Food and Agriculture Organization of the United Nations
United Nations
ECLAC

Food systems and COVID-19 in Latin America and the Caribbean: Financing measures to overcome the crisis

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1. Editorial

The measures taken to prevent the spread of COVID-19 have fulfilled their first mandate, which is to prevent deaths, but have also left millions of people without sources of income. In order to prevent people from breaking out of confinement, national governments have come to the aid of their population with contingency public policies that have had a significant impact on public budgets.

Although it may seem obvious, it is not superfluous to say that health measures and economic and financial measures go hand in hand. Consequently, recovery will require an unprecedented financial effort by countries to achieve a level of welfare close to the pre-pandemic level. We cannot fail to mention that this is a crossroads unparalleled in recent history, presenting an opportunity to (re)build a more sustainable and resilient planet. **Recovery with transformation.**

This process will require financing of short-, medium-, and long-term measures for countries, individuals, and companies. Countries will have to draw on their experiences, their human capital and the creativity of our own kind to seek new forms of financing to help them overcome one of the greatest challenges in modern history.

To that end, this edition of the bulletin makes available to its users a summary of the main financing sources and objectives that are being implemented and discussed at the global and regional level.

2. Key messages

- Restrictions on free movement and economic and social policies are not independent.
- Financing policies exist for the economic and social impact in the short term (transition phase) and the long term (recovery and transformation phase).
- Short-term measures should focus on progressively redistributing losses and with intergenerational equity, avoiding productive breaks that may hinder the revival of growth along the way.
- In the transition phase, efforts should be made to ensure that the Gross Domestic Product (GDP) of countries in the region falls as little as possible to be better prepared for the recovery and transformation phase.
- During the transition phase, it is essential to focus on sectors that are vital for the economy and the country and generate employment. In this sense, the agrifood sector has not stopped operating. It has been the least affected by the crisis and continues to be important in generating employment in the region.
- The primary objective of the recovery phase is to reach employment and demand levels close to pre-pandemic levels.
- The crisis has been presented as the appropriate scenario to discuss the possibility to rebuild and transform, an opportunity to link COVID-19 recovery plans with integrated climate solutions to make the world more resilient and sustainable in the long term.
- It is estimated that the short- and long-term measures will increase the fiscal deficit on average by 13 percent in relation to GDP.
- Countries must seek ways to expand tax revenues, cut unproductive spending and seek new forms of financing to cover the debt assumed as a result of the crisis.

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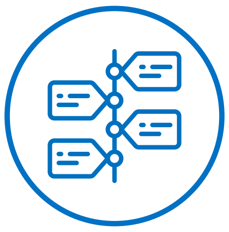
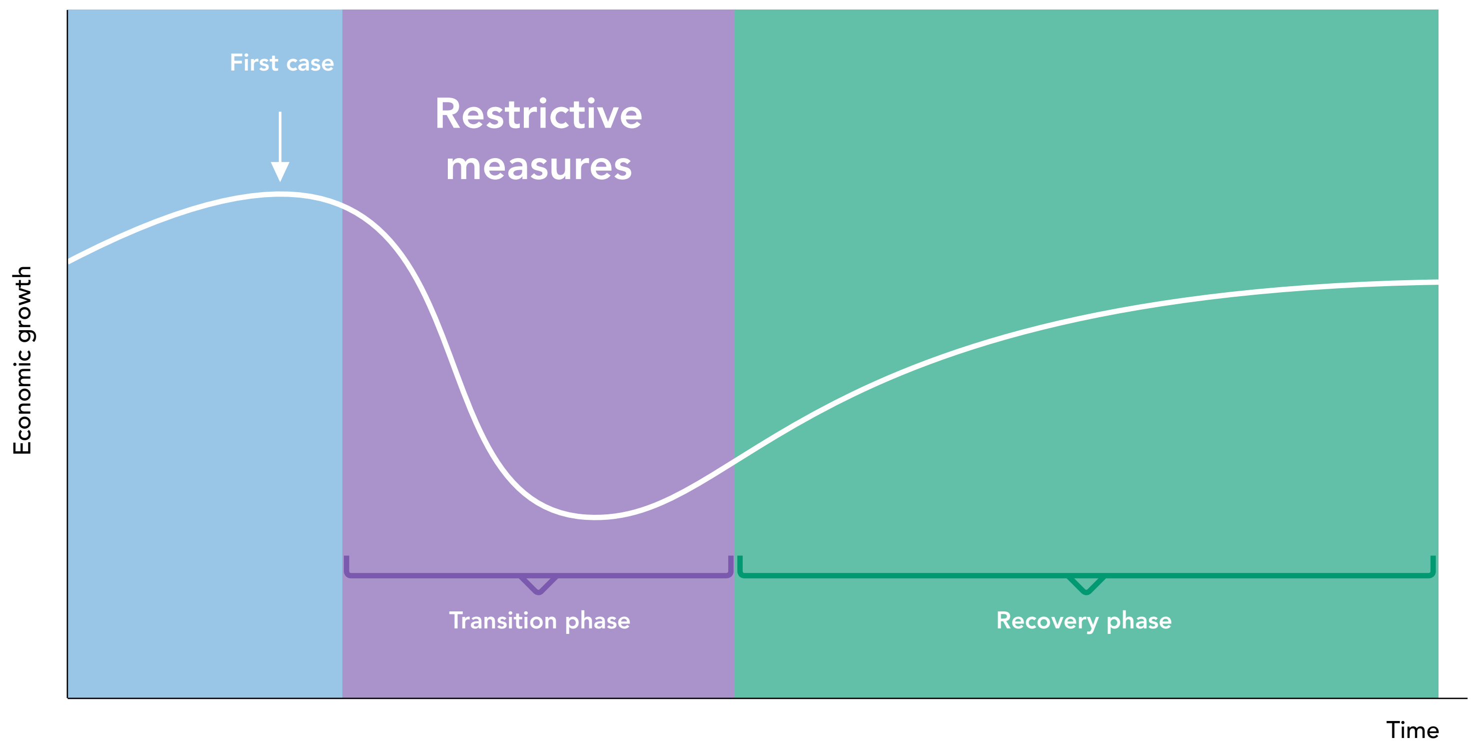
3. Financing phases



The physical distancing measures implemented to stop the spread of the virus have had a major economic and social impact; so, countries have begun to discuss, plan or adopt their dismantling.

