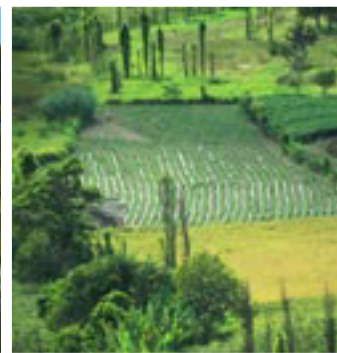
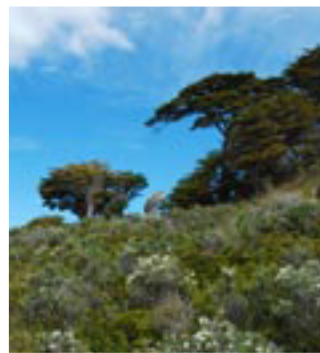


# The Outlook for Agriculture and Rural Development in the Americas:

*A Perspective on Latin  
America and the Caribbean*

# 2013

## Executive Summary



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## Section I. Macroeconomic Context

This section analyses the macroeconomic and financial conditions of the current international context that influence the economic performance of countries in the region.

The uncertainty with regards to the recovery of the advanced economies and, more specifically, to the euro zone debt crisis, is affecting the growth forecast for the world economy. The uncertain scenario facing the European Monetary Union, combined with the strong increase in the rates of sovereign bonds of the countries hardest hit by the crisis, has affected even the more robust economies in the EU. For its part, the United States is facing an exceptionally slow recovery from the crisis, with persistently high rates of unemployment and growing inequality. Emerging countries, which hitherto had reported booming growth rates, such as Brazil, China and India, have also reported a slowdown in growth. In Latin America and the Caribbean, which experienced an economic rebound in 2010, there has been a significant slowdown in the rate of GDP growth in 2011, as well as in projections for 2012 growth.

However, even in a scenario of crisis escalation considered by international organizations and agencies to be a possibility in the coming years, the economies of Latin America and the Caribbean have, with some exceptions, the macroeconomic conditions to implement counter-cyclical fiscal policies and strengthen social welfare networks. In the coming months, regional economies will face a scenario of stagnation in some of their main export markets, including Europe and the United States, which goes beyond a downward trend in prices for their main commodities and the increased volatility in energy markets. The impact of these variables on growth rates of regional exports, combined with the decline in income due to a deterioration in the terms of trade, could lead to slower investment growth.

Although the majority of countries in the region have not yet taken measures to deal with a pronounced global slowdown, some (Brazil, Chile, Peru, Mexico, Colombia and Uruguay) have already approved specific measures or raised the alarm and announced their willingness

to take further steps in the event of a severe cooling of the global economy (ECLAC, 2011a). The rest have yet to follow suit. One option for them is to monitor and learn from these experiences, as well as to foster, as far as possible, a coordinated response at the regional level.

## Section II. Sectoral Analysis

**Sectoral context.** This section discusses the growth of agricultural activity in LAC in a volatile pricing environment. In 2009, LAC experienced a reduction in its real Agricultural Value-Added (AVA) of 3.89%, which more than doubled the slowdown in general economic growth (1.82%).

The Southern subregion suffered a drop of -7.21% in real AVA. On the other hand, real AVA growth in 2009 in the Caribbean region was exceptional (9.62%). However, real AVA in the Andean and Central regions grew only marginally (0.01% and 0.29%, respectively).

Agriculture performed better in the region in 2010 (6.37% growth), which compared favourably against other regions of the world. However, according to preliminary data for 2011, a slowdown in agriculture is forecast (2% approximately).

In the international market for agricultural goods, LAC has sustained strong growth in its competitiveness for more than a decade, which means that the region, which is highly specialized in the export of agricultural products, maintains good dynamism and is positioned better than other regions. Within the subregions of LAC, the positive trend in agricultural competitiveness is explained in large part by the countries of the Southern Cone, but the subregions of Central America and the Caribbean have also recovered significantly.

Moreover, the international demand for agricultural products will continue to grow, while the supply of food and agricultural raw materials will not be able to keep up.

This section concludes that, given the constraints on natural resources and environmental pressures, climate change, and the increased volatility in prices, the main challenge facing the agricultural sector in the region is

to increase productivity in an environmentally friendly manner.

Another conclusion is that extreme weather conditions, the risk of a collapse of the euro, the possible fiscal stagnation of the United States and the slowdown in emerging economies, among other threats, suggest an environment of greater uncertainty and volatility in international prices. This requires specific measures at the national and international level, which were clearly defined by the G20 ministerial meeting on food price volatility and agriculture in 2011.

**Agriculture.** This section highlights the slowdown of global economic growth and high climate variability as the main challenges facing regional agriculture in the short term. It also analyses the behaviour of the agricultural sector in response to crisis situations and market demands.

