

STRUCTURAL ADJUSTMENT IN SMALLHOLDER AGRICULTURE: CASE OF CHILE

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- Comments on OECD framework for conceptualizing smallholder policies.

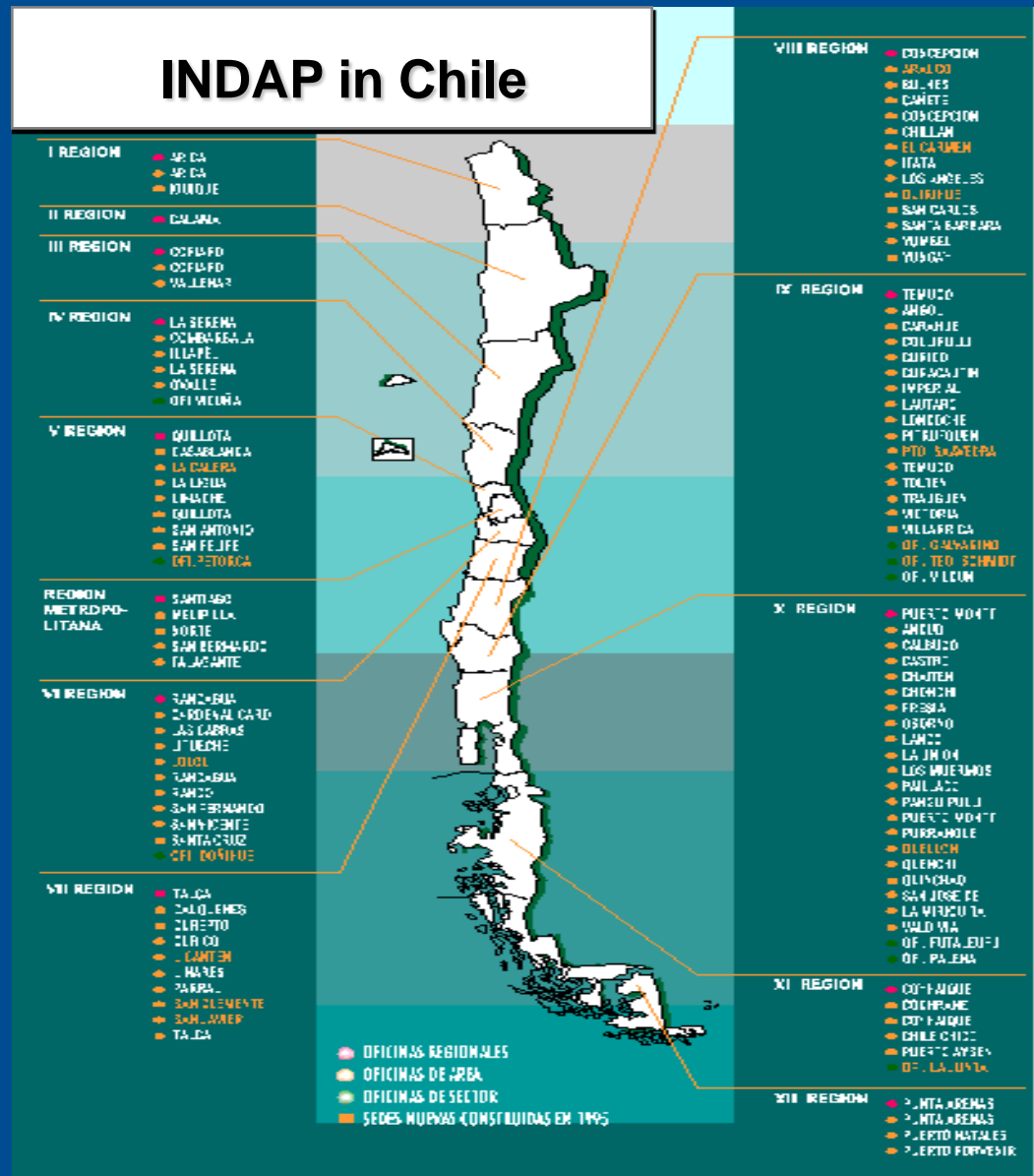
Ministry of Agriculture Strategic Outlines (2006-2010)

- To make Chile an agri-food producer power (for external and internal market).
- To promote an inclusive development.
- Adjustment and institutional modernization to face new challenges.
- To contribute to the search of energetic solutions from renewable sources.
- To promote the sustainable use of renewable natural resources and the protection of biodiversity.

