis investment in agricultural research

is widening. It is unfortunate that countries with higher levels of poverty also are those with the least capacity to engage in research and technology development, which has repercussions for the levels of innovation required in agriculture, necessary not only to feed more than 9.2 billion people expected to be living in the world in 2050, but also to improve the quality of life for more than 600 million people in developing countries who will continue to suffer from hunger in 2015 (even if the Millennium Development Goals are achieved).

- As the population grows, **food and nutritional security** will continue to be the focus of attention of national and international policies in coming years. Indeed, the situation may become worse in the future if long-term production policies do not offer vigorous solutions to make food both more available and more affordable for the population. The region of the Americas has the potential (natural resources and biodiversity) to tap into the global need for greater amounts of food and raw materials. Our agricultural sectors face a daunting challenge; they must seize the opportunity to become a strategic source of global food security.
- If we hope to reap the benefit of today's **opportunities** and continue to be a region whose countries have the potential to guarantee food security, we must make a greater effort to increase yields by making sound use of water and soil. We must not

lose sight of the fact that agriculture is the economic activity most clearly interwoven with the existence and availability of **natural resources and suitable climatic conditions**. Paradoxically, the predominant production models have a negative impact on the environment, and in turn, the changes in the environment affect agricultural production. These two situations, reduced availability of resources and greater climatic variability, place agriculture at a crossroads and under pressure to find new ways of producing that can coexist with climate change and are environmentally friendly.

- It is important to develop the **huge agricultural** market our continent can become; taking advantage of hemispheric interaction; eliminating domestic inequalities and regional asymmetries; providing opportunities for all; bringing more investment to the sector; and increasing

Agriculture is and will continue to be a matter of strategic importance for all countries and their societies regardless of level of development or economic conditions.



institutional capabilities. Likewise, in this huge market, all must be capable of participating actively and narrowing the gap via collaborative strategies among the different sectors, with a view to offering opportunities for growth to the most vulnerable segments of our populations.



It is necessary, therefore, to have national policies for agriculture and rural development in which public and private actors, the academic sector and civil society can join forces and work together under the new paradigm, avoiding short-term, fragmented and unsustainable approaches.

- Countries need to develop their agriculture in ways that are more **competitive and inclusive**, capable of increasing the food supply while becoming more economically

efficient; strengthening agricultural systems so that they can meet demand in terms of quantity, quality and timeliness; ensuring that all segments of society, producers or consumers, enjoy its benefits; and being sustainable and adapting to a broad range of variable conditions. To accomplish this, it will be necessary to develop comprehensive policies aimed at improving equity and the quality of life, accompanied by inclusive strategies that promote the development of capabilities of the rural milieu and the participation of the public and private sectors.

Challenges of the new paradigm

Given the variables set out in the preceding section, IICA has decided to work on a common agenda, which calls on the countries:

- To assign agriculture a key role in the development policies, in order to make the sector more productive
- To maintain their commitment to food security
- To increase investments in agricultural research by generating appropriate technologies and innovations needed to achieve higher levels of productivity, value added and income in the countryside
- To strengthen inclusive rural development policies
- To assume the commitment to defend sustainable development models
- To include the topic of agriculture on the foreign policy agendas through a network of cooperation of greater use in achieving the development goals we all share.

It is necessary to call attention to the fact that for our peoples, it is very important that we shift from the concept of “agricultural policies” to one of “policies for agriculture.” In other words, we need to adopt a broader vision that goes beyond what is traditionally considered “sectoral.” This is why we have insisted

that policies for an agricultural sector that is competitive, inclusive and sustainable cannot be considered the sole responsibility of the ministries of agriculture, but rather of all sectors and actors involved. It is necessary, therefore, to have national policies for agriculture and rural development in which public and private actors, the academic sector and civil society can join forces and work together under the new paradigm, avoiding short-term, fragmented and unsustainable approaches.

Reduced availability of resources and greater climatic variability, place agriculture at a crossroads and under pressure to find new ways of producing that can coexist with climate change and are environmentally friendly.



IICA will play an influential role in the development of a new paradigm for agriculture, for the purpose of responding to the slow demise of the post-Green Revolution model and to the growing demands that will put food security and the quality and availability of natural resources at risk in coming decades. Investment, the development of appropriate technologies, the inclusion of small-scale producers, good agricultural practices, etc., will be key factors in developing this paradigm for development for the general well-being of the Americas.



Global economic crisis and agricultural trade: winners and losers in the Americas at the close of 2008

Hugo Chavarría Miranda¹

Summary

The volatility and uncertainty existing at the onset of the global economic recession slowed the growth of production and trade worldwide. However, in 2008, agricultural markets were still growing rapidly in terms of the volume of transactions, and prices for major commodities continued to rise. As a result of this situation, combined with low income (or price) elasticity of demand for agricultural exports, in contrast with the other sectors of the economy, the annual rate of growth of the value of agricultural exports worldwide almost doubled from 2006-2008 in comparison with 2003-2006. The impact of this varied throughout the Americas. While net agricultural importing countries saw their agricultural trade deficits grow, net exporting countries saw their surpluses rise during the same period. For the purpose of identifying the causes of gains or losses in international agricultural trade in the countries of the Americas during the first two years of the economic recession, this article explains the behavior of agricultural exports and of agricultural terms of trade, based on several explanatory variables: international prices for agricultural commodities, the composition of agricultural export and import baskets, the level of agricultural opening in the countries, the degree of diversification of agricultural exports and the formalization of free trade agreements with the major trading partners.

¹ Specialist in Strategic Analysis for Agriculture, hugo.chavarria@iica.int



Key words: *International trade, markets, prices, agricultural products, exports, imports, economic situation, economic crisis, Latin America.*

Introduction

In December 2008, the economic crisis was at its peak. The global scenario was characterized by uncertainty and volatility on markets. By the end of that year, the rate of growth for the total production of goods and services per capita worldwide had fallen to less than 1% after growing at rates of more than 3% in 2006 and 2007. In addition, given the volatility of agricultural commodity and fuel prices, falling incomes and negative forecasts, growth of the principal economic aggregates worldwide, including consumer spending and gross capital formation, slowed.

While it is true that Latin America was better prepared than on previous occasions to face an economic crisis, thanks to economic reforms undertaken during the two preceding decades, this did not prevent the macroeconomic situation there from being impacted. For example, the rate of growth of per capita gross domestic product (GDP) fell to 3% in 2008, after growing by more than 5% in 2007. Similarly, in late 2008, growth in investment had come to a halt and the rate of growth for consumer spending fell by more than

3% in comparison with the previous year. These declines in production, investment and spending had a significant impact on international trade, which became increasingly evident toward the end of 2008 and throughout 2009.

Based on the most recent trade statistics from the United Nations (2008), the present document analyzes the performance of agricultural trade in the countries of the hemisphere at the worst point of the recession (end of 2008), and identifies the principal explanatory factors of such performance. To this end, several questions are raised:

- How did agricultural trade in the Americas perform in comparison with the rest of the world?
- What are the principal reasons for such performance?
- What factors contributed to the net gains or losses in international agricultural trade experienced by the countries?

The performance of agricultural trade in the Americas vs. the rest of the world

After being hit by instability in the agricultural and then the real estate and financial markets, 2007 and 2008 were especially difficult for world merchandise exports, which grew by 16% on average per year after growing at annual rates above 20% from 2003-2006.

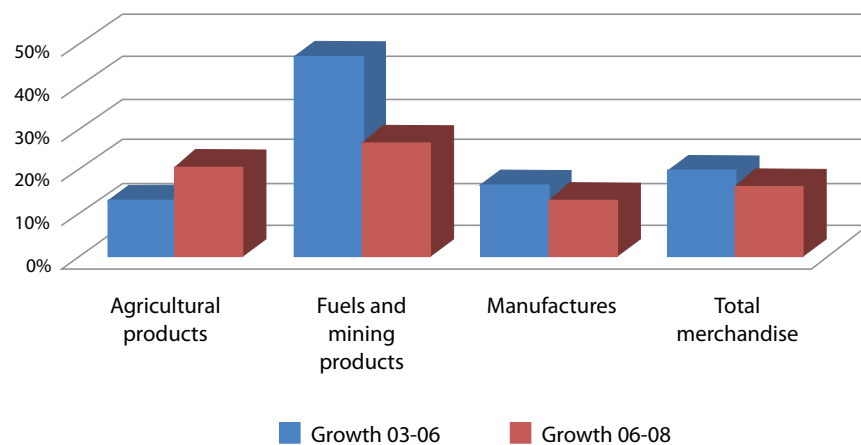
Global agricultural trade was not immune to this turbulent scenario. By 2008, international prices were highly volatile, inventories of grains and cereals were dwindling, and large amount of speculative capital had entered markets. Even so, by the end of 2008, agriculture was the only sector in which the rate of growth in the value of total exports increased. In fact,

the annual rate of growth of the value of agricultural exports worldwide from 2006-2008 (21.18%) almost doubled its annual growth for the period 2003-2006 (12.73%).

As a result, by the end of 2008, the value of agricultural exports worldwide was growing at the fastest annual rate of growth of all sectors, with the exception of fuels and mining products. It exceeded by more than 4% total exports of merchandise (Figure 1).

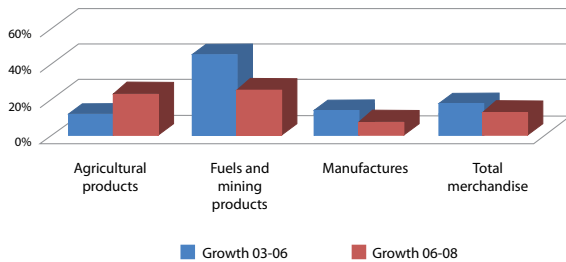
As Figures 2 and 3 reveal, this performance was more noteworthy in the Americas, especially in Latin America and the Caribbean (LAC). While the rate of growth of exports from the remaining economic sectors fell steadily from 2006-2008 in comparison with 2003-2006, the annual rate of growth in the value of agricultural exports jumped from 17.53% from 2003-2006 to 25.07% in 2006-2008. By the

Figure 1. Growth of exports worldwide, by economic sectors.



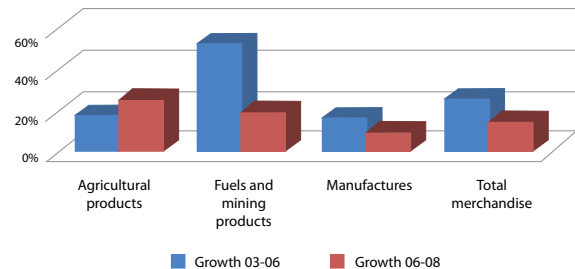
Source: Prepared by author using on-line WTO data.

Figure 2. Growth of exports from the Americas, by economic sectors.



Source: Prepared by author using on-line WTO data.

Figure 3. Growth of exports from LAC, by economic sectors.



Source: Prepared by author using on-line WTO data.

close of 2008, and following two years of instability in the markets, the rate of growth of the value of total agricultural exports in LAC was the best among all

the sectors and exceeded by more than 10% the annual rate of growth of the value of total exports of merchandise.

Why did the rate of growth of the value of agricultural exports increase while slowing in all other economic sectors?

This behavior can be explained in part as follows:

1. Given the increase in international prices for agricultural commodities experienced in the second half of 2007 and the first half of 2008, even if all the production sectors had exported the same volume, the value of agricultural exports would have grown, proportionately, more than the exports of any other sector.
2. Even during a recession, the income (or price) elasticity of demand for agricultural exports is less than that of other economic sectors, meaning that consumption of agricultural goods is less affected by changes in incomes in the destination markets. This situation meant that, while the rate of growth of consumption of fuels or manufactures slowed as a consequence of the decline in incomes and negative forecasts, the rate of growth of consumption of agricultural products increased.
3. In addition to the lower elasticities of agricultural products, some authors link this behavior to two complementary facts: a) inasmuch as very little time had gone by since the beginning of the crisis (2007 and 2008), the most recent figures available for analysis reveal that few consumers had yet altered their tastes or preferences, which meant that the level of consumption of agricultural products varied little from that of the pre-crisis period; and b) the drop in family incomes led to an increase in the consumption of foods prepared at home, which reduced the consumption of processed foods or the number of meals consumed in restaurants.

The crisis accentuated disparities in the Americas

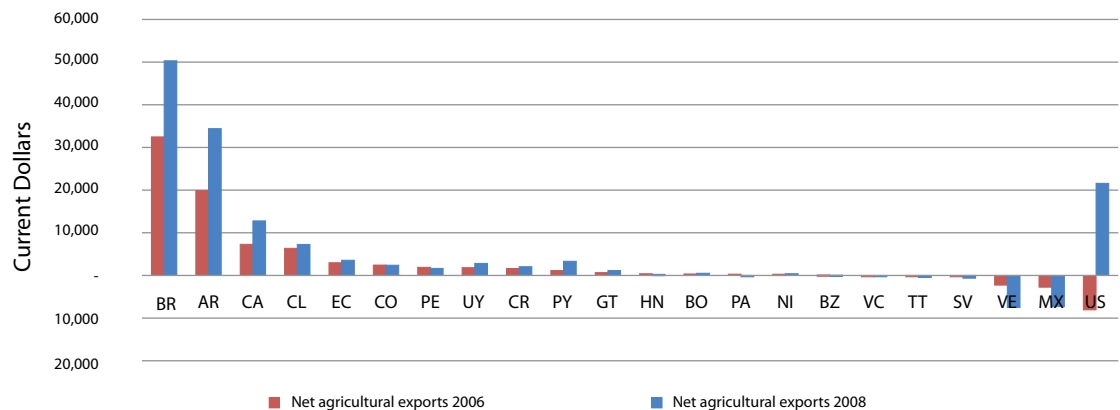
Even though agricultural exports in the Americas performed better than agricultural exports worldwide during the first two years of the economic recession, internally there were great disparities.

In general terms, while net agricultural exporting countries increased their agricultural trade balance surplus toward the end of 2008 (compared with values from 2006), the net agricultural importing

countries saw their agricultural trade deficit grow in the same period (Figure 4).

As Figure 5 shows, the greatest negative impact was felt in Mexico, Venezuela and Panama, where the deterioration of their agricultural terms of trade (ATT)² was accompanied by growth of the value of agricultural imports (compared with the value of agricultural exports) from 2006-2008. As a result, at the end of 2008,

Figure 4. Change in net agricultural exports from 2006 to 2008 (in current dollars).



Source: Prepared by author using COMTRADE data.

² This indicator, “agricultural terms of trade” is the result of a methodology devised by IICA to analyze the evolution of the prices of the basket of agricultural goods exported in relation to the prices of the basket of agricultural goods imported. For example, if the prices of the agricultural export basket of a country grow more than those of its agricultural import basket, the purchasing power of each agricultural unit exported will increase, which is also reflected in an improvement of the ATT.



Mexico and Venezuela became the leading net importers in the hemisphere.

The outstanding exception among the net agricultural importing countries is the United States, which ceased to be the leading net agricultural importer of the hemisphere in 2006, to become in the third ranking net agricultural exporter in the Hemisphere in 2008 (Figure 4). As Figure 6 shows, the extraordinary leap made by this country was possible thanks to the fact that it improved its ATT, while at the same time the value of its agricultural exports grew more (57%) than the value of its agricultural imports (18%) for 2006-2008.

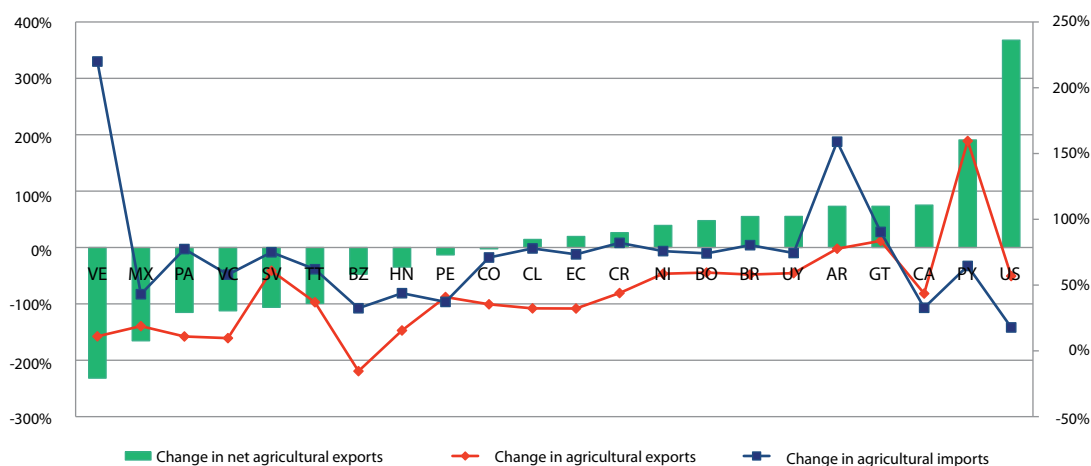
Another country that made great gains in terms of agricultural trade during these two years was Paraguay, where the improvement in its ATT was accompanied

The outstanding exception among the net agricultural importing countries is the United States, which ceased to be the leading net agricultural importer of the hemisphere in 2006, to become in the third ranking net agricultural exporter in the Hemisphere in 2008

by greater growth in the value of its agricultural exports, as in the case of the United States.

