Small-scale producers in Latin America
New ways of thinking and acting in markets

Edited by Diego Muñoz and Jorge Viaña
Small producers in Latin America: New ways of thinking and acting in markets

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Abbreviations and acronyms

AGER Asociación Gremial del Empresariado Rural (Rural Entrepreneurs’ Association)
Aj Ticonel Vegetable marketing company in Guatemala
BRICS Brazil, Russia, India, China, South Africa
DTR-IC Desarrollo Territorial Rural con Identidad Cultural (Rural Territorial Development with Cultural Identity project)
FTA Free Trade Agreement
Hivos Humanist Institute for Development Cooperation, the Netherlands
IFAD International Fund for Agricultural Development
IIED International Institute for Environment and Development, UK
MERCOSUR Mercado Común del Sur (Southern Cone Common Market)
NGO Non-Governmental Organisation
OPCION Organización para la Promoción Comercial y la Investigación (Trade Promotion and Research Organisation, Guatemala)
REAF Red Especializada de Agricultura Familiar (Specialist Network on Family Farming)
RIMISP Centro Latinoamericano para el Desarrollo Rural (Latin American Centre for Rural Development)
Rio+20 United Nations Conference on Sustainable Development held in Rio de Janeiro, June 2012
SIMAS Servicio de Información Mesoamericano sobre Agricultura Sostenible (Mesoamerican Information Service on Sustainable Agriculture)
SRL Sociedad de Responsabilidad Limitada (limited liability company)
WTO World Trade Organization
This publication is a product of the Knowledge Programme Small Producer Agency in the Globalised Market, which is sponsored by the Humanist Institute for Development Cooperation (Hivos) and coordinated by the International Institute for Environment and Development (IIED), Hivos, and Centro Mainumby Nakurutú, Bolivia.

A global Learning Network was set up as part of the Knowledge Programme. It combines action research and learning to reflect critically on small-scale production, markets and globalisation. Operating as an open group, the Learning Network brings together leaders and practitioners from academia, producer organisations, support institutions and agribusiness in Latin America, Asia and Africa. By questioning their own assumptions, the network’s members seek to share and jointly produce knowledge, contributing to the debate objectively and providing evidence. Most of its members also participate in other networks, thus connecting the global debate.

The challenges the network has set itself are to:

• Question conventional thinking and practices by bringing evidence-based insights from real situations
• Bring together voices from the South to generate new knowledge collectively
• ‘Think globally’ to shake up the debate and then ‘act locally’ to promote small-producer agency
• Avoid creating an elitist think-tank

The questions that all the network members agreed to address in carrying out their work included: How do small-scale producers take the right decisions and choose the best alternatives in response to the new opportunities and risks associated with external agendas? How do they build the capacity to act on those choices – in other words, their agency? Has producer agency – their capacity to reflect, decide and act – been overlooked in the push to link them to markets? How are producers engaging with interventions that seek to link them to markets, and how are they trying to get better deals?

Between 2009 and 2012 the network members carried out a series of studies and national and regional events to find out more about the global issues linked to small-scale rural production. The work in each country was structured around three major themes: 1) public and private institutional arrangements that promote small-scale producers’ agency in their economic organisations and value chains; 2) the ‘other markets’: informality and other economic rationalities; 3) policies, regional trade agreements and small producers’ agency.

The following members of the Learning Network in Latin America produced reports setting out the results of their research:

Lorenzo Castillo is the Manager of the Junta Nacional del Café (National Coffee Board) in Peru. In the Learning Network, he worked on building strategic alliances for small-scale producer empowerment and access to regional and globalised markets; and defence of the associative/cooperative model as the key to development (Castillo 2012, unpublished Learning Network report).

Luis Galleguillos is the General Manager of the international and multidisciplinary consultancy firm Audita Consult S.R.L., which provides advice to companies in the productive sector and producer organisations, and provides institutional development services and assistance with the implementation of business strategies and plans. In the Learning Network, he worked on a study entitled ‘Public and private-sector policies applied in Bolivia to strengthen the capacities of small-scale producers,’ looking at the structure and functioning of the government of the Plurinational State of Bolivia and the proactive involvement of small-scale producers in policy design and implementation (Galleguillos 2011).

Falguni Guharay is the Executive Director of the Mesoamerican Information Service on Sustainable Agriculture (SIMAS), a non-profit civil society association based in Managua, Nicaragua. As part of the Learning Network, SIMAS carried out studies in Nicaragua with a focus on small-scale producers’ agency, analysing the influence of public policies and trade agreements; institutional arrangements and their impact on cocoa and fresh vegetable producers; farmers’ markets and value chains (SIMAS 2011 a and b and 2012, unpublished Learning Network reports).

Alberto Monterroso is the Director of the Organización para la Promoción Comercial y la Investigación (OPCION), an NGO which works in rural development and the strengthening of the organisational, productive and commercial
capacities of small-scale farmers in Guatemala and Central America. It supports certification processes that allow farmers to access markets such as hotels, restaurants and supermarket chains. It also provides advice to farmers’ organisations on how to interact and negotiate with the government and other actors in Guatemala. He is also President of the marketing company Aj Ticonel, which produces, packages and exports vegetables to Central American, US and European markets. He founded and was the president of the Asociación Gremial del Empresariado Rural (AGER), an initiative which brings together rural entrepreneurs, associations and cooperatives. In the Learning Network, he worked on a study entitled ‘Small Farmers in Central America: the challenge of globalised markets and producer participation in the process of negotiating free trade agreements’ (Monterroso 2012, unpublished Learning Network report).

Claudia Ranaboldo is the Principal Researcher at Rimisp, the Latin American Centre for Rural Development, and Coordinator of the ‘Rural Territorial Development with Cultural Identity’ programme (DTR-IC). Together with a broad network of partners in Latin America and other regions, Claudia’s work focuses particularly on territorial development processes that are based on valuing biocultural diversities, from four perspectives: 1) applied action research; 2) facilitating territorial strategies based on public-private partnerships; 3) capacity development; and 4) platforms to influence public action. In the Learning Network, Claudia led a study on ‘Small-scale producers of products and services with cultural identity: the value of difference in globalised markets.’ The research was based on three case studies in Argentina, Bolivia and Peru, which were carried out in conjunction with Andrea Benedetto, Alan Fairlie and Natalia Soto (Ranaboldo et al. 2011, unpublished Learning Network reports). Nico Tassi is an anthropologist and research assistant at University College London. Much of his research work has focused on the indigenous peoples of the highlands of Bolivia and their relationship with modernity, the market and the dominant culture. His publications cover subjects as diverse as religion and political economy, anthropology and epistemology. In the Learning Network, his research focused on: 1) the chain of livestock production and meat marketing managed by Aymara groups in Bolivia; 2) the kinship networks and relations between rural livestock producers and urban traders; 3) the Aymara conceptualisation of the market and trade, and their political and economic strategies; 4) endogenous economic practices that may challenge and revise supposedly universal economic concepts and ideas (Tassi 2012, Learning Network report published in Spanish).

As indicated above, the studies were carried out in Argentina, Bolivia, El Salvador, Guatemala, Honduras, Nicaragua and Peru, and the findings and conclusions presented in this report therefore correspond to these same countries.

1. To obtain the different reports produced by the Latin American members of the Learning Network, please contact them at the following email addresses: Lorenzo Castillo: lcastillo@unidadelafrica.org.pe; Luis Galleguillos: info@auditaconsulting.com; lfgalleguillos@gmail.com; Falguni Guharay: coordinacion@simas.org.ni; fguharay@gmail.com; Alberto Monterroso: albertomm@intelnett.com; Claudia Ranaboldo: cranaboldo@rimisp.org; ranaboldo@me@gmail.com; Nico Tassi: altoplanico@gmail.com
Initial reflections

The globalisation phenomenon

The word ‘globalisation’ refers to a concept that has been used for about two decades to describe the worldwide process which humanity is undergoing. There are various definitions and interpretations of it, which have different connotations depending on one’s economic, ideological and geographical position.

Among these definitions are (Vorley and Muñoz, 2010):

• ‘Globalisation’ is an ongoing process through which regional economies, societies and cultures have become integrated by means of worldwide networks of trade and exchange.

• The word ‘globalisation’ is also used in the term ‘economic globalisation,’ which refers to the integration of a national economy into the international economy through trade, foreign direct investment, capital flows and the spread of technology.

• ‘Globalisation’ is acknowledged to be a process driven by the combination of economic, technological, social, political and biological factors.

• The term may also refer to the transnational dissemination of ideas, languages and popular cultures.

It is clear that much has changed on the planetary scale since the term globalisation began to be used. Perhaps the most significant change has been the transnationalisation of large corporations which, thanks to world trade and digital and communications technology, have managed to establish a presence all over the world, regardless of the country or the type of government in power. It is precisely as a result of this phenomenon that power has been displaced from centralised state entities to decentralised organisations, most of which belong to the private sector and are principally transnational enterprises.

Through free trade agreements, this new world order seeks to structure a global policy framework that facilitates world trade in products that come from anywhere in the world, with multiple destinations depending on their characteristics and quality, putting governments under pressure to adjust their legislation and policies on trade and markets to bring them in line with international norms.

In addition to free trade agreements, whose operations are problematic, there are other problems that are likewise global in nature, such as climate change, the food crisis, the energy crisis and the economic crisis. These are generating economic, social and political conflicts in many countries, not just in the developing world but also in the so-called ‘developed’ countries, leading gradually to a loss of faith in global projects. A case in point is the economic crisis in Europe and the United States, which is placing global macroeconomic stability at risk.

The combination of all these factors is generating global confusion and turbulence. It has led to the appearance of new national and transnational investors, new philanthropists who have accumulated vast fortunes in a relatively short time thanks to the current context, new markets and demand for products, increasing volatility in prices and consumption patterns, and different forms of protest by citizens demanding new economic and social policies.

Due to this situation, there is great concern and high expectations with regard to poverty reduction and food security, both on the part of the leaders of the world’s traditional powers (North America, Europe and Japan) and emerging powers (Brazil, Russia, India, China and South Africa (BRICS), and among small-scale producers (Nagayets 2005). Here it is important to highlight the fact that the emerging powers, particularly China and India, are home to more than 75 per cent of the world’s small producers, and they have been designing new development models based on alternative forms of intervention, which are not necessarily more equitable or more environmentally sustainable (Jiang and Yu 2011).

Small farmers in this context

Three quarters of the world’s poor people live in rural areas and most depend on small-scale agricultural production (Nagayets 2005).

There are an estimated 470 million small-scale farms worldwide, and 85 per cent of them are less than 2 hectares. One per cent of these farms are in the Americas (North, Central and South America) (Nagayets 2005), with the majority in South America. Globally, these farms are thought to support a population of roughly 2.2 billion people (Singh 2009).

2. In 2005, China had more than 189 million small producers and India nearly 93 million (Nagayets 2005).
Before the 2007-08 food crisis, small producers were seen as an obstacle to the global economic system because:

- They were unable to compete with large producers in world markets because of their low levels of quality and productivity.
- The price of all agricultural commodities would fall in the long term.
- Governments no longer have the luxury of investing in large agricultural extension programmes for small producers.
- Rural livelihoods are too diversified.
- They were blamed for increasing deforestation and the loss of biodiversity and soil fertility.

In this context, the options for small producers were to:

- Migrate to cities and work in the manufacturing and service sectors
- Become wage labourers for large rural enterprises
- Look for niche markets for high-value products such as organic, fair trade and other goods.