Small farmers in Chile

- 85% of the agriculture productive units.
- 22% of the total agricultural land.
- Between 25% and 30% of the sector's GDP.
- 600.000 direct and indirect jobs.
- 44,8% of total land dedicated to horticultural production.
- 43,7% of annual crops.
- 40,7% of wine yards.
- 62,7% of goat production.
- 42,4% of bovine cattle (meat and milk).
- 47,9% of pig meat production.

- Focus on small farmers.
- 150.000 clients.
- 15 Regional Divisions.
- 111 Local Offices.
- 1.500 employees.
- Annual Budget: US\$240 million.



Productive Promotion Objective

- To promote the sustainable integration of smallholder farmers to their current or potential market value chains.
- The aim is to strengthen their competitive position in different market segments, independent on their diversity.

Guiding principles

- The productive promotion policy must be **inclusive**, but **differentiated by segment**.
- Differentiation should be according to market segment, territory and project, and not according to productive resources assets.
- The impact target must balance quality and quantity (coverage).
- The policy should be implemented through a joint effort from the State, the small farmers and other industry players.

Smallholder farmers segments

- **Producers integrated to the export oriented value chains.**
- **Producers integrated to the national market value chains.**
- **Multi-activity segment:**
 - Small farmers with productive assets (including human capital);
 - Farmers with lower levels of productive assets and high levels of social vulnerability.



➤ Producers integrated to the export oriented value chains.

- Promote the competitiveness at commercial scale of their products according to the requirements of the exporting industry.
- Action plan focused on initiating, maintaining and growing exports.



➤ Producers integrated to the national market value chains

- Promote the competitiveness at commercial scale of their products according to the requirements of the local markets and environmental sustainability:
 - Linked to dynamic growing markets (agribusiness, supermarkets, distribution centres, city markets, etc.);
 - Linked to traditional crops with competitiveness problems (maize, rice, wheat, wine grapes).

➤ Producers integrated to the national market value chains (cont.)

EXPORT MARKET

- Promote the competitiveness at commercial scale of their products according to the requirements of the exporting industry.
- Action plan focused on initiating, maintaining and growing exports.

NATIONAL MARKET

- Promote the competitiveness at commercial scale of their products according to the requirements of the local markets and environmental sustainability:
 - Linked to dynamic growing markets (agribusiness, supermarkets, distribution centres, city markets, etc.)
 - Linked to traditional crops with competitiveness problems (maize, rice, wheat, wine grapes).

➤ Multi-activity smallholder farmers

“Maximise Total Household Income”

- Higher potential segment
 - Promote and develop entrepreneurial capabilities with a commercial logic, under environmental sustainability focus and integrated with other public and private services.
- Lower potential segment
 - Promote the optimisation of current productive systems, improving the quality of life and increasing the income from agricultural activities, maximising existing capabilities and productive assets under an environmental sustainability focus.

Productive Promotion Services

DEVELOPMENT THROUGH CAPABILITIES

- TRAINING
- TECHNICAL ADVICE
- FARMERS ASSOCIATION PROMOTION
- MANAGEMENT CENTERS
- PRODUCERS ASSOCIATION
- QUALITY AND GMP