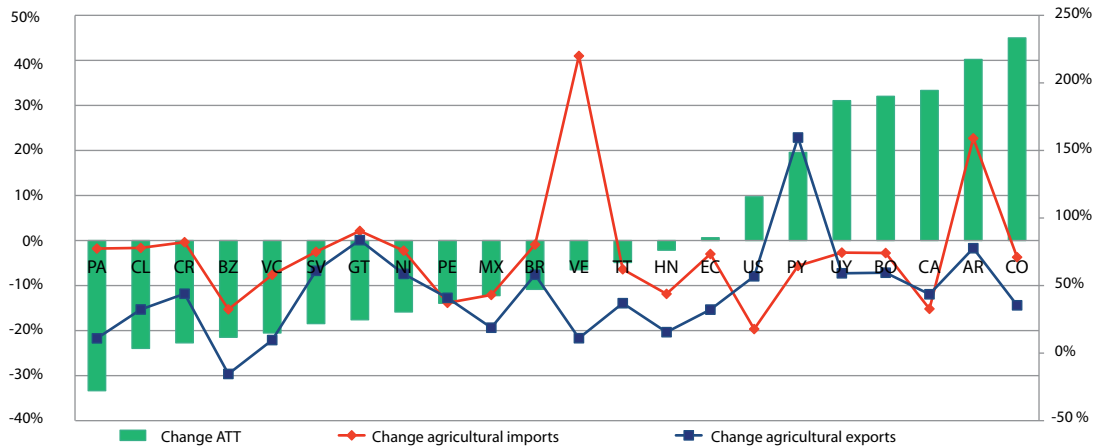
In addition to the United States and Paraguay, all the other countries that benefited greatly had been net agricultural exporters before the recession (2006). However, the increase in the value of the net agricultural exports of these countries during 2002-2006 was less because the growth in the prices of their agricultural exports was not accompanied by a significant increase in the volumes exported (or vice versa).

Figure 5. Percent change in agricultural exports, agricultural imports and net agricultural exports (2006-2008).



Source: Prepared by author using on-line UN COMTRADE data.

Figure 6. Change in ATT and agricultural exports and imports from 2006 to 2008.



Source: Prepared by author using on-line UN COMTRADE.



Thanks to their agroecological conditions, combined with investment in technology, the United States, Argentina, Brazil and Canada account for more than 90% and 92% of the production of cereals and oilseed crops, respectively, in the Americas.

For example, Argentina, which showed one of the greatest improvements in its ATT in 2006-2008, saw how the growth of the value of its agricultural imports exceeded by far the growth of the value of its agricultural exports, which can be explained by a significant increase in the volumes imported or a reduction in the volumes exported (Figure 6).

This same behavior was reported to a lesser extent by Canada, Bolivia and Uruguay, which improved their ATT.

However, the growth of the value of their agricultural exports almost equaled the growth in the value of their agricultural imports. This indicates that the amounts they exported increased less than the amounts they imported.

In contrast, while the ATT diminished in Brazil, the volumes of agricultural products exported increased much more than the volumes imported, since the value of total agricultural exports increased more than the value of agricultural imports. The improvement in the ATT in Argentina and the subsequent drop in Brazil can be explained in large part by the sudden increase in the price of wheat exported from Argentina, considering that this product constitutes almost one fourth of total agricultural imports in Brazil.

Causes of the net gains or losses in international agricultural trade half way through the global economic recession

In order to identify and analyze the causes of gains or losses in international agricultural trade during the first two years of the economic recession, different variables were studied that might explain the differences in the behavior of agricultural exports and the ATT in a pre-crisis period (2006) and the period of greatest effervescence (2008).

These explanatory variables included the behavior of international prices for agricultural commodities, the composition of the agricultural export and import baskets, the level of agricultural opening in the countries, the degree of

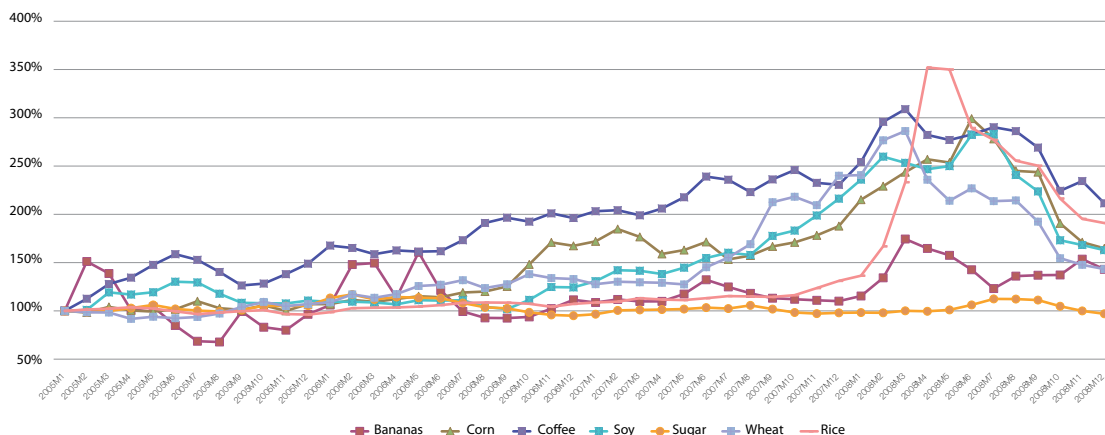
diversification of agricultural exports and the formalization of free trade agreements with the major trading partners as destination markets for agricultural exports.

a. The production structure of agriculture in the countries of the hemisphere

With a view to tapping their comparative advantages, most of the countries of the Americas have made efforts to boost the production of those agricultural products that offer better agroecological, market, trading, technological and other conditions.

Thanks to these efforts, the countries of the North and South of the Hemisphere have consolidated over the years a

Figure 7. Movement of international price indices for selected agricultural commodities.



Source: Prepared by author using on-line IMF data.



(maize and rice mostly) for their own use. While high technology has been incorporated into export agriculture, which forms part of transnational agricultural chains, the production of basic cereals is based on systems with little mechanization and produces yields significantly lower than those in the North and South. As a result, agriculture based on cereal and oilseed production in Central America, the Caribbean and the Andean countries is deficient and insufficient, meaning that these countries depend to a great extent on international markets to meet their domestic need for food.

strong production structure based on cereals and oilseeds. Thanks to their agroecological conditions, combined with investment in technology, the United States, Argentina, Brazil and Canada account for more than 90% and 92% of the production of cereals and oilseed crops, respectively, in the Americas, making them global leaders in the export of such products.

In contrast, the agriculture of the countries of Central America, the Caribbean and the Andean countries is a combination of the production of tropical fruits, roots, tubers, sugar, coffee for export, and small-scale farmers producing basic cereals

b. The dissimilar behavior of international prices of commodities

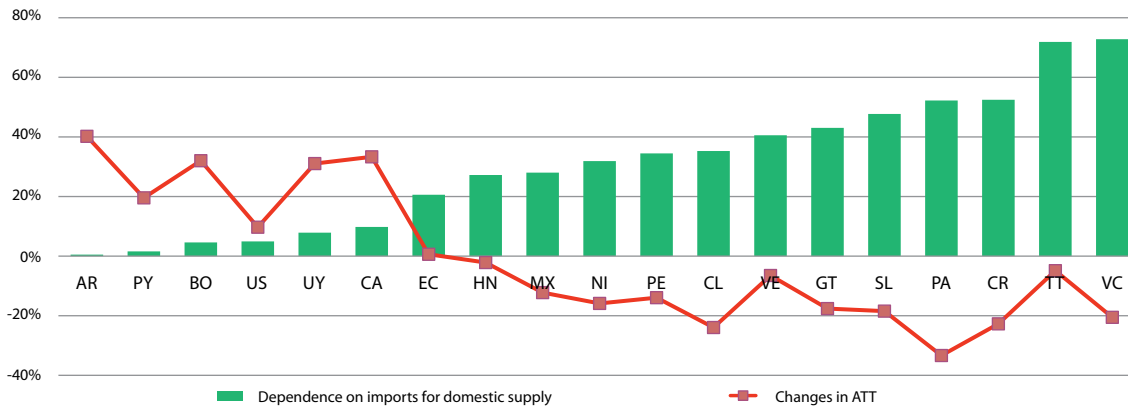
While the prices of cereals and oilseeds hit record levels on international markets in mid-2008 (mostly rice, soy, wheat and corn), the prices of bananas and sugar continued to grow³ at the same rate as early 2005 (Figure 7).

► *These differences in the rates of growth of the international prices of agricultural commodities, added to the differences in the production structures of the countries of the Americas, were what determined the impact of the early stages of the recession on the agricultural trade flows in the region.*

By the end of 2008, the purchasing power of the agricultural exports of Argentina, Canada, Bolivia, Uruguay, Paraguay and

³ Coffee also posted major price rises.

Figure 8. Dependence on imports for domestic supply and changes in ATT (2006-2008).



Source: Prepared by author using on-line UN COMTRADE and on-line FAO FAOSTAT data.

the United States (countries that based their agricultural exports on these cereals and oilseeds and enjoy high levels of food sufficiency) had increased considerably. This improved their ATT in 2006-2008 (Figure 8).

In contrast, countries including Panama, Chile, Costa Rica, Belize, El Salvador, Guatemala, Nicaragua, Peru, Mexico and Venezuela, which are highly dependent on international markets to ensure their domestic food supply, watched as the prices of their principal agricultural imports rose, while the prices of their agricultural exports varied little during 2006-2008 (deterioration of terms of trade).

c. Diversification of agricultural export baskets

Those same countries, which historically have based their agriculture on single crops for export (coffee, bananas, pineapple,

melon, etc.), have made important efforts in the areas of production and marketing in recent decades to encourage local producers to diversify what they offer for sale in an attempt to become less dependent on those products, which have high price and income elasticity of demand.

As Figures 9 and 10 show, most of the countries that depended to a great extent on exports of coffee, bananas, tropical fruits and roots and tubers (except for Panama) have diversified the agricultural export basket, which is reflected in the fact that the values of the HH products index⁴ were considerably lower in 2008 in comparison with 2000.

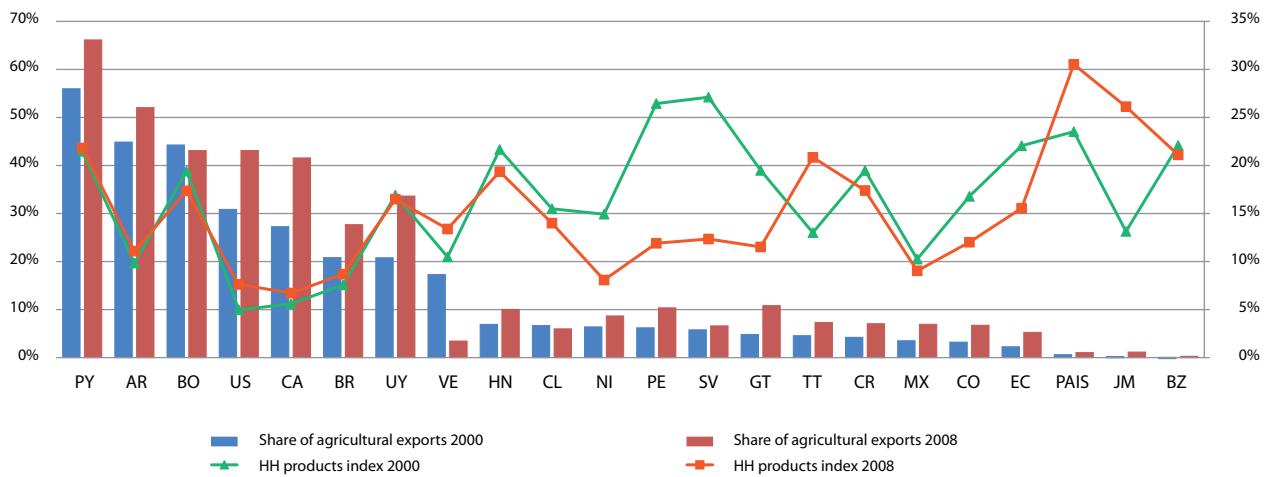
In contrast, countries which are highly specialized in the production of cereals and oilseeds (Paraguay, Argentina, Bolivia, United States, Canada, Brazil and

⁴ To measure the degree of diversification of the agricultural export basket, IICA calculated an indicator entitled index of concentration, Herfindahl-Hirschman(HH) Index, which measures the weight of each agricultural product (four-digit tariff heading) in the total agricultural exports of each country. The greater the value of this indicator, the greater the degree of concentration of the agricultural export basket.

Uruguay) have experienced an increase in the share of these products in total agricultural exports since 2000. This has

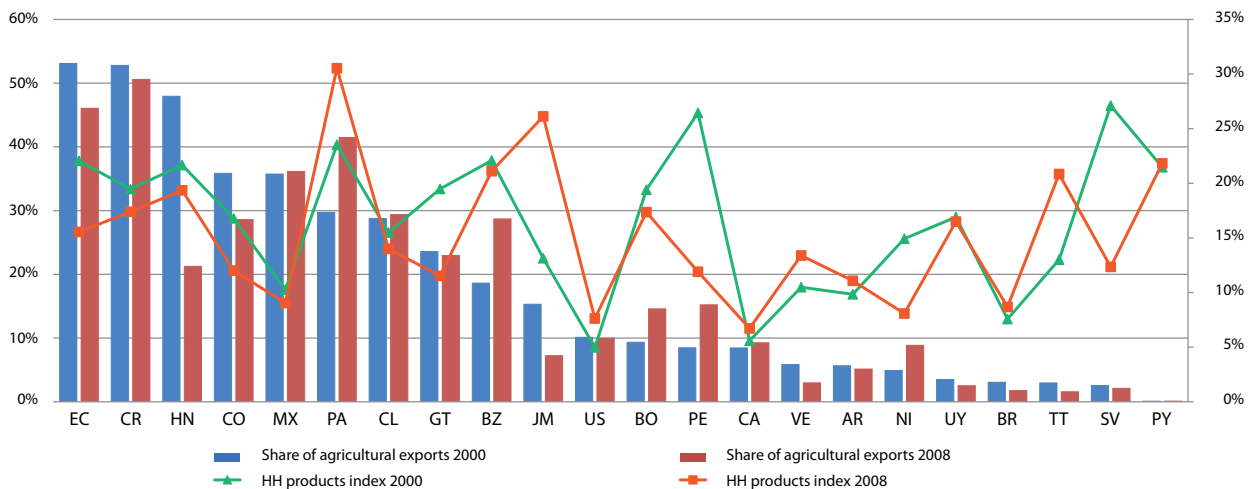
translated into a greater concentration of their agricultural export baskets (greater values of the HH products index).

Figure 9. Concentration index for agricultural exports (HH products) and share of cereals and oilseeds (2000 vs. 2008).



Source: Prepared by author using on-line UN COMTRADE and on-line FAO FAOSTAT data.

Figure 10. Concentration index for agricultural exports (HH products) and share of tropical fruits, roots and tubers (2000 vs. 2008).



Source: Prepared by author using on-line UN COMTRADE and on-line FAO FAOSTAT data.

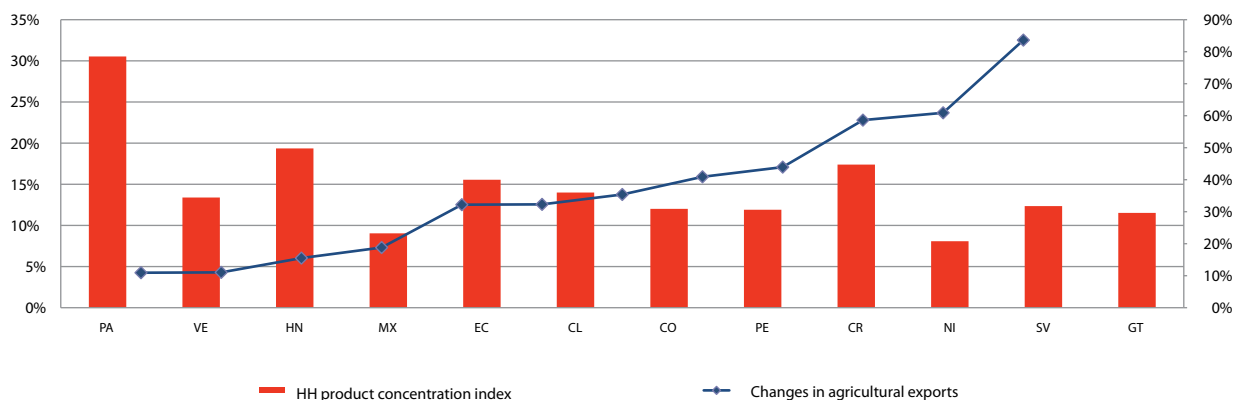
After it was shown that the net exporting countries of cereals and oilseeds experienced greater growth in agricultural exports during the beginning of the economic recession (2006-2008), the relationship between this variable and the degree of diversification of the export basket for the other countries of the Hemisphere was analyzed.

As a result of the analysis, it was determined that the countries with greater growth in their agricultural exports during 2006-2008 had more diversified export baskets, except the next exporters

of cereals and oilseeds (Figure 11). This makes them depend less on single crops that have high price or income elasticity of demand.

In addition to having more diversified baskets, they diminished considerably the share of tropical products such as bananas, flowers, tubers or sugar in their agricultural exports (these products showed the least growth in price since 2005) and in some cases increased food sufficiency in cereals and oilseeds. Thus they depend less on international markets to meet domestic demand.