Following the 2007-2008 food crisis, which highlighted the global crisis, however, a new scenario emerged which placed small producers in a different position and opened up new possibilities and challenges for them, based on the following factors:

- As a result of the rise of the new economic powers (Brazil, Russia, India, China, South Africa and others), a new industrialisation process is taking place in which small producers have a different role to play (Jiang and Yu 2011).
- Migration to cities offers increasingly few real opportunities, since there is less and less work available, while the cost of living and food prices are going up.
- Agriculture is once again looking like a profitable activity, since food and land prices are rising.
- The domestic and regional demand for food is increasing due to urban population growth and the emergence of new markets.
- Agribusiness is seeking to secure its supply of inputs.
- It is becoming increasingly risky to depend on imports for food security, and since 2008 many countries have placed restrictions on their food exports.
- It is essential to offer better opportunities to young people, especially in rural areas.
- Small producers can be the managers of environmental services and key actors in the carbon market, climate change adaptation, water use, and the stewardship of biodiversity (Murphy 2010).

The debate on the subject

At a roundtable on the future of smallholder agriculture organised by Concern Worldwide on 14 March 2007, it was pointed out that there are two models for supporting small-scale agriculture: one is the ‘democratic globalisation’ model and the other is the ‘market globalisation’ model, in which the green revolution and industrial farming are the key elements.

Under these approaches, the market-based model argues that the best way to achieve development for small-scale producers is through economic globalisation, which is implemented by means of economic growth, the creation of global markets and the strengthening of companies. This approach suggests that democratic demands such as human rights and environmental protection are best addressed by means of the ‘spillover effect’ from large and growing economies. This view also maintains that agriculture of whatever scale is a business like any other, and the only thing that policies should do is seek to correct the failings of capitalism.

The rights-based model (democratic globalisation), on the other hand, proposes that the world order should be one governed by the social norms of human rights, equity, sustainability and democracy. In contrast to the previous approach, this model places emphasis on the anti-democratic nature of markets and argues that globalisation and neoliberalism are exploitative concepts that do not permit people’s right to self-determination. Furthermore, neoliberal policies have a high environmental cost because they promote the transport and industrial production of goods, thus giving rise to markets that are neither regulated nor democratic (Smith 2010).
The diagram above describes these two positions:

The upper-right quadrant in the diagram, which proposes market-based development, argues that progress for small producers can only happen if the necessary conditions are put in place for them to access existing markets in the best possible way. Under this approach, small producers are entrepreneurs like anyone else in business, and the globalisation of markets is inevitable.

The lower-left quadrant, on the other hand, proposes a rights-based development approach that sees the market as a factor that acts as a constraint on small producers and leads them into dependency. Under this approach, small-scale producers are not competitive, and they must therefore receive support from the state and/or international cooperation until the globalisation process is reversed.

As well as being considered polarised, elitist, top-down, always looking to the past, constantly prescribing the way things should be and far removed from small producers themselves, this debate has also been at a standstill for more than ten years.

While politicians, intellectuals and bureaucrats carry on this discussion, many small-scale producers are faced with the economic and productive choices of: staying where they are, carrying on with their productive activity but without making improvements; intensifying their productive activity, improving and expanding their production and marketing system; diversifying to combine multiple activities, including production; or abandoning their productive activity permanently. In choosing any of these options, there are determining factors: geographical exclusion, distance from and access to markets; the availability of natural resources, and the ability to access them; discrimination on the basis of gender, race, caste, social class or age; education and organisation.

We are living in an age when production and supply chains are growing and regulatory systems are being reviewed. New buyers are appearing in rural areas and competing for various products. In addition, as mentioned before, new markets are being introduced, such as the biofuels market, the carbon emissions market and the biodiversity conservation market. But new threats are emerging too, related to new ways of accessing, exploiting and using natural resources, which are tending to introduce new forms of colonialism.

Reshaping the terms of the debate

To try to understand these new realities and help to reshape the debate, Hivos and IIED established a knowledge programme called Small Producer Agency in the Globalised Market. This included setting up a global Learning Network that brought together leaders and practitioners from different sectors in Latin America, Asia and Africa, based
on the hypothesis that by sharing knowledge and insights between actors from different professions and regions it is possible to add value to the debate.

The work of the Programme and the Network has been structured around the concept of agency (Sen 1985; Biekart and Fowler 2009), which in this case refers to ‘small producers’ capacity to position themselves, make good choices and act accordingly’.

For small producers, agency implies:

- Negotiating and interacting with companies and NGOs to find out about new products and new markets
- Negotiating and interacting with investors (companies and governments) who are looking for land
- Negotiating and interacting with donors who are proposing to implement new programmes and new forms of funding
- Building the bargaining power to compete on price, quality, volume, certification and other aspects
- Commissioning research to find out about the unknowns.
- Making specific demands of the state
- Influencing the debate which may be unhelpfully polarised and dominated by non-producer groups who claim to speak for producers.

This report draws on the most important findings from the research carried out by the Latin American members of the Learning Network and on secondary sources for the more global issues. It does not seek to present an exhaustive synthesis of the work done by each network member. Instead, it aims to highlight the most relevant contributions made by the network members in Latin America with regard to the priority themes and questions outlined by the programme.
Small producers’ organisational arrangements

Organisation is an important issue for small producers. The concept of organisation, however, has an increasing range of connotations and interpretations, since the ways in which small producers organise and the reasons why they do so are multiple and diverse.

As part of the work done in the programme, several cases of cooperatives were analysed. As these are ‘classical’ organisational structures, they expand and reproduce in a way that is almost identical all over the world (Shenoy 2012). The farming cooperative is one of the most common organisational structure, and it is found regardless of the ideology or the economic system in a particular country. Cooperatives have been organised everywhere in the world for more than 100 years, because they have represented an important organisational and business alternative for small-scale producers.

The programme also looked at other types of organisation, such as that of the producers of matoke (plantain) in Uganda (Medius and Shariff 2011a), which only operates during the production and selling season for that particular product. When sales are completed, the income is distributed and the organisation dissolves until the following year, when its members will be a slightly different group of producers.

It was also noted that there are organisations set up in response to territorial criteria for the management and occupation of the geographical area, such as the Colonia Caroya salami producers in Córdoba, Argentina, the Lambayeque gastronomy corridors in Moche territory in Peru, or the producers of vegetables, fruit, wines and singanis3 in the central valley of Tarija in the south of Bolivia (Ranaboldo et al. 2011). These organisations are geographically bounded by their territories and set up on the basis of the shared identity, culture and productive resources in those territories, through which they access different types of markets.

There are also organisations that combine economic, social and even religious roles and position themselves in markets based on shared cultural and political elements. They organise in the ‘interstices’ of the state and the market (Tassi 2010). A case in point is the Aymara producers of beef in the highlands of Bolivia, who collect and sell the meat in the city of La Paz. These producers participate in festivals called entradas in which they meet socially and perform dances with religious connotations, thus creating a strong sense of belonging and establishing important forms of cohesion and social control among the organisation’s members.

As mentioned above, cooperatives are the most common and ‘universal’ form of organisation. Lorenzo Castillo from Peru was one of the network members whose work focused most closely on the subject. His study found that for a cooperative to be successful and viable it must address the following five priority issues:

1. Cooperatives must have a minimum number of members so that they can self-finance the basic administration of the organisation. In the case of coffee producers in Peru, the number of members a cooperative should have is about 100, each farming between 3 and 5 hectares of coffee, equivalent to an average of 400 hectares for the whole cooperative, and harvesting approximately 6,000 hundredweight (so that the cooperative will be able to sell at least 4,000 hundredweight). Of course, these figures are not generalisable.

2. Cooperatives are able to develop if they produce tangible results for their members, such as better working conditions, social benefits of some sort, a price differential that benefits the producer, etc. They should also provide services to producers such as technical assistance, access to appropriate technology, transport, credit systems, financial services and insurance, collection systems, and so on.

3. Cooperatives must have the capacity to negotiate trade and policy with different economic and political actors at various levels: local, regional, national and international. The ability to negotiate is linked to: a) the capacity to manage the cooperative, b) the leaders playing a role that is acceptable and beneficial to the whole collective, and c) financial management capacity.

4. The cooperative needs to have efficient operating processes that enable it to complete with large businesses. Competitiveness is a key criterion that is often overlooked in small producers’ organisations.

5. Cooperatives must establish strategic alliances with the state, the private sector and universities to strengthen production and marketing chains, so that they can carry out research, provide

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3. Bolivian grape-based alcoholic beverage
security to the producer and implement public policies to promote a ‘country brand.’ All this is linked to policy and economic processes to defend and promote small producers’ organisation (Castillo 2012).

As well as these five points, Castillo points out that it is also important for the cooperative to have ‘strategic plans and roadmaps for growth with good governance. It needs to draw up an institutional working agenda that covers the whole cooperative. Finally, it needs human resources so that it will be able to build management and leadership capacities and competences.’

For a cooperative to be able to address these issues, Castillo argues that the first thing it needs to achieve is members’ loyalty to the organisation. And for that to happen, the organisation must listen to its members and the members must continue to participate in the cooperative ‘in good times and bad’ in order to make it sustainable.

What all the programme’s studies in Latin America found, however, was that when cooperatives manage to implement the points identified by Castillo, there is the risk that they will start to weaken. This is because when their affiliated producers find that they can earn a higher income, they do not hesitate to sell their produce in the open market rather than through the cooperative. The reasons why producers take this decision are many and varied, but ultimately always related to the precariousness of their economic situation and the desire to increase their income more quickly.

It is precisely for this reason that Lorenzo Castillo identifies a pattern of behaviour among small-scale coffee producers in Peru that can be summarised as follows:

Good prices on the international coffee market bring benefits to producers and problems for the cooperatives, while low prices on the international coffee market create problems for producers and social cohesion in the cooperatives.

Of the 120 cooperatives that existed in Peru in 1986, only 10 survive today. Of course, this reduction in their numbers was not only due to the reasons outlined above, since Peru underwent a complicated process of violent political conflict between 1986 and 2000 (Castillo 2012).

It is important to point out that, for the political systems that promote them, cooperatives represent a sort of hinge between ‘popular’ production issues and ideology. It is no coincidence that projects to support and set up cooperatives to work with small producers are found in both capitalist and socialist development models (Michelutti 2011; Medius and Shariff 2011b; Mugoya 2011).

Under ‘capitalist’, free-market regimes (market-based development), cooperatives are seen as a means for small producers to access markets and participate in production chains. The producers with the most opportunities and resources play leadership roles and – if the necessary conditions are in place – move on to other, more efficient business structures such as their own or family businesses (Muñoz 2004).

Under ‘socialist’ regimes (rights-based development), on the other hand, cooperatives are seen as the space where the ‘community’ dynamics of small producers and state policies on production come together. The cooperative is the organisational structure through which the state can support small producers and their families to improve their production. It is also a type of organisational structure that is known to the middle classes in charge of implementing policies.

In other experiences it was found that small producers use cooperatives as a space for requesting or negotiating benefits from government entities. In these cases, they set aside collective interests to obtain individual benefits. This is why cooperatives often find it difficult to represent their members’ business interests clearly.

With regard to this, Alberto Monterroso from Guatemala states in his report:

The organisations formed by small producers, whether they be legally registered as a cooperative, a producer association or simply a producer group, are set up for the purpose of requesting support for a specific activity or in order to obtain credit. But when the time comes to organise for production and marketing, each member prioritises his or her individual interests over and above collective interests. This practical individualism is the factor that weakens the organisation of the group from within.
For his part, Falguni Guharay from Nicaragua found that ‘producers in cooperatives and their leaders identify partnership and governance problems in organisations of small-scale producers, due to their members’ low levels of education and weak business management capacities’ (SIMAS 2012).

Although farming cooperatives are ‘universal’ social and production structures that are viewed positively by many political systems, they may be fragile and contradictory organisations: in the name of supporting small producers, they may place them in difficult economic and social positions. If cooperatives do not have good leadership and proper support, they may leave producers in a difficult economic, social and productive situation, where the difficulties and contradictions relate not only to prices or markets but also to the structure and dynamics of the organisations themselves.

