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## **NEOLIBERAL POLICIES, SMALL FARMERS AND LOCAL ORGANIZATIONS: TOWARDS AN INCLUSIVE AND DEMOCRATIC RESTRUCTURING OF AGRICULTURE IN TUCUMAN, ARGENTINA**

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# WORKING PAPERS

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I N S T I T U T E      O F      S O C I A L      S T U D I E S

NEOLIBERAL POLICIES, SMALL FARMERS AND LOCAL ORGANIZATIONS:  
TOWARDS AN INCLUSIVE AND DEMOCRATIC RESTRUCTURING OF  
AGRICULTURE IN TUCUMAN, ARGENTINA

by  
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"History is a series of unpredictable events but social scientists, when it has happened, make it predictable"

Freedman Dyson,  
Disturbing the Universe



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## Introduction

During the last decade Third World Countries have experienced a deep restructuring of their economies. After the crisis of the Import Substitution Industrialization model of development, a new strategy based on export orientation and less state intervention is being pursued by using as privileged instruments the liberalization, privatization and deregulation of the economy.

In Argentina this general pattern has also been pursued and was consequently followed by changes in the role of the different sectors of the economy as well as within the agricultural sector itself. Though agriculture has become the leading economic sector, it has experienced uneven growth: activities linked to export markets have flourished -i.e. soya production- but the ones traditionally oriented to satisfy the domestic demand did not perform in the same way. Particularly, those products that are central to the regional economies -i.e. cotton, yerba mate, sugar- have shown declining trends in production and prices, a fact that has negatively affected the small farmers who have been historically involved in these activities (Aparicio, Giarracca and Teubal, 1992).

In this paper I will focus on one of such declining productions: the sugar agro-industry, which is the single most important activity of the NorthWest region of the country. In the province of Tucumán, cane production represents 60% of the agricultural GDP and involves around 8.000 small producers whose main income comes from sugar-cane production (Macció et all, 1992).

In the past years sugar production has been experiencing a crisis that, although rooted in the history of the activity, emerged as a consequence of the overall deregulation of the economy that the present government of the country implemented in 1991 and which included the sugar sector, previously heavily regulated by the state. As an immediate consequence, there was a fall in the product's price within the domestic market, accompanied by a sharp decrease in farmers' share in the total income of the sugar agro-industry.

The main concern of this paper is the situation and future prospects of the small sugar-cane producers who see their conditions of existence and reproduction threatened by the sugar crisis. The challenge does not only involve their incomes, though that is quite an important part of the problem. It also involves small farmers' existence as economic agents and social actors, since, as the crisis makes necessary a restructuring of the activity, it implies a change in the traditional social relations that structured the sugar agro-industrial complex. Moreover, the restructuring of the sugar sector may impose changes in the agricultural production patterns, or in other terms, a process of reconversion which will affect the agrarian structure of the province. Can those changes develop in such a way that small farmers would not be left out of the activity or of agricultural production? This is the preoccupation that gave birth to the paper.

The socio-economic policies that are being implemented nowadays in Argentina -which deepen the liberalization and deregulation of the economy- do not tend to favour or protect the weakest social groups of the population. On the contrary, many studies have shown that these policies have worsened their situation (See Torrado, 1992; Minujin, 1992). Besides, the sugar sector is characterized by very unequal relations between small cane growers and sugar mills. Therefore, pessimistic views about the future of small sugar-cane producers tend to predominate.

However, these producers have faced, in their past, many critical situations which threatened their existence and, in confronting them, have developed individual and collective strategies to resist their exclusion from the activity. They are not passive subjects but active social actors organized in cooperatives and in a farmers' union that have effectively defended them. Hence, they have built up instruments which can be used to confront this new crisis and to counteract the negative effects that follow.

To evaluate the situation and future prospects of small sugar cane

producers, the tendencies that result from the new situation as well as the scope, possibilities and limits of farmers' individual and collective action will be considered. However, since the situation is new, the adequateness of small farmers responses can not be taken as given but has to be assessed in the light of the new challenges they have to confront. Therefore, a good characterization of the socio economic and political context in which the sugar crisis takes place as well as of the crisis and its implications is needed to evaluate whether and how the sugar agro-industry can be restructured in a democratic and inclusive manner.

The challenge of a "democratic and inclusive modernization of agriculture" (Calderón, Chiriboga and Piñeiro, 1992) is not confined to the sugar sector of Argentina. The possibility of exclusion of vast sectors of the rural population affects different types of small/peasant farmers who lack the resources to adapt themselves to the new socio-economic and political conditions of the nineties, not only in Argentina but in other Latin American countries as well (ibid; Murmis, 1993). Exploring the way in which that challenge may be confronted in the specific case of the sugar sector of Tucumán may suggest appropriate forms of intervention to counteract or prevent the negative social effects of modernization processes in other cases. Besides, the analysis will also throw light on two key general issues that are being debated nowadays: the impact of neo-liberal policies on small farmers, on the one hand, and the role of local social actors in rural development, on the other.

#### On the theorectico-methodological approach

Given the way the problem is defined, it will be necessary to use the past and the present experiences in order to think about the likely outcomes of the crisis. However, the paper will not make an attempt to diagnose and consequently predict the future. On the contrary, the analysis will try to bring into the

picture the different and sometimes contradictory elements that conform to the situation, trying to find spaces in which some kind of "intervention from below" can effectively take place, as well as the factors that would enable and/or constrain this kind of intervention<sup>1</sup>.

The starting point is to think about the crisis as a moment of de-structuration, of rupture of a social order whose result cannot be a-priori determined (See Aglietta, 1983). This indetermination can be considered as a result of the importance of human agency as an structuring element of the processes of social reproduction/change. Though human beings are socially constructed and therefore subject to relations that structure their behaviour, they intervene on reality and have the capability "to make a difference" in the social world (See Giddens, 1984:16). Without this innovative ability of social actors, history would not be more than the pre-determined development of forms that contain within themselves the keys of their future evolution.

Despite the fact that deterministic approaches to historical processes have been very influential in the social sciences, they have been widely criticized in the past years and, in different strands of social theory, theoretical and methodological "space" for socially conditioned human agency has been created (i.e. Giddens, 1984; 1987; Bourdieu, 1988).

In the field of Development Studies, Norman Long has emphasized the need to develop actor-oriented perspectives for the study of agrarian change, so as to take into account both the effects of "large-scale structural processes" and the way in which "the actions of peasants themselves or of other local groups may shape these processes" (Long, 1989:5). By trying to reconcile structure and actor perspectives, Long's approach overcomes the limitations of both structuralist views (in which actors' behaviour is not considered a relevant explanatory

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<sup>1</sup> By "effective" intervention I mean one which will allow for the modification of the economic, social and political conditions in which small farmers live.

variable and is seen as a consequence of their "position" in the socioeconomic structure) and of those perspectives for which the actor is a completely free decision-making entity.

The analysis undertaken in this paper follows this theoretical perspective. To give an account of the large scale structural processes, the forms of capital accumulation and state intervention which determine a general developmental path are considered. The sugar crisis is therefore set in the context of the transition from an inward-oriented to an export-oriented and market-driven model of development.

The (unequal) social relations which govern the production and circulation of economic surpluses are key variables affected by (and which in turn affect the outcomes of) large-scale processes of social change. The same causes may lead to different results according to the specific relations that they affect (See Barraclough, 1991). To explain the sugar crisis and to think about its likely outcomes, the relations between the agro-industrial capitalists and the sugar-cane growers, as well as the social differentiation that exist within the group of agricultural producers are therefore analyzed.

