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## Challenges to the 2020 Vision for Latin America: Food and Agriculture Since 1970

by James L. Garrett

In recent years, the countries of Latin America have made radical changes in their development strategies, including decentralization of government, privatization, and deregulation of markets. These changes have already affected the livelihoods of millions of the region's inhabitants and promise to reshape the region's food and agricultural system well into the 21st century. How will these changes help the countries of the region confront the challenges to achieving the 2020 Vision for Latin America, a vision of a world where wealth is fairly distributed; where there is no hunger, extreme poverty, or malnutrition; and where resource use benefits the generations of tomorrow as well as the people of today?

### Current Challenges

From the 1950s to the 1980s, with a state-centered development strategy, Latin America enjoyed one of the highest economic growth rates in the world, but it was unsustainable. Trade barriers, including overvalued exchange rates, and state financing protected inefficient industries from world competition. Countries piled up external debt to finance these policies, but when interest rates rose in the 1980s, the strategy collapsed. In response, governments implemented needed but sometimes painful market-based reforms. Buffeted by economic shocks, war, and terrorism, per capita incomes declined by about 10 percent in the region during the 1980s. In the 1990s, incomes have stabilized or increased slightly in most countries.

Despite growth, over the past 25 years Latin America has made little progress in reducing poverty. In 1990, 46 percent of the people were poor, the same percentage as in 1970. However, the locus of poverty shifted from rural to urban areas. About 75 percent of Latin Americans now live in cities. Although rural households are still more likely to be poor than urban ones, by 1990, 80 million poor people lived in the countryside, while 115 million lived in the cities. The striking gap between rich and poor in the distribution of income and opportunities in the region has contributed to the problem by hindering the higher growth rates required to pull millions from misery. The share of income going to the poorest 40 percent of households is only about 8 percent in Brazil, Guatemala, and Honduras, for example.

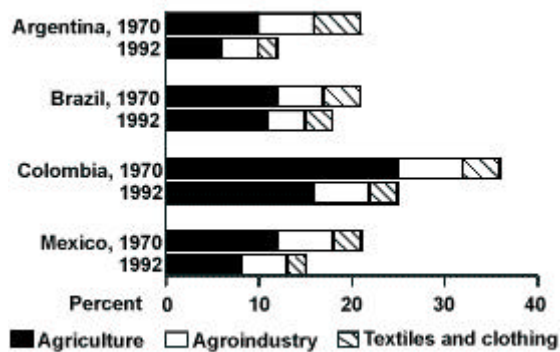
*Food Insecurity and Malnutrition.* Most Latin Americans get enough food to meet

their caloric requirements, but 15 percent of the population—58 million people—are still underfed. With the economic disruptions of the 1980s, declines in malnutrition rates stalled and have not resumed. Many avoided malnutrition during this period of economic adjustment by consuming less expensive, less preferred foods. The relatively high percentage of the population with access to health services, safe water, and sanitation probably also helped avoid substantial increases in malnutrition. Six million children remain malnourished today.

Increased urbanization poses new challenges for nutrition and health. Although malnutrition is still a concern, nontransmissible, chronic illnesses associated with a more sedentary lifestyle and poor quality diet, such as heart disease, are also on the rise.

*The Food and Agricultural System.* Sustainable development of agriculture and natural resources is critical to Latin America's future economic and social development in both urban and rural areas. This emphasis on the importance of agriculture to overall economic growth is not misplaced: agricultural production alone is worth more than \$90 billion in Latin America—more than 10 percent of the region's gross domestic product. The food and agricultural system as a whole, including agroindustries and textiles, accounts for more than 20 percent of economic activity in many countries and easily 10 percent or more even in the most industrialized countries such as Argentina and Mexico. A healthy agricultural sector generates employment in transportation, retailing, and processing and boosts demand for nonagricultural goods and services throughout the economy (Figure 1).

Figure 1—Agriculture and agroindustry as a share of GDP, 1970 and 1992



Source: World Bank 1995.

The 16 million small farmers of the region commonly produce most of the basic foods important to national diets, such as corn, beans, and potatoes, and so are hardly irrelevant to agricultural production, as some analysts argue. Their large numbers mean that their welfare is a social not just an economic question. Some observers believe that the large, commercial producers—who are less than 5 percent of the landholders but hold more than 90 percent of available land—will soon crowd

out these small farmers. But small farmers with enough land to sell their produce, as opposed to those who are subsistence farmers, should be able to compete on the global market, provided the government ensures fair access to public services, including good roads and credit.

