

# SCALING UP LOCAL DEVELOPMENT INITIATIVES: BRAZIL'S FOOD ACQUISITION PROGRAMME

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# SCALING UP LOCAL DEVELOPMENT INITIATIVES:

## BRAZIL'S FOOD ACQUISITION PROGRAMME

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### 1 INTRODUCTION

Global poverty largely remains a rural phenomenon. Close to 70 per cent of the developing world's 1.4 billion people living in extreme poverty inhabit rural areas (IFAD, 2011). Further, agriculture is found to be a source of livelihood for over 80 per cent of rural people, highlighting the importance of supporting this activity as a means to fight poverty (World Bank, 2007; IFAD, 2011). This is darkly ironic: rural areas are where most of the world's food is produced and also where the majority of the world's extreme poor and malnourished reside.

Poverty in rural areas stems from a diverse set of shortcomings such as: lack of adequate public investments in infrastructure, storage and market facilities coupled with disadvantages rooted in historical inequities, agricultural, land tenure and credit policies and economic factors that have a bearing on the distribution of assets, productive resources and access to credit and markets. Rural livelihoods are also based on a wide range of activities ranging from agricultural production to off-farm wage labour, and these vary across agro-climatic zones, land tenure arrangements, regions and cultures. The growing frequency of extreme weather events and recent increases in global financial and commodity price volatility—with sharp price rises particularly since 2006 (FAO et. al., 2011: 8)—have heightened the obstacles that rural producers, particularly poor, already face in many regions and have also contributed to severe localised food insecurity.

Following the food crisis, the Secretary General of the United Nations established a High-Level Task Force on the Global Food Security Crisis in 2008. The Task Force developed a Comprehensive Framework for Action (CFA) which outlined a twin-track response to the global hunger crisis. As a first response, access and affordability to food needs to be adequately addressed if the world is to tackle the immediate hunger epidemic it is facing. Second, the framework highlights the importance of revitalising agricultural production—specifically, smallholder production—with the capacity to support an alternative solution drawing on local and more sustainable practices to come to grips with new realities of population growth, climate change and deteriorating rural livelihoods. Protection against shocks is also essential to minimise households' vulnerability which is subject to little or no investment in production, an inability to cover basic needs and, ultimately, a persistence of poverty.

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The food regime prevalent in many countries, however, prioritises global integration and competitive export markets over domestic and local production. For many smallholders, assured access to the export market is challenging and, as seen recently, tends to be financially volatile. Challenges arise due to a focus on national economies of scale in production and marketing combined with stringent quality and safety standards on the part of importing countries and supermarket chains. This is exacerbated by relatively limited equal access to public investment and financial assistance. As a result, with uncertain access to capital and larger markets, smallholders are less economically competitive against large-scale agribusiness in producing for specialised markets of scale (Schnieder et al., 2010).

Where linkages between local production and consumption can be articulated, local production can be economically viable and socially and environmentally sustainable. Due to the diverse challenges and magnitude of obstacles facing rural livelihoods around the world, local initiatives can be responsive to local conditions and opportunities. Approaches that support smallholder rural livelihoods as a modality to combat hunger are of particular value (IFAD, 2012). Local initiatives can not only address hunger but also effectively and appropriately address regional, communal and culturally specific diets (Allen, 2010). On the production side, disparities in climate, soil and farming techniques can be minimised through local support and innovative solutions tailored to specific geographical needs (IAASTD, 2009).

In fact, a number of countries are looking to put in place innovative policies to address the new risks and vulnerabilities that are surfacing in the global food regime and to enable a response to often long-standing local and national challenges in ensuring adequate production and food security. It is in this context that this paper seeks to explore the experience of Brazil's Food Acquisition Programme (*Programa de Aquisição de Alimentos – PAA*). The main goal of the PAA is to “guarantee access to food in the proper quantity, quality and regularity according to the needs of populations living in food and nutritional insecurity, as well as to promote social inclusion in rural areas by strengthening family agriculture” (MDS, 2010, cited in Chmielewska and Souza, 2010).

The paper begins in Section 2 by providing an overview of the design, operations and trajectories of the PAA. We explore the actors involved in the design and the different implementation modalities (i.e. purchase from individual farmers and associations and organisation of purchase by the national supply company, local municipalities and states). The actual steps that need to be followed in the procurement process are also outlined with a view to highlighting some of the key issues that will have a bearing on scaling up the programme in terms of the scale of its scope and reach to some of the more vulnerable family farmers.

Section 3 outlines the objectives of this study which are to (i) to provide first-hand documentation of the design and operations of the programme—which includes the observed physical actors—involved in design and implementation; and (ii) to identify the potential for scaling up the programme in country and the possibilities for South–South knowledge-building. Desk research is informed by field research in the states of Piauí and Ceará, both of which are in the north-eastern region of Brazil. This region has the highest incidence of extreme poverty in the country, a major share of which is located in rural areas. Consequently, the federal government sees the expansion of the PAA as a crucial instrument to achieve its goal of eliminating extreme poverty, especially in the north-eastern region. Piauí is one of the states that has most deployed the PAA-Estadual modality. Ceará was chosen to observe the PAA-Municipal modality which is not present in Piauí.

Section 4 then looks at issues of recent policy developments and scaling up, particularly at the level of expanding coverage for the extreme poor. Expansion of the programme can be analysed in terms of different pathways (Linn/IFPRI, 2012). Geographical expansion or expanding coverage to a particular population under the programme could follow a 'horizontal' duplication in new areas. The addition or modification of modalities could represent a 'functional' expansion through new methods to increase participation. Institutional expansion across local, state or national levels indicates a 'vertical' expansion. The paper argues that, due to the multi-stakeholder design of the programme, it is expanding through all three of the above pathways under the federal government's new strategy to eliminate extreme poverty. The paper also looks at the specific issues of how to reach hitherto unreached populations and how to cover current programme participants more effectively.

The following sections go on to explore key issues and challenges with regard to scaling up such as organisational capacities of farmers, transportation, design of payment systems and financing. The approach taken by Brazil's PAA, including recent developments, is considered, and the issues that are likely to be of most interest from the point of view of South-South knowledge-sharing are highlighted.

## **2 BRAZIL'S FOOD ACQUISITION PROGRAMME: DESIGN AND OPERATIONS**

In Brazil, 84.4 per cent of all farm production units are family farms,<sup>1</sup> yet they occupy just 24.3 per cent of the total area of rural establishments. There are also significant variations in the profile of family farmers across the different agro-climatic zones and regions of Brazil. Over 25 per cent of Brazil's rural population lives in extreme poverty. Moreover, roughly 50 per cent of the country's total family farmers reside in Brazil's northeast, with 35 per cent living in extreme poverty (IBGE, 2010). Significant numbers of family farmers in the arid north-east, in particular, cultivate relatively small plots of land and supplement their incomes with social transfers. Poverty levels are also relatively higher for Brazil's indigenous peoples (39.9 per cent) and Afro-Brazilians (Federal Government of Brazil, 2011; IFAD, 2011; Gradin, 2007; Hall and Patrinos, 2006).

Across the developing world small farmers are often faced with severe inequalities of land and income coupled with more limited access to public infrastructure and resources. With access to adequate productive resources, however, they could very well be the greatest untapped productive force if we are to attack hunger and poverty and promote a more economically, socially and environmentally sustainable form of agricultural production. Despite the land inequality, family farmers already produce 70 per cent of all food products consumed by Brazilians daily (IBGE, 2009).

Support to family farming is a major policy issue in Brazil. The government of Luis Inácio 'Lula' da Silva particularly emphasised this theme and reorganised a number of existing programmes and expanded the state's commitment to poverty alleviation and food security. Lula claimed he would have accomplished his life mission if, by the end of his terms in office, every Brazilian were able to have three meals a day (Graziano da Silva, 2009). To fulfil this mission, the Lula government initiated a bold framework to eliminate hunger aptly named Zero Hunger (*Fome Zero*).

Although many programmes and ministries are involved in implementing this comprehensive attack on hunger, one programme has been particularly innovative in simultaneously supporting rural livelihoods and reducing hunger through the same programme modality. Launched in 2003, Brazil's PAA is a government-sponsored food procurement programme that utilises the productive capacity of family farms to contribute to meeting the nutritional needs of people living in food insecurity, by supplying food to local public school feeding programmes, food banks, community kitchens, charitable associations and community centres for the needy (CAISAN, 2011). The programme has a dual function of providing market access to eligible family farmers—by purchasing crops at fair prices based on the regional market average—and contributing to food security through (mainly) donations to vulnerable groups.

