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WOMEN AND AGRIBUSINESS:

A Review of AID Projects

by

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PREFACE

This paper on women and agribusiness is the first in a two-part series which examines, on a sectoral basis, the implications for women of AID's private sector thrust. With increasing attention being paid to the private sector's contribution to broader development objectives, it is of particular interest to examine the employment and income effects of this approach. This paper focuses on agribusiness in the Third World and considers the effects on women's employment of AID's varied and growing involvement in the sector. The second paper explores women in export manufacturing. Recommendations are provided for AID's project identification, implementation and evaluation cycles.

INTRODUCTION

International donors are becoming increasingly interested in using the private sector as a means of mobilizing human and financial resources in the Third World. Agribusiness is receiving a good deal of attention in AID programs as a way of bringing a private sector focus into broader rural development objectives. In many countries, particularly in the Latin America and Caribbean region, there has been a marked shift away from traditional agricultural development projects towards more commercial agribusiness ventures whose stated goals include increasing foreign-exchange earnings, and improving the employment and income-earning opportunities of rural populations.

Women have an important role in the agricultural sectors of most developing economies, contributing substantial labor to, and earning income from, both on- and off-farm activities. Women can benefit from the shift towards agribusiness to the extent that projects in the sector take a more careful look at agribusiness's impact on and contribution to broader socio-economic objectives.

It is a premise of this paper that AID can play an influential role in determining the type of agribusiness enterprise that is established and in monitoring its contribution to broader socioeconomic goals. After presenting a brief overview of agribusiness activities in the Third World, the paper explicitly addresses AID's varied and growing involvement in the agribusiness sector, providing examples from the current project portfolio. The final sections of the paper focus on design and implementation issues as they relate to the employment and income effects of agribusiness activities on small farmers and wage laborers. Particular emphasis is placed on women's participation in agribusiness activities.

There are few studies which address the employment and income effects of agribusiness activities on small producers and farmers; even fewer address the participation of and benefit to women. This report attempts to raise issues relevant to project design and implementation, and to point to the need for better monitoring and evaluation with specific reference to the impact on small producers and processors, including women.

In undertaking this study, literature searches were conducted through the International Labor Organization (ILO), the Commonwealth Agricultural Bureaus data bases, and the Agency for International Development. The computer search and printouts from the AID Center for Development Information and Evaluation provided the primary source of information on AID-supported activities. To a large extent, therefore, the completeness of documentation is dependent on whether documents were or were not picked up by the data base.

AGRIBUSINESS IN THE THIRD WORLD

In this paper, agribusiness refers to the activities of private corporations in agriculture (often but not necessarily based in developed countries, and sometimes in collaboration with host country governments or international agencies) as producers, processors or traders of commodities, or sellers of inputs and machinery (Glover, 1986). In general, agribusiness operations focus on crops for export rather than for local domestic consumption.

There are two main contrasting views of agribusiness activities in the Third World. One view emphasizes the positive aspects of agribusiness as a primary agent of change in rural areas (Goldberg, 1974; Williams and Karen, 1986). The other is highly critical of agribusiness, stating that the internationalization of agriculture hurts small farmers and promotes only cash crops at the expense of traditional food crops (Lappe and Collins, 1977; George, 1979). Simon Williams sees agribusiness as a compelling force for change for relatively large numbers of people at the enterprise site, on production and consumption patterns, and at governmental levels. Williams

paints a utopian picture of agribusiness in that "novel tasks are taken on and new skills acquired on the job and by means of formal training... upward mobility for men and women becomes a real possibility... new, higher levels of income lift the vision of life from subsistence to more vivacious alternatives for parents and children... " (Williams and Karen, 1986). Susan George, on the other hand, sees agribusiness as an extremely negative influence on Third World agriculture noting that

the consequences of this high technology accompanied by greatly reduced employment opportunities have been higher food prices, highly concentrated landholdings, reduction in real wages for those lucky enough to have work, and rural migration which merely displaces poverty from countryside into the cities (George, 1979).

A review of agribusiness projects and the literature reveals, however, that limited attention has been paid to the benefits and costs of such projects to small farmers. There are few socioeconomic studies that assess the impact of agribusiness operations on rural producers, and even fewer that address the impact on women. Recently, however, a number of authors have sought to present a more balanced socioeconomic picture of agribusiness's interaction with rural producers and to highlight questions for further research (Glover, 1984 and 1986; Goldsmith, 1985).

Multinational corporations (MNCs) have a long involvement in Third World agriculture and are thus a visible force in agribusiness. The amount of direct foreign investment in agricultural output in developing countries is relatively small, however, when compared to the output produced on land owned by host-country citizens, firms or governments, or to MNC's activities in the manufacturing sector. According to data from the ILO, the share of MNC's in agricultural employment is small and declining, and MNC employment in agriculture only represents one percent of total MNC employment (ILO, 1985b).

These overall employment statistics may be due to the highly capital intensive nature of MNCs' agribusiness investments and may hide important regional and country variations. The United Nations Center on Transnational Corporations (UNCTC) has found that, as in other sectors, foreign investment

in agribusiness enterprises is highly concentrated, with the larger and richer developing countries attracting the greatest number of MNC affiliates. In Brazil and Mexico, for example, there are affiliates of more than forty MNCs (Glover, 1986). Similarly, the employment effects of agribusiness operations may vary greatly from country to country, as well as within countries.

