

## **Introduction**

After the liberalization of economy in the 1990s, the environment that surrounds agricultural sector in Peru has significantly changed: The termination of the state monopoly in distribution of agricultural inputs and products; the liberalization of possession, use and sales of agricultural land; the promotion of registration of private ownership of land, etc. As a result, in some sectors of agriculture, especially in the coastal region, modernized intensive production of export crops was introduced, and production has expanded. However, the retrieval of the government activities in rural agricultural sector has negative effect for its development. The sector has lost source of credit and technology transfer. Thus, it is not certain how much impact the liberalization of economy had on rural agricultural sector or if the over all impact was positive or negative.

The objective of this research project “Economic Liberalization and Evolution of Rural Agricultural Sector in Peru” is to illustrate changes in rural agricultural sector in Peru in the context of the liberalization of the economy. What is going on in rural agricultural sector in Peru today, and how is it different from ten years ago? How has the liberalization affected farmers in terms of production, and how are they trying to adapt to the changes? Does the liberalization have positive or negative over all effect in the medium and long term? Each researcher chooses a specific topic within these themes. At the same time, in order to familiarize readers about the evolution of agricultural researches in Peru, one section briefly explains about trends of the researches on agricultural economy and rural development in Peru.

The report is composed of the following four chapters. The Chapter 1 by Carolina Trivelli explains about the research trends on agricultural economy and evolution of agricultural sector in Peru during the 1980s and 1990s. Because of emergence of macroeconomic crisis in Latin America and expansion of terrorist activities in rural areas in Peru, the focus of the research in agricultural sector had shifted from micro economic behavior of rural household to macro economic policy. At the end of the chapter, the author describes the current situation of poverty in the country.

Chapter 2 by Carolina Trivelli discusses a topic of rural finance. She focuses on the relationship between formal, semi-formal and informal lenders in rural areas. Her analysis shows that there is both complementary and competitive relationship between formal and semi-formal lenders. Therefore she emphasizes the importance of consideration in policy making to not only formal sector, but also semi-formal sector of rural finance.

In Chapter 3, Tatsuya Shimizu tries to describe present status of small-scale farmers in Peru’s mountain region. Although rural area is integrated into the market economy through inflow of consumer goods and immigration of labor force to urban cities, it is still isolated from the rest of the national economy in terms of selling its agricultural products to national market. Through a few successful cases presented in the chapter, the author emphasized the importance of farmers’ capacity building in order to take advantage of the integration into the market economy.

Chapter 4 by Manuel Glave and Ricardo Fort focused on economic organizations by small farmers. For successful articulation with market economy, economic

organizations plays an important role for small farmers. There are two case studies of the organizations: one is a cooperative of coffee producers in the central jungle region, and the other is an association of onion producers in the southern coastal region. Through these studies, the authors analyze factors that determine success or failure of the organizations. They point out quality of human resource that manages organizations and financial independence as two key factors for development of organizations.

The trend of liberalization and globalization of economy is irreversible. However, the rural sector in Peru is far from being benefited from them yet. The micro level studies presented here are some examples of attempts to understand how rural and agricultural economy works in context of liberalization and globalization, and the researchers are trying to find how the rural sector can be integrated better into the market economy.

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