## 2.1 ELIGIBILITY FOR THE PAA

Currently, family farm status is determined by eligibility for public programmes aimed at family farmers, principally the National Programme for Strengthening Family Farming (PRONAF). All farmers wishing to participate in the PAA must first have a declaration of aptitude or fitness for PRONAF, the *Declaração de Aptidão ao Pronaf* (DAP). In 2006, the federal government passed Law no. 11,326, also known as the Family Farming Law, which provides a formal definition of a family farm as follows:

1. An establishment or area of economic activity in a rural area of less than four fiscal modules;<sup>2</sup>
2. A majority of the labour used on the farm is sourced from the family members;
3. A majority of the income comes from the property: agriculture, fishing or gathering etc.;
4. The establishment is managed by the family.

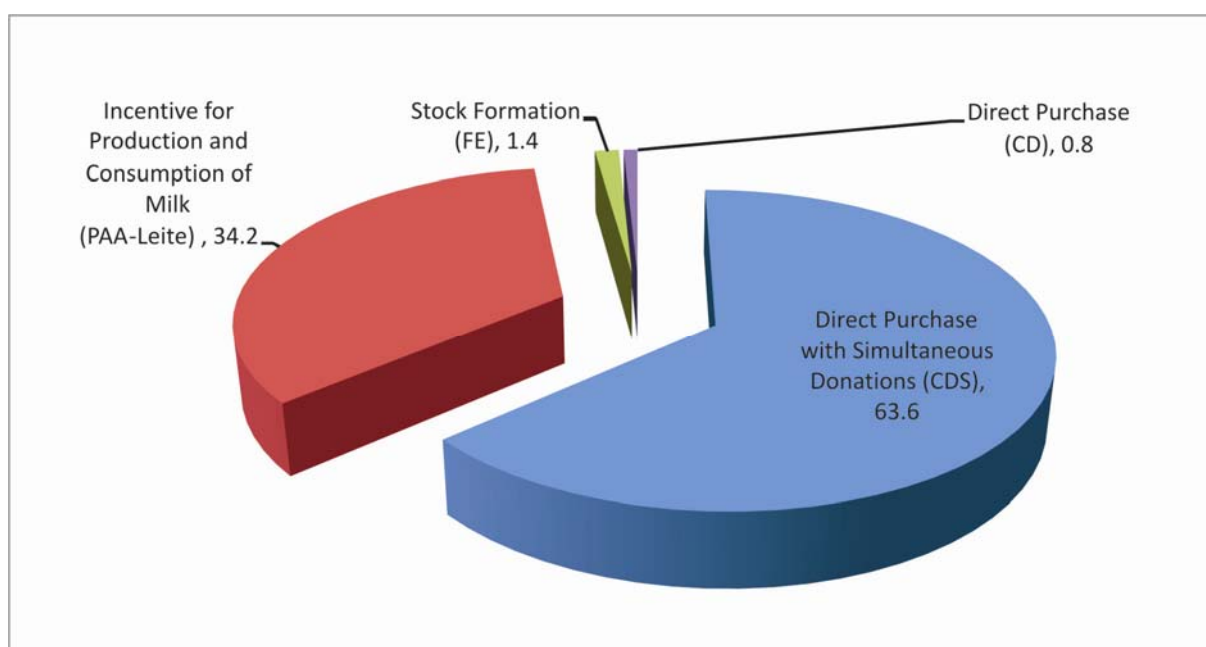
The DAP is the government's registration and targeting mechanism for all family producers in the country. Without it, a family farmer is off the radar and will not be able to access government policies and credit. Information submitted through DAP applications allows the government to compile data on income, labour, land and management for all registered family farmers. The DAP registry allows for registration of families represented by a signatory head of household (classified into different groups) and associations of farmers. Group 'A' is the most vulnerable group and includes the most recent land reform settlers<sup>3</sup> and those with little to no income. Group 'B' includes more established land reform settlers and poor family farmers, fisher folk and artisanal rural households.<sup>4</sup> The groups were developed to correspond to available lines of credit through the country's extensive family farmer credit line (PRONAF), but the registration also provides a convenient way to set priorities for the PAA to procure from the most vulnerable producers (Ministério da Integração Nacional). Although the most vulnerable family farmers are intended to be first in line for selling to the PAA, there is no evidence that this clause is always put into practice at the local level.

## 2.2 PAA MODALITIES AND FINANCING

Funds for the programme are directed from the federal Ministry of Agrarian Development (Ministério de Desenvolvimento Agrário – MDA) and the Ministry of Social Development and Fight Against Hunger (Ministério do Desenvolvimento Social e Combate à Fome – MDS), while implementation is a coordinated effort between the National Supply Company (Conab) and local governments (state and municipal). Although several modalities are used to procure and distribute food from family farms, the most widely used method is ‘purchase with simultaneous donation’ (*compra para doação simultânea – CDS*), which comprises over 80 per cent of all purchases (Conab, 2012). This modality uses two different interventions for farmers, both with an annual cap of R\$4500 (US\$2217) per family (Chmieleweska and Souza, 2010).

FIGURE 1

### PAA Financial Allocation by Modality, 2010 (%)



Source: MDS, 2012.

Moreover, this modality also represents 63.6 per cent of total PAA funds; with PAA-Leite (an incentive for the production and consumption of milk) representing 34.2 per cent, together they total 97.8 per cent of total programme resource allocation from January to June 2012 (MDS, 2012).

While PAA-Leite is limited to the procurement and distribution of milk products and covers just 10 states, CDS covers all 26 states and procures vegetables, fruits, meat, eggs, milk and derivatives, grains, cereals, baked goods, honey, fish, sweets, spices, sugar, oilseed and more.

In light of trends in the allocation of PAA resources as well as the objectives and functions of each of the PAA modalities, we focus on the CDS modality. CDS is the most significant not only in terms of resources but also with regard to geographical coverage and the diversity of food items procured. This modality can be implemented by three different institutional

executors. Under the first type of CDS intervention (PAA-Conab) Conab is the executor and organises purchases from farmer associations, cooperatives or unions for distribution to centres fulfilling a public good. The first step of the process involves the association or cooperative holding an informal meeting to assess the productive capacity of the farmers by way of type and quantity of products. After determining the viability of their project, the association collects all of the necessary information from the producers (DAP registration numbers, specific crop and weight to be procured etc.) and identifies institutions to receive the food donations (prisons, social assistance centres, hospitals, schools etc.). When the association has compiled all of the necessary information, it submits its project proposal via Conab's online registration portal, PAAnet.<sup>5</sup> Conab is then responsible for reviewing the project and either approving or rejecting it, depending on whether the information is adequate and meets the requirements (for example, all the producers have DAPs, and the receiving institutions are eligible etc.). The approval process from Conab often includes a visit from a representative who travels to the location to approve the project for six to 12 months; it can then be renewed every six to 12 months without requiring an official visit from Conab.

