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## RURAL DEVELOPMENT AND AGRARIAN ISSUES IN CONTEMPORARY LATIN AMERICA

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## RURAL DEVELOPMENT AND AGRARIAN ISSUES IN CONTEMPORARY LATIN AMERICA

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Since 1945 Latin America's rural economy and society have been drastically transformed both from without by the increasing integration of agriculture into the global agro-industrial food regime and from within by state policies ranging from agrarian reform to liberalisation. By the 1990s the once dominant hacienda or large landed estate system had largely vanished. Instead modern capitalist farms and agro-industrial complexes, many of which are linked to or owned by transnational corporations, hold sway over the Latin American countryside. The resulting transformation of agrarian social and technical relations of production has been profound. In the 1960s and 1970s debate raged over whether to characterize the hacienda or latifundio (large landed estate) as feudal or capitalist (Kay 1977a); current debate is whether the peasantry will survive as a distinct type of household-farm-economy.

In the 1990s Latin American rural economy and society no longer play the primary role in the global or national economy that they did historically. While in 1960 over half the Latin American population was rural, today it is only one quarter (IDB 1993: 262). During the same period agriculture's share in the value of total Latin American exports declined from approximately half to one-fifth (ECLAC 1993: 81) and agriculture's contribution to the Gross Domestic Product (GDP) fell from 17 per cent in 1960 (IDB 1986: 397) to under 10 per cent (ECLAC 1993: 77).

In this paper I will argue that an exclusionary process of modernization which was accentuated in the 1980s has transformed the social actors and their relationships in the rural sector. Landlords have been subordinated to the forces of both national and global capitalism. The peasant economy, although still an important provider of employment and staple foods, is a relatively declining sector and many peasants have been marginalized as producers, being condemned to a bare subsistence level and/or to seek wage employment.

Undoubtedly the impact of wider processes of globalization and modernization on the Latin American agricultural sector has varied between individual countries. Shifts at the level of the world market have changed national economic fortunes.<sup>1</sup> Modernization and globalization have also brought uneven consequences for social groups within individual Latin American economies, accentuating and creating new forms of socio-economic differentiation in the rural sector.

Among the key transformations analyzed in this paper are the profound changes in the agrarian structure which have led to the demise of the centuries-old hacienda system or latifundia-minifundia complex as this bimodal agrarian structure is sometimes referred to. The processes of agrarian reform and counter-reform, agro-

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industrialization, 'casualization' of the rural labour force, proletarianization of the peasant economy, colonization, and new agro-export developments have led to the emergence of a more complex and heterogeneous agrarian structure.

## **I. LATIN AMERICAN AGRICULTURE IN THE WORLD ECONOMY**

### **The Changed International Context**

From the perspective of the 1990s, it is notable how the relative position of Latin American agriculture in the world economy has declined since the second world war. This decline is partly accounted for by the industrial bias of the inward-oriented import-substitution-industrialization (ISI) development strategy pursued by most Latin American countries until the 1980s (Krueger, Schiff and Valdés 1991). Above all, Latin America's relative declining share of international trade of agricultural commodities is explained by the protectionist measures adopted by developed countries with respect to their own agricultural sectors (Di Girolamo 1993). These have restricted agricultural exports from Latin America to the developed countries (IBD 1986: 145ff). In addition both the United States (US) and the European Community (EC) heavily subsidize their agricultural production and agricultural exports so as to reduce the large food surpluses created (Friedmann 1982). This has had negative consequences for Latin America's agricultural exports, particularly for Argentina and Uruguay which directly compete with meat and cereal producers in the US and the EC.

The continuing process of globalization of the world economy as well as the strong support given to farmers in the US and the EC has meant that the developed countries currently supply over half of the world's internationally traded agricultural commodities; Latin America's share being only 12 per cent (GIA and CLACSO 1991: 16). This change in relative economic position can be clearly expressed by examining the fortunes of two agricultural commodities: wheat and beef. Between 1934 and 1938 Latin America was the world's largest net exporter of grain; by 1980 it was a net importer and the US had become by far the largest net exporter (Goodman and Redclift 1991: 153). Today almost half Latin America's total agricultural imports are wheat. Between 1924-28 Argentina alone contributed 61 per cent of world trade in beef but by 1978 this had fallen to approximately 10 per cent and has continued to dwindle thereafter (Llambí 1992).

### **Internationalization, Structural Adjustment and Export Drive**

Since the 1980s, the shift away from import-substituting-industrialization towards a new outward-oriented development strategy, has further integrated the Latin American agricultural sector into the world economy. The debt crisis of the 1980s and the adoption by most Latin American countries of 'structural adjustment programmes' sponsored by the World Bank and the IMF as well as the international banking system, stimulated agricultural exports in the hope that these would alleviate Latin America's foreign exchange problems.<sup>2</sup> As a result of the export drive, agricultural exports have been growing much faster than production for the domestic market. However, although the volume of agricultural exports rose considerably, the amount of foreign exchange so earned has not kept pace because of falling international prices (Twomey 1989: 549). Agricultural

export earnings were more favourable in the 1970s than in the recession-ridden 1980s (Weeks 1993). The successful conclusion of the 'Uruguay Round' of the General Agreement on Trades and Tariffs (GATT) negotiations at the end of 1993 will advance this integration process further. This is particularly the case for Mexico which will become part of the North American regional economic block, following the signing of the North American Free Trade Agreement (NAFTA) in December 1993. While Mexican vegetable and fruit exporting commercial farmers are likely to benefit from NAFTA, food producing peasants will be unable to compete with US grain producers (Grinspun 1993).

The emergence of this new international division of labour in agriculture has restructured Latin America's agriculture. Within this process of internationalization, agricultural transnational corporations (TNCs) or agribusinesses have been one of the key institutions shaping Latin American agriculture and linking it further to the requirements of the First World (Sanderson 1985, Gómez 1992). These institutions have facilitated the emergence of an internationalized agro-food system and spearheaded changes in consumption patterns (to what is often referred to as a 'fordist diet') as well as changes in production, processing and marketing of Latin America's agricultural sector (Arroyo *et al.* 1985). The power and domination of these agribusinesses, largely from the North, over farmers and peasants in Latin America has been further enhanced by recent developments in biotechnology and genetic engineering (Goodman, Sorj and Wilkinson 1987).

With respect to land use, TNCs have shifted production away from staple foods to exports and introduced new agricultural export products such as soybeans and sorghum which are used mainly as animal feed in the First World. This switch from food crops to agricultural, livestock and forestry exports has had deleterious consequences for the environment (Goodman and Redclift, eds., 1991). In addition, technological developments in storage, processing, refrigerated transport, industrial organization and communications have enabled the TNCs to take advantage of hemispheric seasonal differences by exporting vegetables, fruit and flowers to the rich markets of the North. For example, this trend is seen in the fast growth of Mexico's winter vegetable exports to the US; in Colombia's emergence as one of the world's leading flower exporters, again largely to the US market; in the forty-fold increase of Chilean fruit exports since 1970; and in Brazil's rapid expansion of soybeans and soya oils exports as well as becoming the world's largest exporter of concentrated orange juice.<sup>3</sup>

The 'hamburger connection' and the rapid expansion of other fast foods in the developed countries, has meant that land previously dedicated to food crops has been converted to pastures for livestock or for animal feeds (Barkin *et al.* 1991, Edelman 1992). In addition, land recently colonised through the expansion of the agricultural frontier (largely by destroying the tropical forest) is being devoted to livestock rearing (Goodman and Hall 1990). These patterns of production which are supported by international agencies such as the World Bank, the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB) are also reinforced by Latin American governments as part of the export drive to repay debts (Reynolds *et al.* 1993). Such priorities are detrimental to staple food production and have particularly negatively affected the peasant economy which has been, and to some extent still is, a major producer of food crops.

These shifting production patterns have modified the rural social structure in Latin America. It has largely been the capitalist farmers who have been able to take advantage of, and benefit from, the new opportunities: the financial, organizational and technological requirements of the export products being beyond the reach of the peasant economy. Nevertheless, through agribusiness contract farming, some smallholders have been able to participate in the production of agro-industrial products for export or for high-income domestic urban consumers. This integration of some sections of the peasantry as producers into the agro-food complex has accentuated the socio-economic differentiation process. While some peasants have been able to prosper through capital accumulation and expanded reproduction thereby evolving into 'capitalized family farmers' (Lehmann 1982, Llambí 1989) or 'capitalist peasant farmers' (Llambí 1988, Brass 1990, Korovkin 1992), others have become 'proletarians in disguise' (i.e. formal owners of a smallholding but in effect completely tied to, and dependent on, agribusiness) earning an income similar to the average rural wage, or 'semi-proletarians' whose principal source of income is no longer derived from the household plot but the sale of their labour power for a wage. Furthermore, a significant proportion of peasants have been 'openly' and fully proletarianized, having been displaced from markets through the shift in consumer tastes, cheap and subsidized food imports, competition (often unfair) from agribusiness, and technological obsolescence, among other factors (Burbach and Flynn 1980, Teubal 1987).