Figure 11. Concentration of agricultural exports (HH products index) and changes in agricultural exports from 2006 to 2008.



Source: Prepared by author using on-line COMTRADE data.

According to Figure 11, Guatemala, El Salvador or Nicaragua, which have made important efforts to diversify their agricultural export baskets and depend less on low-cost tropical products,

showed the greatest growth in agricultural exports for 2006-2008 and, consequently, have low HH product indexes. In contrast, Panama, where agricultural exports are highly concentrated in melons, fish and

bananas (agricultural products which experienced one of the lowest increases in prices), showed the least growth of agricultural exports among all the countries which are not considered cereal or oilseed exporters.

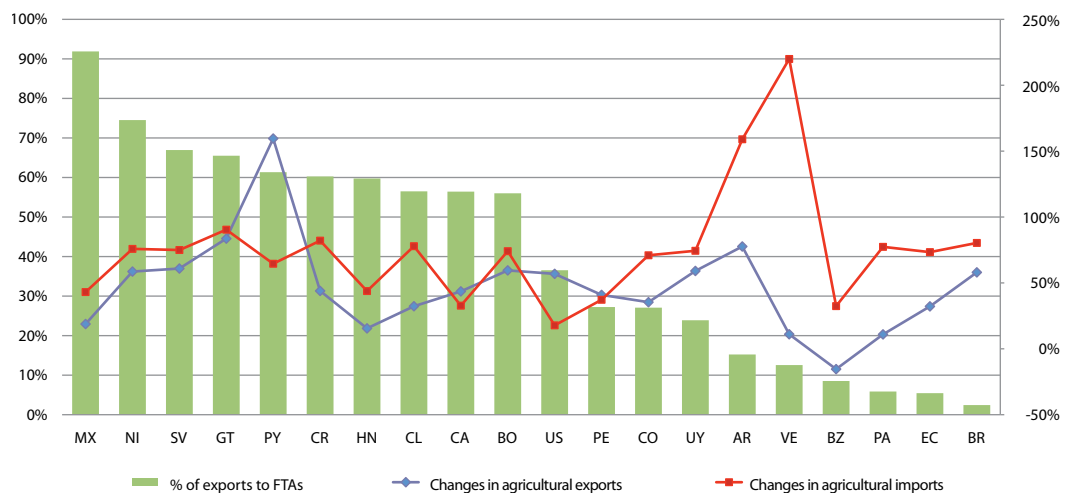
d. Establishment and consolidation of Free Trade Agreements (FTA)

For more than 50 years, with the promotion of regional common markets and the search for new markets for their exports, the countries of the Americas have adopted trading strategies to open up, consolidate and diversify the markets for their agricultural exports.

As a result of their trade negotiation strategies, currently many of the countries of the hemisphere have increased their market shares in those countries they have signed FTAs with. For example, Mexico, Central America, Paraguay, Chile, Canada and Bolivia export more than 50% of their agricultural products to such countries (Figure 12).

At the close of 2008, the impact of the economic recession on agricultural trade flows was not less in those countries that had exported a greater percentage of their agricultural products via FTA (in other words, those that had made great efforts to increase their market share in those countries they have signed FTAs with).

Figure 12. FTAs as destination of agricultural exports and changes in agricultural exports and imports (2006 vs. 2008).



Source: Prepared by author using on-line COMTRADE data.

In contrast, the fact that the agricultural exports of one country depended greatly on a market in which income fell as a result of the economic recession (principally the United States), may have caused that reduction of income to be translated into a decline in demand for or prices of agricultural products placed on that market. Indeed, except for Paraguay and Canada, in the rest of the countries where the agricultural exports made via FTA accounted for more than 50% of the total, agricultural imports grew at a faster pace than agricultural exports from 2006-2008 (Figure 12). However, this does not mean that the FTA did not create a regulatory framework that guaranteed that trading partners would not apply indiscriminate measures to trade as part of their response to the economic recession.

e. The diversification of export markets

In addition to the negotiation and implementation of FTAs, for the purpose of achieving sustained growth of agricultural exports and improved ATT, the countries have focused on diversifying the destination markets for their exports even though this behavior has been more common in those countries that before were highly dependent upon a few traditional markets.

Despite the fact that a few countries of the hemisphere increased their dependence on certain markets to place their agricultural exports (mostly Ecuador,



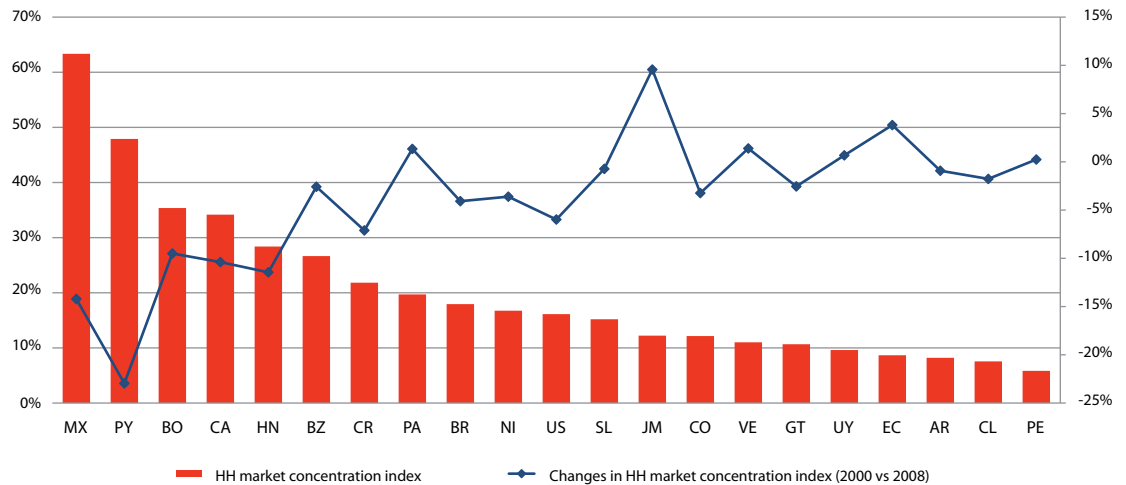
Mexico, Central America, Paraguay, Chile, Canada and Bolivia export more than 50% of their agricultural products to such countries.

Venezuela, Panama and Uruguay), most of the countries of the region have reduced their level of dependence on specific markets in comparison with 2000 (especially Paraguay, Mexico, Honduras, Canada, Bolivia and Costa Rica).

As Figure 13 shows, this effort at decentralization has been more evident in all those countries that depended on a few markets to sell their agricultural products. The vulnerability of these markets and the effects on their exports led those countries to identify and consolidate new markets for their products in order to reduce their levels of dependence and vulnerability. For example, Paraguay, Mexico, Bolivia, Canada and Honduras, which in 2000 had the highest levels of concentration of markets for their agricultural products, also showed greater reductions in their levels of market concentration eight years later (2008).



Figure 13. Concentration of agricultural export markets in 2000 and changes from 2002 to 2008.



Source: Prepared by author using COMTRADE on-line data.

The countries made great efforts to diversify their agricultural export markets. Even so, available evidence seems to indicate that, through 2008, the impact of the recession on countries that diversified the destination markets for their agricultural exports did not differ significantly from the impact on countries that chose instead to further concentrate their dependence on a few markets.

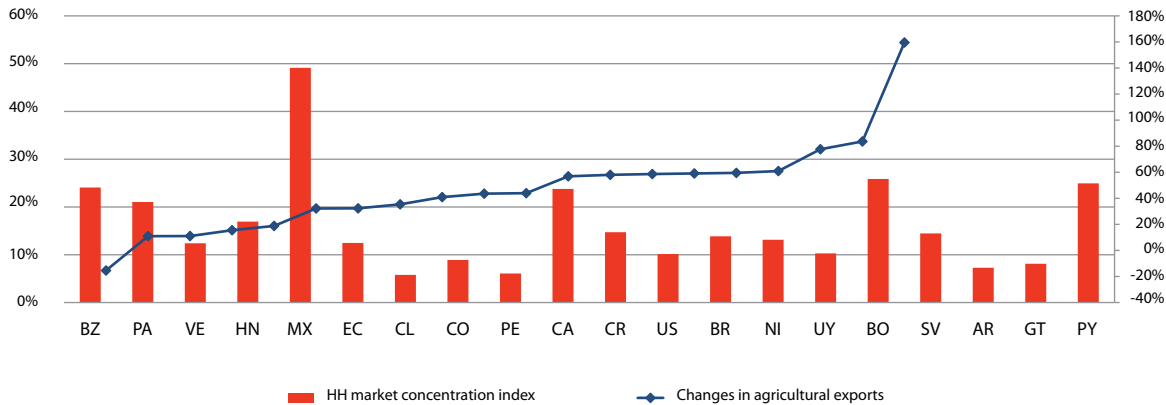
As Figure 14 shows, there is no clear correlation between the concentration of agricultural markets and the growth of agricultural exports at the beginning of the economic recession (2008), which would seem to indicate that in this period of crisis the diversity of destination markets had little influence on the impact on trade flows, especially considering that most of the markets suffered a significant reduction of income.



The countries have focused on diversifying the destination markets for their exports even though this behavior has been more common in those countries that before were highly dependent upon a few traditional markets.

In addition, while the large net exporters of cereals and oilseeds of the hemisphere have Europe and China as primary destinations for their agricultural exports, Mexico, Panama, Honduras and other countries that had lower rates of growth in the value of the agricultural exports export a high percentage of the value of their agricultural exports to the United States (Table 1). This is significant considering

Figure 14. Concentration of agricultural export markets in 2008 and changes in agricultural exports from 2006 to 2008.



Source: Prepared by author using on-line COMTRADE data.

that even during the recession imports in Europe and China grew more than 33% and 43% from 2006 to 2008, respectively, versus 13% for imports in the United States in the same period. Further, of these three destinations, the United States was the one that showed a greater slowing in the rate of growth of its per capita GDP, which grew only 2% between 2007 and 2008, versus growth of 10% and 27%, respectively, in Europe and China.

However, even with this evidence, it cannot be stated conclusively that the impact of the recession on the destination markets has been a determining factor in the behavior of the value of agricultural exports from the countries of the Americas, given the fact that there were important exceptions. For example, Europe was also one of the principal markets for agricultural exports from Belize, Venezuela, Ecuador



Through 2008, the impact of the recession on countries that diversified the destination markets for their agricultural exports did not differ significantly from the impact on countries that chose instead to further concentrate their dependence on a few markets.

and Panama. In these countries, and Mexico, the rate of growth in the value of agricultural exports slowed (Table 1). Likewise, Paraguay, which showed the greatest growth in the value of its agricultural exports, exports less than 10% to China and Europe and mostly with countries in the Southern Region.

Table 1. Principal destinations of agricultural exports (2008).

	China	USA	EU 27
AR	14.49%	3.39%	27.84%
BZ	0.00%	37.01%	46.10%
BO	0.02%	4.72%	12.70%
BR	13.83%	6.11%	32.26%
CA	5.52%	52.60%	6.46%
CL	3.82%	22.38%	25.11%
CO	0.14%	30.03%	26.56%
CR	0.41%	38.19%	32.71%
EC	0.12%	27.58%	39.05%
GT	0.23%	36.01%	12.45%
HN	0.02%	39.87%	35.05%
MX	0.70%	74.73%	5.28%
NI	0.11%	32.49%	15.32%
PA	4.05%	43.78%	37.62%
PE	17.77%	17.52%	34.94%
PY	2.13%	1.21%	7.75%
SV	0.30%	35.80%	23.68%
TT	0.02%	26.96%	3.94%
UY	3.83%	3.87%	23.91%
US	11.68%		9.51%
VE	0.97%	23.67%	41.85%

Source: Prepared by author using on-line UN COMTRADE data.



Among the countries considered not to be exporters of cereals and oilseeds, the most significant variable in the impact of the recession (through 2008) on agricultural trade flows was the degree of diversification of their agricultural export basket.

Conclusions

Even though exports from the Americas, especially agricultural exports, showed greater growth in relation to global exports in the first years of the recession (end of 2008), this did not hold true for all countries and there were great disparities throughout LAC.

While the countries of the Northern and Southern Regions, specialized in the production of cereals and oilseeds, saw the international prices of their agricultural exports increase significantly from 2006-2008, the countries of the Central, Caribbean and Andean regions experienced a deterioration of their trade balances because the prices of their agricultural imports rose while, at the same time, the value of their agricultural exports held steady. This situation consolidated the net agricultural position of each country in international trade (except the United States).

Among the countries considered not to be exporters of cereals and oilseeds, the most significant variable in the impact of the recession (through 2008) on agricultural trade flows was the degree of diversification of their agricultural export basket. Evidently, and as was to be expected, those countries that had made efforts to depend less on low-price agricultural products such as bananas, flowers, roots, tubers or sugar showed the best behavior in terms of their agricultural exports.



Even though other variables of trade policy were not significant in this analysis, such as the importance of FTA as a destination for agricultural exports or the degree of diversification of destination markets, this does not mean that they did not have a positive impact on agricultural exports from the countries. This only shows that, in a scenario of recession and negative economic forecasts, such as the one in 2008, it makes little difference which markets are targeted, since the impact will depend more on the composition of exports than on their destination.

In general terms and without having access to the statistics needed to analyze the elasticity of the agricultural products, it can be said that, regardless of where their destination markets were, the countries that showed greater growth in the value of their agricultural exports at the beginning of the recession were those that based their exports on cereals and oilseeds (Paraguay, Argentina, United States, Canada, Bolivia, Uruguay and Brazil).

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► Crise économique mondiale et commerce agricole : gagnants et perdants en Amérique à la fin de 2008

Le climat de volatilité et d'incertitude qui s'est installé au début de la récession économique mondiale a provoqué une chute du rythme de croissance de la production et du commerce mondial. Cependant, pendant l'année 2008, les marchés agricoles enregistraient encore une croissance vertigineuse des transactions et des prix de leurs principaux produits de base. Cette situation, conjuguée aux faibles élasticités-recettes (ou prix) de la demande pour les exportations agricoles, a fait en sorte que, contrairement à ce qui se passait dans le reste des secteurs de l'économie, le taux de croissance annuel de la valeur des exportations mondiales de produits agricoles pendant la période 2006-2008 a quasiment doublé par rapport au taux enregistré pendant la période 2003-2006. Ce comportement a eu des répercussions diverses en Amérique. Alors que les pays importateurs nets de produits agricoles enregistraient une importante détérioration de leur déficit commercial agricole, les exportateurs nets ont vu leurs surplus augmenter pendant cette même période. Afin d'établir les causes des gains ou des pertes dans le commerce international agricole dans les pays des Amériques au cours des deux premières années de récession économique, le présent article explique le comportement des exportations agricoles et des termes de l'échange agricole à partir de certaines variables explicatives, à savoir : les prix internationaux des produits de base agricoles, la composition des paniers agricoles d'exportation et d'importation, le degré d'ouverture agricole des pays, le degré de diversification des exportations agricoles des pays et la consolidation des traités de libre-échange avec les principaux partenaires commerciaux comme marchés de destination des exportations agricoles.

► Crise econômica mundial e comércio agrícola: ganhadores e perdedores na América ao final de 2008

O cenário de volatilidade e incerteza surgido ao início da recessão econômica mundial provocou uma queda no ritmo de crescimento da produção e do comércio mundial. No entanto, durante 2008 os mercados agrícolas ainda experimentavam um crescimento vertiginoso em suas transações e nos níveis dos preços de suas principais commodities. Essa situação, junto com as baixas elasticidades-renda (ou preço) da demanda das exportações agrícolas, fez com que, diferentemente do restante dos setores da economia, a taxa de crescimento do valor das exportações mundiais agrícolas no período 2006-2008 quase duplicasse seu índice anual em comparação com 2003-2006. Esse comportamento teve impactos diferenciados na América. Enquanto os países importadores líquidos agrícolas sofreram maior queda no déficit comercial agrícola, os exportadores líquidos agrícolas aumentaram seu superávit nesse mesmo período. Com vistas a identificar as causas que originaram a geração de lucros ou prejuízos no comércio internacional agrícola nos países da América durante os primeiros dois anos de recessão econômica, neste artigo explicam-se o comportamento das exportações agrícolas e os termos de intercâmbio agrícola a partir de certas variáveis explicativas: os preços internacionais das commodities agrícolas, a composição das cestas agrícolas de exportação e importação, o nível de abertura agrícola dos países, o grau de diversificação das exportações agrícolas dos países e a consolidação dos tratados de livre comércio com os principais parceiros comerciais junto aos mercados de destino das exportações agrícolas.