TABLE 1

**Brazil's Food Acquisition Programme**

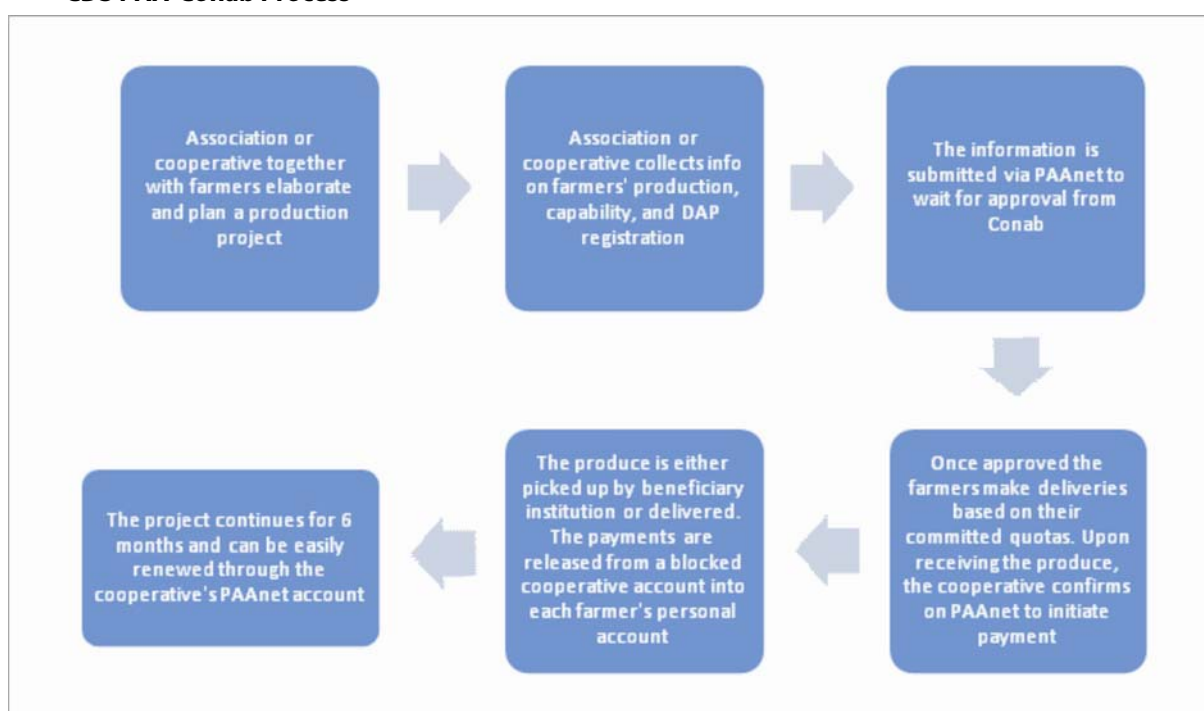
Modality	Objectives and Functions	Source of Funding	Executor	Forms of Access	Limit per Family (R\$/year)
Direct Purchase (CD)	Purchase poles; In situations of low price or by virtue of meeting demands for food-insecure populations; Playing an important role in the regulation of prices and supply.	MDS and MDA	CONAB	Individuals, informal groups, cooperatives, associations	8000 (US\$3938)
Stock Formation (FE)	Provides tools to farmers to support the commercialisation of its products, price support and add value to production; procures food for inventory stocks to be marketed or distributed to food-insecure groups	MDS and MDA	CONAB	Cooperatives and associations	8000 (US\$3938)
Direct Purchase with Simultaneous Donations (CDS)	Procure food grown by family farmers and provide donations of food to entities in the socio-assistance network	MDS	CONAB, states, municipalities	Individuals, informal groups, cooperatives, associations	4500 (US\$2217)
Incentive for Production and Consumption of Milk (PAA-Leite)	Encourage the consumption of milk to families who are in a state of food insecurity and nutrition, and encourage family farmer production	MDS	Northeast states and Minas Gerais	Individuals, informal groups, cooperatives, associations	8000 (US\$3938)

Source: Gestor do PAA (2010).



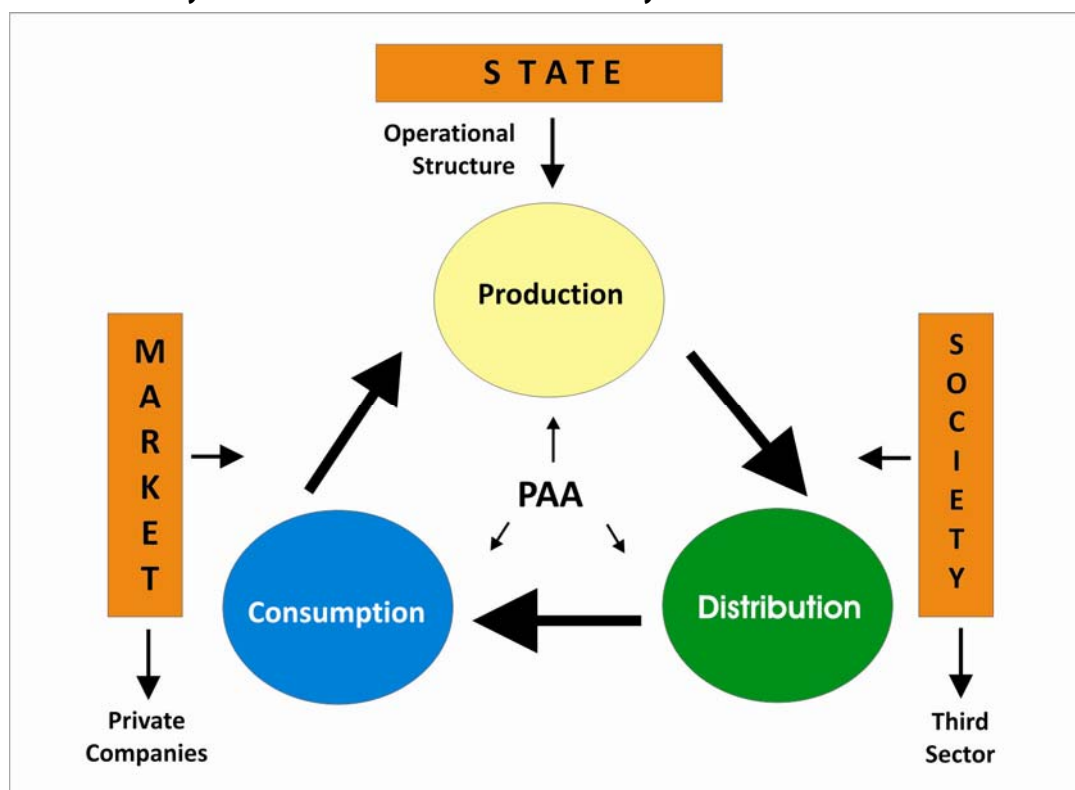
After the project is approved through Conab, all the participating farmers, the cooperative or the association must open a bank account through an accredited bank to receive payments. Cooperatives' management and members are responsible for receiving their payments. The association or cooperative is then responsible for monitoring (and possibly collecting and distributing) the delivery of the products. The association or cooperative uses the PAAnet database to input the successful delivery of each farmer's committed quota, whereupon Conab authorises the payment to be released into each farmer's bank account within 15 days.

FIGURE 2

**CDS PAA-Conab Process**

The second and third purchase interventions within CDS, PAA-Estadual and PAA-Municipal, are organised by state and municipal governments, respectively, that contract direct purchases from individual family farms, cooperatives or associations for distribution to local public facilities (schools, day-care centres, community kitchens etc.) and social assistance programmes. This process is similar to PAA-Conab but is instead organised by the local Secretary of Agriculture or Rural Development and bypasses the state Conab office. This process also typically involves cross-cutting Municipal Secretaries to coordinate the distribution end of the programme. One example would be that the Secretary of Social Assistance will identify beneficiaries and institutions to receive the food and coordinate transportation of the food. The Secretary of Agriculture would then only be responsible for coordinating the submission of the project and targeting farmers to produce for the programme. Municipal coordination entities maintain close ties with both the producers and the beneficiaries, to be aware of the supply and demand for family farm products (Romeiro, 2010). The prices available to farmers through the PAA CDS are determined by a regional survey undertaken by Conab every six months that takes a sample of three municipalities.

FIGURE 3

**Decentralised Systems of Food and Nutritional Security**

Source: Graph translated from Romeiro d'Avila by authors.

### 3 SOME EVIDENCE FROM THE CASE STUDIES

#### 3.1 THE ROLE OF STAKEHOLDERS IN DIFFERENT CONTEXTS

The field research was conducted in the states of Piauí and Ceará, both of which are in the north-eastern region of Brazil. This region has the highest incidence of extreme poverty in the country, the majority of which is located in rural areas. Consequently, the government sees the expansion of the PAA as a crucial instrument to achieve its goal of eliminating extreme poverty, especially in the north-eastern region. Piauí has the highest level of income inequality in the country and is also one of the states that is most heavily engaged in the PAA-Estadual modality. Ceará was chosen to observe the PAA-Municipal modality which is not present in Piauí.

Family farm households were selected as the unit of analysis for semi-structured interviews which took place in a variety of environments. Most households interviewed were located on agrarian reform settlements and reflected a variety of age, both in terms of the settlements themselves and in that of the heads of households. The organisational level also varied. We were able to interview members of rural workers' unions, cooperatives, associations and non-affiliated producers. Our interviewees also included producers participating in various functions of the PAA modalities or not participating in the programme at all.

FIGURE 4

**Research Location (Piauí: red; Ceará: blue)**



In Piauí, stakeholder interviews were undertaken in four different municipalities: União, Alto Longá, São João do Arraial and Esperantina. Within the different municipalities we identified several key local institutions responsible for supporting and organising the PAA process: the municipal government (*Prefeitura*), nongovernmental organisations (NGOs), associations and rural workers' unions. All of the municipalities we visited in Piauí had support and participation from the Conab state office. Given this important role played by Conab in Piauí, we also visited the regional office in the state's capital, Teresina, to talk with the Superintendent and Operations Manager.