### Globalization and Food Security

Latin America's agricultural resource base is increasingly directed towards satisfying the demands of local high-income urban consumers and foreign markets. The emphasis placed by TNCs on production for export or on high income crops has created a new world food regime (Friedmann 1991, Teubal 1993). The resulting neglect of staple crops has resulted in an increasing dependence on food imports from the developed countries, particularly from the US, thereby undermining Latin America's food security (Friedmann 1990). However, Latin American governments and industrial and commercial groups are willing partners in this process as it suits their interest in promoting a cheap food policy for the rapidly rising population, particularly in the urban sector. Concessional US food aid, together with the dumping of EC food surpluses on the world market have enabled Latin American governments to maintain low food prices through cheap food imports as well as internal price controls on basic foodstuffs and an overvalued local currency. Such measures are in the interest of urban consumers and the industrial bourgeoisie since by reducing wage costs they depress industrial wages.

The interpretation of the activities and impact of TNCs is contested. On the one hand there are those who emphasise their activities have led to a growing divergence between the agrarian production system and the consumption, employment and income needs of the poor. They argue that this rapid and momentous modernization of Latin America's agriculture has done little to alleviate malnutrition and rural poverty. In addition, by undermining the basic domestic foodstuff sector, Latin America's food security has been jeopardized (Teubal 1992). Imports of foodstuffs soared during the 1970s increasing Latin America's food dependency and vulnerability to fluctuations in international markets. Attempts by some Latin American governments to remedy this situation have all been short-lived: the most notable being that of Mexico's SAM



(Sistema Alimentario Mexicano) programme from 1980 to 1982 which continued on a more modest scale for a further two years (Barkin 1987).

Others disagree with this analysis. For example, Scott (1985: 496) concludes that 'discriminatory government policies against domestic food agriculture, such as controlled prices and low public sector investment in rural areas, have contributed more to national and group food insecurity in the region than have the activities of TNCs.' It is difficult to prove which factor is more important, but undoubtedly both government policies and the operations of TNCs have contributed to food insecurity.

## II. THE CONTRIBUTION OF AGRICULTURE TO THE NATIONAL ECONOMY

### The Changing Fortunes of Agriculture

Up to this point, we have documented the relative decline of Latin American agriculture in respect of world trade since the second world war and examined the increased integration of Latin American agriculture into the global economy in the 1980s through the development of a new export-oriented structure of production.

Agriculture's share to the gross domestic product (GDP) continually declined since 1950 but then stabilized during the 1980s. In 1950, agriculture contributed a quarter of the Latin American GDP and in 1980 this had fallen to 9.7 per cent but thereafter increased slightly reaching 10.5 per cent in 1991 (ECLAC 1993: 77).

Table 1: Growth Rates of Gross Domestic Product by Economic Sector in Latin America, 1960-1992 (average annual growth rates in per cent)

Economic Sector	1960-70	1970-80	1980-90	1990-92
Agriculture	3.6	3.4	2.0	2.6
Industry	5.9	5.9	0.5	3.2
Services	5.5	6.1	1.2	3.8
Total GDP	5.4	5.8	1.0	3.3

Sources: IDB (1993: 264) and Cardoso and Helwege (1992: 14).

Agriculture, which in the 1960s and 1970s had been the least dynamic sector, experienced a higher rate of growth than other economic activities in the 1980s, growing twice as fast as total GDP as can be seen in Table 1. However, these figures mask a crisis situation as agriculture's performance in the 1980s was well below that of the previous two decades and was slightly below the average annual rate of population growth of 2.1 per cent for the 1980s. Thus the agricultural per capita rate of growth was practically nil. What is significant, however, is that for the first time in the post-war period agriculture grew at a substantially higher rate than industry which was particularly hard hit by the economic crisis of the early 1980s.

While agriculture currently provides employment for over a quarter of Latin America's total labour force it contributes only about 10 per cent to GDP as mentioned earlier (FAO 1992a: 35). This is a reflection of agriculture's lower labour productivity arising from its technological backwardness compared to other economic sectors. Thus average rural incomes lag way behind those in the urban sector.

Agriculture continues to be a major contributor to Latin American foreign exchange earnings but its contribution declined substantially in the 1970s and 1980s. Agricultural exports which accounted for 44 per cent of the total value of exports in 1970, declined to 29 and 24 per cent in 1980 and 1990 respectively (ECLAC 1993: 81). In only exceptional cases, such as in Chile, has the share of agriculture in total export earnings risen.<sup>4</sup>

Although Latin American agricultural exports grew at the substantial rate of 10.4 per cent per year (in current dollars) between 1970 and 1984 (IDB 1986: 74), agricultural imports rose even faster at a yearly rate of 12.8 per cent during the same period. Agricultural imports became a rising proportion of agricultural exports as of 1960 (or earlier) thereby reducing agriculture's net contribution to foreign exchange earnings, although Latin America's agricultural trade balance continued to be in a healthy surplus (*idem.*). However, during the first half of the 1980s food imports declined due to the adjustment and austerity measures imposed by governments while at the same time the quantity of agricultural commodities exported continued to grow (*ibid.*: 81, FAO 1992b: 35). This undoubtedly had a deleterious impact on Latin America's food availability and consumption, which particularly affected the poorer sections of the population.

### The Uneven Performance Within Agriculture

It is important to stress that the performance within the Latin American agricultural sector was very uneven. Between 1964 and 1984 subsistence crops, which are mainly produced by the peasant sector, grew at a yearly average rate of 2.0 per cent while export crops, produced largely by the medium and large commercial farm sector, grew twice as fast at 4.1 per cent (IDB 1986: 74). This reverses the trend of the 1950s and early 1960s in which agricultural production for the domestic market grew faster than production for export (CEPAL 1964: 63).

The principal export crops are coffee, soybean and sugar contributing 23.9, 14.0 and 7.4 per cent respectively to agricultural export earnings in the period 1980-84 (IDB 1986: 147). Non-traditional exports such as soybeans and fresh and processed fruits were particularly dynamic, while most of the traditional export products like coffee, sugar, bananas and cotton recorded below average rates of export growth. Subsistence crops performed poorly as a consequence of discriminatory government policies, unfair international competition, and changes in urban consumption patterns which have been shifting away from traditional staple commodities (such as potatoes, cassava, beans, maize and sweet potatoes) to more processed and varied commodities (such as vegetable oils, bread, noodles, rice, poultry, pork, dairy products, and fruit and vegetables), often with a higher import content.

### III. THE CAPITALIZATION OF AGRICULTURE AND MODERNIZATION OF THE HACIENDA

The modernization and liberalization of agriculture based on the growth of an export sector followed upon earlier modernization strategies. It is misleading to view the current modernized agricultural sector as replacing the traditional landed estate or an unchanged landlord-peasant relationship. Prior to neo-liberalist policies, the hacienda had already been substantially modified in many Latin American countries.

During the 1960s and 1970s a shift towards the intensification of Latin American agriculture took place. Many Latin American governments encouraged the modernization of the hacienda system through such measures as subsidized credits for the purchase of agricultural machinery and equipment, better quality livestock, fertilizers, and improved seed varieties as well as the delivery of technical assistance programmes (Caballero 1990). Consequently large commercial farmers began to shift to higher value added crops which were in increasing demand by urban consumers and to capitalize their enterprises through land improvements (for example increase the area under irrigation), upgrading infrastructure, mechanization, etc. This process of modernization can be characterized as the 'landlord road' to agrarian capitalism as landlords themselves transform their large landed estates into commercial profit-oriented capitalized farms (Kay 1974). It can also be referred to as 'conservative modernization' as in the Brazilian literature (Leite 1994).

In addition green revolution type technologies, involving improved seeds, were increasingly adopted. In 1970 only 10.8 per cent of Latin America's wheat area was sown with high-yield varieties but this rose to 82.5 per cent in 1983 (IBD 1986: 111). The spread of the green revolution, a technological package much favoured by the TNCs, also contributed to the increased use of fertilizers and pesticides. Between 1950 and 1980 the use of pesticides multiplied over 15 times, fertilizers by almost 15 times and tractors increased by 600 per cent (Ortega 1985: 97). Fixed capital formation also expanded considerably as the irrigated land surface grew by 77 per cent, while the land under permanent crops (fruit trees, coffee, bananas, and vines) and semi-permanent crops (such as sugar cane) grew by 72 per cent. The stock of livestock increased 75 per cent during this period (*idem.*).

This intensification of agriculture meant that growth in output was increasingly achieved by an increase in the productivity of the various factors of production. However up to the 1980s the expansion of agriculture's land area still accounted for sixty per cent of output growth (Ortega 1992: 123); thereafter the intensive margin predominated as a source of agricultural growth. Thus, while Latin America's arable land area increased by 19 per cent in the 1970s, it did so by only 12 per cent during the 1980s with Brazil alone accounting for 68 and 86 per cent of this increase respectively (ECLAC 1993: 610). However, this process of capitalization has proceeded unevenly in different Latin American countries. As noted above, in Brazil agriculture continues to expand to an important extent via the extensive margin due to the colonisation of the Amazonian frontier. Furthermore, within agriculture capitalization has been largely confined to the commercial farm sector, leaving peasant agriculture relatively unaffected, as will be seen in more detail later.

The debt crisis negatively affected capital formation throughout Latin America. The total rate of investment fell by an average annual rate of 3 per cent in the years 1980-90, compared to a 7.2 per cent yearly growth

from 1970 to 1980 (IDB 1993: 265). Although the fall in the rate of investment was lower in agriculture than for the rest of the economy, fall it did. Thus fertilizer use during the first half of the 1980s was below the 1980 level as a consequence of the reduction or abolition of subsidies but rose gradually above it thereafter (ECLAC 1993: 662). The number of tractors continued to rise but at a much reduced rate. Tractors had increased by 75 per cent in the 1970s, but only by 30 per cent a decade later (*ibid.*: 80, 610). The number of harvester-threshers increased by almost 20 per cent during the 1980s which was also a lower rate compared to the previous decade (FAO 1977: 257, FAO 1992a: 247).

