

Conditional Cash Transfers and Social Development in
Rural Brazil:
Social Movements and Structural Change in the State of
São Paulo

by
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Abstract

Conditional Cash Transfers and Social Development in Rural Brazil: Social Movements and Structural Change in the State of São Paulo

Submitted by: Ryan Nehring

Recent policy initiatives in Brazil have been highlighted as a solution to overcoming high levels of inequality in the country and promoting inclusive development. The evidence has been apparent in the rapid reduction in poverty levels and growing middle-class. In the rural context, Brazil is initiating an ambitious food security framework complimentary to the attack on poverty, at the same time, supporting industrial agriculture for export. Historically, it is from this dual approach that social movements have arisen out of the need for agrarian reform. This thesis explores the role of rural social movements in transforming the agrarian structure in Brazil. Utilizing the state of São Paulo as a case study, the argument articulates the importance of social movements in undertaking agrarian reform and promoting pro-poor social policies. Field research was carried out in order to illustrate this dynamic as well as hear from the rural poor and policy-makers alike.

Submitted: August 10th, 2011

Key Words: Conditional Cash Transfers, MST, Fome Zero, Brazil, Agrarian Reform

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Chapter 1

Introduction

Brazil is currently being promoted as one of the successful examples in development as it is emerging as one of the world's major economic powers. Its policy framework in attacking poverty and promoting food security as central to the rights of Brazilian citizens is being considered a conceptual framework to emulate throughout the developing world. At the same time, Brazil's powerful agricultural sector has played important role in thrusting the economy to its current spotlight. Surprisingly, rural poverty rates in Brazil are twice as high as the urban poverty rate leaving one to wonder the rural development history and dynamics present in the countryside (Patel et al, 2003)

International Financial Institutions (IFIs) and state governments are collaborating in the implementation of new innovative social policies in achieving the Millennium Development Goal #1 by 2015 to halve poverty. In the case of Brazil, Luiz Ignacio "Lula" da Silva and his Workers' Party (PT) designated the MDG #1 as a necessary objective to be reached by the Brazilian government when he took power in 2003. As a result of this objective, Lula was responsible for the implementation of the world's largest Conditional Cash Transfer (CCT) program and he managed to halve the rate of poverty by the end of his regime in 2010, well ahead of the 2015 goal (Hall, 2004). Furthermore, his successes in alleviating poverty have thrust poverty policy to the forefront of electoral issues in Brazil and the PT continues to

experience success with the current president, Dilma Rousseff, also from the PT and generally regarded as Lula's protégé.¹

CCTs are a recent phenomenon in development policy. The theory behind CCTs as a social policy stems from the philosophy that the poor are unable or unwilling to invest in human capital. Thus, this policy recommendation provides cash incentives to households under the condition that their children are receiving regular health check-ups and are attending school. The policy does not see poverty as a structural issue but rather that the poor are defined as poor due to a lack of markets.

I will be arguing that the implementation of the *Bolsa Família* and other social policy interventions in Brazil only experience marginal results without the process of social movements in transforming rural social structures. The problem facing the rural poor in Brazil is a structural issue not addressed by Brazil's policy initiatives. As I will demonstrate through empirical data and presented research, structural change is the necessary component to eliminate poverty. Although policies such as CCTs have been effective in reducing poverty under their terms, they do not address inherent structural inequalities. Rather, it is the participatory social movements that address a comprehensive, structural approach in the elimination of rural poverty.

¹ Dilma won the election with 55% of the vote
Phillips, Tom, "Dilma Rousseff Wins Brazil's Presidential Election", (The Guardian, November 1st, 2010), www.guardian.co.uk

Posing the Problem

In confronting this topic there are numerous studies as it is one of the dominant policies being implemented in Latin American and a top policy recommendation for the developing world amongst numerous institutions and scholars. The *Bolsa Família* in Brazil has become a very important electoral issue due to its power of gaining votes from the poor and the promise of politicians to increase the amount of the grant in order to gain even more electoral support. Multinationals such as the World Bank and Inter-American Development Bank are both financing CCTs and producing large amount of literature on the topic in order to promote the programs for developing countries and dominate the discourse of policy prescriptions regarding CCTs. However, there are limitations to their research; such as, differentiating between social dynamics surrounding CCTs and the discrepancies in application from different countries and regions.

This study specifically addresses alleviating rural poverty in Brazil, which constitutes a greater percentage of the poor than the urban poor. Furthermore, the rural poor present new challenges and dynamics to policymakers as their livelihood and source of income can vary greatly. Rural labor movements in Brazil have been characterized by the government's ability or inability to tackle rural poverty. The response to the government's initiatives is the formulation of Latin America's largest and most successful social movements. These social movements have their

roots and objectives in addressing the agrarian question – looking at the rural poor’s role in capitalism.

Nevertheless, Brazil’s policy experience is argued to be a tremendous success in alleviating poverty and promoting equitable rural development. Under this premise, we must consider the tensions and synergies present in Brazil that allow for the conditions under which social policy can be a successful tool. It is the case of Brazil that is being highlighted as *the* model for countries to utilize in formulating similar policy approaches to promote pro-poor rural development. The problem and gap in current research is identifying the dynamics that make Brazil and its regions unique in rural development perspectives.

To confront this gap, the objective of this study is to conceptualize the role of Brazil’s social policy in rural development. Specifically, the case study of the state of São Paulo is utilized to include necessary social forces and specific factors that have been pivotal to the success of Brazil’s policy initiatives. Additionally, although the *Bolsa Família* is the flagship policy of Brazil’s approach to alleviating rural poverty, it is merely a component of the overall framework being implemented. Thus, a more comprehensive analysis includes the theoretical framework and specific objectives for the various policies currently being implemented in the country. This study directly confronts the question of: under what conditions have Brazil’s social policies been effective in significantly reducing rural poverty and supporting rural livelihoods?

Conceptual Framework

The analysis of Brazil's policies in the rural context brings together several different components to provide a comprehensive approach to eradicate rural poverty. In providing a framework to guide the synthesis of these components, this study utilizes the agrarian question as a conceptual framework to adequately place the study's empirical inquiry into the problem. Although the theoretical complexities of the agrarian question will be discussed in the following chapter, the fundamental underpinnings of the framework address the role of peasants in capitalism. Furthermore, it is of note that the agrarian question is not necessarily an approach to rural development but rather an arena of debate surrounding the fate of the peasantry in capitalism. For this reason, the framework's perspectives are described within various academic typologies to provide a balanced view surrounding the agrarian question's relevance to this study.

As addressed in the problem, the subject of Brazil's policies contains numerous perspectives and approaches in addressing the issue of rural poverty. For this study, this issue is broadened under the agrarian question framework to include an analysis of the structures apparent within rural Brazil. Specific case study material inserts an empirical coherence to the problem and attaches a tangible picture into an otherwise theoretical framework. Nevertheless, the agrarian

question provides an extensible approach in confronting the problem from the integrated perspective as presented in this study.

Methodology

The methodology I used in the research is a combination of qualitative and quantitative data that were collected and analyzed in support of my argument. The quantitative data is the component that provides the 'big picture' in outlining objectives of conceptualizing the problematic within a macroeconomic context of Brazil's agricultural policies and agrarian structure. In contrast, the qualitative data is my data 'enhancer'. That is, the data provides the study key aspects of the problematic and relates the study to the level of analysis – the rural household. It also provides a voice to the beneficiaries and rural poor that are participating in the programs. Without their input there is little credibility to any research that targets their success as being the responsibility of policymakers.

In order to obtain my quantitative data and empirical policy research I was located in Campinas at the agricultural technical and policy extension service center for the state of São Paulo (CATI). Over the course of a week my time was spent working in the public policy department where the employees informed me about current policy initiatives and the most up to date data on rural policy initiatives in S o Paulo. The most up-to-date statistical agricultural census was provided to me

from the state of São Paulo. This census prepared by the CATI institute includes all information related to every farm unit within the state – farm size, crops grown, labor used, land utilized, etc. Additionally, the public policy department provided me with all of the relevant legal government documents that established the state’s rural social policies.

In the study I focus on the household as the primary level of analysis in the level of a micro/macro approach to conceptualize both the household and the effects of Brazil’s policy framework on rural livelihoods and the role policy currently plays in the development of Brazil’s countryside. The collection of qualitative interview data to support my argument focused on targeting households participating in various social policies and discussing the effects of the programs on investment in their production and their perceptions about the programs’ effectiveness. I conducted semi-structured interviews over the course of a week with individuals living and farming in rural settlements in São Paulo. Additionally, I conducted interviews with several “informants”. These “informants” consisted of a leader of the MST movement in a rural settlement in the western state of São Paulo and several policy workers at the CATI Institute in Campinas, São Paulo.

The data obtained through this methodology are used to conceptualize the importance of São Paulo’s rural labor history and put it into a context of how it shaped the state’s contemporary rural development. In order to develop a theoretical framework and introduce relevant rural development approaches, the first chapter presents theoretical aspects of rural poverty and the most accordant

literature. It is through this lens that the research objectives and outcomes are viewed throughout the study.

Thesis Statement and Structure of Thesis Argument

Given the nature of Brazil's current rural development experience, it is necessary to explore historical trends in the country's rural development and its implications on the agrarian transformation in the state of São Paulo. The argument centers on the history of agricultural production and accumulation in São Paulo and its effects on rural labor and social movements. Through this transformation, rural social relations experienced changes under social movements that grew from the struggle of labor against capital formation. These social movements are attributed with significantly contributing to the success of contemporary Brazil in promoting pro-development in rural São Paulo and influencing policy outcomes.

I will be arguing that the implementation of the *Bolsa Família* and other social policy interventions in Brazil only experience marginal results without the process of social movements in transforming rural social structures. The problem facing the rural poor in Brazil is a structural issue not addressed by Brazil's policy initiatives. Therefore, it is the results of rural social movements in Brazil that can be attributed with not only transcending structural barriers to poverty but establishing

a more suitable foundation for the Brazilian government to implement the policies we see today.

As I will show, coffee's role in capital accumulation amassed social contention and subsequent change in the state, which resulted in social movements providing the necessary agrarian change outside of governmental institutions. Furthermore, this study will present the contemporary synergy between the historical demands of these movements and how that has shaped the policy environment seen today.

The case material in this study challenges contemporary policy perspectives on CCTs and provides a more inclusive picture aimed at depicting necessary forces of comprehensive agrarian reform as the precursor to effective rural development. While the argument does not deny the effectiveness and importance of CCTs, it attributes a significant role of social movements in promoting and fulfilling positive development outcomes.

Institutionally, the process and success of rural development in São Paulo can be viewed as an unlikely synergy between two deterministic forces. Social movements have purposefully remained outside the formal state institution providing them the means to maintain their orthodox approach in transforming agrarian structures. Conversely, the government has co-opted policy as an institution in itself that attempts to balance market forces while maintaining "productive transformation" and the "growth with equity" approach (ECLAC, 1990). It is the effectiveness and importance of São Paulo's social movements that makes

the case study unique in contrast to other countries and regions. It is São Paulo's social movements that provided the key component of addressing the structural inequalities of poverty that cannot be addressed through social welfare policy. Let there be no doubt that without this key component, current successes in eliminating poverty would be frugal.

This is the conclusion drawn from hearing voices of the poor in the state's countryside. For them, participation in social movements has provided the means to a new and improved life through structural reform and continues to be a support structure as well as institutional medium for advocacy and expressing their concerns. Their relationship with the state through policy participation is an increasingly important activity as the government's institutional capacity continues to expand. From their perspective, the two contrasting approaches offer a balance between institutional arrangements with the rural poor that, in turn, create an effective framework to support rural livelihoods.

The first chapter of this study is dedicated to the theoretical underpinnings of rural development approaches and their relevance to rural poverty. An introduction to several components and terms of those approaches provides the conceptual building blocks for two contrasting advances in contemporary rural development. The two approaches of food sovereignty and an industrial globalized agricultural order as advocated by International Financial Institutions (IFIs) will provide a basis to understanding the dualism in Brazilian agricultural policy. Moreover, an introduction and analysis of the agrarian question presents the

dynamics and continuities surrounding the analytical framework for this study. After the theoretical introduction to rural development approaches, Chapter One outlines the policy design and philosophy behind the creation of CCTs. Within this introduction to the policies, there is significant latitude in perspective from both a critical standpoint and that of the policymakers.

In the second chapter, we explore the background on Brazilian agriculture and its effect on rural development. The first section is devoted to macroeconomic policies and historical agrarian objectives of the federal government, as well as those policies' outcomes. This section provides the 'big picture' in understand some of the government's goals for maintaining economic growth and stability as well as the political economy of rural Brazil. The other section in the background chapter focuses on the case study material of São Paulo. Particularly, this section is devoted to a deconstruction of the labor movements and struggles in the state and the pivotal role São Paulo and its coffee played in the development process of Brazil.

The background material demonstrates the dualism present in historical and contemporary Brazilian agriculture as well as the implications it has for rural development and labor in the state of São Paulo. Throughout this history, social movements grew out of the need for agrarian reform in the face of intense inequality. For this reason, land reform is highlighted as one of the most contentious issues in São Paulo which gave rise to Latin America's largest, and perhaps most successful social movements: the Landless Workers' Movement (MST, Portuguese acronym). Through this organization, Brazil, and particularly, Brazil's rural poor

have benefitted from structural changes realized through popular movements against the inaction of government.

After the background chapter, the study then directly addresses contemporary dynamics in Brazil's social policies. Specific policies are explained while not losing sight of the policy framework's philosophy and designed objectives. Due to the multifaceted nature of CCTs and Brazil's rural development policies, the chapter is designed to be inclusive to various perspectives whilst utilizing the grounding of official legal documents and policy papers obtained from the state's agriculture policy and extension institute.

Qualitative empirical material is presented in the next chapter with a slightly different approach to view the São Paulo countryside. The objective in this chapter is not to develop a forceful argument with empirical research but to give the reader a picture of rural Brazil through the eyes of the programs' beneficiaries. Additionally, the perspective of the policymaker is presented in conjunction to develop a more holistic window into the policy arena in São Paulo. The interviews provide the opportunity to envision the attitude and perceptions of rural Brazilians as it pertains to their interaction with the government and its policies.

The final chapter brings together concepts and draws conclusions based on the problem and gap as addressed earlier. Its objective is to utilize the analytical framework and approaches to rural development as a lens through which we can analyze presented material. The concluding comments synthesize the argument and

provide a conceptual framework to explain the case study material into a more universal understanding of the development process in São Paulo.

Chapter 2

Framing the Debate:

Approaches to Rural Poverty and Development

The rural population is continually facing tremendous obstacles in this era of rapid industrialization and urbanization. Yet, despite the flood of people to the cities, rural areas are plagued with poverty. Of the world's poor, three fourths live in rural areas, the very location where food is produced (World Bank, 2008). Poverty in the developing world has led to an epidemic of hunger, which has led the Food and Agriculture Organization to declare the world must double its agricultural output by 2050 in order to feed the world's poor (FAO, 2008). The majority of this increase is to service the demand from the developing world, where most of the world's poor and hungry live. Agricultural employment is overwhelmingly more evident in the developing world where 97% of the world's 1.3 billion jobs in agriculture are located (Bernstein, 2010).

It is important to consider the majority of farmers in the developing world are not always farmers in the strong sense of the traditional perception in the North. Rather, the agriculturalist in the developing world can fulfil many roles depending on the situation. For many, farming is a supplemental activity to other labor while others are tenants or landless laborers on larger tracts of land. Nevertheless, agrarian

change is a necessary action in order to promote a more sustainable future for the world.

Various directions are being promoted as the best method to increase agricultural effectiveness in order to feed the hungry. At the center of this debate is: how to and to what extent can the rural poor be involved in agricultural production to alleviate global hunger? Enriching the debate, we must first look at what categorizes peasant agriculture, of which, comprises the vast majority of the rural poor.

Often used interchangeably, “peasant”, “smallholder”, and “family” agriculture can appear to illustrate the same concept. However, each term carries it’s own analytical set of information. Henry Bernstein (2010) defines “peasant” agriculture as one that typically indicates subsistence use of agricultural resources. However, he asserts the term “peasant” is best used for analytical reasons as the term implies a group of people with a similar social agenda that can be eroded by capitalist agriculture. Particular attention is paid to those rural poor that are not landowners but laborers or tenants. “Peasants” as a terminology are identified as having a similar social agenda. For this reason, the term “peasant” is most useful in unifying numerous groups that compromise rural social structures. For example, the concept of the peasantry can include various groups that carry their own set of separate definitions such as: (sharecroppers, subsistence agriculturalists, tenant farmers, forest peoples, landless rural laborers, and small landowners, etc.) (Peraci, 2011).

Additionally, the term “family farm” is a useful in categorizing a portion of the rural population by various indicators, such as: farm size, labor input, and household income. The historical rural trajectory of developed countries has relied heavily on recognizing the role family labor played in producing an efficient agricultural surplus; however through colonial history and capitalism this experience has largely been absent in the developing world.. It is important to note that the family farmer can compromise varying levels of capitalization and social agendas which lends the term useful to increase the scope beyond “peasant” or “peasant farm household”. Although it can be a difficult juxtaposition between the three terms, the family farm is primarily concerned with the viability of family labor and management in capitalistic agriculture. As will be elaborated below, the family farm dynamic is argued to be more competitive as a commodity producer than fully-integrated capitalist producers.

As we uncover more broad perspectives on rural development, the terms *residual* and *relational* are used to conceptualize the proposed approaches to rural poverty. From a *residual* perspective, the rural poor are defined as poor since they do not have market access. Thus, the solution is to bring the market to the rural poor so they can realize the benefits. A *relational* perspective on rural development contends rural poverty is the result of structural social relations and the inequalities apparent in political relations. The *relational* solution sees the need to transform rural politics and the social structure through comprehensive agrarian reform (Borras, 2009).

Rural poor households are the subject of comprehensive agrarian reform in order to promote a more equitable development strategy. Cristóbal Kay commends agrarian reform as the single most important element in the success of Asian countries having relatively higher levels of development indicators within the developing world (Kay, 2009). In contrast to the rural development model of Latin America, Asian governments established *relational* redistributionist agrarian policies that promoted state involvement in peasant farming and capital investment in infrastructure. The Latin American experience was more oriented towards technological investment in the commercial sector of agriculture as a source of revenue and omitted comprehensive agrarian reform based on peasant production.

