The degree of urbanization of rural territories can affect the economic performance of production units. This relationship is due to the fact that in territories with more developed urban centers, knowledge is more specialized and concentrated, economic and social interactions more extensive, and access to markets is higher, among other factors. The Sustainable Development Goals propose the increase of agricultural productivity as a focal point for the fulfillment of the Zero Hunger and Sustainable Agriculture targets. Within this framework, the question arises regarding the relationship between urbanization and the productivity level of agricultural holdings. Providing a response to this question allows evidence to be generated for the development of interventions that boost agricultural productivity with the objective of promoting sustainable agricultural production systems. It also enables us to understand whether urbanization processes are positive in terms of sectoral growth and the inclusion of small agriculture.

The study used a cross-sectional dataset with 156 observations of dairy farms for two territories with different levels of urbanization in the Los Ríos Region of Chile. Estimates for the levels of productivity and technical efficiency of the farms were carried out using the parametric approach of Corrected Ordinary Least Square (COLS) and Stochastic Production Frontier (SPF) using a Cobb-Douglas functional form. The production model included a dependent variable, three independent variables, three control variables and three variables that determine inefficiency. The results show a positive effect of the more urban territories in the levels of Production and Technical Efficiency of the dairy farms.

Determining the impact of urbanization on the Technical Efficiency of farming systems is relevant for the design, monitoring and evaluation of public interventions from a territorial approach, and also provides inputs for policy makers and to the sectoral literature in Chile. The results correlate the levels of urbanization of territories with the productivity of the dairy farms in the Los Ríos Region, and allow for the generation of scalable actions aimed at contributing to the sustainable development of the dairy industry at the country level.