#### IV. THE IMPACT OF LAND REFORM

While the hacienda was modernized and capitalized during the 1960s and 1970s, more structural changes took place in some Latin American countries as a result of agrarian reforms. The impulse behind agrarian reform was as much political as economic. Aside from the declining performance of agriculture, social and political conflicts arising from landlord-peasant relations were viewed by some governments as a source of instability. The US and Latin American governments, haunted by the spectre of socialism following the Cuban revolution of 1959, launched the Alliance for Progress in the early 1960s.<sup>5</sup> Agrarian reforms were regarded as a way of defusing peasant uprisings and preventing more fundamental political and economic change.

Agrarian reform policies aimed to replace what came to be considered as the inefficient hacienda system. Prior to land reform, the agrarian structure in the 1950s and early 1960s was one in which large estates or latifundios, constituted roughly five per cent of farm units but possessed about four-fifths of the land, while small farms or minifundios made up roughly four-fifths of the farm units but controlled only five per cent of the land (Barraclough 1973: 16). Latifundios under-utilized land by farming it in an extensive manner and left a significant proportion uncultivated. Minifundios, by contrast, used too much labour on too little land. Thus it is not surprising to find that while labour productivity was much higher on latifundios than on minifundios, the reverse was the case regarding land productivity (*ibid.*: 26-27). The dominant social relations of production were those of unpaid household labour working on the minifundia ('external peasant family farms') and on various kinds of small-scale tenancies (internal peasant family farms'). Peasant holdings employed about half the agricultural labour force, of which four-fifths were unpaid family workers, while large estates employed less than one-fifth of the agricultural labour force. Furthermore, an estimated one quarter of agricultural workers were tenants or squatters and a further third were landless or proletarian (*ibid.*: 19-23).<sup>6</sup>

It was hoped that a new reformed sector would increase agricultural productivity and production and by improving access to land, rural incomes, and employment prospects would contribute to political stability. In addition, it was expected urban consumers would benefit from lower food prices and industrial producers from a wider home market for industrial goods. At their broadest, agrarian reforms were regarded as a way of overcoming the domestic market and foreign exchange constraints facing Latin America's struggling industrialization process after the so-called 'easy-phase' of industrial import substitution (ISI) was exhausted.<sup>7</sup>

### Scope of Agrarian Reforms

The most far reaching agrarian reforms were the outcome of social revolutions in Mexico (1917), Bolivia (1952), Cuba (1959), and Nicaragua (1979). However, the agrarian reforms in Chile during the elected governments of Frei (1964-70) and Allende (1970-73) and in Peru during the military regime of Velasco Alvarado (1969-75) were also quite extensive in terms of land expropriated and numbers of peasant beneficiaries. Of lesser consequence were the agrarian reforms of Venezuela, Colombia, Costa Rica, Honduras, Dominican Republic, Ecuador, Panama and El Salvador. The major exceptions to land reform are Argentina and Brazil where to date no agrarian reform has taken place.<sup>8</sup> In Paraguay and Uruguay colonization programmes but no significant agrarian reform have taken place.

In Bolivia and Cuba about four-fifths of agricultural land was expropriated; in Mexico, Chile, Peru and Nicaragua almost half; and in Panama, El Salvador and the Dominican Republic between 14 and 22 per cent of land was expropriated. Although in Venezuela about a fifth of the land was redistributed, almost three-quarters of this land belonged to the state and was largely in areas to be colonised. In terms of peasant beneficiaries, in Cuba, Bolivia and Mexico approximately half to three quarters of farming households were beneficiaries, while in Nicaragua, Peru and Venezuela this proportion was about one third or more. In the remaining countries this proportion was less, generally fluctuating between 5 and 20 per cent.<sup>9</sup>

A variety of new organizational forms were established on the expropriated estates. In Mexico, Cuba, Chile, Peru and Nicaragua cooperatives, collectives and state farms primarily replaced the expropriated estates and only a small amount of expropriated land was destined for the establishment of family farms.

In addition the non-expropriated sector was affected by land reform both because landlords undertook changes to avoid expropriation and because the establishment of the reformed sector severed pre-existent linkages between the minifundia and latifundia. In Chile the entitlement of landlords to retain a portion of their former estate as a reserve (*reserva*) boosted medium-sized capitalist farm sector (Kay 1978). In general these middle farmers were more significant than was usually acknowledged by the predominant dualist vision of the agrarian sector in the pre-land reform period, not only in Chile but throughout Latin America (Scott 1989).

### The Unravelling of Agrarian Reforms

However, the legacy of agrarian reforms has diverged substantially from their initial purposes and organizational structures. Many resulted in the modernization of the hacienda system, and its transformation into a capitalist farm, rather than its elimination 'from below' through the redistribution of hacienda lands to peasants. In this sense many land reforms can be considered as a continuation and acceleration of an already well established landlord path to agrarian capitalism (de Janvry 1981, Kay 1988).

Agrarian reforms failed to fulfil their expectations for a variety of reasons. In some cases, the political will or power to enforce them was lacking. Paradoxically, while they regarded land reform as a panacea, governments failed to ensure the financial, technical, and institutional support necessary to enhance the performance of agrarian reform. For example, in Peru, the continuation of ISI policies and the continued discrimination against agriculture in terms of prices and credit made the task of creating a viable agrarian reform

sector almost impossible (Kay 1983). Mistakes in design and implementation of agrarian reforms also contributed to their unravelling. In some cases, an inadequate organisational model for the reform sector succeeded in alienating peasants by limiting their participation in the decision-making process or by excluding them from the benefits of reform altogether.

The more radical agrarian reforms encountered opposition from landlords and other groups which modified or subverted their original intention. In some cases, early gains of the agrarian reform were reversed following a counter-revolution or military coup d'état.<sup>10</sup> Former landlords have not been the exclusive beneficiaries of counter-reforms. In Chile, 30 per cent of expropriated land was returned to former owners after the 1973 coup; but almost 20 per cent was sold to private or institutional investors, while slightly over half remained in the reformed sector which was sub-divided into parcelas (parcels) or family farms (Kay 1985: 309, Jarvis 1992: 192). In the end most landlords stayed in business since they either retained some land (the reserve) or managed to reclaim part of their former property with the counter-reform (Silva 1991). But the latifundia have not been restored since the average size of the large estates is far smaller than before and, more importantly, the relations of production have been completely transformed. On account of the much reduced size of the reformed sector, the relatively generous size of parcelas (on average nine times larger than the average minifundia), and political discrimination against peasant activists (among other reasons), fewer than half of the beneficiaries obtained a parcela which was sold to them by the state for about half its market value (Jarvis 1992, Kay 1993).

The 'unravelling' of Peru's agrarian reform was begun under Belaúnde (1980-85) and intensified in the late 1980s and early 1990s. In Peru hardly any expropriated land was returned to former owners but has been redistributed to peasants. The coastal production cooperatives were subdivided into parcelas. In the highlands part of the cooperative's land was transferred to adjacent peasant communities and part was distributed among individual cooperative members.

In Nicaragua peasant pressure and the war waged by the 'contras' led the Sandinista government to modify its emphasis on state farms (Kaimovitz 1985). Since the mid-1980s there has been more emphasis on a peasant-oriented organisation of the reform sector (Harris 1987). Thus more individual land titles have been awarded to beneficiaries, reducing the relative importance of state farms and enhancing the role of individual farming (Enríquez 1991, Martínez 1993). This process was much intensified with the fall of the Sandinista government in 1990 and some expropriated landowners have been able to reclaim their farms (de Groot 1993, Spoor 1995).

Last but not least, although over the years more and more of Mexico's collective ejidos have been farmed individually, the 1991 reform of Article 27 of Mexico's Constitution will certainly facilitate and allow legal privatization and thus open the gates for private investors to gain access to ejido land with consequences which may be far from favourable to peasants (Bartra 1993: xiii).

### **The Legacy of Agrarian Reform**

The shift away from collectivist organisations to peasant farms following the agrarian counter-reforms enhanced the prospects of a peasant road to agrarian capitalism. However, although the break up of the reformed sector enlarged the peasant sector initially, as shown above, this situation has not been sustained.

Neo-liberal policies, implemented with increased vigour and frequency in Latin America since the 1980s, have resulted in a withdrawal of support from the peasant sector. The liberalization of land, labour and financial markets, increased exposure to international competition, and the export drive have benefitted those with access to capital, technical and informational resources, and markets. Those with little or no access to these resources are being integrated in an increasingly subordinate way or further marginalized. For example, in Chile about half of the parceleros (owners of parcels) have had to sell their land because they were unable to repay the debt incurred when purchasing the land or because they lacked capital and market experience to continue their farm operations: a process referred to by some as 'impoverishing peasantisation' (Crispi 1980). Thus, in the final unravelling of Chile's agrarian reform only about 5 per cent of the country's peasantry were able to acquire and retain a family farm.