The successful development model in many Asian countries was due to their integration of productive peasants in the rural sector, which supplied the necessary export earnings to invest in industrialization in urban areas. This component harnesses the surplus capacity of peasant agriculture as a tool of furthering a comprehensive development strategy for the country. However, in Latin America, Kay contends the focus on larger, commercial agriculture coupled with an exhaustion and saturation of the domestic market after an expired import-oriented strategy led to neglecting the agriculture sector and earnings potentials were never realized (Kay, 2009). Thus, utilizing the model of agrarian reform as imposed by several Asian countries is central to not only a pro-poor agrarian reform but also has essential components to an effective national development strategy. Undoubtedly, the rural poor need to be involved in agricultural production as a

pathway out of poverty; however, various perspectives illustrate differing roles of peasant producers in the process.

A useful point of departure for an analytical framework is that of the 'agrarian question' which depicts to what extent capitalism is transforming or not transforming agriculture. Additionally, it addresses the extent to which capitalism impacts agricultural accumulation and rural politics. The agrarian question can be viewed in several different components as it is more of an arena for debate than a solidified concept of rural development. Phillip McMichael approaches the agrarian question as one of a question of food and the politicization of the corporate food regime. His contribution to the agrarian question is centered on the effect of transnational capital realized through modern political institutions as the driving force in determining the fate of the peasantry. For the rural poor, the agrarian question is applicable to not only supporting their livelihood, but also capitalist accumulation transforming the countryside into one of profit and not the public good (Akram-Lodhi et al, 2009).

The question therefore is not only a question of rural poverty and more generally rural development but rather, what is the role of the peasant in capitalist agriculture? A more fundamental approach to the agrarian question is that of Henry Bernstein (2010). Under the capitalist regime, the peasant has little or no place for production as defined by their terms according to Bernstein who categorizes the agrarian question into a series of three problematics that disaggregate the complex

issue surrounding the role of peasants in capitalist agriculture: accumulation, production, and politics (Akram-Lodhi et al, 2010).

The issue of accumulation surrounds the ability of peasants to meet resource costs and even produce a surplus. Furthermore, this problematic questions the notions of a surplus and its ability to fund industrialization and the further accumulation of capital. It is this potential capacity of agriculture that creates the problematic facing the peasant and their relation to a state's appropriation of resources derived from an agricultural surplus.

Secondly, Bernstein attributes production as a problematic based on the works of Kautsky (1988; orig. 1899), Lenin (1964; orig. 1899) and to a lesser extent, Marx (1956; orig. 1885). This problematic addresses the concept of the extent to which capitalism has transformed the countryside into one with generalized wage labor and the inevitability of rural capital. The emergence of capitalism in the countryside transformed the agricultural production system into the commoditization of labor processes and coefficients of production. The results are, according to Bernstein, in the differentiation of peasant classes and structural transformations of the rural micro political economy (Akram-Lodhi et al, 2010).

Third, Bernstein highlights politics as the last problematic surrounding the agrarian question directly from theories of Engels (1950; orig. 1894). The balance of class forces and labor struggles are central in order to make the dynamic tensions present in the rural structure of subordination, surplus appropriation, and social forces that are capable of transcending such structures. This component of the

agrarian question is crucial in determining the conditions surround agrarian change (Akram-Lodhi et al, 2010). Rural politics are characterized by the tensions between social forces and the structure created through capitalist accumulation and production. Through the three problematics as outlined by Bernstein we have a foundational basis for the analytical framework in approaching agrarian reform and its relation to alleviating rural poverty. Furthermore, we can envision the peasantry as facing significant obstacles in maintaining their livelihood as defined by their terms in the current era of agribusiness and globalization. Coinciding in this era peasant organizations (La Via Campesina, MST, Zapatistas) are utilizing solidarity to influence and transform political institutions; however, is that pressure enough to ensure peasant livelihoods in the 21st century?

Expanding upon the classic agrarian question is the work of Chayanov and his objective to explain the role of the peasant farm household in capitalism. For Chayanov, family farm productivity and success was a result of the household's ability to consume the product of their work. His model was based on the household as an independent unit that does not hire outside labor, has a certain availability of land, owns its means of production, and utilizes some of the family's labor force on non-agricultural products (artisanal goods, crafts, etc.), (Brookfield, 2007). Chayanov recognized the threat on family farms posed by 'merchant capital' in the Russian countryside and attributed vertical cooperatives between the family farms as isolating themselves from the effects of agribusiness. Vertical cooperatives provide an institutional arrangement between family farmers that minimizes the

strength of intermediaries such as suppliers and processors in rising prices. Through a cooperative, farmers can combine their collective production and exert their power of market share in determining a fairer price for their goods (Jamison, 1960).

Additionally, Bernstein attributes Chayanov (1966; orig. 1925) and Kautsky (1988; orig. 1899) with the argument that family farms persist, and are sometimes even encouraged by capital, as long as they continue to provide cheap commodities. This is supported by Chayanov's concept of the family labor as self-exploitive since their labor is not incorporated into calculated inputs and profits. Thus, family labor tends to farm more intensely and produce cheaper outputs at the expense of self-exploitation (Bernstein, 2010).

These perspectives provided by Chayanov's experiences in tackling challenges family farmers face in the penetration of capitalism form the basis of perceiving new aspects to the classic agrarian question and set the stage to understand how, and under what conditions has the family farm survived today? The task of defining a family farm can be difficult for some as they occupy a space between the industrially organized capitalist farm and the small sector of rural laborers. However, they often operate solely on family labor and are located in a larger economic system with some partial to full involvement within the market. This is where the family farm has little uniformity. Commercial family farms may be fully integrated into the market and even employ wage labor. However, on the other end of the spectrum, family farms can have very little integration in the market and

may only participate in subsistence production with few off-farm activities. They are limited in size dependant upon on the country and region. For example, in Brazil, the family farm is confined to fewer than four fiscal modules (80 hecatres) and uses a minimum of 70% of household income for farm investment (Government of Brazil, 2011a).

It is important to distinguish the nature of the relationship between family farms and the market. First, peasants are only partially integrated into markets due to various other farm activities (subsistence agriculture, non-market sources of income, etc). And secondly, the markets peasants are partially integrated into are imperfect (Ellis, 1993). Additionally, it is important to consider that the peasant farm household often derives income from non-agricultural activities. For example, many members of the household may work in nearby communities or make products in the home and sell them at a market.

Many countries with a more equitable land tenure system and a policy framework to support the livelihoods of family farms can utilize family farming as an important component of their rural development approach. However, in the developing world where sources of external capital are few and far between, industrial agriculture has often been used as a source of financing other development projects such as industrialization. Currently, this basic model of modernized agriculture is still the dominant framework as advocated by the WTO and other IFIs but economic globalization and inequalities are calling for more pragmatic and effective approaches.

For Bernstein, globalization has driven a process of decoupling agricultural production from capital accumulation. Production in the rural sense is no longer central to the interests of capital as globalization has fostered transnational capital accumulation. Thus, national interests are no longer aligned with agricultural surplus as the primary means of obtaining export earnings as in the case with positive development outcomes in Asia (Akram-Lodhi et al, 2010). The current globalized system offers a source of capital to countries under the transnational capital regime of corporate agribusiness and agricultural finance. In a more simplified form of conceptualizing the varied perspectives on rural development we can expand two contrasting approaches currently being proposed.

As defined by the Food and Agricultural Organization of the United Nations (FAO) there are two primary models of agricultural development. The first is the peasant and family farming model based on food sovereignty and local food production that negates agricultural dumping and supports the domestic market. The second is a globalized and modern agricultural system as a productive force to feed an industrial and urbanized working population (FAO, 2006). Many countries are attempting to utilize the food sovereignty model as their tool in implementing rural development policies, such as Brazil's *Fome Zero* policy framework.

It is useful to place these two competing models into the framework of the agrarian question to analyze the contrasting dynamics between the two productive models. Under this perspective of the agrarian question there are various strands of policy initiatives based on competing development models. Under the first model as

proposed by various organizations, notably the Via Campesina, is the food sovereignty movement.

Food Sovereignty implies a need for comprehensive agrarian reform to supply the needs and rights of a country's citizens in regards to consumption and production of food. Furthermore, it calls on governments to take the responsibility of providing services and resources so that every citizen has equal access to qualitatively adequate and sufficient food within the cultural norms according to the citizens. It primarily focuses on the following as a policy framework by which countries can follow:

- Prioritizing local agricultural production in order to feed people, the access of peasants and landless people to land, water, seeds, and credit, and hence the need for genuine, comprehensive land reforms, for open access to seeds, and for safeguarding water as a public good to be equitably and sustainably distributed.
- The right of family farmers and peasants to produce food and the right of consumers to be able to decide what they consume, and how and by whom it is produced.
- The right of countries to protect themselves from low priced agricultural and food imports.
- Agricultural prices must be linked to production costs with a profit margin allowing for life with dignity for food producers: this can be achieved if the

Countries or Unions of States are entitled to impose taxes, quotas and bans on excessively cheap imports, if they commit themselves in favour of a sustainable farm production, and if they manage production on the internal market so as to avoid structural surpluses.

- The people taking part in the formulation of agricultural policies.
- The recognition of women farmers' rights, who play a major role in agricultural production and in food (FAO, 2006).

In order to place the food sovereignty model into the agrarian question framework we need to distinguish two basic analytical premonitions. First is the extent of commodification in the countryside and the distinction between farm production for use or sale in the market. The extent of commodification limits the role of labor in defining the production of goods and establishing agrarian relations as the basis for food production. Furthermore, the extent of producing for the market limits the ability of peasants to extend beyond existing as petty commodity producers and reproduce their labor outside capitalist commodity production (McMichael, 2009: 296).

The second premonition is that food sovereignty is a decentralized movement taking different forms between each specific case with different actors. Thus, although the movement is global in scope it takes on different forms in each location. Just as the agrarian question can be interpreted in different forms, the food sovereignty movement takes varied approaches to its ultimate objective as outlined

above. For example, Brazil's *Fome Zero* campaign to eliminate hunger and support food security for the poor is one such example of the food sovereignty movement in action. In this case, peasants and family farms, not globalized agriculture, are the productive force in supplying Brazil's working poor through a subsidized process of directly purchasing food staples from peasants and family farmers (McMichael, 2009: 297); (Chmielewska et al, 2010). Key to this strategy is Brazil's Landless Workers' Movement (MST) that utilizes its collective settlements of petty producers within the *Fome Zero* framework. Additionally, the MST's advocacy for food sovereignty places the organization as a prominent actor currently utilizing model through action. Simultaneously, the MST's relationship with the *Fome Zero* framework is a significant example political involvement in food sovereignty.

The food sovereignty model places importance on the critique of markets valuing the competitive nature of production in a global context. It recommends smallholders, such as peasants and family farms abstain from producing for the global market in a depoliticized trade regime (Akram-Lodhi et al, 2010). According to the Via Campesina: "Food sovereignty does not negate trade, but rather it promotes the formulation of trade policies and practices that serves the rights of people to safe, healthy, and ecologically sustainable production" (La Via Campesina, 2001).

Nevertheless, capital's effect on the peasant is central to food sovereignty, albeit the movement's intention is to limit subjugation of the peasant to capital. This precise argument is the critical element in what some call the "new agrarian

question” which points to the element of food as the factor in “peasant salience in a capital-dominated world” (McMichael, 2009).

For Marx, the classic agrarian question focused on the emergence of capital in a world without a globalized agricultural regime, which kept food invisible beyond its price affecting political relationships and accumulation. However, the application of the “new agrarian question” becomes heavily intertwined with the production and trade of food as the determining factor for peasant livelihoods. Food sovereignty’s attack on the corporate food regime is itself an attack on the current accumulation of capital in the countryside as spearheaded by transnational agrarian capital. Although food sovereignty is not completely addressing the question of labor and its resilience to capital, its take on inserting a political economy of representation implies just that. The food sovereignty movement is connecting labor and demanding the right of peasants and people of the land to not be transformed through the capitalization of rural livelihoods.

This new modern approach to the agrarian question can transform Bernstein’s three problematics into a more contemporary categorization of the peasant experience in global capitalism. The classic agrarian question’s interpretation of accumulation, production, and politics can still be applied to today as shown through Bernstein (2010); however, the food sovereignty movement’s approach to combating the global food regime can be better articulated by addressing three more nuanced problematics: financialization, neoliberalism, and the corporate food regime (McMichael, 2009).

We can analyze the financialization of agriculture as a process of transnational capital integrating into production without allowing the political process of labor to be a factor. Moreover, financialization is a necessary step for the accumulation of capital in the countryside through capitalist expansion. The issue of production can be analyzed through contemporary neoliberalism as a tool to eliminate labor movements and regulatory structures on capital in order to increase agricultural production. It is these two processes through which the corporate food regime has gained significant hegemony in pushing policy decisions in favor of capital and in defiance of labor.

The proponents of the globalized agricultural system such as the WTO are advocating for a 'new world agricultural order' (Borras, 2009). Such systems are in favor of an export-led strategy that is capital intensive and highly technological. The idea is to expand the market so that the poor can be presented with a pathway out of poverty by increasing their productivity in a more efficient system.² It requires reducing trade barriers and producing high quantities of a commodity that can be competitive on the global market, which contains highly subsidized goods from the North. Previous efforts to expanding the domestic agricultural markets had eroded during the neoliberal era in which countries throughout the developing world integrated their agricultural products into the global market. As a result of developing government's lack of access to foreign capital they undertook loans from

² A residual perspective see Borras, Saturnino M. Jr., "Agrarian Change and Peasant Studies: Changes, Continuities, and Challenges – An Introduction", (*Journal of Peasant Studies* Vol. 36 No. 1, Routledge, Jan. 2009), 13.

IFIs with attached conditions specifically tailored for export-led strategies of development.³

Under the export-oriented model, high productivity minimizes the cost of food, which determines wage costs and the competitiveness of local markets. In achieving maximum efficiency for this system, productivity is the means by which low food and transaction costs can be attained (World Bank, 2008). IFIs acknowledge the efficiency of peasants; however, they see large-scale commercial agriculture as the best means to achieve productivity in economies of scale. The private sector is the driving force of value chains that brings the market to peasant and large-scale farms.

For this model the agrarian question as described by Bernstein positions the peasant into the destruction of their very way of life as its aim is to depoliticize the countryside in favor of capital determining the agrarian structure. The role of the peasant therefore is reduced to wage-laborer whose role and livelihood is determined by the market. As capital accumulation takes place in the countryside, the agrarian question becomes central to defining the trajectory of labor in demanding a more equitable share of production and resources. It is through this historical conjecture that many nation-states have utilized capitalism and modernization as a process through which labor popularizes distribution and workers' rights (USDA, 2009). Nevertheless, contemporary capitalism and the

³ The attached conditions aimed to boost repayments by reducing trade barriers, boosting productivity and profits. See Haroon Akram Lodhi, A and Cristóbal Kay, "Surveying the Agrarian Question (Part 2): Current Debates and Beyond", (*Journal of Peasant Studies* Vol. 37 No. 2, Routledge, April, 2010), 263.

corporate food regime has stagnated this process through a globalized political structure itself such as the World Bank, WTO, and IMF. It is through these organizations that global capital utilizes hegemonic intentions to develop and implement policy.

The World Bank identifies three core assets as determinants of a household to participate in agricultural markets and alleviate rural poverty: land, water, and human capital (World Bank, 2008). Land markets are particularly important to increase the productivity of households and diversify their incomes. They ensure the most productive users maintain land rights over those aging or unproductive users. However, under this model, a country's land market will remain efficient and vibrant only if strong property rights are enforced in conjunction with limited legal restrictions and enforced contracts (World Bank, 2008). Landowners need to be assured of the right to own land so that they can plan for safe investments into the future productivity of the land.

Water is an increasingly scarce resource throughout the developing world. The recent phenomenon of climate change has put additional woes on the rural poor as irregular rainfall patterns and reduced runoff requires irrigation. Capital constraints amongst the rural poor prohibit necessary irrigation techniques for increasing yields. Despite the tremendous importance of water in agriculture, the World Bank does not clearly identify a viable solution for the rural poor to access crucial water sources for irrigation.

Even with the availability of water and land, the rural poor are facing dismal outlooks on education and health. Throughout Sub-Saharan Africa, South Asia, and the Middle-East, the rural poor have education levels as low as four years of schooling for male adults and three years for females (World Bank, 2008). To address the issue of human capital investment, many countries have started to adopt a Conditional Cash Transfer (CCT) program. These programs provide a cash transfer to eligible households under the condition that the children maintain high rates of enrolment in school, regular health check-ups, and immunizations.

CCTs: Implementation and Design

Conditional Cash Transfers (CCTs) are a recent phenomenon in the developing world. Initiated in the 1990s, CCTs have exploded from a core of three countries to now over 30 countries implementing a type of CCT (Friszbein et al, 2009). Founded on the principle that the poor are either unable or unwilling to invest in human capital, the objective of CCTs is to create human capital investment. Its two-pronged strategy provides one component of an immediate cash transfer for consumption and poverty relief. The second part is focused specifically on human capital investment in children and youth by attaching conditions to the cash. In order to

participate in the program children are required to maintain high enrolment rates in school and regular medical check-ups.⁴

There are three main conceptual arguments for the generic design of a CCT. First, designers of CCT programs have identified that there is a disconnect between a person's short-term frivolous financial investments and long-term financial goals. Economists use the term "incomplete altruism" to explain the decision making process of parents in determining the future for their children. Incomplete altruism states that parents may not act in the best interest of the children or may make a decision that is inconsistent with a child's desires. This argument makes the case that the recipients of a cash transfer are not fully informed of "optimal" investment in human capital. Rather the policy perspective from CCTs puts the child as the principal in matter of his or her education (Friszbien et al, 2009: 60).

The second argument for the implication of CCTs centers on their proclivity to engage the poor in the process of policy making and building a relationship with the state. As the programs are implemented, conditioning the cash transfers in support of "good behavior" can increase their popularity and increase endowment (Friszbien et al, 2009).

The last argument for conditional cash transfers is that while their effect on human capital investment may be privately optimal, the apparent market failures and negative externalities are such that human capital investment is not *socially*

⁴ Typically 85% or higher, under the model of the programs in Brazil and Mexico. See de Janvry, Alain and Elisabeth Sadoulet, "Conditional Cash Transfer Programs: Are They Really Magic Bullets?" (June 2004, University of California – Berkeley), <http://are.berkeley.edu/~sadoulet/papers/ARE-CCTPrograms.pdf>

optimal. For example, although many governments highly subsidize education and health, many poor families (particularly rural) have opportunity costs associated with utilizing education and health services. The argument is that a conditional cash transfer provides the incentive as well as the necessary capital to overcome opportunity costs and realize the long-term positive outcomes of human capital investment (Friszbien et al, 2009).⁵

A continuing debate surrounding the implementation of CCTs is the way in which they target the possible program beneficiaries. About two thirds of the countries with CCT programs use geographic testing; of those, about two thirds use household proxy means testing. This method involves the statistical analysis of household surveys in order to verify a household's eligibility in the program. Additionally, there are variations in the way in which the targeting techniques are implemented. For example, some programs hire permanent employees to personally survey households and provide data to the central agency in charge of the CCT while other programs utilize a temporary or contracted agency to perform their targeting mechanism (Friszbien et al, 2009).