In the programme’s different studies, it was found that as a result of the poor management and administration of cooperatives or fluctuating market prices, small producers enter and leave these structures as part of their strategy of keeping their options open on various fronts and in various markets. This is a way of dealing with the potential problems that may arise if they stay rigidly loyal to the cooperative structure. This finding suggests that the loyalty demanded by the authorities and managers of cooperatives is relative, because there are more issues at stake for small producers than their membership of the cooperative and loyalty to it, and these issues cannot be ignored.

In contrast to cooperatives, in the case of ‘territorial producer organisations’ the reason for forming the association does not only have to do with production and trade, but also concerns social, political and economic reproduction through territorial networks and kinship and patronage ties, as the studies by Tassi, Ranaboldo and Guharay suggest from different perspectives and standpoints.

Decades of training and technical assistance for the farming sector have done little to change the real capacities of small-scale producers, particularly in terms of their agency. This is compounded by the fact that rural areas are changing and, among small producers, women and young people are emerging as the most innovative. There is therefore a need for capacity development processes that are not simply utilitarian but more comprehensive, and which go beyond gaining a certain specific technical skill, as though pragmatic competencies were the only skill-set relevant to small producers (Ranaboldo et al. 2011).

Furthermore, organisations that, as well as dealing with production and marketing, are also social and ritual organisations, are usually considered ‘informal’ in relation to official rules and regulations, as in the case of the Aymara in Bolivia. Internally, however, these organisations have clear rules for how they operate and function, consistent with cultural codes that are constantly adapting to changing times and circumstances. Part of the operating strategy of this type of organisation is to enter into dialogue with public and official spheres on an intermittent basis (sometimes they do, sometimes they don’t), in order to ensure that these forms of organisation are maintained and that any negotiation with the state serves their interests.

Guharay, Ranaboldo and Tassi agree that the issue of organisation needs to be addressed differently, in order to outline certain aspects that will make it possible to overcome the contradictions and paradoxes that currently affect common forms of organisation among small producers. For all three researchers, it is clear that small producers’ organisations are highly dynamic, able to respond to structures different to those of cooperatives, and form part of the production systems of small-scale producers. They may not be clearly named or officially recognised by the state, but this does not mean that they do not exist or that they do not play an essential and strategic role for the small producers who belong to them.

It is therefore important to review and understand the structures and functions of the different forms of small producers’ organisations, which are very diverse. Each small producer organisation has its own particular dynamics which reflect the capacity, need, desire or preference of farmers to take decisions and participate in one or several organisational structures at the same time. Identifying these multiple forms of organisation and understanding how they function is a key task for the design of public policies and any private-sector intervention from outside.
The farming cooperative is the world’s most common organisational structure, and it is found regardless of the ideology or the economic system in a particular country. But there are also many other forms of organisation – formal and informal – whose structure depends in some cases on the territory in which small producers’ systems of production and trade are located, while others have a combination of economic, social and cultural functions based on shared cultural and political elements, and tend to operate in the ‘interstices’ of the state and the market.

Cooperatives and other types of small producer organisations may be fragile and contradictory and may place small producers in an adverse economic and social position due to problems of administration and leadership or as a result of volatility in market prices. Therefore, small producers enter and leave these structures as part of their strategy of keeping their options open on various fronts and in various markets, thus managing to deal with the problems and adversities.

Those organisations that, as well as dealing with production and marketing, are also social organisations, tend to be ‘informal’. Internally, however, these organisations have clear rules for how they operate and function, consistent with flexible and dynamic cultural codes that can adapt to changing times and circumstances. These organisations seek to enter into dialogue with public and official spheres on an intermittent basis, in order to ensure that the negotiating terms are as favourable to them as possible.

It is important to change how we address the issue of how small producers organise at every level, because it is essential to overcome the contradictions and paradoxes in current forms of organisation. It is also important to review and understand the diverse structures and functions of the different forms of organisation so that, based on a broad and strategic vision, it will be possible to design and implement better public policies and better private-sector interventions that truly benefit small-scale producers.
How small producers engage with markets

The ‘value chains’ approach was put forward by Michael Porter in the 1990s to analyse the set of activities that take place in production processes, from initial or primary production to processing, storage, transformation, transport and finally the sale of a certain product (NetMBA 2010). The model combines economic and geographical aspects, and many researchers have therefore used the concept to study different production processes based on an analysis of their ‘chain structures.’

In Latin America, actions that seek to benefit small producers are very often structured around value chains or ‘inclusive business’ initiatives that seek to link small producers to large buyers (Michelson et al. 2011). Studies carried out by the Learning Network and by other researchers, however, have found that in the case of small producers the value chains approach ignores or fails to take into account a series of important factors in small farmers’ production systems, such as their organisational arrangements and how these change, how they engage with their multiple markets, their economic choices linked to cultural issues, formal and informal kinship networks, informality and multiple activities.

Thus, although the methodology proposed by Porter from the standpoint of economics offers a broader view of production processes, in the specific case of small-scale producers it is not very useful because its analysis excludes the majority of them. It is a well-known fact that value chains only manage to include the top strata of small farmers – meaning those who have the best conditions and assets for production (Seville et al. 2011).

The Learning Network members in Latin America who worked on the subject of value chains in their studies were Falguni Ghararay and Alberto Monterroso. Ghararay analysed the value chain in a project that sells cocoa produced by small farming communities in Nicaragua to a German chocolate company called Ritter Sport, while Monterroso worked on value chains linked to the production of vegetables in Guatemala.

Ghararay and Monterroso agree that when looking at value chains it is important to avoid a one-sided analysis that lists the advantages (or disadvantages) of these chains in terms of increased income, production volumes or sales. They point out that such an approach carries the risk of producing distorted information. This is because small producers often see an increase in their income for a short time but this is followed by an abrupt fall in earnings or, alternatively, they become chronically dependent on specific buyers – a dependence that is difficult to break.

In his study Institutional arrangements in value chains and their influence on small producers’ ability to make good choices in local and global markets (SIMAS 2012), Ghararay points out that although value chain projects may strengthen producer organisations and improve the quality of the product to begin with, over time they generate a high degree of dependency on foreign companies and a lack of autonomy and agency on the part of small producers with regard to the sale of their product. Furthermore, in the production, processing and marketing process the benefits small producers receive are always marginal and secondary in comparison to the benefits obtained by others in the chain:

The project with Ritter Sport has enabled small producers to change their situation in both local and global markets, thanks to institutional and organisational innovations.

There have been significant innovations in commercial and business relationships which would not have been possible without the project. The project is therefore seen as an innovative system that has increased incomes, introduced the collection of large volumes of high quality cocoa, created business alliances with new actors, and increased the working capital and investment capacity of the cooperatives. They also managed to negotiate an increase in the price, even though the general export price for cocoa has been declining.

Despite the progress made, however, the small producer organisations have not increased their negotiating capacity in the value chain. Many producers have no knowledge of the commercialisation process, although most know that their cocoa is exported. Furthermore, the majority of the producers are not interested in finding other buyers as they are sure that the cooperative will maintain a strong relationship with the German company. It can also be argued that this is a closed value chain, since each actor leaves 100 per cent of its responsibility at the point of sale and the next actor picks up this 100 per cent of responsibility. In other words, there is no room for value added activities that could give
the small producers a greater role and higher income in the value chain. This not only limits their negotiating power, but also the number of markets that may be interested in their cocoa (SIMAS 2012).

For his part, Alberto Monterroso, who is a businessman and exporter of vegetables, states that ‘in Guatemala alone there are more than 10,000 small farmers linked to agroexport companies in approximately 65 local value chains.’ This has had a positive impact on income generation and job creation in rural areas. However, Monterroso argues that these projects have ‘enchaied’ the producers because, by means of various technical and administrative mechanisms, both formal and informal, which are implemented depending on the time of year and the international market price for the product, they oblige producers to work with just one export company. This, of course, creates dependency on the part of the producers because in many cases they do not know how their product is consumed, let alone how it is marketed. They merely sell the product to the company that requires it and pays them for it.

With regard to producers’ capacity to exercise agency in their markets, Monterroso adds:

These relationships ‘enchain’ producers because the promoters tie them to an agroexport company on a compulsory basis and the company prohibits them from establishing a trading relationship with any other company. This tends to suffocate the producers because at the end of the day ‘they do not have the power to decide who to sell their products to.’

In his study, Monterroso (2012) also analyses the role of intermediaries in value chains. With regard to this, he states that the intermediaries – in contrast to the producers – use multiple strategies and ‘trickery’ to secure their markets and obtain a higher price from the export companies.

The export companies know that the intermediaries deliver their products to several warehouses on the same day. The intermediaries even ‘blackmail’ the companies by telling them about other companies that are interested in their product and its price.

This is a game that the intermediaries are experts at playing, as they regularly manage to increase the price in a matter of minutes. The way they do it is to call several companies and tell them that there is a scarcity of the product in the market and another company is offering them a higher price. This is how the intermediaries manage to pay low prices to producers and in a matter of hours increase their own profits by raising the price as many as six times overnight.

All the export companies buy a percentage of their products from intermediaries. This makes it easier for them to deal with shifts in market demand and reduce the pressure from organised farmers who are contracted to produce for the company (Monterroso 2012).

The value chain approach is very useful for the purposes of development projects and programmes and short-term public policies, because it enables them to get groups of small producers working towards a shared objective in a short time and results can be seen relatively quickly. This is why this approach is very popular with development projects and governments, as they can both show results during the lifetime of a project or during one government term. Given the nature and characteristics of this approach, however, it has clearly defined limits. In the medium and long term it does not enable small producers to develop and strengthen their agency, as it guarantees that companies can control and even monopolise commercial operations.

**Box 2. Main learning points on how small producers engage with markets**

Although projects that link small-scale farmers to value chains can strengthen producer organisations and improve the quality of their product to begin with and for a short period of time, in the medium and long term the benefits producers receive are marginal and secondary or do not last long. They also create dependency in producers’ relationships with companies, be these national or foreign.

Short-term public- and private-sector projects implemented with small producers under the value chain approach are popular with external actors because results can be seen in a short time and it is possible to get organisations involved quickly. However, these projects are narrow in scope, they only benefit the producers with the most resources and they do not help to build negotiating capacities or strengthen small producers’ agency. They also fail to take into account important factors such as producers’ organisational arrangements and how these change, how producers engage with their multiple markets, their economic choices linked to cultural issues, formal and informal kinship networks, informality and multiple activities.
Small producers’ positions and strategies

In many Latin American countries, the interests of the state have been linked to the interests of small elites (Galeano 1971), and economic policies have led to the exclusion of the poor and indigenous majorities. In many cases, these policies were promoted from outside the region – first from Spain, then from other European countries and more recently from the United States. As a result of these policies, indigenous and excluded groups have been forced to exercise their agency in spaces that are marginal to ‘official’ political and economic settings. According to Nico Tassi, in Bolivia this was ‘partly because indigenous groups remained excluded and their interests underrepresented in the official political scenario, [and] partly because the state did not appear to hold the necessary force and will to administer remote areas of the country.’

Because of this, many groups of small producers, especially in rural areas, were obliged to ‘consolidate alternative political and economic institutional forms in the cracks of the state and of the market’ (Tassi 2012).

The result of this situation – which manifests itself in different guises – is the search for spaces of political and economic autonomy and the establishment of a social counter-hegemony by excluded groups. This counter-hegemony is expressed through principles that usually take shape at the margins of the state and the formal sector. The Latin American members of the Learning Network identified these principles – which are discussed in detail in this section of the present report – as follows:

- Territory as the space for modernity
- The market – an important ‘accomplice’
- Kinship networks ensure that the system functions
- Informality: parallel economic systems
- The diversification of income, risks and markets

These strategies, created and implemented by small producers based on their situation and culture in adverse circumstances, underpin their livelihoods. These operate according to different codes and arrangements which, to start with, emerge as clandestine and invisible in relation to the systems and circles of political and economic power. As they develop and become stronger, however, they gain a legitimate status and may become real alternative sources of political and economic power.