The stage of loosening restrictions on the movement of people will be gradual, with a sequential return of economic sectors. This period we are currently experiencing is called the transition phase. The next phase, of economic recovery, will take place when the pandemic is considered to be overcome. This phase, which has not yet begun, could last for years.

Figure 1/ Diagram of the evolution of economic growth and its phases during the COVID-19 crisis.



Source: FAO, based on the description of IADB (2020).

How governments address both phases will have important implications for recovery, fostering or hindering economic performance, social cohesion and political stability. Short-term measures should focus on progressively redistributing losses and with intergenerational equity, avoiding productive breaks that may hamper the revival of growth along the way (IADB, 2020).

3.1. Transition phase: short-term measures

The transition phase begins with the first restrictive sanitary measure implemented in the country and ends with the lifting of all measures related to physical distancing, such as quarantines, trade restrictions and border closures, among others.

The decisions that a country takes to contain the virus must go hand in hand with the economic policies that try to mitigate the economic and social consequences of the decline in activity. Therefore, restrictions on free movement and support and recovery policies are not independent. Moreover, these measures must seek to avoid a breakdown in the productive framework and prevent a major financial crisis (IADB, 2020a).

In the transition phase, efforts should be made to ensure that the GDP of countries in the region falls as little as possible. International Monetary Fund (IMF, 2020) forecasts indicate that the output of the region's economies could fall by up to 10 percent during the pandemic.

It is thus necessary to safeguard government expenditure and domestic debt during the transition phase. The measures implemented during this period must be guided by political pragmatism. Therefore, mitigation policies must be rapid and transitory (IADB, 2020a).

At this stage, all strategic considerations that could play a decisive role in the sequential reactivation plans should be scheduled and evaluated. For example, it is essential to estimate the participation of each sector in production and employment.

The agrifood sector, mainly export-related, has not ceased operations. It has been the least affected by the crisis and continues to be important in generating employment in the region. At a time when all sectors of the economy show an average decline of 22 percent in trade, the agrifood sector has grown by 5 percent (FAO and ECLAC, 2020a). This positive figure is due, in part, to the measures implemented by national governments to ensure that supply chains do not grind to a halt.

Governments must, therefore, do everything possible to support businesses to stay afloat. This is especially relevant for micro, small and medium-sized enterprises in the region, which account for 2 out of every 3 jobs (Dini and Stumpo, 2018). The compensatory policies implemented by governments should seek to cushion losses and increase liquidity in this sector, through programmes of cash transfers and soft loans to both consumers and businesses (FAO and ECLAC, 2020b).

Measures to encourage consumption

- Provide preferential access to financial instruments such as credit or loans to consumers who may have been affected by the crisis.
- Offer unemployment insurance with extended payment periods.
- Establish lines of credit with preferential interest from private banks.
- Promote e-commerce to reduce transaction costs.

Measures to support businesses

- Make the payment of current loans more flexible or reschedule them.
- Provide soft loans with grace periods of at least three months.
- Create e-commerce platforms that enable to trade goods and services.
- Encourage productive investment with one-time subsidies that are limited to an objective fact, which can be the number of workers or volume of sales.
- Make sure to lower the cost of financing for banks, and pass on this lower cost to the companies.
- Provide funding to banks, albeit conditional on an increase in their placements.

3.2. Medium- and long-term economic recovery

The economic recovery phase can be fully implemented only when the pandemic is brought under control, either by treatment or an efficient vaccine against COVID-19, and will last for months or years.

The primary objective of this phase is to recover pre-pandemic employment and demand levels. To this end, national governments will surely seek to generate jobs through public investment (in infrastructure and public goods) and by implementing expansionary monetary policies, in order to lower interest rates to encourage investment and increase GDP.

Although contingent and necessary, these kinds of policy measures do not point to transformations allowing us to face future crises, allowing us to face future crises and adopt long-term view. **Today, we have a historic opportunity to redefine the role of the state and social security, and to design more resilient and sustainable development strategies.** For this reason, progress in this area, which is fundamental to the fulfilment of the 2030 Agenda, is partly conditioned by the strategies adopted to reactivate economic activity.

It is critical to avoid unsustainable growth dynamics and safeguard long-term macroeconomic stability while gradually and strategically restoring market mechanisms to support efficient reallocation of productive inputs.

The reality is that there will be more poor people in the world after the crisis. At this stage, it will be essential to invest in human capital, intensifying the use of technology in economic development. Future development policies will have to deal with resource scarcity, so the region's ability to attract foreign direct investment, for example, in renewable energy or computer-related services, will be of vital importance.

In this regard, the United Nations (UN, 2020a) has raised the opportunity to link COVID-19 recovery plans with integrated climate solutions, focusing on four pillars of investment that countries should make.

