

**World Economics Association
Conferences, 2016**

**FOOD AND JUSTICE
Ideas for a new global food agenda?**

2016, n. 2: 5th November to 5th December 2016

Title of paper: Public procurement of family farming in Brazil¹

Author: Armando Fornazier

Abstract

Family farming in Brazil has specific policies. Regarding agricultural commercialization, in 2003, the federal government launched the Zero Hunger strategy and took actions to promote food and nutrition security to eradicate hunger in Brazil. The Food Procurement Program (PAA) was set up with a view to acquiring food to donate to social organizations and to establish strategic stocks. The market was expanded in 2009 when it was provided by law that a minimum of 30% of the federal grant for National School Feeding Programme (PNAE) to states and municipalities should be spent in the acquisition of family farmed production. The objective of this study is to describe the public procurement programs of family farming in Brazil. For this is used mainly literature sources. It is found that in relation to PAA were created new forms in order to include new farmers and new beneficiaries. Currently there are six purchasing modalities of family farming. For purchases for school feeding (PNAE), even though be mandatory to purchase 30% family farming, some cities especially large urban centers are having trouble to comply with the law. The problems occur due to the difficulties of organization of farmers, infrastructure, political willingness, etc. However, in smaller municipalities the program has achieved the minimum purchase and in some municipalities purchased more than the minimum required. Thus, in addition to encouraging local farmers encourages the consumption of fresh and healthy products for children.

Key-words: food policy; public policies; family farming; productive inclusion; food security.

Author(s) details: Adjunct Professor at the University of Brasília (UnB). Brasília, Federal District, Brazil. Postdoctoral from the Graduate Program of Social Sciences in Development, Agriculture and Society. PhD. in Economic Development. Master in Agribusiness. Graduation in Agronomy. E-mail: armandouenf@yahoo.com.br.

¹For more details about the family farming procurement policies in Brazil see: Lopes, M. R. and Fornazier, Armando, 2016, Modalities of Public Food Procurement from Smallholder Farmers in Brazil. Food and Social Policies Series (2). Brasília, Brazil. World Food Programme's Centre of Excellence against Hunger (WFP), United Nations. Available in: <http://documents.wfp.org/stellent/groups/public/documents/research/wfp286645.pdf>. Accessed on October 29, 2016.

1. Introduction

Brazil has a large territory and a diversity of farmers. Some farmers are inserted in the local, national and export markets. However, other farmers have difficulties to produce and market what exacerbates rural poverty. In 1996 it was recognized family farming as a specific activity and conceded differentiated financing terms to production, commercialization and investment (Brasil, 1996) with the creation of the National Programme for Strengthening Family Farming (PRONAF - Programa Nacional de Fortalecimento da Agricultura Familiar).

The PRONAF in the initial phase has more emphasis on rural credit for small farmers. In 2003, the federal government launched the Zero Hunger strategy and took actions to promote food and nutrition security to eradicate hunger in Brazil. The Food Procurement Program (PAA - Programa de Aquisição de Alimentos) was set up with a view to acquiring food to donate to social organizations and to establish strategic stocks (Brasil, 2003).

The “Zero Hunger Programme - A Draft Policy on Food Security for Brazil” was developed in 2001 by the Instituto da Cidadania, one of its coordinators being Luiz Inácio da Silva, President of the Republic elected in 2002. The project is the synthesis of the work of NGO representatives, research institutes, trade unions, grassroots organisations and social movements, in addition to experts from all over Brazil involved in the question of food security (Lopes and Fornazier, 2016, p. 15).

Family farming in Brazil has specific policies. Family farming is defined by a specific law in relation to the area, income, management and labour (Brasil, 2006). Therefore, to participate in government procurement policies the farmers need a document to be considered family farmers. The PRONAF Eligibility Statement (DAP) is a document created to identify the family farmer (individual DAP) and/or their associations (corporate DAP), granting them the right to benefit from public policies, such as the PRONAF and PAA, for example.

In relation to public procurement of family farming the market was expanded in 2009 when it was provided by law that a minimum of 30% of the federal grant for National School Feeding Programme (PNAE) to states and municipalities should be spent in the acquisition of family farmed production (Brasil, 2009). In Brazil, meals served at public schools are gratuitous. States and municipalities, responsible for the implementation of the PNAE, receive grants from the National Education Development Fund (FNDE), managed by the Education Ministry (MEC).