Only where peasant farmers have been able to link themselves to new technologies and markets, often through contracts with agribusinesses, is a successful peasant sector emerging. Their chances of success are enhanced if they organize themselves into producer associations so as to strengthen their bargaining power with respect to both the state and agribusiness.

The break-up of the reformed sector has, thus, led to a more complex agrarian structure. The main beneficiary of the neo-liberal experiences is likely to be the commercial or entrepreneurial farm sector. Although one cannot say that the classical landlord road to agrarian capitalism has triumphed as a result of counter reforms, those former landlords who retained a reserve have been able to capitalize and prosper under neo-liberalism. In addition, the enhancement of the land market has enabled new types of entrepreneurs (such as agribusinesses, agronomists, farm managers, and traders) to acquire land and invest in agriculture to a greater extent than in the past. Some capitalist farmers have acquired more land over time but talk of neo-latifundism is premature and inappropriate. Even where large farms have arisen (as in livestock and forestry plantations), their social and technical relations of production differ from those of the old type of latifundia.

The legacy of the agrarian reform is therefore complex. Certainly, the more radical agrarian reforms put an end to the dominance of the landed oligarchy in Latin America. In general, they contributed to capitalist development through institutional changes. By making land and labour markets more competitive and flexible, they enhanced agriculture's responsiveness to macroeconomic policy and market forces (Thiesenhusen 1989).

## V. NEW RELATIONS OF PRODUCTION

The quickening pace of the capitalist transformation of the countryside, together with the changes in the land tenure structure following the agrarian reforms and counter-reforms have restructured both technical and social relations of production. In addition the spread and dominance of agro-industries and the growth of export agriculture have been an important influence in some Latin American countries in reshaping rural labour markets and production relations.

### The Technological Gap

The technological transformation of agriculture discussed earlier has largely been confined to 'entrepreneurial agriculture' (*agricultura empresarial*).<sup>11</sup> Macroeconomic policy, favouring the development and diffusion of capital-intensive technologies and the bias of extension services in favour of commercial farmers, has widened the technological gap between entrepreneurial agriculture and the peasant economy, reinforcing a bimodal agrarian structure. It is difficult, if not impossible, for peasant farmers to adopt new technology. Not only is it too risky and expensive, but it is also inappropriate for small-scale agriculture and the inferior soils of peasant farming. In addition, the harmful environmental consequences of fossil fuel based technology is increasingly being called into question. The capital-intensive (and often import-intensive) nature of this technology is also held to be inappropriate for Latin American economies as it requires too many scarce capital resources (such as foreign exchange) and too few members of the abundant labour supply (Bebbington and Thiele 1993: 60-73).

### Changes in the Composition of the Rural Labour Force

The modernization of the latifundia and its transformation from a 'multi-enterprise' *hacienda* system to a 'single-enterprise' capitalist farm has been accompanied by a structural shift in the composition of the agricultural labour force. Compared to the personalistic and clientelistic relations which existed between landlords and peasants, the relations between capitalist farmers and peasants are increasingly mediated by impersonal market forces and characterised by new forms of exploitation and subordination.

Four major changes in the composition of the labour force can be highlighted: (a) the replacement of tenant labour by wage labour; (b) within wage labour, the growth of temporary and seasonal labour; (c) the increasing feminization of the agricultural labour force; and (d) the 'urbanisation' of rural workers.

#### *a) The decline of tenant labour*

Tenant labour used to supply most of the latifundia's permanent and temporary labour needs. During the 1950s and 1960s, following the introduction of social legislation (such as social security and a minimum wage) and increased peasant agitation, tenant labour became more expensive than wage labour for landlords. The rent income received from tenants (sharecroppers, labour-service tenants, or others) was lower than the profit income landlords could earn by working the land directly with wage labour.<sup>12</sup> Mechanization, which was attractive because of the often overvalued local currencies and the availability of government subsidized credits, turned direct cultivation by landlords into a more profitable activity than tenancy. Thus the higher opportunity costs of tenancies and tenant labourers resulted in their being replaced by wage labourers, leading to an 'internal proletarianization' process. Already in 1973, the proportion of wage labour within the economically active agricultural population varied between 30 and 40 per cent in most Latin American countries and in a few cases it was over 50 per cent (Ibáñez 1990: 54-56), thereby indicating the high degree of proletarianization of the peasantry since many were landless or had insufficient access to land to make a living.<sup>13</sup>

Landlords also reduced the number of tenants and permanent labourers they employed for political reasons. In the changing political climate of the 1950s and 1960s landlords responded to pressure from rural labour,



especially amongst tenants for land or reduced rent payments, by introducing labour-displacing technology. In addition, landlords anticipated the implementation of agrarian reform legislation by sub-dividing their estates among family members or by selling part of the land. Agrarian reform legislation often exempted farms below a certain size or efficient and modern enterprises even though they exceeded the size limit.<sup>14</sup> Where agrarian reform legislation allowed landlords to retain a reserve, this generally included the best land, the farm buildings as well as the livestock and agricultural machinery. As these were now concentrated on a smaller farm, the capital-land ratio as well as the capital-labour ratio improved. These reserve-type farms accordingly had much lower labour requirements than the former estates and sometimes than other farms of similar size.

*b) The growth of temporary and seasonal wage labour*

Within the shift to wage labour, there has been a marked increase in the proportion of temporary, often seasonal, wage employment. In many countries permanent wage labour has declined, even in absolute terms, while in almost all countries temporary labour has greatly increased. In Brazil it is estimated that in 1985 permanent wage labour had fallen to a third of rural wage labourers; the remaining two thirds being employed on a temporary basis (Grzybowski 1990: 21). In Chile the shift from permanent to temporary labour has also been dramatic. While in the early 1970s, approximately two thirds of wage labour was permanent and a third temporary, by the late 1980s these proportions had been reversed (Falabella 1991).

This growth of temporary labour is partly connected to the expansion of agro-industries which export seasonal fruit and vegetables and is therefore particularly evident in those Latin American countries which export these products. For example, in Chile about 60 per cent of temporary wage labourers are currently employed in export fruiticulture (Stephen 1991). The labour requirements of many of these export products are restricted to a few months of the year. Thus a striking and novel feature of the current labour system is its marked seasonality.

The expansion of temporary employment has led to the increasingly 'casualization' (*precarización*) or precarious nature of rural wage labour. Temporary workers are generally paid by piece rates, are not usually entitled to social security benefits and have no employment protection. These changes in employment practices towards more casual and flexible labour enable employers to increase their control over labour by reducing workers' rights and bargaining power. Their introduction has been facilitated by regressive changes in labour legislation, introduced often by the military governments but continued by their neo-liberal civilian successors. The expansion of temporary wage labour therefore represents a deterioration in the conditions of employment.

This casualization of rural labour has contributed to the fracturing of the peasant movement. Although seasonal labourers can be highly militant they are notoriously difficult to organize due to their diverse composition and shifting residence. Thus the shift from permanent to seasonal labour in the countryside has generally weakened peasant organizations making it difficult for them to negotiate improvements in their working conditions either directly with their employers or indirectly by pressurizing the State.

*c) The feminization of rural wage labour*

Associated with the expansion of temporary and/or seasonal wage labour is the marked increase in the participation of women in the labour force. In the past, rural women worked as day labourers, milkmaids, cooks or domestic servants on the landlord's estate. They also found seasonal wage employment during the labour-intensive harvests on coffee, cotton and tobacco farms. With the increasing commercialization of agriculture and the crisis of peasant agriculture (discussed below) an increasing proportion of rural women have joined the labour force. The majority have found employment in the urban service sector.

The rapid expansion of new export crops (fruit, vegetables flowers), however, has opened up employment opportunities for women. Agro-industries largely employ female labour since women are held to be more readily available, more willing to work on a seasonal basis, accept lower wages, and are less organized and according to employers are better workers for activities which require careful handling. Any permanent employment, however, tends to be the preserve of men. Although they are employed in generally low-skilled and low-paid jobs, aside from being temporary, for many young women these jobs provide an opportunity to earn an independent income and to escape (at least partially and temporarily) from the constraints of a patriarchal peasant-family household. Even though the terms of their incorporation are unfavourable, this does not necessarily imply that gender relations have remained unchanged.<sup>15</sup> Furthermore, with the rural women's rising incorporation into the formal labour market they have begun to exercise increasing influence in the affairs of peasant organizations and, in some instances, have even established their own organization (Stephen 1993).

In Mexico, Lara (1992) estimates that in 1989 women formed between a third and a half of the wage labour force in the countryside and that over a third of these had temporary jobs.<sup>16</sup> It is estimated that between 80,000 and 90,000 women in Mexico are employed in the cultivation of garden produce for export and 100,000 women in the growing of strawberries (ECLAC 1992a: 103). In Colombia over 70 per cent of the labour employed in the cultivation of flowers for exports and about 40 per cent of coffee harvesters are women (*idem*). In Chile about seventy per cent of temporary workers in the fruiticulture export sector are women, who are employed mainly in the fruit packing plants (Stephen 1991).

Not all growth in the export sector has been confined to women, however. In Chile the forestry sector has also expanded rapidly in the last two decades, employing exclusively men on a temporary basis.