But to understand the crisis, its implications and the ways in which it can be overcome, human agency also needs to be given due consideration. Social actors (individual or collectives<sup>2</sup>) are knowing, active subjects, who with their daily practice contribute to the reproduction or change of social orders (Long, 1989:223). Though the sugar crisis is very much the result of market forces, it can not be understood without making reference to the strategies and struggles between the agents who intervene in the sugar complex.

Besides, the outcomes of the crisis will also depend on the strategies deployed by agents in order to confront it. Given the fact that the process analyzed in this paper is evolving nowadays, I cannot study actors' present

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<sup>2</sup> Collective actors are entities with specified means of taking decisions, not statistical aggregates.

strategies. However, the analysis of the past provides some clues to consider different courses of action that could be pursued. This is so because, when deploying their strategies, actors draw from the stock of resources and knowledge available to them. Though space for innovation does exist, resources and knowledge are acquired through past experiences and are available to be mobilized to confront new situations.

The heterogeneity that characterizes agents of the sugar agro-industrial complex in terms of resources as well as the characteristics of the strategies they developed in the past are therefore analyzed to evaluate the possibilities and limits of their individual and collective actions.

#### Organization of the paper

The paper follows the logic displayed in the previous section. In chapter two, a characterization of the macro socio-economic and political context that prevails nowadays throughout the Third World and, particularly, in Argentina, is presented. This is necessary to understand the long-term causes of the deteriorating situation in which the sugar agro-industry and small cane growers are involved as well as to set the scene for an evaluation of its consequences and the assessment of the adequateness of small farmers' strategies to confront it.

The third chapter attempts to explain the sugar crisis. I first describe the agents and social relation which characterize the sugar sector in Argentina and then analyze the sugar crisis, taking into account the economic and political factors that have produced it.

The purpose of chapter four is to consider the consequences of the crisis for small sugar cane growers. To do so, I describe the characteristics of the sugar cane producers in terms of access to resources, use of family/hired labour and productive strategies followed by them in the past. Differentials in technological levels and costs of production are also taken into account to

assess the differential constraints and capabilities of small farmers to confront the sugar crisis.

Chapter five deals with small cane growers' collective action. The characteristics of the cooperative movement and of the farmers union and their representativeness, practice and discourse are analyzed so as to detect the elements that would enable or constrain the development of strategies (at the productive, organizational and sociopolitical level) to negotiate an "inclusive" way of restructuring the sugar agro-industry.



## Chapter 2: A changing world

### 2.1. Neo-liberal policies and small farmers

During the second half of the 1970's and in the beginning of the 1980's many Third World Countries faced economic crises that manifested themselves in low rates of growth, even stagnation accompanied by high inflation rates, acute problems in the external sector (deficits in the balance of payments and indebtedness) and severe deficits in the state budget. The high external indebtedness of Third World countries (specially in Latin America) undermined the autonomy of the nation-states to design and implement national policies. The international financial credit institutions (IMF and World Bank) conditioned the provision of debt-rescheduling and new loans to the application of stabilization and adjustment programmes which tend to set the state finances in order and to promote a new pattern of growth.

The interventionist policies of the state which were designed to protect the "inefficient" sectors (mainly, the industrial sector) by isolating them from international competition were seen as the main cause of those crises. Consequently, after those crises a new strategy based on export orientation and market-driven growth begun to be delineated.

In general the new "development" strategy can be characterized as follows. First, there is a redefinition of the dynamic centre of growth: while previously industry was the most important sector of the economy and the domestic market the major source of demand, nowadays agriculture and export markets have become the leading factors of economic growth.

The strategy is furthermore characterized by the withdrawal of the state from its former role as the main developmental actor. Before, the state was actively involved in the economic and social spheres, directing the process of economic growth. It also provided social services to the population and mediated or regulated the conflicts between different social groups (i.e. workers-

industrialists, peasants-merchants). Nowadays its intervention aims at dismantling the mechanisms that prevent the free operation of the market forces and at the same time lead to deficits in the state budgets that create inflationary pressures. The privatization of state owned enterprises, the liberalization of internal and external trade and the repeal of laws and rules that impede the formation of prices by the supply and demand mechanism (deregulation) are the current instruments to achieve the desired goals. These policies tend to open the economy to world market competition in order to promote a reallocation of resources from inefficient activities which depended on state protection and subsidies towards those which have comparative advantages at the international level (Nana-Sinkan, 1989:31).

Agricultural producers are supposed to benefit from the new orientation of the development process. Among the international agencies which have the power to condition national development policies there exists a general optimistic belief about the ability of neo-liberal policies to solve the problems of rural poverty (See, for instance, IBRD, 1981; Valdés, 1991). However, the experience of Latin American countries shows that only a small part of the peasantry had benefited.

During the eighties, in Latin America, the agricultural sector became the dynamic sector of the economy. While industrial recession and decreasing per capita GDP characterized the global performance of most of the countries, agricultural production and exports increased, a fact that for some authors shows the greater ability of agriculture to adapt itself to the new economic conditions of the eighties (Calderón, Chiriboga and Piñeiro, 1992:20-22).

These changes at the productive level were accompanied by changes in the agrarian social structure of Latin American countries. Capitalist enterprises underwent processes of modernization characterized by a growing use of capital in the production process (use of fertilizers, herbicides, improved or hybrid seeds, mechanization, etc) (ibid:25).

Within the peasant sector the heterogeneity of the group increased. Some peasants found "niches of social reproduction" in export or domestic markets as independent petty commodity producers or articulated to agro-industrial complexes (ibid:34-36; Llambí, 1990:187-192). The ability of these peasants to modernize and include themselves in the agricultural expansion depended on their resource endowments as well as on the existence of institutions or organizations which allowed them to retain economic surpluses and invest capital (Calderón, Chiriboga and Piñeiro, 1992:29). The majority of the peasantry, however, were impoverished and their marginalization as agricultural producers increased. In order to survive these peasants depend on rural or urban labour markets where they obtain a substantial proportion of their incomes (ibid.:36-37; de Janvry, 1991:24).

In this context the problem of the exclusion or marginalization of vast sectors of the rural population is being increasingly discussed. Recently Murmis (1993) has pointed out that peasants have lost their functionality in the process of capital accumulation: they are no longer important as suppliers of cheap food (to sustain industrial development) neither of labour (mechanization and high unemployment in the cities would make peasant labour redundant) (page 15).

The "old" duality of Latin American agrarian structure (latifundio-minifundio) seems to have been replaced by a new one between capitalist entrepreneurs and modernized peasants (the "included"), on the one hand, and the impoverished peasants and rural labourers (the "excluded"), on the other.

## 2.2. The transition towards an outward orientation in Argentina

The situation in which the sugar agro-industry is involved nowadays can be characterized as an overproduction crisis (which will be analyzed further on) which is the direct result of the deregulation of the activity. That deregulation is part of a package of measures (privatization, external trade liberalization, flexibilization of the labour market) that the present government of the country is implementing. Those measures tend to consolidate the export-oriented and

market-driven model of development that begun to be delineated after the crisis of the ISI model which took place in the mid 1970's. The structural transformations that followed the transition towards the new model of development are important to understand the long-term causes of the deteriorating situation in which the sugar agro-industry and particularly, the small sugar cane producers are involved as well as to evaluate which could be its consequences. Therefore in this section a short review of those changes will be made.