In addition to purchase to school feeding, new types of purchases began to be created in the PAA which increases the demand for products of small farmers. Institutional markets are therefore an important mechanism for adopting public policies, for both producers and consumers alike. They are a market opportunity and access to income for family farmers and help to supply healthy food and better meals served in public institutions, such as schools, hospitals, and food banks (Lopes and Fornazier, 2016).

For farmers, the institutional markets emerge as a new market by diversifying their commercialization. Izumi, Wright and Hamm (2010) describe this situation in the United States where farmers selling to a school feeding programme (Farm-to-School) stress the importance of diversifying their market strategies since, as part of the production is allocated to school feeding, producers diminish the risks of not having anyone to market their produce.

Moreover, institutional markets in Brazil search to promote the organization in agriculture to be formal organizations. The establishment of organizations can be important for those farmers seek to new markets. Fornazier (2014) analyses the case of an organisation which looked for new markets after their access to the PAA. The organization (association) finds new markets, such as marketing centres and institutional markets in other more populated towns. In this case, the institutional market acted as an “initial market” allowing for its insertion in other markets. Denning, Graff and Wooten (2010) describe that even in communities where the quantity of food purchased by a local government is not much, an important role of purchasing local policies may be to serve as "initial market". That is, the public sector provides a constant demand for local food that allows local producers increase the scale and expand to other markets.

The model of public procurement in Brazil is reported as an experience of productive inclusion and food security and has been adopted in other countries. Milhorange (2013) describe the programme Purchase from Africans for Africa (commonly known as PAA Africa), as an example of international diffusion of Brazilian public policies. Lopes and Fornazier (2016, p. 17) describe another example of diffusion of Brazilian model of public procurement of family farming:

In another initiative to encourage institutional markets, the Brazilian government, in partnership with the regional office for the UN Food and Agriculture Organization (FAO) in Latin America, introduced ideas on the possibility of direct purchases from family farmers for school feeding in eight countries in Latin America: Bolivia, Colombia, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay and Peru. Hence the document *Alimentación Escolar y las posibilidades de compra directa de la Agricultura Familiar: Estudio de caso de ocho países* (School feeding and possibilities of direct purchase from family farming: Case study of eight countries) (FAO, 2013) was published, showing the possibilities for creating institutional markets in those countries.

In many places such as in Brazil, Latin America and Africa one of the main objectives of institutional markets is to generate income for farmers and improved nutrition. In Europe, in some localities as in Rome, Italy, Sonnino (2009) describes the implementation of a policy of food purchases for school meals aimed to to make a quality revolution, inviting representatives of organic certification bodies to identify products as well as dieticians in order to indicate which organic products are healthier for children. Morgan and Sonnino (2008) also highlight how public procurement (public procurement) to power changed the production to a more sustainable agriculture in many countries. Public purchase can shift production to a more local agriculture, promoting a re-location of production, reducing food miles, in this case, energy costs for transport (Sonnino and Mcwilliam, 2011).

In Brazil, public procurement of family farming aims both to improve the food served in schools, hospitals, prisons, etc., as well as the productive insertion of farmers. For example, regarding PNAE the International Centre for Policy inclusive Growth (IPC - IG) highlights the official objects are to: tend to the nutritional needs of children through one meal per day; stimulate healthy nutritional habits and provide nutrition education; improve learning capacity; and prevent school drop-out and grade repetition (IPC-IG, 2013).

The objective of this study is to describe the public procurement programs of family farming in Brazil. For this is used mainly literature sources. The following describes the purchasing methods used by these programs.

2. Modalities of Food Acquisition Program (PAA)

The program even if it is established in 2003 had an evolution with the creation of new purchasing arrangements with specific mechanisms. The new mechanisms created have sought to insert new products, farmers groups, etc. The table 1 is a summary of the PAA performance modalities in 2014 and it was prepared by World Food Programme's Centre of Excellence against Hunger (WFP) according to reference Lopes and Fornazier (2016). The source is compilation based on consolidated legislation.