Although multinationals employ less than one percent of the female labor force in LDCs, agribusiness is an important source of female formal sector employment and income for individual countries. Women are employed in a number of different capacities by multinationals or host country firms involved in agribusiness operations, the most common being unskilled or semi-skilled labor. Examples are rubber tapping, tealeaf picking and harvesting of fruits and vegetables. Women may form part of a paid labor force, or as in the case of contract farming, provide labor as part of a family farming operation. Women are also employed by processing and packing facilities.

In general, the sexual division of labor in agribusiness enterprises is closely related to the crop, the supply of labor, the nature of the activity and the particular country context. In developing countries, women are typically responsible for food production and preparation. In many ways, firm-level food processing activities extend into the formal marketplace.

There are a number of different ways in which agribusiness enterprises interact with agricultural producers. In a recent book on agribusiness in the Third World, twelve different arrangements between firms and producers were identified. These arrangements ranged from nuclear estates--enterprises with a core processing plant, in addition to a farm or plantation operated by one plant as well as a system of obtaining raw materials from nearby farmers--to financial institutions that support independent agribusiness activities through a combination of loans, grants, credit, and participation in management (Williams and Karen, 1986).

The type of agribusiness system determines to a large extent the relationship with, and impact on, farmers and processing plant employees. With increasing attention being paid to the private sector's contribution to rural development, it is of particular interest to examine contract or core-

satellite farming and its variants in terms of the potential employment and income effects on small farmers and wage laborers. In these types of schemes, a central processing facility purchases the produce of independent farmers that either constitutes the entirety of the facilities' supply or is supplementary to the company's own production. In this type of arrangement, the agribusiness company assures a market outlet and may also provide critical resources such as technical assistance, inputs, and credit to farmers. From the point of view of the foreign-owned company, the contract farming approach can reduce uncertainty of supply and opt the firm out of managing a large agricultural labor force and investing in large tracts of land, both of which may be significant political liabilities. From the growers' perspective, advocates claim that contract farming can provide increased income through an assured market, access to services and easier access to credit (Glover, 1984).

Many factors influence a firm's decision to start an agribusiness operation in a particular country. Obviously, overall profitability will be a determining factor. Export prospects, market demand, the physical characteristics of the crops in question, and features of the local environment all contribute to the profit equation for a particular firm.

The financial involvement of international donors, sometimes in conjunction with host governments, is a way of supporting and encouraging private investment. In many cases, this support may be a pre-condition to the establishment of an agribusiness enterprise. From the firm's point of view, this type of involvement reduces the risk and cost of the undertaking. As Goldsmith (1985) points out, public subsidization of agribusiness enterprise operations may well be a precondition to their involvement because "the profits of core-satellite farming are insufficient to compensate private investors for the risks inherent in this system of production." This also raises an interesting issue regarding public versus private investment. The extent of public financial support to certain private enterprises may mean that core-satellite farming economizes less on public resources than it appears to at first (Goldsmith, 1985).

AID AND AGRIBUSINESS

AID's private sector emphasis has contributed to a selective shift in the Agency's agricultural development strategy towards agribusiness. This shift is particularly noticeable in the Caribbean and Central American regions due in part to the trading opportunities provided under the Caribbean Basin Initiative (CBI) and the Central American Initiative (CAI). In other regions, AID's agribusiness ventures are less encompassing and are reflected in more discrete activities. AID's involvement varies by region and country, and can include loans, grants, technical assistance, credit and inputs. By taking a more important role in agribusiness activities, AID can provide the impetus for the inclusion of broader socioeconomic goals into private enterprise initiatives. Table I lists selected AID projects in this sector. Most of the projects are currently on-going; several represent follow-on phases to an original project.

As illustrated by Table I, within the agribusiness sector, the Agency appears to place the greatest emphasis on core-satellite or contract farming which has the potential of involving and benefiting small farmers. In some countries, AID projects are also helping local agricultural-based cooperatives improve their management and marketing efforts, and are supporting the production and distribution of agricultural inputs. Overall, agribusiness projects are perceived as being supportive of economic and agricultural growth, and of increased employment and income in rural areas.

Central America and the Caribbean

In Central America and the Caribbean, AID supports regional agribusiness initiatives through such entities as the Latin American Agribusiness Development Cooperation (LAAD), the Caribbean Basin Corporation (CBC), and the Central American Bank for Economic Integration (CABEI). The Agency also supports country-specific agribusiness activities throughout the region.