Whichever targeting mechanism is used, CCTs have no doubt been influential in providing 'institutional capital' for a country. For example, many countries establish a data map of poverty initiated by a CCT program and then that map or information is utilized by other social welfare programs. As is the case in Chile, where their CCT program – Chile Solidario – has created a proxy means test now

⁵ Several examples are provided in the publication. Often times social services are provided free of cost; however, costs are associated with travel to service delivery and the time it takes to take advantage of the services

utilized by social pensions and household subsidies. For several countries, proxy means testing was first implemented with the adoption of their CCT program (Cambodia, Jamaica, Kenya, Mexico, Pakistan, Panama, Turkey) (Friszbien et al, 2009). In other countries, the targeting mechanism designed for the CCT program has been instrumental in jumpstarting complimentary social assistance programs.

The benefit structure of CCT programs is relatively simple. The cash transfers typically differentiate dependent upon the number and sex of the children in the household. Based on dropout rates of children, the amount varies in accordance with the understanding that the older a child gets; the more unlikely they are to continue school. Girls are the most likely to dropout; therefore, the transfer amount is higher for girls. Pressures increase to work and contribute to the total household income and going to class is less appealing for the family. Mexico's CCT program has even started to initiate a post-secondary scholarship program for beneficiaries' children to encourage students to go beyond a high school diploma (Holmes et al, 2007).

The rapid expansion of CCTs has largely been contributed to IFIs financing and promoting the programs due to positive evaluations from their experience in Brazil and Mexico.⁶ The first strategy of injecting capital into the poor for immediate consumption has no doubt relieved capital constraints within poverty; however, due to the youth of CCTs, no definitive study has been compiled on the

⁶ Notably a landmark study by the IFPRI under contract through the Mexican government to evaluate their first CCT program – *Progresá*. This study produced positive results and sparked the first worldwide interest in emulating the design (Skoufias, 2000) and (Valencia, 2008).

success of conditionalities in attacking intergenerational poverty. Nevertheless, new programs are continually being implemented in new countries and already existing programs are rapidly expanding in coverage and overall budget. For example, the national budget for the CCT in Brazil is now at US\$6.1 billion (up from US\$1.9 billion since its inception in 2003), (CONSEA, 2009). Even with rapid budgetary growth, CCTs are a viable budget addition as they compromise a minimal amount of a country's GDP and expenditures as seen below in table 1.

Table 1: CCT Program Budget % by Country

Country	Program	% of National Budget	Program Budget - % of GDP
Brazil	Bolsa Familia	1% (2009)	0.4% (2009)
Colombia	Familias en Accion	1.8% (2004)	0.09% (2005)
Chile	Chile Solidario	1.7% (2007)	0.1% (2005)
Ecuador	Bono de Desarrollo Humano	2.25% (2005)	0.6% (2005)
Mexico	Oportunidades	1.75% (2006)	0.39% (2005)
Peru	Peru Juntos	1.3% (2007)	0.11% (2006)

Sources: (Valencia, 2008); (Ayala, 2006); (Government of Colombia, 2003); (De la Guardia et al, 2011); (Friszbien and Schady, 2009)

The table above demonstrates the very limited amount of government expenditures required to fund a CCT program making them very attractive to governments. However, given the limited amount of government expenditures required to keep a CCT program afloat, it leads one to wonder the effect of this injection of capital into the hands of the poor. Furthermore, does this allocation of financial resources identify and eliminate structural poverty? For a region characterized with the most unequal distribution between wealth the table displays the limited redistribution undertaken through CCTs. A synthesis of perspectives can provide the policymaker with the most comprehensive approach in attacking poverty. Cash transfers to the poor are an important poverty containment policy, while additional policy measures and structural reforms must be undertaken in order to substantially protect the poor from destructive market forces of economic globalization.

Undoubtedly, the World Bank and IFIs push for the adoption of CCTs across the developing world as a “one size fits all” policy. As in the past with Poverty Reduction Strategy Papers, the development discourse created in IFI literature continues to evolve. However, it is important to consider that increased critical research aimed at CCTs will limit the hegemonic control of the “one size fits all” model. Although all CCT programs have the same theoretical underpinnings, there is diversity in targeting, effectiveness, institutionalization, and decentralization, and application to a plethora of cases. The utilization of positive results obtained from

Mexico cannot be properly applied to Brazil due to the apparent differences between the implementation of respective CCT programs.

A prominent critic of CCT programs, Enrique Valencia Lomelí cites the programs' focus on the demand-side as not addressing the more pressuring issues of weak supply-side services, public infrastructure, and social security for the poor. Thus, he contends CCT programs are not an effective tool in poverty alleviation until the state can provide the necessary services for all citizens. The basis for the argument is the result of CCTs not increasing the quality of education but only the individual completed level of education. Furthermore, he asserts the programs do not adequately prepare the poor for the market (Lomelí 2008). The programs objective of focusing on the investment of human capital often results in a zero net effect of income due to transaction costs and financial barriers in meeting conditionalities (Skoufias, 2005). Lomelí contends that the labor market is weighed against the poor in developing countries with limited job growth and human capital investment for the poor will not increase income or address long-term poverty (Lomelí, 2008).

Such as been the case in Mexico at the start of their CCT program *Progresa* (now called *Oportunidades*). Poor macroeconomic growth and liberalized trade policies opened the economy and left the poor even more vulnerable to market forces. Poor job growth and cheap agricultural imports resulted in the unraveling of rural livelihoods for small farmers. Additionally, supply side investment is not

substantial enough to adequately fulfill the objectives of some CCT programs, such as the case in Mexico's *Oportunidades*.

The recent popularity of these programs will undoubtedly fuel a tremendous amount of research that can be instrumental in creating a more comprehensive development approach that can more effectively attack poverty. Among such research, current debates surrounding the effects of implementing CCTs has involved new perspectives around their role in shaping political participation amongst socially excluded populations. By their nature of targeting the poorest of the poor, CCTs undoubtedly include underprivileged populations in societal relations and garner a relationship with the state. As some argue, this could be paramount in transforming the nation-state relationship and its developmental outcomes.

CCTs and Social Movements: Politics and Policy

An interesting aspect of CCTs is the role they can have in either empowering the poor or demobilizing social movements. There is some debate as to whether or not CCTs are a mobilizing factor in determining social change. For some scholars, such as Peter Houtzager, CCTs are an income redistribution system that facilitates a shift in power relations by increasing the political role of the poor. For Houtzager (2009) CCTs provide a direct relationship between the state and the poor. Brazil's CCT

program has even been highlighted as one of the most important factors in determining the outcome of the presidential election in October, 2010. Politicians on both the left and right of the political spectrum were promising an increase in the amount of cash provided through the transfer as a way of gaining more votes from the poor. Scholars, like Houtzager, contend that CCTs are challenging the historic clientelistic political structure that has been evident for decades in Latin America (Houtzager, 2009).

Extreme inequalities have existed in Latin America since colonialism. The Monroe Doctrine from U.S. foreign policy continued the hegemonic political path in the region through aligned capital interests of the North and the elite in Latin America. Many view CCTs as a theoretical shift in addressing these economic and political inequalities. Furthermore, Houtzager believes the current trajectory could provide long-term shifts in the power structures, a perspective that assumes CCTs are almost a movement in of themselves that institutionalizes the empowerment of the poor. As in the case of Brazil, demands of the poor have not only increased the budget for the country's CCT program but also raised awareness of poverty itself. Poverty alleviation is now a central component of the mainstream political discourse.

Other scholars; however, argue that CCTs can be a means of demobilizing important social movements aimed at radically transforming the power structures in a country. For example, Bernardo Fernandes envisages Brazil's CCT program as a significant demobilizing factor for the country's Landless Peasant's Movement (MST

- *Movimento dos Trabalhadores sem Terra*). The MST mobilizes landless peasants and organizes land occupations of unproductive lands in the Brazilian countryside. As one of the largest social movements of its kind, the MST model is being emulated abroad, which lends additional importance to analyzing the dynamic of CCTs on their mobilization (Fernandes, 2010).⁷

The most obvious effect of the cash transfer on the MST's objective is the demobilizing effect apparent within the income transfer itself. Landless peasants and even the urban poor that are recruited by the MST to move to the countryside and occupy land are presented with an income transfer that creates disincentives to uproot and occupy land. The MST movement is an important social movement that challenges the unequal land tenure system in Brazil. Its pro-poor agenda is granting land to the landless poor and promoting sustainable rural livelihoods for thousands of the poor in Brazil (Fernandes, 2008).

To date there is very little research on CCT's effect on social movements and mobilization. Since the programs are relatively new, there is not a clear outlook or substantial evidence linking the relationship between CCTs and social movements. Nevertheless, as an expanding development phenomenon, the amount of literature covering all aspects of CCTs is exploding and it is only a matter of time before this aspect receives adequate attention from mainstream policy research.

⁷ Personal interview with Bernardo Mançano Fernandes, Oct. 10th, 2010, (translation by author)

Pathways out of Poverty and Effects on Consumption

As proposed by the World Bank, the rural poor have three pathways out of poverty: agricultural entrepreneurship, rural labor markets and nonfarm activities, and migration (World Bank, 2008). These three pathways are viewed as complementary to each other as rural labor or nonfarm activities can provide investment for entrepreneurship and agriculture can facilitate labor and migration. It is important to establish these perspectives when considering the World Bank's influence on designing and implementing CCTs worldwide.

The incidence and severity of poverty as defined by the World Bank are measured by the poverty gap, headcount index, or squared poverty gap. Typically, this is measured by the cumulative distribution of consumption per capita between transfer recipients and those not receiving a transfer.⁸ Undoubtedly, a CCT will not only have positive effects on poverty as measured by these criteria but will also have effects on the composition of consumption. For example, CCT beneficiaries are more likely to increase consumption of food and alimentary goods (Paqueo, 2009).

This is the rationale behind the removal of in-kind transfers such as food baskets, food subsidy programs, and direct welfare transfers of goods. The primary architect of Mexico's CCT program *Oportunidades*, Santiago Levy argues for an increased role of CCTs in agricultural markets in lieu of in-kind transfers, based on data from the effect of CCTs on consumption composition. His argument is oriented

⁸ See tables 2 and 3 in publication: (Friszbein et al, 2009)

around the increase of economic transactions and capital in local markets whose scope is increased by the expansion of CCTs. For example, increased consumption of food will benefit the local market through increased market size and total market transactions (Levy, 2006). Additionally, the CCT effect on local markets will be inclusive to secondary beneficiaries that are benefitting from the injection of CCT capital in their market.

The complimentary argument dominating the policy debate around CCTs is based on observations regarding long-term consumption trends. Fiszbein and Schady at the World Bank argue the income transfers provide long-term results by utilizing three mechanisms: first, cash transfers provide additional capital that can be invested and returned to the community in terms of assets. This perspective envisions the transfers as being economic engines as an injection of capital will increase economic transactions. Second, beneficiaries use the income to overcome liquidity constraints and increase their access to additional private capital. Lastly, the additional income reduces opportunity costs during times of crisis and allows for consistent consumption during difficult economic conditions (Friszbien et al, 2009).

In order to analyze the basis of these assumptions on the effects on consumption and local food markets we must look realistically at the dynamics present within this model. As one of the ten largest economies, Brazil also has one of the largest levels of inequality in the world as measured by the Gini index, although

this is rapidly changing (Skoufias et al, 2008).⁹ Given this extreme level of inequality, one must look at local markets as a window into the scale of economic inequality present in the country. For example, recipients of their CCT will be able to purchase goods from both industrial agriculture and local, peasant agriculture. Despite the increase in market size and market transactions, the peasant farm households are in competition with large, capital-intensive industrialists producing large quantities of low-cost goods. This particular perspective on the role of CCTs in local markets is lacking in empirical research. As a recent phenomenon being funded by IFIs such as the World Bank and IDB, CCT literature is evolving everyday and continually offering new evaluations and perspectives. Undoubtedly, CCTs are currently the flagship of anti-poverty policy perspectives and more critical analysis is needed in order to adequately conceptualize the role of CCTs in development.

Policymakers responsible for implementing a CCT program see rural poverty as a result of capital constraints – a *residual* problem. This is the perspective of Santiago Levy, who sees rural poverty as a lack of markets for the poor. For this reason, he is in favor of removing in-kind subsidies and increasing the size and scope of the market in every corner of the Mexican countryside (Levy, 2006).

In confronting the debate regarding the roots of rural poverty and the CCT approach, we can see that both sides may be in favor of implementing a CCT in the countryside; however, long-term solutions are quite distinct. While some policymakers may see more macroeconomic reforms as a way out of poverty, they

⁹ above .55 over the past 25 years,

can no doubt see a CCT as a 'band-aid' solution in the containment of poverty. For scholars such as Walden Bello, trends in the global political economy have been extremely detrimental to the livelihoods of the rural poor and will continue to have a negative impact (Bello, 2009). Although he supports implementing a CCT program as a containment strategy allowing for the poor to purchase basic goods and invest in the human capital of children, he does not see it as a solution to solving poverty itself. He sees rural poverty as a clear *relational* issue, one that demands a change in the social structures and agrarian reform.

The *residual* argument envisions CCTs as vehicles of market penetration into the rural poor. Since this perspective sees poverty as a lack of markets, the CCT will provide an injection of capital that will promote market forces and transactions for the benefit of the poor. Previous relations amongst the rural poor are not recognized as the program changes the social dynamic by adding markets. Under this model, peasant households should be able to invest more in production and provide themselves with a pathway out of poverty. However, upon entering the market, competitive forces face the peasant farms that will have to compete against industrial agriculture that is often also receiving government subsidies.

Therefore contenders of the *residual* argument will promote a more comprehensive approach in attacking rural poverty. CCTs clearly provide peasant farm households with capital that could be vital in increasing production; however, without reforming structural forces, cheap subsidized agricultural goods and access to land can easily undermine any pathway out of poverty that could be provided by

agriculture. Agrarian reform is necessary in order to protect the peasant from international market forces. Additionally, government funded subsidies can be a crucial tool in establishing linkages between the peasant farm households and the hungry. Such subsidies can be specifically targeted towards peasants and family farms to ensure a significant market share for peasants and provide necessary food staples for the hungry within the country. The underlining critique of CCTs is that they do not provide the necessary infrastructure to overcome unequal structures in the rural developing world. Therefore, the next body of literature explores case specific material outlining the process of agrarian reform outside of formal policy implementation.

As an introduction to the case study, the central themes surrounding the determinants and approaches to rural poverty will be utilized as we investigate the history of Brazil. Special attention is paid to the process of capital accumulation and labor struggles as a central theme in distinguishing rural development of Brazil and its distinct regions. In the case study material, we highlight the dynamics of São Paulo's agrarian transformation and identify the actors responsible for the contemporary rural structure of the state.

Chapter 3

Agricultural Policy and Development in Brazil

The agrarian structure in Brazil is particularly unique given its large land area, population, and labor history. In order to conceptualize the contemporary rural policy perspective in São Paulo, one must develop a clear picture of the historical tensions and synergies apparent within agricultural policy from the perspective of the state and that of rural labor. Through this dualistic approach, the historical contention and struggle of the rural poor is realized whilst not losing sight of the state's lack of altruism. Moreover, the historical background builds a narrative adequately placing the story of São Paulo's rural poor into the perspective of social forces and policy initiatives alike.

The Portuguese colonial legacy in Brazil resulted in one of the highest concentrations of land ownership in the world (Hall, 1990: 205). As the Portuguese Crown gained strength and viewed Brazil to be its primary source of export crop producers, large land grants (*sesmarias*) were to be granted as a gift to those rewarded for military or political services. With a few exceptions, the colonial legacy was in stark contrast to the small farm homesteads of North America. In Brazil, the settlers were expected to establish an estate ran with plantation labor. The Land Law of 1850 strengthened the land tenure system by reserving all public land for the establishment of estates and prohibiting squatters. However, beginning in the

two year drought of 1877 thousands of rural laborers were driven from farms in the Northeast and began to participate in the rubber boom towards the west in Amazonia. Shortly after, the abolition of slavery in 1888 freed many rural workers and started the first generation of an independent peasantry (Hall, 1990: 206).

While rural Brazil was experiencing a rapid transformation of the countryside, thousands of immigrants from Europe and Japan began to pour into the agriculturally rich frontier of Southern Brazil. This extreme concentration of land resulted in continual dispossession and unequal land distribution into the 20th century with 34% of farms with less than 10 ha occupied 1.46% of the agricultural area in 1940 (Howe et al, 1992: 34). Moreover, the few smallholdings existing in proximity to large plantations created an “internal peasantry” that was characterized by subsistence peasant households participating in the rural labor market on large holdings to supplement their livelihood. This peasantry was an irreplaceable rural labor-force for estate bosses and perpetuated the colonial legacy of extreme land concentration.

Fundamental restructuring of the agricultural sector was undertaken in the 1950s to favor industrialization founded in the ideas of economist Raul Prebisch. Heavily taxed agricultural exports were to be the engine of financing industrial inputs. Despite taxation, agricultural exports continued to grow largely due to the massive increase in coffee prices and the expansion of Brazilian coffee cultivation which nearly tripled in the 1950s (Goldin et al, 25). The policies discriminated against agriculture in order to reallocate resources into the industrial sector. The

discrimination against the agricultural was detrimental to the already disadvantaged Northeast where coffee was not productive and higher returning commodities could not grow. However, the southeast states of São Paulo and Paraná were thriving. Subsequently, industrial growth centered around the industrial corridor in São Paulo and nearby cities fuelled economic growth. Additionally, high global market prices for coffee isolated rural workers from the government's pro-industrial bias under a coffee umbrella in the southeast. The collapse of coffee prices in the late 1950s witnessed a significant rise in popularity for comprehensive agrarian reform.