These strategic issues form part of the life scenario of small producers in a systemic way, because they enable them firstly to establish and maintain their autonomies and hegemonies in an adverse social and political context, and secondly to enter and leave various different situations that may sometimes be favourable and sometimes adverse.

**Territory as the space for modernity**

For small producers, territory is more than the place where they live and produce. It is the environment in which they reproduce life and thereby their culture and systems of production, trade and relationships. Therefore, territories are not just ecosystems which, due to their particular climate, soil and altitude, enable (or prevent) the production of certain goods, but rather the setting that allows life – and all the livelihoods and strategies that comprise it – to be established and sustained.

If Aymara political practices are often inextricable from economic ones, economic activities in the Andes continuously overflow into a domain which we could call ‘ritual’. Agriculture, for instance, cannot be simply conceived of as a means that guarantees people material survival but it is inherently interwoven with the expression of people’s identity and with the necessity to make the earth live (Gose 1994). Trade and exchange are linked to a practice of cosmological circulation intended to reproduce the articulation of the different ecological zones and moieties of the dispersed territory. Circulation, movement and exchange of goods are also invested with social and religious meaning to the point that they are intended to activate a reproduction and transformation of the cosmos. Exchange not only links up different groups scattered across the territory but also reaffirms the bond and circulation between different ecological zones, a crucial element to make the earth live and reproduce (Harris 2000).

Considering the climate and environmental crisis that is already evident, this ‘ritual’, ecological and systemic view that many indigenous and small-producer communities have of their territory represents an important alternative for addressing production and food supply problems in the future.
Nevertheless, as the Latin American members of the Learning Network have discussed on numerous occasions (see www.mainumby.org.bo, Knowledge Programme), it is important not to lose sight of the fact that putting forward such ideas does not mean reproducing in different terms the polarised debate described in this report’s initial reflections (market-based development vs. rights-based development). Instead, it implies breaking with this dichotomy and turning to other economic arrangements that function and operate differently, challenging economic dogmas that are considered absolute.

With regard to this, Claudia Ranaboldo and Falguni Guharay comment:

In Latin America and the Caribbean, there are rural territories with high levels of poverty and exclusion that are also characterised by a noteworthy tangible and/or intangible cultural heritage (Ranaboldo and Schetjman 2009). Some of the attributes of this heritage are transferred to the agricultural products that are grown there and to the activities and practices involved in the production, processing and marketing of these products. (Ranaboldo et al. 2011).

Agricultural activities are always limited by niches, meaning they are ‘localised’ in certain territories. The characteristics of these territories (environmental, economic, social, institutional) present conditions that can facilitate or hinder the development of the activities. Strengthening the interactions and cohesion of a system of actors in the territory is key for its development (Schetjman and Berdegué 2003). To do this, look for the thread that leads to a common goal with all stakeholders involved and the construction of a social contract that permits the development of the sector. This approach should lead to areas of cooperation, consensus and negotiation with all stakeholders to build a development strategy consistent with the dynamics of the territory as a whole. (SIMAS 2012)

Furthermore, for small producers the market represents a nerve centre that brings together the people who inhabit it and enables different social groups to interact. In other words, the market becomes a space where political alliances of various sorts (for the functioning of political, union and economic organisations, for alliances and differences with local governments, for irrigation, etc) are also established and cultivated.

In the case of Bolivia, where the constant movement between different ecological zones is important to small-scale producers, Nico Tassi points out that:

In a context based on the simultaneous exploitation of different ecological zones and consequently on a settling pattern of interspersed ethnic groups across a vast territory, the market came to constitute a fundamental political space bringing together different scattered populations and a fundamental source of political alliances (Tassi 2012).

Thus, for small producers, markets are to a great extent constructed depending on the conditions in their territories, which reinforce their control over certain means of production, and the transformations and changes in political and economic institutions, through the construction of alternative institutional structures based on social and kinship networks.

Such contacts with the markets are so widespread that forms of double domicile have re-emerged among Tolomeños who spend half of their time in cities or market centres to commercialise products and sell labour and half farming their communities. Such a practice simultaneously reinforced ancient forms of indigenous mobility across the territory and produced a reinvestment of profit into the local ethnic economy (Tassi 2012).

Based on Tassi’s findings, one can say that certain groups of small producers have managed to establish forms of political and economic control in territorial areas in which the state and private companies showed no interest. This local territorial control is combined with forms of interaction with urban areas and with global and cosmopolitan elements. An example of this is the Chinese products that are bought and sold in the most remote corners of many territories.

According to Carolina Trivelli, a member of the research team who worked with Claudia Ranaboldo:

Small producers have started to be seen as key actors in the valuing of their country’s biocultural diversity. These qualities, which imply a recognition (often informal) of origin and a distinctive territorial ‘stamp’ or ‘mark’ (often in the process of being developed), are starting to be recognised positively in local settings, and sometimes also more
The ‘quality’ of processes or entering local, national and global markets with ‘territorial identity’ is increasingly important. As systematic, relatively widespread and ongoing efforts to restructure and reinvent the market, these processes occur as a result of small producers’ need to ‘take advantage’ of their cultural heritage in a way that enables them to resist and reorganise market rationales and how they get involved in these. … It is therefore timely to strengthen the notion of territory as a network of actors with a broad and diversified supply of products and services, and initiatives to value assets (natural, cultural, social…) (Ranaboldo et al. 2011).

In a context of globalisation and decentralisation, territories are the natural environments in which the livelihoods and social and cultural belonging of local as well as national societies are established and structured. Territories therefore play a fundamental political role, as they are the settings that enable local societies and the state at local and national levels to define their values, preferences and habits. In time, these may lead to local development policies and strategies. If this process takes place in several territories, they may later come together to discuss the formulation and implementation of national policies.

The market – an important ‘accomplice’

Groups of small producers who have achieved relative economic success – in many cases on the basis of informal businesses – are seen by right-wing political elites as the economic sector that breaks the free market model by doing business through organisational structures different to formal enterprises and, by doing so, strengthening informality. Left-wing elites, on the other hand, see them as ‘implacable capitalists’ who affect the socio-economic structures of rural communities.

With regard to this, Nico Tassi comments in his paper:

“… To keep depicting the Aymara as victims – or as straightforward capitalists – obfuscates their agency in carving out creative and strategic spaces in the market as much as their own proposal of modernity. … The case of the Aymara appears to outline a lively economy within the economy, a way to use and access the market related to local social and institutional structures and political strategies (Tassi 2012).”

This is why it is important to reach a comprehensive understanding of small producers’ economic, political, social and cultural processes (especially processes to re-value their identity) as part of their strategies to enter and withdraw from certain markets, certain economic rationales and certain political processes, in keeping with their needs and interests, as is the case in Bolivia and other countries in the region.

One relevant issue with regard to small producers relates to the ways in which they appropriate, reinterpret and negotiate with the market. To understand this, it is essential to bear in mind that small farmers are economic actors who are able to put forward their own economic models and concepts, and abandon approaches that describe them as lacking in possibilities, know-how and education. This obliges us to re-formulate views that see small producers as ‘victims’ or as ‘beneficiaries of external aid’. Small-scale producers are in fact subjects who do not need to be ‘helped’ by external development cooperation policies or supposedly ‘inclusive’ business approaches. Instead, they should be supported as actors who take their own individual and/or collective decisions about different market opportunities and their own interests and expectations.

Several of the Learning Network’s Latin American studies reveal that there are different ways of transforming and constructing markets, especially local ones. There is also a series of dynamics, and political and economic strategies which have enabled groups of small producers to design ‘endogenous spaces of economic power … within contexts of intense global market flows and social and political subordination’ (Tassi 2012).

As part of the history and processes of social, political and economic exclusion, in small-scale farming there has always been a ‘hidden’ economy within the ‘official’ economy. It is therefore important to abandon the idea of monolithic markets that can only be considered as a given, unalterable fact. As previously mentioned, for small producers the market is an economic, political and social space where formal and informal markets co-exist in a symbiosis that is known to but not recognised by governments and their framework of trade regulations.

4. This topic was studied in depth by Nico Tassi. Therefore, the discussion in this section draws mainly on his work.
These processes create the conditions for small-scale producers to be able to operate on their own terms and by their own codes. This suggests that, if we are to arrive at a real understanding of what goes on in small producers’ commercial spaces, economic and productive activities cannot be separated from political, social and even ritual activities.

Thus, small producers clearly need to use the market as an ‘accomplice’ that enables them to integrate various issues systemically so that they all complement and strengthen the full range of their strategies. This suggests that strategies to ‘construct’ and ‘nurture’ markets and income might be based on the following premise:

… indigenous peasants resort to wage labour or to the cash economy in order to strengthen and reproduce their native practices – be these fiestas or agricultural production – and intensify traditional social and political structures. Their temporary withdrawal from the market also appears to be determined by the necessity to avoid too strict a dependence on the cash economy and the market system and consolidate their productive space … (Tassi 2012).

Although the global market may be an important accomplice that helps to strengthen the political and economic control exercised by small producers, it may also represent a threat due to the presence and interaction of more powerful external and internal actors. This is why many networks of small producers – especially informal ones – enter and withdraw from different markets to protect themselves from the very powerful players.

Consequently, we can think of the existence of more flexible networks and economic systems that operate in both ‘conventional’ and ‘embryonic’ markets, where identity, culture, ethnicity and ritual are key and where small producers’ economic and non-economic strategies overlap and are reshaped.

**Kinship networks ensure that the system functions**

Kinship relations are essential to small producers’ economic and commercial processes because they connect production – which usually takes place in rural areas – to the distribution and sale of products in medium-sized towns and large cities (Tacoli 2006). These networks operate in a sophisticated way, as they connect different regions and economic and social dynamics in a broad territorial space.

With regard to this issue, Claudia Ranaboldo and Nico Tassi agree that complex kinship networks, invisible to formal economies, are increasingly relevant in the economy of small-scale producers:

… kinship bonds link up producers, intermediaries and butchers in networks which simultaneously acquire a political, religious and economic relevance. In economic terms, such networks may function as tools and gates that make it possible to link the rural community with the urban fabric but also to better protect [their members] from the competition of more powerful and external economic actors. … [P]reviously these kinds of communal bonds and ethnic networks were considered as inefficient and detrimental to the development of a modern market economy… (Tassi 2012).

Extended family and ritual kinship networks are essential for setting up marketing systems. Many of these networks and trade flows are just as complex and sophisticated as their ‘formal’ counterparts or more so. Despite this, outside institutions tend to ignore or disparage them (Ranaboldo et al. 2011).

Extensive kinship networks enable the exclusion of small producers to be reduced because they ensure a certain degree of control over the market, thus substituting the role of the state to a great extent. Based on ways of working and occupying the territory, both nationally and internationally, these networks make it possible to establish efficient, highly trustworthy and low-cost businesses and marketing chains, where productive, commercial, domestic and day-to-day investments are shared and constantly interact, blurring the boundaries between one sphere and the next.

As Nico Tassi puts it in his paper:

In the Aymara market economy, not only do kinship networks and religious values permeate economic domains, but also economic values, financial interest and money transactions enter the sphere of the family and religion without necessarily deconstructing it (Tassi 2012).

As well as significantly reducing businesses’ operating costs, these forms of economic management are extremely flexible, enabling extended families to rapidly alter both their business and their economic and domestic strategies to deal with new circumstances when they need to. This flexible way of positioning
themselves in relation to markets, policies and family matters gives initiatives of this type significant prospects, bearing in mind that business and trade is much more insecure today than it was in earlier decades. They present a capacity to continuously strike new alliances and a degree of mobility and flexibility. Somehow, this apparently contradictory combination of solid communal bonds and simultaneous granting of spaces of individual freedom, their capacity to act as indissoluble and potent associations in some conjunctures and loosening their control in others make these associations particularly apt in relating with the market (Tassi 2012).

