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## **Venezuela: Accelerating Resolution to a Food Crisis by the Good Governance of Agricultural Cooperatives**

### **Introduction:**

On March 5, 2013, President Hugo Chávez, longtime Venezuelan President, was pronounced dead after a long battle with cancer. In the succeeding weeks, Nicolás Maduro, Chávez's chosen successor, would narrowly be elected as the next President of Venezuela. In 2013, Venezuela was very close to becoming a more developed country. It had recently become a member of the trading bloc Mercosur, and while inflation was a little too high, mostly everything was going well in Venezuela. Oil prices were through the roof, and the economy was flourishing (Venezuela Profile-Timeline). Now, around four years later, inflation is projected at 1600%, making the Venezuelan bolivar completely worthless (Worstall). The murder and crime rates, which were once rather low for a South American country, are now the second-highest in the world, with Caracas now being considered as the most violent city on the planet (Gutman). Venezuela, which under President Chávez was a socialist democracy, has now become an almost completely totalitarian system, as President Maduro recently attempted to seize power from the government's legislature (The Guardian). People who were once fed and clothed, now find that they cannot afford a single grain of rice. In 1998, Venezuela exported around 60% of its crops, especially coffee. Just three years later, nearly 98% of all oilseeds and 70% of all cereals were imported from other countries (Venezuela- Agriculture). Combined with loss of self-sufficiency in agriculture, the Venezuelan economy has taken a second hit: the loss of oil revenue. In addition, there has been massive amounts of corruption in the oil industry, as it is basically used as the Maduro Administration's personal company (Reuters). A solution is clearly needed for the benefit of the suffering masses in the formerly great nation of Venezuela. My solution involves a fundamental change in the governance of Venezuela's agricultural industry, with the revival of traditional agricultural practices in the form of cooperatives to help the Venezuelan population achieve long term self-sufficiency in food production. I hope that this change in governance will establish an example for the country's masses who will demand good governance and initiate broader political change in Venezuela.

### **Current Agricultural and Political Landscape of Venezuela**

The Bolivarian Republic of Venezuela or Venezuela, as it is more commonly known, is ruled by the ruthless President Maduro (CIA World Factbook). Considered the highest paid politician in the world, he has a net worth of around \$270 million, and he gained nearly \$96 million in 2017. However, Mr. Maduro is very much in the minority when it comes to his earnings, as while he earns millions on top of millions, his people find it very difficult to even afford a simple meal for themselves, much less their families (Mediamass). The typical poor urban family consists of about four people: two adults and two children (Arcgis.com). In the year 2013, the standard diet for a typical urban family consisted of meat, mostly steaks or beef of some kind, milk and beans. However, due to the recent economic crisis, the prices for

these commodities have become exorbitantly high. Today, many people are forced to fill up on carbohydrates coming from pasta, rice, and traditional cornmeal cakes known as arepa. Nearly 33% of people are not even eating three meals a day, and nearly 9.6 millions Venezuelans eat less than 2 meals a day. Those who can eat three meals a day have an extreme protein deficiency, as one may be able to observe from their diets (Brodzinsky).

In Venezuela, children go through nine years of compulsory education. In their ninth year, children are able to choose between pursuing a degree in humanities or pursuing a degree in the sciences. After ninth grade, children spend two years in compulsory secondary education, after which they obtain their bachelor's degree in either humanities or sciences. From there, a child can either choose to go to a vocational school for three years to learn a technical skill, or go to a university for five years so he can pursue even higher education, like a doctorate or masters degree. Most universities and vocational schools in the country are free of charge, so admission in these schools is typically based on academic achievement. The literacy rate for Venezuela is amongst the highest in the world, as 95% of Venezuelans are completely literate and Venezuela's education system ranks amongst the top half of the world according to UNESCO guidelines (Classbase). Venezuela's education is one of the most successful aspects of the country, as everyone can afford to go to school, and become whatever they want.

The health care in Venezuela was among the best in Latin America just four or five years ago. The former "Land of Grace" was one of the best places in the world to get plastic surgery. This wellness program was also completely free, as it was funded by the government, and probably the best place in Latin America to go for medical care, especially for the average poor urban family. However, due to the recent economic crisis, the government has become completely broke, leaving the hospitals, as quoted by ABC News' Venezuelan hospital informant, "[Without] antibiotics, [with] no surgical gowns, no internal sutures, no gauze, no hypertension meds, no chemotherapy... bed sheets, food, or water." Unfortunately, many of the family members of sick patients are forced to sleep outside the hospitals on the curbs and in the shrubbery, as even the hospital waiting rooms are full with sick patients (ABC News).