As in many Latin American countries in the early 1960s, Brazil's political instability provided the opportunity for the military to seize control of the government and institute top-down policy initiatives. The introduction of new policy approaches in the 1960s witnessed a region wide focus on the agricultural export earnings as the primary source of capital to foster urban industrial development. The government's position was aimed at strengthening and modernizing the *latifundios* as the driving force behind agricultural production in the country. While there was little difference in transforming the existing social structure of the countryside, the agricultural sector was to be revised into undifferentiated primary accumulation. Such a transfer of value out of the agricultural sector through marketing and pricing systems envisaged the economic future of the country in urban areas and industrial labor. At the same time, the Amazonia region was established as a type of "safety valve" to provide land to

struggling peasants in the Northeast and South under mounting pressure for structural agrarian reform (Hall, 1990: 208). This strategy dispersed any significant pressure against the government that would break up the close relationship between landowners and political leaders. The strengthening of *latifundios* and the rural-urban migration of the poor transferred the agricultural sector into a close agribusiness relationship with the government and a further exacerbation of income and land inequality in the countryside. Government price supports were aimed at selective taxation and subsidized credit aimed at modernizing the agricultural sector; however, its contradiction of overvaluing the exchange rate and protective industrial taxation discriminated against a majority of the agricultural sector. The result was a 20% decrease in the relative value of Brazilian agricultural products in the 1970s (Halfand, 1999: 7).

Nevertheless, the government continued to support large agricultural enterprises as the export-earnings engine for the country with some US\$3.58 billion in subsidies going to the agriculture sector. Of those subsidies it is estimated that 50 to 60 percent of that total credit went to 3 to 4 percent of the biggest farms in Brazil, showing significant concentration of credit support and farm size (Halfand, 1999: 7). As a result of the government failing to initiate any substantial agrarian structural changes the amount of rural poor began to migrate in higher numbers to the urban centers in search of employment. Subsequently, the tremendous flow of rural to urban migration meant that the *latifundas* could no longer rely on an

abundant and cheap labor force. The result was a significant decline in agricultural exports and resource waste by the *latifundistas*.

However, along with the depressed price of agricultural goods, the industrial sector responsible for processing grew rapidly (oils, flour, textiles, etc.) Nevertheless, the system centered around large subsidies and as the system expanded it soon became evident that the model was unsustainable. Indications emerged as the demand for modern inputs pushed up foreign loans and resulted in a debt crisis that pushed the inflation mark passed the 100 percent mark. The result was a dramatic decrease in agricultural subsidies and a rise in interest rates to control the deficit. The plan of the government was to eliminate agricultural credit to the producers and introduce price supports for agricultural commodities. This came amid the quagmire of not allowing domestic consumption to collapse under rapidly increasing inflation rates in consumer goods and food prices. Once again, the Brazilian government became straight-jacketed in their own policy framework. As the government increased its acquisitions of crops, the storage and selling of agricultural commodities became difficult and led to significant price fluctuations that often lowered the market price to the level of price support.

The government's support and success of industrialization became evident in the agricultural sector as the end of the 1970s saw a significant increase in the percentage of exports consisting of processed agricultural goods. This resulted in an increase in targeting specific crops to be processed such as fruits, sugar, or soy. Additionally, the southern states profited greatly from their rich soil quality and

ability to double crop with soy in the winter and by the late 1970s three southern states (Rio Grande do Sul, Parana, Santa Catarina) had 37 percent of their cultivated land in soybeans (Goldin et al, 1990: 27). The late 1970s also were witness to the rapid increase in technology such as fertilizers and sprays to clear the land in the frontiers of Goias on the eastern edge of the Amazon basin. Along with the spread of fertilizers and technology in the agricultural industry came the modernization of corporate agriculture and a massive rural-urban migration.

Large-scale producers dominated the agricultural sector and specialized in only a few export crops such as soybeans and sugar cane. The resulting decline in traditional crops as provided by small producers led to stagnation in the economy as food was imported to support the needs of the Brazilian population and domestic inflation made food imports more expensive. Another worrying factor was the government's inability to provide stable price supports for domestic agriculture and a clear discrimination for industrial-led export crops. The policy created a structural dualism in the agriculture sector and the export earners saw expanded revenues as smallholders witnessed yet another increase in rural disparity (Howe et al, 1992: 47).

The subsequent credit crisis in 1980 witnessed the inflation rate passing 100 percent and public debt on foreign accounts soared. The government's policy response was the implementation of three fiscal measures to eliminate inflation and reduce the account deficit. Most notably, the first plan called the *Cruzado Plan* froze prices, wages, and the exchange rate to push a heterodox shock to the Brazilian

economy. Agricultural prices witnessed a sharp decline due to falling income levels and lower industrial demand on inputs, which further exacerbated the economic stagnation. At the same time, the Brazilian government accepted terms of structural adjustment policies under an IMF loan of over US\$40 billion that forced a tremendous reduction in rural credit and price supports. Additionally, the removal of regulations on prices pushed up the cost of land and made it even more difficult for the poor to purchase land (Goldin et al, 1990). Land tenure had changed little since 1940 – by 1980 farms under 10 hectares only comprised 50.35% of total farms covering 2.47% of total arable land (a 16% increase in % of total farms with only a 1% increase in holding percentage of arable land), (Howe et al, 1992: 34).

After the transition back to democracy, Brazil continued on the path of neoliberalism under direction of the World Bank and IMF. The election of Fernando Henrique Cardoso in 1995 signalled the introduction of several important policy reforms for the rural poor; however, Cardoso remained intensely focused on industrial agriculture to provide export revenues and maintained liberal trade policies to satisfy that goal. Nevertheless, the dualism of Brazilian agriculture continued to be even more distinct as the administration began to support family agriculture through policy initiatives.¹⁰ Although fairly weak, they provided the institutional foundations for Lula's populist regime and policies in 2003. Under Lula, Brazil's agriculture has been thrust into the spotlight as being particularly unique in that both agribusiness and family farming are supported with government policies.

¹⁰ These policies are the subject of the next chapter

In fact, Brazil even has two ministries of agriculture that supports each of the sectors: The Ministry of Agriculture (comprised of various entities) and the Ministry of Agrarian Development (MDA). The former is primarily focused on increasing agricultural exports and agribusiness while the latter was recently created in Lula's administration as his testament to support family farming and the rural poor.

Brazil is currently experiencing significant attention on the world stage as an emerging dominate player in the role of global agricultural trade. Agriculture plays a major role in the Brazilian economy for domestic consumption, employment, and a significant source of foreign capital through exports. Current technological innovations in the global food system are striving for increased yields primarily within the model of industrial, large-scale agriculture (Hall, 2007). Agribusiness accounted for 25% of Brazil's GDP in 2008 and is continues to be a vital source of revenue year by year (USDA, 2009). In conjunction with this model, results of the industrialization of agriculture in Brazil during the 1960s and 1970s were catastrophic for smallholder producers. The emergence of *favelas*, or shantytowns in metropolitan areas can be seen as one such result. The disparities evident from Brazil's economic history allude to the nature of past failures in social policies while attempting to modernize agriculture for export (Schuh, 2005).

Nevertheless, the correlation between positive agricultural yields and subsequent export earnings has resulted in an increase in GDP growth (Barros, 2009). World Bank recommendations over the past couple decades has resulted in integration within the world market. The Brazilian government even went so far as

to adopt a flexible currency regime and devalued the Real (Brazil's currency) to overcome the competitiveness of the international market and rising food prices (Barros, 2009). In 2008/09 Brazil's president, Lula, announced an Agriculture and Livestock Plan aimed at increasing production to confront rising food prices and domestic inflation. The focus on industrial agriculture has no doubt spurred tremendous yield and export outputs but some argue at the expense of smallholder producers as an even more productive force.¹¹ Despite these policies it is important to consider that a majority of the agriculturalists in Brazil are smallholders and family farms provide for 38% (US\$ 32 million) of total agricultural production in Brazil (Conselho Nacional de Segurança Alimentar e Nutricional, 2009).

Development History and Social Structure of Rural São Paulo

The dynamic of Brazilian agriculture can be categorized into two distinct groups of production. The first channel produces commodities for export and the other supplies goods for domestic consumption. Apparent within these two channels of production lies an agricultural history characterized by a boom and bust cycle in correlation with each different export commodity. Perhaps no commodity has been as important as coffee in characterizing rural social relations and establishing the means of production in Brazil, even outside the coffee producing regions. The coffee

¹¹ Stimulated by high international commodity prices, Brazil's agricultural exports exploded over the past 5 years, reaching a record \$71.8 billion in 2008, making Brazil the third largest agricultural exporter (behind the United States and the European Union), (USDA, 2009)

plantations' expansion into the state of Sao Paulo's rich soils laid the foundation for what would later become Latin America's largest industrial hub.

Brazil is an enormous country with a varied agricultural and development history. Variations in climate, development history, and policy have shaped the country's regions into distinctly different levels of rural development. For the purposes of this study, we will focus on the particularly unique agricultural history of the state of São Paulo to correctly contextualize the case study material and portray the contemporary example of the Paulista countryside. It is of extreme importance that the history of São Paulo and its legacy be understood as only be a piece of the whole story in Brazil's agricultural past. Nevertheless, its example lends us an insightful perspective into modern approaches to rural development based on its vibrant agricultural past.

The São Paulo story can be seen as one on the forefront of the transition from traditional states to modern agro-industry, which makes it particularly useful in analyzing the social relations and rural history within Brazil (Welch, 1999: 9). The state of São Paulo benefitted from the rapid expansion and high priced coffee exports projecting the region into the modern industrial corridor of Latin America. In contrast, targeted subsidies on modernizing the *latifundio* tenure system throughout the 1970s had devastating results in the Northeast where small farmers did not plant lucrative subsidized agricultural goods such as soy. Furthermore, the disparities in land ownership further exacerbated access to capital and social inequities.

Agro-development in São Paulo was clearly shaped by the tremendous boom of coffee prices at the turn of the 19th century and was thrust into the world's largest coffee export sector (Font, 1990: 1). Its position as a frontier settled by immigrants in search of agricultural success coupled with a hegemonic plantation structure leave latitude in addressing important labor movements and subsequent political institutions as necessary building blocks for the state and the entire country's wealth. A distinct point of departure to begin São Paulo's story is the emergence of the *Colonato* labor system following the abolition of slavery in the 1860s. The *Colonato* system utilized cheap flows of immigrant labor and contracts to place the *colonos* on a plot of land and allocate a percentage of the crop's price to the *colonos*. Additionally, the plantation owner would allow a portion of the land to be used by the *colonos* for subsistence agriculture.

The plantation owners were comprised of rich capitalists who gained most of their wealth from the first boom in coffee exports and slave labor. Their hold on the political establishment in São Paulo was significant and it maintained a tight hold on labor regulations outlawing strikes. However, plantation owners continually demanded cheap labor, thus, historical taxes on slave owners went to fund a new institution (Sociedade Promotora da Imigração) to promote the region for European immigrants (Welch, 1999: 27). The result was the creation of a landless peasantry of Europeans through the controlling of the political process in the state and establishing the *colonato* labor system. The process encouraged entire families to live and work on the plantations and to pool their labor together to exist as a unit of

production on the tracts of land. In the *colonato* system families had the advantage of utilizing inter-row cropping since coffee trees were spaced 12 feet apart, which resulted in increased productivity for food crops to market (Font: 1990: 20). Additionally, it provided *colono* families the opportunity to derive income outside their contracted share of the coffee harvest. The planters had secured relations of production based on surplus value in the extremely lucrative and emergent coffee export sector that established modern capitalism in Brazilian society.

At the turn of the century the growing *colono* population began to acknowledge their low wages and poor labor conditions as a unionizing factor in fighting for more rights and higher income. Adding to the pressure of coffee exporters was the increase of taxes on their exports to fund the state's budget in 1908 (Font, 1990: 13). The onset of World War I meant a decline in global demand for coffee and prices fell, adding to the woes of planters. Coffee plantations are particularly problematic to soil quality and after 10 or 20 years the trees become significantly less productive and require higher amounts of labor to maintain productivity. This provided *colonos* the opportunity to purchase used coffee land with savings from their "subsistence" earnings and diversify the agricultural land of the state. Additionally, the western frontier of the state was being exposed through increased use of new railroads and large financial companies purchasing large plots of land and selling them for a quick return. The new land tenure system became a threat to the traditional planter's hegemonic *colonato* system and tensions emerged.

By the 1920s the rural oligarchy began to significantly unravel. In 1924 serious revolts disrupted politics in São Paulo and the old political institution developed by the planters toppled (Welch, 1999: 43). A division of interests split the planters into two political forces while the *colonos* and urban working class began to be more united against the oligarchs of the “Old Republic”. 1929 was the year of a worldwide depression and Brazil was hard hit by the crash of coffee prices, which severely destabilized an already unstable political environment (Stolke, 1988: 43).

The ensuing overthrow of the government in 1930 by Getúlio Vargas promised an end to the “Old Republic” and oligarchy of plantations as he declared a new corporatist regime *Estado Novo* (New State) to industrialize the country. At the same time he promised to be a leader of the rural workers and bring his agricultural past of a planter in Rio Grande do Sul to the presidency and fight for labor rights. His reign was an important factor in mobilizing the rural workers and establishing labor rights to provide a strong agricultural engine as the foundation of an industrial Brazil. Calls for democracy both internationally and domestically amid the fall of authoritarian regimes following World War II spelled the end of Vargas and he stepped down in 1945.

Nevertheless, labor unions gained significant strength by the end of the Vargas era and by March of 1945 the Ministry of Labor issued a decree establishing the recognition and official organization of unions (Welch, 1999: 95). Although Vargas never formally established adequate rights for rural labor, his movement to include laborers in on the national debate opened opportunities for labor to have its

voice in post-Vargas Brazil. However, this was only the beginning of the struggle for the rural laborer in Brazil. Central to the struggle were planters still fighting for the right to maintain cheap labor and for coffee exports to fuel the economy. The other side of the struggle was composed of revitalized rural labor with official lawful rights to fight for progressive agrarian reform and lobby for food production as an engine to feed urban workers and industrialization.

Of those who were given the opportunity to stake their claim in the rich soils of São Paulo were *colonos* who managed to accumulate enough capital and purchase older tracts of coffee plantations that were no longer as productive. Despite this limited transfer of land the planters still maintained a majority stake in the state's land. As a result, many rural laborers now saw their duty as a fight for land and the rights of rural laborers alike.

The São Paulo countryside polarized and the imperialist powers shed their political influence on domestic politics. Many local laborers were attracted to the Brazilian Communist Party (PCB) as an alternative voice in their struggle for land and collective rights. However, the re-emergence of Getúlio Vargas to the scene transformed the political landscape. Vargas, the "father of the poor", returned democratically in 1950 and promised rural workers additional rights for agrarian reform garnering tremendous popularity in the state and around the country. Many rural activists found a place in Vargas' Labour Party (PTB) and the PCB virtually disappeared from the radar. Another force dominating the election was the incredible influx of rural-urban migration as industrialization roared into São Paulo

and established a massive electorate favoring Vargas' *trabalhismo* - his declaration of workers as the central force in Brazil's process of modernization (Welch, 1999: 154).

At the same time, Brazilian policymakers focused their attention on coffee exports again to fuel economic development and industrialization. In the post World War II era the price for coffee exploded and provided the new Vargas administration with the opportunity to industrialize on the back of coffee export revenues.¹² Nevertheless, a problem for the government was to balance wages and coffee prices to their benefit, often to the dismay of coffee workers. Brazil's dominance of the global coffee market meant they could withhold exports and control the international market price to their advantage. This system of an "exchange tax" allowed the government to sell São Paulo's coffee on the global market for U.S. dollars and in turn compensate planters in *Cruzeiros* (Brazil's currency at the time) at a lower fixed rate of exchange. For São Paulo planters this often meant lower wages and preferential treatment to urban industrialization. In response, planters and workers alike began to organize and defend their right to higher wages and prices. This attitude was reflected in one of Vargas' top aides João Soares Maciel Filho by stating: "São Paulo will not permit Brazil to grow beyond São Paulo itself".¹³

Although it was clear that the state was the revenue-driving engine for the country it was also the center of labor organization and industrialization. Vargas'

¹² Between 1950 and 1961 the price of a 60kg sack of coffee rose from Cr\$1,223.58 to Cr\$5,549.00 and accounted for 10% of total government revenue until 1954. (Welch, 1999: 158-159)

¹³ Ibid: 169.

failure to adequately address the demands of rural workers forced a flood of families to urban areas in search of work subject to the mercy of low industrial wages and poor living standards. The infamous “strike of the 300,000” workers in São Paulo and Rio de Janeiro organized by the PCB pressed the growing disdain amongst the workers against Vargas and his failed promise of worker’s rights through *trabalhismo*. There was additional pressure from the political opposition on both sides and Vargas faced a coup within his own cabinet. As an attempt to maintain his party’s platform and leave a legacy as a martyr, Vargas shot himself in the chest in the presidential palace in Rio.

The subsequent political environment facilitated the growth of major rural labor movements and stagnant coffee prices brewed unrest in the countryside. The new administration favored agricultural modernization and diversification. At the start of the 1960s coffee production had been so high and prices so low that the government had accumulated over two years exports on the eve of the highest production year ever of 35 million bags in 1960-61 (Stolke, 1988: 97). The result was a steep decline in the global coffee prices and the government adopting a plan to eradicate coffee trees in a large-scale effort. As prices declined so did the now obsolete *colono* system giving way to wage labor. However, the coffee eradication program created tremendous difficulties in the countryside as the government sponsored the destruction of some two-thirds of all coffee trees in the state (Stolke, 1988: 99).

Political pressure mounted for comprehensive agrarian reform including necessary land reform for the large population of former *colonos* whose livelihoods were ending along with the eradication of coffee. At the same time, planters attempted to maintain their stronghold as the primary engine of agricultural production. Negotiations were underway to form an agreement for labor rights that would increase wages and install basic rights that were granted to urban laborers. However, the resignation of the planter friendly government in 1961 and the reintroduction of Vargas' protégé Goulart pushed the idea of structural change in agrarian reform which included land reform. The planters and their vested interests in congress now became acutely alarmed over a real threat to the planter elite and the tradition of oligarchy agriculture.

The response of the powerful landed interests in congress was to quickly make concessions and establish unionization in the countryside instead of carrying out land reform and structural changes. President Goulart envisioned rural workers strengthening his political capital but was unable to meet the needs of the rapidly expanding and more radical Peasant Leagues which called for comprehensive land reform. Likewise, planters felt betrayed by congress and did not see their pragmatism in designing a labor law as a significant blow to their future. The polarized political situation in the country became more unstable and Goulart was deposed by a military coup in 1964.

At the onset of the coup the planters welcomed the change and supported the government in hopes that it could adequately address the rampant rural

unemployment and the radicalization of the peasant class. For São Paulo planters, the economy of Brazil was on their backs as coffee and other agricultural exports had long been the revenue engine for decades of industrialization. Rural labor immediately felt the force of the new military government as their unions and leaders were driven into exile. Labor laws remained in place, albeit with little room for enforcement. A revitalization of Brazil's coffee sector was realized when Delfim Netto, one of the country's experts on the economics of coffee, became the finance minister in 1967 and focused on increasing coffee production (Stolke, 1988: 114). This time around planters had learned their lesson and welcomed labor laws as an attempt to maintain their status as the rural elite. Their motives virtually eliminated the *colono* system all together and established permanent wage-labor.