Intensify the deployment of renewable energy and energy efficiency

- Help countries achieve energy self-sufficiency.
- Their investment and operating costs are lower and lower.
- Moving to a fully renewable energy matrix will create 35 million new jobs by 2050.
- This matrix will require less capital investment than the one based on fossil fuels (savings of USD 283 billion).
- Energy-efficient technologies could save USD eight billion by 2030.

Ensure clean air and better health through electric mobility

- Transport is responsible for about half of the air pollution in the region's cities.
- A scenario of 100 percent electrification of transport in the region by 2050 would reduce total energy demand by nearly two billion barrels of oil.
- The electrification of road transport throughout the region would save – by reducing fuel and operating costs – USD 369 billion annually by 2050.
- It would also help reduce air pollutants in urban areas, thus avoiding USD 30 billion in annual health costs.
- With 100 percent penetration of electrified transport in Buenos Aires, Santiago, San José, Mexico City and Cali, more than 435 000 premature deaths could be avoided by 2050.
- It would lead to the creation of more than 5.3 million new jobs.

Increase the resilience of ecosystems, food and rural livelihoods

- Currently, we can see a decrease in the yield of major crops (decrease in water availability and increase in extreme weather events).
- Human intervention in wildlife may have been the cause of the pandemic, so there is a need to incorporate biodiversity into production systems, thus increasing the capacity to control disease outbreaks.
- Nature-based solutions (NBS) are extremely cost-effective in helping ecosystems produce services for the economic development of local populations, enabling them to cope with the effects of climate change and disease (avoided loss estimated at USD 125 billion per year).

Make cities more resilient

- Urban sprawl on ecosystems has increased the capacity of COVID-19 to spread, given the lack of biological control over species.
- Improve connectivity between cities and habitats, such as nature trails, urban landscaping for social distancing, reforestation in cities.
- Creation of artificial wetlands for water and wastewater treatment.
- Permeable pavements to increase infiltration and reduce flooding and water loss.

FAO objectives proposed at the Regional Conference

The last Regional Conference of the Food and Agriculture Organization of the United Nations (FAO) was an official forum where Ministers of Agriculture and senior officials of the region's Member States met to discuss challenges and priority issues related to food and agriculture. It was noted that the COVID-19 pandemic has forced countries to modify their short and medium-term objectives associated with the sustainable use of natural resources, adaptation to climate change and disaster risk management (Regional Initiative 3).

1 Supporting small farmers to enable them to recover from multiple crises and build their resilience to future crises.

a. **Building back "better" and planning for disaster response, recovery and rehabilitation:** Economic recovery will benefit from a resilience-based approach, promoting policies to shift towards more sustainable productive systems that better cope with future risks and are based on multi-sectoral strategies, with a strong focus on innovation and inclusion. Therefore, the "building back better" narrative has to be a pillar of action in the next biennium, linking the reactivation, resilience and sustainability agendas.

b. **Preventing and mitigating health threats at the animal-human-plant-environment interface:** 60 percent of known infectious diseases in humans and 75 percent of emerging infectious diseases are naturally transmitted to humans by vertebrates (wild and domesticated). This emphasizes the need to work on biodiversity conservation and reduce pressure on natural ecosystems. It is also necessary to implement multidisciplinary strategies to prevent and mitigate health threats at the animal-human-plant-environment interfaces in alignment with the One Health approach.

2 Linking climate risk management with social protection against COVID-19

Social protection has proven to be crucial during the COVID-19 pandemic. It is, indeed, vital to ensure that populations and livelihoods are resilient during crises. This requires building social protection systems that adapt to climate change and allow to prepare for extreme weather and disasters.

3 Promoting transformational investment in green technologies and green jobs through facilitated access to finance

a. **Direct investment in areas that have high multipliers, positive environmental outcomes and improved livelihoods and resilience:** The COVID-19 crisis has emphasized the importance of good quality water availability for sustained local agricultural production, human and animal health and resilient livelihoods. Therefore, investments for post-pandemic recovery can focus on actions that enable better water management, new technologies for climate change adaptation and resilience, and improved management of food loss and waste. These are ways to improve smallholder livelihoods and local production of healthy and diverse food. Multi-risk analysis and climate change considerations must be incorporated into any public investment in agriculture and public and private financial mechanisms created for post-COVID-19 response and recovery. Failure to do so will result in increased risks of large-scale disruptions to food systems and livelihoods.

b. **Creating green jobs and diversifying local economies through nature conservation, restoration and monitoring:** Nature-based adaptation measures and investment in green infrastructure (both on land and at sea) can not only generate co-benefits in terms of reducing greenhouse gas emissions and increasing sustainable development alternatives, but also in terms of job creation and economic revival for communities. There is a need to reduce economic and environmental pressure on forests, marine ecosystems and fisheries. Diverse and healthy ecosystems can act as buffers and slow down the activation and spread of zoonotic diseases. They can also help achieve sustainable and resilient agriculture, which can serve as a basis for new development and growth strategies.

c. **Facilitating access to finance:** this catalytic financing opportunity will be unprecedented and must be aligned with the agricultural transformation objectives. Not only because it is a unique opportunity to build sustainability and resilience, but also because it makes long-term economic sense. For this reason, a necessary emphasis will be on strengthening work with countries to access green financing, from international and bilateral donors, and strengthening the link with international financial institutions.