#### 2.2.1. The new socio-economic context

Since the mid seventies Argentina has experienced deep transformations of its productive and social structure as well as profound changes in the role and orientation of state policies.

During the period of import substitution industrialization economic growth was centred around the satisfaction of the domestic market. Massive rural-urban migration followed the growing urban employment opportunities in the industrial and service sectors. Small and medium scale agricultural and industrial enterprises were important in terms of production but also because they constituted an important proportion of employment opportunities (Azpiazu, Basualdo and Khavisse, 1986). The distribution of income was quite equitable (Beccaria, 1992:94); the social security system had a relatively massive and good coverage for the standards of Third World Countries and, on the other hand the participation of wages and salaries in the national income was high (it oscillated around 40% of the total income, Torrado, 1992:265-66). The state not only intervened directly and indirectly in the economy but also regulated the conflicts around the distribution of income (Beccaria, 1992:91).

As far as the agricultural sector is concerned, state intervention aimed at maintaining food prices low to favour capital accumulation in the industrial sector. Argentina has always been a net exporter of food (mainly meat, cereals and oil seeds), which is produced by capitalist landlords (large commercial

farmers) who benefit from the high fertility of the soils of the pampean region. Through export taxes and the overvaluation of the exchange rate the state captured part of the surpluses generated by the food export producers of the Pampas; the price received by them when exporting their production was diminished, reducing at the same time, the prices paid by consumers in the domestic market<sup>3</sup>.

Peasants and small farmers of the Northwest and Northeast regions of the country, who produce mainly industrial crops (cotton, sugar-cane, yerba mate) benefited also from this pattern of growth. On the one hand, the process of import substitution industrialization created favourable conditions for the expansion of those productions directed to satisfy the domestic demand. With the increasing employment opportunities in the industrial and service sectors, massive rural-urban migrations took place which enlarged the domestic market. Wages being the dynamic factor in the expansion of demand, those activities which produced goods of massive popular consumption benefited. That is the case of sugar as well as other products traditionally produced in the regional economies of the country (Aparicio, Giarracca and Teubal, 1992:2).

On the other hand, the intervention of the state regulating the relationship between farmers and the agro-industries in the regional economies was crucial to allow the coexistence of small farmers with the agro-industrial capital. That intervention aimed at modifying the unequal relation of power implied by peasants' (or small farmers') participation in oligopsonic or monopsonic markets and regulated the distribution of profits between farmers and the agro-industries (Giarracca, 1992 a:5-7).

The scene briefly presented above changed radically since the mid seventies. The military government saw in the industrialist strategy the factor

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<sup>3</sup> Cyclical crises in the balance of payment led to devaluations of the national currency so as to diminish the demand of imports and promote exports. When the balance was restored, a new expansionary cycle followed.

that created the functional conditions for the acute social conflicts of the previous decade which they had "overcome". The repression of the civilian population and the dismantling of the political and corporative institutions of the wage workers were not enough to discipline the working class. The transformation of the productive and social structure of the country would prevent the reemergence of the conflicts in the future (Torrado, 1992:62-63). The "opening" of the economy to international competition was followed by changes in the productive and social structure of the country. Industrial capital concentrated and low-productivity enterprises were eliminated. Conglomerates of enterprises which integrate and diversify their activities became the new "economic power" of the country (Azpiazu, Basualdo and Khavisse, 1988). Wages and salaries experienced deep falls (their share in the national income fell to 28% in 1976) and the functional income distribution worsened (in the urban areas the Gini coefficient increased from 0.366 in 1975 to 0.410 in 1980, Torrado, 1992:295).

During the 1980's export orientation and market governed production and distribution of economic surpluses deepened, as a consequence of the adjustment and stabilization programmes which were implemented after the debt crisis. Although the democratic transition initiated in 1983 set limits to the possibility of completely applying the neo-liberal policies and the state continued regulating the economy, the economic crisis and the "bankruptcy" of the state continued deteriorating the living standards of the majority of the population. Consequently poverty acquired levels never known before in Argentina (See Minujin, 1992).

The agricultural sector also experienced deep changes. While it became the leading economic sector, its growth has been uneven. Production towards export markets increased but those activities traditionally oriented to satisfy the domestic demand experienced declining trends in production and prices (Aparicio, Giarracca and Teubal, 1992:3-4). At the level of the agrarian social structure

there have been trends towards the concentration of land and capital. The expansion of export production was based on large and capital intensive agricultural enterprises and many small farmers were driven out of production. Between 1969 and 1988 (the two last agricultural census) 151.687 farms have disappeared and the proportion of farms up to 25 has. diminished from 41% to 37% (Giarracca, 1992:25).

Small farmers who have historically been involved in the declining activities of the regional economies (sugar, cotton) have experienced processes of general impoverishment and/or of social differentiation. They developed strategies to diversify their sources of income being part-time farming and pluri-occupation the main ones (Aparicio, Giarracca and Teubal, 1992:13-17).

The new model presents tendencies towards the concentration of assets and incomes and the impoverishment of low and middle income groups. The marginalization of small producers is part of those tendencies.

#### 2.2.2. Changes in the state-society relationships

In addition to the productive and social changes there have been changes at the political level, in particular in relation to the way in which state policies are legitimized. The process of import-substitution industrialization in Argentina was accompanied by a populist regime which was legitimized by the inclusion of the majority of the population in the economic process and in the distribution of the benefits of growth. Such a process rested in the ability of the state to capture the surpluses generated by the agricultural exports of the Pampean region and gave raise to a contradiction between the interests of agrarian bourgeoisie and those of the urban workers<sup>4</sup>. Since the industrial bourgeoisie fluctuated in supporting policies benefiting one or the other group, the construction of a

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<sup>4</sup> Argentina exports wage goods, so higher returns for exporters mean, at the same time, lower real wages and viceversa.

stable and hegemonic political alliance was prevented. O'Donnell (1978) considers that this situation explains the political instability and socio-political conflicts that characterized Argentina since the mid 1950's to the mid 1970's.

The main objective of the military dictatorship that ruled the country from 1976 to 1983 was to put an end to those socio-political conflicts. The repressive policy of the state disciplined the popular sectors by dismantling their organizations and making their leaders "disappear". The "terrorist" state was a necessary condition to apply the concentrative and exclusive outward-oriented ("aperturista") strategy.

With the democratic transition demands for higher salaries and the general improving of the living standards of the population arose. Several authors pointed to the contradiction between the process of democratization and the continuing deterioration of the living standards of the popular sectors brought about by the recurrent adjustment and stabilization programmes implemented (See, for instance, Borón, 1991/92).

Nevertheless, the present government of the country is radically applying neo-liberal policies with a surprisingly low level of social and political unrest. The strong will to prevent the return of the military and guaranteeing human rights partially explain this fact. But also economic factors lie at the base of the wide acceptance of the present policies.