TABLE 1: Summary of the PAA performance modalities in 2014

Modality	Objectives
1. Purchase with Simultaneous Donation (CDS)	Procurement of different food varieties for consumption, simultaneous donation to entities in the social welfare network, public food and nutrition facilities, or other purposes defined by GGPAA*
2. Stockpiling Support Programme (CPR-STOCK)	Financial support for food stockpiling by formal supplying organisations for later trade
3. Direct Procurement from Family Farming (CDAF)	Purchase of products defined by GGPAA to sustain prices
4. Milk Production and Consumption Incentive (PAA MILK)	Buying milk from organized family farmers, which is donated to consumer beneficiaries after processing
5. Institutional Procurement	Purchase by the public administration from family farming (individual farmers or their organisations) through a Public Open Call to meet the administration's own food demand
6. Seed Procurement	Seed procurement from family farmer organisations for distribution to family farmers living in rural areas and in a vulnerable situation

Source: Lopes and Fornazier (2016).

* The PAA Management Group (GGPAA), responsible for the regulatory instructions of the different modalities, monitors the public institutions involved in the PAA. It consists of various representatives of the ministries of the Federal Government of Brazil.

In each modality there are purchase limit in order to enter more farmers in this market. Some modalities are operationalized by National Supply Company (CONAB) and other by municipalities or organizations such as the military, hospitals, universities, etc. The CONAB was created in 1990, this state-owned company is linked to the Ministry of Agriculture, Livestock Farming and Supply (MAPA), in order to contribute to regular supplies and guaranteed income for farmers, taking part in drafting and implementing the agricultural and supply policies. The marketed products adopt quality standards of Brazil food. In Brazil, there are governmental agencies to control the use of federal public funds.

3. Brazilian School Feeding Programme (PNAE)

In Brazil, meals served at public schools are gratuitous. States and municipalities, responsible for the implementation of the PNAE, receive grants from the National Fund for Education Development (FNDE), managed by the Education Ministry (MEC). The program began in the 1950s. In the past, food procurement was under the control of the federal government, but the implementation of the PNAE was decentralized with federal funds being granted to federated units through the signing of covenants (Belik and Chaim, 2009). Lopes and Fornazier (2016, p.21) explain about the PNAE:

The funds for the programme come from the FNDE and must only be used to procure food pursuant to article 5, Law N° 11,497/2009. Moreover, states and municipalities must offer a counterpart for school feeding. However, the 30% minimum for purchases from family farmers refers only to the funds transferred from the FNDE to PNAE. The federal funds are transferred in ten instalments to the executing agencies, each instalment corresponding to 20 school days. Therefore, the total funds transferred annually correspond to 200 school days.

With the Law No. 11.497/2009 instead of products for school meals are purchased by trading sessions (Law N° 8,666/1993) we adopt a new procurement mechanism called public open call. Lopes and Fornazier (2016, p. 20) have reported the differences of the two procurement mechanisms (Law N° 8,666 X Public Open Call):

Law N° 8,666 dated 22nd June 1993, known as the Tender and Administrative Contracts Act, established the standards for public tenders and contracts. Although the objective is to discipline public contracting of goods and services, the criteria used in the process, such as supply price and scale, exclude many organisations from the tender processes.

In general, it restricts the participation of most family farmers in the institutional market given the competition with business segments not unusually organised on higher production scales and lower production costs. Thus, the use of other mechanisms such as Public Open Calls, for example, gives the State the opportunity to procure products at prices compatible with the market, and also more clearly defines which organisations and stakeholders participate in this negotiation. Unlike the tender mechanism described in Law N° 8,666, where usually the winner of the supply contract offers the goods at the lowest price, in the Public Open Calls to tender the price is already established.

Therefore, before it is announced, it is necessary to research prices of the goods to be procured.

The public open calls focuses on the selection of the best tender for procurement of goods from supplier beneficiaries and organisations. This is a kind of “public invitation to bid” that includes a list of food requirements, and all relevant information regarding their classification. In the case of the PNAE, the executing agency is waived from answering a Public Open Call when any of the following conditions can be confirmed:

- When unable to issue the corresponding fiscal document
- Regular and constant supply of goods is unfeasible, as long as seasonality is respected
- Inadequate hygiene and health conditions

The food procurement mechanism from family farming, pursuant to Law N° 11,947/2009, recommends the Public Open Call. Developed by the executing agency, it should include enough information so that all suppliers can properly prepare the Food Selling Projects from Family Farming. In a Public

Open Call, it is important to include some information on: types of food required, quantities, quality classification, packaging, prices, delivery schedule (daily, weekly, monthly, and supply period), and point of delivery. If necessary, one kind of food may be substituted for another nutritionally equivalent product, always upon authorisation by the nutritionist responsible, named in the Public Open Call.