4. Financing measures for countries and individuals

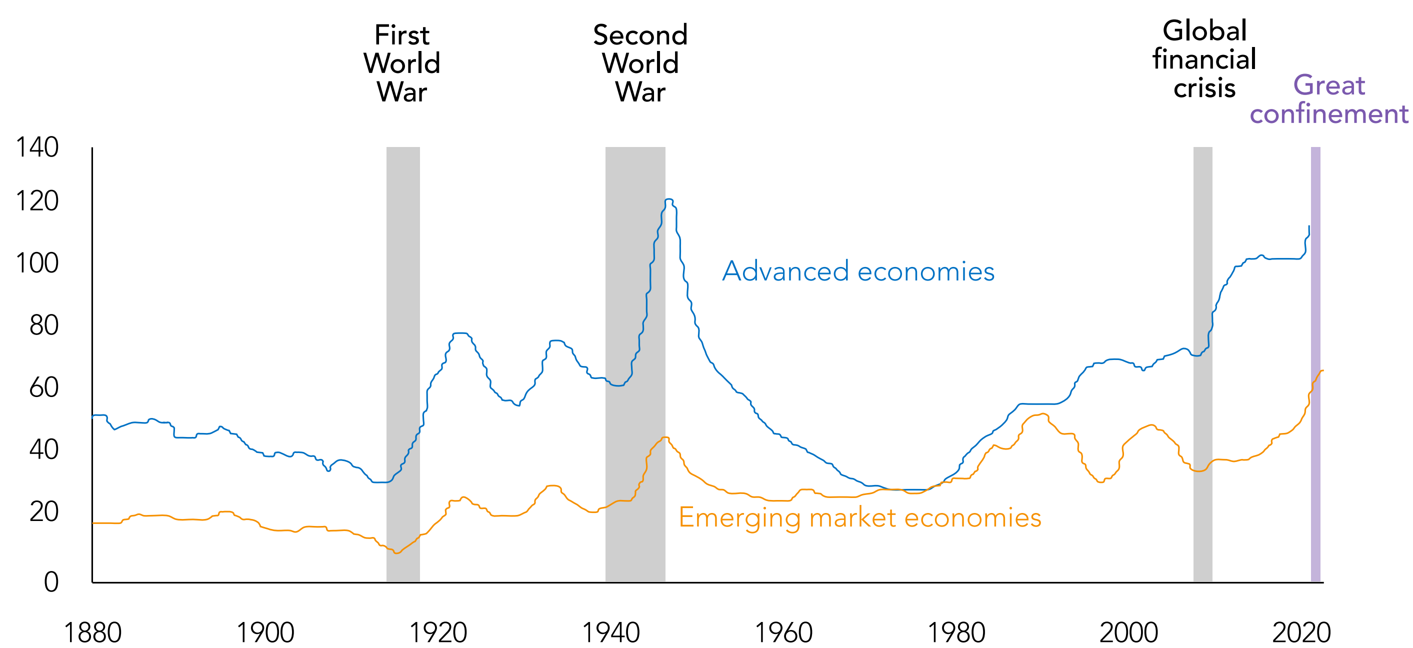
In this section, we list the challenges and forms of financing that could be implemented for the benefit of countries – at a macroeconomic level – and people – at a microeconomic level.

4.1. Countries

Short- and long-term measures will force governments into debt. According to the IMF (2020), fiscal deficit in the world will increase on average by 13 percent between 2019 and 2020 (from 83 to 96 percent of GDP). Advanced economies will increase their debts by 17 percent (from 105 to 122 percent of GDP). In comparison, in emerging and middle-income economies, the increase is estimated at 9 percent (from 53 to 62 percent of GDP).

The global public debt would exceed the highest rates recorded since the Second World War, which means a major challenge for governments (see Figure 2).

Figure 2. Global public debt (as a percentage of GDP).



Source: IMF (2020).

The following are some of the main sources of funding that are currently being discussed. These range from broadening the tax base and cutting unproductive spending to seeking new forms of funding to cover the debt assumed as a result of the crisis.

Raising tax revenue

Countries are advised to consider taxes that are progressive, temporary, with costs located in a small, well-defined group and whose advantageous position in the economy generates a very controlled impact and produces few economic disincentives. Taxes of this type have already been implemented in high-impact disaster situations, such as the 2010 earthquake in Chile, where the reconstruction plan was financed in 78 percent by tax revenues and budget modifications (Ejsmentewicz, 2013).

This is an ongoing discussion in which several voices have raised to suggest that one of the best-formulated measures is a net wealth tax on the richest 1 percent of taxpayers for a limited period (Landais, Sáez and Zucman, 2020). Three countries in Latin America already use a wealth tax – Colombia, Uruguay and Argentina – with mixed results.

Table 1. Tax revenue as a percentage of GDP.

País	Tax revenue (%)
Uruguay	1
Colombia	0,4
Argentina	0,2

Source: ECLAC and OXFAM (2016).

The wealth tax is difficult to calculate; and, as typically happens with taxes, there are many ways to avoid it, which works against the basic objective to increase tax revenue. Therefore, the challenge is for countries to exchange information in order to prevent, for example, capital flight.

Other proposals have emerged, such as increasing income tax alongside or separately from an inheritance tax, which are expected to be easier to quantify.

Such measures would make it possible not only to raise tax revenues and reduce the need for large debt plans but above all, to achieve more organic financing of the crisis.

Gradually reducing fossil fuel subsidies and tax emissions

The recent fall in oil prices presents an opportunity to phase out fossil fuel subsidies and redirect those resources to short-term mitigation or long-term reconstruction measures. One way to do this is to reinvest in zero-emission technologies, such as unconventional renewable energy. These technologies, which are available in the region, are more competitive than fossil fuels and create more jobs.