The heterodox adjustment programmes implemented during the government of the radical party (1983-89) could not contain the inflationary process which reached the level of hyperinflation by the end of the period. Hyperinflation produced a "decrease of expectations" among the popular sectors. The conditions for the complete privatization, liberalization and deregulation of the economy were set up. The legitimization of these policies with high "social costs" is provided by the need of stabilization and governability of the economy (Castillo, 1993:93). Efficiency and international competitiveness are the goals to be achieved while growth, distribution and equity are words that have disappeared

**from the hegemonic discourse.**



### Chapter 3: Understanding the crisis and its consequences

#### 3.1. The state, plantations and small producers: the salient features of the sugar agro-industry in Argentina

Sugar production is one of the traditional agro-industrial activities of Argentina. It is located in three provinces of the Northwest region of the country: Tucumán, Salta and Jujuy (See Map in next page)<sup>5</sup>. Sugar production expanded at the end of last century, as a result of alliances between the economic and politically powerful families of the region and the dominant political elite of Buenos Aires. The extension of rail-way lines -first to Tucumán and then to the other two provinces-, tariff protection and generous credits provided by the state made possible the introduction of technological innovations which allowed the growth of production so as to satisfy of the increasing domestic demand of sugar (Balán, 1978; Santamaría, 1986).

The opportunities opened up by the industrial expansion attracted people from the nearby provinces and some Italian and Spanish immigrants who settled down in Tucumán and began to produce cane. The distributive policies of the state during the radical and peronist government (1928-1930 and 1945-1955) favoured the expansion of the strata of small producers, who became the majority sector in the production of sugar cane<sup>6</sup> (Delich, 1970; Slutzky, 1967; Murmis and Waisman, 1969).

Unlike Tucumán, the sugar agro-industry in Salta and Jujuy (the "North") is undertaken by integrated sugar mills which produce almost all the cane that

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<sup>5</sup> In fact, 93% of sugar production takes place in these provinces the rest being produced in Chaco and Santa Fe.

<sup>6</sup> By 1966 there existed about 18.000 cane growers, of which 93% cultivated less than 20 has. of cane (Delich, 1970). Nowadays, although the number has decreased, small producers continue to be important.

they process<sup>7</sup>. Cane is produced in big plantations and, until the recent mechanization of the harvest, large contingents of migrant labourers from the poor parts of the Northwest region and from Bolivia were brought to harvest the cane (Rutledge, 1977; Whitefore, 1981).

Figure 1: Map of Argentina and location of sugar producing provinces

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<sup>7</sup> In 1987, independent cane growers were 78 in Jujuy and 6 in Salta (Kotzer, 1988:4).

The position of the industry in the "North" is more solid than in Tucumán. On the one hand, agricultural and industrial productivity have always been higher in the North, which is a result of natural advantages such as better climatic conditions for sugar cane cultivation as well as of the adoption of technological innovations. On the other hand, mills in the North produce their own cane using cheap transitory labour and are not subject to the conflicts with cane growers around the distribution of income within the activity that exists in Tucumán. Consequently, Tucumán has been continuously loosing its relative share in the total output of the industry. However, due to state regulations, it maintained its position as the main sugar producing province. In 1987 it accounted for 60% of the sugar and 70% of the cane produced in the country (Giarracca and Aparicio, 1989:13-14).

Since the industry emerged, the state played an active role in the activity. First, by creating a protected domestic market through tariff protection and subsidizing the construction of sugar mills (Rutledge, 1977). Second, since the last years of the 1920's, the state has regulated the conflicts between cane growers and mills around the distribution of the global income generated in the activity by setting the price and the conditions of payment of the raw material. Third, during the justicialista government (1946-1955) the expansion of sugar production in the North was limited by a mechanism which benefited the less efficient producers of Tucumán. The Fondo Regulador subsidized cane and sugar producers with lower yields with the contributions made by the more efficient producers (Murmis and Waisman, 1969). Fourth, since 1966 cane and sugar production has been regulated by the state which established production quotas and distributed it among the cane growers registered as such in the Dirección Nacional de Azúcar (the state organism by which the regulations were set and its fulfilment controlled). In this way barriers to the entry in the activity were set up and the participation of the different provinces in the total output was frozen. Fifth, the national credit system provided credit to

help farmers and sugar mills to initiate the harvest. Finally the state has many times undertaken "financial rescues" of indebted sugar mills to prevent their closure (Craviotti, 1992:13-15).

Sugar has always been a protected and indirectly and directly subsidized activity. Also, to use Abbott words, it has always been "a highly politicized commodity" (1990:1).

### 3.2. The characteristics of the sugar agro-industry in Tucumán today

Despite the efforts to diversify the productive structure, the sugar industry continues to be the most important activity of Tucumán, representing 20% of the provincial GDP (Gutiérrez, 1990). Within the agricultural sector its importance is much higher: cane production is responsible for 68,3% of the agricultural GDP of the province (Grass, 1993:11).

The economic agents that intervene in the sugar agro-industrial complex are the following. Cane production is undertaken by sugar mills (30% of the total production), some "large" cane growers, usually linked to the mills by family relationships (another 30%) and around 10.000 independent cane growers (40%) (Macció et. al., 1992:1). Around 80% of the sugar-cane growers are family producers with farms of no more than 20 has. They are all organized in a farmers' union (U.C.I.T.), in which small entrepreneurs also are involved<sup>8</sup>. Also, they form part of the cooperative movement, which is an important actor within the sugar agro-industrial complex.

The industrial processing of the raw material is undertaken by 16 sugar mills, which are heterogeneous in terms of size, efficiency and economic results. Many mills had severe economic and financial problems: seven out of the sixteen were in 1988 in the legal state of "cessation of payment" or in "bankruptcy". However, in practice they were allowed to continue operating to prevent the

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<sup>8</sup> Large- cane growers have their own organization, C.A.C.T.U.

social conflicts that would result with their closure, that is, the dismissal of industrial and agricultural workers in a province with high rates of unemployment (20% in 1988, Grass, 1993:17) and, on the other side, the repercussions on the small cane growers related to those mills.

Mills buy the cane directly from the cane growers or through the cane-marketing cooperatives in which producers are organized. Due to the oligopsonic characteristic of the cane market, the industry has a much greater share of "market power" than the cane growers. Small cane growers are subordinated to the mills, and subject to the conditions that they impose (how and when cane has to be "thrown") as well as to the extraction of surpluses in different forms (unfair weight and quality control, delayed payments, etc).

However, since the mid sixties small cane growers began to organize themselves in cane marketing cooperatives which allowed them to counteract that extremely unequal relationship. The cooperatives' basic function is to sell members' cane to the mill, but they also provide credit, fertilizers and some other services to the members.

In 1987 there were more than 40 first grade cooperatives, three of which were production cooperatives. These cooperatives were organized in seven federations formed recently (1985/87) and that commercialize sugar<sup>9</sup>. Some of these federations have rented and operated "formally bankrupt" sugar-mills but there is only one successful experience of a cooperative sugar-mill that has been continuously operating since 1985-86 (Giarracca and Aparicio, 1991).