*d) The 'urbanization' of rural labour*

An additional dimension to the growth of temporary wage labour concerns the geographical origins of the workers so employed. An increasing proportion of temporary workers come from urban areas. In Brazil about half of temporary workers employed in agricultural activities are of urban origin. They are known as 'bóias frias' ('cold lunch', as they go to work with their lunch box containing cold food) and 'volantes' ('fliers' or floating workers) who reside on the periphery of cities or towns and fluctuate between rural and urban employment (Ibáñez 1990: 57). For example, about three-quarters of female volantes are employed in the coffee growing industry and when there is no agricultural work they tend to look for employment in the urban areas largely as domestics (ECLAC 1992a: 98).

The growing presence of labour contractors (contratistas) who hire gangs of labourers from small towns and cities for work in the fields, means that the direct employer is not always even the farm owner or manager. This indicates both the ruralization of urban areas, due to the high rates of rural-urban migration, as well as the urbanization of rural areas with the mushrooming of rural shanty-towns (poblados rurales), thereby blurring the urban-rural divide (Rivera and Cruz 1984). Furthermore, increasingly rural residents have to compete with urban labourers for agricultural work, and vice-versa, leading to more uniform labour markets and wage levels.

The expulsion of tenant labourers and the growth in temporary-type employment has resulted in the creation of new rural villages and settlements as well as in the expansion of old ones into small rural towns. Needless to say these villages often lack the basic physical and social infrastructure and provide few, if any, social services like schools and medical centres (Cruz 1992). In the past shanty-towns were largely evident in the large cities of Latin America but today they have spread to the smaller cities and even to rural towns. This spread of shanty-towns is explained not only by the demise of the traditional hacienda system and the changes in the agricultural labour market noted above but also by the peasant economy's inability to absorb the growing population, as will be seen later.

Agriculture, particularly entrepreneurial agriculture, has become more locked into urban and industrial capital thereby blurring the rural-urban divide. Many peasants have also become more urbanized or more closely linked to the urban sector through seasonal migration, market integration, and the informal establishment of 'confederations of households' between rural and urban households which are linked through family, kinship or community ties (Alderson-Smith 1984, Ortega 1992).

## VI. THE FUTURE OF THE PEASANTRY: A PERMANENT SEMI-PROLETARIAT?

The internationalization of Latin America's agriculture, the demise of the hacienda system, either through transformation into capitalist farms or expropriation, and the increasing dominance of entrepreneurial agriculture, are having a profound impact on the peasantry. How are these major transformations affecting the development of the peasant economy, especially in the wake of the increasingly widespread and entrenched neoliberal policies pursued by most governments throughout Latin America? This question will be examined with reference to the Latin American debate on the peasantry and the contemporary significance of the peasant economy.

### The Debate on the Fate of the Peasantry

The fate of the peasant economy and of Latin America's peasantry has been the subject of much debate. In the late 1970s the dominant view that the landlord road to capitalism was steamrolling ahead was challenged by those who emphasised the resilience, vitality and relative importance of the peasant economy (Stavenhagen 1978, Warman 1979). The ensuing debate between the 'campesinistas' ('peasantists') who upheld the endurance of peasant farming and the 'descampesinistas' or 'proletaristas' ('depeasantists' or 'proletarianists') is still ongoing.<sup>17</sup>

The 'campesinistas' adhere to the endurance of peasant farming, which some regard as superior to capitalist farming. They reject the view that the wage relation is being generalized in the countryside and that the peasantry is disappearing. They argue that the peasantry far from being eliminated is persisting and even being reinforced. Thus they view the peasantry as mainly petty commodity producers who are able to compete successfully with capitalist farmers in the market rather than viewing them as sellers of labour power and being subjected to processes of socio-economic differentiation. This peasantization approach has certain affinities with the neo-populist tradition of Chayanov (1966, orig. 1923) and his contemporary followers like Shanin (1986, 1988).

In contrast, the 'descampesinistas' or 'proletaristas' argue that the peasant form of production is economically unviable in the long run and that the peasantry as petty commodity producers will eventually be eliminated. They stress that capitalist development enhances the process of differentiation among the peasantry transforming ultimately the majority into proletarians. Only a few will become 'peasant capitalists' and later even fewer graduate to becoming capitalist farmers. The 'depeasantization' or 'proletarianization' approach is influenced by classical Marxist writers on the agrarian question, such as Lenin (1964, orig. 1899) and Kautsky (1988, orig. 1899).<sup>18</sup>

The Latin American debate about the future of the peasant economy continues today as it raises crucial issues about the nature of the agrarian question and transition (Llambí 1991). While theoretical differences continue to feed the debate, the changing reality and the availability of new statistical data also require an ongoing process of reinterpretation. The peasant economy will undoubtedly survive for some time to come in Latin America. The key question concerns the terms of this survival: prosperity or destitution? Can the peasant economy provide adequate productive employment and rising incomes? Will peasant producers be able to increase productivity thereby stemming the erosion of their past role as a major supplier of cheap food or will they become a mere supplier of cheap labour to the capitalist entrepreneurial farm sector? Or, even worse, will the peasant economy become a refuge for rural labourers who are unable to find alternative employment opportunities in either the urban or rural sectors and in which they do no more than barely survive?

### The Contemporary Significance of the Peasant Economy

In the past, the importance of the peasant economy in Latin America was often underestimated as national census data failed to record it, or to record it accurately, especially the peasant tenant enterprises within the hacienda system (the 'internal peasant economy'). This past (largely pre-1970s) neglect of the peasant economy has led scholars to underestimate the process of proletarianization, principally 'internal proletarianization', as well as overestimate any subsequent peasantization of 'internal peasantries' resulting from land reform or parcellization processes.

Turning to the present, the peasant household farm sector is still a significant sector within Latin American rural economy and society. As we have seen, the peasant economy has not faced a unilinear decline. In particular, the parcellization of the reformed sector in Chile and Peru and, more recently, in Nicaragua has significantly expanded the peasant sector. In Chile parceleros control more land than the former external peasant

enterprises who did not benefit from land reform. In Peru, external peasant enterprises from peasant communities managed to gain access to some land of the former hacienda system but only by seizing land ('asedio externo' or 'external siege') from the reformed sector.<sup>19</sup>

It is estimated that peasant agriculture in the 1980s in Latin America comprised four-fifths of farm units, possessed a fifth of total agricultural land, over a third of the cultivated land, and over two fifths of the harvested area (López 1982: 26). The peasant economy accounted for almost two thirds of the total agricultural labour force, the remaining third being employed by entrepreneurial or capitalist farms. Furthermore, peasant agriculture supplied two fifths of production for the domestic market and a third of the production for export. Their contribution to food products for mass consumption is particularly important. At the beginning of the 1980s, the peasant economy provided an estimated 77 per cent of the total production of beans, 61 per cent of potatoes and 51 per cent of maize, as well as 41 per cent of the share of such export products as coffee. In addition, the peasant economy owned an estimated 24 per cent of the total number of cattle and 78 per cent of pigs (*ibid.*: 28). Other estimates, which use a wider definition of the peasant economy, show that peasant farming made a particularly large contribution to agricultural production in the following countries: Bolivia 80 per cent, Peru 55 per cent, Mexico 47 per cent, Colombia 44 per cent, Brazil 40 per cent, and Chile 38 per cent (Jordán *et al.* 1989: 225).

### The Process of Semi-Proletarianization

While the peasantry is far from disappearing, it is not thriving since their relative importance as agricultural producers has declined. According to de Janvry and associates (1989a) the Latin American peasantry are experiencing a 'double (under-)developmental squeeze'. Firstly, they face a land squeeze. By failing to acquire additional land to match their increased numbers, the average size of peasant farms has decreased. This decline of the peasant sector mainly concerns the small peasantry (minifundistas) which accounts for about two thirds of peasant farm households. Their average farm size decreased from 2.1 hectares in 1950 to 1.9 hectares in 1980. The remainder of the peasant sector retained an average farm size of 17 hectares, partly through the implementation of redistributive land reforms (de Janvry *et al.* 1989b: 74). The precariousness of smallholders is underlined by the fact that about 40 per cent of minifundistas lack property titles to the land they farm (Jordán *et al.* 1989: 224). Secondly, peasants face an employment squeeze as employment opportunities have not kept pace with the growth of the peasant population and as they face increased competition from urban-based workers for rural employment.

This double squeeze on the peasant economy has led many peasants to migrate, feeding the continuing and high rate of rural out-migration.<sup>20</sup> Peasants have also responded by seeking alternative off-farm sources of income (such as seasonal wage labour in agriculture) and/or non-farm sources of income (such as small-scale informal enterprises and agro-industries).

In many Latin American countries over a quarter of the economically active agricultural population currently reside in urban areas and the proportion of the economically active rural population which is engaged in non-agricultural activities is rising, reaching over forty per cent in Mexico and averaging about twenty-five

per cent in others (Ortega 1992: 129). Thus non-farm employment, is expanding faster than farm employment in rural Latin America. This trend means that an increasing proportion of total peasant household income originates from wages, whereas income from their own-farm activities often comes to less than half the total (de Janvry *et al.* 1989b: 141).

This process, which can be called semi-proletarianization, is the main tendency unfolding among the Latin American peasantry, according to evidence provided by de Janvry and associates (1989a, 1989b), Ortega (1982, 1986) and ECLAC/FAO (1985). It is the small peasantry who can be more accurately characterized as semi-proletarian as between two-fifths and three-fifths of their household income is derived from off-farm sources, principally from seasonal agricultural wage employment on large commercial farms and estates (de Janvry *et al.* 1989b: 63). As the small peasantry is the most numerous, it can be argued that this process of semi-proletarianization is dominant. However, this process of semi-proletarianization is less marked in those few Latin American countries where land reforms significantly increased peasant access to land.

