

The Role of Social Transfers and Rural Development Policies for Brazil's Smallholding Farmers: An Assessment Based on 11 Flagship Policies

Pedro Arruda (IPC-IG, UNDP)¹

Fernando Gaiger Silveira (IPEA)

Izabelle Vieira (Consultora)

Simone Battestin (Consultora)

Sergei Soares (IPEA)

Áquila Estevão Campos (IPEA-bolsista)

Wesley Silva (Consultor)

This text is based on reports produced by the IPC-IG in attendance to a demand by the IFAD (Cf. GAIGER et al, 2016; SOARES, 2016). Some integral parts of this text were extracted from the IPC-IG/ FIDA publications. This article will also be published as a Working Paper by the IPC-IG.

Please find the full texts at: www.ipc-undp.org

¹ Pedro.arruda@ipc-undp.org

INTRODUCTION: HISTORICAL OVERVIEW OF EXISTING POLICIES AND PROGRAMMES

WORK OF REFERENCE: GRISA, C.; SCHINEIDER, S. (2015). Três gerações de políticas públicas para a agricultura familiar e formas de interação entre sociedade e Estado no Brasil. In: C. Grisa & S. Schneider (orgs.). Políticas públicas de desenvolvimento rural no Brasil. Porto Alegre: Editora da UFRGS, 2015. pp.19-50.

- Since the second half of the 1950s, the Brazilian government has sought the industrialisation of the country, investing in state infrastructure, modifying the existing industrial structure, articulating private national and international capital, formulating macroeconomic and sectorial policies and emphasising the constitution of an industrial economy (Delgado 2010).
- In the early 1960s, this strategy faces a crisis due to factors such as food shortages in the country, the rise of inflation, the depletion of the capacity of importing fundamental goods for industrialisation and the rising criticisms regarding the path of industrialisation, considered dependent and exclusive (Coelho 2001; Castro 1984 apud Grisa and Schneider 2015).

INTRODUCTION: HISTORICAL OVERVIEW OF EXISTING POLICIES AND PROGRAMMES

Out of this crisis, two benchmarks arise in the public agenda: *Core structural reforms* (disregarded) vs CONSERVATIVE MODERNIZATION – Export oriented agri-business of South and Southeast Brazil (institutionalized).

The re-democratisation of the 1980s + ‘Adverse’ liberalization of the 1990 set demand for the Pronaf, in the 1990s – inaugurating the so called **first generation** of family farming policies: *to ‘cover marked failures’*.

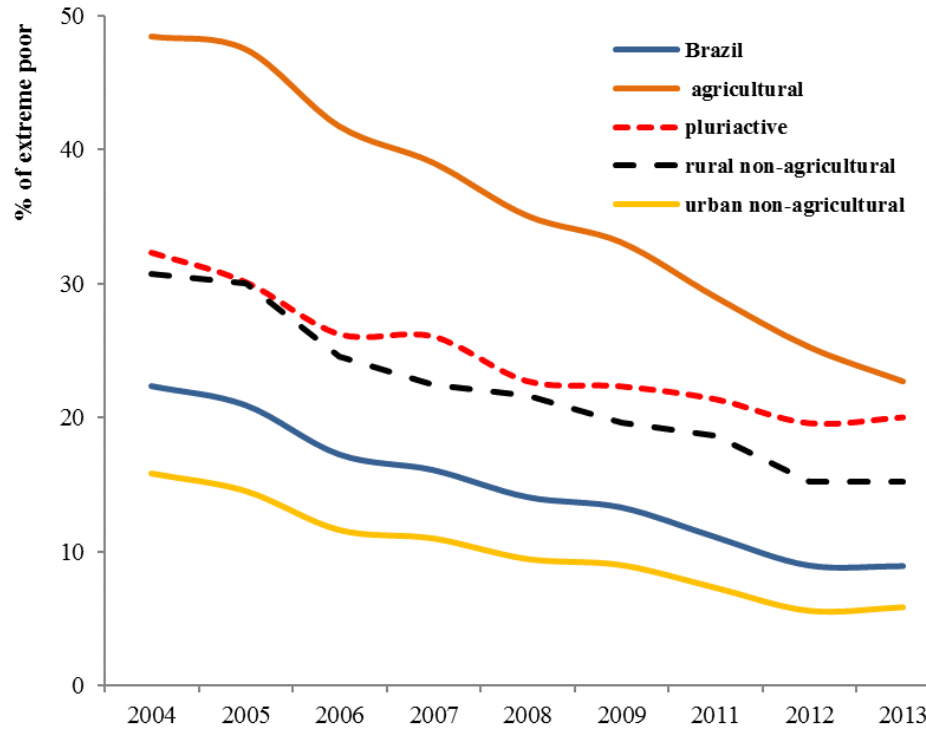
- Set of Cash Transfers that were turned unified and improved to be turned in Bolsa Familia CCT.