Finally, the last important actor that intervened in the sugar complex until the deregulation of the activity in 1991, was the state which, as I noted before, regulated cane and sugar production, the distribution of profits between the mills and cane growers and provided financial resources for the activity to

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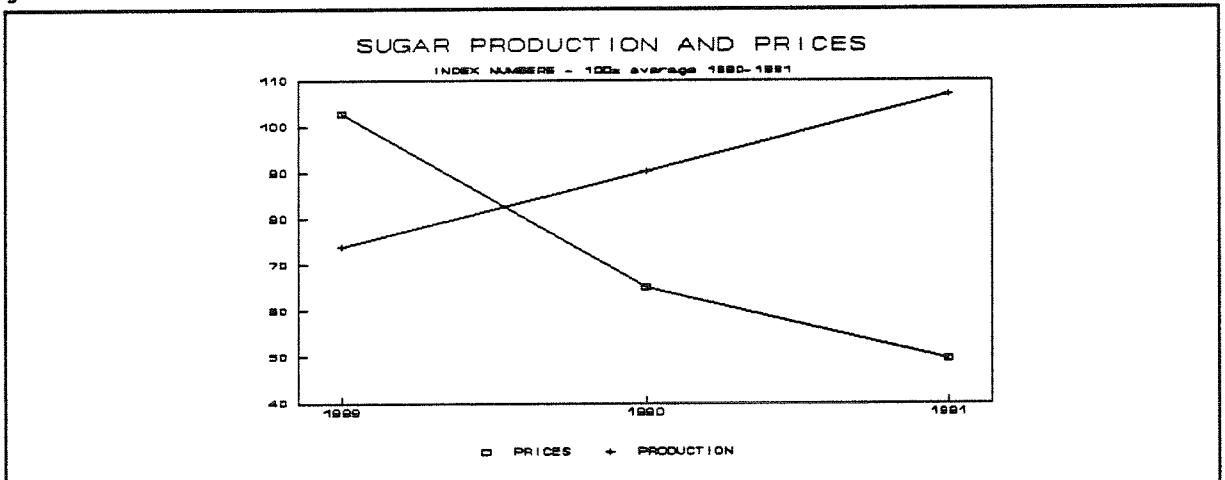
<sup>9</sup> From 1985 to 1991 cane-growers were able to sell their cane directly to the sugar mill or adopt the "maquila" modality by which they received sugar as payment for the raw material and had to commercialize it through the cooperatives.

operate.

### 3.3. The sugar crisis

The situation in which the sugar agro-industry was involved in 1990-1991 can be characterized as an overproduction crisis which caused a deep fall in prices. As can be seen in the following figure, production increased and prices followed the opposite trend, reaching in 1991 a level which represented half of the average price for the period 1980-1991.

Figure 2:



Source: Appendix, table 1

In the absence of technological changes which would increase productivity and decrease the unitary costs of production, such a deep fall in prices must affect the profitability of the activity, unless one assumes that the prices prevailing before were far above the average costs of production and mills and/or cane growers were obtaining high extraordinary profits. Since the latter assumption is difficult to sustain and there has not been a technological "revolution", it is plausible to state that profitability has indeed been affected and the reproduction of the "system", with its characteristic relations and dynamics, put into question.

It is because of this de-structuring effect of falling prices that I

consider that "crisis", in the sense of an unstable juncture, is a proper concept to characterize the situation of the sugar sector.

Which are the causes of the crisis? How can it be understood? Overproduction and falling sugar prices are the direct result of the deregulation of the activity, which started in 1990 with the "flexibilization" of the norms that regulated cane and sugar production and commercialization and was completed in 1991, with the overall deregulation of the economy, which included the sugar sector. However, there are "underlying" causes that explain why, when the state withdrew from its former role, overproduction took place. In order to understand them it is necessary to make a review of the long-term processes that have ended up in the present situation (Figures No. 4 and 5 presented in the Appendix try to summarize them).

Sugar production in Argentina is directed to satisfy the domestic demand and therefore benefited from the process of import substitution industrialization. Although it regularly experienced overproduction crises, the activity expanded until the beginning of the 1960's, under the shelter of state protection and subsidies. During the 1960's, sugar as well as the other traditional agro-industries of the regional economies experienced overproduction crises which manifested the limits of the domestic market for the continuing expansion of those activities. In the sugar agro-industry the main crisis took place in 1966/67 and as a consequence of it, 11 out of the 27 existing sugar mills were closed. Cane production was also reduced and many small producers were expelled from the activity (Murmis and Waisman, 1969). The sugar sector was re-dimensioned so as to ensure adequate balance of supply and demand of sugar. Since that crisis cane production has been regulated by the state and the installation of new sugar mills forbidden. That intervention aimed at maintaining domestic prices sufficiently high as to allow the profitable operation of the industry.

However, during the first half of the seventies many mills expanded their processing capacity and modernized their plants utilizing the abundant credits

that existed in those years and as a consequence of the high prices of sugar in the international market<sup>10</sup>. During 1972-74 cane production was liberated and therefore the area cultivated with sugar cane expanded (in Tucumán it grew from 135.000 to 250.000 has., Grass, 1993:14) and many cane growers re-entered the activity. Consequently, both production and exports increased notably (See Appendix, figures 2 and 3). The result of this was again the over-dimension of the activity in relation to the domestic demand and the indebtedness of the mills.

Due to this new expansion of the industry, the fluctuations in the international prices of sugar have internal repercussions, even though the domestic market is protected by tariffs and import barriers. The fall in international prices that followed the peaks of 1974-75 and 1980-81 should have led to a shrinking of the activity to adjust supply to the new demand/price situation. However, the intervention of the state through different sectoral policies prevented such an effect to occur<sup>11</sup>. Certainly, despite fluctuations in the international prices (fell during 1976-79, increased 1980-81, fell 1982-83) the level of production and exports remained high (although with yearly variations) until 1984 (See Appendix, figures 1 and 2). It is important to point out that only in the years of peak prices (1974-75 and 1980-81) the international prices were higher than the costs of sugar production in Argentina, which according to the estimates of the International Sugar Organization were situated, in 1981, within the range of 16-20 u\$ cents per lb (Abbott, 1990:115). Losses of exports were compensated by high internal prices and, for some years, with subsidies provided by the state.

Besides the negative effects of falling sugar international prices,

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<sup>10</sup> In 1974 sugar prices reach a peak of 29.9 us cents per lb. That was the highest price in history (Abbott, 1990:36; See Appendix, Figure 1).

<sup>11</sup> All the data about the state policies towards the sugar sector are taken from Craviotti, Clara, 1992.

domestic demand has remained stagnant despite population growth because, as a consequence of the increased use of alternative sweeteners and the deterioration of the purchasing power of the majority of the population, annual per capita consumption of sugar fell from around 39 kg. in the 1970's (Mora y Araujo and Orlansky, 1978:13) to 30 kg in 1988 (Abbott, 1990:31).

In 1984 a new fall in the international sugar prices combined with the inability of the state to provide the credits necessary to finance the harvest caused another crisis of the activity. The policy of the state at that moment was the following:

- a) introduction of a new modality of commercialization of sugar cane, the maquila system;
- b) prevent the closure of sugar mills;
- c) reduction of sugar production quota

I will explain each of them and the consequences they had for the sugar sector.

First, the introduction of the new modality of commercialization attempted to reduce the need of state financing for the harvest. During 1967-84 mills had to pay the raw material to cane growers 70% in cash and 30% financed in 6 months. The state provided credits so that mills could fulfil this obligation. In the context of the stabilization and adjustment programmes implemented to overcome the economic crisis of the country, that financing was no longer possible. The solution implemented was to introduce the maquila system by which cane growers received sugar as payment for the raw material and had to commercialize it through cooperatives. The state fixed the participation of cane growers in 56.7 of sugar for each ton of cane delivered to the mills. Sugar-marketing federations of cooperatives took a share of the sugar market (around 25%) that was previously exclusively controlled by the mills.

Second, the partial re-financing of the mills' debt attempted to prevent the massive closure of mills, which would deepen the social problems in the

province. Besides, the state promoted the lease of bankrupt sugar mills to cane growers associations. Consequently, during the second half of the 1980's three mills were rented and operated by cane-growers' federation of cooperatives. The maquila system and the cooperatives' operation of mills reduced the ability of the industry to reduce their costs of production by lowering the costs of the raw material.

