

## **The Agricultural Diversification that Transformed the Guatemalan Highlands**

Twenty years ago, Mariano Canu, a typical indigenous farmer in Guatemala's Highlands (known in Spanish as the "Altiplano") was living in poverty, barely growing enough corn and beans on his two acres of land to feed his family. Today, Mariano is the leader of an association of small farmers, called "Labradores Maya," that has prospered growing lettuce, carrots, celery, and other vegetables that it sells to Walmart Centroamérica. Mariano's story of agricultural diversification--the change from growing only basic grains for family consumption, to growing a diverse group of crops sold in national and international markets—is the story of thousands of farmers in the Highlands that has increased incomes, jobs, and opportunity, transforming the lives of hundreds of thousands of Guatemalans. It is also a story of the partnership between the United States and Guatemala that through the implementation of the free trade agreement between the U.S., Central America, and the Dominican Republic (CAFTA-DR), will continue to provide expanding economic opportunities.

The highlands of Guatemala cover 7 of Guatemala's 23 departments. Its population of 4 million is 36 percent of Guatemala's total population. It comprises less than a fifth of the country's surface area, but includes more than sixty percent of the country's farms, most of which are very small, less than two acres each. Of its four million inhabitants, about one million are in the labor force, either self-employed or wage laborers, and 550,000 are employed directly in agriculture. Most families are poor, drawing less than half of their income from farming, with the rest derived from off-farm sources of income—of which a large part comes from migrant wage labor on large plantations, especially coffee and sugar cane.

Natural disasters, thirty years of internal conflict, and its mountainous terrain explain much of the past poverty and low level of public investment in the Highlands. These factors greatly limited the ability of farmers like Mariano Canu to produce anything other than corn and beans, or vegetables for local markets, for many years. With the signing of the Guatemala Peace Accords in 1996, however, investments in farm-to-market access roads, small-scale irrigation systems, and vegetable processing facilities greatly enabled farmers to produce high quality vegetables in the winter season, pack them under stringent food safety requirements, and reach Guatemala City in optimum condition for export.

Today, U.S. Government assistance continues with more of an emphasis in business organization and business development. The experience of another association of growers in Chimaltenango, LeStansa, is much like that of Labradores Mayas. LeStansa's eighty-nine members experienced a transformation from being individual farmers hauling out produce on their backs, selling to intermediaries, and squandering much of their income on transportation, to an organized association with a modern packing facility, two refrigerated trucks, and direct dealings with a Miami broker to whom they export their French green beans. These Mayan farmers transformed their community by reinvesting their increased sales incomes (that on average increased by

\$1,985 per member) into improved housing and education for their families and enhanced optimism for the community at large.

As result of diversification from basic grains to high-value vegetables during the last twenty years, the export of fruits and vegetables from Guatemala increased from US\$14 million in 1990 to US\$237 million in 2006. Since the Caribbean Basin Initiative of the early 1980s, the growth of “non-traditional” crops (crops other than bananas, sugar cane, and coffee) has expanded from practically nothing twenty years ago to account for 38% of total exports in 2005, with an astounding annual growth rate of 26% since 2000.

Diversification into fruits and vegetables is not the only success story of the Highlands. Since the early 1990s, the National Coffee Growers Association (ANACAFE) has equipped thousands of small coffee growers in the Highlands with the techniques and marketing acumen that helped them confront the meltdown in the world coffee market eight years ago and to create a global market niche for high-quality, “specialty” coffees from Guatemala. The fact that today Starbucks obtains over 30 percent of its coffee from Guatemala is rooted in these initiatives. The continued success of Guatemalan coffees in world markets also provides a stunning amount of employment to Highland residents: according to ANACAFE, the annual harvest creates two million jobs every year for rural families.

The high population density and the large number of small farms in the Highlands make it especially suitable to benefit from this rapid growth in exports and income. When their income from agriculture increases, the small-scale farmers who populate the Highlands spend most of their increased income on goods and services available in their local communities. This increased demand for off-farm goods and services in turn increases off-farm incomes, creating a “virtuous circle” of growth and poverty reduction in Guatemala’s rural areas.

The transformation in economic opportunities in the Guatemalan Highlands reflects the strong partnership between the United States and Guatemala and the commitment of the United States to promote economic development and democracy throughout the world. Much of the success described above is the direct result of development assistance from the U.S. Government to Guatemala. Through the programs of the U.S. Agency for International Development (USAID) during the last twenty years, the U.S. Government financed more than 200 irrigation systems and 1,250 miles of roads in the Highlands. It provided \$50 million through local banks to help farmers and other rural business stimulate agriculture and rural development. It strengthened Guatemala’s agricultural extension service and brought improved agricultural practices to farmers. The leading private association of exporters of non-traditional products, “AGEXPORT,” has received USAID assistance for the last twenty years and has been the U.S. Government’s principal partner in the promoting the rural transformation of the Highlands.

In partnership with the U.S. Government, the Government of Guatemala, AGEXPORT, and other Guatemalan organizations continue their commitment to bring the benefits of trade-led growth and CAFTA-DR to all of the Highlands and other poor rural communities in Guatemala.