► Crisis económica mundial y comercio agrícola: ganadores y perdedores en América a finales del 2008

El escenario de volatilidad e incertidumbre generado al inicio de la recesión económica mundial ocasionó una caída en el ritmo de crecimiento de la producción y el comercio mundial. Sin embargo, durante el 2008, los mercados agrícolas aún experimentaban un crecimiento vertiginoso en sus transacciones y en los niveles de precios de sus principales commodities. Esta situación, junto con las bajas elasticidades ingreso (o precio) de la demanda de las exportaciones agrícolas, generó que, a diferencia del resto de sectores de la economía, la tasa de crecimiento del valor de las exportaciones mundiales agrícolas durante el período 2006-2008 casi duplicara su crecimiento anual en comparación con el 2003-2006. Este comportamiento tuvo impactos diferenciados en América. Mientras los países importadores netos agrícolas experimentaron un mayor deterioro en su déficit comercial agrícola, los exportadores netos agrícolas incrementaron su superávit en este mismo período. Con el fin de identificar las causas que originaron ganancias o pérdidas en el comercio internacional agrícola en los países de América durante los primeros dos años de recesión económica, en este artículo se explica el comportamiento de las exportaciones agrícolas y de los términos de intercambio agrícolas a partir de ciertas variables explicativas: los precios internacionales de los commodities agrícolas, la composición de las canastas agrícolas de exportación e importación, el nivel de apertura agrícola de los países, el grado de diversificación de las exportaciones agrícolas de los países y la consolidación de los tratados de libre comercio con los principales socios comerciales.



Access for Latin American and Caribbean agrifood products to international markets

The export platforms initiative

Daniel Rodríguez Sáenz¹

Agribusiness

Summary

The Inter-American Institute for Cooperation on Agriculture (IICA) developed the export platforms program to enhance the export capabilities of small and medium-sized agribusinesses in the hemisphere, with a view to diversifying and augmenting the number of exporters and markets and increasing the value of agrifood exports. The main reason for the platforms' success has been the integrated use of three traditional export promotion tools - namely, training, market research and participation in trade fairs and missions for a group of companies interested in a specific market. This article describes the experience that IICA has developed in this field, as well as benefits for participating companies. Also addressed are the requirements for participation in the program, the results obtained thus far and the factors that contribute to success during the process.

¹ Specialist in Agribusiness, daniel.rodriguez@iica.int



Key words: *market access, exporting, capacity building, export platforms.*


Introduction

In recent years, the LAC countries have made efforts to promote agrifood exports to developed countries. Although export processes offer companies many advantages (e.g., higher sales, bigger profit margins, more efficient use of firms' resources and less dependence on a limited number of markets), they also entail risks and call for investment and the development of skills that many have never considered. In many cases, entrepreneurs fail to take into account the challenges involved, despite the fact that they are a barrier to access to international markets for small and medium-sized agribusinesses.

IICA developed the export platforms –which consist of a training process, market research and negotiations with potential buyers– to boost the export capabilities of such companies and better integrate them into international markets.

The first export platforms were developed in Costa Rica, working with the local Trade Promotion Office (PROCOMER) and the Chamber of Exporters, to support companies interested in taking advantage of the benefits of the Free Trade Agreement (FTA) with Canada. The initiative's success led to the methodology being replicated

IICA developed the export platforms –which consist of a training process, market research and negotiations with potential buyers– to boost the export capabilities of such companies and better integrate them into international markets.



in El Salvador, Honduras, Nicaragua, Dominican Republic and Belize.

This article presents IICA's experience in using export platforms to strengthen the export capabilities of small and medium-sized agribusinesses. It describes the objectives and stages of export platforms, and the benefits obtained by the companies involved. Other points addressed are the preparations required to implement these activities, the experience acquired, the results obtained so far and the factors that have contributed to the initiative's success. Finally, the article explains how IICA has applied the lessons learned during the process.

The concept of export platforms

Platforms provide small and medium-sized agribusinesses in the hemisphere with a means to improve their export capacity; the goal is to diversify and augment the number of exporters and markets and increase the value of agrifood exports. Each platform involves a group of 10-15 companies or organizations that have developed products, have sufficient quantities available for export and are interested in exporting to a specific market.

To achieve this objective, the platforms include three stages: a) international business training; b) validation of products in the target market; and, c) in situ marketing (participation in a trade show or mission).

Stage 1. International business training

The platforms adopt a practical approach - involving case studies, group work and the participation of successful entrepreneurs and service providers - to provide the participants with the basic information and tools required to develop export capabilities for the first time, or enhance existing ones, and to prepare a business plan for the market chosen.

This stage takes place over the course of three weeks in a series of one-day training activities (modules). The entrepreneurs are also required to perform tasks in their respective organizations between the modules. The modules include the following topics:

1. Is the company ready to export?
2. The importance of planning (business plan for exporting).
3. Market research and marketing plan.
4. How to adapt products to the target market (production plan).
5. Financial plan.
6. Making the sales (negotiating of agreements).



IICA signed an agreement with the Forum for International Trade Training (FITT), an internationally recognized Canadian institution specializing in international business training, through which it translated and adapted the materials to the conditions in which firms operate in LAC. As a result, IICA has a proprietary methodology for supporting the agrifood sector.

Stage 2: Validation of products in the selected market

The validation stage makes it possible to determine the product's likely performance in the selected market and to make any adjustments required to meet official requirements, the needs of buyers and the tastes and preferences of consumers.

This stage includes the following actions:

- To develop a product profile in the market.
- To identify potential buyers in the target market.
- To present the products to potential buyers.
- To recommend modifications needed to facilitate the entry of products into the market, based on the opinions of possible buyers.

Each company receives a report on the validation of its product(s), which provides important input for the firm's strategy for entering the selected market. An example of the content of validation reports is shown in Box 1.

Box 1. Example of the content of the validation report delivered to each company.

1. Summary of the findings of the commercial assessment of the product's likely performance in the market.
2. Tariff heading.
3. Value and volume of annual imports by country of origin (previous three years).
4. Value and volume of monthly imports over the last year.
5. Main suppliers (countries) and their market share.
6. Window of opportunity.
7. Market's main ports of entry.
8. Price history.
9. Distribution channels and middleman's markup.
10. Description of competing products (presentations, prices, etc.).
11. Importation requirements.
12. Observations and recommendations of possible buyers and industry experts.
13. List of importers interested in the product.



The participants meet with buyers who have previously expressed interest in the product thanks to the validation process. This creates a more favorable environment for the negotiations and increases the possibility of making the sale.

Stage 3: In situ marketing

The in situ marketing stage involves participation in a trade show or mission. What makes this stage different from traditional trade shows and missions is that the participants meet with buyers who have previously expressed interest in the product thanks to the validation process. This creates a more favorable environment for the negotiations and increases the possibility of making the sale.

The trip to the target market includes visits to retailers such as supermarkets and specialized stores (gourmet and ethnic outlets, etc.), and wholesalers. If the companies are interested, meetings can be organized with the government institutions responsible for regulating the importation of products into the target market.

Once the three stages have been implemented, the companies and organizations taking part obtain the following benefits:

- They have learned about and begin to use tools that will enable them to strengthen their export capabilities.
- They have in-depth knowledge of the market to which they wish to export.
- They have the information needed to adapt their products to the selected market, based on the results of the validation stage. Box 2 shows an example of observations made by possible buyers during the validation process.
- They have a list of possible buyers interested in their products.
- They have the opportunity to negotiate with potential buyers in the market in which they are interested.





Platforms provide small and medium-sized agribusinesses in the hemisphere with a means to improve their export capacity; the goal is to diversify and augment the number of exporters and markets and increase the value of agrifood exports.

Box 2. Validation of Nicaraguan canned vegetables in the Los Angeles market (USA). Importers observations.

- Hot chili peppers were the product in which importers showed most interest, although they all said that their biggest client (the Mexican community) preferred them in easy-to-open cans for personal consumption and 32 oz. family-sized cans.
- They were interested in mini-corn on the cob, if the suppliers can compete with the competition from Thailand, the biggest supplier of the market. In the local market, they are sold in cans, not jars.
- Products in jars tend to be more expensive than canned foods. This can make them less competitive, unless their superior quality justifies a higher price.

Preparing to implement a platform in the country

The best way to organize a platform is by creating a national coordinating committee comprising representatives of the public sector (ministry of agriculture and export promoter), agrifood organizations (producers, processors and exporters), possible donors and the local IICA Office, which is responsible for coordination.

Box 3 shows an example of the makeup of a national coordinating committee. The committee's responsibilities include publicizing the program, seeking funding, selecting the target market, identifying and selecting the companies and organizations to take part, supporting the implementation of the program and providing follow-up to the companies. A full-time national coordinator is responsible for these activities.

Through the Inter-American Program for the Promotion of Trade, Agribusiness and Food Safety, IICA supports both the organization and implementation of the platform. It also offers to share with interested countries the experience it has acquired in executing 17 platforms successfully, targeted at a number of cities in Canada and the United States.

The platforms initiative and the main results achieved

Seventeen export platforms have been implemented so far: four in Costa Rica, four in El Salvador, three in Honduras, two in Nicaragua, three in the Dominican Republic and one in Belize. The target markets were Montreal, Toronto, Vancouver, Los Angeles, Miami and, most recently, New York. IICA has contributed to the following major achievements:

- The modernization of more than 185 small and medium-sized agrifood enterprises and the facilitation of the basic tools needed to develop export capabilities for the first time or to enhance those that already exist, and to prepare export business plans.
- The validation of over 300 products, allowing the participating companies to adapt their products to consumers' tastes and preferences and the requirements that the products must meet to be able to enter the market.
- Half of the companies that completed all the stages and met the suggested selection criteria managed to export to the selected markets. Box 4 contains a list of some of the products exported.

Box 3. Coordinating committee for the first platform in Costa Rica.

- Chamber of Exporters of Costa Rica (CADEXCO).
- Costa Rica's Trade Promotion Office (PROCOMER).
- National Production Board (CNP).
- Center for Studies and Cooperative Education (CENECOOP).
- IICA.



Box 4. Products exported through the platforms.

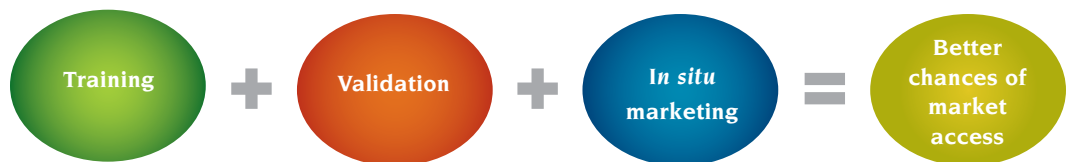
Mini-vegetables, watermelon, roots and tubers, chayote, grapefruit, oriental vegetables, frozen fruits (melon, pineapple, watermelon and others), frozen okra, frozen coconut, pre-fried and frozen green and ripe plantains, heart of palm, loroco, organic sesame seed, traditional green coffee, gourmet coffee, organic roasted coffee, fair trade roasted coffee, guava and pineapple seeds (puff pastry), horchata, red and black beans, gourmet tuna fish, plantain and cassava chips, sugar, honey, meat, cookies and shrimp.

During the implementation of the platforms, national counterpart officials are invited to take part in the training process so that they can play a more active role in future activities and disseminate the knowledge acquired among their beneficiaries.

Factors in the success of the platforms

The biggest factor in the success of the export platforms has been the integrated application of three traditional tools used for export promotion: training, market research and participation in trade shows and missions. These target a group of companies interested in a specific market (Figure 1).

Figure 1. Factors in the success of the platforms.



Entrepreneurs who participate in the program with a view to launching a new product or a product in development must show clearly that not only will the product be ready for presentation to possible buyers but also that they will be able to meet the demand generated during the in situ marketing stage.

With respect to operational aspects, and based on the evaluations of the platforms carried out to date, the factors that contribute to the successful organization and implementation of the initiatives are as follows:

a. Factors of success in organizing the platforms:

- In each case, a national coordinating committee is set up to help channel the country's efforts to promote exports and to encourage institutions to appropriate the methodology. The committee also ensures that the companies comply with the selection criteria and fulfill their responsibilities under the platform program - for example, by participating in all three stages.
- Donors are included as members of the committee, to facilitate the financing of the platforms.
- Producers' associations play a key role in promoting the program and in the process of selecting the companies, as well as in the pre- and post-platform follow-up and evaluation actions.
- A partner that is able to institutionalize the process is included, to ensure that the experience can be repeated.

b. Factors of success in operating the platforms:

- The organizers visit the participating companies at the start of the program,

to explain the responsibilities of the entrepreneurs and the scope of the initiative. It is also important that the trainers become familiar with the companies and assess their infrastructure, production processes, human resources and product.

- The validator visits each company taking part before the validation stage gets under way, to meet with the staff and gain a sense of the true situation and the prospects for the product, as well as the company's objectives in the selected market. This also permits the entrepreneurs to understand clearly the purpose and scope of the validation.
- The existence of an export product that is ready to be marketed. Entrepreneurs who participate in the program with a view to launching a new product or a product in development must show clearly that not only will the product be ready for presentation to possible buyers but also that they will be able to meet the demand generated during the in situ marketing stage.
- The entrepreneurs have all the information required to negotiate successfully with possible buyers before they take part in the respective trade show or mission. Box 5 contains a checklist of the key elements for negotiating with potential buyers.
- Motivating the entrepreneurs to provide follow-up to the contacts established is one of the main tasks of the national coordinator and the

coordinating committee, since it is difficult to achieve a sale with a passive attitude.

- Commitment and the country image. The companies that participate in the platform can have a positive or negative effect on their country's exporting image. Therefore, it is essential to ensure that the parties involved are committed and act responsibly.

Challenges for future exports platforms

Loss of critical mass

Having promoted the implementation of the platforms in a number of countries for several years, the organizers concluded that there was only a limited number of small and medium-sized enterprises and organizations of small and medium-scale agricultural entrepreneurs that could participate in the program successfully. Consequently, in some countries it was not possible to develop an enduring program.

For this reason, IICA's Inter-American Program for the Promotion of Trade, Agribusiness and Food Safety and agribusiness specialists developed a program aimed at enhancing business management skills, to enable companies and organizations that could benefit from the initiative to participate in a platform in the medium term.

Box 5. Checklist for the negotiations with foreign importers

Before beginning to negotiate with overseas importers, it is recommended that the companies verify:

- The commercial objectives for the selected market.
- The characteristics that differentiate their products from the competition.
- The specifications of the packaging and packing.
- Product compliance with all export requirements.
- That the method of payment is acceptable.
- That sufficient supplies are available for export.
- The minimum delivery time.
- The minimum quantity that must be purchased (if such a minimum exists).
- The export price: ex works (EXW), FOB and CIF.
- Prices according to volume.
- The plan to support the promotion of products.



The program's sustainability at the local level

One of the biggest challenges that the platform organizers face is persuading national institutions to give continuity to the initiative. From the outset, IICA's aim was to participate directly in the first programs carried out and gradually to hand over responsibility to a national partner. However, this has only been possible in Costa Rica, where PROCOMER has continued to execute the "Creating Exporters" program on its own.

In El Salvador, IICA signed a letter of understanding with the Export Development (EXPRO) Program for micro, small and medium-sized enterprises for the design of a platform for the United States market. However, EXPRO subsequently decided to give priority to supporting the participation of Salvadorian companies in international

shows, rather training to enhance their capacity to export. IICA once again coordinated and implemented the most recent platform the fourth in the series.

In Honduras, the partner for the implementation of the platform was the Secretariat of Agriculture and Livestock (SAG), through its Directorate of Agricultural Science and Technology (DICTA). Officials from this unit were trained to implement the platforms with IICA's support. However, when the new government took office the Directorate began to focus on support for the development of the local, rather than the international market.

The Institute is currently engaged in talks with various institutions in the Dominican Republic with a view to "institutionalizing" the platforms and thereby guaranteeing their continuity over time.



Lessons learned

IICA has used the experience acquired through the platforms to develop and offer other tools designed to strengthen the export capabilities of small and medium-sized agribusinesses in the Americas. These include the system for determining the level of export readiness, tools to identify the main requirements for exporting fresh and processed products to

the markets of Canada, the United States and the European Union, and the Export Handbooks published as part of the Agribusiness Series. All these tools are available in the Infoagro/Agronegocios system (www.infoagro.net/agronegocios), which provides important, up-to-date information for decisions with regard to trade and commerce.



The companies that participate in the platform can have a positive or negative effect on their country's exporting image. Therefore, it is essential to ensure that the parties involved are committed and act responsibly.

► **Accès des produits agroalimentaires de l'Amérique latine et des Caraïbes aux marchés internationaux. Expérience des plateformes d'exportation**

Afin de renforcer les capacités d'exporter des petites et moyennes agroentreprises du continent et, partant, de diversifier et d'accroître le nombre des exportateurs, les destinations et la valeur des exportations agroalimentaires, l'Institut interaméricain de coopération pour l'agriculture (IICA) a mis en place les plateformes d'exportation. Le principal facteur de succès de cette initiative a résidé dans l'utilisation intégrée de trois outils traditionnels de promotion des exportations : la formation, la recherche de marchés et la participation à des salons et à des missions commerciales, à l'intention d'un groupe d'entreprises intéressées par un marché particulier. Le présent article décrit une des expériences réalisées par l'IICA dans ce domaine, ainsi que les avantages pour les entreprises participantes. Il est fait état de la préparation requise pour l'exécution de l'expérience, des résultats obtenus jusqu'à maintenant et des facteurs de succès tout au long du processus.

► **Acesso dos produtos agroalimentares da América Latina e do Caribe aos mercados internacionais. A experiência das plataformas de exportação**

Com o objetivo de fortalecer a capacidade de exportação das pequenas e médias empresas agrícolas do Hemisfério e assim diversificar e aumentar o número de exportadores, os destinos e o valor das exportações agroalimentares, o Instituto Interamericano de Cooperação para a Agricultura (IICA) desenvolveu a modalidade das plataformas de exportação. Seu principal fator de sucesso foi a aplicação integrada de três ferramentas tradicionais de promoção de exportações: a capacitação, a pesquisa de mercado e a participação em feiras e missões comerciais, dirigidas para um grupo de empresas interessadas em um mercado específico. Neste artigo descreve-se uma das experiências desenvolvidas pelo IICA neste tema, bem como os benefícios para as empresas participantes. Mencionam-se também a preparação requerida para sua execução, os resultados obtidos até o presente e os fatores de sucesso durante o processo.