In an attempt to minimize labor movements and the radicalization of the countryside, the military government strengthened CONTAG (*Confederação Nacional dos Trabalhadores na Agricultura* or National Confederation of Agricultural Workers) which was established the previous year. CONTAG emerged as the largest federation of rural unions and attempted to respond the interests of rural labor. Throughout the 1970s CONTAG grew to comprise over three thousand unions and its political prowess started to conflict both internally and within Brazil's military political machine. As the country returned to democratization in 1985, CONTAG's political lobbying facilitated a draft to sign comprehensive land reform into law. Based on the 1964 *Estatuto da Terra* (Law 4504) the National Plan of Agrarian Reform called for the expropriation of unused land plots (Hall, 1990: 219). Military

rule throughout the seventies had dismissed land reform as a necessary component of the development process in favor of modernization and CONTAG's call for agrarian reform had come at a perfect moment during the democratization process.

The New Republic of Brazil established during the transition of democracy now allowed for the inclusion of land reform to be in the arena of debate while drafting a new national constitution. Nevertheless, the landowners' lobby still managed to penetrate the discussion and ensured the law to be convoluted by establishing the expropriation of properties that are not "fulfilling their social purpose" (Hall, 1990: 221). The weak language of the 1988 constitution in regards to the land law has allowed significant latitude for criticism and conflict between parties as the definition for "social purpose" can be perceived throughout a range of activities and as we will see provided the basis for one of the largest social movements in Latin America.

As we realize the historical significance of São Paulo's agriculture in Brazil's economic development it is important to distinguish the rural social dynamics within the state's history. Not surprisingly, coffee's booms and busts transformed São Paulo from a jungle frontier into the biggest industrial center in Latin America. Apparent within this transition is a long labor struggle over the state's vast natural resources and capital. In contrast to the other regions of Brazil, São Paulo and the southern states benefitted greatly from expansive immigration policies that built a distinct labor base and institutional framework for labor rights. Capital accumulation followed by peasant radicalization and organization established São

Paulo as one of the prime examples in the effectiveness of social movements for rural development. In the next section we will explore a more contemporary history in the state and how social movements have shaped the current policy climate within Brazil. Additionally, attempts of effective land reform will be highlighted from the perspective of government initiatives and the activities of social movements.

Brazil's Landless Workers Movement (MST)

The MST (*Movimento dos Trabalhadores Rurais Sem Terra* in Portuguese) is the largest social movement in Latin America consisting of an estimated 1.5 million landless members organized in 23 out of 27 states in Brazil (Movimento dos Trabalhadores Rurais Sem Terra, 2010). The Brazilian Constitution states that land that is unproductive should be used for a 'larger social function' – a stipulation that the MST has acted upon with substantial success. Since 1985, the MST has "occupied unused land where they have established cooperative farms, constructed houses, schools for children and adults and clinics, promoted indigenous cultures and a healthy and sustainable environment and gender equality" (Movimento dos Trabalhadores Rurais Sem Terra, 2010). They have won land titles for over 1,000,000 families in over 7,000 settlements and have gained prominence and legitimacy in state affairs (Movimento dos Trabalhadores Rurais Sem Terra, 2010).

However, as indicated by the table below, various presidential regimes have varied levels of tolerance for the MST's activities.

Table 2: MST Occupations by Presidential Term

Government	Occupations	%	Families	%
Samuelson (85-89)	229	3	34,333	3
Collor/Itamar (90-94)	507	7	82,600	8
Cardoso (95-98)	1,987	28	301,908	29
Cardoso (99-02)	1,991	28	290,578	28
Lula (03-06)	2,387	34	343,958	33
Total	7,101	100	1,053,377	100

Source: (Fernandes, 2009)

In the table it is evident how the MST has not only grown in popularity and scope but also the tremendous amount of land occupations they have carried out. Furthermore, it reveals the capacity the organization has in carrying out agrarian

reform as a peasant-led organization. The MST is opposed to the neoliberal model and the agribusiness/agro-export economy based on free trade, privatization and commodification of natural resources. In contrast, the MST advocates a model of agriculture based on the family farm and food sovereignty which “prioritizes local production of food for local and national markets, negates dumping, and uses sustainable production practices based on local knowledge” (International NGO/CSO Planning Committee for Food Sovereignty, 2006).

The MST calls for land reform that would guarantee land to four million landless families in Brazil, through small and medium-sized farms. They promote intercropping and improved rotations to improve soil quality and preserve the environment. Furthermore, the MST opposes the use of pesticides, advocating the need for the production of healthy food through environmentally friendly agricultural practices that use conventional seeds native to Brazil (Stedile, 2007). The MST has been successful in establishing 96 small and medium-sized cooperatives, 1800 public schools as well as literacy and health programs. Additionally, they are expanding their reach in their fight for agrarian reform, a free, sovereign, egalitarian Brazil, and a continent free from unfettered free trade (Movimento dos Trabalhadores Rurais Sem Terra, 2010).

Nevertheless, the MST is an extremely controversial organization in Brazil. The structure of the organization was designed to be decentralized in regards to executing occupations, leaving latitude and planning to regional leaders. First, however, its central organization was formed in 1984 to promote a consolidated

mission and a centralized voice for political struggles. The decentralization of a majority of its activities has left it open to criticism in the wide array of negative press concerning, for example, the destruction of over 7,000 orange trees in 2009 and the hijacking shipments of agricultural products of agribusiness (Navarro, 2010: 1). Furthermore, the MST's lack of interest in institutionalizing the movement within the government has maintained its clandestine status that often decreases their popularity amongst many Brazilians. Since their inception, the Brazilian political process has been becoming more and more democratized and inclusive with the exception of the MST that is determined to remain autonomous.

At the same time, its effectiveness has been increased by maintaining status outside the formal political institutions in Brazil. By remaining outside the formal government institutions the MST has been able to maintain its deterministic stature and orthodox approach to demanding and acting on comprehensive agrarian reform. However, many MST scholars argue this may come at the cost of reducing their membership and domestic support. Contemporary Brazil is experiencing high economic growth rates and a policy approach that has been successful in reducing both urban and rural poverty. For Zander Navarro, the current trajectory of the Brazilian economy and policy arena will continue to destabilize the goals and importance of the MST. His argument is based on the success of eliminating poverty in the country and its effect on demobilizing the poor (Navarro, 2010).

At this juncture, the MST continues to be a major political force and interest group that influences policy. Additionally, its history and current activities have

been vital in developing the countryside and promoting the rights of the rural poor and consolidating rural labor movements. Not only can the current success of Brazilian agriculture be partially attributed to the activities of the MST but also the succession of progressive rural social policies can be seen as a response to pressure mounted by MST activists. As witnessed in the state of São Paulo, the MST was instrumental in securing land and rights for many of the landless poor that were previously ignored by the government. Moreover, as my field research will indicate, the MST in the São Paulo continues to provide a vital lifeline for the rural poor as a social institution and safety net operating outside the capabilities of government policy.

The Dynamics of Land Reform

Beyond the MST, the government of Brazil has enacted several land reform policies. In response to such historical unequal distribution of land: “more than 30 social movements – including MST, CONTAG, the Pastoral Land Commission (CPT), and the Brazilian Association for Agrarian Reform – had established the National Forum for Agrarian Reform and Rural Justice (Spavorek et al, 2009). This forum was created to oversee the actions of Market-Led Agrarian Reform (MLAR) which was initiated through a variety of programs by the Cardoso government from 1995-2002. The MLAR policy under Cardoso utilized expropriation by compensation to redistribute

land to the poor. The expropriation by compensation process includes long-term payments for the value of land, and cash payments for improvements, for which the National Settlement and Agrarian Reform Institute (INCRA) – a branch of the Ministry of Agrarian Development (MDA) – is currently responsible. A noted Brazilian, José de Souza Martins, analyzed the Cardoso government as being responsible for four notable transformations in Brazil's rural society and structure. First, large estates that were unproductive became capitalized and transformed through financial or industrial capital. Next, family farmers were granted rights and political capital through formal or informal institutions that integrated them into the economy and society. Third, the state apparatus became more democratic, pluralized, and institutionalized providing a voice for the larger Brazilian populous. And lastly, the state diminished the power of the landed planter elite and introduced law and negotiation to the countryside (Pereira, 2003: 44).

The Cardoso government was still deadlocked in the duality of Brazilian agriculture and instead focused on the Real Plan, the first administration's policy in controlling inflation. The government quickly identified agricultural revenues as a perfect tool to support the new currency and achieve the government's fiscal goals. For the government, land reform was not a measure to increase agricultural productivity but rather a social welfare tool. Thus, although Cardoso recognized the eradication of rural poverty as a necessary objective he didn't envision comprehensive agrarian reform as crucial to the development of the country. Cardoso's shortcomings in a redistributive stance were overtaken by tremendous

popularity and growth in the MST which occupied unproductive lands for their own use. Nevertheless, Cardoso's promise of the land was realized as the government utilized large tracts of undeveloped land to settle some 500,000 poor families. The main criticism he faced; however, was that the land he gave to poor families was not of the highest quality. It was undeveloped and in very isolated areas. Furthermore, the large plantations were not broken up or redistributed but rather maintained their stature (Pereira, 2003: 51).

Cardoso still could not come to grips with more redistributive land reform and caused a polarization in the countryside as the MST continued to occupy unproductive land. Landowners began to take matters into their own hands and rural violence exploded as they murdered occupiers. Cardoso responded by passing a gun law and introduced a tax hike on large landowners.¹⁴ This increased revenue was utilized within Cardoso's MLAR to purchase land from unproductive owners and distribute it amongst the landless.

During this phase of land reform Cardoso implemented four different MLAR programs including: the São Jose Project which financed the purchase of 23,400 hectares of land, settling 700 families at an average per family cost of R\$6,083 or R\$179 per hectare; the *Cedula da Terra*, executed from 1997-2002, resettled approximately 15,000 families on 399,000 hectares of land, at a per-family cost of R\$11,975 or R\$191 per hectare; and the Land Bank (*Banco de Terra*) and the Land

¹⁴ Specifically on unproductive land as the landowner's lobby managed to reduce the planned hike on productive land; the unproductive land tax rate on large estates rose from 4.5% to 20%. (Pereira, 2003: 53)

Fund. Law 25, passed by parliament in February 1997, secured land reform by a national fund constitutionally mandated to finance the purchase of land by rural workers (World Bank, 2009: 295-296). This law formally incorporated the “voluntary transfer of land purchased under market conditions instead of state-led expropriation” in the national agrarian policy (Spavorek et al, 2009: 296). *Banco de Terra* was highly criticized by the National Forum for Agrarian Reform and Rural Justice who argued that *Banco de Terra* was “transferring agrarian reform into the hands of the ‘latifundarios’ and local oligarchies” (Madeiros, 2008: 90). *Banco de Terra* targeted families with higher incomes and thus was not contributing to reducing the dire inequalities that exist in the Brazilian countryside, only exacerbating the problem.

Although the Cardoso government promised a more equitable and democratic Brazilian society, the countryside was primarily left in the hands of organizations and social movements. Unfortunately, they often had to fend for themselves in undertaking comprehensive agrarian reform, often inciting violence. Nevertheless, their organization and actions significantly improved the lives of Brazil’s rural poor and promised a better future by establishing a social network of schools, clinics, and providing the poor access to land. In particular, the southern provinces of Brazil (the heart of MST activity) benefitted the most and established a much more equitable land tenure system.¹⁵

¹⁵ For example, in the state of São Paulo, 77.7% of all farms comprise 50 hectares or less (family farms are 80 hectares or less as defined by the Brazilian Government), (State Government of São Paulo, 2009: 25)

Even though the land tenure system had improved under Cardoso, access to credit was almost entirely based on land titles or size of property. Cardoso focused on agribusiness as the productive agricultural engine in garnering export revenues for his Real Plan. Therefore, agricultural subsidies were focused on existing large plantations and credit access was limited to large landowners and the few smallholders that were able to obtain titles. In the case of the MST occupiers they were not permitted or did not have access to any agricultural funds to support their livelihood beyond social welfare programs. In the case of the southeast where the richest farmland is found in Brazil, only 20 percent of the roughly 1 million hectares was legally titled (Pereira, 2003: 56). However, Cardoso is responsible for designing a system for registering all lands under the MDA by which policies can be designed around a more suitable title grant system. While the Cardoso government got nowhere near to the desired amount of redistributed land (as called for by the MST and CONTAG) it can be recognized for some important achievements that reversed the long history of extreme political and land inequality in Brazil's countryside.

As a member of the Worker's Party (PT) and with strong support from the MST, President Luiz Inacio "Lula" da Silva campaigned on promises of large-scale, quick agrarian reform. Conversely, Lula also prioritized the need to support the agribusiness sector in order to generate a positive trade balance and fulfil Brazil's external debt obligations. As a result, the Lula administration has continued Cardoso's macroeconomic policies and support for the export sector while also pursuing policies of social inclusion. In order to understand the dynamics behind

these decisions, it is necessary to examine the political environment in which the Lula administration is operating.

Lula was elected with a 61.3% majority, but had to enter a coalition government, which does not control the congress (Deere et al, 2007: 18). Lula was forced to join this broad-based alliance in order to govern the country. This means that his government consists of allies and adversaries; the latter of which have been strongly opposed to agrarian reform. These internal contradictions within the government have been reflected not only in the agriculture ministries but also the policies implemented. Lula appointed Miguel Rossetto – a member of the Worker’s Party, friend of the MST, and strong advocate of small-scale agriculture and serious land reform – as cabinet minister to oversee agrarian reform. On the other hand, Lula appointed Roberto Rodriguez as Minister of Agriculture. Rodriguez is a well-known supporter of international agribusiness and advocates for large-scale, highly capital intensive, export oriented agricultural policies (Wright et al, 2003: 337-338).

Radical agrarian reform was not a priority for the Lula government. Instead, Lula launched a campaign to end hunger and develop social policy to support family farming. In November of 2003, Lula launched the Second National Agrarian Reform Plan (PNRA-II) which intended to redistribute land titles to 400,000 families in four years (Deere et al, 2005: 17). The Plan intended for thorough land reform including: social and physical infrastructure, access to credit, technical assistance, and marketing channels to accommodate the landless and also provide compensation for lands that are expropriated. The PNRA-II also encompasses three different land

financing programs: The Plan expected to settle 400,000 families through expropriation with compensation or state-led agrarian reforms (SLAR), and 150,000 families through the aforementioned forms of land credit (MLAR) in a period of four years, for a total of 550,000 family beneficiaries (Madeiros, 2008: 92)

In order to acquire a piece of land through the MLAR land credit programs, the beneficiaries were to be landless rural producers or owners of a smallholding, as well as being the head of a family, including women. One was also required to have a tradition in agriculture activity, to have shown intention to acquire land through a producer's association, and to indicate at least one landholder willing to sell them property. Finally, they had to agree to repay the sum given to them for the acquisition of the landholding (Madeiros, 2008: 93). To start this process, small producers and landless workers have to establish an association collectively and find a financial agent or state land institute with a proposal for a settlement. In this regard, there were no restrictions on the type of property that could be acquired and, as a result, properties that were under/unused and could have been expropriated entered the program.

The results of the land credit program - (MLAR) have been marginal; however, the expropriation by compensation (SLAR) has been substantial. Of the 150,000 families targeted under the MLAR project from 2003 to 2006, only 35,564 families benefitted. This is a mere 23.7% success rate in redistributing land through the MLAR approach. This is partly due to the price increase in land and the lack of government support in land reform. Land prices increased due to the new

opportunities for agribusinesses to acquire land (Osava, 2007). On the other hand, the state-led agrarian reform (SLAR) benefitted some 156,000 families with a plot of land. Table 3 shows the break-up of land reform results from each administration since 1985.

The results of both the state and MST land reform initiatives have produced a much more equitable land tenure system. The current make-up of the Brazilian countryside is made up of 84.4% smallholders or family farms with an average size of 18 hectares. The country continues to be a net food exporter and 15.65 % of the population lives in rural areas. Nevertheless, rural poverty is a significant issue the government is determined to address and land inequalities abound. Since 1990, the percentage of rural population living in extreme poverty (below US\$1.25 a day) was over 50%. Through the actions of the MST, government land reform programs, and policies targeting the rural poor that rate is currently below 12% (IPEA, 2011).¹⁶ The results have been staggering and correlate with policy initiatives and positive redistribution of land as indicated in the above tables. The next chapter addresses the specific policy initiatives and their results that have been called a significant success by the government and IFIs.

¹⁶ The sharpest decrease in extreme poverty was realized in 1997 to 2008 with rates falling from about 40% to 12% (IPEA, 2011).

Table 3: Brazil's Land Reform Results by Presidential Term

Government	Settlements	%	Families	%	Hectares	%
Sarney (85-89)	800	11	122,598	16	8,248,899	17
Collor/Itamar (90-94)	461	7	61,825	8	4,485,953	9
Cardoso (95-98)	2,211	31	240,819	31	10,706,365	22
Cardoso (99-02)	1,712	24	149,140	19	7,296,429	15
Lula (03-06)	1,879	27	192,257	25	17,092,624	36
Total	7,063	100	766,639	100	47,830,270	100

Source: (Fernandes, 2009)

Chapter 4

Rural Development from Above:

Bolsa Família and Beyond

Along with establishing room for the creation and activities of the MST, the 1988 constitution established a new cycle in social protection for Brazil by designating education, health, work, housing, and social security among others as social rights to all citizens (Ramos et al, 2004). The 1988 constitution set the precedent for the debate surrounding the future of social welfare in the country. The election of Fernando Henrique Cardoso in 1995 sped up the process of public financing for social protection policies as a campaign promise. Democratization in Brazil took on a particularly decentralized approach that resulted in municipalities having significant autonomy over social policy.¹⁷ It was municipal governments that first implemented the now popular cash transfers (Sugiyama, 2011: 2).¹⁸ Populist pressure in Campinas, São Paulo pushed for the mayor to adopt a minimum income grant to the city's poor and in Brasilia the government worked with UNESCO to establish the first CCT - the *Bolsa Escola* program. The successes of both programs projected the municipalities into fame within Brazil's policy circles and due to

¹⁷ Examples include Ceará, Brazil in "good governance" policy and Porto Alegre's participatory budget – *Orçamento Participativo*

¹⁸ The cities of Campinas and Brasilia were the first to design and implement cash transfers with conditions that were the precursor to the Bolsa Família

Brasilia's status as the national capital, the program became a federal reality in 1995 (Sugiyama, 2011:10).