Currently, energy subsidies in the region represent almost 2 percent of annual GDP between 2011 and 2013, which is made up of 1 percent of GDP for fuel and 0.8 percent of GDP for electricity. This is a significant amount of money that could be put to other uses. The example of Indonesia is substantial for that matter. By eliminating transport fuel subsidies, USD 15.6 billion was saved and subsequently reinvested in social and welfare schemes, aimed at boosting growth, reducing poverty and developing infrastructure (UN, 2020a).

In the same context, a carbon tax would increase public revenues and accelerate the deployment of zero or low-emission technologies. It would also help improve the efficiency and effectiveness of the tax system if national circumstances were taken into account. The most important thing is to have a clear vision of how government capacity and the rule of law can support the implementation of the carbon tax and establish a plan that protects the most vulnerable and promotes alternatives (UN, 2020a).

Joint financing mechanisms

The UN has been working on new forms of financing, coordinating its agencies and programs to mobilize resources. One of these initiatives has been joint financing.

The United Nations Country Teams (UNCTs), an inter-agency body with representation from 24 UN funds, programmes and specialized agencies, was established. Under the leadership of the Resident Coordinator, the UNCTs oversee the cooperation of all agencies in a given country for joint resource mobilization.

These initiatives emerged in order to meet the objectives set out in the 2030 Agenda. Thus, the Secretary-General's strategic objectives for financing were established.

- Aligning global economic policies and financial systems with Agenda 2030
- Enhancing sustainable architecture and ecosystem for joint financing

- Improving sustainable financial strategies and investments at the regional and country levels
- Exploiting the potential of financial innovations, new technologies and digitalization to provide equitable access to finance

Thus, joint financing would no longer be only between UN agencies but would also consider international financial institutions (IFIs) – including the International Monetary Fund (IMF), multilateral development banks (MDBs) and national development finance institutions.

Lessons learned during the Ebola virus (2014-2018) and Influenza A (H1N1) (2008-2012) response funds have shown that a coordinated financing mechanism can accelerate response times and recovery from infectious disease outbreaks. With this in mind, a response and recovery fund was set up in April this year to address the effects of COVID-19 (UN, 2020b).

Central bank financing

Central banks are independent entities that make decisions with autonomy from governments. However, in the wake of the current crisis, central banks have opted to lower interest rates in order to increase the amount of money circulating and to provide cheap financing to local financial institutions in order to ensure liquidity in the market.

Another measure is to increase the line of credit that countries have with the IMF, to expand their reserves and use them if necessary.

While these measures are essential and point in the right direction, it seems relevant to ask about the need to broaden their manoeuvring range and rethink their role in economic policy in order to prepare for the looming economic crisis, especially in a context of insufficient fiscal efforts.

Recently there has been a debate about the possibility of central banks financing the treasury. It has been suggested as a temporary and non-conventional measure, aimed at increasing the resources available to alleviate the crisis that is approaching as a result of the effects of COVID-19.

Perhaps the experience of the Reserve Bank of New Zealand (RBNZ) is the most eloquent one. The RBNZ announced in April a package that includes purchases of treasury bonds, which would involve recapitalizing up to 25 percent of public debt. The magnitude of the investment is conceived by many as direct financing to the government, even if it is indirect financing, because these purchases are made in the secondary market.

While it can be argued that the reality of developed countries is different from that of developing countries, the Bank for International Settements (BIS) in Basel has recently urged central banks of emerging countries to use unconventional monetary tools.

Many central banks, by law, are unable to buy bonds directly from the state. Still, in several countries, they have opened up to the possibility that central banks may take extraordinary actions in extraordinary times, such as financing the treasury directly, when countries no longer have other sources of financing.

4.2. Companies and farmers

Small and medium-sized enterprises, which according to the Inter-American Development Bank (IADB, 2020c) represent more than 90 percent of the region's businesses and employ 60 percent of the working population, will be the most affected during the pandemic, as they depend mostly on their daily sales. The lack of liquidity reserves will surely subject them to severe financial stress, forcing them to lay off their workers and close their doors. Therefore, it is of vital importance that the measures implemented by both governments and private financial institutions allow companies to maintain contractual relations with their workers and manage to get through this period of low or no activity.

In the agrifood sector, where production cycles are generally longer than those of other economic sectors (with crop seasons of up to one year, in fruit, for example), the lack of liquidity is of vital importance. When there is not enough liquidity to buy inputs or hire labour, the profits of the next production period could be compromised. This phenomenon adds to the usual weather risks faced by this sector, the typically high transaction costs (geographical location far from production areas) and the fact that transactions are generally carried out in informal environments, all of which makes access to traditional banking difficult (IADB, 2017).

Governments have several tools to support and provide respite to businesses, such as postponing tax and/or credit payments, offering grace periods and preferential rates. Instruments should cover both the formal and informal sectors, in order to minimize expensive business liquidations and try to keep as few workers as possible from losing their jobs. Financial institutions could focus their credit capacity on companies most likely to withstand the crisis and grow after the pandemic. For type of intervention, it is crucial to have good information about the companies to assess credit risk (IADB, 2020b).

In addition to financial support – through credits and production subsidies, FAO and ECLAC (2020c) recommend granting technical assistance for small farmers and artisanal fishers.

An initiative that has been gaining strength to empower small farmers and help them access bank credit is the adoption of the blockchain (FAO and ECLAC, 2020a). The blockchain system creates a history of transactions and therefore makes it easier to define the financial profile of the producer. It also improves the producer's digital footprint by recording sales made, inputs purchased and years in business. These initiatives make the work easier for banks, since it is very costly for them to assess the risk of microenterprises, especially if they are informal or located in areas far from urban centres.