Table 1. Selected AID Agribusiness Projects

<u>COUNTRY</u>	<u>PROJECT NAME</u>	<u>FY BEG.-END</u>	<u>COST \$ MIL</u>	<u>G O A L</u>	<u>P U R P O S E</u>	<u>I N P U T S</u>
Sri Lanka	Enterprise Promotion	83-88	5.5	To increase employment, incomes and locally produced goods and services needed to improve quality of life for the people in the rural areas of Sri Lanka.	To foster improved investment climate and increased private sector investments in Sri Lanka, both domestic and foreign, using resources where comparative advantages exist, with an emphasis on agro-industry.	(1) Technical assistance; (2) training; (3) commodities; (4) miscellaneous work of Sri Lanka coordinating committees
Indonesia	Private Sector Development	82-88	7.6	Increased employment opportunities, income generation, and access to resources for Indonesians in the private sector.	To test methods of strengthening the Indonesian private sector through training and links to the U.S. private sector, and to provide information to Indonesian decision-makers about opportunities to develop the Indonesian private sector.	(1) Management training; (2) facilitating investment; (3) special studies and consulting services.
Dominican Republic	Agribusiness Promotion	85-88	20.3	To increase employment, incomes, and foreign exchange earnings and savings.	To initiate new or expand existing agribusiness investment projects under the management of private firms devoted to the production of raw or processed agricultural commodities for sale in export and domestic markets, and to improve the mechanisms for agribusiness promotion and financing.	(1) Loan funds for agribusiness ventures; (2) technical assistance and investor services; (3) feasibility studies; (4) produce inspection; (5) evaluation.
Ecuador	Non-traditional Agricultural Exports	84-87	6.4	Promote economic growth through the accelerated development of non-traditional agricultural-based exports in Ecuador.	Promote non-traditional agricultural-based exports.	(1) Information and support services; (2) policy and planning; (3) agrobusiness financing (4) advisory board; (5) evaluation.

Table 1 (continued).

<u>COUNTRY</u>	<u>PROJECT NAME</u>	<u>FY BEG.-END</u>	<u>COST \$ MIL.</u>	<u>G O A L</u>	<u>P U R P O S E</u>	<u>I N P U T S</u>
Guatemala	Agribusiness Development	85-90	12.5	To increase Guatemalan rural family incomes through improved production, storage, processing, marketing, and employment opportunities for high-value crops; to expand and diversify Guatemala's export of non-traditional agricultural products.	To provide small farmers with profitable outlets for their fruit and vegetable production through new or expanded agribusiness in rural areas.	(1) Provide agribusiness and production credit to entrepreneurs and cooperatives through four <u>financieras</u> , participating commercial banks, and the National Agricultural Development Bank (BANDESA); (2) provide technical assistance and training to Bank of Guatemala, BANDESA, <u>financieras</u> , and participating commercial banks; (3) provide technical assistance and training to entrepreneurs; (4) provide technical assistance to cooperatives; (5) establish market information system in the non-traditional products exporters guild.
Honduras	Agro-Industrial Export Development	78-81	17.0	Increase small farmer income.	Develop GOH capacity to establish agribusiness export projects which will directly integrate small farmers into the development process.	(1) Technical assistance; (2) participant training; (3) commodities; (4) production credit.
Jamaica	Agro-Industrial Development	82-83	14.8	Support Jamaica's economic recovery by strengthening the private sector as a vehicle for economic growth, employment generation, and increase in food production.	Establish in the Agricultural Credit Bank a capability to facilitate agro-industrial growth through access to credit and technical assistance.	(1) Credit fund; (2) study fund; (3) technical assistance; (4) commodities and travel.

Table 1 (continued).

<u>COUNTRY</u>	<u>PROJECT NAME</u>	<u>FY BEG.-END</u>	<u>COST \$ MIL.</u>	<u>G O A L</u>	<u>P U R P O S E</u>	<u>I N P U T S</u>
Panama	Rural Growth and Service Center	78-85	8.8	Further the socio-economic development of two priority regions of the country with emphasis on increasing employment and income opportunities for the poor population in key market towns and surrounding rural areas.	Set in motion a process that will significantly increase the employment and income generating and rural service capacity of selected growth and service centers in the central and western regions of Panama.	(1) A.I.D. loan funds; (2) credit programs; (3) infrastructure; (4) technical assistance; (5) training.
Peru	Rural Development Agribusiness Fund	78-82	15.0	To alleviate identified typical farm level constraints to increased target group income through the expansion of markets for small farmer products and the provision of agricultural-related goods and services.	(a) To support the expansion of LAAD's agribusiness development activities into the Caribbean and north coast areas; (b) to contribute to LAAD's development of a base and focus of operations sufficient in size and scope to permit operating economies of scale, and to attract expanding shareholder participation for future growth.	(1) Fund capitalization; (2) technical assistance.
Peru	Rural Enterprises II	79-83	8.0	Generate and increase rural income in the Peruvian Sierra and Caja de Selva.	To develop and expand rural small enterprises by improving the access of such firms to credit and related technical assistance.	(1) Credit fund; (2) commodities; (3) short-term training; (4) evaluation; (5) short-term TDY assistance; (6) credit fund; (7) administrative costs.
Caribbean Regional	Regional Agribusiness Development (LAAD)	76-79	7.4	To contribute substantially to the promotion, development, and expansion of agribusiness systems and enterprises in the Caribbean and north coast area.	(1) To establish in the Central Bank an effective facility for rediscounting loans made by financial institutions to sub-borrowers which process or market agricultural products or provide complementary goods and services to the agricultural sector; (2) to establish a program of promotion and development of such agribusiness, including appropriate technical assistance, which will maximize benefits to small farmers and the rural poor.	(1) AID loan; (2) LADD equity; (3) sub-borrower contributions; (4) technical assistance from LAAD, LAAD shareholders, and clients.