► **Acceso de productos agroalimentarios de América Latina y el Caribe a los mercados internacionales. La experiencia de las plataformas para la exportación**

Con el objetivo de fortalecer las capacidades para exportar de las pequeñas y medianas agroempresas del hemisferio y así diversificar e incrementar el número de exportadores, los destinos y el valor de las exportaciones agroalimentarias, el Instituto Interamericano de Cooperación para la Agricultura (IICA) desarrolló las plataformas para la exportación. Su principal factor de éxito ha sido la aplicación integrada de tres herramientas tradicionales de la promoción de exportaciones: la capacitación, la investigación de mercados y la participación en ferias y misiones comerciales, dirigidas a un grupo de empresas interesadas en un mercado específico. En este artículo se describe la experiencia desarrollada por el IICA en este tema, así como los beneficios para las empresas participantes. Se menciona la preparación requerida para su ejecución, los resultados obtenidos hasta la fecha y los factores de éxito durante el proceso.



Construction of agrarian policies in Brazil: the case of the National Program to Strengthen Family Farming (PRONAF)

Carlos E. Guanzioli¹ and Carlos A. Basco²

Summary

The implementation of PRONAF, which got under way in the 1990s, has had a major impact on Brazilian agriculture. Specifically, it has enabled family farmers to increase their acreage and raise production. The program's original systems approach consisted of matching different types of producers to a range of production systems and strengthening farmers' operations with loans, land or technology. The process of creating PRONAF was heavily influenced by the FAO/INCRA study and pressure from the rural trade union movement. This article describes the evolution of PRONAF, its institutional framework and modus operandi. The program's management dynamics have made the participants more disciplined financially, encouraging them to make the most efficient possible use of resources, and helped to enhance the system of complementary policies needed to promote the effective consolidation of family farms.

1 Associate Professor II in the Fluminense Federal University (UFF) School of Economics, and IICA Consultant, guanzi@ism.com.br

2 IICA Representative in Brazil, carlos.basco@iica.int



Key words: *agricultural policy, family farm, financing, credit, PRONAF, Brazil.*

Background to PRONAF and the program's creation and implementation

During the process of modernizing Brazilian agriculture in the 1970s, public policies for the rural milieu, especially the agricultural sector, gave priority to the most capitalized sectors and the production of commodities for the international market. Those policies had a highly detrimental effect on the production of family farmers, who were excluded from the benefits of rural credit, minimum prices and agricultural insurance.

In general, until the beginning of the 1990s there was no national public policy in place to meet the specific needs of family farmers. Following the enactment of the 1988 Constitution, the State was reorganized. Priority was given to the decentralization of the State's actions, making it possible to introduce new mechanisms for the social management of public policies intended to democratize access to public resources.

With the development of PRONAF in 1994, the United Nations Food and Agriculture Organization (FAO) and the Brazilian government's Institute for Colonization and Agrarian Reform (INCRA) signed

what became known as the FAO/INCRA Agreement, for the purpose of mapping out an agricultural policy that would incorporate the issue of land tenure into a set of measures designed to promote and strengthen family farming in Brazil.

The agreement marked a break with the centralizing policy inherited from the military regime of the 1950s, under which it had proved impossible to develop a broad, fast-working and effective policy for modernizing the operations of small-scale family farmers and the landowners involved in the agrarian reform process. At that time, INCRA, as the executing institution, was criticized for failing to involve the citizenry and for its ineffectiveness in implementing its tasks.

Following the signing of the FAO/INCRA agreement, various measures were proposed to secure greater support for the government's land policy, including revamping the instruments available that affected family farmers. The problem was that, while new settlements were being established as part of the agrarian reform process, other family farmers were being



forced off their farms by an agricultural policy that failed to offer them support in the areas of production, marketing and technology.³

The creation of PRONAF also coincided with the revival of a long-standing grievance of the organizations of rural workers that made up the National Confederation of Agricultural Workers

(CONTAG). They were demanding the formulation and implementation of specific rural development policies for that segment of Brazilian agriculture.

In response to those demands, in 1994 the government created the Program for the Recovery of Small-scale Rural Production (PROVAP), most of whose operating resources came from the National Development Bank (BNDES). Although the amount of resources available was meager, the program was important because it paved the way for a public policy based on the division of rural producers into categories. Until that time, smallholders had been defined as “mini and small-scale producers” and obliged to vie for resources with the large landowners, who historically had been the principal beneficiaries of credit available for agriculture.

In 1995, PROVAP was completely redesigned, including its conceptual approach and coverage. The changes made it possible to institutionalize PRONAF by means of Presidential Decree N° 1946 of

3 With a view to devising a policy to support family agriculture based on effective, decentralized tools, a document was drawn up entitled, “Policy guidelines for the sustainable development of family agriculture” (FAO and INCRA 1995). This document was coordinated by Carlos E. Guanziroli, chief FAO consultant at the time, with the collaboration of José Eli de la Veiga (USP), Ademar Romeiro (UNICAMP) and John Wilkinson (UFRJ). Before the document’s proposals were implemented, a broad process of discussion took place in every region of Brazil between November 1994 and May 1995. FAO and INCRA coordinated the organization of five seminars involving roughly 5000 representatives of different sectors in the regions, such as social movements, universities, nongovernmental organizations (NGOs), agricultural research institutions, and state and municipal governments. The debate that took place made it possible to correct some points of the proposal and incorporate others that were unclear. The final version was completed in May 1995. The proposal included a diagnostic assessment of family agriculture in Brazil and certain proposals related to agricultural policy and the improvement of institutions.

28 July 1996. From that point on, PRONAF effectively marked the legitimization of a new social category - family farmers, who until then had been referred to, pejoratively, as “small-scale farmers,” “low-income producers” or “subsistence farmers.”

Initially, PRONAF was part of the Ministry of Agriculture, Livestock and Supply (MAPA), specifically under the supervision of the Secretariat of Rural Development (SDR). Subsequently, thanks to the efforts of CONTAG, responsibility for the SDR was transferred to the Special Ministry for Land Tenure Policy, which included the INCRA. Thus, the bodies responsible for small farmers –the INCRA, which already formed part of the Ministry for Land Tenure Policy, and the SDR of the Ministry of Agriculture– were placed within the same ministry. In 2000, the two units became part of the newly created Ministry of Agricultural Development (MDA).

To provide more input for PRONAF, the government asked the group that was coordinating the FAO/INCRA Project to characterize Brazil’s family farmers. A profile of family agriculture was drawn up based on Brazil’s Agricultural Census (FAO *et al.* 2000; Guanziroli *et al.* 2001).⁴

The problem was that, while new settlements were being established as part of the agrarian reform process, other family farmers were being forced off their farms by an agricultural policy that failed to offer them support in the areas of production, marketing and technology.



The principal methodological innovation used to establish the profile was the definition of family farming and an estimation of its contribution to the economy. The concept of “family farmer” used in the methodology was not the same as the concept of “small farmer.” A family farmer was defined and distinguished from an *agricultor patronal* (farmer who uses hired labor) based on the social relations of production, i.e. the type of labor used on the farm rather than its size or the income that it generated. Thus, family farms were defined as those that used more family members than wage-earning or hired workers - “more family labor units than hired labor units” (FLU > HLU). This was different from the method used in other countries, based on farm size or farm income.

4 The census categorized farmers by the size of their farms. This is not necessarily the only characteristic of family farms, since a farmer can employ workers on a small surface area (e.g., irrigated agriculture) or run a large farm with family members, as is the case with grain and livestock production. The methodology used adopts the criterion of “existence of more hired labor than family labor.” A family farm uses more family labor than hired labor.



► PRONAF effectively marked the legitimization of a new social category - family farmers, who until then had been referred to, pejoratively, as “small-scale farmers,” “low-income producers” or “subsistence farmers.”

The other category, that of “small farmers,” can mask different social relations (small farms that use hired labor or large, family-run farms). However, the important thing is to identify farmers who work the land with little hired labor and also live in the countryside, because family farms

generate most employment, help to diversify land tenure and define the course of rural development.

Using this methodology, family farms can be quite large, because size is not considered important. The maximum size adopted for each region was the equivalent of 15 times the size of the average “*módulo fiscal*” in each region.⁵ As a result, the size ranged from 279.3 hectares in the Southern Region to 1155.2 hectares in the Northern Region. In the Central-Western Region, the cradle of export agriculture, the maximum farm size was 650.7 hectares.

5 A *módulo fiscal* is the minimum amount of land needed to maintain a family by means of farming. In Brazil, the INCRA produces an average index of agricultural productivity for each municipality, which makes it possible to calculate the prospects of generating enough income to meet the needs of a typical family.

Table 1. Farms, acreage, gross value of production and percentage of total rural financing in Brazil.

Categories	Total number of farms	Percentage of all farms	Total acreage (ha)	Percentage total acreage	Percentage total gross value of production	Percentage of total rural financing
Family farms	4,139,369	85.2	107,768,450	30.5	37.9	25.3
Farms that employ workers	554,501	11.4	240,042,122	67.9	61.0	73.8
Clerical institutions	7,143	0.2	262,817	0.1	0.15	0.1
Public entities	158,719	3.3	5,529,574	1.6	1.0	0.8
Total	4,859,864	100.00	353,611,242	100.0	100.0	100.0

Source: FAO *et al.* 2000.

Applying special tabulations of microdata from the 1996 Agricultural Census conducted by the Brazilian Institute of Geography and Statistics (IBGE), it was concluded that Brazil had 4,139,369 family farms (85.2% of the total) with a total surface area of 107.8 million hectares. Those farms accounted for 37.9% of Brazil's total agricultural production (see Table 1).

It is clear from Table 1 that family farms account for 30.5% of all farmland and receive barely 25.3% of all rural financing. Furthermore, they account for 37.9% of the gross value of national agricultural production. This shows that the farmers use their land more efficiently. In proportional terms (with less land and fewer resources), their operations contribute more production than farms with hired labor. Family farms generate an average of R\$104 per hectare, while

farms with hired labor generate barely R\$44 per hectare.

Family agriculture is also the principal creator of jobs in Brazil's rural milieu. Family producers farm barely 30% of the total acreage but account for 76.9% of people in work. As many as 13,780,201 of Brazil's 17.3 million agricultural workers work on family farms.

In addition to the positive data, the FAO *et al.* study (2000) also highlighted the problems and weaknesses of family agriculture in Brazil: half of the farms were very small (with an average surface area of 5 ha.), barely 16% received technical assistance, only 27% used mechanical traction, very few had electricity, less than 20% of the farmers were members of cooperatives or associative organizations and soil conservation was practically nonexistent.

PRONAF: target audience, operations financed and conditions of payment

Some of the issues on which PRONAF currently focuses were included in the FAO and INCRA proposal (1995) and in the CONTAG's demands. These and other issues that were gradually modified are listed below:



- There were calls for “a line of financing for integrated overall development plans.” Loans were to be used to restructure the production activities of farms, reinforcing the investment in infrastructure (stables, fences, machinery, planting of permanent crops, etc.). It was seen as a way of implementing the principle of a “differentiated” short-term credit policy designed to meet the specific needs of so-called “family farmers.”
- It was proposed that technological messages be produced for areas faced with edaphoclimatic and water limitations, based on a systems approach, mainly the use of mixed systems to manage micro-watersheds (e.g., agro-forestry and agro-silvo-pastoral systems).
- This proposal was based on a new system of comprehensive technical assistance built on a foundation of secondary education specific to rural areas (alternative education), along with vocational and technical training for all farmers who took out a loan.
- With respect to the categorization of family farms, the size limits were reduced and family farmers were deemed to be those with an acreage equivalent to less than four *módulos fiscales* (the figure in the FAO/INCRA study was 15). This translated into farms ranging from 60 ha in the south of the country to a maximum of 200 ha in the north. Furthermore, a maximum of only two permanent employees was allowed and at least 80% of family income had to be derived from agricultural activities.
- In practice, PRONAF only worked with small farmers but under the new version of the FAO/INCRA project the farmers were more like those of the US family farm model (relatively high farm size, living in the countryside and family members doing the work).
- In terms of the system's format, PRONAF included three lines of action: a) support for the infrastructure of producers and municipalities (PRONAF Infra-Estructura); b) credit for family farmers (PRONAF Crédito); and, c) technical assistance.
- Subsequently, PRONAF became a system of short-term operating credits to cover day-to-day farm expenses; it provided little or no technical assistance and no longer supported infrastructure to any significant degree, thus setting aside one of the core areas of emphasis that had originally served as a response

to the de-structuring of family farms following decades of total exclusion.

Loans were granted based on a specific typology of family farmers, in an attempt to channel more subsidies to the poorest farmers and those who had benefited from the agrarian reform process. The original PRONAF typology had divided farmers into the following four groups:

- PRONAF A: (for beneficiaries of the agrarian reform process) loans of up to R\$7500, with 4% annual interest and a R\$3000 discount on the capital, payable over eight years with a three-year grace period and no amortization.
- PRONAF B: for mini-projects with non-refundable loans of up to R\$1500
- PRONAF C: loans of up to R\$3700 with a R\$700 rebate on the capital and discounted interest (for projects involving poor family farmers).
- PRONAF D: up to R\$15,000, with 6% interest, with guarantees, no discount, payable over eight years and with a three-year grace period for better capitalized family farmers.

PRONAF E was added in 2000, but the rules were simplified in 2008, leading to the elimination of PRONAF groups C, D and E and the creation of a single category called "family farming." Interest rates were also lowered. The annual interest rates for short-term operating credits were held between 1.5% and 5.5%.

- Special lines of credit, such as PRONAF Florestal, PRONAF Jovem, PRONAF Agroecología, PRONAF Mulher and PRONAF Agroindustria, were created between 2002 and 2008



Table 2. Current terms of PRONAF loans.

Short-term operating credits	
□	Financing – annual interest rate
	Up to R\$5,000 - 1.5%
	From R\$5,000 - R\$10,000 - 3%
	From R\$10,000 - R\$20,000 - 4.5%
	From R\$20,000 - R\$30,000 - 5.5%
Investment loans	
□	Financing - annual interest rate
	Up to R\$7,000 - 1%
	From R\$7,000 to R\$18,000 - 2%
	From R\$18,000 to R\$28,000 - 4%
	From R\$28,000 to R\$36,000 - 5.5%

Source: Prepared by the authors based on SAF 2009.

and remain in place. The annual interest rates were cut to 1-2%.

- In addition to short-term operating credits, or loans to cover day-to-day farm expenses, the government supported marketing efforts through the Family Farm Support Price Program (PGPAF), which permits family farmers who take out these operating credits with PRONAF to link their loans to the PGPAF support price. The support price reflects the average production cost in the region, established by the National Supply Company (CONAB).



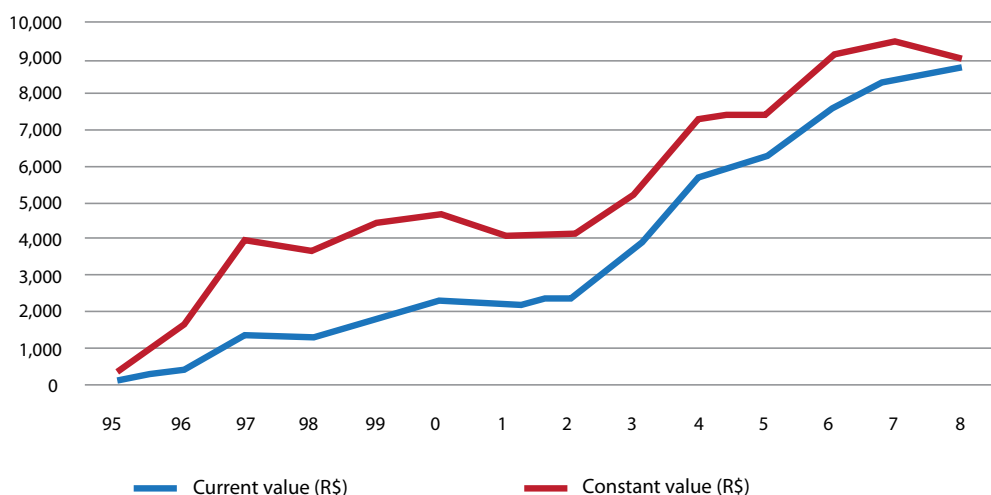
- For the 2008-2009 harvest, the products whose prices were guaranteed were rice, coffee (arabica and conillon), cashew nuts, onion, beans, milk, castor oil, corn, black pepper, cassava, soya, tomato and wheat.
- Furthermore, if their harvest is damaged by weather events, family farmers can activate their rural insurance, which covers 100% of any financing and more than 65% of the income that was anticipated but not received.
- To afford family farmers full protection, the Food Purchase Program (PAA) was created in July

2003. It stimulates family agriculture by distributing agricultural products produced on family farms among people in a state of food insecurity (Zero Hunger) and by building up strategic reserves.

Evolution of PRONAF in numbers and regional coverage

Since it was created in 1995, PRONAF has grown in terms of both the number and value of the loans granted, as can be seen in the data included in Table 3 and Figure 1.