The participation of the agricultural sector in exports from the region has remained relatively stable over the last decade, amounting to 20% of total goods exported in 2010. Imports of agricultural products accounted for 8% of total imports.

It is expected that in 2013, due to a possible moderation in price volatility, the effects of climate events and international demand on agricultural production will acquire greater importance. In fact, the drought that occurred in the United States (mainly in the grain belt) and Eastern Europe during 2011 and 2012 caused low yields and high rates of loss in agricultural crops. In addition, in several countries of the region, numerous crops suffered climatic effects associated with the La Niña phenomenon, which affected the harvest in late 2011 and early 2012. The countries that have registered the greatest losses due to this phenomenon are Brazil (maize), Paraguay (maize), Bolivia, (cereals), Ecuador (cereals), Argentina (maize, wheat and coarse grains) and Mexico (maize, wheat and beans).

New trade agreements with countries in the Pacific basin are expected to gain greater prominence. In addition, competition for access to national and international agricultural markets is expected to increase substantially.

This section concludes that, despite the less-than-promising signs facing the euro zone economies and the damage caused by extreme climatic events, agricultural production in LAC has responded positively to high in-

ternational prices, the incipient economic recovery of the United States, and growing demand in Southeast Asia (especially in China).

**Livestock.** The production of meat and milk has grown at double-digit rates in the last 10 years in LAC, far exceeding the rates of growth in the United States and Europe. Currently, LAC accounts for a higher percentage of world production of beef, lamb and poultry than the United States, and almost the same proportion of world milk production.

On the demand side, LAC consumers increasingly prefer alternative sources of animal protein such as poultry, pork, eggs and dairy products, above beef and lamb. The growth of the poultry and pork industries, as well as in associated consumption, has been notable and is a powerful source of change in Latin America's livestock industry. The per capita consumption of poultry increased at double-digit rates in many countries of the region, including Brazil, Argentina, Chile, Mexico and others, where the offer of alternative sources of protein available for consumption has been reduced on a per capita basis.

The future of animal production in Latin America depends mainly on regional and global demand for animal protein for human consumption, technological advances to improve efficiency in livestock production, improvements in the control of animal diseases, and the implementation of public policies aimed at protecting the environment and mitigating the effects of the rise in food prices. The strengthening of family livestock production systems will be key to reducing the impact of rising food prices and contributing to the fight against chronic child malnutrition in rural areas and vulnerable communities. Silvopastoral livestock production systems, which do not depend on grain-based feed, will have a great opportunity in relation to intensive systems with high use of concentrated feed.

The conflict between the growth of the industry and its environmental impact requires a more balanced approach including greater investments in research, infrastructure, technological innovation, education, training and other measures to improve productivity. Sustainable livestock development policies and incentives are also needed to help the industry move towards greater sustainability and lower environmental degradation in a process of adaptation to climate change.

**Fishing and aquaculture.** Regional aquaculture continued to grow moderately in 2010 (2.2% compared to 2009), reaching a record 1.92 million tonnes, valued at US\$7.85 billion. For its part, extractive fishing decreased by 23.4% compared to 2009, falling to 11.71 million tonnes, the lowest volume since 1983, which means that LAC reduced its share of the year's total global catch to only 13.2%.

Regional fisheries and aquaculture continue to show high rates of concentration. The figures obtained for 2010 reaffirm the concentration of extractive fishing in a few countries and species. Three nations (Peru, Chile and Mexico) provided 72% of the total wild catch and, adding Argentina and Brazil, this rises to 86%. Meanwhile, the 10 most important species accounted for 70% of the total catch. In the case of aquaculture, Chile, Brazil, Ecuador and Mexico produced 81% of the total harvest in 2010, and the five most important farmed species comprised 67% of the harvest.

The global demand for fish products will continue to increase. Most developed countries will continue using more fish products than their fleets or fish farms can provide in their respective territories and, consequently, they will depend heavily on imports, which represents an important opportunity for the region.

Given the trend of decreasing extractive fishing and the systematic increase of aquaculture, countries in the region should continue exploring measures to improve governance in the sector and facilitate the full development of its potential to increase employment, contribute to food security, and improve the general well-being of the region. Small producers, who continue to face challenges they cannot solve alone, require long-term policies to help them overcome technological, organizational, business management and financial limitations.

**Forests.** This section highlights the importance of forest conservation and management for countries of the region, especially considering the role of forests in mitigating climate change and generating income and assets to enhance food and nutritional security. In this regard, many countries are involved in initiatives to reduce emissions from deforestation and forest degradation (REDD), and to foster and recognize the environmental services of forests.