In 2013, Venezuelan poverty rates had plummeted from 13% to around 6.5%. The average poor urban family used to make around \$75 USD, and most likely worked in the services sector, as 79% of the people who had jobs in Venezuela in 2013 used to work in the service sector (IAC Publishing). The most common job in the service sector is being employed to an oil company, as oil makes up the largest export out of Venezuela, as 95% of Venezuelan exports are oil. Nearly 150,000 workers were employed at PDVSA, the largest state run oil company alone (Venezuelan Oil Workers are Selling Uniforms for Food). In 2013, agriculture was going "out of style", and President Maduro was encouraging people to start creating their own urban gardens, to help keep the dying agriculture industry alive (Otis). Nearly every type of crop or food was imported by Venezuela to keep their people fed. However, as the crisis in Venezuela came to a height, many poor urban families found themselves jobless, as the oil companies have been forced to lay people off, as oil prices have plummeted. As inflation increased, President Maduro had to keep raising the minimum wage so as to adjust. A family which may have once had a monthly income of 21,000 bolivars, now has an income of 90,000 bolivars, and is now making even less money than before (Worstell). Those who managed to start farms are the lucky ones as they are able to feed themselves regularly. Many are taxed to find a meal, and while there are still plenty of imports, the

price of them has gone so far up due to inflation, that very few can actually afford to buy food or medicine or even clothes.

There are many barriers in the way of increased agricultural productivity. The first of these being is that there is very little arable land in Venezuela. While 25% (5.1 million hectares) of the land in Venezuela is considered agricultural land, only 3.61% (270,000 hectares) is considered arable, much of the rest is for grazing (Venezuela-Agricultural Land). Very few independent farms are left standing, as many agribusiness corporations have taken over which are government run, corrupt and completely inefficient. On top of this, farming cannot compare to the higher wages and comfort of working for an oil company. Many farming practices have been lost over time, and farming is not a highly respected profession. The government, ever since 2001, has also been seizing thousands of acres of private farmland to redistribute to others (Tong). Many farmers have lost thousands and thousands of acres to the government, who would rather have an oil company come in and give them the money to import food, rather than grow their own crops. As a result of these actions, millions of average urban families find themselves without a job, as oil companies were forced to downsize when oil prices crashed worldwide, and without any means to feed themselves without the help of the government, as the the country no longer has any agricultural base.

### **Principal Factor Affecting the Venezuelan Population: Lack of Good Governance Practices**

Lack of good governance practices has led to a disastrous decline in the Venezuelan economy today. When President Chávez came to power in 1998, oil prices were rising but instead of using the large influx of capital he created a large series of government jobs and handout programs instead of the diversifying the Venezuelan economy and training people in the agricultural sector. President Chávez also nationalized power and oil companies and the preceding trend was exacerbated. In addition, state-run oil enterprises became a hotbed of corruption and rife with nepotism and inefficiency. When oil prices collapsed in 2015, the government compounded the problems by lack of good governance practices, raising inflation to unsustainable levels (1600%). This led to a rapid decline in all of the primary sectors revenue and jobs and widespread hunger (Worstall).

Sixty-eight years before Chavez came to power, agriculture was the main source of labor (making up 60% of the workforce in 1930) and revenue in the Venezuelan economy. However when the demand for petroleum skyrocketed worldwide in the 70s and 80s, the role of agriculture in the Venezuelan economy rapidly declined (Venezuela- Agriculture). In the succeeding years, agriculture and land reform was neglected by the Venezuelan government, who rather than export their own agricultural products, imported nearly all of their food with the revenues earned from oil.

The lack of good governance practices by the Chavez and Maduro Administrations has brought on the Venezuelan disaster we see today. The government continues to deny that there is an issue, even though millions of Venezuelan families are standing in lines without any food to eat. Instead of trying to solve the problem, President Maduro continues to hike the inflation rates through the roof, to the point where the average urban family could not buy anything even if they wanted to, as overpriced as goods are. He continues to give bag of pasta after bag of pasta to the starving people, even though very soon the government will even run out of those. With what little oil money is left, President Maduro is buying

votes rather than bolstering agricultural production. It seems like President Maduro will sit happily letting the millions of Venezuelans starve to death as long as he keeps his presidency. Increasing urbanization and population growth will make the Venezuelan food situation even worse for the regular urban family. On top of all of this, the increased dependency by the Venezuelan government on oil has led to increased pollution, making it the 22nd most polluted country in the world, and has also led to an increase in deforestation and environmental degradation (Pollution Index For Country 2017 Mid-Year).