Although the agricultural sector has been more resilient to the crisis than other sectors, it requires attention and assistance in terms of financing. This becomes even more relevant when we consider that, in 2019, the share of agricultural credit represented only 6.1 percent of total credit. If agricultural financing is measured in terms of agriculture's share of national GDP – the agricultural credit orientation index,[1] its share is very low in relation to other economic sectors. In developed countries, the index is 1.25, while in Latin America and the Caribbean it is barely 0.31 (ECLAC, FAO, and IICA, 2020).

In short, some of the measures that can be carried out to ensure financing for companies in the sector are:

- Postpone payment of taxes.
- Offer loans with state guarantees.
- Extend bank loans on preferential terms.
- Offer grace periods for new credit.
- Establish flexible quotas for current credits.
- Establish select financing lines for banks to increase their placements.
- Develop financial products adapted to the productive reality of farmers, with a payment structure according to production cycles, a focused and pre-evaluated financing offer by item or territory, and the implementation of public-private financing for farmers linked to agro-industry, among other measures.

[1] Percentage of agricultural credit over total divided by the percentage share of agricultural GDP over total GDP

4.3. People (consumers)

Individuals and households will face severe income shortfalls. They will have to continue to pay their basic service bills and debts, which will imply special efforts for households that already had some degree of vulnerability before the crisis (due to high levels of debt or informality). In this challenging scenario, it is key that financing measures enable individuals and households to maintain liquidity and access to credit markets.

Households with workers in the informal sector are the most affected, not only because they could lose their source of income, but also because they would not receive social security unemployment benefits. There is likely to be greater demand for liquidity from these households, as they try to obtain more loans (formal or informal) or make maximum use of their already worn-out credit lines (IADB, 2020b). Policymakers will be challenged to find creative ways to design policies that cover segments of society where informality is high (Gopinath, 2020).

This challenge becomes even more complicated when we consider that in Latin America and the Caribbean, the levels of access to banking services are very low. Half of the population over 15 years of age does not have access to a bank account, versus only 20 percent in Europe and Central Asia (IADB, 2020b).

In rural areas this situation is even more complex, for two reasons:

i. Only 30 percent of the population over 15 in the region uses financial services, such as savings and credit (FAO, ECLAC and IICA, 2020).

ii. The region is characterized by one of the lowest uses of online payments and the highest use of cash payments for the purchase of supplies in the world (IADB, 2020b). Since most financial services are provided online, a disconnection leads to operational problems for users, whether to make any type of transaction, transfers, process government bonds or loans with private banks.

Another group requiring special attention is rural women, who face greater limitations than men in accessing financial products, productive resources, technologies, markets and local institutions, making them more vulnerable to the socio-economic effects of the pandemic (FAO and ECLAC, 2020b). Besides, women have less financial education (as do young people and the elderly), which becomes more relevant during this crisis, as this allows individuals and households to assess the best options for making right decisions (Lusardi and Mitchell, 2014).

Here are some financing measures provided to individuals and households to cope with the crisis:

- Extend quotas on preferential terms.
- Offer grace periods for new loans and state guarantees.
- Flexible quotas for current credits.
- Provide access to personal savings, such as unemployment insurance or pension funds.
- Establish select financing lines for banks that increase their placements.

5. Interview

Lizette Sint
CEO of RaboFinance Chile and Peru

The crisis triggered by COVID-19 has not hit the economic sectors with the same intensity. The agricultural sector in Latin America and the Caribbean, for example, shows higher rates of commercialization. Has this rise correlated the demand for financial services?

Absolutely. Thankfully most of our clients continue to benefit from strong demand for fruits, grains, vegetables and animal proteins coming out of Latin America. There has definitely been a shift in demand initially away from the food services to food retail, with related logistical challenges, and additional costs related to taking measures to ensure safety and social distancing on the workplace.

Most of our clients have been able to positively absorb these changes with a higher export volume. Across the board, we have seen a shift of consumers spending a higher share of their wallet on eating at home, and eating healthier meals.

Some of our clients have faced delays in exports – for instance, to China and other markets – back in February/March, and also a delay in payments by their customers, and this has triggered the temporary need for extra working capital.

Also, we see some strong Chilean and Peruvian agrifood champions taking on the opportunity to expand their businesses by either increased mergers and acquisitions or investments and capital expense to increase production volumes.

Within the agricultural sector of Latin America and the Caribbean, which subsectors would be most affected by financial liquidity problems?

Because of our global presence and our focus on solely financing clients in the agrifood sector globally, and with the support of Rabobank's Food & Agri research team comprising more than 80 analysts across regions, we have been able to form a view on which agricultural sub-sectors as a whole appear to be more vulnerable from a liquidity angle to the effects of COVID-19. However, even in the case of more vulnerable sectors, we have clients who are strongly performing and those who are not. We aim to support our clients who were strong performers before COVID-19 – and which we can expect to come out of COVID-19 strong, but who are now facing difficulties in the midst of this crisis.

Has this situation forced you to change your strategy?

Our missions for many years now has been to focus on 'growing a better world together' with the underlying strategy being centered around feeding the world's growing population knowing that we are facing scarce resources, while at least 30 percent of the global food produced is wasted, and knowing that too many people are suffering from hunger and/or malnutrition. This crisis proves again that our mission is important and that if anything we must and can accelerate, as many of our clients and many stakeholders we work with recognize this. Everyone playing a key role in the food supply chains globally is realizing more than ever the huge interdependency which exists within value chains, so we anticipate that stakeholders will look to cooperate more. Rabobank will continue to foster platforms being formed with and by likeminded clients and stakeholders with the aim to solve the key bottlenecks in the agrifood value chains. Also, we are seeing how the most vulnerable in society often lacking practical access to healthy and nutritional foods are getting hit the hardest by the pandemic and by the economic crisis that has followed. So, there is an obligation of society – and equally an opportunity – to improve food distribution and food retail, and to promote the nutritional value of food with many parties working together to contributing and making a difference.