If the state were able to arrive at a genuine recognition of these ways of working and creating links with markets, it would be possible to cut red tape, and networks of this type would be able to become formal institutions, not just performing economic roles but also exercising forms of social control and justice and defending political and social rights.

As Ranaboldo puts it:

The challenge is to strengthen these networks, together with local governments and other institutional and business structures. This implies moving toward broad-based public-private coalitions with a commitment to processes that lead not only to individual benefits but also to the common good, expressed in the sustainability of the territory. Nowadays, it is they – more than traditional union organisations or corporations – who have the ability to advocate for greater agency in negotiations that increasingly have to be cross-sectoral, inter-agency conversations and not just limited to traditional decision-makers in agriculture (Ranaboldo et al. 2011).

Major marketing chains are being established through these kinship networks. It has been shown that these may be very small to begin with, but in time they grow and expand to become international or even intercontinental networks. An example of this is the family trading networks that do business with various productive and commercial sectors in China (Matthews et al. 2012).

In Latin American countries that have a large indigenous population, such as Bolivia, a different type of modernity is taking shape through kinship networks setting up major marketing chains that are becoming international networks connecting many so-called ‘small’ countries with new emerging economies such as China, India and Brazil. With regard to this, in his study Nico Tassi found that Aymara kinship networks in Bolivia have gained control over the trade in many products, not just agricultural ones, in an extensive area that covers Bolivia, southern Peru and northern Chile. These trading networks are continuing to expand to other countries and other territories in the region.

The Aymara are renowned in the Andean countries – and even among some foreign traders in the US and China – for controlling the trade and the market of a wide range of commodities in some of the major cities of Bolivia and Peru. Despite being a landlocked country, Bolivia has become in the last decades the fulcrum of an intense traffic of commodities which after entering the duty free harbours of Northern Chile and being smuggled into Bolivia are then redistributed to most countries of the continent – including Chile itself. Such informal trade is almost entirely controlled by Aymara through extensive and sophisticated kinship networks and informal but solid economic agreements rarely put on paper or legalised (Tassi 2012).

Of course, kinship networks also have their drawbacks. As in any social system, there will inevitably be hierarchy disputes, social stratification and power differentials between their members or the groups involved.

Tassi and Ranaboldo comment on this in their reports:

The drawback often highlighted for these kinds of networks is that they can sometimes sediment into antisocial power structures and nuclei of coercive power feeding forms of corruption, graft and even rent-seeking … For Aymara, networks are no doubt structures to sediment political power in a context of political subordination. They are elements that may guarantee a degree of social security, control and protection from unequal competitive conditions and simultaneously a way to consolidate the formation of capital (Tassi 2012).

This is not to suggest that these networks are immune from conflict or that they are in themselves fairer or more equitable. It is simply that their rootedness and persistence, their ability to make dynamic internal changes to adapt to new circumstances, their widespread nature and their power imply that they cannot be ignored (Ranaboldo et al. 2011).
For small producers, sophisticated kinship networks are essential because they are the means to connect production with markets, regardless of where these are located. Because they are so flexible, these networks enable the extended family to change their strategies when necessary to deal with unforeseen circumstances. If the state were capable of adequately recognising these very flexible production and trading arrangements, they might become formal institutions through which it would be possible to implement new and different economic and market policies.

**Informality: parallel economic systems**

The cultural codes and defence of identity and often ethnicity by many small farmers are key elements that play a decisive role in the globalisation process in Latin America. One of the most relevant ways in which this situation manifests itself is the so-called ‘informal economy’:

Informality ... constitutes an attempt to generate and foment ‘alternative’ economic circuits to the official ones ... which operate according to a set of local codes, practices and values which do not match the conjunct interests and ideology of the state and corporate organisations (Tassi 2012).

Informality is ‘more complicated than the mere imposition of external and uncontrollable political and economic forces onto local actors’ (Tassi 2012).

Tassi describes informality as:

... a way of responding to the inability of the state to address and understand the economy of small producers and the tendency of the market to engulf or marginalise local economic knowledges and/or it may also be part of a wider socio-political project built on an institutional vacuum.

The so-called ‘informal economy’ displays an alternative way of constructing economic processes and successive moves into and retreats from markets or multiple activities, not necessarily linked to farming. The essential thing here is not to comply either with what the state demands or with what the market imposes.

With regard to this, Claudia Ranaboldo points out that:

Certain characteristics of small producers’ strategies, such as moving in the border zone between the formal and the informal, are what enables them to cope in the market without – for the time being – submitting to its rules. As these strategies become consolidated, obstacles start to arise as a result of informality, together with the need to make changes in order to be able to capture niche markets that do have entry conditions (Ranaboldo et al. 2011).

In the specific case of Bolivia, rather than being merely a problem of the exercise of citizenship at the margins of the state’s rules, ‘informality’ is part of a social and economic strategy that allows diverse ethnic groups to ensure the sustainability and prevalence of their cultural principles and values, which are different to western ones and always recognised as valid and true.

The economic sway of Aymara producers and traders has magnified their religious activities and strengthened traditional kinship networks, highlighting a model of modernity which diverges from dominant narratives and discourses which have defined the modern subject as quite apart from their predecessors and liberated from the obscurity of superstitious beliefs (Tassi 2012).

For his part, Lorenzo Castillo from Peru highlights the fact that small producers who are members of a cooperative or a group of cooperatives cannot aspire to remain in informality as their only economic and political option. This is because, in order to be able to improve their rights and thus improve their agency, they must necessarily be legally recognised by the state. Otherwise, it is very difficult for these producers and their organisations to gain access to the spaces of power and political decision-making that the business community is already able to enter (Castillo 2012).

Informality and the tactic of entering and withdrawing from markets undoubtedly form part of small producers’ subsistence strategies. However, it is also important not to lose sight of the fact that it is essential to strengthen small producers’ political agency and their ability to change the rules of the game. The majority of small producers in the region are still vulnerable to national and local public policies that generally fail to distinguish between the interests of small-scale farmers and those of larger-scale farmers. What usually happens is that the state – at local and national levels – formulates the same policies for both, assuming that the measures just need to be scaled down in the case of small farmers.
Of course, this way of dealing with policies does not work, and it is therefore essential for small producers and their organisations to be able to change this situation (Vorley, 2012).

Following on from this, it is clear that – depending on where they are located – small producer groups have opinions and views about their role and their relationship with the state. If they are producers who, through an organisation, seek to specialise in a single product, such as coffee, which is sold as a commodity on national and international markets that demand certain quality standards, volumes and a regular supply, in order to be successful they will need to work together, and they must therefore try to obtain the greatest possible degree of legal recognition.

If, on the contrary, the agricultural product in question is sold in regional and local markets, as in the case of beef from the Altiplano paceño, formality is a relative issue, because instead of supporting the production and marketing of the meat, it may make it much more complicated and significantly increase the costs involved.

It is important to emphasise, however, that in the case of the production and ‘informal’ sale of highly perishable food products, such as meat and milk, they may well be cheaper in informal markets provided that they do not have food safety problems caused by contamination or poor storage practices. The moment the product starts to harm consumers’ health, it must be withdrawn from the market. Before the product can once again be sold, the state (local and/or national) must get involved and conduct the necessary monitoring and control. This monitoring will require the state to develop food safety and tax policies and instruments, while the producers will be required to comply strictly with these standards. Thus, food safety represents a clear limit to informality in the production and sale of food.

The different studies carried out by the Learning Network, and not just those carried out in Latin America, illustrate that informality is an issue that is more strategic for small producers than originally thought at the start of the programme. As well as being more complex and structured than first thought, informal practices are essential to the survival of the economic and productive activities of the vast majority of small producers and even the most modern value chains and agri-food companies.

The diversification of income, risks and markets

As the Learning Network’s various studies make clear, small producers are usually engaged in several activities simultaneously. They not only engage in the production and marketing of agricultural products, but are also involved in many other different products in rural and urban settings. To do this, they migrate, sell their labour and participate in different ways in union and producer organisations. This explains why sectoral farming policies that ought to benefit small producers so often do not work or only work to a limited extent.

Diversification of productive activities and income are therefore a quotidian economic practice … through an impressive economic dynamism, [the Aymara] have composed a series of diverse livelihood strategies employing not only resources such as land, capital and workforce but also less tangible elements such as social networks, time, information and identity. Such diversification allowed the community to stay lively and vibrant even though for some households agriculture was the source of only a small portion of their income (Tassi 2012).

The strategy of multiple markets and multiple activities varies but also has elements in common. As Ranaboldo’s research suggests, the most important of these is that producers obtain income and employment that complement their work in farming. Although small producers usually have multiple sources of income, these do not break the link between direct farming production and other non-farming activities that may or may not be compatible, such as construction work.

In every case, these strategies bring complementary income and employment to rural households. In other words, they are in addition to other, usually primary, activities. The importance of these in relation to other sources of income is linked to the degree of maturity and consolidation of the strategy itself. (Ranaboldo et al. 2011).

As well as diversifying their sources of income, engaging in multiple activities is a mechanism used by small producers to reduce the risks of farming. It is, then, a strategy for accessing various markets, spaces and inputs – not just related to farming – in a flexible way. In her study, Ranaboldo calls these ‘products with differentiated characteristics.’

5. Paceño means from the department or the city of La Paz, Bolivia. In this case it refers to the beef produced on the Altiplano or high plateau in the department of La Paz.
Another feature of small producers is that they engage in multiple activities. This is not just a strategy in itself (in order to deal with the risks involved in farming), but includes the setting up of new enterprises or the strengthening of previous ones by women and young people, who form stronger and more continuous ties between the rural community and the city. In the cases we have analysed, multiple activities are evidence of the new dialogue that is taking place between the supply and demand of products with differentiated characteristics, and an indication that market opportunities do exist (Ranaboldo et al. 2011).

These ‘market strategies’ mean that small producers’ enterprises are not based on a single type of product or service. Instead, the range of these reveals their needs and challenges, according to the idea of the ‘territory as a network of actors with products and services differentiated by identity’ (Ranaboldo et al. 2011).

As mentioned previously, following this logic of ‘an interconnected whole,’ small producers manage to influence and transform certain market rationales and dynamics, in a territorial network of local actors.

When looking at multiple activities, it is important to highlight the connections between rural and urban areas and the emergence of digital communications technology that is reshaping both territorial management and organisational arrangements. Mobile phones and the internet as a means of communication and connection between territories and between rural and urban areas form part of the same process. This phenomenon means that multiple activities depend on codes used by young people and operate in a way that is more individual, with less involvement of local organisational structures. Furthermore, modern communications are leading to broader territorial management arrangements, whereby large cities and the most important local markets become spaces vital to the territory.

This set of elements is producing a new form of modernity and development, prioritising the need to strengthen the local network, but this does not mean that small producers’ forms of organisation are disappearing or slipping out of their control or context.

Nico Tassi defines this clearly in his paper:

Not only are Tolomeños experts in Andean technologies of production but they are also extremely dexterous traders who have been able to gain a certain recognition in urban markets. Diversification of activities is not only tied to agricultural production but to an increasing engagement in wider labour and product markets. Apart from playing an important role in the sale of vegetables to urban markets and warehouses, some Tolomeños are involved in the urban commerce of leather and leather products, they work as waged labourers in construction and as apprentices and maestros in the urban workshops of embroiderers (bordadores). Traditional mobility and forms of double domicile as well as solid urban-rural kinship networks make Tolomeños conceive of temporal and definitive migration as not necessarily traumatic (cf. Spedding 1996). On the contrary, Tolomeños show a heightened capacity to displace themselves to urban market centres. ... When Tolomeños arrive in the city to work as waged labourers they often know already where and for how long they will be working (Tassi 2012).