The Conab staff offered many useful insights into the workings of the PAA and highlighted common issues that had arisen from their experience as executor. First, the timing of receiving and distributing funds is extremely important. If the federal funding that is channelled to Conab is behind schedule, it delays payments. This not only hurts family farmers who may be very dependent on income from the PAA, but it also deflates morale and creates uncertainties regarding the programme's reliability as a source of markets and income. Although a guaranteed fair-priced market opportunity is great for the planning and production process of family farmers, a delay in payments could render the procurement process incompatible with their needs for predictable and timely cash inflows.

In most cases, however, Conab acknowledged that the PAA works effectively in a timely manner—helping people organise and plan production with baseline prices, guaranteed market access and incentives to increase production and quality. However, formal contractual relationships, including with the government, are very new for some family farmers. The process could thus be a bit slow for farmers who are uncertain about the value added by building relationships and having formal agreements. Once established, however, the PAA dismantles the traditional supply chain and prepares family farmers to not only develop their organisation and productive capacities but also to understand markets and the pricing structures for future market opportunities.

There were variations in the level of engagement of stakeholders in the different municipalities, reflecting local political economies. Even as the potential for different actors to play facilitation roles in helping farmers to organise their institutional capacities was in evidence, the importance of coordination across state actors, civil society and institutions

of family farmers was clear. For example, União has a municipal government committed to implementing and expanding the PAA but little involvement of NGOs and associations, while Alto Longá has more widespread support and advocacy from the local rural unions than from the municipal government. Our experience in São João de Arrairal indicated a coordinated effort between all institutions to not only expand the PAA but also to implement an array of complementary programmes. Lastly, Esperantina has committed associations, but they are currently not integrating their efforts with the municipal government. Consequently, the PAA's impact was most clearly observed in São João de Arrairal, where the PAA was only one component of a local coordinated effort to support local production for local needs.

In Ceará we visited the municipality of Itapipoca, which only participates in one modality of the PAA—PAA-Municipal—and receives no support from Conab. Itapipoca also covers an area that includes three distinct agricultural regions: semi-arid (*sertão*), mountainous (*zona serrana*) and tropical-coastal (*litoral*). The rich ecological diversity coupled with a strong NGO presence presented Itapipoca as a unique case for amplifying the PAA beyond the current one modality. However, the missing presence of Conab seemed to be a significant barrier to fortifying and expanding participation in the PAA.

All of the municipalities we observed had substantial experience with implementing the PAA and were privy to government changes in policy and strategy for supporting family farms and combating food insecurity. Our interviews reflected current policy environments that signify limited changes in policy through a scaling-up process. Despite new nomenclature, policies that support family farmers and non-contributory social protection policies have gone largely unchanged over the last 10 years.

### 3.2 STRENGTHENING LOCAL CAPACITIES, COMMUNITIES AND ECONOMIES

Brazil's PAA has numerous transformative effects on the local economy and society. Its design in connecting local production with consumption has the ability to restructure the economy by boosting the incomes of family rural producers, which, in turn, links their productive capacity to local demand. For many small farmers, the lack of consistent access to a market is a significant obstacle to guaranteed income and investment for production. By assuring a consistent and predictable market, the PAA revitalises smallholder production which is significantly more efficient than large-scale industrial farms in providing for diverse nutritional needs on a domestic and local level (Rosett, 2000). With their market facilitated through the PAA, producers are also able to witness the consumption and get a first-hand account of the market for their produce, while consumers are also closer to the production of their food.

This type of public procurement programme, therefore, has the ability to provide a level of social protection to both small family farmers and vulnerable populations living in extreme poverty. The PAA provides livelihood protection for recent land beneficiaries and other previously excluded family farmers with secured access to fair-priced markets. For food-insecure groups, the PAA targets vulnerable groups in the community for food donations. The organiser of each PAA CDS 'project' locates a food beneficiary and registers it through the PAA system, either through PAAnet or the municipality. In many cases, public institutions were previously purchasing through a wholesaler but are now able to receive food through the PAA at no cost to them and only the procurement cost through the programme itself. Both local producers and local consumers, therefore, receive protection regarding their livelihoods and basic needs, respectively. By combining local procurement with local donations, these

programmes promote the possibility of breaking the conventional supply chain of the food system's private intermediaries. They can then protect producers from market exclusion and unfair prices, while protecting vulnerable consumers who may not be able to afford otherwise high food costs. Further, we found the PAA as an incentive for producers to engage with or join farmer associations, organisations and/or groups, leading to a more integrated, participatory and socially inclusive community through social capital.

Additionally, by providing prices based on a regional market average, family farmers participating in the PAA said that they receive anywhere from 30 per cent to 300 per cent more from the procurement programmes than a private intermediary or selling directly to the market. This, of course, depends on the crop and market conditions, but, nonetheless, the vast majority of family farmers we encountered received a price increase in that range. This guaranteed market access, coupled with favourable pricing conditions, undoubtedly enables and incentivises farmers to increase production. Further, as long as family farmers are registered with DAP, the procurement programme is open to all family farmers—providing inclusive market access for all with a maximum procurement between R\$375 (US\$184) and R\$666 (US\$327) per family farm per month.

Local social networks are enabled by establishing linkages between local smallholder production and local consumption. For example, we witnessed that farmers participating in the PAA are more concerned about the quality and safety of their products due to their close relationship with the consumers. In many cases, procured food is distributed to the local schools with students who are the children of the farmers supplying the free lunch programme. In an optimal setting Belik and Domene (2012) observed a municipality in the state of São Paulo that integrated the school feeding programme and the PAA where schools were able to incorporate their menus to seasonal variations in PAA delivery. Although they determined that the strategy required a high level of organisation and local cooperation, numerous benefits were observed, including: more organised production, expansion of farmer cooperatives, increased civic participation and public management, and more diverse and healthier foods in the schools (Belik and Domene, 2012). Thus, many farmers are not only concerned about receiving their payments for the produce but also are more likely to have a vested interest in maintaining nutritious, less chemical-dependent agricultural methods and feel empowered to contribute to the community (Belik and Domene, 2012: 63.).

The PAA can also serve as a facilitator for increased cooperation and organisation between farmers. Each modality brings producers together in some function, with either Conab working with and strengthening cooperatives and associations or the municipality identifying family farmers to participate and combining their production to serve local food security concerns. We identified numerous benefits as a result of this strengthened cooperation. First, building relationships between local facilitators (Conab, local Secretary of Agriculture) engages farmers with policy and governmental assistance, which often extends beyond the PAA. Farmers were more likely to access the government's credit line for family farmers (PRONAF) and search out technical assistance (which can often be the municipal Secretary of Agricultural Development). Another notable benefit is the increased knowledge-sharing between farmers participating in the PAA. The programme channels local demand into organising production and provides income to previously unused resources.

## 4 SCALING UP AND RECENT POLICY DEVELOPMENTS

The election of President Dilma Rousseff in 2010 signified a continuation and strengthening of the social protection and productive inclusion policies already in place. With the objective of eliminating extreme poverty by 2014, however, some of the existing policies and programmes were reconfigured to more effectively reach extremely poor people. A new umbrella programme, Brazil without Misery (*Brasil sem Miséria* – BSM), was launched in 2011. The plan calls for a national and regional focus to lift over 16 million Brazilians out of extreme poverty, based on three sets of actions: income, productive inclusion<sup>6</sup> and public services. Brazil's flagship Conditional Cash Transfer (CCT) programme, the *Bolsa Família*, is to be expanded to another 800,000 families. Additionally, the BSM plan outlines very ambitious goals to tremendously amplify the PAA (MDS, 2011). Since its inception in 2003, the budget for public food purchases in the programme has expanded from just over R\$80 million (US\$39 million) to over R\$790 million (US\$388 million) and encompasses over 200,000 family farms in the country (Conab, 2012). By 2014, BSM plans to more than double the number of family farmers selling produce to the PAA to almost 450,000 families (MDA, 2012).

New poverty statistics indicate that 8.5 per cent of the total Brazilian population is living in extreme poverty (under R\$70 a month) and that the number increases to 25.5 per cent in rural areas (IBGE, 2010). Since rural areas have a higher incidence of poverty, the PAA must play a critical role in expanding productive inclusion for historically marginalised populations. The Brazilian government has identified around 255,000 farming families as living in extreme poverty based on their income levels as reported through DAP registrations (Federal Government of Brazil, 2012). The government's strategy is to provide a targeted effort to significantly raise the productive incomes of those families (Müller, 2012).