Table 1 (continued)

<u>COUNTRY</u>	<u>PROJECT NAME</u>	<u>FY BEG.-END</u>	<u>COST \$ MIL</u>	<u>G O A L</u>	<u>P U R P O S E</u>	<u>I N P U T S</u>
Caribbean Regional	Agribusiness Expansion (LAAD)	80-86	6.0	(1) To improve the standard of living of the Caribbean poor; (2) to stimulate economic and agricultural growth and create employment.	To initiate and expand private agribusiness investments in the Caribbean.	(1) AID loan; (2) LAAD Corporation counterpart; (3) private bank borrowing.
Caribbean Regional	Regional Agribusiness Development	76-86	6.9	Increase the incomes of small farmers and the rural poor.	Increase the capacity of the Caribbean Development Bank (CDB) and LDC institutions to develop, finance and implement agribusiness and labor intensive enterprises which are based on the local production and participation of small farmers and the rural poor.	(1) AID loan and grant; (2) CDB counterpart.
Central America and Panama	Agribusiness Development (LAAD)	75-79	5.0	To create an environment or the conditions in which the rural poor will have increased opportunities for participation in the benefits emanating from development.	To develop agribusiness activities in non-traditional agriculture which increase the participation of the rural poor; to develop LAAD into a self-sustaining financial operation based on commercially available capital.	(1) AID loan; (2) LAAD counterpart; (3) sub-borrower contributions; (4) technical assistance.
Central America and Panama	Regional Rural Agribusiness Development (CABEI)	77-83	15.0	To improve the well-being of the rural poor; to increase the participation of the rural poor in the benefits to be derived from agribusiness activities.	(1) To develop non-traditional agribusiness activities in Central America which provide benefits to the rural poor; (2) to improve the institutional capability of the Central America Bank for Economic Integration (CABEI) and National Intermediate Credit Institutions (ICI's) to promote and finance agribusiness activities.	(1) AID loan; (2) CABEI counterpart; (3) technical assistance.
Central America and Panama	Agribusiness Employment Investment Promotion (LAA)	81-84	6.0	To expand private agribusiness investments in Central America.	(1) To improve the standard of living of the Caribbean poor; (2) to stimulate economic and agricultural growth and create employment.	(1) AID loan; (2) private bank borrowings; (3) sub-borrower investments.

AID's involvement with LAAD and its subsidiaries dates back to the early 1970s when the first \$6.0 million was authorized for the development and expansion of agribusiness activities in the region. AID has continued to provide low-interest loans to LAAD which then invests in, or lends money to, small- and medium-sized agribusiness enterprises. The goals and objectives set forth in the AID project papers for LAAD loans emphasize benefits to the poor. LAAD sub-projects are to contribute to the welfare of small farmers and/or landless laborers, in addition to contributing to the development or improvement of an agribusiness system. Sub-projects are to be selected either on the basis of their substantial direct employment and income effects or because they demonstrate substantial benefits to the target group through indirect means such as the creation of increased marketing opportunities which result in higher income from the sale of goods and services. In addition, the project papers related to AID's loans to LAAD emphasize the importance of small-farmer linkages in sub-project selection and funding (see the Annex).

The Caribbean Basin Corporation (CBC), a U.S. venture capital company, also receives loans from AID to promote the establishment or expansion of small private business in the Caribbean Basin. As noted in the investment proposal:

"satellite farming" ventures will receive particular priority in the selection of investments under this project. In a satellite farming operation, a substantial portion of the crop is grown by small independent farmers, for whom the "nucleus estate" serves as a source of training, inputs, credit, quality control, packaging and/or marketing. This preference for satellite farming stems from the fact that such a structure generates greater economic and entrepreneurial opportunities for small farmers than occur when growing is done by hired labor on a centrally-owned estate (USAID, 1984).

AID's loan to CBC is expected to generate 500 full-time equivalent jobs, or one job created for every \$5,000 of AID loan funds drawn. As with other AID loans, there are loan-related reporting requirements concerning the beneficiary population and the project's anticipated impact.

AID's loans to CABEL also are meant in part to stimulate agribusiness activity in the Central American region. The purposes of the Regional Rural Agribusiness Development project were to develop non-traditional agribusiness activities in Central America which provide benefits to the rural poor, and to improve the institutional capability of CABEL and intermediate credit institutions.

THE REGIONAL RURAL AGRIBUSINESS DEVELOPMENT PROJECT

This project entails a loan to the Central American Bank for Economic Integration (CABEL) and is intended to develop non-traditional agribusiness activities in Central America of benefit to the rural poor. An evaluation in 1980 determined that only 6 of 20 CABEL sub-projects showed a significant impact upon farmers in terms of social impact and income distribution objectives. The evaluation suggested several priorities for the selection of sub-projects including raising incomes of small producers and increasing employment. A final evaluation in 1983 notes that the project had been successful in meeting its objectives and that CABEL sub-projects had led to increased rural employment and small farmer income.

AID is supporting a variety of country-specific agribusiness activities throughout Latin America and the Caribbean distinct from the region-wide projects described above. Many, although not all, of the project papers include small farmers and the rural poor among the primary beneficiaries. The Agribusiness Development project in Guatemala, for example, aims to provide small farmers with profitable outlets for their fruit and vegetable production. The project includes a loan fund for use by entrepreneurs and small farmer groups, training and technical assistance, and market/export information. Among the end-of-project outputs is the target of 850 jobs created, of which 50 percent will be for women. Similarly, one of the purposes of the Rural Development Agribusiness Fund project in Peru was to promote the development of agribusiness enterprises which would maximize benefits to small farmers and the rural poor.

Other projects focus more on expanding agribusiness enterprises as an end in and of itself. Examples include the Agribusiness Promotion project in the

Dominican Republic and the Agro-Industrial Development project in Jamaica. The project in the Dominican Republic provides credit and technical assistance to new and expanding agribusiness. The Jamaica project consists of a credit fund within the Jamaican Agricultural Bank to be used by banks and agro-industrial enterprises.