Figure 1. Evolution of the total amount loaned by PRONAF.



Source: Prepared by the authors based on SAF 2009.

PRONAF grew steadily, if not sharply, between 1995 and 2002, and then grew much more rapidly from 2003 to 2008. It is probably the single Federal Government program that has made the greatest progress.

Granting resources to farmers entails a counterpart cost for the Treasury, which is required (under Decree N° 1946 of 28/01/1996) to use budgetary resources to make up the difference between the interest collected from borrowers (1-5% per year) and the SELIC (interbank rate), a practice known as equalization. The amount required for equalization is falling but remains quite high in comparison with other agricultural policies. On average, 44.5% of the total resources released are used to equalize interest rates and offset the cost of capital discounts or subsidies, as can be observed in Table 4. PRONAF, therefore, is an expensive and highly

Table 3. Amounts financed with PRONAF credit.

Year	PRONAF: value of loans	
	Current value (R\$)	Constant value (2008 R\$)*
1995	89,961,000	306,047,073
1996	558,895,000	1,695,693,841
1997	1,408,067,000	3,954,892,642
1998	1,371,787,000	3,692,095,993
1999	1,830,554,000	4,449,508,696
2000	2,189,000,000	4,657,015,972
2001	2,153,000,000	4,157,450,981
2002	2,405,000,000	4,111,732,047
2003	3,807,000,000	5,261,667,846
2004	5,747,000,000	7,262,275,659
2005	6,300,000,000	7,485,951,320
2006	7,611,000,000	8,890,802,347
2007	8,433,000,000	9,388,732,912
2008	8,997,000,000	8,997,000,000

*Constant values updated based on the General Market Price Index (IGP-M) average for each year.

Source: Prepared by the authors based on SAF 2009.

Table 4 . Resources released by PRONAF and the amount required for equalization

Year	N° contracts (a)	Amount of credit (R\$ X million) (b)	Amount required for equalization (c)	c/b
2000	969,000	2,189	1,191	54.4
2001	910,000	2,153	1,268	58.8
2002	953,000	2,405	1,447	60.1
2003	1,138,000	3,807	1,594	41.8
2004	1,611,000	5,747	2,794	48.6
2005	1,800,000	6,300	1,782	28.2
Total	7,381,000	22,601	10,076	44.5

Source: Mattei 2006, for contracts and amount of credit; Gasques *et al.* 2000 for amount required for equalization.

subsidized program. For that reason, it needs to be monitored closely, using indicators of results that show how efficient and effective it is.⁶

In 2008, according to data from the MDA (2008), the amount required for equalization accounted for 37.39% of the credit provided by the ministry.

In addition to the cost of equalization, the banks charge an overhead for lending the resources. The General Budget of the Union (OGU) includes payments to the banks for their mediation services. In 2002, for each short-term operating credit to farmers in groups C and D the bank received 8.99% per year plus a monthly rate for managing each contract. That same year, the average cost per operation was approximately 17.83% of

the total amount loaned. Furthermore, the Bank of the Northeast received an average rate of 11.97% per year (Petrelli and Silva 2005).

With regard to the distribution of the resources available for each geographical region of the country for the 1999 harvest, almost 50% of the program's resources were concentrated in the Southern Region. Around 26% were allocated in the Northeast Region, 16% in the Southeast, 5% in the Central-Western Region and barely 3% in the Northern Region. Between 1999 and 2007, some changes were made, but the program was still not actually a policy to support rural development in all regions of the country. The Southern Region continues to receive the lion's share (44%) of the program's total resources, while the Northeastern

6 Large producers received generous subsidies in the 1970s and 1980s. In the 1990s, they defaulted on R\$120 billion in loans from the Bank of Brazil, commercial banks and input companies.

Table 5. Distribution of PRONAF resources by region (in percentages).

Region	1999	2004	2007
Northern	3	12	7
Northeastern	26	18	20
Central-Western	5	6	7
Southern	50	47	44
Southeastern	16	17	22

Source: Petrelli and Silva 2005; Aquino 2009.

Region's share fell from 26% in 1999 to 20% for the last agricultural harvest.

The distribution of resources by type of loan has remained virtually unchanged. Producers with a stronger capital base (groups D and E) received ten times as much money in short-term operating credits as the poorest farmers (group B) in the same period, although the latter now account for a larger proportion of all loans granted than in 1999.

This distribution was foreseen by the team responsible for implementing PRONAF, which knew that the most vulnerable family farmers would not have access to the financial system. The original designers of PRONAF thought that the emergence of a new group of family farmers (groups D and E) could benefit the category as a whole (spillover effect).

In fact, the FAO/INCRA project (1995) proposed differentiated policies for the various categories of family farmers and placed special emphasis on infrastructure

Table 6. Distribution of PRONAF resources by income category (in percentages).

Category	1999	2004	2007
A	21	8	4
B	1	7	6
C	22	25	15
D	48	37	40
E		12	20
Others		11	15

Note: Group A includes the beneficiaries of the agrarian reform process; the others are listed in ascending order of income.

Source: Mattei 2006 and Aquino 2009.

Table 7. Family farmers - monetary income (MI) by farm, according to the types of families established in the 1996 Agricultural Census.

Type	Total no. of farms	Percentage of all farms	MI/farm (in R\$/year)
A	406,291	8.4	11,898
B	993,751	20.4	2,172
C	823,547	16.9	714
D	1,915,780	39.4	(104)
Total	4,139,369	85.1	

Note: The groups are organized in descending order of income (the opposite of the way in which PRONAF lists them). Therefore, groups C and D are the poorest.

Source: Guanziroli *et al.* 2001 (Technical Cooperation Project, based on the 1995-1996 Agricultural Census - IBGE); FAO *et al.* 2000.

loans for farmers classified as in transition and with agrarian and social policies for marginal farmers who, with support, were expected to move up to a higher income category. This was based on the distribution of monetary income at the time, as shown in Table 7.



According to the data presented in Table 7, in 1996 over half of all family farms (groups C + D = 56% of the total number) were unable to earn a reasonable annual minimum income (ranging from R\$714 to a negative value of R\$104). Many family farmers survived with off-farm income, such as pensions, the sale of labor or participation in non-agricultural activities.⁷

On the poorest family farms, especially subsistence farms, income was often negative, but once the value of the food produced and consumed on the farm was included, it became positive.⁸

It is evident that before PRONAF was implemented many properties were classified as farms by the IBGE but the people living on them were not real farmers. According to research carried

out by the Brazilian Institute of Social and Economic Analyses (IBASE), quoted by Bittencourt and Abramovay 2003, 50% of the farmers who received loans from PRONAF had never previously performed an operation involving bank financing.

The structural exclusion of marginal farmers can be seen even more clearly in the data for technical assistance and the family farming infrastructure at the time when PRONAF began, as shown in Table 8.

As can be seen, at the time barely 16.7% of family farmers were receiving technical assistance and almost half of them were using manual tools (working “with a shovel”). The situation was even worse when the data was disaggregated by income brackets.

For that reason, before granting them loans it was necessary to resolve basic issues and strengthen the farms. This work involved, in addition to the issues already mentioned, educational matters, land tenure, health and micro-business organization. The indices for all these factors were also extremely low among the marginal farmers.

7 Although farmers are often involved in other activities, such as handicrafts and rural tourism, most of their income comes from agricultural activities, the processing of their products (milk, cheese, honey, etc.) or payment for work carried out on larger farms, retirement pensions, social benefits, government assistance, etc.

8 There are also *quintas* (weekend homes) that spend more than they produce and *chacras* (smallholdings) where pensions are used to produce food for consumption.

Table 8. Family farmers with access to technology and technical assistance (in percentages).

Region	Use of technical assistance	Use of electricity	How work is carried out			Use of fertilizers	Soil conservation
			Using only animal traction	Using only mechanical or mechanical + animal traction	Manually		
Northeastern	2.7	18.7	20.6	18.2	61.1	16.8	6.3
Central-West	24.9	45.3	12.8	39.8	47.3	34.2	13.1
Northern	5.7	9.3	9.3	3.7	87.1	9.0	0.7
Southeastern	22.7	56.2	19.0	38.7	42.2	60.6	24.3
Southern	47.2	73.5	37.2	48.4	14.3	77.1	44.9
BRAZIL	16.7	36.6	22.7	27.5	49.8	36.7	17.3

Source: FAO *et al.* 2000.

Evaluation of the impact of PRONAF

As stated at the start of this article, the aim was to ascertain whether the increase in the amount of resources provided by PRONAF has contributed to a rise in income and the value of production, and in the training of family farmers.

Most of research on PRONAF has evaluated the implementation of the program (delivery, timing), not its impact. That research suggests that PRONAF worsened the situation of the recipients of loans, compared with farmers who did not have access to them.

The evaluation by Feijó (2001), although fairly negative for the years prior to 2000, suggests that the program began to have a productive impact after that date.

The findings of the research vis-à-vis higher income and improved living conditions are fairly weak. The recipients of loans from PRONAF experienced no, or only a small, increase in income. Logically, that meant they had difficulty repaying their loans to PRONAF, as can be seen in Table 9.

Table 9. PRONAF short-term operating credits for groups, A, B, C, D and E, contracted up to the period 2005 -2006.

Status of loan repayments	Percentages Group A	Percentages Group B	Percentages groups C, D and E
Up to date	71	53	80
In arrears	28	46	19
Uncollectible	1	1	1
Total	100	100	100

Source: Prepared by the authors, based on SPE/MF data (2009), adapted by Chrysostemos 2009.



The FAO/INCRA project (1995) proposed differentiated policies for the various categories of family farmers and placed special emphasis on infrastructure loans for farmers classified as in transition and with agrarian and social policies for marginal farmers who, with support, were expected to move up to a higher income category.

As can be seen in Table 9, a considerable number of farmers are in arrears with their loan repayments. In the case of Group B, nearly half are in arrears. This is the line of credit targeted at the poorest farmers, whom, as can be seen, have difficulty repaying their loans. A sizeable number (28%) of the beneficiaries of the agrarian reform process (Group A) are also behind with their repayments. The only ones that are relatively up to date are groups C, D and E, the most capitalized family farmers.

According to Chrysosthemos (2009), most of the farmers in arrears are to be found in the Northeast Region, where 70% are behind with their repayments (73,000 of the 100,000 loans granted). An average of 15% are in arrears in the Southern Region and 20% in the Northern Region (where more than 10% of the loans are already regarded as uncollectible).

The field research cites some factors that have had a negative effect on the farmers' income generation efforts, making it hard for them to repay their loans. The main factors involved are as follows:

a. Insufficient or poor-quality technical assistance. According to Olalde (2005), government agencies do not

have enough technical staff to provide farmers with one-on-one assistance. Local offices have only two or three technical staff and they are expected to service several municipal districts (more than 5000 farmers). The result is the standardization of projects and limited technical support. In most cases, technical staff only visits farmers to assess whether they should receive further resources (Olalde 2005).

The profits that the farmers are expected to make are calculated based on unrealistic technical coefficients. After the harvest, it usually becomes apparent that farmers failed to plan properly most of the activities for which the loan resources were used. Consequently, the farmers have difficulty repaying their loans.

b. Difficulty managing loan resources.

In some cases, not all the resources are used for what they were intended. The farmer may cut corners on inputs and crop care, either because he needs additional resources to invest in other production activities on the same property or because he does not have enough cash to feed his family.

c. The technical staff's lack of a systemic vision.

The evaluation and recommendations of the technical personnel may be at odds with the farmer's practical experience, which is often not respected.

d. Lack of integration into markets, a marketing structure and value-



added. The classic vision of technical personnel trained during the Green Revolution was to produce large quantities with higher productivity, without ascertaining properly whether there would be a market for the products concerned.

Despite the above, there is concrete evidence that while PRONAF's resources may have facilitated only a small increase in the monetary income of family farmers, or none at all, they have helped to expand productive capacity, leading to increased acreage both for products for on-farm consumption and those that are sold. This is clear from the analysis of the preliminary results of the 2006 Agricultural Census, specifically with respect to family farming, calculated using the same methodology as for the previous census (FAO/INCRA).

In other words, ten years after the 1996 census, which also coincides with the life of PRONAF, the number of family farms rose from 4,139,000 to 4,551,967. That is, 87.95% of all farms in Brazil. Family farms' share of the gross value of production increased from 37.9% in 1996 to 40.03% in 2006. That production was produced on 32.36% of all farmland (106 million hectares), while in 1996 the figure was 30.48%. The percentage of workers working on small farms also rose, from 76.8% to 78.76% (13,048,855 people).

The increase in family farming's share of the total production of the agricultural sector, in a decade in which the sector grew strongly, confirms the economic importance of this segment. In addition

to producing food, this group became part the most important agricultural production chains and is contributing to the dynamism of Brazilian agribusiness.

Table 10. Family farms in Brazil as a percentage of selected variables, in 1996 and 2006.

Variable	1996	2006	Percentage point increase
Number of farms	85.17	87.95	2.12
Gross value of production	37.91	40.03	1.88
Farmland	30.48	32.36	1.91
No. of people working on farms	76.85	78.76	2.12

Source: FAO *et al.* 2000.

If family agriculture were synonymous with "subsistence" or "*campesino*" farming, the agribusiness boom would have relegated it to a position of insignificance. As can be seen, this has not occurred in the last decade.

Therefore, some of these farmers have operations big enough for them to develop modern, business-oriented operations, with scale production. They could take advantage of the profits generated by the principal agribusiness chains (e.g., soybeans, fruit-growing and dairy products), as U.S. family farms do. Other farmers are content to take part in food chains, which also helps to increase their share of the gross value of production, and there are also subsistence and single-crop farmers, among others.



The institutional framework and PRONAF's current modus operandi also need to be reviewed, in order to strengthen financial discipline, encourage borrowers to use the resources as efficiently as possible and improve the system of complementary policies required to promote the effective consolidation of family farmers.

This increase in the contribution of family farming is due largely to PRONAF's loans, which undoubtedly promoted and spurred the planting of new areas, with the corresponding increase in production. The efforts to support marketing (PGPF) and the creation of markets (PAA), as well as other provincial programs, must have complemented the effort of the credit program.⁹

Conclusions

Given PRONAF's impact on Brazilian agriculture, and on the rural population in particular, from the 1990s onwards, it needs to be reviewed and evaluated continually. The program should also be improved constantly, given its high financial cost to the State and the need to continue to stimulate the participation of family farmers in national life, especially to enable them to expand their acreage and increase their production. Further research is also needed, to verify whether the program has also had a positive impact on the income and living standards of the rural population that it was intended to help.

When public policies set such broad goals, quality control and efficiency usually suffer. In the case of PRONAF, for example, the systems view that had originally been advocated by technical personnel and advisers (which entailed matching different types of producers to a range of production systems) was abandoned. If those categories could be better defined, it would make it possible to determine more precisely the products within the systems for which loans, land or technology are needed.

In any subsequent evaluation of PRONAF, it will be difficult to verify which production chains were actually strengthened. The credit needs of the chains that the government and society identified as a priority are not known, because the officials responsible for the program failed to include that factor.

In addition, more information is needed about the strengths and weaknesses of each type of producer in each chain, specifically with regard to the levels of agroindustrial concentration, price transmission, contractual standards, the flow of financing within the chain, the regularity of purchases and of the flow

⁹ The economic stability after the *Plano Real* placed agriculture on a firmer footing and contributed to the fall in the price of land. This made it easier for family farmers to purchase land.

of inputs, the technologies available, the characteristics of marketing and the conditions for integrating into processing activities, excessive or normal middlemen's profits, etc.

Another critical aspect of the program concerns the ability of borrowers to repay their loans. The authorities do not seem to have thought this through, since they continually need to renegotiate or guarantee loans that are in arrears or uncollectible.

Therefore, the institutional framework and PRONAF's current modus operandi also need to be reviewed, in order to strengthen financial discipline, encourage borrowers to use the resources as efficiently as possible and improve the system of complementary policies required to promote the effective consolidation of family farmers. In this regard, it is vital that responsibilities be assigned throughout the PRONAF chain, so that the different actors, such as the MDA's Secretariat of Family Agriculture (SAF), banks, technical assistance, state commissions and farmers assume responsibility for their actions and make a commitment to the results.

Furthermore, the authorities must determine whether the discounts on capital and heavily subsidized interest rates for loans should be maintained. Borrowers could find loans like PRONAF A and B confusing. Since 40% of the capital



can be forgiven, they may wonder whether they were given a loan or a donation. This could affect their attitude toward commercial loans in the future.

The ideas presented in this article are designed to promote improvements in the program, so that it continues to achieve its objectives effectively, at a lower cost to society and in an equitable and fair manner, for the well-being of the rural population and for the benefit of Brazilian agriculture in general.

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► Mise en place de politiques agraires au Brésil : cas du Programme de renforcement de l'agriculture familiale (PRONAF)

Le PRONAF a eu un impact considérable dans l'agriculture brésilienne à partir des années 90. En particulier, il a permis aux exploitations familiales d'accroître les surfaces cultivées et d'augmenter leur production. La vision systémique adoptée au départ consistait à mettre en relation une typologie de producteurs et une typologie de systèmes de production, dont le renforcement passait par le crédit, la terre ou la technologie. Le processus de création du PRONAF a eu diverses répercussions dont, notamment, l'étude FAO/INCRA et les pressions du mouvement syndical rural. Le présent article décrit l'évolution du PRONAF et ses mécanismes institutionnel et opérationnel, et montre comment les méthodes de gestion ont renforcé la discipline financière des participants, jusqu'à rechercher le maximum d'efficacité dans l'utilisation des ressources et améliorer le système de politiques complémentaires nécessaires pour favoriser une véritable consolidation de l'exploitation familiale.