This is being sought not only by trying to provide them with access to PAA and other policies but also by making them eligible to receive R\$2400 (US\$1181) as a one-time grant (*fomento*) which is paid out in instalments for productive investment. This grant becomes available once a field technician has signed off on the family, indicating that they are prepared and knowledgeable on how to use their grant for productive investment. Therefore, to be eligible for the *fomento*, the family must have access to technical assistance which we found to be very scarce. In addition, to reach the most excluded of the excluded, BSM needs to identify several obstacles they face. Primarily, the federal government is severely limited in targeting by using DAP as its instrument. Many farmers (typically the most marginalised) do not have DAP, either through choice or lack of resources/outreach. Second, the people who face the most extreme barriers to escaping poverty are usually unregistered, illiterate and have no land. A group of rural workers in União, Piauí, told us that the fight against hunger and poverty is impossible unless first dealing with the issue of land.

Brazil's National Institute for Colonisation and Agrarian Reform (INCRA) has implemented a programme that incentivises (with a R\$3000/US\$1476 grant) the addition of the female head of household in the land title of agrarian reform settlers. Currently, DAP has no such incentive, which means that the male head of household is almost always the head of household for the family farm and is responsible for receiving the PAA payments. The only exception is the *Mulher Agregada* or *Jovem* accessory which has been an addition to the principal DAP and allows for the female head of household or a son, respectively, to be added but doesn't necessarily introduce incentives to include them in an existing DAP registry with the male as the head of household (MDA, 2008). Brazil's other targeting mechanism for social programmes,

the single registry (*Cadastro Único*), uses the female head of household to incorporate families in the popular *Bolsa Família* programme (among others), as the females receive the transfer. The issue of cross-referencing the registries is under discussion, but no concrete proposals have been presented to date, partly due to the obstacle of different heads of household in each registry.

Expansion of the programme can be analysed in terms of different pathways (Linn/IFPRI, 2012). Expanding the programme geographically or to a particular population could follow a 'horizontal' duplication across new areas. Adding or modifying modalities could represent a 'functional' expansion through new methods to increase participation. Institutional expansion across local, state or national levels indicates a 'vertical' expansion. Due to the multi-stakeholder design of the programme, it is expanding in all three of these ways. Local administrators are receiving additional funds to expand their procurement to new family farmers, which expands registration of DAP and more bank accounts. Vertically, the programme's budgetary expansion is to be allocated to the three primary CDS sub-modalities (Estadual, Municipal, Conab) and will expand the role of each modality through the corresponding stakeholder. As of July 2012 the PAA has introduced a new model for payments to be made through CDS PAA-Municipal and Estadual. These two modalities have been associated with a cumbersome and often delayed payment mechanism (Chmielewska and Souza, 2010). The new model uses a debit card (see Figure 5) that can withdraw money at any ATM and does not require an account or participation in a cooperative/association. The card should significantly improve the availability of the PAA to more vulnerable populations. We found some farmers were unable to access a bank account due to being illiterate, not having proper documentation or having to pass some type of credit check.

FIGURE 5

**PAA Debit Card**

#### 4.1 CHALLENGES AND ACHIEVEMENTS AROUND LOCAL IMPLEMENTATION OF PAA

When confronting the question of expanding the PAA in both terms of adding producers and expanding the productive capacity of existing participants, we encountered similar results: lack of knowledge about the programme, lack of institutional participation and weak institutional capacity. The lack of knowledge was apparent in several municipalities but strongest in União, Piauí, and Itapipoca, Ceará. In União, many older farmers were unconvinced and unaware of the potential benefits of participating in the PAA and had no interest in becoming involved

despite the insistence of other neighbouring farmers. For farmers in Itapipoca we observed a slightly different perspective; the initial participating farmers experienced significant delays in receiving payments, the PAA developed a poor reputation, and as a result most farmers had little to no interest in becoming involved.

Due to the numerous stakeholders involved in the planning, implementation and monitoring of the PAA, it requires a minimum level of organisation and commitment to be successful. For many municipalities this is a barrier to attempting to scale up the programme. In the state of Piauí the contrast in local institutional capacities was astounding. For example, the municipality of Alto Longá had very willing rural workers' unions, but the lack of commitment from the local government was a clear obstacle to securing and demanding more resources to implement modalities of the PAA. However, in São João de Arraial the municipal government was not only committed to engaging with the PAA directly but also to facilitating and encouraging associations and cooperatives to organise and access the programme through CDS PAA-Conab. In the latter case, our inquiries revealed that the productive and organisational participation of the farmers is ready and willing to increase both the amount of products and the number of participating farmers.

In many cases the organisations involved in the PAA had popular participation and motivated producers but lacked the institutional capacity to expand their beneficiaries. In Esperantina, Piauí, we worked with a passionate and driven association—the Centre for Popular Education Esperantina (CEPES)—that coordinated a project through CDS PAA-Conab. Due to their limited capacity (staff, time and financial resources), CEPES was not able to expand its project to include more producers or recipient institutions. Additionally, it did not have any formal arrangement with the *Prefeitura* to coordinate its efforts between the two PAA modalities. As a result, its PAA-Conab project was completely sovereign and coordinated solely within the association. Its responsibility even extended to using the personal cars of the association's employees to deliver the farmers' products. They were very grateful for our visit, since it doubled the carrying capacity with another car. Without the personal commitment of the association's employees, the issue of transportation becomes a significant problem. In one agrarian reform settlement we asked what the farmers do if the association employees do not come with their cars. In this settlement the farmer said that only one person in the area had a motorbike, and he will try to load it up with all their products, but there is often too much, and it either takes several trips or he can only deliver a portion of the goods.

The PAA also promotes income generation from sustainable gathering of naturally produced goods. For example, a local cooperative in Esperantina, Piauí, is organised around harvesting and producing babassu (*Attalea speciosa*), a naturally occurring species of palm tree that produces a seed that can be used to produce several goods. The babassu breakers (*quebradeiras de coco*) are an association of all females that work together to break open the shells and then process the various parts (i.e. inner shell for flour, seeds for oil and outer shell for charcoal). The demand for their products has seen rapid expansion, partly due to participation in the PAA. During our visit they had recently financed and constructed a new processing building to make flour from the inner shell of the seed. They use the babassu flour to either bake goods for market or to sell raw for about US\$10 per kilogramme. Babassu also gives them an inner seed or nut that is processed to make oil which can be used to make an almost innumerable amount of products. Lastly, they are able to use the outer shell of the seed as charcoal to use in their ovens. The shell burns very hot, lasts a long time and is in abundance as a by-product from processing the seed.



Another interesting use of the PAA was witnessed in an agrarian reform settlement near Esperantina. The *canto* settlement has been in existence for less than a year and thus has little infrastructure and limited production. Nevertheless, they were able to be incorporated into a PAA project coordinated through a local association and committed to delivering products from the surrounding forest. The settlers collect oranges and bananas and make babaçu oil to sell through the PAA which then ends up in the hands and mouths of children at a local Catholic school for vulnerable children. The farmland on the settlement is used only for subsistence production, while the PAA provides them with an option to gain extra income (around US\$50–60 a month). Moreover, the production of babaçu oil provides the women in the settlement with a value-added product, since they need to break the babaçu seeds and make the oil. These two examples display not only the flexibility and importance of the PAA in supporting rural livelihoods but also its ability to support production not guaranteed through a traditional market. Without the PAA, many of the wonderful natural products (such as babaçu) or underutilised produce (such as bananas or oranges) would go to waste. We heard many stories of fruit that was in oversupply during ripening and could be channelled through the PAA instead of spoiling. In Alto Longá a farmer even invested in fruit pulp processing equipment that allowed him to use previously wasted fruit crops to make pulp that could be sold through the PAA.

We observed the programme's effect not only on increasing production but also on organising production. Prior to involvement in the PAA, many producers only had one market, the intermediary, which typically only purchases a minimal amount of products. Since the price was also significantly lower, the producers would allocate a larger portion of land to a single market crop. The PAA allows farmers to sell a wider variety of produce, which results in less volatile income, increased food security through subsistence and more integrated productive methods through crop rotation and intercropping.

Measures of sustainability are also inherent in the design of the programme. With an emphasis on bringing back the local aspect of the food system—local production for local consumption—the programme is fostering the development of locally focused food security. As family farmers become more integrated and develop stronger relations with local markets, a much more sustainable and localised food system will emerge. This type of food system separates itself from private monopolies controlling the intermediary channels from producer to consumer. By surpassing such private intermediaries, the PAA is able to offer much higher and less volatile prices based on a regional market average and not one controlled by private monopolies.