Africa

In the African region, AID's emphasis still appears to be on more traditional agricultural development projects, in large part, a reflection of the region's priorities. However, the private sector emphasis, which in many countries of the region is primarily geared towards small-scale enterprise, in certain instances includes a focus on agribusiness.

The Rural Enterprise and Agrobusiness Development Institutions project in Malawi is one example of the focus, bringing together a private sector approach and rural development objectives. The project is viewed as experimental in nature. The purpose of the project is to expand the economic activity of small- and medium-sized Malawian entrepreneurs who are involved in agricultural production, processing and marketing; on- or off-farm rural employment; and import substitution of light industry and manufacturing. The project will provide funds for credit facilities for two Malawian financial intermediaries, and technical assistance and training to both the financial intermediaries as well as participating entrepreneurs.

Asia

There does not appear to be a major agribusiness emphasis in the Asian region. In Sri Lanka, AID is supporting the private sector through the Private Enterprise Promotion project whose purpose is to foster an improved investment climate and increased private investments with an emphasis on agro-industry. In a number of other countries in the region, AID projects focus on the production and distribution of inputs such as seeds and fertilizer, although many of these consist of loans to the host government rather than to private industry.

IMPACT OF AGRIBUSINESS: DESIGN AND IMPLEMENTATION ISSUES

Many of AID's agribusiness projects attempt to link a private sector emphasis to broader socioeconomic objectives. Agribusiness is viewed as a means of improving agricultural productivity and opening of employment and income-earning opportunities in rural areas, in tandem with, or as an alternative to, more traditional agricultural development projects. Certainly, agribusiness projects do have the potential to reach and benefit small farmers and wage laborers. The impact of an agribusiness operation on this target group depends, however, on factors such as the land tenure situation, the choice of crop and production process, prevailing market conditions and the specific socio-cultural context. The following section reviews some of the key issues which need to be taken into account when designing and implementing agribusiness projects.

Land Tenure and Distribution

The existing pattern of land tenure is an important factor to be considered in setting up an agribusiness activity. Where land ownership is skewed, agribusiness tends to favor production contracts with larger growers. By contracting out to a limited number of larger land owners, existing inequalities can be reinforced. On the other hand, agribusiness activities can offer the landless or near-landless (many of whom are women) new employment prospects as wage laborers in the fields or in processing plants. Even in areas where land distribution patterns are relatively equal, contract farming does have a tendency to increase social stratification as less progressive farmers sell their land in response to rising land values (Goldsmith, 1985). In Costa Rica, for example, the distribution of land ownership is quite skewed. According to a 1973 census, one third of the country's farms had five hectares or less, representing only 1.7 percent of the arable land area. This land destitution pattern will have implications for agribusiness's impact on the farming population (Buvinic and Horenstein, 1986).

Food Crops versus Cash Crops

The potential impact of agribusiness on the food crop/cash crop ratio needs to be assessed. Critics of the food processing industry have emphasized the negative effect of agribusiness operations on basic food supplies. It is argued that agribusiness operations can undermine a country's food self-sufficiency objectives by diverting land from food crops (Glover, 1986). To the extent that women are more involved in food production, the switch to cash crops may have particular implications for their status, income, labor allocation patterns and their ability to provide food for the family.

It has been noted, however, that firms often put a ceiling on contracted acreage of individual producers, allowing farmers to retain some land for food production. In addition, studies indicate that many farmers grew cash crops prior to their involvement with agribusiness (Glover, 1984). It is also possible for some complementarity to exist between cash crop and food crop production to the extent that inputs such as irrigation water, fertilizer, or tools provided for use on cash crops are also made available for food production. For example, fertilizer applied one year for a cash crop can have a residual effect the next year on a food crop rotation. AID could play an important role in this regard by providing related food crop services in conjunction with an agribusiness project which it was supporting. It will be important to focus on the delivery of extension, inputs and credit to women farmers.

Employment

Agribusiness projects generate employment on-farm through their hiring of contract farmers who produce the needed raw materials, and off-farm through their hiring of plant employees who process the commodities. On-farm employment effects will be greater in situations where small farmers predominate among the contract farmers; the extent of off-farm or processing plant employment will depend on the labor intensity of processing techniques. Prevailing employment patterns and wage structures for men and women will affect the employment impact of an agribusiness enterprise in a particular area, however. Examples from Central American and Caribbean countries point

to the importance of the existing socioeconomic conditions in determining the impact of an agribusiness operation. In the case of the ALCOSA enterprise in Guatemala, there was a general absence of full-time female employment opportunities in the area which meant that the ALCOSA processing plant offered income-earning potential where it did not previously exist (Kusterer *et al.*, 1981). This situation may also exist with regard to the current Agribusiness Development project that AID is implementing in Guatemala. In this project, one of the end-of-project outputs is the creation of 425 jobs for women.