Second generation – territorial improvement and access to assets: Ex: Pronat/ PTC / MCMV Rural/ Garantia Safra

Third generation - construction of markets for food security and environmental sustainability. PAA / PNAE/ Cultural and Identity Seals / Biofuels

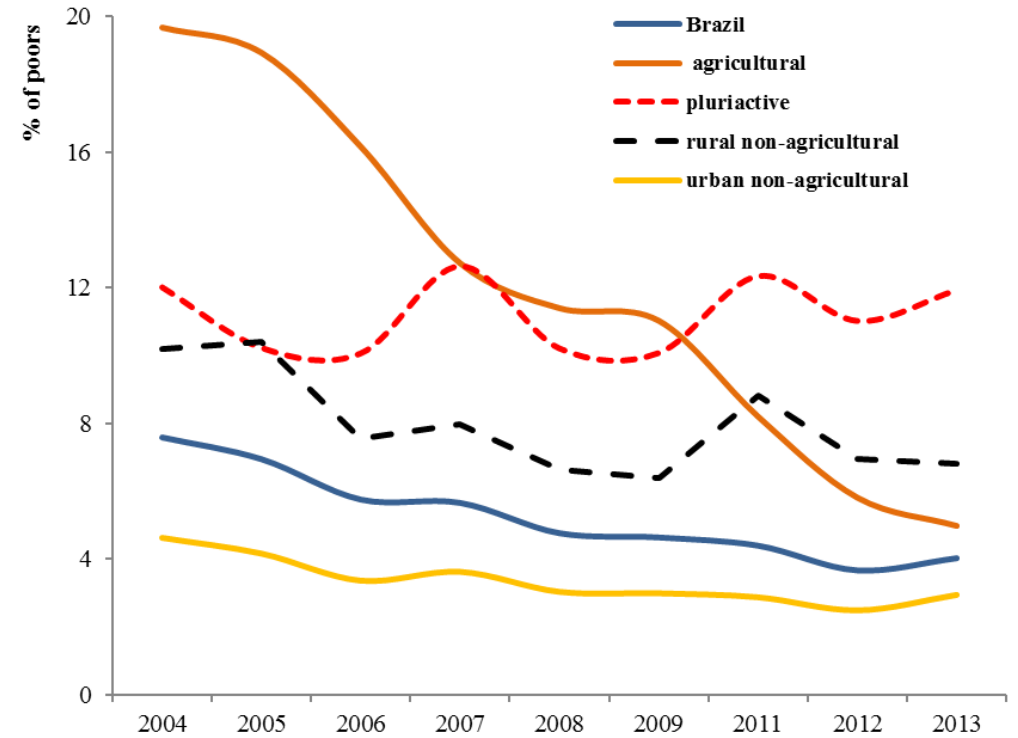
CURRENT PROFILE OF BRAZIL'S RURAL WORLD

Graph 1 – Percentage of the poor population, by groups of household – Brazil, 2013



Source: Soares et al (2016)

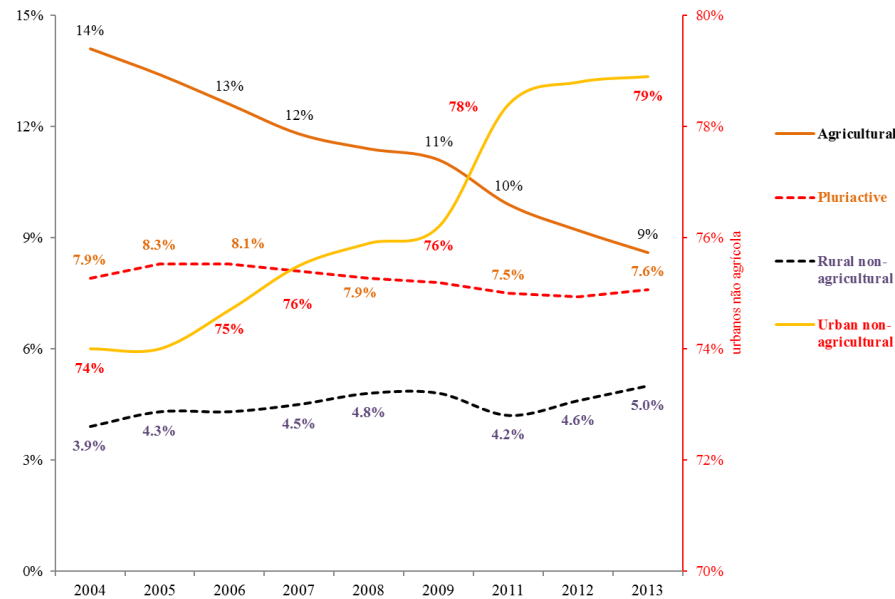
Graph 2 – Percentage of the extreme poor population, by groups of household – Brazil, 2013