The Cardoso administration set up the basic framework for *Bolsa Escola* (utilizing the same name as Brasilia's first program) to provide a cash transfer for families living in extreme poverty whose children regularly attend school. His efforts were more focused on providing a welfare program and attack poverty rather than on developing a more inclusive network of various policies to improve the social conditions of the poor, with regards to, for example, infrastructure, hunger, and food security.

It was the Lula administration, however, that designed the current more comprehensive policy framework for CCTs in 2003. Upon taking office Lula set goals to eliminate hunger and create a food security policy for the country. In his inaugural address he stated that if every Brazilian could have three meals a day then he will have accomplished his mission by the end of his term (Chmielewska et al, 2010: 2). However, it was not until February 2010 when the government officially passed a law declaring the right to adequate food to all Brazilian citizens (Chmielewska et al, 2010: 3). Nevertheless, Lula's administration adopted the *Fome Zero* (Zero Hunger) framework as the starting to attack hunger and strengthen food security. This framework comprises 60 different specific programs and aims to increase food access to 11.4 million families (some 50 million people) within a five year timeframe (Amaral, 2010: 10). Central to the *Fome Zero* program was the director of the newly created Ministry of Food Security and Fight Against Hunger,

José Graziano da Silva, a former professor of Agrarian Studies at the University of Campinas in São Paulo (Hall, 2004: 3). Under Graziano, his ministry consolidated existing programs and added an entitlement program - Cartao Alimentação - calling for the right to food for all Brazilians.¹⁹

Within this framework there has been a continual debate both within civil society and among Brazilian policymakers involving the inclusion of rural development and structural change as a productive force to supply the necessary food for the population. On one side of this debate there are calls for an inclusion for the food sovereignty approach or the role of the people's choice in determining the country's agricultural and food policies and strategies, as designed by *Fome Zero*. However, opponents to the inclusive framework envision only a CCT – *Bolsa Família* – as the necessary policy tool in eliminating poverty and hunger.

Apparent within this policy framework is a wide-array of policies that have various objectives all tied within the goal of eliminating poverty and food insecurity. The largest budgetary component of this strategy is the CCT program *Bolsa Família* as discussed above and additional case study discussion will follow in the next section. An additional, and lesser budgetary component, is the income generation aspect of the framework which aims to strengthen market-access, technical knowledge, and the marketability of products and services produced by the poor.

¹⁹ José Graziano da Silva is currently the Director-General of the Food and Agricultural Organization of the UN (FAO)

The component most linked with the food sovereignty movement is the establishment of policies that strengthen family farming (PRONAF) and the infrastructure of price supports and food baskets for the poor (PAA). It is these policies that have the potential to provide effective access to capital and balance market forces in the countryside. The last component of articulation, mobilization, and social control provides the structure through which public opinion can articulate their demands and be more inclusive in the policy making process.

As an assessment of the food security situation in the country, the government established the Brazilian Food-Insecurity Scale (EBIA) in 2004 as a measurement by which the government can assess their effectiveness in tackling food insecurity (Chmielewska, 2011b: 11). Data is obtained by applying a questionnaire that assesses a household's access to a sufficient quality and quantity of food. The most recent data showed that from 2009-2010 the percentage of households that were in some degree of food insecurity dropped from 30.2% to 18.7%. Additionally, the percentage of malnourishment in Brazil has witnessed a steady decline from 11% in 1992 to currently less than 6% (Chmielewska et al, 2011b: 5). There is no doubt that Brazil has been successful in minimizing hunger, but the MST is not only interested in fighting hunger but also developing policies to support small farmers and eliminate rural poverty.

On the production side, the *Fome Zero* is aiming to strengthen family farms and smallholder producers to be the source of domestic food production. Due to the unique and distinct history of Brazil's agricultural regions, results vary from region

to region. Additionally, institutional discrepancies and a decentralized approach in carrying-out the policies intentions have resulted in inconsistencies throughout the country.

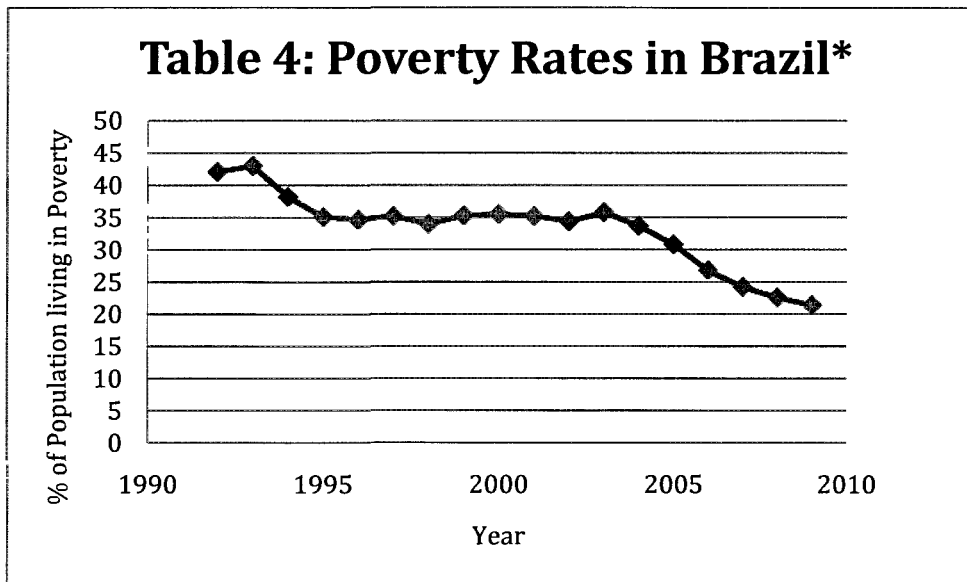
The Bolsa Família in Brazil

As the first and largest Conditional Cash Transfer (CCT) program in the world, the *Bolsa Família* is the focus of current development discourse. The World Bank, among other International Financial Institutions (IFIs), is producing literature and funding the expansion of CCT programs such as the *Bolsa Família*.²⁰ CCTs operate under the premise that the poor are either unable or unwilling to invest in human capital. Human capital is identified as being one of the pathways out of generational poverty, that is, investments in children's education and health are seen as a means of providing upward mobility in the political economy of a country. Thus, the *Bolsa Família* is a government subsidy provided to households under the condition that their children enroll in school and receive regular health check-ups. This subsidy, or grant, is formulated in a two-pronged attack on poverty. Firstly, the grant provides an immediate source of income for consumption that household can utilize in order to purchase basic needs such as food. Secondly, the conditionalities imposed by the program ensure proper investment in the human capital of the poor.

²⁰ Notably the Inter-American Development Bank, Asian Development Bank, International Monetary Fund, and the United National Development Program

Many CCT programs were initiated to target the rural poor, as is the case of the *Bolsa Família*. The relative success of its effectiveness has resulted in the implementation of the model in urban areas and the Latin American region alike. Competing perspectives on the success of the *Bolsa Família* in a rural context present a unique opportunity to investigate the debate and its implications for Brazil's poor and the future of CCTs in development policy. Undoubtedly, the IFI and government partnership is dominating the discourse; nevertheless, limited academic research has begun to undermine the theoretical underpinnings of CCTs from various perspectives. CCTs are a recent phenomenon as Brazil's *Bolsa Família* was initiated in October, 2003 (Lindert et al. 2007).²¹ Moreover, the rapid expansion of CCTs provides particular importance into exposing not only the debate surrounding the programs themselves, but also the imperative to produce critical empirical scholarship on CCTs. Brazil's current path on reducing poverty rates has given the *Bolsa Família* significant fame in being responsible for such an achievement (see table 4).

²¹ Brazil's *Bolsa Família* was launched as an umbrella program to encapsulate various cash transfer and social welfare programs. Its original cash transfers such as: *Bolsa Alimentação*, *Cartão Alimentação* and *Auxílio Gás* have roots to 1996 (still the first of their kind)



Source: (Amaral, 2010)

*Poverty Headcount Ratio at national poverty line (% of national population)

Complimenting the reduction in poverty, the government has been successful in raising minimum wages and decreasing inequality. Since 2001, the income of the poorest 70% has been rising while the incomes of the richest 10% have fallen. Additionally, Brazil's Gini index (a formula indicating levels of economic inequality) have fallen 6% between 2001 and 2004 which is a significant improvement in such a short time (IPEA, 2011); (Beghin, 2008).

My objective is to articulate the debate surrounding the design and implementation of CCT programs. As the target of first initiatives offered through the *Bolsa Família*, peasants are an intrinsic departure point for a critical theoretical study on the program. Utilizing this departure point, there are several important factors to consider in regards to the key literature surrounding the debate. Primarily, CCTs are an evolving social policy derived from a multifarious circle of

academics as well as the influential state agencies and IFIs. Thus, the literature is to provide the basis for which one can develop a comprehension of the fundamental debate surrounding the topic. However, it is to be noted that this chapter mostly presents the policy perspective of rural development in Brazil. It is important to consider that I am arguing Brazil's policies – specifically Conditional Cash Transfers – only have marginal outcomes without participatory social movements working to transform agrarian structures. The latter component is expressed in chapters three and five with a historical perspective and empirical insights, respectively.

Decentralization and Participation

One of the *Bolsa Família's* objectives is to increase participation and decentralization in rural areas. This program attempts to service the socially excluded and engage them in defining local development. The promotion of local and regional markets has been proposed by orthodox economists as a means of empowering peasants and reducing transaction costs (Government of Brazil, 2004: 8). In the beginning of the program in 2003, Lula's vision of the *Bolsa Família* focused on eliminating three factors that had plagued earlier attempts at establishing a national social safety net. First, Lula's newly consolidated ministry (Ministry of Social Development - MDS) to undertake the program design and delivery of *Bolsa Família* reduced bureaucracy and created one body to administer. Second, a decentralized focus on user-access to

goods and services provided by the *Bolsa Família* allowed municipal and local governments to monitor the registry of recipients. And finally, *Bolsa Família* was adapted to local circumstances. Municipal institutions maintain sovereignty in delivering and monitoring *Bolsa Família* services. This system avoids the powerful Brazilian bureaucracy present in gubernatorial offices (Fenwick, 2009: 115).

The participatory process apparent in the *Bolsa Família* has fortified a citizen-state relationship and increased local autonomy in enforcing social policy. This perspective allows us to perceive the *Bolsa Família* as an opportunity for peasant organizations and citizen's movements to determine their role in a bottom-up process of integration into the federal *Bolsa Família* program. Depending upon the institutional capabilities of each municipality, the *Bolsa Família* can take on many faces in providing an adequate social safety net to Brazilians. The general exclusion of governors in the process allows for an incredible amount of local participation and a reduced level of corruption.

On the contrary, multilateral organizations are recommending management mechanisms to oversee proper implementation of the *Bolsa Família*. This so-called "principal-agent dilemma" proposes the establishment of a third party responsible for monitoring the quality and consistency of the *Bolsa Família* (Lindert et al, 2007: 24). From their perspective, a federal yet decentralized CCT program can maintain transaction costs and information asymmetries within the domestic market if there are inconsistencies. For example, migration or trans-municipal transactions will require higher transaction costs as those involved will need to acquire additional

information in order to compensate for the inconsistencies in municipal policy. One family could be living well on their *Bolsa Família* income and upon relocation for financial reasons could be subject to a lower standard of living due to municipal incompetence in facilitating the *Bolsa Família*. Additionally, the MDS has installed a universal agreement for all municipalities to ensure proper consolidation of all locally created social programs to avoid duplication with the federal *Bolsa Família*. In conjunction with this philosophy, the agreement intends to promote knowledge sharing between the 5,564 autonomous municipalities in Brazil (Lindert et al, 2007: 25).

This process is clearly a point of contention between many civil society organizations, policy makers, and researchers from the multilateral institutions. While the decentralized approach enjoys greater flexibility in allowing for municipal and local autonomy in distributing social resources, liberal economic perspectives are highly critical of such a lenient, decentralized program. Nevertheless, many parallels can be drawn when paying special attention to the importance of participatory action in defining the role of the *Bolsa Família*. Both perspectives value a wide-demographic representation of Brazilians in creating policy and active civil society organizations. The more centralized recommendation promotes the establishment of institutional arrangements that forge and ensure proper levels of participation. In contrast, civil society advocates see rural movements as the proper channel for participation. The latter approach assumes the rural poor will have the incentive to combine collective interests for the common good while the former

assumption is that collective action is not effective without a governing institution promoting participation.

In regards to the *Bolsa Família*, current international partnerships have been transforming the program into an increasingly large and cohesive institution collateralizing widespread civil participation. Nevertheless, the decentralized principle of the program has maintained public space to be utilized by organic, bottom-up participatory approaches to development. In this manner, the *Bolsa Família* is understood to contain a wide array of participatory action despite the insistence of the World Bank and other multilaterals. Strong institutional pressures will continue to abound in order to shape the *Bolsa Família* into a “one size fits all model”. However, local autonomy will continue to be the driving force in shaping the program from a bottom-up approach.

A major debate surrounding the analysis of the *Bolsa Família's* effectiveness is the embedded politicization of the program. Lula even attributed his reelection in 2006 to the success of the *Bolsa Família* and its complimentary policies. Polls showed tremendous support for Lula amongst beneficiaries of the program. Supporting the *Bolsa Família* became so important for politicians that even opponents of the PT showed full-fledged support of the program and many times advocated for expansion in order to garner more electoral support from the poor. In response, many programs were rapidly expanded three months prior to elections (Hall, 2008: 813). For this reason, the *Bolsa Família* can be considered one of Lula's greatest political achievements responsible for providing for the poor and winning

him a second term. It should be no surprise to find significant politicization of such a redistributive social policy. In the context of Brazil, the sheer magnitude and popularity of the *Bolsa Família* can promote short-term goals for politicians and policy makers. Perhaps, this may even lead to “clientelism” and a weaker participatory structure within the program.

Such a perspective allows us to visualize the contention of political rents associated with the *Bolsa Família*. The fear is a use of the program for an inexpensive and effective way of securing votes while failing to address larger, long-term goals of public infrastructure (education, healthcare, etc). A necessary function of a CCT is to promote sustainable development by eliminating poverty and a “culture of dependence”. To satisfy this goal, social policy must provide public service infrastructure to compliment cash transfers. As argued by multilaterals, this goal is compromised with increased politicization of the program. The existence of a strong institutional body maintaining proper management of the program can ensure efficient implementation of the *Bolsa Família* as well as securing necessary public services, such as health and education.

Not only do politicians aim to increase the eligible population of the program, but also the social inclusion created by such politicization allows for increased participation of the poor in the electoral process. The utilization of *Bolsa Família* as a political bargaining chip allows for a dynamic process of widespread civil society inclusion from previously excluded poor sectors of society. Moreover, this process will allow for a more equitable distribution of the country’s resources. Increased

political participation and increased resource availability will promote activism within the peasantry and more social mobilization. The *Bolsa Família* is unlikely to avoid a high level of politicization.

Fome Zero and the Family Farm

The *Fome Zero* policy framework has an emphasis on increasing the role of family farms in providing for the food consumption of Brazilians. These policies favor the family farm and act as a set of protective measures against global agricultural price trends. Specifically, the *Fome Zero* framework installs measures such as: agricultural insurance, priority to the domestic market (such as school meals and community cooperatives), extension services, and incentives to preserve the environment by fee charges in protected regions (Brazilian Embassy in Ottawa, 2004:9). In 2006, the Brazilian government invested US\$4.5 billion into services for family farms, which reached an estimated 2 million families (FAO, 2006B: 8). This investment is supported and analyzed through Brazil's National Program for Family Agriculture (PRONAF). The two-pronged strategy focuses on providing services to enhance market performance of low-income producers while subsidizing their consumers with the *Bolsa Família* and food baskets. It is this strategy that Lula's administration is hoping will create a market link between low-income family farms and the non-agricultural rural and urban poor.

If such a link can be established, it provides a sustainable approach to poverty alleviation and a multisectoral approach to combating hunger. Moreover, as *Bolsa Família* and *Fome Zero* utilize family farm cooperatives, the rural poor can establish vertical links and increase production through the decentralization and participatory process of local policies. The *Bolsa Família* and *Fome Zero* policies are merely a framework for this strategy as the policy decisions are decentralized to provide a participatory policy arena. Local agricultural producers and consumers are encouraged to participate and provide information to local government in order to limit corruption and maximize the efficiency of the institution.

However, there are many contending issues surrounding *Bolsa Família's* policies on the family farm. For example, one of the primary objectives is to establish a market link with the consumers and producers (albeit with subsidies). Under the *Fome Zero* framework, family farms are encouraged to engage in the market and local cooperatives geared towards increasing production for the demand of the domestic market. This approach establishes increased inequalities within the family farms as they are in direct competition with each other. Moreover, *Fome Zero* fails to address the differentiation amongst the family farms. The decentralized policy framework intends to create an equal voice of rural producers; however, policy outcomes have not yet demonstrated specific policies aimed at differentiated classes within the household producers. This perspective identifies a clear gap that the MST addresses through a structural approach.

For these reasons, international donors have been very supportive in assisting

the Brazilian government to implement the *Bolsa Família* and *Fome Zero* policies. The New Institutional Economists (NIE) in the World Bank and other multilateral development organizations envision *Fome Zero* as the first phase in a market expansion process for all sectors of Brazilian society. In regards to family farms, the NIE approach enjoys providing services to family farms in order to allow them market access and increased productivity. Nevertheless, the existence of firms or cooperatives is highly recommended as it provides a forum where farmers can exchange information and provide feedback to local government agencies. These are the institutions performing at a micro-level to promote overall economic growth. For Brazil, the low-income family farms are subject to high transaction costs, poor flows of information, and typically a weak institutional environment (Dorward et al, 2005). However, the addition of *Bolsa Família* and *Fome Zero* into the feeble market institution allows for greater cohesion amongst the poor and decreases information and transaction costs by facilitating and encouraging market transactions. Furthermore, formal institutions outside the market (such as family farm cooperatives or community groups) increase participation and information exchange within family farms benefitting from *Fome Zero* policies.

The *Fome Zero* framework provides family farms a synthesis of local demands and needs while increasing market access and an institutional arrangement to communities. A focus on the family as the unit of analysis in the policies puts an emphasis on the unpaid labor within production and assists in promoting increased productivity by bringing institutional markets to the family

farms. However, the state's financial intervention has had negative outcomes for several peasant movements in Brazil. Notably, the MST is losing a portion of its social base to the "clientelism" apparent in the politics associated with large welfare programs such as the *Bolsa Família* (Tilly, 2010). Several Brazilian academics contend *Bolsa Família* reduces the incentive of farmers to risk occupying land if they are recipients of the grant (Fernandes, 2008); (Navarro, 2010); (Stédile, 2011). Since 2003, Lula's first administration witnessed a one third drop in land invasions by the MST due to the increasing exposure of *Bolsa Família* to some of the poorest rural areas (Hall, 2008: 809).²² However, the exact reasons why there has been a significant decline in occupations could be due to increased economic opportunities in the country and the success of Brazil's social policies.