Moreover, in 2011, Law no. 12,512 established that agro-ecological or organic products may be procured at a price of up to 30 per cent more than the prices set for conventional products by Conab. This incentive encourages farmers to reduce their dependence on external, chemical-based inputs and genetically modified organisms (GMOs), while potentially enhancing soil and food quality and resource efficiency. Agro-ecology-based production focuses on integrated and diverse agro-ecosystems which rely on local, native species and inputs instead of external, patented and chemical-based inputs. It, therefore, fosters a movement towards food sovereignty by encouraging the use of local seeds through seed banks, culturally and locally sensitive food production and natural processes to produce without dependence on external inputs.

## 5 KEY COMPONENTS TO CONSIDER FOR SUCCESSFUL IMPLEMENTATION AND SCALING UP

Observed outcomes of the PAA were generally positive, and the participating farmers expressed their belief in the programme's ability to overcome many of their biggest obstacles. But can this experience be easily duplicated in other regions, countries and continents? For many marginalised farmers around the globe obstacles can range from market access to climate disasters or dispossession. Therefore, it is essential to understand the building blocks of the PAA and its potential duplication based on potentially very different circumstances. With this in mind, the following section will identify the necessary stakeholders, various levels of participation and the possible impact a programme such as the PAA can have. It also includes a chronological depiction of a conceptual implementation of a PAA-style public procurement programme.

Connecting smallholder production with fulfilling the nutritional needs of poor people is a wonderful idea and a fantastic use of public funds. In practice, the idea can be a bit more difficult to implement when considering a few important questions:

**1. Targeting and coverage:** How can a public procurement programme ensure that it is also reaching vulnerable producers who can disproportionately benefit from the provision of a social market mechanism? Existing targeting and registration mechanisms may be able to undergo some changes to ensure they include more relevant indicators such as land type and use, labour dependency and composition, availability and level of infrastructure and access to markets and productive recourses such as water for irrigation. Additionally, head of household data need to be carefully analysed to provide a better picture of household composition and consider other options to organise payment delivery. The new ATM card is one such innovation that introduces a more flexible option for faster and less strict payments.

**2. Timely payment delivery:** There are a number of factors that affect timely payments—ranging from budget allocations and timely transfer funds to the local level to the design of payment systems themselves. What should be the distribution channels to reach those who may not currently be within the ambit of the formal financial system? Should the procurement system work through electronic bank transfers only or should the local administrator purchase the products with cash? On the one hand, electronic transfers can ensure a more timely and efficient payment, but this may be challenging where the family farmers are relatively isolated and face logistical and other barriers to interacting with the formal banking and credit systems. On the other hand, requiring a bank account can facilitate access to additional credit and provide a surer way to save money. Issues of payment should thus be designed on a case-by-case basis, and programme managers can also draw on delivery mechanisms such as mobile phone transfers, mobile banking or the use of banking correspondent agents. Lastly, fiscal space on the federal level is crucial, as local funding may not be up to the task in the sense of not being responsive to the scale of the challenge and regional disparities.<sup>7</sup>

**3. Organisation of farmer capacities:** The process of organising farmer capacities—whether in the form of an association, cooperative or informal group—is a fundamental component of a procurement process targeted at smallholders. For participants to learn about the programme offerings, to prepare proposals, organise production, identify, plan and facilitate food drop-offs, access payments, arrange for and cost transportation requires a significant level of organisational capacity and putting in place delivery mechanisms. Cooperatives and associations may not be as well developed among poor and often dispersed family farmers. On many occasions during our field visits in the north-east of Brazil

we found that it was local NGOs and associations that were filling this niche, facilitating the organisational process for the family farmers and coordinating the relationship between family farmers and the executor of the PAA. For programme expansion, however, we cannot assume that all communities will have NGOs and associations willing to take over the facilitation process on a voluntary basis. Thus, it is necessary that the design of public food procurement programmes consider the on-the-ground conditions for such programmes and the potential to formally incorporate or to collaborate with civil-society-led initiatives that can help with outreach, capacity-building and technical support. Consider, for example, the *Canasta Comunitaria* in Ecuador that is the result of civil society organisation and activism and exists outside the formal government structures.<sup>8</sup>

**4. Transportation:** Who can and should take on the responsibility of transporting the produce, especially in communities where both the producers (distant from main roads or where local transportation is limited or costly) and the consumers are challenged in this regard? Should there be some provision for costing transportation in such communities? Food banks, community kitchens, schools<sup>9</sup> and any other food benefactor will most likely be based in more urban areas, but small farmers may not have access to transportation that can deliver their produce to them. A farmer cooperative, association or neighbourhood collaboration could be an option, but that may not always be up to the task of meeting the demand for all the products that need to be delivered. The PAA does not explicitly provide resources for transportation, although in many cases the municipality or the association facilitates transportation at its own cost. The advantage of family farmers forming informal groups or cooperatives or getting involved in an association is the ability to pool resources to provide a collective means of transportation. However, the fact that the PAA fails to consider or to make formal provision for such an important part of the procurement process should not be overlooked. Many new land reform settlements are located in excluded areas with poor road access and very few means of transportation. Thus, for a public procurement programme to function much more effectively, the question of transportation must be addressed to provide family farmers with access to their secured market.

With these obstacles in mind we can look at the response of Brazil's policymakers to get a picture of the role and responsibility of the stakeholders to overcome these challenges:

**1. Targeting and coverage:** Farmers who wish to participate in these food procurement programmes must be considered 'family farmers' according to the declaration of aptitude for PRONAF (DAP), Brazil's family farm registry. According to the latest Census of Agriculture (2006), 4,367,902 establishments, representing 84.4 per cent of total agricultural establishments, were identified as 'family farmers'. However, many of the very poorest and often landless farmers have yet to be registered with DAP and are thus excluded from public programmes targeting family farmers. Based on the latest data from Brazil's Secretary of Family Agriculture of the Ministry of Agrarian Development, roughly 204,000 family farmers participated in the PAA in 2011, representing just 4.67 per cent of the total number of family farmers eligible for the PAA through DAP (MDA, 2012).

However, there are two important elements to consider regarding these data: (i) not all family farmers registered with DAP need/want to participate in the PAA, as they may already have access to markets on favourable terms; and (ii) there are undoubtedly family farmers

not registered with DAP due to a lack of access, awareness or choice. In any case, the data available present a large discrepancy between the number of family farmers eligible to participate and coverage.

Since the PAA aims to strengthen family farming by providing guaranteed market access to excluded or exploited family farmers, the programme is not necessarily targeting all farmers registered with DAP. Thus, the aforementioned figure of 4.67 per cent is not representative of a targeted-coverage ratio, but rather an eligible-coverage ratio. The PAA's current budget of R\$775 million (US\$381 million) represents a mere 0.0000187 per cent of gross domestic product (GDP). Thus, if the PAA were to cover all family farmers registered with DAP—not necessarily targeted, but eligible—it would have to increase funding by approximately 25 times from what it is now. A 25-fold increase would amount to 0.0004675 per cent of GDP (2011) or roughly R\$19.3 billion (US\$9.65 billion). This means that, based on the available data, the PAA presently procures an average of about R\$3800 (US\$1870) of food per family farmer per year, and the budgetary expansion of R\$19.3 billion would assume that same average. However, these are purely mathematical calculations, and we also need to take into account the institutional capacity of the government on all levels as well as the organisational procedures needed. In any case, efforts at scaling up should be a priority due to the prevalence of rural poverty, the large livelihood dependence on smallholder agriculture, and the relatively minute funding designated to the PAA, covering less than 5 per cent of eligible family farmers in Brazil.

Further, DAP registration should take on a much more proactive approach to target those eligible, as is proposed by the new focus on active search (*busca activa*)<sup>10</sup> in the context of BSM. A nationwide DAP campaign to target eligible beneficiaries coupled with information sessions on public programmes and eligibility would undoubtedly attract a larger percentage of poor people in rural areas, providing them with access to key extension services such as credit and technical assistance, as well as a guaranteed fair-priced market. Scaling up the PAA and specifically targeting poor people in rural areas will foster the transition to a sustainable pathway out of poverty, which for Brazil and for most countries remains largely a rural problem. Additionally, as described above, most social programmes are accessed through Brazil's single registry—the *Cadastro Único*—which uses the female head of household as the payment recipient of cash transfers and other social welfare programmes. Since DAP is typically registered with the male head of household as responsible for receiving payments, the two registries may depict different experiences. That said, there are numerous variables to consider, and classifying rural wage labourers as family farmers under *Cadastro Único* could be a more efficient option than attempting to apply family farm indicators as currently used by DAP.