Source: Soares et al (2016)

CURRENT PROFILE OF BRAZIL'S RURAL WORLD

Graph 3 – Brazil's population structure according to household groups – Brazil, 2013



Source: Soares et al (2015)

Table 1 – Rural economic participation rates, considering the population engaged on agricultural jobs and the main agricultural income – Brazil, 2013.

Ano	taxa de atividade rural	renda do trabalho principal agrícola	% pop ocupada na agricultura
2004	66,2%	576,66	27,1%
2005	66,9%	592,19	26,3%
2006	65,2%	621,76	24,5%
2007	63,6%	662,41	22,9%
2008	62,3%	687,60	21,4%
2009	61,7%	687,13	20,7%
2011	58,3%	777,48	18,7%
2012	57,3%	838,46	17,1%
2013	56,8%	888,51	17,0%

Source: PNAD 2013

CURRENT PROFILE OF BRAZIL'S RURAL WORLD

Table 2 - Size of public policies for rural development and combating poverty, Brazil, North and Northeast regions, as per most recent data for each programme. Number of benefits paid (thousands), amounts paid (BRL millions)

Policies – Programmes	Brazil		Northeast		North	
	Number of benefits or contracts	Amount	Number of benefits or contracts	Amount	Number of benefits or contracts	Amount
Social Security (2012 – Dec 2012)						
Retirement pensions and assistance	25,176	278,778	6,561	57,288	1,074	9,459
Rural retirements and other rural pensions	8,482	60,945	4,112	28,707	712	4,831
BPC (2014 - Dec 2014)	4,130	35,141	1,500	12,741	414	3,520
Bolsa Família (2014 – June 2015)						
Total	13,717	27,186	6,915	14,120	1,646	5,595
Rural	3,744	8,422	2,455	5,595	522	1,365
Pronaf (2014)						
Funding	615	10,152	51	461	15,741	267
Investment	1,224	14,596	773	2,994	87,623	1,783
PAA (2013)	96	467		37		180
PNAE (2013)		3,693		1,138		253
Family farming		2,474		660		152
Harvest Insurance (2013/14)	909	773	868	738		
Cisterns (2013)	77				74	
Total 2003–2013	1,049				966	
Green Grant (2014)	37	11	5	2	29	9
Closed-season assistance (2014)	861	2,355	437	1,195	293	802
December 2014	168					
Subtotal (rural/agricultural + BPC)		97,840		39,194		8,587
Total		338,010		77,972		18,347

Source: INCRA Administrative records, MPS, MMA, MEC, Brazilian Transparency Portal.

Note: BPC = Benefício de Prestação Continuada.

CURRENT PROFILE OF BRAZIL'S RURAL WORLD

- Together, the funds allocated to these policies in amount to almost BRL350 billion annually.
- Benefits specifically targeting rural areas and populations connected to agricultural production total BRL140 billion (40 per cent), a proportion that is closer to the social relevance of family farmers and people living in rural areas than to their economic importance.
- The amount of expenses included in Table 2, BRL338 billion, amounted to about **7 per cent of Brazil's gross domestic product (GDP) in 2012**. Expenditures were concentrated in the **North and Northeast** regions, where spending on these policies amounted to BRL18 and BRL78 billion, respectively, which in turn amounted to **7 per cent and 12 per cent, respectively, of the GDP of these regions in 2012**.
- Viewed as a share of the GDP of the rural/agricultural universe, the resources spent (including policies) represent **31 per cent, 27 per cent and 82 per cent for the whole country, North and Northeast, respectively**.
- In the case of the Northeast region, there are more than 4 million rural retirement and other pensions being paid, almost 2.5 million rural families receiving the *Bolsa Família*, 800,000 micro investment contracts for poor family farmers, nearly 1 million farmers supported by the *Garantia Safra* (Harvest Insurance) and 500,000 fisherfolk with guaranteed income during the closed season.
- For the whole Northeast (not just the rural population), there are 6.5 million retirement/other pensions and assistance, 7 million families receiving the *Bolsa Família* and 1.5 million beneficiaries of the *Benefício de Prestação Continuada*.