Despite the contentious demobilizing effect of the *Bolsa Família*, the MST has been an outspoken supporter of the overall *Fome Zero* approach, as the peasant movement believes it is providing a valuable service to the family farm and vital lifeline for the poor. Perhaps, as peasants increasingly participate in the process of local policy, the *Bolsa Família* can evolve to suit a bottom-up approach and provide a more inclusive governmental process. Movements and local participation of the peasants will inevitably result in a focus of differentiated policies to better suit the needs of the peasantry. Government extension services will provide the family farm with a decreasing reliability on the market for services and allow for increased sovereignty over the modes of production. Moreover, peasant cooperatives and the

Bolsa Família provide peasants a variable outside of their worker/consumer ratio in the household to determine their surplus for sale in the market. The additional market provided by the *Bolsa Família* and *Fome Zero* increases the incentive to provide a larger surplus in order to minimize household consumption and maximize the outputs.

It is clear the *Bolsa Família* in Brazil provides the family farm with additional market choices. Increased market access to peasants can disrupt the traditional household farm model by treating the rural poor as one peasant class. However, increased participation from below could result in a more populist shift in policy planning within the *Fome Zero* framework. Likewise, pro-poor land reform policies and MST land occupations will increase the family farm stake in providing for the *Bolsa Família* market. Further rural market integration is highly favorable to an NIE approach and, thus, the *Bolsa Família* institution provides a unique synthesis in the two approaches to combating rural poverty. Future evolution of the program will dictate which approach has the largest influence in determining *Bolsa Família* policy reforms.

Along with attacking extreme rural poverty through welfare policies such as CCTs, governments in developing countries have begun to orient social policies that target the strengthening of family farming. Often used in conjunction with anti-poverty programs, policies that strengthen family farms offer a crucial addition in not only alleviating poverty but also in sustaining rural livelihoods for producers in competition against large-scale industrial producers with a higher output. For this

reason, the policymaker is not only concerned with those living in extreme poverty but also how can the state be a facilitator of maintaining livelihoods of those that escape poverty. Although CCTs can be a critical lifeline for some it does not alone provide the comprehensive policy framework for which many rural classes can sustain a livelihood.

Food Sovereignty and Family Farming Policies in Brazil

The penetration of capitalism in the countryside has created an unequal playing field for peasants and family farmers to defend their livelihood. In response to this threat, and in support of the food security framework, the Brazilian government initiated several policies to support family farming as a food security strategy. Central to this strategy is the role of two policies in supporting small rural producers as the productive unit in supplying domestic agricultural consumption. PRONAF and the Program for the Procurement of Food Produced through Family Farming (PAA) are the primary tools being utilized by the Brazilian government to support family farming and utilize their production to feed Brazilians.

Specifically designed to strengthen the role of family farm production in feeding the country, the government created a National Food and Nutritional Security Policy (PNSAN) as the backbone of the *Fome Zero* framework in regards to

food production. Its specific goals are in conjunction with Brazil's food security objective and are outlined as follows:

- Identify, analyze, disseminate and act on the factors that influence food and nutritional insecurity in Brazil.
- Link the programs and actions of various sectors to respect, protect, promote, and provide the human right to adequate food, considering the variety of social, cultural, environmental, ethnic-racial, equity of gender and sexual orientation, as well as provide tools for its accountability.
- Promote sustainable agro-ecological systems for food production and distribution that respect biodiversity and strengthen family agriculture, indigenous peoples and traditional communities, and that ensure consumption and access to adequate and healthy food, respecting the diversity of national food culture.
- Include respect for food sovereignty and the guarantee of the human right to adequate food, including access to water, as a state policy, and to promote them in international negotiations and cooperation (Chmielewska et al, 2011a: 6).

The National Program for Strengthening Family Farming (PRONAF) was established in 1996 as a measure to support the large influx of smallholders during the transition period of promised land reform and MST activity. Under presidential decree No. 1946 on July 28th, 1996 PRONAF marked a new era of Brazil's policy towards smallholders as a productive unit in agriculture (Guanziroli, 2010: 47). For the first time in Brazil's history, an agricultural policy was enacted that did not categorize the farmer by either farm size or income but rather the method of labor used on the farm. The introduction of PRONAF inspired the government to conduct a census to get a profile of family farming in the country - the results were staggering - Brazil's family farmers accounted for 76.9% of all rural labor and produced 37.9% of the gross agricultural output. Perhaps nothing surprised policy makers more than the productivity of the farms which produced an average output of R\$104 per hectare while hired labor farms produced barely R\$44 per hectare (Guanziroli, 2010: 49). The study also determined that there was a significant lack of services for family farms. Many farms did not have access to credit, electricity, extension services, or mechanical innovation.

As a result the evolution of PRONAF has been immense and the program now offers credit for a broad range of agricultural activities including family fisheries, female agriculturalists, environmentally sustainable farming projects, etc (Government of Brazil, 2011a). During Lula's administration, PRONAF increased its beneficiaries from 291,000 in 2003 to 1.6 million in 2010 (Government of Brazil, 2011b: 3). Moreover, PRONAF has developed into a highly decentralized approach

which places responsibility on local extension services to identify beneficiaries and distribute credit. Its purpose is now inclusive to provide a three-pronged strategy in supporting family farms. First, PRONAF provides financial resources and incentives for purchasing and improving infrastructure on family farms such as machinery, buildings, renewable energy solutions and aquifer improvement. To compliment this policy the government is strengthening the institutional capacity of local municipal extension services that can more adequately deliver an increasing amount of actions for family farms.

PRONAF also is the primary line of credit for family farms that can be used for agricultural purposes. In many cases this credit can be delivered through mechanisms targeting various crops or could be used as the family sees fit for the improvement of their livelihood (land purchases, fertilizers, improvements to existing land, etc.) Credit is available based on the size, income, and makeup of the family farm beneficiary and ranges from R\$5,000.00 to R\$40,000 and interest rates are between 1.5% and 5.5%.²³ The credit program was the backbone of a broader program to support the family farm as a significant productive agricultural force in Brazil; however, without technical assistance, the government saw family farms as still not meeting their production possibilities.

As a result the government added a technical assistance aspect to PRONAF where all qualifying family farms would be offered technical support, price supports, and emergency coverage for crop damage of up to 100% financing. Prices

²³ Ibid

established through the National Supply Company (CONAB) allow family farmers to link their PRONAF loans to the guaranteed price by CONAB and the emergency line of credit insurance program. This has helped families plan the year's finances with more assurance and sustain their livelihood through unplanned circumstances. Nevertheless, PRONAF has been the target of substantial criticism as many families have been unable to repay the loans. The poorest farms receiving the lowest interest rate are experiencing the lowest repayment rate with 28% being behind on payments.²⁴

However, it appears as though this is beginning to turn the other way as Brazil's social policy structure is being more institutionalized in the countryside. Specifically in the southeast, PRONAF has begun to take hold as the primary financial tool in sustaining family farms and utilizing their production to feed the country. Currently, family farms account for 38% of total food production in Brazil and generate US\$32.3 billion a year in agricultural products.²⁵

Additionally, PRONAF has been working in conjunction with the government's rural marketing programs under the *Fome Zero* framework which has increased domestic demand for agricultural products specifically produced on family farms. Most notably, the PAA program has been instrumental in not only strengthening the food security of Brazilians but also in ensuring additional agricultural demand for small rural producers. Together with PRONAF, the

²⁴ Guanziróh, Carlos E. and Carlos A. Basco, "Construction of Agrarian Policies in Brazil: The Case of the National Program to Strengthen Family Farming (PRONAF)", *Rural Development Series Comun* Jan - July 2010, Inter-American Institute for Cooperation on Agriculture), www.iica.int, 57.

²⁵ Government of Brazil, "Key Facts and Figures Agrarian Development and Food Policy in Brazil", (37th Session of the UN Food and Agricultural Organization (FAO) Conference, June 24th, 2011), www.brasil.gov.br

programs offer additional resources necessary for family farms and peasants to sustain their livelihood.

Food Acquisition Program (PAA)

The Program for the Procurement of Food through Family Farming (PAA) is one of the most innovative policies in Brazil. Since its inception in 2003, R\$3.5 billion has been invested in the program which has delivered food and nutritional products to some 15 million families on small farms.²⁶ The objectives of PAA are laid out by the PNSAN in combating the food insecurity of Brazilians and utilizing a two-pronged strategy in supporting small farmers is outlined as follows: “to foster family agriculture, including actions related to the storage of goods and distribution of agricultural products for people in conditions of food and nutritional insecurity (Law no. 10.696)” (Government of Brazil, 2008: 7).

The policy designers in the MDS are responsible for creating the PAA while it is also a decentralized program that is carried out by municipal agencies in delivering the policy. The program purchases food products directly from farmers and utilizes the products to feed the country’s poor. In its design the program designates an order of priority in purchasing goods from diverse rural producers. Of the five groups, indigenous communities, rural workers without land, and

²⁶ Ibid

temporary settlements are targeted as the first group to receive benefits from the PAA (Group A). The next four groups are targeted utilizing PRONAF's beneficiary structure that is based on land size, income and labor inputs (family labor). Groups B, A, and A/C are distinguished by the beneficiary structure and the amount allotted to their farm is dependant upon their qualification in the structure. The last group are defined as family farms and need to be under the maximum amount of land owned (4 fiscal modules or 80 hectares) and utilize family labor as the basis for labor inputs on the farm.(Government of Brazil, 2008: 9).

The direct purchase of products through PAA is a complex network of municipal functions but can range from the direct purchase of goods from a farm that has registered through its municipal office or, more typically, a farmer cooperative or association. With regards to the purchase of products from individuals, the PAA limits the total amount of purchases at R\$5,000 per year (Government of Brazil, 2011c). This amount correlates to the association or cooperative institutionalizing the process through creating invoices for all farmers in the cooperative and facilitating the arrangement. Most farmers in Brazil already participate in some form of farmer cooperative or association and it is thus an easier avenue by which they can gain access to the PAA. However, it has also created problems in the effective implementation of the program's objectives.

A recent study by the UNDP-IPC cited cooperatives as being an institutional barrier in assuring timely and accurate payments for farmers as the information required to receive payments is often not submitted weekly but monthly. This is

attributed to the large amount of farmers included in the cooperative and the office not being able to process all of the applications in due time. Additionally, the collective agreements often complicate the discrepancies and crops in projects carried out by each individual farm. Therefore, beneficiaries can often have insecurity in receiving their payments between projects sponsored through their organization (Chmielewska et al, 2010: 15).

On the other hand, the PAA does not have the institutional capacity to deliver its services on an individual basis; although this is changing. It must also be noted that although there are barriers to overcome in utilizing farmer cooperatives as service delivery but their purpose extends beyond a policy tool. Cooperatives provide a crucial network of smallholder farmers that offers a medium to advocate for and receive services from the government as identified by their irreplaceable role they played in the country's agricultural history. Nevertheless, the PAA is extending its services but still has several obstacles to overcome in order to start accomplishing its objectives. It has no doubt grown incredibly fast since its inception and will continue to do so as promised by the new president Dilma Rousseff (Government of Brazil, 2011c).

In certain areas, the PAA is thriving as a vital tool for smallholder farmers. In regards to the acquisition and distribution of milk, the PAA has invested R\$744.7 million as of June 2008 in the direct purchase of milk from over 29,000 family farms. This purchase goes to benefit over 700,000 people in more than 1,200 municipalities everyday (Government of Brazil: 2008: 15). As the PAA expands and

can increase its targeting and coverage it should become more effective in providing necessary assistance for all crops and products produced through small family farms.

Undoubtedly, the program's design could use continually revisions and improvements but its mission in providing food security for all Brazilians is paramount and ambitious. Together with the other policies in the *Fome Zero* framework, the PAA is a crucial lifeline for family farms and the hungry poor. Brazil's social policies could provide a model by which other countries can utilize as an example in implementing similar strategies; however, parallels need to be drawn between the socioeconomic inequalities of the countryside and how policies can address those issues and challenges.

Conclusion

The institutional arrangement as offered through the *Fome Zero* offers an innovative policy approach to a multiplicity of challenges. Its multisectoral design utilizes the existing structure of smallholders and family farms as a foundation to promote their productive capacity to feed Brazilians. The amount of beneficiaries between the programs indicate that the framework of programs include various levels of participation by necessity and decrease in eligibility. For example, total beneficiaries in the *Bolsa Família* rose from just over four million families in 2004 to a peak of

over 11 million in 2006. However, current beneficiaries are falling while there is a correlating increase in the total amount spent and beneficiaries in the PAA and PRONAF programs which continue to rise (Government of Brazil, 2007).

From this data we can conclude that not only poverty levels are falling but there is a complimentary decrease in the *Bolsa Família's* beneficiaries. Furthermore, programs such as PAA and PRONAF which are oriented to sustain smallholders and family farms are increasing in total value and coverage. While this data does not address the issue of the policies' specific effectiveness it does draw light on the transition of families' participation within Brazil's policy framework. There is still significant room for improvement within the framework as the policies are continuing to evolve.

A driving concern of beneficiaries is the lack of consistency and assurance inherent in the programs. For many, their participation in just one, not to mention several, of the policies is a risk to their livelihoods should the policies change or disappear. Many smallholders include the policies assistance in their allocation of resources and have become dependant on participating in the programs. Additionally, the institutionalization of the programs needs to increase and adapt to expanding Brazilian agriculture and regional disparities. While studies have indicated the programs' effect in strengthening farmer organizations and cooperatives, the policies need to remain committed to solidifying these relationships and utilizing the agrarian structure of smallholders and family farmers (Chmielewska et al, 2010).

Additionally, a critique of the framework has continually been realized is the lack of expansion in new settlements and isolated locations. Perhaps there is no location in need of social protection than the numerous new MST settlements. The obstacle could be overcome by creating a registry through the MST or CONTAG as most rural producers become members through a formal organization. Under a registry, eligible beneficiaries could continue to participate in their organization while maintaining a beneficial relationship with government policy.

Along with that participation, we must investigate the factors families identify as responsible for eliminating poverty and promoting a pathway out of poverty. Undoubtedly, the *Fome Zero* framework has produced positive results but without a clear picture of rural Brazil, it becomes impossible to identify such factors. As the programs are expanding in coverage, it is important to identify the current obstacles and limitations, as well as observed success in the framework's implementation. Furthermore, perspectives from the rural population experiencing the policy environment and socioeconomic situation of rural Brazil have empirical insights into the explanations and personal experiences with the policies.

Chapter 5

Rural Development from Below: Perspectives and Responses

The fieldwork carried out for this study had a dual approach in confronting the issue of policy effectiveness in the São Paulo countryside. In the first cluster of research, I spent ten days in early march in a settlement in the western part of São Paulo state called Assentamento Gleba XV de Novembro which is located near Euclides da Cunha Paulista. This settlement is São Paulo's oldest and largest MST's organized settlement with over 2,000 residents living on just over 13,000 hectares (Groppo, 1996: 1). In addition to the time spent in Gleba, I conducted interviews at an MST women's meeting that took place in the nearest large town of Teodoro de Sampaio.

The data collected is qualitative in nature and the interviewees vary in income level, gender, education, and status in the community. Interview locations were based in the farmers' households while in Gleba and the interviews in Teodoro were conducted in the MST organization's building on the edge of town. Although the interviews were informal, there was a prepared list of questions to provide a basis by which the interviewee could focus their concerns.

In the second data set I conducted interviews and compiled empirical data at São Paulo's agricultural and extension service center (Coordenadoria de Assistência Técnica Integral, CATI). CATI has its campus on the outskirts of Campinas, Brazil and

primarily serves as a research center to offer technical extension services to farmers in the state of São Paulo. My time at CATI was spent in the public policy department where I conducted interviews with both the employees of that department and with technical staff on their opinions of the role social policy in rural São Paulo. Additionally, the employees of the public policy department worked tirelessly on providing me the most up to date census information and legal policy documents compiled for the state.

Assentamento Gleba XV de Novembro

Assentamento Gleba XV de Novembro was established on the 15th of November in 1983 by some 800 workers and farmers from the far southwest region of the state of São Paulo. At this time there a dam was being constructed to harness the hydroelectric capabilities of the two rivers in the region (Paraná and Paranapanema). The resulting reservoir displaced hundreds of smallholders who had been living and farming in the surrounding countryside. At the time of the establishment of Gleba there was some contention with the area's owners; however, to legalize the settlement, state manager Franco Montoro deemed the area as necessary for food production and expropriated the land for the public interest under decree 22.034/84 (Iokoi, 2005: 81).

The company responsible for the construction of the dam – *Centrais Elétricas de São Paulo* (CESP) was thus responsible for providing assistance to those displaced by the dam’s reservoir and helped establish the settlement from an emergency location to a permanent settlement for agricultural production. It was around Gleba that the region’s roots of the MST began to organize and consolidate social concerns over land. Additionally, the close proximity of Teodoro Sampaio played a role as the region’s organizational hub for social movements concerned about the agrarian question.

Gleba is divided into five sectors, four of which are similar in soil type and population density, and the fifth has the least productive soils which lends its use primarily for livestock and a lower population density. As of the most recent census, Gleba has 2,159 residents of which 46% are under the age of 20. This is one aspect of Gleba that makes it particularly interesting. The large population of young residents creates a situation of inadequate education for the settlement. As a result, some 1,800, or over 80%, of the residents have not completed primary education and just over 20% are illiterate (Iokoi, 2005: 82).

Nevertheless, Gleba has traditionally been solely based on agricultural activities as over 93% of the residents claim they only have experience in agricultural activities and only 4% of households claimed to earn income from a source other than agriculture (Iokoi, 2005: 82).²⁷ More specifically, dairy farming is the most lucrative agricultural activity in the settlement and the cooperative for

²⁷ Excluding government assistance

Gleba is currently utilizing the PAA to bring more value to their milk. As a result, dairy farming has been increasing and Gleba recently received funding through CONAB for a communal milk storage facility (Duda, 2011).

The income levels in Gleba can be distinguished into three different groups. In the first group, 48% of Gleba residents produce more than US\$90/month per worker. The second group of \$45-\$90/month per worker consists of 26% of the Gleba population. Lastly, 26% of Gleba residents produce less than \$45/month per worker (Groppo, 1996). The income levels of Gleba residents mean that 74% are living above the minimum poverty line and some 30% are receiving income assistance through the *Bolsa Família* (Duda, 2011).