Third, the reduction of the production quota attempted to equalize the supply of sugar to the domestic demand (exports almost disappeared, see Appendix, figure 3). As all mills continued operating, the unitary costs of sugar production increased as a consequence of the underutilization of the installed processing capacity. Nowadays the installed capacity to process cane in Argentina is 60% higher than the domestic demand of sugar. The non-utilized processing capacity of Tucumán's sugar mills varies between 26% and 92,5%. (Giarracca and Aparicio, 1989:15). Also cane production largely exceed the authorized quota (Kotzer, 1988).

The consequence of these measures was a tendency to produce more sugar than what was legally allowed ("black sugar"). Due to the lack of financing, the debts of the mills, the high unitary costs of production and the increased costs of the raw material, mills tended to produce black sugar to make the maximum use of their fixed capital and to obtain money to cover their financial needs. The sugar sector had a built in tendency towards overproduction which was kept in a latent state by the government regulations.

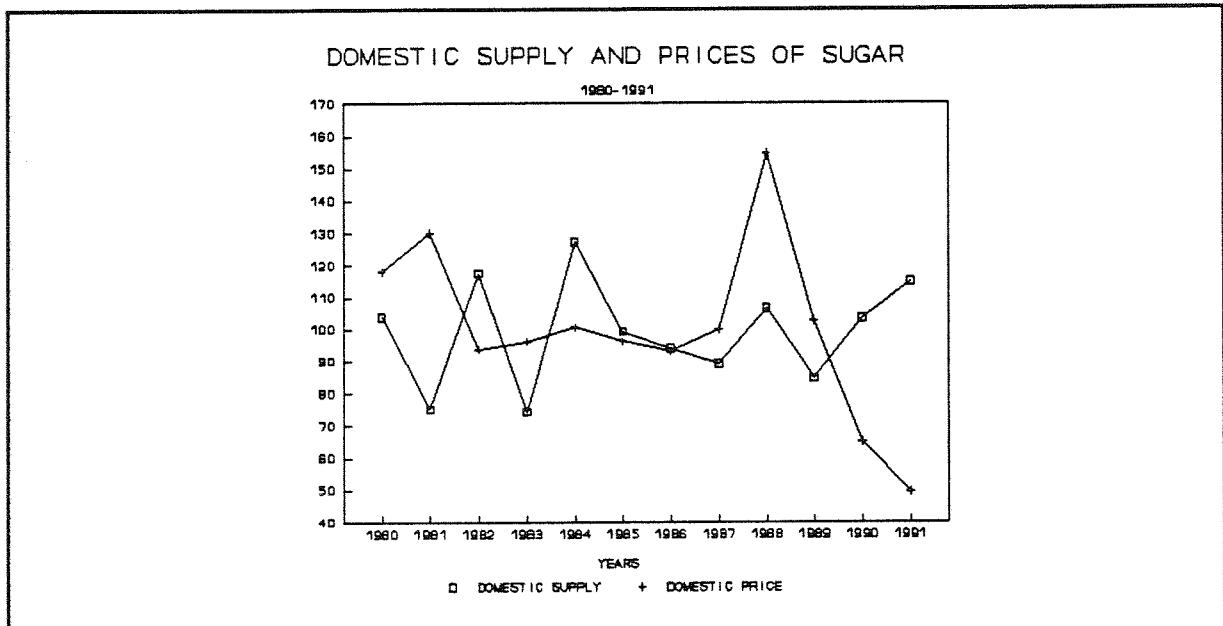
With the change of the government in 1989, the orientation of state policies towards the activity also changed. In 1990 a series of measures that "flexibilized" the regulation of the activity were introduced<sup>12</sup> and then, in 1991, the sugar agro-industry was included in the decree of deregulation of the

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<sup>12</sup>. The government authorized sugar production with "non-quota" cane and eliminated the fixed percentage of sugar that cane growers received for their cane.

economy. Sugar production increased notably, and since exports are not profitable, there was an excess of supply in the domestic market that was followed by falling prices. The next figure presents the evolution of sugar domestic supply (production minus exports) and prices since 1980. It is clear that "market forces" start to operate in 1990, when the government no longer controlled the activity.

Figure 3:



Source: Appendix, table 1.

The operation of market forces is not socially neutral. Without the state fixing farmers' shares, the oligopsonic characteristic of the cane market allows the industry to diminish its costs of production by reducing the price of the raw material. In the last years the share of farmers in the total income of the activity fell down considerably. While during the years in which the maquila system was in operation farmers received the equivalent of 57 kg of sugar for one tonne of cane, in 1991/92 they received only 48 kg for each tonne (Macio et al, 1992:4).

Summarizing the above arguments, although the crisis can be considered as a consequence of market forces (stagnant domestic demand, fall in international sugar prices) the specific way in which those factors affected the sugar sector

was mediated by the intervention of the state in a context of conflicts between cane growers and sugar mills around the distribution of income generated in the activity. The new regulations introduced in 1985 changed the "correlation of forces" in favour of cane growers: the activity was being transformed in such a way that cooperatives were gaining control of the activity. Given this situation and the difficulties of mills to obtain state finance, their strategy was to produce more sugar than what was legally allowed and to pressure for the deregulation of the activity.

My point is that had not cooperatives been gaining more control of the activity, the situation would have resulted differently, even in the context of the liberalizing policies that the state is implementing. Sugar production is an activity that is regulated all over the world, and private regulation of production is one of the forms in which overproduction is avoided in some countries (for example in Colombia). If mills abandoned their traditional "political" strategies to guarantee their economic profitability and shifted towards economic strategies it is because they felt their position threatened.

It is not by chance that the most efficient and biggest mill of Argentina (which produces 25% of the sugar of the country, operating in the province of Jujuy, is vertically integrated and therefore not subject to conflicts with cane growers) was in favour of state, mixed or private regulation of sugar production.

It is not by chance either that in the perceptions of the actors (sugar mills association, farmers' union) the causes of the crisis are not related to "market problems" but to the conflicts between cane-growers, cooperatives and sugar mills. In 1989, the organization where Tucumán's mills are organized (CART) published a petition in which they stated that the causes of the crisis were

"the policies implemented by the economic authorities in the last years with the stated objective of producing the 'agro-industrial transformation of the province', a euphemism that hides the pretension of expropriating sugar mills without compensation in order to transfer them gratuitously and graciously to the cooperatives" (La Nación, 24/6/89, my translation, taken from Craviotti, 1992:56-57).

On the other hand, for the farmers leaders, overproduction and falling sugar prices are viewed as a result of a strategy of the mills.

"The price of sugar is the tool to produce the structural transformation that the industry is searching for. They want to have the certainty of the control over the profits. They are searching for a concentration of the activity, so that after that we [cane-growers and sugar mills] will negotiate on the norms that they impose ... They want to recover the total power that they had before the maquila" (Interview with union's leaders, my translation, October 1991)<sup>13</sup>.

For the mills association, the cause of the crisis resulted from the attempt to transform private sugar mills into cooperative sugar mills. For the farmers' union, it was the result of the mills' objective of recovering their control of the activity. Can these interpretations of the crisis be considered as "false consciousness"? Should we say that they do not realize that the "real causes" of the crisis are the fall in international prices and the stagnant domestic demand? That could be an easy option. However, it implies the assumption that 'the economic' and 'the political' are independent spheres. In my opinion that assumption hardly corresponds to reality. Markets do not operate in a vacuum but are completely embedded in a socio-political order where human agents exercise power through different means. Market regulation of production and prices (what for the sugar sector means overproduction and falling prices) is as much a result of economic factors as of political interventions (in the sense of actors exercising power through economic or "political" means). It is power (economic, social, political) which allows some groups to appropriate surpluses and inhibits others from doing so.