ALIMENTOS CONGELADOS MONTE BELLO, SA (ALCOSA)

ALCOSA is a wholly-owned subsidiary of a US-based firm, Hanover Brands Incorporated, which began vegetable purchasing and freezing activities in Guatemala in 1975. ALCOSA has received a substantial part of its financing from the Latin American Agribusiness Development Corporation - Central America (LAAD-CA). A 1977 evaluation of the LAAD-CA loans to ALCOSA by Checchi and Company gave the project high marks in terms of benefits to the rural poor. Agribusiness critics, however, pointed out the negative impacts of the project. In 1980, AID commissioned a more in-depth socioeconomic assessment of ALCOSA operations in four different sites, including its processing plants (Kusterer *et al.*, 1981). The evaluators found a mix of positive and negative impacts depending on the site and the year. In 1980, for example, contracts were signed for many more vegetables than could be processed, leading to a breakdown of the field organization, temporary suspensions of purchases, and financial losses for many of the farmers. There were general positive impacts on women, in terms of income earned, work satisfaction, and an increased sense of freedom and self-esteem. Although as noted in the evaluation, the positive impacts were due to a general absence of full-time female employment in the area; a lack of other employment opportunities; normal standards of living that did not require multiple incomes; and a cultural context that normatively subordinates women to men in all spheres of the economy.

Similarly, the amount of employment available for women in different branches of food-processing may depend on a number of factors including the level of technology required, the employment opportunities for men, and the geographical location of the industry. There appears to be a marked preference for employing women in certain agricultural processing activities, reflecting in some cases their lower wage structure, in addition to the image of women as harder-working. As noted in a recent UNIDO report, employers prefer to hire women "particularly in those agro-industries where the strict

observance of health regulations in the production process is essential and where importance is attached to regular work attendance" (Petritsch, 1985).

While there is some evidence to support the fact that as an activity becomes more commercialized it becomes the domain of men, there is also evidence to the contrary. In the evaluation of an asparagus canning factory in Peru, for example, it was found that women were hired as farm laborers and as workers in the processing plants (they comprised 90 percent of the latter) while at the same time there was a high level of male un- or under-employment (Kusterer, 1981).

There are differences in employment patterns for men and women, however, within the food processing industry which have implications for the benefits generated from employment. Women appear to be most prevalent in such industries as fruit and vegetable canning, fish preservation, and confectionery. Men are well represented in vegetable oil production, sugar refining and in the beverage industry. The implications of this structure are that

the industries in which women predominate are characterized by shorter training time and lower rates of pay (women are often hired as apprentices at very low wages). The work is declared to be not physically difficult but it is performed under extremely difficult conditions, such as heat and high humidity, which leads to an above average number of work-related accidents. In addition, the industries are subject to strong seasonal fluctuations of production resulting in frequent spells of unemployment. They thus do not guarantee stability of income, nor do they even guarantee recurring employment in the same firm (Petritsch, 1985).

On the one hand, agribusiness can be an important source of employment for women. On the other, it is important to ensure that women are not delegated or "tracked" to lower paid, seasonal jobs. Women should also have the possibility of filling managerial positions. In one of the LAAD-CA sub-projects, although women made up a significant proportion of the workforce, almost none were at a managerial level.

Income

The satellite farming approach to agribusiness can have a significant impact on rural income both for those employed as contract farmers and those employed in the processing facility. For women in particular, however, employment in agribusiness can have varying income effects. On the one hand, income earned by women in their own right (as workers in processing plants, for example) can free women from economic dependence on husbands or brothers, give them greater control over the income, and greater decision-making power. On the other hand, women who are farmers on family farms may find themselves contributing labor with no direct remuneration and, at the same time, having to cut back on activities for which they previously received income.

The seasonality of agricultural employment can also mean unpredictability of work and income. Seasonal fluctuations are particularly marked in fruit and vegetable processing--a branch that employs a very high proportion of women. Technological innovation such as better refrigeration techniques and the availability of additives to allow for a longer conservation of raw materials could exert a positive impact in this regard (Petritsch, 1985).

The potential for increasing farmers' incomes through agribusiness operations is significant. To the extent that small farmers, including women, are given the necessary agronomic information concerning the crops which they are growing for market, they will have a greater chance of realizing optimum yields, and therefore, increasing their incomes as anticipated. Incomes will also be affected by the timing of sales; if farmers must market their produce shortly after harvest, when supplies are greatest, they may receive substantially less than the optimal price.

Again, many of AID's projects in the agribusiness sector call for increases in income for small farmers and the rural poor. The project papers dealing with loans to LAAD and its subsidiaries are quite explicit in this regard although actual impact may be quite different in practice (see the Annex).

SUMMARY AND ASSESSMENT OF AID'S AGRIBUSINESS ACTIVITIES

AID's involvement in agribusiness activities appears to be increasing, especially in Central America and the Caribbean. In a number of cases, the Agency may be stimulating corporate interest in satellite farming and providing the financial incentive for an agribusiness enterprise to set up business in a particular area. AID's financial contributions in the form of low-interest loans, grants, technical assistance and inputs should also provide a basis for the inclusion of, and attention to, broader socioeconomic goals.

In reviewing AID's agribusiness project documents, it is clear that, at least on paper, the Agency does seek to integrate broader socioeconomic goals into agribusiness activities. This emphasis is reflected in the statement of project goals and objectives, in the identification of beneficiaries, and in the inclusion of project assessment forms and project selection criteria. Many of the projects also identify women among the beneficiary population.

It is much less clear, however, to what extent these goals remain an important part of project implementation. The available evaluations indicate that, at best, it is unclear whether stated goals and purposes have been achieved. The LAAD evaluations do not refer to these goals and purposes, nor do they deal with the sub-project criteria which emphasize small farmer linkages. The evaluations do show that employment generated by LAAD loans was far below that anticipated in AID's project documents (Checchi and Company, 1983; Booz Allen and Hamilton, Inc., 1985.)