Perhaps the most informative interview was with one of the settlement's social leaders – Duda Mendes da Silva Cledson. Cledson is currently enrolled through the Universidade Estadual Paulista in the nearest city – Presidente Prudente where he is completing his degree in Geography. As one of the most educated residents in Gleba, Cledson is highly respected by the settlement's residents and knows most of them very well. As a leading organizer and voice for the MST, Cledson has been involved in several occupations in the region.

For Cledson, Brazil's social programs are crucial to the settlement and provide a necessary lifeline for the poor. However, he expresses concern for the programs future as they are not written into law. Additionally, Cledson thinks that the *Bolsa Família* is too selective and highlighted some of Gleba's residents as prime candidates that should be receiving income assistance but were unable to do so

giving the selectivity of the program.²⁸ Moreover, he explained that three houses in the settlement had some 20 people living in them due to the lack of income and were still unable to receive the *Bolsa Família*. An outspoken supporter of Dilma, Cledson's skepticism was obvious as he stated a victory for the right could spell an end for progressive policies such as the *Bolsa Família* or PAA. He is very gracious to the current government for the assistance the PAA has brought in terms of additional income and expansion of the settlement's dairy farming, but is highly critical of the lack of subsidies for small rural producers.

He envisions a special program created with the sole purpose of imposing agrarian reform and redistributive land policies. Cledson cites urbanization as a threat to the family farm as Brazil's economic growth has spurred the rural youth to look towards urban centers for a better future. For this reason, he proposes a policy where the government will subsidize the rural youth to stay in the countryside and receive a grant that can be utilized for farm production. As opposed to *PRONAF Jovem* which provides a loan to farmers between the ages of 16 and 29, Cledson sees the draw of urban centers as too lucrative and the loan as only being a way to start out in debt.

Another obstacle Cledson identified for Gleba's development is the lack of technological innovation. Despite the recent construction of the milk storage facility, Gleba only has some 15 tractors that are to be utilized by all of the families. In comparison to the highly mechanized and capitalized industrial farmers, Gleba

²⁸ See interview with Arianna Leite

residents are still highly reliant on labor-intensive processes of production. Therefore, Cledson recommended that the government should utilize its extension services to offer free technological upgrades for small farmers so that they can be more competitive in the market.

As Cledson gave me a brief tour of the surroundings, he explained the rich history of Gleba and what the MST has meant for peasants and what it has done for Brazil's rural development. His interpretation of Brazil's history was characterized by exploitation of wage laborers by elite landowners. He attributed the rise of the MST as essential to the formation of a more just Brazil and one that has transformed the country into an example of what social movements can do for a country's development. When we discussed the current administration, Cledson expressed his support for the PT and the current president Dilma. However, he was still critical of the administration for not going far enough in supporting the poor, but acknowledged the tremendous lengths the Brazilian government has gone in attacking poverty.

In closing our day together, Cledson told me that he has seen tremendous interest in Brazil's current policies and thinks that the country is on a positive path. Furthermore, Cledson envisioned the current research as a significant step in the right direction as the poor are now becoming more and more inclusive in the development process in Brazil. He described the importance of education as one of the most important factors to gauge the success of Brazil's current development path. As is the case with Gleba, barriers to education are rampant in the countryside

for the poor and as Brazil's policies attempt to target increasing enrollment rates, Cledson insisted that the government needs to increase its investment in education infrastructure.

In the nearby town of Teodoro Sampaio I was fortunate enough to be in attendance for a women's meeting of the MST. At this meeting the women were expressing their concerns within their respective locations and utilizing the MST as their collective voice. I utilized the chance to discuss their concerns with me in regards to Brazil's social policy, and specifically, the *Bolsa Família*. One of the beneficiaries of the *Bolsa Família*, Barbara, came and talked to me about her experience with the program and her history at a nearby MST settlement. Her and her husband had joined an occupation sponsored by the MST on the outskirts of Teodoro and moved from a small city outside the city of São Paulo to start life as family farmers.

Barbara had only been in the newer settlement for a few years and explained it lacked the necessary infrastructure and the settlers were responsible for constructing their roads and maintaining them. Her family was able to participate in the *Bolsa Família* as her two children attended school in Teodoro. She explained that the program was vital for their livelihood and provided the necessary funds to supply the children with adequate school supplies and whatever was left each month would help pay for bills. She was extremely grateful for receiving the *Bolsa Família* but explained that the monthly amount she received was not adequate for them to cover their expenses. Barbara's family also participates in PRONAF and is

now repaying their loan and often does not have the funds to make payments on time.

However, she did recognize that their participation in both of the programs has allowed them to increase their standard of living in comparison to their wage-labor history living on the outskirts of São Paulo. Despite their difficulties in making payments she was still optimistic about their future as her children were now becoming of age to help them with farm activities and described their recent purchase of a milk cow and several chickens as changing their situation. Their settlement was in the process of participating in the PAA and Barbara explained how this would significantly increase their monthly income with their milk cow.

As the case with every individual I interviewed, Barbara emphasised the tremendous importance of education for the future of the country. She explained how she never had the opportunity to complete primary school and become literate and now with the *Bolsa Família* it makes it possible for her children to complete secondary education. From this perspective she praised the Lula administration and the PT as making education a priority and attributed the *Bolsa Família* as a significant step in the right direction.

After the meeting concluded I found one woman who was particularly interested in expressing her concerns to me. Adrianna Leite was in her 50s and had been a widow for several years. Her and her late husband had moved to Gleba in the 1980s when it was relatively new. She had one son who was attending university in São Paulo and did not have the financial means to travel home often. Adrianna

explained that at her age she was unable to receive enough income from farming to sustain her modest livelihood. Additionally, her son was in university and she did not have access to a social program for the poor such as the *Bolsa Família*. She explained that her income level is well below the poverty line but in her situation there is no welfare program. It was apparent that she was in a particularly terrible situation but I shared her concern. The only program she qualified for was the PRONAF *mulher* loan that offers lower interest rates for female heads of the household. However, in her case she had a lack of labor necessary to produce a surplus and repay the loan.

Although in the case of Adrianna, it was clear that her participation in the MST had significantly benefitted her as she had a medium to express her concerns and a support structure in the settlement where she lived. Not only did the MST provide Adrianna the means to start a life in the countryside but it also gave her a sense of community and her neighbors, fellow MST members, helped Adrianna plant, harvest, and continue her livelihood. She explained that she has no intention of moving back to the city and described how her standard of living has gone up since joining the MST and farming. For me, the discussion with Adrianna really solidified the tremendous importance this social movement has played not only in Brazil's rural development history but also the crucial support it continues to provide the rural poor.

The area's families still have obstacles to overcome in achieving a more secure rural livelihood but they owe much of the past success to the MST's work in securing

land and means of production. Nevertheless, the government's current efforts in providing capital and services to the poor are accelerating their rise out of poverty. For some, such as Adrianna, the government cannot provide the necessary services and thus the MST is there to assist, leaving space for the government to expand its coverage and selectivity.

Nevertheless, the presence of *assentamentos* such as Gleba has had a significant positive effect on the region by transforming the countryside into a more ecologically diverse and politically active environment. As is the case with the MST activities surrounding Teodoro, the residents of *assentamentos* contribute to the local economy and the social policies designed to strengthen family farming and provide an income to the poor are a testament to this concept. The agrarian reform census of 1996 found that in the 1,425 *assentamentos* in Brazil 87% of the residents were individual, family-based farms (Deere et al, 2007).

Those families are now gaining more and more political capital as in the case with the *Bolsa Família's* effect in building a constituency of beneficiaries. From the organizational structure of the MST's presence in Teodoro, it was apparent that their collective voices were at the very minimum being communicated to local government and policymakers. Additionally, the *assentamentos* transform the rural population and challenge the clientelistic relationship between government and elite landowners. As was the case in the rural labor history of São Paulo, the MST is an irreplaceable component of policy advocacy and democracy.

Tensions are still apparent in the countryside, but the tireless struggle of rural

laborers in Brazil is still alive and gaining more and more ground each year. Among the people I interviewed, there was a unanimous consensus that their life is better now than it was 10 years ago. Although they all had a critical perception of the current PT government they were all still pleased with the general direction of the countries policies. However, the current administration continues to fight the battle of agricultural duality between supporting family farming and utilizing industrial agriculture to generate export revenues. But the tide continues to turn as the rural poor are becoming more inclusive into the political process and the PT continues to advocate for a role of family agriculture and peasants in being a productive force in the Brazilian economy.

I got the sense of this struggle between supporting family farms and maintaining the agrobusiness sector as I drove through the countryside leaving Teodoro and returning to Presidente Prudente. The small family farms would disappear upon leaving towns and other villages as they gave way to massive swaths of sugar cane fields destined for biofuel production. When I asked Cledson his thoughts on the massive sugar cane fields in the region he explained to me that he and others have been in a struggle against them since they have been in the *assentamento*. Although they are still in that struggle, and will be for some time, he feels as though they are winning the fight more and more each year.

Policy Perspectives

Policymakers at the CATI institute in Campinas, Brazil are coordinating and analyzing agricultural policy for the state of São Paulo. I had the opportunity to spend several days at the public policy department observing and discussing current policy initiatives and their results. There was a great deal of optimism in the office, not only for the trajectory of the country, but also the state's policy approach for rural development.

I was fortunate enough to be at CATI after I had been in the *assentamentos* which allowed me to not only pass on the concerns of those I had talked to but also to utilize my observations in asking questions. I spoke with a policy and extension coordinator and asked his thoughts on the current policy environment in rural São Paulo. His response was optimistic about the direction taken with regards to supporting the rural poor but described the institutional capacity of the government as not able to execute them all effectively at this time. As a coordinator that spent most of his time in the field, Bernardo attitude was that the government's intentions were positive for the rural poor but that CATI and other municipal agents are not adept to handle the workload at this point.

Nevertheless, he was very familiar with Gleba and the *assentamentos* surround Teodoro Sampaio and expressed his support for the MST. For Bernardo, the MST was a critical organization that provided the poor with not only land but a promise

of a better future. During my time at the CATI institute I didn't speak to many people that supported the MST and their activities outright but Bernardo's extensive experience in the countryside had clearly provided more depth in understanding the social situation in rural São Paulo and the crucial role the MST plays in necessary comprehensive reforms. However, I found a different attitude in Bernardo's view of the government's role in supporting rural livelihoods. In contrast to Cledson, Bernardo explained that the social policies in São Paulo are sufficient but they have not yet been carried out fully and expanded to sufficient coverage. He also added that all of the policies are continually being transformed and upgraded in order to react to the needs of family farmers and the rural poor. He used the example of a new program through PRONAF called PRONAF *Mais Alimentos* created in 2009/10. The program is specifically designed to provide additional credit to family farms that produce basic foods for domestic consumption in fulfilment of the government's food security strategy – *Fome Zero*.

Despite the differences in opinion my qualitative results indicated optimism for the future development of the countryside for the rural poor and family farms. There was, however, a clear distinction in the critical attitude apparent in their responses. Cledson's attitudes on the current environment were clearly the most critical and, consequently, Cledson had the most new ideas for approaching development obstacles. Conversely, Bernardo clearly operated within the existing policy framework when describing continual obstacles facing São Paulo's rural development and had few original ideas in forming new policy perspectives and

innovative approaches.

The voices from Adrianna and Barbara provide an insightful picture from below of living within Brazil's policy framework. Additionally, their insights offer a dynamic view of individual's perspectives from their role in the organizational structure of the MST and the role of government policies in supporting their livelihood. Their addition to the study offers perspective from below and reinforces the positive relationship between individuals benefitting from social movements and formal government structures in addressing the agrarian question in São Paulo.

Chapter 6

Conclusion

Brazil's development future has no doubt garnered tremendous interest in the world as an emerging country that has achieved a great deal in way of alleviating poverty and hunger. The current focus on the country as a model for development however cannot be seen as a single-track policy approach. Rather, the country's unique history, land, and social movements have played an irreplaceable role in defining the development process that has resulted in the giant of modern Brazil. The country's history of policy initiatives has transformed the government into an institution for delivering new innovative approaches to the challenges facing the poor since the country was colonized.

Nevertheless, the agrarian question is only addressed through structural transformation of the countryside. The policy approach in Brazil provides a crucial lifeline to the poor but fails in addressing ownership over the means of production as defined by the producer. Rather, it offers a *residual* approach in supporting peasants and family farms, not a transformation of *relational* production.

When we specifically look at the development history in the state of São Paulo it is apparent that labor movements were instrumental in securing at least minimal demands that have assisted in a more equitable form of rural development that has undoubtedly served the country well to this day. Nevertheless, we cannot

deny the importance of agricultural commodities, particularly coffee, in securing the necessary capital accumulation in the region that spurred the government's industrialization investments and inequality that spurred labor revolts in the countryside.

The particularly unique nature of Brazil's agricultural dualism continues to exist as an obstacle for family farmers and smallholders. However, as my field research has indicated, rural development in Brazil is a dynamic process that continues to evolve towards being more inclusive to historically marginalized groups. Brazil's paramount initiatives through the *Bolsa Família* and *Fome Zero* framework have been the subject of intense research and have served as a model for countries throughout the globe.

As I have shown, the implementation and successes of Brazil's *Fome Zero* and *Bolsa Família* are limited to their design and the pro-poor social movements of transcending agrarian structures are the irreplaceable component of effective social rural development. Therefore, it is important to note that the model of Brazil's *Fome Zero* and *Bolsa Família* is unique to the country, and more specifically, the state of São Paulo. Throughout this process several important factors have been highlighted as contributing to positive rural development outcomes. Few have been as important as the role of the MST and the roots of rural labor movements in fighting for agrarian reform and being included in the political process.

For this reason we can perceive the MST and its activities as approaching the rural development problematic in Brazil from a *relational* perspective. The

objectives of the MST have been to redistribute land and act as an organization to advocate and create comprehensive agrarian reform. Although its success has been limited to the relative goals of the movement, it has no doubt been *the* crucial component of relational change necessary in the São Paulo countryside.

For the case of São Paulo, the issue of accumulation can be viewed in the classic sense of Bernstein's problematics where commodification, particularly of coffee, transformed the countryside. Therefore, the historical labor struggle and subsequent formation of the MST fulfilled the role of promoting and acting on structural change in lieu of government action. Nevertheless, the MST acted institutionally through collective interests along with labor unions to represent the interests of rural labor and the peasantry.

On the production side, the historical transformation of the São Paulo countryside experienced a correlating transformation in *latifundia* wage-labor to contention of labor demanding ownership over the means of production into a Chaynovian model of family-based agriculture. However, the dualistic nature of Brazilian agriculture inserts a contrasting separate dynamic of production based on capital-intensive production for export. Historically, this was a defining characteristic of Brazil's agrarian transformation and continues to be a driving force in the obstruction of peasant livelihoods. Nevertheless, it is the role of social movements, notably the MST, which has redirected a significant amount of political capital to rural labor.

It is exactly this perspective through which we can analyze the social relations present in the contemporary policy environment. The emergence of CCTs, supporting family farming, and the *Fome Zero* framework is a clear example of the shift in political relations and government outcomes in the countryside. Despite their inherent differences in approaches to rural development, the MST has been supportive in the PT's dual-track approach to Brazilian agriculture (Patel et al, 2003).

One perspective views Brazil's social policies as approaching the rural development problematic through a *residual* approach. Although this approach is in a quantitative manner, the policies distribute resources and provide income supports through CCTs and special credit lines for small farmers. However, the point of contention is to analyze whether or not this resource redistribution is transforming the *relational* aspects of the rural poverty at the same time.

As evidence from the last presidential election in Brazil, the *Bolsa Família's* success and popularity has enhanced the empowerment of the poor and given them a more institutional relationship with the state. This no doubt suggests a transformation in the *relational* perspective of the rural poor. It is this perspective that results in little contention between the objectives of the MST and the current policy goals of the Brazilian government. That is not to say that the two institutions' objectives and initiatives have synthesized, but rather, the two are complementing development approaches that provide a more comprehensive and diversified attack on rural poverty and inequality.

However, the model of social policy in São Paulo needs to be understood in its context. With over 30 countries currently implementing a CCT, how can the experience of Brazil be emulated? As described by the background and history of the state, São Paulo's tumultuous rural development history has the crucial components that characterize the contemporary picture of the countryside we see today.

First, the role of coffee was paramount in accumulating tremendous amounts of capital providing investment for infrastructure, industrialization, and creating a distinguishable tension between rural labor and capital. Through this process, the agrarian question and subsequent fate of the peasantry was defined within the terms of the coffee elite and government relationship based on the fluctuating price of global commodity prices. It was this accumulation that provided the necessary tension in rural social relations and raised the agrarian question to prominence providing the roots of rural labor to struggle for the definition of production within their terms.

From these roots rose a powerful social movement with the sole objective of overcoming the long history of subjugation of capital characterized by land concentration and wage-labor. It is this *relational* transformation that has benefitted the current government's pragmatic policy approach and the positive outcomes in reducing rural poverty. The MST's efforts and successful results of approaching the agrarian question from a *relational* perspective set the stage for the PT's policy framework to experience positive results. Thus, it could be argued that perhaps the

case of São Paulo is not easily duplicated due to the organic and long process of establishing social movements such as the MST that transcend structural inequalities.

A particularly unique facet of the MST experience is the independent nature in which it formulated and carried out its objectives. Despite its intentions to remain outside the formal political institutions of the country, its autonomous nature has in a way been realized through government reforms. It is this nexus through which Zander Navarro (2010) has predicted a dismal future for the MST. As the rural poor are rapidly entering the middle-class and the countryside becomes more equitable, he envisions the MST as losing its constituency (Navarro, 2010). While this may be a stretch, there can be no doubt that the MST and the PT government have overcome astounding obstacles in alleviating rural poverty.²⁹

Synergies and tension also persist for the future of rural development in Brazil. A noted MST scholar, Bernardo Fernandes, cites the existing Brazilian agricultural frontier as a future battlefield over agrarian reform. However, his analysis also foresees a Brazil when the frontier closes and the paradox of agricultural dualism in Brazil ceases siding with agribusiness and intensifying the importance of the agrarian question once again.

However, we must still acknowledge that rampant inequality and obstacles to rural development are still present in the country. For this reason, the MST continues to thrive as an institutional outlet and support structure for Brazil's poor

²⁹ See Table 4

that addresses the structural reform necessary for effective rural development. Additionally, the relationship between Brazil's social movements and their political capital will continue to formulate new policy initiatives. As CCTs and complimentary policy frameworks persist to be emulated throughout the globe, research will be necessary to provide a comparative analysis on the various perspectives of their implementation and results.

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