### 3.4. Future prospects

The crisis is leading to the restructuring of the activity so that supply matches the new demand/price situation. In 1992 sugar production started to decrease and

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<sup>13</sup> The interview was conducted before the activity was legally deregulated.

in 1993 fell to the level of 1989. In this last year three of the mills did not operate (La Gaceta, 12/1993).

It is important to point out that it is not likely that the sugar prices will recover their historical levels. On the one hand, the international sugar market is also in crisis and prices are showing a constant declining trend. Some authors consider that the traditional cycle (periods of very high prices followed by periods of low prices) in the sugar market is finished. The development of alternative sweeteners (especially high fructose corn syrup), the increased production of cane sugar in developing countries and the increased production and subsidized exports of beet sugar in the developed countries are structural transformations that allow us to foresee that prices in the international market will remain low (Abbott, 1990:314-316). Therefore the re-orientation of the surpluses towards the export markets is not feasible.

On the other hand, with the constitution of MERCOSUR in 1995 (the final stage of the process of regional integration among the countries of the Southern Cone) Argentinean sugar will have to face the competition from Brazil, who is a major producer and exporter of sugar. Comparative studies between both countries show that costs of sugar production in Brazil are lower than in Argentina and that even if the macro-economic imbalances are corrected (equalization of the prices of inputs, specially labour and fuel) and subsidies eliminated, Brazil has comparative advantages which result from the heavy capital investments made after the oil crisis to produce alcohol from sugar cane (López, M. 1991 and s/f). Consequently, sugar prices are unlikely to rise above the present-day low level.

Considering the new orientation of state policies, it is unlikely that the state will intervene to stop the fall in sugar prices. The "social question" - that justified the state protection of the activity and the indirect subsidies received by producers- is no longer an "issue" that would deserve consideration from the state. Although at the provincial level the pressures of democratic elections may open up spaces to obtain state support, the demands should be along

the lines of "modernization" and "greater efficiency" of the activity, so as to be "heard" by the state.

In the following chapters I will concentrate on the consequences of the crisis for small producers and the alternatives they have in order to prevent their exclusion from the activity.



**Chapter 4: Small farmers and the crisis: differential impacts, constraints and capabilities**

The purpose of this chapter is to describe the characteristics of sugar cane producers of Tucumán, focusing especially on the small cane growers in order to make some reflections on the effects of the crisis on them. In the first part, I describe the heterogeneity of cane growers based on their access to resources and use of family/hired labour and show how that heterogeneity came about during the period of state intervention in the activity. In the second part I concentrate on differentials in technological levels, yields and costs of production to explore the possible effects of market forces on the process of social differentiation within cane growers.

**4.1. The agrarian structure under state intervention**

Cane producers are very heterogeneous in terms to access to resources and the organization of the labour process as well as in the productive strategies that they pursue. Considering the level of capitalization (measured by the ownership of tractors) and the importance of wage labour in the farms, the following four different "types" of producers have been distinguished

**Table No. 1: Typology of sugar cane producers**

		Percentage of producers
<b>"Peasants"</b>	predominant use of family labour no ownership of tractors	42
<b>"Rich Peasants"</b>	exclusive use of family labour owners of one tractor	18.1
<b>"Capitalized Family farmers"</b>	use of family and wage labour owners of tractor(s)	22.2
<b>"Entrepreneurs"</b>	exclusive use of wage labour	17.7 (11.496)

Source: Giarracca and Aparicio, 1991.

"Peasants" and "rich peasants" are very small producers. They cultivate up to 5 has of sugar cane. The family intervenes in all the tasks involved in the

production process, including the harvest of the cane. However, transitional labour complements family labour during the harvest period. The main alternative source of income is provided by wage labour as transitory agricultural labourers, although some are employed in services and in construction activities, which are not always rural. Only "rich peasants" diversify their agricultural production (Giarracca and Aparicio, 1991). The different survival strategies that they develop (salaried works, temporal migrations, subsistence production and own-account activities) have allowed them to persist as agricultural producers (Riveiro, 1990).

"Capitalized family producers" are mechanized "small" cane growers cultivating 80% of them between 5 and 20 has of sugar cane. Family labour is used for the more specialized tasks of the production process (cultivating and fertilizing the land and transporting the harvested cane to the mills, all tasks done with tractors). Transitory workers are hired for the more intensive manual tasks, specially to harvest the cane. The harvest is mainly done manually though some producers contract machinery to do it mechanically. Diversification of activities also takes place, being working outside with their own machinery as contractors, salaried jobs, diversification of agricultural production and petty enterprises (ie rural shops) the most important alternative sources of incomes (Giarracca and Aparicio, 1991). These producers have a peasant origin and their emergence is a relative new event (the seventies); the level of capitalization is low, they have not been involved in a sustained process of expanded reproduction. Their main "investment" has been in acquiring small pieces of land, educating of their sons/daughters and the improving their standard of living, which is higher than those of peasants (Riveiro, 1992).

Among the group of "entrepreneurs" are included the plantations of the sugar mills and the "large" cane growers, which in total is about 60 enterprises (Macció et al, 1993:1). The rest are "small" (up to 20 has) and "medium" (20-200 has) cane growers who have adequate access to capital and who do not intervene

themselves in the labour process. More than half of the "entrepreneurs" have mechanized the harvest, with own or contracted equipment (30% and 20% of the group respectively). Also 40% of the strata are not exclusively agricultural producers but diversify their economic activities with commerce, industries, transport enterprises, etc. (Giarracca and Aparicio, 1991).

The different reproduction strategies that cane growers pursue are strongly conditioned by their access to resources<sup>14</sup>. However those strategies reinforce the differences in access to resources and have contributed to generate them. Let me illustrate this point. "Capitalized family farmers" have access to farms which, although small, are larger than those of peasants. One of the strategies which has allowed these producers to control more land is the formation of "family societies" by which different families continue cultivating their land together, despite it is legally divided. By doing so these producers created "economies of scale" that made the acquisition and use of tractors profitable. On the other hand, the ownership of tractors allows them to complement their incomes by working as "machinery contractors". In this way they not only obtain profits from their capital but also give themselves the opportunity to undertake a better paid skilled job. Structure and practice reinforce each other, making possible the expanded reproduction of these cane growers.

The heterogeneity that characterizes cane growers nowadays is a result of a process of social differentiation which deepened after the crisis of 1966. In that moment, 93% of the cane growers were characterized as "peasants", the family provided most of the work and 98% cultivated their land with animals and traditional tools (Delich, 1970). Although access to land was not equal, the relations of production seem to had been quite homogeneous.

The situation I presented before differs greatly from that of the 1960's: some producers managed to generate surpluses and accumulate capital while other

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<sup>14</sup> The following section of the chapter is based on my own research (Riveiro, 1992), unless other source is given.

became increasingly dependent on rural and urban labour markets to survive. Although it is difficult to establish precisely how that process developed, analysing the trajectories of those farmers who enriched themselves can help understand the key factors that have intervened in the process. Doing this will help to find some "clues" to think about which can be the future after the present crisis.