The Latin American peasant sector has increasingly become a refuge for those rural labourers who are unable or unwilling to migrate to the urban areas and who cannot find permanent employment in the capitalist farm sector. Thus, while the peasant economy increased its share of employment by 41 per cent between 1960 and 1980, employment in capitalist agriculture increased by only 16 per cent (de Janvry *et al.* 1989b:59). Furthermore, rapid technological improvements in the capitalist farm sector and the insufficient land and capital resources of the peasant farm sector and its technological stagnation, make a decline in the peasants' role as agricultural commodity producers inevitable unless corrective measures are taken by the State.

In short, Latin America's peasantry appears to be trapped in a 'permanent process of semi-proletarianization'. Their access to off-farm sources of income, generally seasonal wage labour, enables them to cling to the land, thereby blocking their full proletarianization. This process favours rural capitalists as it eliminates small peasants as competitors in agricultural production and transforms them into cheap labour which they can employ. Semi-proletarianization is the only option open to those peasants who wish to retain access to land for reasons of security and survival or because they cannot find alternative productive employment, either in the rural or urban sector.

## VII. THE INCIDENCE OF RURAL POVERTY

The form taken by agricultural modernization in Latin America, with its emphasis on capital intensive farming and the squeeze on the peasant economy noted above mean that rural poverty remains a persistent and intractable problem. Estimates of poverty vary because of the inadequacy of the data, and the different methodologies and definitions employed. For example, Feres and León (1990: 149-50) estimate that while the percentage of rural households below the poverty line decreased during the 1970s from 62 to 54 per cent in 1980, this latter percentage remained almost constant during the 1980s.<sup>21</sup> The picture for those in destitution differs as their percentage increased from 28 to 31 per cent of rural households, revealing that it was largely the poorest among the rural poor (such as wage labourers and smallholders) who most suffered the consequences

of the 1980s crisis (*idem.*). According to other estimates both rural and urban poverty increased in the 1980s: rural poverty from 45 per cent of the rural population in 1980 to 53 per cent in 1989; urban poverty from 17 to 23 per cent (The Economist 1993b: 43).<sup>22</sup> Nevertheless, 'the poor today are better educated, in better health, and have a longer life expectancy than they did in the 1950s, even if these basic need indicators have generally declined since 1980' (Janvry *et al.* 1989b: 54). This indicates the relative nature of poverty.

Despite differing estimates, however, all authors agree that poverty is shifting to the urban areas. Poverty in Latin America is mostly an urban phenomenon today since the crisis and adjustment process of the 1980s particularly affected the urban sector and because of the continuing high rates of rural to urban migration. In 1970, 58 per cent of Latin America's poor lived in rural areas but by 1980 this had fallen to 51 per cent and by the year 2000 it is projected to decline to 40 per cent (Ibáñez 1990: 17). However, the proportion of people in poverty still remains higher in rural areas.

Estimates of the incidence of rural poverty in Latin America and the Caribbean for 1989 indicated that over three-quarters of the rural population lived in poverty in Haiti, Bolivia, Guatemala, Honduras, Nicaragua and El Salvador; between three-quarters and a half of the rural population lived in poverty in the Dominican Republic, Brazil, Mexico, Peru, Panama, Colombia, Ecuador, Venezuela, Paraguay, Chile and Jamaica; between a half and a quarter of the rural population live in poverty in Trinidad and Tobago and Costa Rica; and below a quarter in Grenada, Argentina and Uruguay (*ibid.*: 20). Within countries, indigenous communities and rural women are particularly vulnerable to poverty.

### **Structural Adjustment, Liberalization and Poverty**

Structural adjustment programmes and stabilization policies of the 1980s are generally considered to have had a detrimental impact on poverty. The contraction of internal demand as a result of adjustment policies negatively affected those farmers producing for the domestic market. Furthermore, trade liberalization policies increased the competition from food imports (Herrero and Trejos 1992). However, the elimination of price controls on some basic food products partly compensated for the fall in internal demand and the devaluation of local currencies created incentives for agricultural exporters.<sup>23</sup>

Adjustment policies exacerbated poverty as government expenditure on social welfare, subsidies to basic foods and other essential commodities and services was cut back. However, some governments reduced this negative impact by targeting welfare payments more closely and by introducing poverty alleviation programmes. For example, in Chile adjustment policies increased the number of poor families from an average of 38 per cent in 1980-81 to about 50 per cent in 1982-83, the most critical years. By 1989-90 rural poverty had declined to 40 per cent (Larrañaga 1992: 287) and continued to fall thereafter due to the democratically elected government's attempts to reduce poverty. Extreme poverty in the countryside was 20 per cent in 1987 and 18 per cent in 1990, but it fell quite sharply to 11 per cent in 1992 (The Economist 1993b: 44).

In Peru, poverty has remained relatively steady affecting around two-thirds of rural households during the 1970s and 1980s, while in the urban sector it increased from 28 per cent in 1970 to 45 per cent in 1986. The proportion of families living in destitution is particularly higher in the rural sector as compared to the urban

sector. In the rural areas, almost 40 per cent were in this condition throughout the 1970s and 1980s while in the urban areas, even though the level of destitution doubled from 8 per cent to 16 per cent, it was well below the rural proportion (Gonzales de Olarte 1992: 373). In Brazil, rural poverty fell substantially during the years of economic expansion from a shockingly high level of 78 per cent in 1970 to 50 per cent in 1980, rising to 61 per cent by 1988 as a consequence of the economic crisis and adjustment measures (Nakano 1992: 142).

The main cause of rural poverty is structural, being related to the unequal land distribution and the increasing proportion of semi-proletarian and landless peasants. Tackling the root causes of poverty will require major land redistribution and rural investments, raising employment opportunities, improving agricultural productivity, particularly of smallholders, thereby affording higher wages and peasant incomes. Only by such a generalized assault on various fronts will it be possible to alleviate rural poverty significantly. To achieve these goals rural workers and peasants have to strengthen their organizations as well as their alliances with other social groups in society so as to alter the balance of political power in their favour. Government efforts (if any) are likely to be directed towards tackling urban poverty, if only for short-term expedience. However, Latin America's poverty is directly related to unresolved agrarian problems. How long such a process of massive rural out-migration and government neglect of the rural poor is sustainable remains an open question.

### VIII. THE PARADOX OF COCA FARMING

This paper would be incomplete if it did not refer to the economic and socio-political impact of the illegal cultivation of coca in Peru and Bolivia which are the two main producing countries of this crop in the world. Coca farming is a crop which binds together poor peasants from the South and consumers from the rich North through a whole network of illegal national and international agroindustrial, commercial, financial and 'security' activities. These activities have shaken the political foundations of the state in countries like Colombia, undermined democratic institutions in Peru, spawned 'narcoterrorism' (as well as narcocounter-terrorism), and produced new and shifting alliances between peasant growers and insurrectionist organizations like Shining Path in Peru.

The upper jungle regions and semi-tropical valleys in Peru and Bolivia are particularly well suited for the cultivation of coca, giving them a strong international comparative advantage. The rapid expansion of coca production since the 1970s is due, on the one hand, to the rising external demand for cocaine by the rich countries of the North and, on the other hand, to the failure of successive governments to provide adequate income opportunities for peasants, particularly the highland peasantry. Furthermore, the return to market-oriented policies and shock-treatment stabilization programmes have given a new (though unintended) boost to the expansion of the coca economy in Peru and Bolivia. The rural poor have migrated to the jungle region in search of 'white gold' and swollen the number of those who had already migrated there in earlier decades as a consequence of the crisis of the highland rural economy. This migration has had adverse ecological consequences and it is estimated that coca alone is responsible for about a tenth of this century's deforestation of the Peruvian Amazon region (Alvarez 1992).



The paradox of coca is that while its production can be considered suitable from an international comparative advantage point of view it is highly undesirable due to its connection to drug abuse; its illegality; its negative social and political consequences; the distortions it creates in the economy; the economic dependence it fosters as well as foreign interference in the countries' internal affairs; and, last but not least, for moral and ethical reasons. Thus, the cultivation of coca for illegal purposes cannot be justified and it must be clearly distinguished from the legal cultivation of coca undertaken for centuries by the indigenous population for cultural and physiological reasons. In what sense then can it be considered a suitable crop? As Léons (1993) argues, the semi-tropical valleys of these jungle regions are admirably well suited for the production of this cash crop which can thrive on poor soils, does not require chemical fertilizers, is relatively resistant to pests, is produced by peasants, is labour intensive, can be cropped five times during the year, and is a native species using centuries of indigenous knowledge for its cultivation. Thus, it apparently has most of the attributes of what is generally considered in the development literature as an 'appropriate product' which uses appropriate technology and is a typical peasant crop suitable for small-scale farming.

It is extremely difficult to get any reasonable estimates on the economic importance of coca production and, thus, any figures have to be treated with caution. Nevertheless, the following estimates may give an idea of the order of magnitude of this activity. The estimates given for Peru by Alvarez (1992) seem to be the most reliable and they indicate that for 1988 the value added of coca ranged from 2 to 11 per cent of GDP, generated between 14 to 35 per cent of total income from legal exports, and provided employment for about 4 per cent of the total and 9 per cent of the agricultural active labour force respectively. For Bolivia it is estimated that coca and cocaine exports were comparable to the value of all legal exports during 1987-89 and that it employed between 2 and 6 per cent of the total labour force (De Franco and Godoy 1992: 376).