CURRENT PROFILE OF BRAZIL'S RURAL WORLD

There are four important changes:

- 1) a decrease in wage-earning agricultural labour and self-employed work, due to the deepening impacts of the technological model;
- 2) the removal from activity of workers employed precariously: unpaid workers, young people and women;
- 3) a significant expansion of formalisation among wage-earning employees, with formalisation rates going from 33 per cent to 50 per cent;
- 4) an increase in the number of individuals engaged in production for self-consumption, especially in households whose members engaged in agriculture do not receive monetary income

MAIN FEATURES OF FLAGSHIP RURAL AND AGRICULTURAL PROGRAMMES

Land Reform: Turned into colonization and lacks development support.

Land Reform Education Programme: Little coverage and doesn't really re-engage adults who dropped school in the past.

Credit Land reform: Little coverage, risk of excessive debt, but positive to prevent land-fragmentation due to succession.

Pronaf: Regional and plutocratic bias, and fails to promote productive changes.

PAA: Little coverage and struggles to accommodate the poorer farmers.

PNAE: Struggles to accommodate the poorer farmers.

Garantia Safra: in practice, works as social assistance more than rural development policy. Fails to lead to productive changes.

Bolsa Família: vast coverage and overall positive, but not sufficient, impacts on human development-related aspects

Social Pension: Much more substantial benefit than that of Bolsa Familia, basically shields households from extreme poverty.

Cisterns: Took over 7 years to 'take-off', but now seems positive on both results and processes.

Green Grant: Small coverage, but seemingly positive environmental effects.

THE PERSPECTIVE OF A TWO-PRONGED DEVELOPMENT APPROACH

- It purports that development must be sought by concentrating social assistance grants on poor and vulnerable farmers so that they can be relocated to other activities (presumably becoming employees of the agribusiness, engaging in pluriactivity, or merely migrating to seek urban opportunities). Simultaneously, agricultural support in the form of credit, assets and access to markets, must be solely concentrated on the agribusiness sector and on the best performing family farmers.
- **Impossibility of small-farming given supposedly unique productivity concentration:** According to the 2006 census, just under 30,000 establishments account for half of the country's agricultural gross value added (GVA), while the 3 million farms with gross income of no more than two minimum wages account for just over 3 per cent of that amount (Navarro and Campos 2014).
- Reducing weight of land-possession on productivity equations, on the food security framework, and on rural poverty more broadly.

THE 'PEASANT'S RESILIENCE' PERSPECTIVE

It is unfair to deny the role of smallholding farm in the agribusiness-boom (ex: seasonal work, 'subsidised labour-market', etc)

- “In light of all of the above, then, it becomes clear that the two-pronged development hypothesis is not only a case of misplaced fatalism but also a typical return to a dualistic view of rural Brazil that ignores the intrinsic relationships between its different sectors and agents”.
- 10 per cent of the wage-earning labour in Brazilian agriculture lives in agricultural households they own; it is also noteworthy that around a quarter of such labour comes from urban households.

Smallholding farm also expanded its productivity, even if at slower paces than the agribusiness

The singularity of the productivity concentration is questionable since it is based on cross sectional data for one year only (only considering 2006, even though the Agricultural Census was also available for 1995/6 and 1985). **How come one affirm that without longitudinal data?** Meanwhile, no structural indicator of Brazilian rural world has substantially shifted (ex: Gini of the earth kept at around 0.855 between 1985 and 2006)

THE 'PEASANT'S RESILIENCE' PERSPECTIVE

Data sources downplay the productivity of smallholding farm by not considering imputed rent and other aspects peculiar to this form of sociability

- about 40 per cent of the income earned by these families comes from non-monetary sources: home ownership and own production.

Hoffmann (2011) estimated earnings equations using data from the 2009 PNAD, and concluded that “there is no doubt regarding the major importance of the size of the land as a determining factor of the income earned by individuals engaged in Brazilian agriculture, along with whether or not said individual is the owner of the land”

Sergei et al (2016) show that almost 90% of the rural poverty is concentrated on rural micro-properties

Hoffman and others show how IDH and life-expectancy have strong correlation with land-possession for the case of rural population.

CONCLUDING REMARKS

On the one hand, one must recognise that productivity-focused programmes have not been effective in their goals of maintaining employment in the field (since some 3.5 million jobs have been eliminated in self-employed households) or creating opportunities for the poorest farmers (given that poverty remained at the same levels in pluriactive households and that the size of this group has actually increased in relation to other rural/agricultural population segments). On the other hand, it is not known for certain to what extent these failures are incorrigible, or even to what extent they are not the result of an implicit two-pronged development interpretation that skews and limits such policies from design to operation.