The executing agencies are allowed to perform more than one Public Open Call a year if, for reasons of convenience and opportunity, this facilitates the purchasing process regarding seasonal products and climate issues, or for any other reason. In this process, some executing agencies, such as municipalities, for example, can issue regionalised Public Open Calls for schools in a certain geographical area within the municipality, and even for individual schools. In this case, however, even if the municipality decentralises procurement, it remains the executing agency's responsibility to render accounts to the FNDE. The executing agencies should publish the Public Open Calls for school feeding in the local press and on posters in public places as well as provide their address online, if applicable. If necessary, they can also be announced in the regional, state or national press, on local radios, and in the Rede Brasil Rural [Rural Brazil Network], a portal created by the Ministry of Agrarian Development (MDA) to connect family farmers through their associations and cooperatives to suppliers of inputs for production, facilitating market research and group buying at lower prices for inputs, machinery, items of equipment, and farming implements.

Another tool in the portal is the registration of the Public Open Calls for family farming that informs family farmers and their organisations about applicants for their food products. The call announcements should remain open to receive the sale projects for at least 20 days.

The public procurement mechanism of family farming with the price already established in the public open call on the basis of prices surveyed in local markets enables producers to plan the production. If more farmers are interested in commercializing to the PNAE, there are prioritization criteria for local farmers and within these for land reform settlements, traditional indigenous and runaway slave communities. Organic/agro-ecological products may be supplied or demanded. These products can have an extra 30% or less compared to conventional produce, provided they are certified or attested in accordance with organic or agro-ecological standards. The figure 1 describes the PNAE Procurement process for family farmers.

FIGURE 1: PNAE Procurement process for family farmers

Step 1: Budget	
↓	To identify the amount transferred by the federal government based on the school census of the previous year. To estimate the proportion of purchases from family farmers to be implemented that year.
Step 2: Menu	
↓	The dietitian responsible for the school menu must (a) map the products produced by smallholder farmers; (b) prepare a menu with these products, taking into account the nutritional requirements; and (c) inform the municipality of the amount of each product to be purchased.
Step 3: Price Listing	
↓	The municipality should survey the prices of the various products in the local market, including the transportation costs to have them delivered to the schools.
Step 4: Public Open Call	
↓	An open call details the products, prices and quantities required by the implementing agency to proceed with the purchase.
Step 5: Sale Proposal	
↓	Family farmers respond to this call with a sale proposal in which they state how much they are able to supply with regard to the requirements detailed in the open call, respecting the limit of R\$20,000 per year and per DAP.
Step 6: Receiving Proposals	
↓	The required documents specified in FNDE's resolution 23/2012 must be attached to the proposal for it to be considered valid: <ul style="list-style-type: none"> - Informal groups: individual DAP, CPF** of each family farmers and sale proposal. - Formal groups: cooperative DAP (DAP jurídica), CNPJ***, all fiscal and labour documents proving (a) that the cooperative is operating legally; and (b) the sale proposal.
Step 7: Samples for Quality Control	
↓	Food items should comply with the norms and regulations of the following agencies: <ul style="list-style-type: none"> - Brazilian Health Surveillance Agency (Anvisa/Ministry of Health). - Agricultural and Livestock Health Care System (Suasa/Ministry of Agriculture and Livestock).
Step 8: Project Selection and Evaluation	
↓	The municipality will choose the projects according to the following priorities: projects from family farmers from the (i) municipality; (ii) region; (iii) rural area; (iv) state; and (v) country. Within these groups land reform settlers, indigenous communities and quilombolas should also be prioritized, according to the different DAP categories as discussed in the PAA section.
Step 9: Signing Contract/Project	
↓	The municipality and the smallholder farmers or cooperative will sign the sale proposal, which must also detail the schedule for delivery to the schools and the payment dates.
Step 10: Product Delivery	
↓	The family farmer or the cooperative will deliver the products according to the schedule stated in the sale proposal.

Source: IPC-IG (2013).

** CPF - Individual Taxpayer Number.

*** CNPJ - Corporate Taxpayer Number.

Even though be mandatory to purchase 30% family farming, some cities especially large urban centers are having trouble to comply with the law. The problems occur due to the difficulties of organization of farmers, infrastructure, political willingness, etc. However, in smaller municipalities the program has achieved the minimum purchase and in some municipalities purchased more than the minimum

required. Thus, in addition to encouraging local farmers encourages the consumption of fresh and healthy products for children.