According to Alvarez (1992), the social and political costs of illegal coca production far outweigh the economic gains it provides. Among these social and political cost can be mentioned the political instability, violence and crime it promotes, the erosion of the state, civic institutions and moral values it fosters, the corruption it creates, and the human drama of drug addiction it perpetuates (Zamosc 1990a). Even though some of these factors cannot be quantified in economic terms they surely are dramatic enough to call for governments and international institutions to take decisive action for its containment and reduction, if not elimination. However, so far such decisive action has not been forthcoming. Coca eradication and crop substitution programmes have been unsuccessful since governments and international agencies are unwilling to foot the bill for making alternative crops to coca a more profitable proposition for peasants (Morales 1990, Léons 1993).

## IX. MULTIPLE PATHS OF TRANSITION

The characterisation and identification of the future development path of Latin American agriculture has been the subject of extensive theoretical debate. In the early 1970s, I argued that the landlord road was the predominant path to agrarian capitalism in Latin America, a view largely shared by Murmis (1980), de Janvry (1981), Zamosc (1990b), and others. Goodman and Redclift (1982), as well as the campesinistas in the debate

mentioned earlier, criticised this view for underestimating the strength and survival capacity of the peasantry. It was Lehmann (1982 and 1986), however, whose work on Ecuador first clearly identified a viable peasant path. But this path was confined to a section of the peasantry which he conceptualized as 'capitalized peasant farmers'. Many other researchers subsequently 'discovered' such a 'capitalized peasantry' in different areas of Latin America. However, I never denied the possibility of a peasant path to agrarian capitalism but saw it as either subordinated to the dominant landlord path or as the outcome of a shift in the class struggle in favour of the peasantry which could result in major redistributive land reforms and/or beneficial macroeconomic policies (Kay 1971, 1979, 1988).<sup>24</sup> In my view, the landlord road to agrarian capitalism was dominant in the past, but today a multiplicity of paths can be observed in Latin America.

Compared to the bimodal structure of latifundia-minifundia, the Latin American countryside is now characterised by greater complexity and diversity through a process which could be labelled 'polarization with heterogeneity' (CEPAL/FAO 1986). On the one hand, a large proportion of former haciendas or latifundios have successfully been, or are being, converted into medium-sized modern capitalist enterprises, relying mainly on wage labour, using advanced technology, and integrated into the domestic and international markets. In addition, in those countries where the reformed sector was subdivided into parcelas (plots of land), the peasant farm sector has been significantly expanded. A proportion of the parceleros (those beneficiaries who acquired a parcela) might eventually join the capitalized-peasant farmers by successfully taking advantage of new market opportunities, new products, improved links with agroindustries, pro-peasant government policies, NGO support, and other possibilities which might arise. On the other hand, the modernization of the latifundia has furthered the peasantry's proletarianization, especially the 'internal peasantries' or tenants. Meanwhile the semi-proletarianization of many small peasants is a significant and persistent trend (López Codovez 1985: 20-22). Consequently today's agrarian structure is both more complex and fluid than in the past.

Undoubtedly, it is the modernized capitalist farmers, often linked to agro-industrial and international capital, who set the pace and control the direction of Latin America's agrarian developments - within the limitations imposed by the relative decline of agriculture in the economy and its subordination to the penetrating processes of trade liberalization and globalization. Thus, while the 'capitalized peasant farmer' road will continue to develop it is the 'capitalized capitalist farmer' road which predominates in today's Latin American rural development.

### Viability of a Peasant Path

What then are the prospects for a peasant path to rural development? It is well known that access to capital, technology, and domestic and foreign markets, as well as knowledge and information systems, are becoming increasingly important relative to access to land in determining the success of an agricultural enterprise. Even though in recent decades some peasants managed to gain access to land through agrarian reforms this by no means secures their future development (Carter and Meshah 1993). Indeed, peasants in general are in an increasingly disadvantageous position compared to capitalist farmers with regards to the above mentioned factors and this does not auger well for their future prospects. For example, the widening technological gap between

the capitalist and peasant farm sectors has prompted those concerned to urge international agencies, governments and NGOs to adapt existing modern technologies to the needs of the peasant sector as well as to create more 'peasant-friendly', appropriate and sustainable technologies (Echenique and Rolando 1989, Bebbington and Thiele 1993: 60-73). Such a policy, however, runs the danger of relying exclusively on technological fix, while the sustainability of peasant agriculture depends on wider social and political issues and particularly a favourable macroeconomic context (Figueroa 1993). In short, a viable peasant road to rural development raises questions about development strategy and ultimately about the political power of the peasantry and their allies (Miró and Rodríguez 1982: 16).

For a peasant path to rural development to succeed it requires a major shift in development strategy, land redistribution, and a major transfer of resources towards the peasant economy to ensure its capitalization on a scale broad and deep enough for it to compete successfully both in domestic and international markets. But the widespread adoption and intensification of liberalization policies in Latin America and the decline of developmentalist state policies do not encourage such a possibility.

In recent years, concerned scholars and institutions have become increasingly vociferous in pointing out the adverse impact of Latin America's 'selective' agricultural modernization on the peasantry. As opposed to the 'concentrating and excluding' ('concentrador y excluyente') character of this process of modernization, they call for a strategy which includes the peasantry in the modernization process (Calderón *et al.* 1992, Murmis 1993). Such an 'inclusive' modernization is seen as part of the democratisation of rural society (Fox 1990) and some authors speak of 'democratic modernization' to highlight this link (Chiriboga 1992). Currently, suggestions are being made with a view to 'changing production patterns with social equity' in Latin America and for the 'productive reconversion' of its agricultural producers so as to meet the challenges of an increasingly internationalized and global world economy in the new millennium (ECLAC 1990, 1992b). To forward these aims, special government policies in favour of the peasantry (a form of positive discrimination) are proposed, to reverse the past bias in favour of landlords and rural capitalists.

Whether or not these proposals will be adopted is an open question. The neoliberal project has not gone unchallenged by peasants. The peasant rebellion in Chiapas, the most southern and indigenous region of Mexico, at the beginning of 1994, was fuelled by the exclusionary impact of Mexico's agricultural modernisation on the peasantry and by fears that the negative consequences of trade liberalization will increase following the integration of Mexico into the North American Free Trade area (Bulmer-Thomas, 1994). Undoubtedly Mexico's peasant economy cannot compete with the large-scale mechanized maize and cereal farmers from North America unless special protective and developmental measures are adopted in their favour (Calva 1991, Carton de Grammont 1991, The Economist 1993a).



## X. CONCLUSIONS

In this paper it has been shown how Latin America's rural economy and society have been transformed in the past few decades as a consequence of the increasing capitalist development of agriculture and its further integration into the world economy. Latin America's agriculture is now an integral part of the new world food regime. Agro-industrial modernization and globalization have profoundly changed the technical and social relations of production in the countryside. Furthermore, the shift towards a new liberal era reminiscent of the pre-1930 liberal era of outward-oriented growth seems to be a structural transformation.

This form of modernization has benefited only a minority of the rural population and excluded the vast majority of the peasantry. The beneficiaries are a heterogeneous group, including agro-industrialists, capitalist farmers, some capitalized peasant households, and part of the more skilled workforce. The losers are the semi- and fully proletarianized peasantry, the majority of rural labourers whose employment conditions have become temporary, precarious and 'flexible'. Some landlords, however, have also lost out especially in countries where more radical agrarian reforms were implemented or where they have succumbed to competition following the liberalization of the country's trade.

Agriculture and the rural sector are increasingly being subordinated to industry and the urban sector in terms of production processes (with the growth of agro-industries) and in terms of the demand for products. The dynamism of agriculture is increasingly dependent on the stimulus it is able to receive from the urban-industrial economy. This is accompanied by the rising importance of rural non-agricultural employment as well as off-farm activities for agricultural producers.

With the increasing integration of Latin America's rural sector into the urban sector, the boundaries between rural and urban have become ambiguous. The massive rural out-migration has partly 'ruralized' the urban areas and the countryside is becoming increasingly urbanized. Urban and rural labour markets have become more closely interlinked. The land market has become more open and competitive enabling urban investors and international capital to gain greater access to agricultural land. Competition among agricultural producers has intensified due to the more fluid situation in the land, capital and labour markets. The survival of large landlords, let alone peasant farmers, is no longer guaranteed unless they keep up with technological developments, innovate, and adjust their output pattern and production structure according to the changing market conditions.

While the rural economy and society is less important today than in the past, it still retains critical significance in most Latin American countries. The 'lost decade' of the 1980s, when structural adjustment programmes proliferated throughout Latin America, reveals the strength of the rural economy in confronting the debt crisis and responding to changed circumstances such as a new impetus to export agriculture. To ignore the agrarian question of unequal access to land, rural poverty, and exclusionary modernization, is ill-advised. In Brazil and Guatemala, the land problem has not yet been addressed whilst in many others it remains unresolved. Rural poverty remains widespread and discrimination against indigenous communities is still pervasive. Last, but not least, new ecological problems are presenting themselves.