Other evaluations point out the difficulty with assessing the target population impact. The evaluation of the Peru Rural Development Agribusiness Fund project, for example, notes that it is difficult to determine the impact on small farmers and other members of AID's target group due in part to the cyclical nature of the agro-industrial process. According to this report, evaluations aimed primarily at target group impact should be carried out several years after the "normalization" of the agribusiness process has begun (Likar and Cruz-DePaula, 1984).

For AID's agribusiness projects to effectively address these issues, a more concerted effort needs to be made throughout the project cycle. The effort that AID makes may be dependent, however, on the type of agribusiness involvement. Attention to socioeconomic, farmer-level concerns, may be less likely in a situation where AID provides loans to an institution which then on-lends to other institutions since the Agency has only indirect involvement in project implementation. To the extent that AID has more direct involvement in the project, perhaps in terms of the provision of technical assistance, for example, AID's interest in comprehensive monitoring will be greater and also more influence can be brought to bear on project outcomes.

A critical issue is the extent of AID involvement beyond the conception and approval of the project document. From the outset, more attention needs to be paid to data and informational requirements. If project goals include increasing farm income, the data should be collected concerning farm family income sources and expenditures (disaggregated by sex). In addition, this approach will require much greater attention to project results and impact as measured against stated goals and purposes. Monitoring and evaluation systems should be set up in this regard. In all project phases--design, implementation and evaluation--women as a target group need to be singled out because of their important potential contribution to the sector, and the need to expand their employment and income-earning opportunities.

RECOMMENDATIONS FOR PROJECT DESIGN, IMPLEMENTATION AND EVALUATION

- To the extent that agribusiness projects aim to benefit small farmers and landless wage laborers, they should contain accurate, sex-disaggregated data and socioeconomic analyses. Data should be collected on sex of the household head, the sex-based division of labor, incomes streams of various household members, and access to productive resources. This information is meant to provide a picture of current employment patterns, labor constraints, sources of income, and the land tenure situation. All of these factors will have implications for the impact of the project's interventions.

- Agribusiness projects should contain a clear understanding of how goals and purposes are to be achieved and who composes the beneficiary group. Data and informational needs should be specified at the project identification level so that achievement of project goals and purposes can be measured and evaluated during project development and implementation.
- In general, all farmers will benefit from technical assistance, training and information, and be more likely to achieve good yields and therefore higher incomes. Where appropriate, women should be singled out as a target group to receive training, technical assistance, inputs, or credit as part of their participation in project activities.
- The potential employment and income effects of the project (both negative and positive) on women and men need to be better understood in the design stage, and monitored carefully during project implementation.
- Since women's participation in agricultural production is greatest among smallholders, an agribusiness system that reaches small farmers, such as contract or satellite farming, may be most advantageous in terms of benefiting women. This approach can also offer benefits to the landless through access to jobs as wage laborers on-and off-farm.
- Decisions of the type of crop to be grown and processed as part of an agribusiness operation are primarily based on marketing considerations. However, project designers need to be aware that modern technology can either benefit or hurt women, depending on specific requirements of each group.
- The choice of crop and production process requirements determine, to a large extent, the relative labor or capital intensity of the activity. In situations where AID is supporting a specific agribusiness activity a determination should be made at the project identification stage of the prevailing employment situation. Certain crops, such as fruits and

vegetables, can be suitable for smallholder production since they are relatively labor-intensive and provide high income per hectare.

- The location of agribusiness processing plants may also affect women's employment and incomes. Existence of infrastructure and the perishability of the crop are the primary considerations in the choice of location. However, plants located in areas where women lack off-farm employment can provide women with a steady source of income.
- If the proposed agribusiness project aims at promoting small-scale and informal sector production, measures should be included which assure input supply, availability of extension and/or training to increase productivity, and infrastructural support. This may be particularly relevant with regard to women.
- Provisions for vocational/technical training need to be included in the project design as appropriate. An assessment should be made of women's training needs to enable them to effectively participate in agro-processing activities, including positions at a managerial level.
- To the extent that agribusiness projects are promoting crops for sale and potentially having a negative effect on food crop production through competition for land and labor, AID can provide complementary assistance for food production. Where possible, AID could support the provision of inputs and credit, and extension delivery for food crops.
- Technological innovations as part of a project, such as better refrigeration techniques and the use of additives to preserve products longer, can lessen the negative effects of seasonality of employment.

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ANNEX

AID AND THE LATIN AMERICAN AGRIBUSINESS DEVELOPMENT CORPORATION

One of AID's largest agribusiness involvements in the Caribbean and in Central America is with the Latin American Agribusiness Development Corporation (LAAD), a corporation developed largely on the basis of AID loans, which operates through its subsidiaries LAAD-CA (Central America) and LAAD-Caribe. LAAD and its subsidiaries develop and finance small- and medium-sized agribusiness ventures in the region. The overall objective of AID loans to LAAD in several project documents "has been to assist LAAD to become a viable institution providing medium-term financing and technical assistance to agribusiness enterprises in Central America and the Caribbean, thus creating direct and indirect benefits to the poor" (USAID, 1981, p.1). According to a 1985 evaluation of LAAD-CA, AID has provided \$17.0 million in low interest loans to that subsidiary since 1971. Additional loans have also been made to LAAD-Caribe to expand LAAD's area of activity to the Eastern Caribbean. In August 1986, a project paper was submitted for the approval of another \$15.0 million loan to LAAD-CA. The overall objectives remain basically the same although no mention is made of the rural poor. However, a second beneficiary group is to be comprised of producer associations and small farmers.