What is your projection for next season?

We anticipate two waves: one with clients facing tough challenges, and we will have to work with these clients to help them get through the pandemic and the corresponding crisis. At the same time, we also see clients who are seizing many new opportunities by making new investments into better production and logistical practices, reducing linkages and interdependencies in the value chains, and thinking about new waves of transition in general.

Agricultural cooperatives in Chile have claimed to have problems in accessing private financial services. Have they seen that there is a problem of knowledge of this sector in traditional private banking?

In Chile we have found that the knowledge of agricultural cooperatives is not widely present, not only within the banking sector, but also on other levels for example within the public sector, and amongst lawyers, accountants and tax advisors. So, there is an opportunity here to share our experiences with cooperatives as alternative business model. When it comes to financing, the lack of knowledge, however, is not the main issue. The main challenge is the bankability of cooperatives in general. Most of the agricultural cooperatives in Chile are too small to compete with their private peers. The result is that many cooperatives completely depend on subsidies granted by the Agricultural Development Institute (INDAP, by its acronym in Spanish) or other public institutions to survive. In order to become bankable, these cooperatives would ideally focus on becoming economically sustainable in the long term, by creating volume, increasing their member base, developing a clear view on their added value within a food system and value chain, and attract professionals to independently and professionally manage these cooperatives.

One of the pillars of the Chilean Ministry of Agriculture (MINAGRI) is associativity, with a strong focus on modern cooperatives. Rabobank has been contracted by the MINAGRI as consultant to advise them on how to create modern cooperatives in the agricultural sector that can compete with their peers.

The pandemic has forced financial services to go digital very quickly due to mandatory or pre-emptive closures. How has this challenge been addressed in rural areas, which are generally those with the least access to the Internet?

Digitalization of the financial services has indeed boomed with the pandemic and has particularly challenged farmers in different ways. Since we have clear strategies for each country in Latin America, let's venture into the Brazilian rural case, as an example.

Rabobank is shareholder of a local cooperative bank, Sicredi, with vast capabilities to support small farmers (non export) in local currency (Brazilian Real). Although certain farther/remote regions do not have tech infrastructure, nor government support, Sicredi has a coverage model based on 1 900 branches, distributed in 110 cooperatives from 22 Brazilian states. This broad presence allows "us" to be close to the farms, hence well positioned to mitigate the lack of internet access. Additionally, Sicredi provides clients technical assistance and knowledge sharing.

In parallel, for medium and large farming operations, directly covered by Rabobank Brazil the internet access is mostly in place because the farmers, themselves, invested in the tech infrastructure, with some government programs. Note that these farmers are export driven and have a critical role on the country's huge trade balance. The farming challenges in this segment is related to software innovation and digital management.

Globally, even before the pandemic, Rabobank has taken an active role to embrace digital transformation in the agrifood sector (F&A). In 2015 we launched the "FoodBytes!" initiative to promote and accelerate F&A tech solutions. With more than 17 events we have had amazing entrepreneurial minds tackling critical challenges in the Food's value chain. Additionally, we are very excited that in December 2020 we will host a virtual session for the first time, with applications open to the public. https://www.foodbytesworld.com/apply-to-pitch-2/ In addition, Rabobank through its corporate investments arm, makes direct venture capital and fund investments into promising young F&A companies whom we can support through our global network and knowledge.

Another digital initiative that Rabobank has strengthened is Global Farmers. It is a network platform for clients around the world to share experiences and to access exclusive reports from Rabo F&A Research team. With Global Farmers we are in permanent contact with our clients, providing specialized knowledge and opportunities for them to share good practices in different markets.

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6. Resources

In this section, we provide you with publications and platforms that will allow for a deeper understanding of agricultural and fisheries trade in Latin America and the Caribbean.

IADB
Policies to combat the pandemic
https://publications.iadb.org/publications/spanish/document/Informe_macroecon%C3%B3mico_de_Am%C3%A9rica_Latina_y_el_Caribe_2020_Pol%C3%ADticas_para_combatir_la_pandemia.pdf

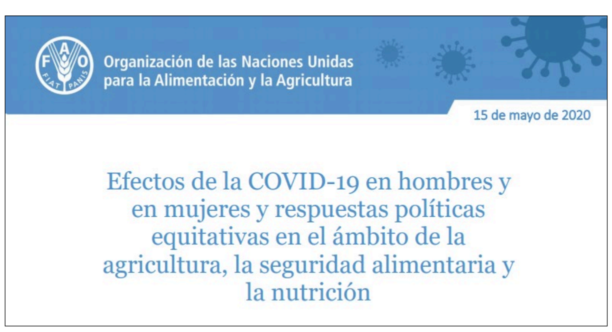
This report provides a diagnosis and proposes policy recommendations aimed at providing relief, preserving economic stability and keeping the core of the economy intact.

IADB
Post COVID-19 LAC: Challenges and opportunities for Southern Cone countries
http://dx.doi.org/10.18235/0002372

This document describes aspects to be considered during the post-pandemic period. It also highlights the importance of addressing vulnerabilities that the pandemic has exacerbated but which were already present in Latin America and the Caribbean.

FAO
Impact of COVID-19 on men and women, and equitable policy responses in agriculture, food security and nutrition
http://www.fao.org/3/ca9198es/CA9198ES.pdf

This note details the socio-economic implications of the pandemic's impact and how a gender-sensitive approach can help address key policy issues related to the functioning of food systems.