In this diversified arrangement, the distribution of additional sources of income depends on each small producer’s ability to prioritise the most profitable activities at any given time. This prioritisation would not be possible if small producers could not count on their kinship networks, with members of the extended family located in different places (urban and rural) in an extensive territory which, as mentioned, may cover more than one country.

If the price of a certain product (coffee, for example) in a particular area is good, members of the extended family will move to that place or live there for a time, until another product somewhere else emerges as more profitable and with more favourable production conditions within the overall production and marketing system. This rationale has a direct impact on production arrangements and technology because producers are not always close to the different crops or livestock in different locations (Muñoz 2004).

This type of small producer agency is not always understood by development projects, companies or individuals responsible for implementing policies, as they tend to see small producers as static, sedentary and focusing on just one activity in a single place.
In many Latin American countries, the poor and indigenous majorities have been forced to take
decisions in spaces that are marginal to ‘official’ political and economic settings. This led them to seek
alternative political, economic and institutional forms in the ‘interstices of the state and the market’.
To analyse and reach an understanding of this, the Latin American members of the Learning Network
identified and worked on the concepts of territory, the market, kinship networks, informality and multiple
activities, as the essential analytical elements.

With regard to territories, it was found that for small producers these are the settings that allow life –
and all the livelihoods and strategies that comprise it – to be established and sustained. In a context
of globalisation and decentralisation, territories play a fundamental role, as they are the settings in
which local communities define and set their economic and political agendas, in some cases on the
margins and in others in a manner that complements national and even global policies. For small
producers, markets are to a great extent constructed depending on the conditions in their territories
and the building of alternative institutional structures based on social and kinship networks. These
forms of territorial control are combined with ways of interacting with urban areas and with global and
cosmopolitan elements. Thus, the territory should be seen as a network of actors with a broad and
diversified supply of products and services, and initiatives to value assets (natural, cultural, social, etc).

To understand what goes on in small producers’ commercial and market spaces, the regional work
revealed that economic and productive activities cannot be separated from political and social activities.
Thus, for small producers the market is an economic, political and social space where formal and
informal markets come together and co-exist in a symbiosis that is known to but not recognised by
governments and their framework of trade regulations. Part of the strategy small producers adopt
with regard to their markets is to enter and withdraw from these under certain economic rationales
and political processes, in keeping with their needs and interests. This enables them to compete with
more powerful companies and economic sectors by defining for themselves a scenario that may be
‘confused’ but on their own terms. Thus, to reach a better understanding of how markets work for small
producers, it is important to bear in mind that they are economic actors who are able to put forward
their own economic models and concepts that establish different ways to appropriate, reinterpret and
negotiate with the market. In this sense, small-scale producers do not need to be ‘helped’; instead, they
should be supported as actors who take their own individual and/or collective decisions about different
market opportunities.

Kinship networks are essential because they connect production to the distribution and sale of
products. These networks operate in a sophisticated way, as they connect different regions and
economic and social dynamics in a broad territorial space. Extensive kinship networks, which to some
extent substitute for the role of the state, reduce the exclusion of small producers because they allow
them a certain degree of control over the market. Based on their ways of working, these networks
enable small producers to establish businesses and marketing chains that are efficient, flexible (they
can be swiftly transformed in response to changing market dynamics and circumstances), highly
trustworthy and low-cost, where productive, commercial, domestic and day-to-day investments are
shared and constantly interact, blurring the boundaries between one sphere and the next. It is precisely
through these kinship networks that marketing chains are being established. These are small to begin
with, but in time they grow and expand until they may even become international networks. Of course,
just like any social system, kinship networks are affected by conflicts and problems which form part of
the way they operate.

With regard to informality, it is increasingly widespread and not necessarily linked only to farming. The
work done by the Learning Network found that, as well as being more complex and structured than first
thought, informality is essential to the survival of small producers’ economic and productive activities
and even the most modern value chains and agrifood companies. As part of their economic strategy,
small producers are constantly moving back and forth between formal and informal markets, depending
on their interests and what suits them best, with the aim of minimising their risks and maximising their
income. Informality enables small producers to create, foster and maintain alternative markets outside the official ones. These alternative systems are often invisible and operate according to a set of local codes, practices and values which do not match the rationales or the ideology of state policies or corporate organisations.

Finally, with regard to multiple activities, it was found that small producers engage in several activities simultaneously. They not only work on the production and marketing of agricultural products, but are also involved in many other different products in rural and urban settings. To do this, they migrate, sell their labour and participate in different ways in union and producer organisations. These forms of diversification depend on each small producer’s strategies and ability to prioritise the most profitable activities at any given time. This way of working is not always understood because there is a tendency to see small producers as static, sedentary and focusing on just one activity in a single place.
This topic was worked on by all the Latin American members of the Learning Network, because it touches on every aspect of the problems studied. Of course, the way in which it was approached and analysed differed in the work of each network member. The most relevant aspects of the research studies have been selected for each topic, seeking consistency and universality in order to identify generalisable findings that offer insights on the processes followed by public policies in the region in relation to small producers.

The topics identified were:

- Public policy implementation and progress in developing policies favourable to small producers.
- Impact of the global context and policies on small producers.

It is important to highlight that during the discussion processes in the Learning Network as a whole, not just in Latin America, it was found that in the research approaches and analyses of many network members, as well as in the laws and policies that are implemented for small producers, there is a strong tendency to focus on rural and/or farming issues. This assumes that small rural producers are only farmers and that they devote themselves exclusively to the production – and possibly also the marketing – of one or two agricultural products.

Based on what we have discussed so far in this document, however, it is clear that to arrive at a more accurate analysis of the subject, we must approach it in a broader, more systemic and holistic way. This is because small producers act as economic subjects under their own rationales that are sometimes difficult to follow and understand fully. Thus, the development approach based on sectoral agricultural policies is clearly insufficient to address the issues that concern the vast majority of small-scale farmers.

Given that the specialised or sectoral approach is so prevalent, however, in order to analyse public policies that seek to benefit small producers it was necessary to carry out part of the analysis from the sectoral perspective.

Public policy implementation and progress in developing policies favourable to small producers

a) General aspects

With regard to public policies, Lorenzo Castillo (2012) from Peru states in his report:

The emergence, stagnation or collapse of cooperatives depends to a great extent on the policies implemented by different governments. The agrarian reform initiated in Peru in 1969 led to the setting up of 1,200 cooperatives, with a membership totalling 240,000 small farmers working 5 million hectares of agricultural and pasture land. The failure of these policies after 1975, however, was a contributory factor in the guerrilla violence that was unleashed throughout the country in the 1980s, damaging the entire social fabric. This meant that the cooperative movement almost disappeared in Peru.

For his part, Alberto Monterroso (2012) says that ‘although public policies for small producers in Guatemala are relatively good on paper, they do not work because when the time comes to implement them they are not backed by sufficient or appropriate resources.’ According to Monterroso, this happens because, due to the country’s history and political culture, the state and organisations view small producers not as economic subjects but rather as political and social subjects who must be co-opted politically and assisted socially. He also argues that the leaders of small producer organisations are unable to negotiate issues of production and markets with government authorities, whereas large businesses do engage in such negotiations.

b) Relations between the state and producer organisations

The studies carried out by Galleguillos, Guharay and Monterroso all found that small producers – including the leaders of their organisations – have little knowledge of policies or how they are formulated and enacted in law. With regard to this, the three authors point out that:

Despite the active participation of organisations of small producers in the discussion processes related to the different laws that favour the sector, the majority of respondents believe that the small farmers’ organisations have had limited effectiveness
and influence on the construction of national policies, in the formulation phase as well as in the implementation phase of public programmes (SIMAS 2011b).

The leaders also point out that the smallholder sector, through its own efforts, can hardly generate initiatives for laws, policies and programmes. Experience teaches that organisations of small producers need to develop partnerships with other sectors such as civil society organisations and the state to improve the effectiveness of advocacy processes. These alliances are needed because the processes require legislative advocacy, technical studies and economic analysis to generate concrete proposals in accordance with existing laws (SIMAS 2011b).

In conversations with small farmers’ leaders, they expressed a degree of suspicion of policies to develop production and trade because they seemed to think that these sought to strengthen the pro-business, ‘capitalist’ approach (Monterroso 2012).

In 2011, small farmers’ organisations held marches and other protest actions to pressure the central government to offer spaces for negotiation and improvements for small producers. When the government invited their leaders to a meeting to discuss their demands, to the government officials’ surprise the key demand turned out to be a request for 50kg of fertiliser to be given to each family of small farmers to support one year of production (Monterroso 2012).

Despite the political changes that have taken place in Bolivia since 2006, the organisations of large producers continue to wield more influence on policies to support production at the local and national level than small producers’ organisations. ... If small producers do not start to negotiate these issues with government (local and national) in the same way as the big business associations do, they will not be able to get the state to implement policies in their favour. This is because, due to the codes used by government officials and the prevailing culture of dialogue and negotiation, in the political struggle to gain the attention of the state, big business always wins (Galleguillos 2012).

An opinion that was quite widespread among the Learning Network members in the region is that producer associations and organisations are essential for influencing public policies. Several members agreed that these organisations should try to put together plans for developing specific production and trade strategies for small producers that would respond to their own rationales, be seen as legitimate and – in the short or medium term – obtain official legal status.

The authorities and experts in Peru’s National Coffee Board are convinced that the business and union organisation is key to improving living conditions for those involved in small-scale agriculture. This requires designing an organisational architecture that is highly social and focuses on sustainability and competitiveness, and the necessary conditions need to be put in place for this (Castillo 2012).

In order to support the development of the small-scale producer, there is a need to create a specialised and technical institution to support the sector. This publicly-funded autonomous institution should aim at articulating all parts of the existing programmes and rearrange the whole structure of current policies into a coherent system of effective measures to support the small producer sector (SIMAS 2011b).

c) Public policy implementation

Both Monterroso and Galleguillos argue that, for public policy formulation and implementation, it is essential to have a more business-oriented view of small producers. This is because public resources need to come together in time and space in an integrated way, combining elements such as: improving technical capacities and skills in farming; funding for the purchase of agricultural inputs; the use and implementation of crop protection systems and irrigation; and capacities and equipment for post-harvest processes. However, this strengthening of internal capacities must be complemented by better roads and access to energy and water, as well as friendly environments that enable small producers to participate in administrative and tax systems.

With regard to this issue, Falguni Guharay says that not much progress has been made in Nicaragua even though the country has policies in place for it:

Although the Cooperative Law [in Nicaragua] has tax shields, benefits and incentives for cooperative development, the national policy lacks concrete programmes and resources to strengthen small producers’ associations. In general, government programmes...
and public investments have impacted very poorly towards the construction of an associative model of decentralised production (SIMAS 2011b).

On another aspect of the problem, Galleguillos states in his report that:

So far, the Bolivian government has not been able to put appropriate laws, policies and instruments in place to support small producers. The reason for this is very likely to be the centralised nature of the state, which is not suitable for addressing the economic and policy demands of small producers, which are diverse and unconnected, and where informality guarantees the flexibility that small producers need.

According to several Learning Network members, the sectoral rural and agricultural policies that are most closely related to the issues that concern small producers – but which nevertheless fail to address their problems – are those that deal with: land tenure, technological assistance and services for production, finance, market access, and the recognition of the different ways in which producers form associations. Furthermore, the procedures used by the state to design and implement public policies do not fit with small producers’ needs. As mentioned before, one of the causes of this problem is that small producers are unable to participate adequately in the discussion and formulation of specific public policies.