Up to now, productivity gains in agriculture have been achieved mostly by abandoning traditional farming practices and increasing yields through the use of agrochemicals, irrigation, and improved seeds. The continued and increasing use of agrochemicals is a potential danger to human health and the environment. Yet new varieties resistant to pests, diseases, and drought, which reduce reliance on agrochemicals, will have widespread impact only in the next 20 years or so. For now, productivity gains must come from putting current technologies and knowledge to better use in an environmentally sustainable way.

*Threats and Opportunities for Natural Resources.* With 8 percent of the world's population, Latin America has 23 percent of the world's potentially arable land, 12 percent of its cultivated land, and 46 percent of its tropical forests. Environmental degradation poses a serious threat to these resources, however. About a third of

total vegetated land—200 million hectares—is now moderately or severely degraded. Forests are disappearing at rates of up to 1.5 percent per year. Half of Central America's forests have been destroyed since the early 1960s, contributing to soil erosion and shrinking habitats of the region's diverse flora and fauna. Given the importance of the region's resources to its economic growth and the world's food supply and environmental health, continued losses could be devastating.

Expansion of the agricultural frontier and overuse of the land are among the principal threats to the environment. Although their natural instinct is to conserve the land, small, poor farmers exhaust the land as they struggle to survive. Successfully dealing with rural poverty and underdevelopment can reduce this pressure on the environment. Lack of appropriate technologies and economic opportunity will push the rural poor to work harder to extract a living from their fragile lands, and, when they fail, to move on to new forests or hillsides or to the cities. Of course, eliminating poverty will not automatically eliminate environmental degradation. Governments and wealthier producers contribute to degradation as well, as in the 1980s when inappropriate macroeconomic and sectoral policies encouraged ranchers to expand into the Brazilian Amazon.

*Institutional Change.* Just as the challenges to food, agriculture, and the environment in Latin America are shifting, so are the policy responses. Structural adjustment altered the way in which the state, the private sector, and civil society interacted. The private sector now has a greater role in the economy. Local and regional governments in many countries have taken on responsibilities that formerly belonged to the central government, such as education and health.

Decentralization and increased community participation in decisions make programs more effective by tailoring them to the conditions of the region and the needs of the vulnerable groups who live there. Yet local public institutions in rural Latin America have traditionally been weak and may not possess the analytical and financial capacity to take on increased responsibilities.

For these bold experiments to succeed, citizen participation must be strengthened. Municipalities may need technical assistance from the central government or development organizations to design and manage their programs and to benefit from links to other municipalities and government agencies. Mexico has provided such support through its Decentralization and Rural Development Project. If service provision is privatized, governments must ensure that policies continue to encourage market competition and that a minimum level of services is provided to all.

### **Achieving the 2020 Vision for Latin America**

Latin America will not suffer a food crisis in the next 25 years, but millions of poor families in the region will. The greatest challenge for the region in the next 25 years will be to harness the winds of economic and political change to benefit all the region's people. With a significant proportion of the population dependent on agriculture-based enterprises for their livelihoods, the crucial role of agriculture and the food system must be acknowledged. With many women, indigenous groups, and poor people participating directly in agricultural production, processing, and distribution, a vibrant food and agricultural system can also promote social and economic equity. Agricultural policies should work to increase the use of knowledge-intensive and environmentally friendly technologies; improve productive infrastructure; and invest in agricultural research, within an overall stable and transparent macroeconomic environment.

Achieving the 2020 Vision for Latin America requires:

- Better government, rather than “more government” or “more market,” to encourage equitable growth, improve the ability of the region's producers to

- compete globally, and distribute the benefits of growth to all.
- A stable macroeconomic and institutional setting that favors labor-intensive economic growth, including strong and fair financial and legal systems.
  - Increased investment in infrastructure, including transportation and agricultural research, particularly on technologies for smaller farmers.
  - Increased investment in the region's peoples, especially through the efficient provision of public services, including safe water, health and sanitation facilities, and education and training.
  - Support for cost-effective social programs that reach the poor and those the market leaves behind.
  - Strong mechanisms to connect citizens with the political process so that they can actively participate in making decisions that affect their lives.

Working together, the people of the region can make the 2020 Vision for Latin America a reality.

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"A 2020 Vision for Food, Agriculture, and the Environment" is an initiative of the International Food Policy Research Institute (IFPRI) to develop a shared vision and a consensus for action on how to meet future world food needs while reducing poverty and protecting the environment. Through the 2020 Vision initiative, IFPRI is bringing together divergent schools of thought on these issues, generating

research, and identifying recommendations. The *2020 Briefs* present information on various aspects of the issues."

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