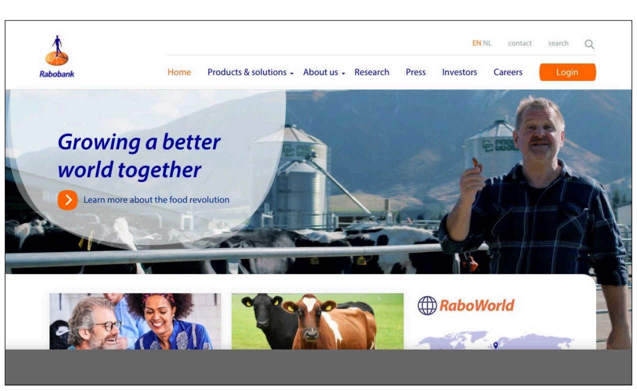


IADB
Challenges and solutions for improving financing for small and medium businesses during the pandemic
https://blogs.iadb.org/innovacion/es/mejorar-el-financiamiento-a-las-mipymes-durante-la-pandemia/

This blog disseminates some innovative ideas on how to promote public policies and mechanisms to help small and medium enterprises improve their financial situation, stay in the market and grow in the short and medium term.

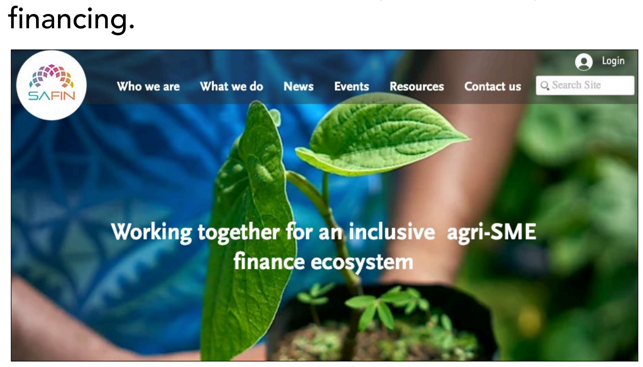
Rabobank
https://www.rabobank.com/en/home/index.html?languageDoesNotExists=es

Rabobank is an international banking institution with a focus on the food industry. Founded in 1972, this cooperative bank is present in more than 40 countries.



SAFIN
Investment and Financing Network for Agricultural SMEs and Small Farmers
https://www.safinetwork.org

The objective of this network is to call the private, public and philanthropic sectors together with rural producers and businesses in order to resolve, through coordinated action and investment, the challenges affecting rural and agricultural financing.



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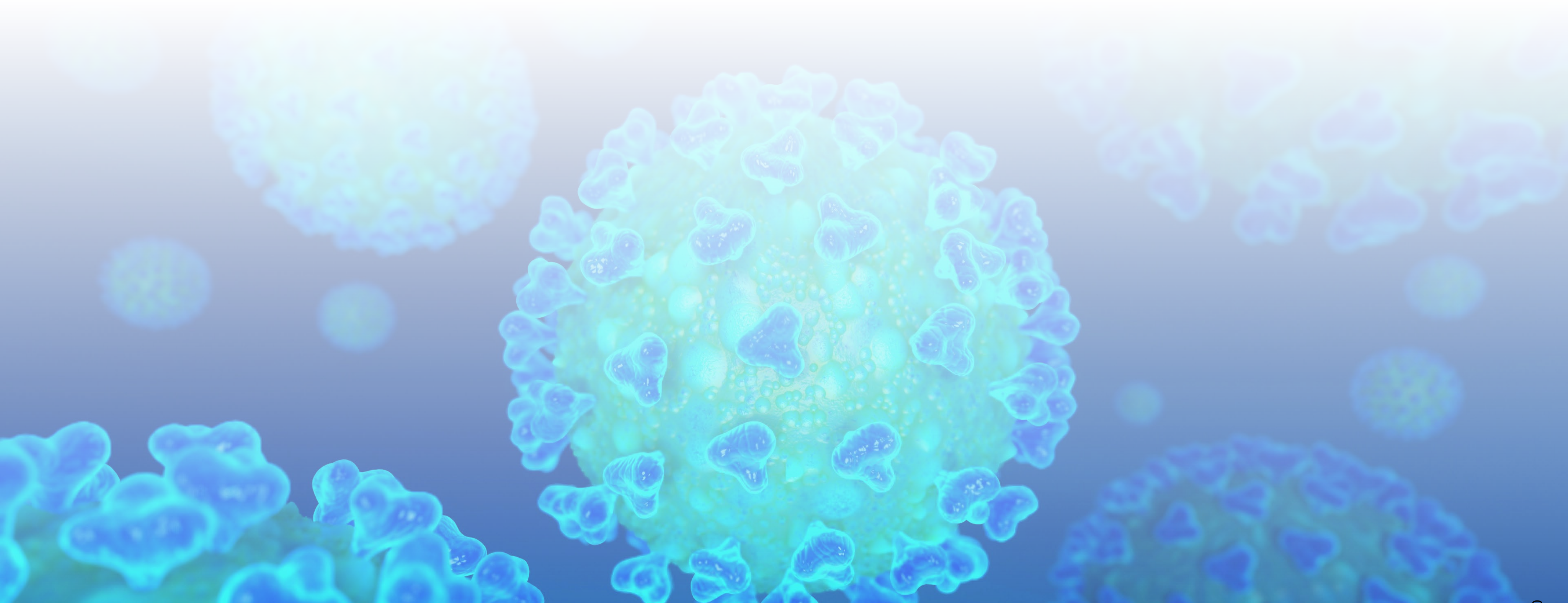

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