Although the shift from a State-centred inward-directed development process to a neoliberal market- and export-oriented model has weakened the power of traditional peasant organizations through the fractioning of rural labour, many social conflicts will continue to originate and erupt in the countryside. New grassroots organizations have emerged in the countryside and it will be politically difficult to continue to impose the neoliberal model upon the peasantry regardless of its consequences, especially in those countries where a transition to civilian government has occurred. It is possible that rural conflicts might even become more violent than in the past due to the fact that the State has been weakened in its mediating and incorporating capacity, and because the political parties, NGOs, church and other intermediary organizations are unable to deal with the effects of the current unequal and excluding pattern of rural modernization. The neoliberal model has had in particular an pernicious impact on the swelling ranks of the semi-proletarian peasantry and the landless workers, who might become a major force in future social struggles in the countryside.

Whether these problems and conflicts can be resolved within 'actually existent' capitalism is open to debate. Given the demise of 'real existent' socialism, solutions invite new reflections about alternative projects not necessarily of a post-marxist or post-modernist kind.

## NOTES

1. Brazil, Mexico, Argentina and Colombia, the four largest agricultural economies in Latin America, contributed 37.5, 17.7, 10.0 and 9.9 per cent respectively to Latin America's agricultural GDP and collectively they accounted for 75.1 per cent of GDP in 1991 (ECLAC 1993: 187).

2. For useful analyses of the impact of the debt crisis and structural adjustment programmes on Latin America's agriculture see the various articles in CEPAL Review, No. 33, 1987; Twomey (1989) and Trejos (1992).

3. Brazil's soybeans' output soared 22 per cent a year and increased 18-fold during 1969-1984 (IDB 1986: 73).

4. As a traditional mineral exporter, Chile's agricultural exports started from a very low base contributing only 3.2 per cent to total export earnings in 1970. The removal of existent disincentives and the adoption of agricultural export promotion policies increased agriculture's share to 17.9 per cent in 1991 (ECLAC 1993: 81).

5. Under the initiative of the Alliance for Progress the most comprehensive studies on Latin America's agrarian structure were undertaken during the first half of the 1960s by the Inter-American Committee for Agricultural Development (CIDA for short in Spanish) which was set up by the Organization of American States (OAS) and other international agencies (IDB, FAO and IICA). Voluminous reports on nine countries were written but only seven of them were published: Argentina (1965), Brazil (1966), Colombia (1966), Chile (1966), Ecuador (1965), Guatemala (1965) and Peru (1966). Furthermore, a series of accompanying monographs on various aspects of land tenure and rural labour were also published. These reports became known as 'the CIDA Studies' and remain until today the most comprehensive collective research effort into the region's agrarian structure yet undertaken. These CIDA Studies had a major influence in shaping a certain view on the Latin American agrarian question as well as on policy, especially regarding the design of agrarian reform policies. An excellent summary of these reports was edited by Solon Barraclough (1973) who together with Domike also published a seminal article (1966).

6. Some of these categories are overlapping due to the multiple occupations of peasants but the data do give a rough overview of the rural labour structure. These data refer to the situation in the 1950s or early 1960s. By the early 1970s a break down of Latin America's farm population shows that an estimated 37 per cent were wage labourers, 33 per cent smallholders, 28 per cent medium-sized farmers and 2 per cent large landowners. The extreme unequal distribution of income is revealed by the fact that wage labourers and smallholders had only a subsistence income, receiving 35 per cent of total agricultural income while forming 70 per cent of the farm population. Meanwhile medium-sized farmers accounted for 43 per cent and large landowners 22 per cent of total farm income (López 1982: 27).

7. Today land reform proponents tend to include gender and environmental concerns and particularly emphasise social participation and political democratization.

8. In Brazil, with the return to civilian government in the mid-1980s, hopes that an agrarian reform would be carried out were very high but were soon crushed by strong opposition from landlords. However, the issue is unlikely to disappear given the demand from impoverished peasants and landless rural workers for land redistribution (de Souza Leite 1994).

9. These data should be regarded as indicating orders of magnitude as estimates vary between authors. Also some of the data have not been updated for lack of more recent information or otherwise, see Deere (1985: 1039), CEPAL/FAO (1986: 22), IDB (1986: 130), Ghai *et al.* (1988: 10, 14), Thiesenhusen (1989), Wilkie (1990: 52 ff.), Cardoso and Helwege (1992: 261), and Dörner (1992: 34).

10. For example, in Guatemala the CIA-supported overthrow of Arbenz in 1954 reversed the agrarian reform which had resulted in the expropriation of about one-fifth of the country's arable land and temporarily benefitted almost a quarter of the peasantry (Brockett 1988: 100).

11. The term 'entrepreneurial agriculture' gained prominence with the publication of the influential book by CEPAL (1982) written by Schejtman. Throughout this paper, I use this term synonymously with 'capitalist farm sector'.

12. This rent income can be either (a) direct or explicit rent income through rents in kind or money obtained from sharecroppers or other tenancy arrangements as well as labour-rents from labour-service tenants (corvée labour) or (b) indirect or implicit rent income (which can also be characterized also as a form of surplus value extraction and appropriation) which is obtained through the underpayment of labour from tenants and their household members who have to work for the landlord in return for a 'small wage' or 'reduced wage'. This partial wage is significantly below the average wage rate of rural workers. In return landlords provide these tenant-labourers with housing and a garden plot, and sometimes also access to an additional piece of land and/or pastures. Thus these type of workers are permanently resident on the estate through their attachment to housing and access to land within it. For a discussion of these concepts and issues, see Kay (1974, 1977b).

13. According to Barraclough (1991: 55) by the 1980s over half of Latin America's agricultural workers were landless.

14. The criteria of efficiency often made reference to the existence of machinery and the use of wage labour as opposed to tenant labour. Tenancies were particularly frowned upon as they were considered a relic of the past and part of a feudal and oppressive labour regime.

15. The evidence available on the question of whether these changes have improved or worsened the position of women relative to men is inconclusive, see Wilson (1985), Flora and Santos (1986), Deere and León (1987), Bradshaw (1990), IDB (1990), and Lago (1992).

16. Lara (1992) coins the term 'agromaquila', thereby drawing a parallel to the industrial maquilas in the border region with the US, to characterize the feminization of rural wage labour in Mexico which is also linked to exports largely to the US market.

17. The debate between the 'campesinistas' and the 'descampesinistas' or 'proletaristas' ('proletarianists') was particularly intense in Mexico. For key participants in this debate, see Feder (1977a, 1977b, 1978), Paré (1977), Stavenhagen (1978), Esteva (1978, 1983), Warman (1979, 1980), Schejtman (1980) and Bartra (1974, 1993). For excellent analyses of this and other debates in a wider context, see Harris (1978), Crouch and de Janvry (1979), Astori (1981, 1984), Heyning (1982), Hewitt de Alcántara (1984), Reinhardt (1988), Barsky (1990) and Deere (1990).

18. There are intermediate, as well as shifting positions, in this debate between 'peasantists' and 'de-peasantists'. In some instances there is even a merging of positions as a consequence of the debate itself, further empirical research and new theoretical reflections. Thus some Marxists have become influenced by the writings of Chayanov and vice-versa, having as an outcome a marriage between neo-Marxist and neo-Chayanovian positions, such as in the case of 'Chayanovian-Marxism' (Lehmann 1986).

19. For a discussion of the terms 'internal' and 'external' as related to peasantry, peasant enterprises, siege (asedio), proletarianization and peasantization, see Kay (1971, 1974).

20. High rural outmigration means that the rural population represents a declining share of total population, falling from 59 per cent in 1950 to 28 per cent in 1990 (Ortega 1992: 121). Almost all population growth (94 per cent) between 1960 and 1990 was urban and the rural population may decline in absolute numbers by the next millennium (ibid.: 134).

21. Expressed in terms of population, instead of households, the percentage of rural poor is slightly higher, in view of their larger family size compared to non-poor rural families, being about 60 per cent during the 1980s (Herrero and Trejos 1992: 405).



22. According to Ortega (1992: 131) Latin America's rural poor as a proportion of the total rural population fell slightly from 65 per cent to 61 per cent between 1970 and 1989, although the total number of rural poor continued to rise. However, the level of extreme poverty, indigence, or destitution remained relatively constant during this period.

23. According to Weeks (1993: 31) devaluation rather than liberalization acted as a stimulus to agricultural exports. Meanwhile Hopkins (1993: 22) found that 'the greater the degree of openness, the lower the expansion of agriculture' which is related to the fall in the international price of agricultural commodities during the 1980s. This is partly brought about by the fallacy of composition as many indebted countries simultaneously increased their agricultural exports (in quantitative terms) in the hope of augmenting their foreign exchange earnings. However, this proved self-defeating as it contributed to the fall in the international price of agricultural commodities and to their deteriorating terms of trade (Weeks 1993).

24. In a paradoxical way, I focused attention on the peasant economy by stressing the importance of the hitherto much neglected 'internal peasantries' of the hacienda system which only a few others had highlighted previously. But at the same time I was not optimistic about their economic future as I saw them subjected in varying degrees to pressures of proletarianization and depeasantization which would eventually lead to their demise as petty commodity producers. The main escape from their fate which I visualized was through major political changes which might give them access to land and support their entrepreneurial development. As for the 'external peasantries' I saw their proletarianization as being a more problematic and lengthier historical process subjected to a protracted process of socio-economic differentiation.



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