**2. Payment delivery:** The PAA uses a multi-stakeholder process that channels federal resources to farmers through various modalities as described above. This design gives various forms of local administrators access to the programme. For example, an active farmer cooperative can articulate its PAA project with the state Conab office if the municipal government is inactive. Conversely, a municipal government can proactively articulate a PAA project with either the state government or the federal government. Verification of produce delivery has been a problem resulting in payment delays, although the increased use of electronic verification through PAAnet is minimising this issue (Chmielewska and Souza, 2010). An optimal system would have full access to electronic verification, and all family farmers would have an approved bank account eligible to receive bank transfers. This appears to be the goal of Brazil's PAA, but it is a long process to integrate everyone, especially the most marginalised.

**3. Organisation:** Local facilitation of the programme also takes many forms due to the different modalities. This facet of the programme is particularly important, as it identifies and uses governmental and nongovernmental stakeholders. Conab is also a crucial organisation that can work directly with cooperatives and associations outside state and local government structures. Municipal governments can still play the role of the primary organiser by offering the PAA to individual farmers that have DAP and are not associated with a cooperative or association. Therefore, Brazil's design in offering numerous modalities is paramount to its early success and its ability to be scaled up.

**4. Transportation:** The most difficult obstacle we identified was transportation. Marginalised areas are typically far from urban or even semi-urban areas and have little to no access to public transport. We visited many recent land reform settlements where few settlers had a car or even a motorcycle. In most cases where the municipal government (the Secretary of Rural Development) was implementing a modality of the PAA (CDS PAA-Municipal or Estadual) it was integrating transportation and the distribution of the products with the municipal Secretary of Social Assistance. That relationship proved to be extremely important for the farmers to have assured delivery of the products, as well as efficient distribution of the food to properly identified populations. However, in modalities where the municipal government is bypassed (CDS PAA-Conab, when a cooperative runs a project with the state Conab office) there is little capacity for integrated transportation. We witnessed many ways in which the cooperative would organise communal transportation, but the size and weight of the delivery would cause problems. Unfortunately, we were unable to advance any solutions with regard to transportation, and this issue continues to plague the programme in some areas. Ideas such as budgetary provisioning for contracting private transport or using public transport come to mind, but there could still be barriers to integrate all participating family farmers, let alone addressing the anticipated expansion of the programme.

## 5.1 EXPANDING OPPORTUNITIES AND FUTURE TRAJECTORIES

The PAA represents a new agricultural policy model for boosting incomes of smallholders while supporting the food-insecure population. Its design creates a new market for the commercialisation of family farm products with the aim of expanding additional market opportunities and improving linkages and new supply chains beyond the programme's designed parameters. Our interviews revealed a mixed message with key policymakers and those on the ground overseeing the implementation of the programme. When looking at the programme in the future, how will family farmers use it, and will the terms change as their participation and production evolve?

Discussions with key policymakers indicated that the PAA's long-term role for family farmers is to augment their income and provide a pathway to other markets. The MDA's National Secretary for Family Farming, Laudemir Müller, described the PAA as a commercialisation vehicle that paves the way for linkages to new private market opportunities. We did witness this potential several times when farmers explained that the PAA price allowed them to have a much better price reference with regard to selling in local markets or bargaining with intermediaries that once held a monopolistic power. The revitalisation of local products, such as babaçu oil, also increases consumer awareness and can stimulate a larger private market.

However, our field experience indicated that the PAA does not have the potential, by itself, to 'graduate' family farmers. But should 'graduation' be an objective of the programme? A yearly cap of R\$8000 (US\$3938) is minimal to the state but can be a significant income and investment boost for capitally constrained farmers. Moreover, family farmers only receive a total of 25 per cent of available agricultural credit in Brazil, yet they account for 40 per cent of the total national value of production and generate 77 per cent of Brazil's agricultural employment (Boyce et al., 2005). Agricultural finance is much more widely available to large agribusiness operating large-scale mono-crop plantations on over 1000 hectares (IBGE, 2006).

On the demand side, the PAA actively contributes to the fight against hunger. To date it has procured over 3 million tonnes of food that goes to benefit some 20 million Brazilians annually (MDA, 2012). Brazil's level of food insecurity has been declining rapidly, and in the last 10 years the level of malnourishment has gone from 9 per cent to just under 6 per cent (FAO, 2012). Those numbers still leave room for significant improvement and for an expanded role of the PAA to fulfil the nutritional needs of millions of Brazilians, but it raises the question about potential limits emerging on the demand side. This is particularly the case at the local level, where there could be mismatches between supply and demand. One idea would be to integrate food policies to ensure adequate control of demand- and supply-side pressures. In the Brazilian context, the National School Feeding Programme (PNAE) has an annual budget of over R\$3 billion and feeds around 50 million pupils daily (FNDE, 2012). In 2009, the PNAE was significantly altered under Law no. 11,947 which established a legal obligation that 30 per cent of the school feeding budget must go to procurement from family farms (Ibid).

The legal directive of 30 per cent is a benchmark that many municipalities are struggling to reach while others are surpassing. Our visit to the municipality of São João de Arraial in Piauí demonstrated the capability of a municipality to source 70–100 per cent of its school feeding programme from local family farmers. A lot of its success could be attributed to the municipality's coordination and integration of local family farming communities. Integrating programmes and local institutions can provide better oversight and identification of how a higher volume of local produce can fit demand. In this sense, the PAA could serve as a platform to commercialise family farm production for local needs and even beyond.

Local farmers' markets can be used to link the producers directly with the consumer with benefits for both parties in the transaction. Such local models that bring the producer and consumer closer together result in lower transportation costs and emissions, knowledge about the source and production of the food and lower costs for the consumer, and a higher return for the producer. Still, many producers go to supermarkets, since they are more convenient and carry a wider selection and range of products.

To strengthen rural livelihoods, it is crucial to obtain access and control over land and its productive resources. However, it is the (lack of) access to markets which can hinder their pathway out of poverty, and private markets do not always ensure fair and competitive markets for farmers outside national economies of scale. Their exclusion in terms of road access, infrastructure, irrigation systems, credit, public programmes and markets hinders their ability to improve their quality of life and overcome poverty and hunger. With a public intermediary assuming a much larger role, the government could fill this gap by providing access to markets targeted at family farmers in competition with private intermediaries that often purchase from the same family farmers at (unfair) low prices and sell the produce to consumers (or distributors) that can inflate prices from the original purchase value.

Due to a variety of factors, including a lack of options, lack of knowledge of base prices, unequal terms of negotiations, lack of transportation etc., excluded family farmers often receive a very low price for their crops, which can still translate into much higher prices to consumers.

However, if the PAA were to increase its capacity and its role as a public intermediary—one that buys and sells—it could advance its mandate through increased purchases and position itself as a wholesaler of family farm production. Since the majority of products procured by the PAA are donated to vulnerable populations, increasing its role as a seller of crops at fair prices to local consumers would enable the programme to cover more family farmers while simultaneously offering producers fair prices.

This functional expansion could increase coverage and participation among both producers and consumers while simultaneously increasing the programme's budget and financial sustainability. Based on 2012 data thus far, the Stock Formation (FE) and Direct Purchase (CD) PAA modalities represent just 2 per cent of the programme's budget. These modalities consist of both procuring crops from family farmers and selling/marketing crops to consumers. Therefore, increasing the PAA's coverage in terms of scaling up and expanding its functional capacity through these two modalities could increase family farm participation as well as guaranteeing consumers fair and non-volatile prices.

In practice, this functional expansion could continue to procure crops from eligible family farmers but also increase its marketing function by bringing these procured crops to local markets and selling them at fair and non-volatile prices. This revenue would, therefore, allow the programme to continue to expand both functionally and horizontally with increased institutional capacity, logistics and personnel.

To be clear, we are not suggesting that the PAA change its role as a supplier of food donations for the most vulnerable people. Rather, it could increase its role as a seller of fair-priced crops to consumers who may spend the major portion of their income on food and are deeply affected by any sort of price volatility in the marketplace.<sup>11</sup> By doing so, the PAA could potentially have the resources to scale up its efforts to benefit more producers and consumers alike—offering a stable and fair and more competitive pricing system. This not only gives farmers a base-price reference for which they should sell their goods but will also inevitably bring down prices for consumers with more competition in the market. As a buyer and seller—virtually filling the gap between producer and consumer—an expanded role of the PAA could offer guaranteed market access at fair prices for family farmers and also ensure adequate supply and fair prices for consumers. This would ultimately eliminate private monopolisation of the domestic food system and mitigate volatile food prices for both producers and consumers. It would also eliminate the ability of private intermediaries to hoard massive stocks of food when market prices are unfavourable and control purchase prices. Moreover, the increased control over the food system by the Brazilian people through a state intermediary would be an advance towards food sovereignty for the country.