The current contribution of the forestry sector to the Gross Domestic Product (GDP) of countries in the region

varies between 2% and 3%, according to a FAO survey. Countries are seeking to increase the participation of the sector in their national economies through the generation of higher incomes for families. The aim is to achieve a higher valuation of environmental services provided by forests and to increase awareness of their importance in the region. Protecting forests is also important in the fight against hunger and poverty.

There are major socio-economic challenges in the region that hamper progress in forest conservation and management. The annual rate of deforestation in the region is approximately three times higher than the annual rate of loss of forest cover around the globe. However, some progress is evident. For example, the increase of the area of forests destined, as a primary function, for uses other than timber, and also a greater understanding of the importance of forests as providers of environmental goods and services. In this regard, the rate of deforestation has been reduced by about 20% in the last five years compared to the previous five-year period. However, there is still a long way to go.

### Section III. Rural Well-Being and Institutional Framework

**Rural well-being.** This section discusses how rural life in Latin America has changed significantly over the last two decades, with significant changes in agricultural production, territorial dynamics, environmental visions and governance schemes.

This chapter analyses four significant trends in the rural labour market over the previous decade: a reduction in agricultural employment, an increase in the employment of women (especially in non-agricultural activities), an increase of salaried employment versus a drop in self-employment, and the increase in agricultural workers with urban residence.

The evidence given here shows that, in general, the increase of non-agricultural rural employment and the transformation of the rural economy are accompanied by an increase in salaried employment, both within and outside agriculture. In particular, wages are an important component of income, particularly for non-agricultural households and households above the poverty line.

This chapter highlights the need for a more integrated management of rural public policies. Some areas that require greater integration with rural development po-

licies include: a) social security policies; (b) policies for the mitigation and adaptation of agriculture to climate change; (c) food security policies; and (d) national policies related to digital agendas.

**Institutional framework.** Dealing with the negative effects of the food crisis has continued to set the agricultural agenda in the region. The reduction or elimination of the negative impacts of food price volatility on the population is a priority for governments in the region, which have implemented specific measures to tackle the problem. In some countries the implementation of programmes and policies of greater scope, in coordination with local organizations, has helped to strengthen state actions in the agricultural sector.

In the search for solutions to the current situation of economic uncertainty, countries are focusing more on family farming, both in terms of emergency programmes and the development of this sector's potential to mitigate the effects of the agri-food crisis. This is happening in various countries through the creation of family farming programmes with medium and long-term horizons. In some countries, this has been strengthened by the creation of institutions designed specifically to foster the growth of this sector.

The chapter concludes that the development of agriculture in the region depends on the implementation of integrated policies adapted to the reality of each country. Rather than designing policies specifically for the agricultural sector, countries should focus on sustainable rural development, using a results-based management approach. Although specific policies may differ from country to country, increasing the participation of all sectors in the formulation of policies and programmes requires a focus on innovation systems, improving the existing institutional framework and developing socially inclusive policies. This includes policies aimed at developing the potential of the family farming sector, which lags behind in the region in terms of social inclusion and equality.

## Section IV. Land Tenure in Latin America and the Caribbean

This year the special chapter is focused on analysing land tenure in Latin America and the Caribbean. The pro-

found transformation of the world economy is changing the terms of the debate about the future of agriculture in the region. It seems there are different trends marking the transition to a new economy that include: the “financialization” of the economy and its effect on the volatility of prices for agricultural commodities; technological innovations (ICT, biotechnologies, nanotechnologies, cognitive science) that have generated radical changes in productive processes; the increasing importance of healthy diets; the new health risks generated by globalization; the impact of climate change on agriculture; and, the need to feed 9 billion people by 2050 with the impact this implies on natural resources.

The question of how to reconcile land ownership as a form of personal capital and as a legitimate way for rural populations to seek sustainable livelihoods is important in a constantly changing and increasingly complex environment. There is also the discussion of “land grabbing” in the region, which is a relatively new phenomenon that could have important consequences. Are the legal and institutional frameworks in the region able to deal with the current land dynamics?

Considering the current trends, governments should develop more sophisticated and integrated policies that facilitate a new approach to address the problem of land in the region. This implies, firstly, no longer treating natural resources as if they were inexhaustible, and integrating them into economic calculations through new parameters that consider the environmental impact of productive activities (resource extraction, waste accumulation, transformation of ecosystems, among others).

In addition, new regulations are needed at all levels - local, regional, national and international - that protect the environment and regulate land use. Access to the land should be maintained and deepened, identifying family farming as a sub-sector that should be the target of broader policies related to land distribution, technical assistance, irrigation, associativity, infrastructure and credit. These measures, along with others outlined in this section, form part of the new approach needed to give economic, social and environmental sustainability to the dynamic process of agricultural development in the region.