► Formulação de políticas agrárias no Brasil: o caso do Programa Nacional de Fortalecimento da Agricultura Familiar (PRONAF)

O PRONAF causou um impacto considerável na agricultura brasileira a partir da década de 1990. Especificamente, permitiu que os agricultores familiares conseguissem ampliar as áreas cultivadas e aumentassem a produção. Sua visão de sistemas originalmente implicava relacionar uma tipologia de produtores com outra de sistemas produtivos, que precisavam ser fortalecidos mediante crédito, terra ou tecnologia. As grandes influências do processo de criação do PRONAF foram as seguintes: o estudo FAO-INCRA e as pressões do movimento sindical rural. Neste artigo, apresenta-se a evolução do PRONAF, sua institucionalidade e forma de operação, cujas dinâmicas de gestão fortaleceram a disciplina financeira dos participantes até alcançar o máximo de eficiência na utilização dos recursos e melhorar o sistema de políticas complementares necessárias para promover a efetiva consolidação do agricultor familiar.

► Construcción de políticas agrarias en Brasil: el caso del Programa de Fortalecimiento de la Agricultura Familiar (PRONAF)

El PRONAF causó un impacto considerable en la agricultura brasileña a partir de la década de los noventa. Específicamente, permitió que los agricultores familiares logran ampliar las áreas plantadas y aumentaran la producción. Su visión de sistemas originalmente implicaba relacionar diferentes tipos de productores con diversos sistemas productivos, los cuales requerían fortalecerse mediante crédito, tierra o tecnología. Las grandes influencias que tuvo el proceso de creación del PRONAF fueron: el estudio FAO/INCRA y las presiones del movimiento sindical rural. En este artículo se presenta la evolución que ha tenido el PRONAF, su institucionalidad y forma de operar, cuyas dinámicas de gestión han reforzado la disciplina financiera de los participantes, hasta buscar el máximo de eficiencia en la utilización de los recursos y mejorar el sistema de políticas complementarias necesarias para promover la efectiva consolidación del agricultor familiar.



Agricultural and rural entrepreneurship: concepts for modeling development

Federico Sancho¹

Summary

The world of business has become an extremely dynamic environment in which the only constant is change. In Latin America and the Caribbean, the situation is obliging the actors to enhance their strategies and visions for correcting the long-standing weaknesses of the productive sectors. The concept of entrepreneurship, meaning the individual or collective capacity to develop sustainable enterprises, is an important focus of research that is making it possible to undertake concrete actions in aid of the productive sectors. This article looks at the ideas involved in entrepreneurship and the important function that the latter is playing in the overall development of our hemisphere. It also considers ways of promoting enterprise development as part of the strategies for agrifood chains and rural territories.

¹ Head, Inter-American Information and Editorial Production Center for Agriculture, federico.sancho@iica.int



Key words: *enterprises, enterprise capabilities, farms, small and medium-sized enterprises, Latin America, agriculture, rural development.*

Introduction

The causes of growth and development have long been a subject of debate among experts.

The study of the causes of economic growth² intensified following Adam Smith's publication of "The Wealth of Nations" in the 18th century. Smith affirmed that the effects of the division of labor were the principal cause. Other investigators, such as Thomas Malthus and David Ricardo, believed that natural resources placed certain constraints on the development of opportunities.

In the 20th century, other factors emerged as drivers of growth: investment in human capital (education and training), infrastructure, technology and innovation. Today, economists continue to search for options, while at the same time acknowledging that there are no magic solutions (World Economic Forum 2004).

Today, no one doubts the contribution that small and medium-sized enterprises make

to the economy, productivity, innovation, employment, the development of the social fabric and prosperity in general. Nevertheless, the indices for enterprise creation in Latin America³ are low compared with the figures of developed countries. For example, every year 2.5 times more enterprises are created in Asia than in this region (Kantis *et al.* 2001).

"Enterprise development is arguably more sustainable, more cost-effective and more attuned to community development than its sister economic development strategies of business attraction and business retention" (Lichtenstein *et al.* 2004).

For that reason, people look to entrepreneurship to provide innovative alternatives that complement development,⁴ mainly to increase the concentration and exploitation of business opportunities that should increase income in rural areas.

This article describes the conceptual elements of entrepreneurship, the actors involved and ways of promoting

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- 2 The theory of growth, which dates back to the Classical School, seeks to explain how economies evolve.
 - 3 Specifically in the case of the agricultural sector. As long ago as 1975, Murcia and Araujo suggested that the slow development of agriculture in Latin America was due to the small number of enterprises that existed. They called for efforts to encourage farmers to develop greater business awareness.
 - 4 While acknowledging that all development strategies are bound to be characterized, to some extent, by a multi-factorial complexity that is due to profound changes in communications, transportation, technologies and trade.

entrepreneurship within agriculture and rural life in regions where more opportunities are needed to allow people to improve their socioeconomic conditions.

What does “entrepreneurship” mean?

Enterprise research draws a distinction between the tasks involved in creating an enterprise (entrepreneurship) and those required for its (operational or strategic) management.

Entrepreneurship is the capacity to develop ideas and achieve success with them. Innovation, the acceptance of change and risk, the mobilization of resources and the tapping of opportunities are just some of the factors involved in creating a competitive or sustainable enterprise. As the Commission of the European Communities (2003) has noted, the entrepreneurial spirit⁵ is the asset responsible for creating employment, competitiveness and the potential to exploit any sector or business.

Bernier and Hafsi (2003) describe entrepreneurship as a process in which

an agent manages to conceptualize and implement an idea, notion, service, product or activity. Stevenson *et al.* (1999) see it as the pursuit of an opportunity, regardless of whether enough resources are available. Other authors relate it to an individual's efforts to turn a vision into reality, regardless of the possibilities of success. This could suggest that anyone can be an entrepreneur, or at least has the capacity to develop that vision in order to create his own enterprise. However, it is clear, as will be seen below, that in different situations some individuals will have better options or conditions that they can take advantage to create enterprises or develop innovative products or services through them.

Besides what could be interpreted as an individualistic interest, entrepreneurship can be seen as a collective phenomenon in which society as a whole can exploit the practice of contributing to general well-being by means of social investment in new products and services. Sight must not be lost of the fact that the principles of enterprise promotion include justice and equity, with respect for dignity, and the commitment to life without violence, to sustainable development and to business ethics (*Iniciativas de Desarrollo Empresarial*, 2003).

5 They define it as follows: “Entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organisation. (Commission of the European Communities 2003:7).



Besides what could be interpreted as an individualistic interest, entrepreneurship can be seen as a collective phenomenon in which society as a whole can exploit the practice of contributing to general well-being by means of social investment in new products and services.

Who and what is an entrepreneur?

An entrepreneur is someone who is able to balance the economically desirable with the technologically/operationally feasible, someone who takes a calculated risk to seize an opportunity or meet an unsatisfied need in hopes of establishing a sustainable business.

No ideal profile for an entrepreneur exists but certain psychological traits or characteristics are usually associated in theory with a business-minded person. Some of the most common traits are high levels of motivation and energy, confidence, initiative and problem solving skills, and the ability to set goals and take moderate risks (Table 1).

Table 1. Terms commonly used to characterize a potential entrepreneur.

• Has initiative (“founders”)	• Hard worker
• Has a sense of opportunity or is intuitive (e.g., focused on niches)	• Experienced
• Independent	• Expects to succeed (self-effective)
• Motivated	• Uses resources efficiently
• Dynamic	• Problem solver
• A leader	• Knowledgeable
• Has a strong character	• Involved
• Simple (does not seek to generate complexity)	• Systemic thinker (visionaries)
• Honest	• Responsible
• Goal and results-driven (achievement)	• Open to partnerships and teamwork
• Constant, committed and persevering (tenacious)	• Determined to take risks (tolerates, runs and/or accepts risks)
• Gets on well with others	• Creative and imaginative (differentiator)
• Energetic	• Innovative and able to turn ideas into reality
	• Flexible and adaptable
	• Agent of change

According to Robbins and Coulter (2005), entrepreneurial personality traits include the capacity to fight to achieve one's goals, to be autonomous and convey a message, to act quickly, to distance oneself and be objective, to create simple and practical solutions, to take risks, to have clear values, to obtain results and to act positively, exhibiting enthusiasm and optimism.

Other authors (such as Filion 2000 and Timmons 1978) suggest that entrepreneurs are tenacious, can live with uncertainty, make good use of resources and are imaginative, moderate risk takers and results-oriented.

Based on more than 100 variables applied to four Latin American and four Asian countries, the Inter-American Development Bank (IDB) and others

determined that the most important indicator was previous work experience. In other words, only individuals who have already acquired a certain amount of experience will succeed in becoming small and medium-scale entrepreneurs. The authors of the study also include people who related with entrepreneurs, have networks of contacts and systems for managing relations with their employees, and exert strong control over the people around them.

Agricultural and rural entrepreneurship

An "agricultural entrepreneur" is an individual or group with the right to use or exploit the land or other related elements required to carry out agricultural, forestry or mixed activities (Suárez 1972).

The term "entrepreneurship" is of recent origin and is not used often within the context of rural territories. Wortman (1990) asserts that "rural enterprise" is not only one of the newest terms in this field but also a term that has been used incorrectly.⁶ His definition includes the creation of new organizations that introduce new products, create new markets, or use new technologies from rural areas (Wortman 1990:330).

Some examples of successful enterprises in the region

- Honey in Chile (exported to Europe)
- Asparagus in Peru
- Pouch tuna in Mexico
- Marketing of coffee and its by-products (Cafe Britt-Costa Rica)
- Agrotourism in Argentina

⁶ Kent and Rushing (1999) deplored the fact that entrepreneurship was largely ignored, poorly presented or partially interpreted in educational texts, while Gladwin *et al.* (1989) said that the 20 most used books on the principles of economics contained only a few paragraphs on the subject and over 50% of them ignored it completely.

Entrepreneurship strategies are regarded as tools for developing new forms of society as part of comprehensive agrarian reforms. They entail, among other things, acquiring land, ascertaining the characteristics of the beneficiaries, establishing a timeframe, creating enterprises, generating wealth and achieving a constant improvement in living conditions. The transition from traditional agriculture to more modern, business-oriented operations undoubtedly includes addressing the factors that hold back rural territories, such as the low incomes and investment in such areas, the migration and aging of the population, limited investment in science and technology, the low levels of education of some of the actors, the levels of linkages/isolation and poor infrastructure.

Lichtenstein *et al.* (2004) identified some of the possible obstacles to rural entrepreneurship as: a) the size and density of rural territories; b) the social and economic makeup of communities; and, c) the territories' links or ties with the outside world (Dabson 2002).

Rural territories⁷ are the natural space where many traditional agricultural activities take place, but also the place where the actors develop and carry out other, non-agricultural activities



that influence the way of life in their area. Viewed in that light, potential rural entrepreneurs must visualize the opportunities and be aware of the risks around them, identifying, among other things, their own potential and the institutional and market potential. This links individuals to their immediate social surroundings and makes them responsible for their own development.

Therefore, some territories will offer superior opportunities for potential entrepreneurs - actors, even farmers, who are likely to accept in a better way the need for entrepreneurship in their production activities.

Converting traditional or "artisanal" agriculture to mass production entails not only increasing volumes, labor and cultivated areas to achieve economies of scale, but also identifying other types of

⁷ The term "territory" is used to describe an area where a population has settled and is exploiting the resources available. If there are neither people nor activities, the area is simply a physical-political space (land).

strategy that have more to do with product innovation.⁸ For example, agricultural researchers in the United States found that small-scale systems based on family farms⁹ could not be organized as large-scale, standard production lines for homogenized products (Lyson 2004).

With regard to the role that small enterprises play in the rural world, Lyson (2004) also says that communities whose economic base is composed of a plethora of small, locally-owned businesses will exhibit higher levels of social, economic and political prosperity and well-being than communities where a few large companies dominate the economy and there is little or no local ownership.

This shows the importance of improving the formulation of specific public policies, especially those in aid of small producers, inherently linked to rural work, family farming and, in particular, the entrepreneurial approach. All actors in the productive sector need to have an entrepreneurial mindset.

How can entrepreneurship be promoted?

Individualized work with a small farmers' organization, and that organization's work with sustainable enterprises, calls for a number of activities, including appropriate technical assistance, access to credit, the formation of self-managed working committees and social organization geared to raising awareness of local solutions, the provision of basic education, capacity creation and *in situ* enterprise training (planning, management, marketing, control and evaluation).

However, before attempting to promote entrepreneurship, it is necessary to identify the reasons why individuals or groups want to be entrepreneurs. According to the Global Entrepreneurship Monitor (2003), some people seek to take advantage of opportunities¹⁰ or be opportunity entrepreneurs (a positive vision), while others do so out of necessity¹¹ as necessity entrepreneurs (a negative vision).

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- 8 Clear links already exist between certain territories and the quality of their products, such as coffee in Colombia, tequila in Mexico and other activities that have demonstrated the levels of entrepreneurship of farmers in specific areas of the Americas.
 - 9 A number of variables, such as social relations, the division of labor, land and climate, are an obstacle to standardized of agroindustrial operations.
 - 10 An opportunity is an attractive option capable of grabbing an individual's attention. The concept of opportunity is closely linked to the term entrepreneurship. It is viewed as an option for improving one's income, realizing one's ambitions and enhancing one's quality of life by means of a commercial or business undertaking.
 - 11 In this case, necessity refers to the absence of the conditions required to lead a reasonable life. As Cedeño (2004) says, the enterprising act may stem from the individual being exposed to a difficult situation, concerns, problems or disappointments that he regards as challenges rather than a source of regret.



The dominant logic of a future entrepreneur –his expectations, preferences, assumptions, opinions and view of business– can lead an enterprising person to maintain the *status quo* or conserve entropy. Put simply, people interested in developing their enterprise or implementing new ideas within one that already exists receive a boost from macro issues, such as the clear presence of an environment in which there are good business opportunities, and from specific aspects such as family support, pressure from friends or extreme situations like the lack of employment and the need for resources and recognition.

It has been suggested that people who do not become entrepreneurs out of necessity do so by opening the so-called “black box” of innovation, acquiring a brilliant idea in a deliberate manner or through a meeting or lengthy reflection. This triggers a reaction, with the individual considering his real needs and real interest in becoming an entrepreneur, and then proceeding to implement the

idea and consolidating it over time (competitiveness) (Bygrave 1997).

According to the Inter-American Development Bank, some of the factors that stimulate entrepreneurship in Latin America are family traditions, the social context, the size of the economy, per capita income, the quality of the macro-economy, the availability of capital and work, the communications media, specialized services, sector diversity, the educational system, the abilities and competencies of individuals, the red tape involved in doing business and enterprise models. This gives some idea of the complexities and interconnecting issues involved in a subject like this.

In general, the three critical agents to be considered in promoting entrepreneurship are:

- The individuals and different characteristics related to the entrepreneur and his or her interests that motivate commitment to a cause or action.



to advisory services and extension are of key importance.

- The policy environment, which ideally should ensure macroeconomic stability and facilitate enterprise creation.

The Rural Policy Research Institute (RUPRI), on the other hand, suggests four components for enterprise development strategies (Dabson 2005):

- Social aspects such as the construction of networks, contacts, teams, family members, follow-up to key leaders and individuals.
- The environment, which incorporates the context or world of opportunities, creativity, competition, resources, government policies, and consumers and other actors in the production chains.¹²
- Community culture of support by means of tools and resources to identify and build upon the goods available in rural territories. There has to be connection to the wider region to achieve sufficient scale and strengthen the role of local communities.
- Focus on specific entrepreneurs, not merely general programs. In the territories, entrepreneurs' levels of education, skills, motivation and preparedness vary considerably.

Other authors suggest factors such as:

- The human capital, its characteristics, age, education level and experience.
- The physical and financial assets related to ownership of machinery, animals, land and buildings.
- The situation of marketing institutions responsible for dealing with imperfections in the market, contracts, organization and access to information. Their function with regard
- Systems orientation to guide entrepreneurs through the formalities, instead of entangling them in a web of red tape and individualized bureaucracy.
- Connection between policy-making and community success.

A working model to strengthen agricultural entrepreneurship should include four consecutive steps: a) the organization of

12 Based on Bygraves' model of the entrepreneurial process (1997).



Since education promotes culture, the desire to be an entrepreneur may manifest itself not only in higher education but also at the secondary level and in daily life, with people ready to acquire core competencies, learn about successful cases and develop new businesses.

producers; b) the organization of support services; c) marketing (learning by doing); and, d) the provision of credit (Mendoza 2006).

The concern for small-scale producers suggests that policies need to be based on four pillars: a) education and training; b) business networks that link entrepreneurs to suppliers and sources of capital; c) resources; and, d) infrastructure and institutional support (Escalante and Turvey 2006).