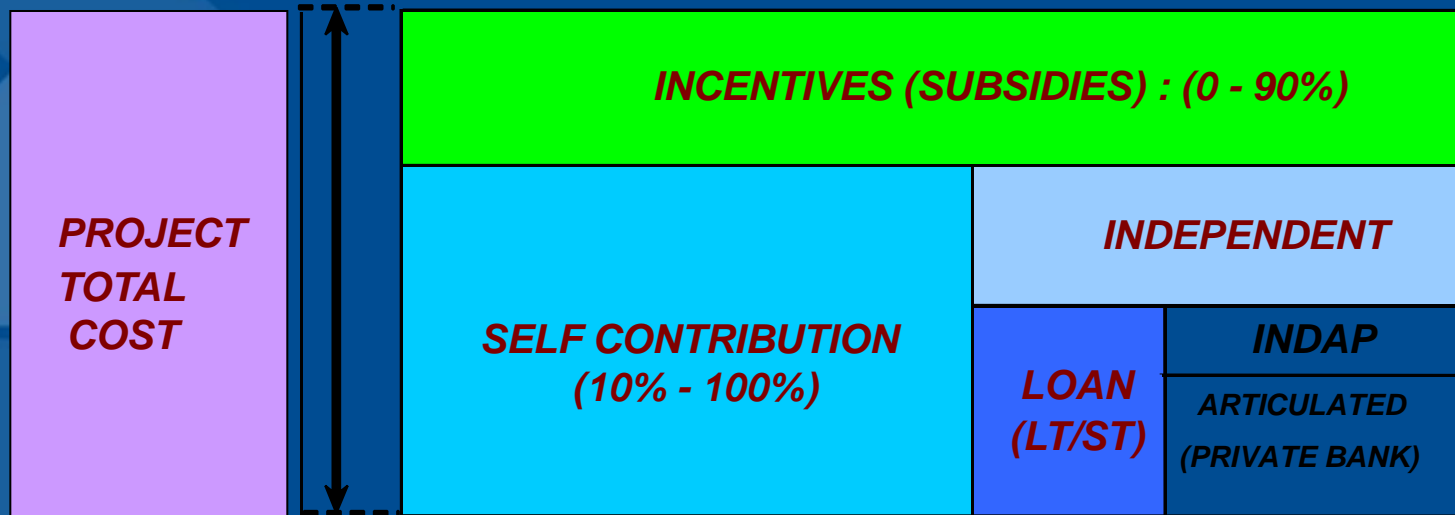
DEVELOPMENT THROUGH INVESTMENT

- INVESTMENT DEVELOPMENT PROGRAMME (PDI) ASSOCIATED WITH LIVESTOCK, AGRICULTURE OR IRRIGATION
- PROGRAMME FOR THE RESTORATION OF DEGRADATED SOILS

INTEGRAL STRATEGIES:

- NATIONAL PLAN FOR LIVESTOCK
- AGRICULTURAL BEST MANAGEMENT PRACTICES
 - QUALITY STANDARD IMPROVEMENTS
 - RURAL TOURISM DEVELOPMENT
- PROGRAMMES FOR SPECIAL SECTORS

FINANCING OF THE PROJECT





Comments on OECD framework for conceptualizing smallholder policies



Premise

- Different types of agriculture-dependent households will have different potential pathways to improved incomes over the long term, and correspondingly different policy requirements.

A “little bit” difference between the OECD framework and INDAP’s work: target population

- INDAP focuses on small farmers
 - Obtain their main income from agricultural activities
 - Work directly in the farm
 - Operate an area equal or less to 12 ha of basic irrigated equivalent land
 - Posses assets valuated at a maximum of US\$96,000 (aprox.)
- Total: 278,000 farms (1.2 million people)
- Does not includes “urban-living” seasonal farm workers

Comments from Policy Orientation Point of View

- Policy orientation assumes to be a food producer power it is necessary involve all of the capabilities and resources in the agri-food sector.
- Small farmers are heterogeneous and there are a “continuum” of enterprisers, who have different scale production, resources and capabilities.
- From those small farmers who just have agricultural activities linked to international and domestic markets; to those small farmers who complement their agricultural activities with non-agricultural activities (multi-activity).

Comments from Policy Orientation Point of View

- In the first case, the objective is competitiveness. In the second one is increasing the agricultural incomes on the total incomes and linking social programs (Council).
- However, both of types of small farmers are under “fragility” conditions because of new market demanding, new consumers needs, industry concentration or new public standards.
- So, they need supporting... **That is inclusiveness.**

Comments from Policy Orientation Point of View

- However, policy orientation is supporting all the types of small farmers, it is according to different variables.
- Such as agri food sector, territory, scale of production, resources and capabilities, but also undertaking and business model.
- Because of business success is not only based on classical elements, but also in undertaking and business model according the producer characteristics, specially in multi-activity sector.
- **That is differentiation.**

Comments from Policy Instruments Point of View

- To focus policy instruments on critical points and competitive gap of the agribusiness independent on scale, supporting competitiveness or optimizing productive system, avoiding subsidies to market price.
- For doing that, it is irreplaceable that each agribusiness (or farmer) has a medium term business plan.
- In that way, we have indicators to measure business performance across the time.

Opportunities for Improving Agricultural Policy Orientation and Instruments

- To know “who is who” in the small farmer sector.
Information about sources of income, for example.
- To know “what do they need” or what do agribusiness need (business plan).
- To know “what is happening them”, improving performance indicators, so that we move away from coverage and get closer to impact.

Opportunities for Improving Agricultural Policy Orientation and Instruments

- To update the INDAP's law (statute) for including small farmers who exceed asset value.
- To seek strategic alliances with others supporting agencies and social programs.

In Conclusion...

- INDAP's policy and instruments recognises the need to differentiate supporting, however, the variables to do that have to be wide, not only based on classical elements.
- Also, INDAP recognise that policy instruments must be focused on that way, but also according to business critical points (independent on scale).

In Conclusion...

- To support this, indicators are necessary to measure progress.
- Finally, INDAP is improving its policy and instruments based on this point of view...we hope to be success.



**THANKS YOU FOR YOUR
ATTENTION**