## 5.2 CONCLUSIONS

Brazil's PAA is an innovative policy that requires a minimal amount of budget allocation while combating food insecurity and supporting rural livelihoods. Its multi-stakeholder design broadens participation and fosters farmer organisation. At the same time, the programme still

faces challenges to incorporate the most vulnerable producers and address some operational difficulties such as transportation, payment mechanisms and rapid scaling up. However, our research identified that the programme's design can have varying results depending on the involvement of local institutions and coordination.

As a sustainable local development initiative, the PAA relies significantly on well-coordinated multi-stakeholder relationships and particularly engaged and committed local facilitators. The programme's various modalities and executors provide institutional space for a number of facilitators to mobilise and actively seek out participation in the PAA. We recognise the irreplaceable role of Conab in its modality that allows it to directly engage with farmer cooperatives and associations. However, the true measure of the programme's success can be seen in the number of participating stakeholders and their level of participation. A real recipe for positive outcomes involves a multi-level, coordinated effort to ensure popular participation, share information and confront the challenges described above.

It is evident that the PAA offers a twin-track response to hunger and rural poverty by providing access to food to those most in need, while simultaneously revitalising family farm agriculture by providing guaranteed market access. This undoubtedly has, and will continue to, alleviate rural poverty and hunger in Brazil. The government should also consider balancing its budget allocation to reflect not only where the domestic food supply comes from (family farmers) but also the group which represents the large majority of agricultural establishments (family farmers). Instead, during the 2009–2010 agricultural year, the family farming sector was allocated just US\$9.6 billion, while agribusiness received US\$59.3 billion—over six times more.

To include the poorest and most vulnerable populations (BSM's goal), the government needs to strengthen its land reform and related public policies to reach land reform settlements. The landless and recent land reform settlers are the hardest to identify, often due to their lack of formal land rights, individual or collective documentation and lack of infrastructure (communications, access to government services etc.). But this population also has the greatest production potential due to their untapped labour supply, limited public investment and crop diversity (Altieri et al., 2012). By addressing some of the key flaws of the PAA as discussed in Section 5, this vulnerable population can fully realise the potential of the programme and undergo a productive transformation that provides more income, food and market security.

Supporting and identifying farmer organisations expands one of the most important institutional platforms to implement the programme. An improvement in the payment mechanism to ensure prompt and widespread availability of payments should be highlighted as an area for improvement. The new payment model using a debit card is a big move in the right direction and was only launched as this paper was being written. This model allows for a direct transfer of funds from the federal government to the farmer and removes the responsibility of the local facilitator to organise payments. Furthermore, the card does not require a previous bank account, which will expand the PAA to farmers who do not have access to formal finance.

These challenges are highlighted not only to identify areas of improvement in the PAA but also as important considerations to transfer the programme's experience to other countries. The PAA is a wonderful example of offering market access and fair prices, either directly or indirectly, to farmers. Most of the vulnerable producers around the world receive little to no support from government and face barriers to accessing markets under favourable



terms. A public procurement programme aimed specifically at smallholders can provide them with fair prices and ensure competition for intermediaries, serve as a crucial safety net in the fight against hunger and promote farmer organisation.

Brazil's experience demonstrates a feasible budgetary option for any government to boost local economies and provide a decentralised and sustainable policy for food security. The integration of local production and consumption provides more transparency in the food system and increases the demand for traditional food varieties that are often produced more sustainably with fewer chemical inputs and a lower carbon footprint.

Currently, the PAA is undergoing 'vertical', 'horizontal' and 'functional' expansion, but many barriers still exist. A nationwide marketing campaign could help producers become aware of what the PAA is and how they can get involved and benefit. Local governments should receive more information about the PAA and an incentive to proactively implement the policy. Additionally, Conab's funding and structure should be increased not only to expand the PAA but also to augment its ability to commercialise family farmers' products and perhaps serve as a larger public intermediary, as was discussed above.

Public procurement schemes are becoming more popular and important to provide a more level playing field for smallholder farms, but there is still a lot of work to be done. Industrial agriculture still receives a majority of government assistance, whether technical or financial. Many countries have a public food procurement scheme but fail to effectively target smallholders as the productive force. The diversity of small producers in the programme in Brazil reflects the ability of the PAA to reach them and realise their productive potential. In various instances the programme has provided an outlet for produce that was often otherwise wasted or did not have a clear market opportunity—for example, fruit pulp.

Many more linkages have yet to be made between school feeding programmes and family farm production. This is an area for potential growth that could further boost smallholder incomes and improve food quality. Hopefully the lesson of Brazil's PAA can be a starting point for a continual improvement within the country and new innovations abroad. Many lessons can be learned from the Brazilian case, but it is certainly not a 'silver bullet' solution. An expansion of targeted food procurement programmes could provide advancements in design and new targeting methods. Furthermore, the programme has numerous benefits, but a more in-depth and larger impact and evaluation study could provide more insight into more of its outcomes, gaps and potentials.

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## NOTES

1. For a formal definition of family farms in Brazil, see Law no. 11,326 'Family Farming Law' in Section 2.1.
2. The size of a fiscal module is defined on a municipal basis and varies around the country – the average size is typically larger in the southern and western regions of the country and smallest in the north-east. In many of the larger areas, such as Pirapora, Minas Gerais, the average size of 280 ha is much higher than the state's rough average of 70 ha due to the forest code (*codigo florestal*) which requires producers to set aside forested land for environmental protection. In the state of Parana, 470,000 rural properties are registered as family farms out of the total of 514,000 and vary in size from 20 ha to 120 ha, since only 8 per cent have to set aside land in compliance with the forest code. See <http://agricultura.ruralbr.com.br/noticia/2011/06/tamanho-do-modulo-fiscal-citado-no-codigo-florestal-varia-em-cada-municipio-brasileiro-3333440.html>.
3. So-called 'land reform settlements' are a critical component of Brazil's agrarian reforms. Del Grossi (2011) estimates that between 2003 and 2009, 574,532 families were settled on land amounting to 47.7 million hectares. The process involved 3386 projects that accounted for approximately 62 per cent of all the settlements established over the past 39 years. A specific institution, the National Institute for Colonisation and Agrarian Reform (Instituto Nacional de Colonização e Reforma Agrária – INCRA), was created in 1970 to implement agrarian reform involving expropriation compensation and titling-related processes.
4. For a complete list of DAP groups and eligibility, see: <http://www.agricultura.al.gov.br/programas/DAP.pdf>.
5. PAAnet: <http://www.conab.gov.br/produtosServicos-PAANET-interna.php?a=503?a=1129&t=2>.
6. Productive inclusion (*inclusão produtiva*) is a cross-cutting thread that runs across Brazilian social policy and incorporates a focus on capacity-building activities to enhance access to formal employment and/or improve the quality of productive work and activity that poor people enter into through self-employment, individual or collective self-employment (associative or cooperative) and family farming etc. In fact, family farmers have been subject to considerable attention in the context of cross-ministerial programmes aimed at enhancing productive inclusion. See Lal and Junior (2011).
7. Such as Brazil's north-east – federal funds for the PAA are an instrument to funnel federal funding from the more developed south and south-east to the poorer and more unequal north-east.
8. The *Canasta Comunitaria* was initially organised in 1987 and now incorporates some 1400 families at both ends of production and consumption. The idea derived from consumers wanting affordable, healthy and local varieties of food that were disappearing in local grocery stores. It serves as a platform to establish agreements between local small farmers and consumers willing to purchase their produce. See Gortaire (2006).
9. Benefactor institutions vary and are determined by the 'project' run by the cooperative, municipality or Conab. They are typically part of a social protection system, either governmental or private, and receive the procured food to offset their existing budget.
10. The *busca ativa* refers to the 'active search' of the Brazilian federal government to actively locate and provide documentation and services to the identified 16 million Brazilians living in extreme poverty. As a part of the BSM programme, the *buscar ativa* intends to build a bridge between the state and its citizen to include all Brazilian citizens in the formal social services network and ensure that they are no longer 'invisible'.
11. According to IFAD's *Rural Poverty Report 2011*, 'poor' people spend 50–80 per cent of their income on food (IFAD, 2010).



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