

INTRODUCTION

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The Peruvian economy has been transformed significantly in the 1990s through the withdrawal of the government from economic activities and liberalization of the economy. The purpose of this study is to examine changes of the agricultural sector in during the decade.

The intention of the government was to activate the economy through free market mechanisms. The agricultural investment promotion law (D.L. 653) in August 1991 eliminated the monopoly by state enterprise in the distribution of basic crops and agricultural inputs. At the same time, the government removed price controls and obstacles to exports and imports of agricultural products. In addition, the registration of personal property rights on land was promoted so that producers can gain access to credit from formal financial institutions by having their land titles as collateral. The law on restrictions on land property (Ley 26505) in August 1995 removed many restrictions on holdings and usage of agricultural land so that not only individual producers but also agricultural enterprises can invest in production. In addition, the government permitted agricultural cooperatives to formally divide the land into their individual members. The ministry of agriculture itself reduced its activities by reducing the number of its personnel to less than one fifth, especially reducing number and size of agricultural extensions. These reforms were intended to promote introduction of modernized and highly efficient agriculture by agricultural enterprises.

Despite these efforts by the government, it is not clear whether the agricultural sector has developed during the 1990s as it was intended by the government. Evaluating the performance of the agricultural sector, Escobal¹ argues that the average annual increase in agricultural GDP per capita of 3.1% was not achieved by an increase in productivity, but by the expansion of the agricultural frontier. The fact that imports of basic food such as wheat, maize and sugar are increasing shows the stagnation of the sector.

In this study, we tried to analyze the change in the Peru's agricultural sector in the 1990s by focusing on two topics: finance and export. In Chapter 1, José A. Salaverry Llosa explains the development of agricultural finance in the context of macro-economic development in the country. In Section 3, he demonstrates that credit for agricultural sector contracted significantly at the beginning of the 1990s after the closure of the Agrarian Bank. The figures in Table 14 clearly show the change of loan structure. Comparing in 1989 and 2000, loans have become more concentrated in large enterprises. He concludes that a reduction in the profitability of the agrarian sector in the 1990s can be attributed to neo-liberal economic policies that neglected to build and reinforce institutions in the rural sector.

¹ Escobal, Javier (2000). El gran ausente: el agro. In R. Abusada et al. eds. *La reforma incompleta*. Lima: Centro de Investigación de la Universidad del Pacífico and Instituto Peruano de Economía.

In Chapter 2, Rosario Gómez describes the development of the Peruvian export agribusiness sector. She points out the change in food consumption patterns in the international market can favor the growth of non-traditional agricultural exports. Taking the asparagus industry as an example, she finds that agribusiness companies started to integrate production in order to obtain high-quality raw material. However, facing the crisis of increasing competition in the international market and oversupply of the material in the domestic market, they shifted to obtain it through spot markets. She concludes that companies who make investments to improve competitiveness and quality of human resources can survive the crisis.

Tatsuya Shimizu also studies the asparagus industry in Chapter 3, but his concern is to find out if small-scale producers can keep participating in production despite increasing production by large-scale producers and agricultural enterprises. Theories on contract farming show that market conditions in rural areas support production by small-farmers for the agro-industry. However, asparagus production by small-scale farmers in the northern coastal area of Peru decreased after the entrance of large-scale producers in the area. Observing some examples of small-scale producers with help from NGOs, he believes that they can keep participating in asparagus production by reducing production and transaction cost by modernization of production and management, and organization among producers.

A decade after the introduction of neo-liberal economic policies, we only found a little agricultural development in the export sector. The major part of agricultural production is still stagnated. In this study, we can only examine a small part of agricultural development in the 1990s. It is important to examine the effects of liberalization of the economy in more traditional agricultural sectors of the country.