In those countries – not just in Latin America – where small-scale production predominates, the ideal would be to have a ministry of small-scale production and a high-profile office specialising on the issue in local governments. To be able to implement this, some crucial factors are required:

Small producers need to have more knowledge on policies, laws and programmes relating to the development of the sector in order to improve their participation and the quality of their contribution while discussing and debating policies and projects. These processes of strengthening and learning should also include a strategy for the younger generation to replace the leadership of these organisations, in order to ensure that the membership is more active and influential in decision-making on policies and action plans for public investment (SIMAS 2011b).

It seems that one of the challenges in promoting effective participation and policy influencing by small producers’ organisations is to improve and democratise meeting and discussion spaces at national, regional and local levels.

As Luis Galleguillos (2012) points out in his study:

There is a need to review the relationship and ways of working between the government and producer organisations with regard to how policies are designed and applied. It is also necessary to agree ways to monitor and evaluate the impact and results of policies and mechanisms for social oversight by producers. Before doing this, it is important to understand the interrelationship between the state, producers and external organisations, both in terms of their dynamics and priorities and with regard to the plans and actions they carry out.

Almost all the studies found that small producers have a great capacity to identify and define very creative and innovative ways to form associations, which in most cases are not reflected in the legal framework. To strengthen small producers’ agency it is vital that governments recognise and legitimise these structures and forms of organisation. In order to implement appropriate public policies that benefit small producers, at both local and national levels, it is essential to understand the strategies that they put forward. For this to happen, it is important to bear in mind the recommendation to avoid separating economic and productive activities from political and social activities, either conceptually or practically.

Finally, with regard to the information made available by the state for the design of proposals and policies that could support small producers, Galleguillos (2012) points out that:

The official statistics and figures available are misleading because small producers are so diverse, both in territorial terms and with regard to their economic activities. The information made available by the state is therefore only an approximate estimate. This makes it difficult to plan for public policies and investment, and it is why the state always has problems designing policies and projects for small producers.

d) Public policy formulation

It is clear that the process of formulating and implementing public policies that benefit small producers is not simple, since it requires a significant change in mindsets and attitudes, both on the part of government authorities and by the leaders of civil society and producer organisations.
However, the members of the Learning Network in Latin America make reference to some areas of progress in this regard which are worth highlighting:

In the last ten years in Nicaragua, many of the initiatives for laws on the subject of rural development, environmental, social and labour issues have arisen from direct participation of social and productive sectors as mandated by the constitutional and legal system. As a result, these efforts have generated proposals and drafts of laws and policies. However, tensions have arisen in these processes due to partisan politics or personal dominance, and there has been little participation or mediation by state institutions. This leads to a purely instrumental participation of small producers and civil society organisations, just to approve policies and plans that have been developed by the central government, without questioning or debating (SIMAS 2011b).

Claudia Ranaboldo points out that small rural producers in the three countries she studied (Argentina, Bolivia and Peru) are increasingly valuing biocultural aspects in their territories. This implies that they are developing new alternatives that are complementary to classical product categories, in many cases without support from the state or international cooperation.

It is in the diversification of products and services, and in good quality, territorially and culturally rooted products, where some of the future prospects lie for small producers in rural territories (Ranaboldo et al. 2011).

However, she found that in all the cases studied there are significant failings on the part of the state in supporting the initiatives being taken forward by small producers. Her work identifies three relevant issues in this regard:

1) The policy instruments which should be in place for the public sector to promote territorial development with cultural identity. Because these instruments are complex, they run the risk of being unclear and failing to guide the implementation of public policies. This may lead to confusing demands coming from small producers.

2) Because they are sectoral, rural development policies and programmes have a tendency to be ‘self-limiting,’ thus preventing a more integrated approach to territorial development policies. This makes cross-sectoral work between ministries (of agriculture, tourism, culture, education, etc) and between levels of the state (national government, regional governments and municipal governments) difficult.

3) Sub-national (municipal) governments are vital policy spaces for achieving territorial development. Technical capacities at this level of the state and their degree of autonomy from the national state are vital for appropriately achieving territorial development with cultural identity (Ranaboldo et al. 2011).

She also points out that ‘the issue of how small producers relate to the national policy and legislative framework, or to public–private arrangements within their territories, has not been resolved in any of the cases studied.' According to Ranaboldo, the reason for this is the multi-sectoral nature of the territorial development with cultural identity approach, which does not only address farming or rural issues. 'This finding implies rethinking the relationship with policy-makers and decision-making processes, and trying to break with the old patron–client relationship between the state and small producers.'

Having reviewed all the work done by the Latin American members of the network on this issue, it is clear that public policies and their settings have a direct influence on the development of production, trade, political and social strategies by small producers, not just in terms of the formulation and implementation of such policies but, more importantly, with regard to the impossibility of applying them, and their distortions. As Castillo (2012) points out, the development and viability of cooperatives at the national level depends to a great extent on the public policies implemented by central government. Or, as Monterroso (2012) indicates, the public policies implemented by national or local governments – regardless of the government’s ideology – do not work and are not provided with sufficient resources to make them work, due to the fact that government officials do not fully understand the dynamics and problems of small producers.

Consequently, in order to achieve more effective public policies and bring them closer to small producers, it is vital that public officials change their view of the sector, while small producers and their organisations need to develop strategies different to those they have hitherto been implementing for this to happen.
Impact of the global context and policies on small producers

The application of global policies and how they are translated in national settings has some influence on small producers’ agency, especially with regard to free trade agreements (FTAs), their implementation and their impact on small-scale agriculture.

According to the official discourse of the World Trade Organization (WTO), free trade agreements serve to strengthen multilateral trading systems, and this in turn increases the production and world trade of goods and services (Oxfam 2006). According to this view, FTAs are vital instruments that strengthen the world’s many productive sectors (large and small), regardless of their origin and nationality, by integrating them economically, under the assumption that access to new markets leads to an increase in exports and thus higher incomes.

Policies for the implementation of FTAs obey standardised international agreements that are difficult for peripheral or ‘developing’ countries to modify. This means that once a FTA is signed, its regulations become part of the country’s laws with no room for making substantial changes or modifications later on.

The complexity of FTA negotiations demands that the sectors involved have a detailed technical understanding of the issues, and countries with the weakest and smallest economies do not always have this knowledge. Furthermore, the timescale for discussing and negotiating the agreement is usually short, taking into account the volatility and complexity of political and economic scenarios in countries that are not highly industrialised. Because of this, most of the network’s studies found that small producers have not had a significant direct influence on the content of the FTAs that have been negotiated and signed. This is due partly to the nature of the negotiations, partly to the technical complexity of the language used in the negotiations, and partly to the gulf that separates the cultural codes and methods of analysis used by international bureaucrats and those of the leaders of producer organisations.

With regard to this, Luis Galleguillos and Alberto Monterroso state that:

Although some small producer organisations have a clear view and understanding of external markets, because of the ways in which public policies are handled they are unable to participate effectively in negotiations with the government to open up new markets (Galleguillos 2012).

The leaders consulted believe that these trade agreements do not benefit small producers. Furthermore, the small farmers’ organisations were not invited to participate in the discussions. This is why small farmers’ leaders are against the trade agreements (Monterroso 2012).

Monterroso also points out that in Guatemala the Ministry of Agriculture is the only institution that consults small producers about the FTAs, and there is no other form of dialogue with small producers on this issue. He also states that:

A Ministry of Agriculture official, who is part of the negotiating team, consults small producers directly and reports back to the negotiating team about the opinions of those consulted. But there are reservations about this because there is no evidence that such consultations actually took place (Monterroso 2012).

Guharay also describes how ‘the Nicaraguan government has offered the organisations training courses on trade on many occasions, but attendance has been very sparse’ (SIMAS 2011b).

It is clear that many of the measures taken by states to comply with FTAs respond to the demands of powerful groups at home and abroad to facilitate trade, investment and the exploitation of countries’ natural and social resources.

In countries where the state is weak, small producers are hardly ever taken into account. This means that free trade agreements either benefit transnational companies based in more powerful countries or the large business sector in the country itself. With regard to this problem, Guharay and Galleguillos comment:

[In a free trade context where the production and trade sectors are weak,] imports have grown, sideling agro-industrial processes based on domestic raw materials and turning the country into a net importer of raw materials. Furthermore, as expected, the FTAs and liberalisation have opened clear spaces for the development of agricultural trade but they have also helped powerful groups to appropriate these spaces. Free trade has been implemented by large-scale producers who dominate the market, transferring high penalties to small-scale producers who lack quality and efficiency (SIMAS 2011a).
National policies aimed at dealing with international markets have always been managed by the groups holding political power at the time. This is why small producers and their organisations do not participate in the discussion, formulation and implementation of these public policies (Galleguillos 2012).

The quality and food safety standards that must be met to enable small producers to access international markets governed by FTAs are very stringent and include: local certification and accreditation systems adopted and backed by national legislation; specialised and subsidised public laboratories to certify quality and food safety; local-level documentation systems to disseminate best production and plantation development practices; the provision of information about market requirements, standards, audits, traceability procedures, etc, and specialist technical assistance to ensure compliance with internationally recognised health and food safety standards (WTO and Government of Nicaragua 1994). Of course, as indicated already, for the majority of small producers who wish to access international markets through FTAs, this constitutes the most significant obstacle.

With regard to this, Falguni Guharay comments:

Free trade agreements have improved access to some markets through the implementation of quality standards, standardisation and compliance with technical requirements. But this progress has primarily been seen in the case of large farmers and exporters who were able to meet the requirements. ... After almost 10 years of implementing a series of free trade agreements in Nicaragua, leaders of farmers’ organisations state that ‘the rural sector and especially small-scale producers have not yet achieved any benefit’.

The consequence of this process of excluding small producers is that the export supply is based solely on the ‘traditional’ production structure, without any major technological changes or product diversification. Furthermore, ‘as time goes by with the implementation of the different FTAs, tariffs are gradually reduced and protection for domestic products is brought to an end. The measures and regulations to fulfil technical requirements such as food safety and traceability become increasingly stringent for small producers’ (SIMAS 2011a).

With regard to FTAs as part of government policy, Guharay comments that ‘FTAs represent the cost a country must pay for the opportunity to be inserted into international markets in this way.’ He goes on to describe the situation specifically:

When a country like Nicaragua that has not solved the agricultural problem of small-scale producers signs an FTA, it is unable to support its small producers through subsidies or other policies that would help them to deal with the international context. This means that FTAs operate in only one direction. FTAs do not favour the agricultural markets of local producers, but they do provide significant benefits to external producers who have better conditions to compete (SIMAS 2011a).

This unilateral opening up of the market further debilitates the already weak farming and agro-industry structures and reduces the scope for small producers to engage in production and trade.

In the absence of coherent public policies, instead of solving the problems that affect agriculture, FTAs make them more complicated, especially for producers of raw materials whose income depends on exports, because the lack of information leads to short-term price volatility.

According to Guharay, Nicaragua is one of the Central American countries that has made the most progress in introducing reforms and laws and establishing a suitable policy framework to facilitate FTAs. These laws and policies, however, are hardly consistent with the state’s deficient institutional structures and the lack of organisational capacity among producers, as Galleguillos also pointed out. These problems significantly increase small producers’ production and transaction costs and make them less competitive than producers in more industrialised countries.

But not everything is negative where FTAs and the globalisation of markets are concerned. As Claudia Ranaboldo comments:

With regard to the regulations on marks of origin, it is important to recognise that numerous valuable efforts are being made to improve the opportunities for differentiated products to enter globalised markets. Consumers are increasingly looking for high quality, non-standardised products that are identified with their roots.

Furthermore, the Specialist Network on Family Farming (Red Especializada de Agricultura
Familiar - REAF) is being promoted in MERCOSUR. Its aim is to strengthen public policies for family farming and promote and facilitate trade in family-farm products, based on the principles of solidarity and complementarity and seeking to reduce the asymmetries that small producers have to deal with (Ranaboldo et al. 2011).