### **Recommendation: Improve Governance of Venezuelan Economy Through the Formation of Cooperatives in the Agricultural Sector to Channel Foreign Aid**

**Short Term Solution:** While many may say that foreign aid is a necessity because of the current state of Venezuela, foreign aid is unable to fully achieve what it is meant to do in the short and long term without good governance practices being implemented. A study by Carnegie Endowment stated that: “The World Bank currently uses 11 percent of its lending to support government institutions and the rule of law, which is just one part of its broader governance work.” (Carnegie Endowment). This study is, in essence, stating that even large organizations like the World Bank are using much of its funds to provide good governance in addition to foreign aid because they realize that without good governance practices, the foreign aid will be extremely ineffective. Given this knowledge and the poor track record of governance in Venezuela, my solution is to set up a model of good governance in the form of agricultural cooperatives.

The Chavez and Maduro Administrations created an artificial food shortage that can only be alleviated through the development of large agricultural cooperatives by the Venezuelan people. Cooperatives are by no means a new idea, and have actually been extremely successful in some parts of the world. For example, the Amul Dairy Company, which at one point turned the country of India into one of the largest milk-producing countries in the world, started out as a farmer’s cooperative in 1946. When this initiative began, India was not at all self-sufficient agriculturally. The Indian people were very much dependent on Britain for their dairy products, however, when Amul Dairy created its cooperative by establishing a direct linkage from the producers to the consumers, Amul Dairy grew into one of the largest and most successful Indian companies, and is still growing even today, with India being able to decrease their reliance on foreign imports (Amul). By creating a direct linkage from the farmer to the consumer, these cooperatives can successfully rekindle the prosperity the Venezuelan economy once experienced. Initially these cooperatives can be funded through the use of foreign aid, which would be tied to setting up these good governance models.

The agricultural cooperatives that I am proposing for Venezuela will be set up with foreign aid but will involve agricultural experts from South America and rest of the world. The structure of these cooperatives will be transparent and will have strong representation from the community of farmers, concerned citizens and (possibly) the government. These cooperatives will be fully audited by international organizations like the United Nations and World Bank. These cooperatives will incorporate latest agro-business methods and will increase sustainable agriculture in Venezuela. The money that these organizations will give will allow for the education and training of thousands of farmers. These farmers will be able to learn effective and sustainable agriculture methods through volunteers from non-governmental organizations, most notably the UN’s Food and Agriculture Organization (FAO). This structure will be attractive to the

cash- strapped Maduro government now and to aid agencies because of good governance. Because the indigenous food production will eventually go up, the Venezuelan people will no longer have to completely rely on imports and stand in line for handouts, and will once again be able to afford simple food products. In addition to this, these cooperatives will be a first step to solving many of the United Nation's Sustainable Development Goals. It will be step one in solving Goal Two (Zero Hunger), Goal Three (Good Health and Well-Being), Goal Eight (Decent Work and Economic Growth), Goal Nine (Industry, Innovation, and Infrastructure), Goal Eleven (Sustainable Cities and Communities), Goal 12 (Sustainable Consumption and Production), and Goal Seventeen (Partnership in All Goals) (United Nations).

**Long Term Goals:** As the Carnegie Endowment study states: "When faced with partner governments that lack a strong interest in pushing through governance reforms, aid organizations have increasingly concluded that they need to directly empower societal actors to push for change." (Carnegie Endowment) The long term aim of these cooperatives is to eventually inspire the Venezuelan people to demand broader social change and better good governance practices. The vision (in the long term) is to have a good governance partnership in other industries like to oil industry and then utilize about 20% of the oil companies' profit for sustainable agricultural development. This amount of money, although a rather substantial sum, will be unable to create the amount of agricultural cooperatives necessary to jumpstart the agricultural sector of the economy. A chain of command would also be established nationwide, and the farmland, which needs to be relinquished by the government as part of this process, will be distributed to those who have successfully completed the education and training required to practice agricultural sustainably. The governance structure for these cooperatives would continue to involve oversight by the IMF and/or the World Bank, but would also contain a committee consisting of representatives from many different cooperatives across the nation, as well as a representative from the Venezuelan government.

### **Conclusion:**

In conclusion, the principal problem in the Bolivarian Republic of Venezuela is that of a lack of good governance practices that has led to widespread hunger and starvation. An obsession with oil exploration and excessive reliance on oil revenue combined with a socialist government that placed emphasis on government jobs and handouts have sowed the seeds for the chaos currently.

My proposed solution envisions a partnership between the Venezuelan government and the International Monetary Fund/World Bank to improve governance of the agricultural sector. Matching funds provided by the international agencies incentivize distribution of a portion of oil profits to set up large agricultural cooperatives that would lead to increased productivity and food independence in the future. Good governance of these cooperatives would be guaranteed by oversight provided by international agencies, concerned farmers, representatives from Venezuelan government and will be the cornerstone for this program. I believe that such a structure can be quite successful as a 'win-win' paradigm is created. In the short term, international aid is being provided to the country but this can be coupled to a good governance induced program that will solve the long-term challenges of Venezuela.

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