4. Final considerations

In 2003 begins the public procurement mechanism of family farming in Brazil that expands with new modalities. In 2009 this market expands with purchases for school feeding. The Brazilian model began to be adopted by other countries in Latin America and Africa.

Local food purchases are important on the farmers' income and development of family farming and the territories where it is implemented. The increased income is an important mechanism to reduce poverty in rural areas, improving living conditions and food security of farmers. However, the institutional market has limited financial resources; another importance of this mechanism is the organization of farmers functioning as an initial market for further expansion to other markets such as supermarkets, etc.

But even with the purchasing programs still remain some problems in its operation as logistics, quality, etc. Thus, some public organizations has been unable to buy these products from family farmers. However, there are many examples in Brazil and other countries of the importance of these local family farming procurement as much in improving the living conditions of consumers as well as the provision of better food (more fresh and healthy) for consumers, especially for children.

5. References

Belik, W. and Chaim, N. A., 2009, O programa nacional de alimentação escolar e a gestão municipal: eficiência administrativa, controle social e desenvolvimento local. *Revista de Nutrição* 22 (5), 595-607.

Brasil, 1993, Lei Nº 8.666, de 21 de junho de 1993. Brasília, Presidência da República.

Brasil, 1996, Decreto Nº 1.946, de 28 de junho de 1996. Brasília, Presidência da República.

Brasil, 2003, Lei Nº 10.696, de 2 de julho de 2003. Brasília, Presidência da República.

Brasil, 2006, Lei Nº 11.326, de 24 de julho de 2006. Brasília, Presidência da República.

Brasil, 2009, Lei Nº 11.947, de 16 de junho de 2009. Brasília, Presidência da República.

Denning, B. P., Graff, S., Wooten, H., 2010, Laws to require purchase of locally grown food and constitutional limits on state and local government: Suggestions for policymakers and advocates. *Journal of Agriculture, Food Systems, and Community Development* 1 (1), 139-148.

FAO, 2013, Alimentación Escolar y las posibilidades de compra directa de la Agricultura Familiar: Estudio de caso de ocho países. Versión Preliminar. Fortalecimiento de Programas de Alimentación Escolar en el Marco de la Iniciativa

América Latina y Caribe Sin Hambre 2025. Proyecto GCP/RLA/180/BRA. FAO, 2013. Available in: <http://www.fao.org/3/a-i3413s.pdf>. Accessed on October 29, 2016.

Fornazier, A., 2014, Inserção de produtores rurais familiares de regiões com baixa dinâmica econômica para o mercado da alimentação escolar, PhD. Dissertation (Economic Development), Campinas, São Paulo, Brasil: Instituto de Economia/UNICAMP.

International Policy Centre for Inclusive Growth (IPC-IG), 2013, Structured Demand and Smallholder Farmers in Brazil: the Case of PAA and PNAE. United Nations Development Programme. Brasília, Brazil. WFP: Centre of Excellence against Hunger. October, 2013. Available in: <http://www.ipc-undp.org/pub/IPCTechnicalPaper7.pdf>. Accessed on October 29, 2016.

Izumi, B.T.; Wright, D.W.; Hamm, M.W., 2010, Market diversification and social benefits: Motivations of farmers participating in farm to school programs. *Journal of Rural Studies* 26, 374-382.

Lopes, M. R. and Fornazier, Armando, 2016, Modalities of Public Food Procurement from Smallholder Farmers in Brazil. Food and Social Policies Series (2). Brasília, Brazil. World Food Programme's Centre of Excellence against Hunger (WFP), United Nations. Available in: <http://documents.wfp.org/stellent/groups/public/documents/research/wfp286645.pdf>. Accessed on October 29, 2016.

Milhorance, C., 2013, A política de cooperação do Brasil com a África Subsaariana no setor rural: transferência e inovação na difusão de políticas públicas. *Revista Brasileira de Política Internacional* 56 (2), 5-22.

Morgan, K. and Sonnino, R., 2008, *The School Food Revolution: Public Food and the Challenge of Sustainable Development*. London: Earthscan.

Sonnino, R., 2009, Quality food, public procurement, and sustainable development: the school meal revolution in Rome. *Environment and Planning A* 41 (2), 425-440.

Sonnino, R. and McWilliam, S., 2011, Food waste, catering practices and public procurement: A case study of hospital food systems in Wales. *Food Policy* 36 (6), 823-829.