For FTAs to become at all viable in developing countries, Guharay argues that the following technical measures are essential:

1) Establish a system of ‘insurance’ or support measures to minimise risks to agriculture in the face of weather hazards and international markets.

2) Encourage investment in infrastructure and technology development for product diversification to increase the supply of high-quality products.

3) Establish measures to reduce or eliminate unequal access to goods and services for production and marketing (SIMAS 2011a).

But, although it requires high levels of investment by the state, this does not guarantee the success either of markets or of financial transactions.

Guharay also proposes some political measures that should be adopted by civil society and small producer organisations to deal with FTAs:

1) Develop a unified strategy of ‘objective and systemic resistance’ to the unilateral liberalisation of markets.

2) Move from a passive attitude to an active approach in order to gain a better position and influence on the negotiations. This implies promoting new leadership and complementary alliances with the private sector in the supply chain and marketing.

3) Expand local and national commercial networks and multi-markets, and improve information networks, training systems and specialist support on various issues (SIMAS 2011a).

Considering our discussions on FTAs and their impact on small producers, it is worth remembering the view of Nico Tassi, who states that because the Aymara groups on the Altiplano involved in the production and marketing of meat have always been excluded by public policies and powerful groups, they have developed other arrangements and forms of modernity that address the problem of globalisation from a different approach and under other parameters.

If part of the Aymara informal commerce has achieved a prominently international dimension and appears to be tied to global markets, it remains dissociated from the international agreements and economic alliances that the Bolivian government has been striking in the last years. The adhesion of Bolivia to the ALBA (the Bolivarian Alliance for the American Peoples), consolidating commercial cooperation with Cuba, Ecuador, Nicaragua and Venezuela and strengthening regional integration in the fight against poverty and social exclusion, has benefited some members of the indigenous communities particularly in terms of education. However, when it comes to economic alliances, Aymara have consolidated their own international ‘agreements’ and trade routes in a rather independent way from the ALBA. With the political and economic ferment of the last years, Aymara have strengthened their commercial networks with their relatives in Chile and Peru, they have reactivated traditional economic corridors linking the Pacific coast with the Amazon basin and they have installed sons and daughters in some key commercial hubs of China’ (Tassi 2012).

Based on the findings of the different Latin American studies with regard to free trade agreements, it can be observed that small producers are usually left on the margins of these treaties and the policies that derive from them. This does not mean that they are on the margins of modernity and globalisation, however. On the contrary, in different ways and different contexts, small producers throughout the world are finding ways to deal with modernity, often more creatively than large businesses, as they manage to take their enterprises forward with fewer resources and facing greater risks.

Furthermore, it is clear that those who have benefited the most from trade agreements and the so-called ‘globalised’ economy are the transnational corporations and their speculative financial dealings. It is precisely these speculative practices that have contributed most to the global financial crisis we are undergoing today.

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6. The Chilean Aymara from the region of Tarapacá are entitled to a substantial tax discount from goods bought at the harbour of Iquique. Several of those tax-discounted goods are then passed on [via the contraband trade] to their Bolivian relatives who successively redistribute them to the entire region.

7. Bolivian President, Evo Morales, has struck several economic agreements with China but none of them is directly concerned with the interests of or involves Aymara traders.
Box 4. Main learning points on public policies that support small-scale producers

On this issue, the Latin American members of the Learning Network analysed progress in developing public policies favourable to small producers, different ways of implementing these, and the impact of the global context and policies on small producers.

With regard to policy implementation and progress in developing public policies, in general terms it was found that the state tends to view small producers not as economic subjects but rather as political and social subjects who must be co-opted politically and assisted socially. Furthermore, the leaders of small producer organisations are unable to negotiate issues of production and markets with government authorities because they have little knowledge of policies, how they are formulated and the protocols used in negotiation and legislation, whereas large businesses do engage in such negotiations. This is why it is important to create a specialised technical institution to work specifically with different groups of small producers and enable them to link up with other sectors of the state to discuss these issues. For public policy formulation and implementation, it is also essential for small producers to have a more business-oriented vision and to put in place friendly and suitable environments that facilitate participation by small producers in administrative and taxation systems.

Another general finding is that it is difficult for the state at its different levels to design and implement laws, policies and instruments to support small producers appropriately. This is because the economic, political and technical demands of small producers are diverse and unconnected. It is therefore vital to develop more flexible mechanisms, instruments and policies, similar to those that characterise informal settings, and to improve and democratise the spaces for stakeholders to come together and discuss public policies at national, regional and local levels.

Small producers have a great capacity to identify and define ways to form producer associations, which in most cases are not reflected in the legal framework. It is therefore vital that governments recognise and legitimise these structures and forms of organisation. In order to implement policies that benefit small producers, it is essential to understand their strategies; but for this to happen, it is important to avoid separating economic and productive activities from political and social activities, either conceptually or practically.

In order to put in place a process of formulating and implementing public policies that benefit small producers, a change in mindsets and attitudes is required, both on the part of government authorities and by the leaders of civil society and producer organisations. This is not an easy task due to the diversity and multi-sectoral nature of small-scale production, which does not only involve farming. This implies rethinking the relationship between small producers and policymakers, trying to break with the old patron-client relationship.

With regard to the impact of the global context and policies on small producers, most of the studies found that small producers have not had a significant direct influence on the content of FTAs. This is due to the nature of the negotiations, the technical complexity of the language used in the negotiations, and the gulf that separates the cultural codes and methods of analysis used by international bureaucrats and those of the leaders of producer organisations.

Furthermore, the quality and food safety standards that must be met by small producers in order to access international markets governed by FTAs are far too stringent. This represents a major obstacle for small producers, as it prevents them from entering and competing in markets. The consequence is that the export supply in the countries studied is limited to the traditional range of products and dominated by large producers, without any major technological changes or product diversification.

Due to the absence of appropriate policies and the weakness of the state's institutional structures in countries with small economies, instead of solving the problems that affect agriculture, FTAs make them more complicated for small producers. This is because lack of information leads to short-term price volatility, which makes small producers less competitive.

For FTAs to become at all viable in developing countries, it is essential to put in place support measures to minimise risks to agriculture in the face of climate hazards and international markets, encourage investment in infrastructure and technology development to diversify and increase the supply of high-quality products, and establish measures to reduce or eliminate unequal access to goods and services for production and marketing. Nevertheless, although it requires high levels of investment by the state, this does not guarantee the success of either markets or financial transactions.

It is important not to lose sight of the fact that because they have always been excluded by public policies and powerful groups, small producers have developed different arrangements and forms of modernity. These must be taken into account by public policies if they are to become more useful and better suited to small producers.
Final reflections

In the two years and more that the Learning Network members worked together, not just in Latin America but also in Africa and Asia, an interesting process of mutual learning was built up, drawing on the personal experiences and work of each individual member. In this process, it became clear that small producers – at least in the countries studied (Argentina, Bolivia, Guatemala, India, Indonesia, Kenya, Nicaragua, Peru and Uganda) – are not as different from each other as was thought at the start of the programme.

It was interesting to find that the stories of small producers and their families in Nicaragua are not very different to those in India or Uganda with regard to the problems they face and the challenges and aspirations they set themselves, even though the geographic, ecological, macroeconomic, social and cultural contexts are very different. It was also instructive to find that small producers identified their problems and successes as unique, believing themselves to be isolated and excluded from their own societies, as well as from the rest of the world.

Therefore, it can be concluded that many of the issues raised, both in this report and in the programme’s other publications, especially the global synthesis report, are to some extent generalisable and relevant to the problems faced by millions of small producers worldwide, who have much in common without being aware of it.

It follows therefore that small-scale producers develop their economic, political, social and cultural strategies from the territories they inhabit and occupy, which of course include urban spaces, since it is from there that they see the world and how it relates to their lives. It is precisely from the standpoint of their territories that they define their organisational arrangements and strategies which enable them to address their particular challenges collectively. To do this, they establish multiple and diverse forms of organisation which frequently operate at the margins of the state and formal markets. Small producers enter and leave these organisations, in the same way that they enter and leave different markets – formal and informal – as part of their strategy of keeping their options open on various fronts and thus being able to cope with problems.

Throughout the programme, we have seen that the issues that constantly interact in the territories (economic, productive, political, social and cultural issues) are constituent parts of the whole small-scale production system and cannot be separated as they are in dominant economies and cultures. This means that small producers’ markets are meeting in spaces in which multiple forms of interaction – not just economic or commercial – take place. Therefore, for the state, projects and businesses to interact appropriately with small producers, it is essential for them to understand that small producers are economic actors with their own economic rationales, based on production and trading kinship networks which enable them to establish flexible, trustworthy and low-cost businesses and marketing chains.

As part of this economic rationale, ‘informality’ and ‘multiple activities’ are not categories that imply the conferring or taking away of legitimacy and professionalism in their economic and productive activities. For small producers, these terms – which were coined in other settings – are remote concepts used by the state and large companies in a crude attempt to define their ways of producing and doing business based on their economic priorities and ways of using and organising their resources. According to these terms, informal activities are ‘packaged’ conceptually as any economic activity not recognised by the state and the spheres of local, national and global economic power, while multiple activities are equated with a lack of rigour, specificity and professionalism in economic and productive activities.

A realignment of our views and emphasis in this regard will enable us to discover that small producers’ economic and livelihood strategies are more flexible, as they move around in different markets and environments simultaneously in order to adapt to their fragile, constantly changing circumstances.

By revealing and systematising these ways of addressing the problem of production and markets, it is possible to suggest new arrangements and new economic rationalities, which in time may help to promote new structures and alternatives which have their origins in the small-scale production that has historically been excluded from economic options and debates.

With regard to the formulation and implementation of public policies that have a positive impact on the set of activities in which small producers engage,
the work of the Learning Network has found that, for this to happen, it is essential to have specialised technical institutions that really know about the problems and processes involved in small-scale production and that work with the different groups in a way that is different to what has been done before. This requires a radical change in mindsets, both on the part of government authorities and public officials and on the part of small producers and the leaders of their organisations.

Just as the Learning Network programme found that the issues and problems common to small producers in different parts of the world are more numerous than was first thought, it is also necessary to seek in the different analytical settings (producer organisations, government at the local, national and global level, international policy organisations, research centres, national and international NGOs, cooperation agencies and programmes, etc) ways to support small-scale production that are more appropriate and more in keeping with their arrangements and ways of working. This new approach and way of working may be disseminated and spread globally, enabling a broader and swifter global learning process through the new information and communication technologies that already exist and which small producers are increasingly able to access. It is therefore important to continue with the analytical work both locally and globally, in order to move ahead with and contribute to the search for new and different economic alternatives.
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Knowledge Programme
Small Producer Agency in the Globalised Market

The Knowledge Programme Small Producer Agency in the Globalised Market aims to map, elicit and integrate knowledge on the dilemmas confronting small-scale producers in global, regional and national markets. The programme works with different actors to bring new voices, concepts and insights into the global debate. It thereby seeks to support the development community, including policy makers, producer organisations and businesses in their search for better informed policies and practices. The programme is led by the Humanist Institute for Development Cooperation (Hivos) and the International Institute for Environment and Development (IIED), and integrates a global learning network, convened by Mainumby Ñakurutú in Bolivia.

Small-scale producers in Latin America
New ways of thinking and acting in markets

Latin America is a region of diverse countries and agricultural systems but small-scale producers throughout the region share important characteristics that require specific policy interventions, that differ from those of large-scale farming. Organisational arrangements, participation in value chains and cooperatives, valuing of products with cultural identity, free trade agreements – these are all issues that affect small-scale producers in Latin America. Drawing on studies and observations from seven countries of the region – Argentina, Bolivia, El Salvador, Guatemala, Honduras, Nicaragua and Peru – this paper discusses these issues and offers insights into how small-scale producers in Latin America are positioning themselves to engage with markets.