Some of the optimal conditions for rural enterprise development are as follows:

- A competitive territory, which calls for training programs, information and assistance for enterprising, or potentially enterprising, entrepreneurs. Sources of financing and adequate infrastructure are also required, and people must embrace the idea that limited but sustainably exploitable resources are available.
- A buoyant market where there are options in terms of services and the acquisition of inputs and the marketing of finished products. Another essential ingredient is access to information about not only prices but also the commercial opportunities available.
- Diversity of business projects: serving a market entails designing

plans with adequate strategies as regards organization, production and marketing.

In the initial stages of rural enterprise development, the optimal form of enterprise organization for a given group will depend, among other things, on the market and marketing opportunities identified, and on the goals and life strategies of the households that make up the group. In this context, the entrepreneurial activities of organized small producers must be compatible with their life strategies (Junkin *et al.* 2005:6).

An enterprise strategy built around these factors makes it possible to generate a comprehensive analysis for the organization's future business plan and a complete understanding of the opportunity costs, be they economic or social.

In the IDB's experience, enterprise projects at the national level should have three specific objectives:

- a)** Dissemination of the enterprise culture. This calls for a profound transformation of society that affects the entire population, making people aware of the importance of motivation and competencies for creating enterprises.¹³

13 The options are likely to include media campaigns, the dissemination of successful experiences, case studies, public recognition of entrepreneurs and the development of enterprise competencies in lower, complementary and higher education.

- b) Enterprise creation. This is more quantifiable, as it is possible to ascertain the number of enterprises founded in the short term. The aim is to establish processes for creating and formalizing businesses in specific sectors.¹⁴
- c) Support for the survival/growth of recently created enterprises (Angelelli and Prats 2005). This concerns the mechanisms that should be implemented to ensure a minimum mortality rate and strengthen the capabilities of enterprises that are already in operation.¹⁵

The options mentioned by Lichtenstein *et al.* (2004) to promote enterprises include enterprise incubators, programs for micro and small enterprises, manufacturing networks, enterprise support centers, seed capital, revolving funds, technological strategies and networks of retired professionals.

In the case of the rural milieu, all the literature¹⁶ reviewed suggests that enterprise training should be based on less structured (i.e., less classical) courses. Enterprise training should be based on practical solutions that make it possible to interact with the real business world, learn to learn, acquire experience and use

multidisciplinary resources and abstract concepts. Since education promotes culture, the desire to be an entrepreneur may manifest itself not only in higher education but also at the secondary level and in daily life, with people ready to acquire core competencies, learn about successful cases and develop new businesses.

If enterprise promotion programs are to have a positive impact on the development of new businesses, they should contain at least the following elements:

- A practical description of enterprise competitiveness and its sustainability in a global world, as a function of small enterprises in a global economy.
- The concept of enterprise development, specifically how to identify opportunities, explore ideas and use limited resources effectively in rural areas.
- A general strategy for the culturalization of self-employment and enterprises in society, as part of rural development programs with a territorial approach.
- The application of business situations, risk assessment techniques and the eventual generation of plans for specific territories, connecting them with markets.

14 Some of the methods that can be used are business meetings, systems that provide information about opportunities, access to State purchases, technical assistance, the preparation of plans, personalized advisory services and access to credit.

15 Refers to the provision of infrastructure and services, the elimination of red tape and the training of enterprise specialists who provide assistance within organized groups, chambers of commerce, financial entities, etc.

16 Practical pedagogical styles are reiterated in research on the psychological traits of entrepreneurs. Authors such as Mullan and Long (1987), Haines (1988), Stumpf (1991), Giba (1993), Hood and Young (1994) (in Pablo and Osvaldo 2004) all endorse experience and real projects.

- Enhancement of the abilities and characteristics of enterprising people, such as motivation, self-control, leadership and a mindset geared to change, by means of practical training programs.

In short, the strengths required for successful entrepreneurship depend to a great extent on the individual, the opportunity and the individual's resources. To paraphrase the idea put forward by Csikszentmihalyi (1998) in his book *Creativity*, luck is simply being prepared to take advantage of the opportunity that presents itself in a specific space at a specific moment in time.

The results would be as follows:

- a. People value self-employment more highly and regard the creation of new agricultural businesses as a good way to generate wealth.
- b. More and better agricultural enterprises in rural areas.
- c. More prosperous rural territories with falling poverty and migration indicators.

Modeling rural development calls for not only a country proposal aimed at the modernization of national institutions, but also greater efficiency in the distribution of income in the communities, and increased productive capabilities and structural change incorporating the practices of modern societies. In the short term, and leaving all rhetoric aside, the goal has to be a new, inclusive model or an improved model that supports the transformations needed, so that populations with fewer resources can take advantage of market opportunities.



In conclusion

For the last 30 years (1980-2010), interest in enterprise development and promotion has intensified and the issue has become such a priority that governments, academia and the private sector have been obliged to include programs to address it in their development agendas.

Over the last three decades, the approach to the study of entrepreneurship has gone from a vision of risk to a productivist

and income support model, followed by a focus on opportunities and profits, job creation, the human approach and, finally, innovation. Although the fact that entrepreneurship drives change in economies has been recognized since the beginning of the century, it is only more recently that it has become a focus of attention in rural areas.

One of the factors that has to be considered when focusing on agricultural entrepreneurs are the local actors in rural territories, which are different from urban areas. One element often missing from strategies designed to link agriculture with markets is the active involvement of producers and their organizations. Instead, they are merely the passive recipients of infrastructure, services and training. The success of enterprise initiatives will depend on what producers' organizations achieve, hence the importance of focusing on entrepreneurs and their self-management, and competency creation. A strictly economic, market-oriented approach, disconnected from the communities and families of producers, would be of little use.

There is now some degree of clarity as to the importance of comprehensive proposals that include the culture, networks, services, education, competencies, resources, markets, technical assistance, inputs, the characteristics of enterprises, the environment, etc., all closely related to a cyclical transfer of knowledge. The use of assets and combinations of assets –be they natural, physical, financial, human, social, political or institutional– will determine the real conditions for adequate



The success of enterprise initiatives will depend on what producers' organizations achieve, hence the importance of focusing on entrepreneurs and their self-management, and competency creation.

economic growth and the reduction of poverty, especially among the most vulnerable groups.

A number of adjustments are needed to create a model that offers all productive sectors and their territories equal opportunities - be the latter urban or rural, agricultural or non-agricultural, large or small. There must be a climate of competition, an efficient state, clear rules and less red tape for businesses, the elimination of monopolistic action, more enterprise promotion, increased technical and scientific knowhow, more and better infrastructure and the effective incorporation of existing SMEs into the global economy.

The most interesting models are those that entail the creation of rural centers, networks of enterprise facilitators, community training programs, distance learning technologies and business support systems.

In this case, the construct of major corporations, senior management, capital intensity and sophisticated technological systems is replaced by another involving small-scale producers who are often invisible as far as national accounting is concerned but who need to be linked to the market.

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► **Entrepreneuriat agricole et rural : concepts pour une modélisation du développement**

Le monde des affaires a démontré qu'il est l'un des secteurs les plus ouverts à la transformation et au dynamisme. Il exige des acteurs de meilleures stratégies et visions pour combler les lacunes dont souffrent les secteurs productifs de la région. Le concept d'entrepreneuriat, signifiant la capacité individuelle ou collective de créer des entreprises durables, est important pour la recherche et permet de réaliser des actions concrètes qui profitent aux secteurs productifs. Le présent article aborde la question de la promotion de l'entrepreneuriat, non seulement dans le but de définir le concept et de démontrer son importante fonction dans le développement de notre continent, mais également sous l'angle des différentes manières de promouvoir l'entrepreneuriat en tant qu'élément des stratégies visant les filières agroalimentaires et les territoires ruraux.

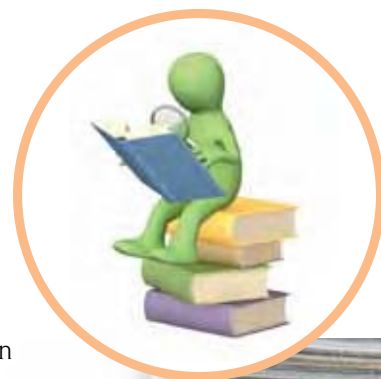
► **A empresariedade agrícola e rural: conceitos para modelar o desenvolvimento**

O mundo dos negócios tem demonstrado ser um dos ambientes de maior transformação e dinamismo. Exige dos atores melhores estratégias e visões para resolver deficiências provocadas pelos setores produtivos da região. O conceito de empreendedorismo, entendido como a capacidade individual ou coletiva de desenvolver empresas sustentáveis, é relevante para a pesquisa e permite executar ações concretas que beneficiem os setores produtivos. Aborda-se o tema da promoção empresarial, não apenas com o interesse de conceituá-lo e compreender sua importante função no desenvolvimento de nosso Hemisfério, mas, também, quanto às formas de promovê-lo como parte das estratégias nas cadeias agroalimentares e territórios rurais.

► **La empresariedad agrícola y rural: conceptos para modelar el desarrollo**

El mundo de los negocios ha demostrado ser uno de los ambientes de mayor transformación y dinamismo. Exige a los actores mejores estrategias y visiones para resolver deficiencias arrastradas por los sectores productivos de la región. El concepto de empresariedad, entendido como la capacidad individual o colectiva de desarrollar empresas sostenibles, es relevante para la investigación y permite desarrollar acciones concretas que beneficien a los sectores productivos. Se aborda el tema de la empresariedad, no solo con el interés de conceptualizarlo y comprender su importante función en el desarrollo de nuestro hemisferio, sino también en las formas de promoverlo como parte de las estrategias en las cadenas agroalimentarias y en los territorios rurales.

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IICA publications recently obtained by the Library at Headquarters

Then following documents, available in printed and/or digital format, have recently entered the Library at IICA Headquarters. To visit the IICA Virtual Library: <http://orton.catie.ac.cr/bibliotecadigital>.

Investment projects

Diseño de proyectos de inversión con el enfoque de marco lógico (2009)

This publication deals with a methodology known as the logical framework approach (LFA), which is effective in planning and managing projects. It helps to clarify the purpose of a project, analyzes its implementation, makes it possible to provide follow-up and helps to measure success. In designing a project, this approach, which is aimed at a large audience who design, monitor, manage and evaluate projects or participate in the mobilization of resources for development, should be applied in a participatory manner.

<http://webiica.iica.ac.cr/bibliotecas/RepIICA/B1539e/B1539e.pdf>



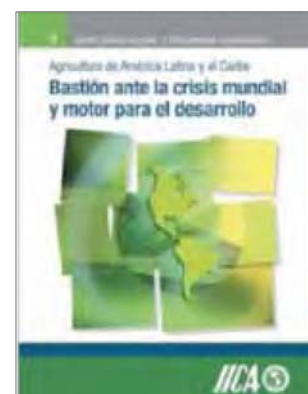
Agriculture and Rural Development

Agriculture in Latin America and the Caribbean: A fortress at a time of crisis. The engine driving future development (2009)

This publication is the result of a process initiated by IICA in mid-2008 following an international workshop involving a number of experts who analyzed the contribution of agriculture and the rural milieu to sustainable development and food security in the new international context.

This is the first document of the “Global Crisis and Food Security Series.” It drew on many of the proposals included in the other documents of the series, which contributes to strengthening the new model for development needed to face the challenges of agriculture and rural development in the Americas.

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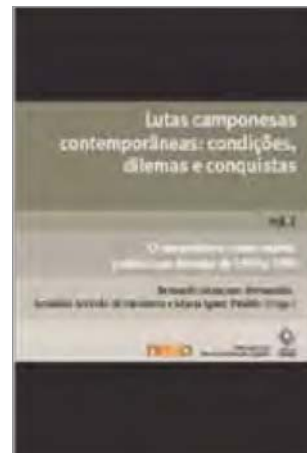


Struggles of smallholders

Lutas camponesas contemporâneas: condições, dilemas e conquistas: O campesinato como sujeito político nas décadas de 1950 a 1980 (2009)

This publication brings together a body of documents with a joint vision of the political activity of smallholders in Brazil through the mid-1980s. It was a period when the struggles of smallholders converged with other social forces, including the Communist Party and the Catholic Church. As a result, the plight of agricultural workers became an important political issue, and their demands become part of the debate on Brazil's future. The book illustrates many different ways of expressing land issues and offers useful insights for understanding this historical period.

<http://webiica.iica.ac.cr/bibliotecas/repica/B1554p/B1554p.pdf>



Agriculture and Rural Development

The outlook for agriculture and rural development in the Americas: a perspective on Latin America and the Caribbean 2010

To provide decision makers throughout the Americas with a single reference document, the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Food and Agriculture Organization (FAO) and the Inter-American Institute for Cooperation on Agriculture (IICA) decided to work together to prepare this document on trends in the agricultural sector and rural areas, using for this purpose a common data base and a series of indicators available at www.agriruralc.org.

The three institutions see this new 2010 document as the consolidation of an ongoing, joint drive for interinstitutional cooperation and coordination. It is intended as a response to the express desire of their member countries, which has been raised in numerous fora, to avoid duplication of efforts and increase efficiency and interinstitutional cooperation.

<http://webiica.iica.ac.cr/bibliotecas/repica/B1560e/B1560e.pdf> (español)

<http://webiica.iica.ac.cr/bibliotecas/RepIICA/B1559i/B1559i.pdf> (English)



Training

Manual de capacitación para facilitadores (2009)

This publication is a valuable tool for designing, implementing and evaluating training activities carried out by extension agents, educators and other specialists in the areas of agriculture and rural development who lead learning experiences in public and private institutions via continuing education programs in fora, workshops, seminars, etc.

With a view to providing significant first-hand learning strategies founded on the principles of adult education, the modules included in the document provide the facilitator with basic theoretical underpinnings of education, taking into consideration the real needs of the agricultural sector and suggesting the challenges participants should undertake to find pertinent solutions in a globalized world.

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Trade

Los tratados de libre comercio negociados por América Latina con la República Popular de China, India, Singapur y Taiwán: estudio comparativo (2009)

This is a comparative study of the free trade agreements negotiated by China, India, Singapore and Taiwan with the countries of Latin America. The purpose is of the study is to provide exporters in Central America with information on the issues that were negotiated, as preparation for future negotiations in which they may engage.

For exporters in Central America, it is essential to have access to information on these agreements, given their increased role in governing trade. Therefore, this study includes not only agricultural products, manufactures, services and related negotiating issues, but also the types of cooperation being negotiated.

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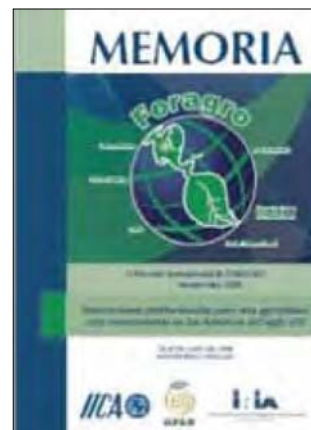


Technology and Innovation

Reunión Internacional de FORAGRO: innovaciones institucionales para una agricultura con conocimiento en las Américas del siglo XXI: memoria (5: 2008: Montevideo, Uruguay) (2009)

This publication contains the proceedings of the Fifth International Meeting of the Forum for the Americas on Agricultural Research and Technology Development, held in Montevideo, Uruguay, from July 28-30, 2008, the theme of which was "Institutional innovations for an Agriculture with Knowledge in the Americas in the 21st century. It was attended by representatives of the stakeholder groups that make up FORAGRO: national and regional agricultural research institutes, NGOs, universities, and institutions of the international agricultural research system and the private sector.

<http://webiica.iica.ac.cr/bibliotecas/repica/B1586e/B1586e.PDF>



Agricultural Health

Metodología para construir perfiles de peligro fitosanitario de plantas, productos vegetales y otros artículos reglamentados (2009)

The development of risk profiles using the proposed methodology is presented as an opportunity to promote a way for teams to think, and to value the work of provincial inspectors when intercepting those plants, plant products and other articles that are not included under the concept of cargo, which are handled differently. The proposed methodology is intended to help those who work as border inspectors for the NPPO to develop their phytosanitary risk profiles, based on the rating of different easily observable and qualifiable parameters.

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Rural Development

Gestão social dos territórios (2009)

This book deals with the subject “models and instruments for the social management of territories,” which was selected because an increasing number of institutions in the countries of Latin America, especially in Brazil, are incorporating the territorial approach into their rural development activities. The publication contains a series of articles divided into three parts: the first presents two texts which place the concept in an international context; the second deals specifically with the challenges involved in adopting effective procedures for the social management of territories in Brazil; and the third offers thoughts on the key issues inherent to procedures for the social management of territories, including a set of proposed policies.



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Agricultural Insurance

Nodo de cooperación: la experiencia de Uruguay en gestión de riesgos y seguros agropecuarios (2009)

This document presents a number of successful experiences in Uruguay which make up the Node of Cooperation in Agricultural Insurance. It presents the principal contributions in the areas of policies, regulations, rules and projects that have had an impact in the country and which can be shared with institutions in other countries.

By publishing this document, IICA is supporting Uruguay's efforts to make its knowledge and public goods available as mechanisms for cooperation. The Institute, through its 34 offices, promotes the topics of the Node by sharing experiences and specialized staff of the Uruguayan agricultural sector with other countries.



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Inter-American Institute for Cooperation on Agriculture

Headquarters. P.O Box: 55-2200

San Jose, Vazquez de Coronado, San Isidro

11101 - Costa Rica

Phone: (506) 2216 0222 / Fax: (506) 2216 0233

e-mail: iicahq@iica.int

Web Site: www.iica.int