In addition to providing support for the private sector, LAAD's sub-projects aim at: 1) increasing incomes and productivity of small farmers as a result of their ability to shift to higher-value crops for which there is a guaranteed market; 2) increasing employment opportunities in processing plants and in the field; 3) increasing and diversifying export earnings; and 4) improving the nutritional composition of the local diet (USAID, 1981, p.9). As noted in the 1981 AID project paper:

The primary beneficiaries of the proposed project are the rural poor in the areas where LAAD operates. This group includes both men and women and is composed of small farmers and landless workers; operators of small agribusiness providing inputs to the

LAAD-financed project may also be beneficiaries. The project will assist agri-business entrepreneurs establish operations which have direct impact (through linkages to production) on low income families. Sub-project activities will encourage small farmers in the area to increase or diversify production in order to supply raw materials to processing plants. Landless workers, or farmers whose landholdings are inadequate for reasons of size, quality, or location, will find employment in production or processing operations. Through such activities, their efforts are expected to be more productive than traditional methods, and employees of such rural agribusiness operations, both laborers and clerical workers, will be taught new skills in agriculture and business operations (USAID, 1981, p.11).

AID funds were to be "restricted to financing new LAAD projects and existing sub-projects in which substantial additional employment and/or increases in small farmer incomes and productivity will be generated by follow-on investment" (USAID, p.14). The project paper assumed that the investment package would generate about 3,000 new jobs at a cost of \$5,000 per job created. The 1986 project paper projects that the loan will result in 3,600 new jobs with the same dollar to job ratio.

The 1981 project paper also stated that all LAAD sub-projects would have to meet certain criteria, demonstrating that the welfare of small farmers and/or landless laborers had been improved as a result of the project. This effect would be "measured in terms of increased employment generated, increased income generated, increased production and/or productivity, induced changes from lower to higher value crops or better land utilization, and general rural development effects..." (USAID, 1981, p.18). A project assessment form was to be used by LAAD prior to commitment of funds to sub-borrowers (see attached). The 1986 project documents also place an emphasis on employment generation noting that "the project's employment impact must be apparent, and although this has been a subjective factor in the past, LAAD-CA's top priority loans under the new project will all include a significant amount of employment generation."

AID-funded LAAD activities were evaluated in 1977 and 1983 by Checchi and Company, and in 1985 by Booz Allen and Hamilton, Inc. Although both evaluators present LAAD as a useful channel through which AID can direct funds to the private sector in Central America, it is clear from reading their reports (although not explicitly stated) that the more "socioeconomic" goals have not been met. Despite AID's emphasis on employment and income generation, and the identification of the rural poor as the primary beneficiary group, the evaluations in fact point out the very limited employment impact of LAAD-CA's operations. The 1983 evaluation shows that the eight LAAD-CA sub-borrowers generated only 126 new jobs (with \$3.7 million in loans). Although an assumption is made concerning the effect on farmers of purchases by the various companies, no information exists on the number who have benefited and on income generated.

The 1985 evaluation of LAAD-CA's thirteen sub-borrowers reveals that employment increased by only 275 rather than the 3,000 jobs estimated in the project paper. Of this amount, approximately 40 percent of the jobs were filled by women, although they hold almost no administrative jobs. No data on income levels is available. The evaluation also shows that just under 50 percent of total raw materials were purchased by the companies from small farmers and producers. However, no definition of small farmers is given. No mention is made of landless laborers among the beneficiaries--a group that was singled out in the project paper.

Neither evaluation deals with the question of sub-project criteria which are given a great deal of emphasis in the project paper. Similarly, no mention is made of the pre-project assessments which LAAD was to have done for each prospective sub-borrower. Interestingly enough, LAAD-CA's limited employment impact under these previous loans is not mentioned once in the 1986 project paper. Rather, data from sub-borrowers' self-evaluations pointing out that "20 to 25 thousand small farmers benefited... [and that] 8,000 new jobs were created" forms the basis for the project's assumptions concerning employment impacts.

In sum, although LAAD's operations may well be successful according to certain criteria (such as expansion of the private sector, increase in

foreign-exchange earnings), they appear to be far less successful when judged on socioeconomic criteria, which in fact, were emphasized in the project paper. Two issues seem most relevant in this regard. The first relates to AID's priorities and AID's control over actual project implementation. If AID does want agribusiness to contribute to general rural development objectives, as well as to specific employment and income targets in the rural poor, than the Agency needs to have more oversight and exert greater control over actual agribusiness operations. This does not have to mean day-to-day management responsibilities but rather having a voice in the selection of LAAD sub-borrowers based on their potential impact on the target group.

The second issue is the difficulty of assessing the socioeconomic impact of a project in the absence of baseline data. It is clearly not enough to identify target groups in the project paper. There must be detailed information on the target groups' income and employment situation and on the prevailing land tenure situation. There also must be a monitoring plan built into project implementation which would allow for tracking the project's impact on the target group. This could yield information on the number of farmers participating, by size of farm, income level, gender, type of crop, etc., and could track changes in production and income due to the project. Sex-specific information would also be made available in this manner.