Most of those who are now characterized as "capitalized family farmers" initiated their trajectories as very small producers. However, only few of them were expelled from production as a consequence of the crisis of 1966, when the government established a size floor to be a cane-grower. They were not part of the smallest group of producers who were dispossessed of the right to continue producing cane. Consequently they were in a good position to take advantage of the very positive conjuncture at the beginning of the seventies, when cane prices increased (due to increasing international sugar prices) and credit at real negative interest rates was widely prevalent. For some years (1972-74) cane production was liberalized and therefore these farmers expanded their production. Besides, access to credit was an important factor to allow their mechanization<sup>15</sup>.

The macro/external factors mentioned above can be considered as conditions that made possible the process of capitalization of small producers. However, they are not enough to explain it. The strategies pursued by the farmers contributed to their expanded reproduction. They constitute "the other side of the coin" which produced the observed results. I am referring to courses of actions followed by producers which created the micro conditions for their capitalization. Among them there are three strategies that I want to highlight

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<sup>15</sup> The availability of credits was specially important for these producers to have access to mechanization. Most of those "capitalized family farmers" who bought tractors in the first half of the 1970's did it so through credits provided by the state owned Banco Nación, which provided 80% of the price of the tractor, being the rest financed by the selling enterprise.

because I think they can constitute a base for future "coping strategies" which would serve to confront the present crisis.

First, one "paradigmatic" strategy, based on on-farm activities can be characterized as "minimizing expenditures and maximizing incomes". On the one hand, the intensive use of family labour in the production process and the production of food for domestic consumption attempted to avoid as much as possible expenditures for both production and consumption. On the other hand, small-scale on-farm diversification of activities tended to maximize the family income. The production of vegetables, eggs, pigs, prepared food to sell in local markets or to neighbours were common activities to obtain additional incomes to those provided by the sugar-cane. Women and child labour was quite important in these activities.

The second "paradigmatic" strategy can be characterized as the investment of non-farm incomes to expand the farm. Wages and salaries derived from temporal or permanent jobs carried out by family members or incomes derived from petty entrepreneurial activities were used to buy land, inputs or machinery to improve agricultural production.

Finally, the third important strategy was the formation of family societies which I have already described earlier, indicating their relevance for the expanded reproduction of small cane growers.

The intervention of the state through sugar quotas was also an important factor that shaped the way in which social differentiation developed. The sugar quota allowed their owners to obtain a price that made profitable sugar cane cultivation. In this way, small quota holders received an income which at least retributed their labour and consequently their exclusion from the activity was prevented. However, the distribution of the quotas was extremely unequal (the Gini coefficient for 1987 was 0,829) and therefore large quota holders appropriated the biggest part of the subsidy (paid by consumers) which was implicit in the price of sugar and of the cane. (Kotzer, 1988:7-8). As within

small producers there was also inequality in the distribution of the quota, the bigger the quota, the bigger the subsidy appropriated by producers. Consequently, the intervention of the state both constrained and enhanced the process of social differentiation: constrained as it prevented the elimination of the smaller producers and enhanced as it increased the profits of large quota-holders.

On the other hand, the persistence of producers with such an insufficient access to land and very small sugar quotas who could not generate an adequate income from sugar cane, that is most of those characterized as "peasants" could not be understood without taking into account the survival strategies which they pursued and which have allowed them to reproduce their families and farms. In the survey conducted in 1988 it was found that only 20% of "peasants" lived only with the income generated by sugar cane cultivation. The rest developed different forms of using family labour so as to complement their incomes.

In many cases the family had members which had migrated permanently but who maintained their family-links by sending regularly or occasionally transfers of money. Most common was the temporary migration of some members of the household during the summer months in which sugar cane production requires little labour. Occasional work within the province, and specially in sugar cane production is also important, although not as important as could be expected if it is considered that one of the reasons that could explain the persistence of the "peasant" strata could be their "function" as a source of cheap labour for big farmers<sup>16</sup>. However, only 42% of the total peasant population that worked outside the farm was employed in the sugar sector. Employment in the service sector was as important as the latter (41%). The rest worked as temporary labourers in other agricultural activities (13%) and in own-account activities (Giarracca and Aparicio, 1989, table 57, page 118).

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<sup>16</sup> The functionality of peasant farms as providers of labour for big capitalist farms was considered by Kautsky as one of the reasons that explained peasant persistence in Continental Europe (Kautsky, 1988:159-167).

These forms of pluri-occupation<sup>17</sup> are in a great part allowed by the characteristics of sugar cane production, which has a slack season and therefore provides some flexibility for the allocation of family labour to different activities in different periods. However it is important to point out that, on the one hand, the share of incomes derived from sugar cane was bigger than the ones derived from other activities (Giarracca and Aparicio, 1989:110-11). On the other hand, their identity was defined as producers and not as labourers: when asked about how they could improve their situation, they did not express demands about better salaries or working conditions but about the price of the cane and the insufficient sugar quota. Furthermore, they are affiliated to the farmers union and to the producers cooperatives, and not to labourers trade unions (Interviews with producers, 1988). These cultural/ideological aspects are also important to understand the persistence of the peasant sector.

The way in which social differentiation developed among small producers can be considered as a result of the interaction of market forces, state policies and the situation and strategies pursued by the farmers themselves. The traditional and cultural aspects of being cane-growers also shaped the process. Under the new situation the modality and dynamics of that process will be different. What tendencies may develop in the agrarian structure?

#### 4.2. Market forces and the agrarian structure

I stressed in the previous section the "strategic" role that sugar cane production played in the "survival" or "reproduction" strategies of small cane growers. Though the income derived from cane was not enough to cover the reproduction of farms and families, it allowed the undertaking of a combination of activities so as to complement small farmers' income without having to abandon

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<sup>17</sup> I use the term "pluri-occupation" instead of the more commonly used "semi-proletarianization" to stress the relative stable character of the situation. Semi-proletarianization may be understood as a transitional stage towards proletarianization.

agricultural production.

The sugar quota guaranteed the participation of small farmers in sugar cane cultivation and therefore prevented market forces to discriminate in favour of "the most efficient producers". Nowadays, efficiency and lower costs of production will to a much greater extent determine who will continue producing and who will not. Though concentration is likely to occur (it has developed in the province as well as in the rest of the country), different tendencies may follow from the pressure to reduce the costs of sugar cane production.

One the one hand, entrepreneurial cane growers have comparative advantages vis-a-vis small farmers, which derive from their access and use of capital intensive technology in the production process. Cane and sugar yields are higher in farms where new varieties of cane are used, fertilizers and herbicides applied and the cane is harvested in the moment in which saccharose is at its highest level. Though in the survey conducted in 1988 association between cane yields and types of producers was difficult to establish<sup>18</sup>, there exist differentials in the technological levels that reflect themselves in productivity. In a study conducted in 1976, six different types of producers were identified considering, according to the authors, the "productive systems" of different enterprises that existed in the province (Ponce and Haro, 1976:6). The table below, which summarizes the main characteristics of each "type", shows that cane yields were higher in what can be considered as middle entrepreneurial farms (types III and IV). Small family farmers (which would be included in type I and II) had lower yields, though not the lowest of the province, which were obtained in the larger farms (type VI).

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<sup>18</sup> Most of the interviewed producers declared yields similar to the provincial average. This is not surprising in a highly regulated activity in which production is limited and where a common way of hiding production over the quota was to declare lower yields than the real ones.

Table No. 2: Technological levels and cane yields of different types of sugar cane producers

Type of producer	Area cultivated with cane	Traction	Harvesting system	Place where cane is delivered	Type of labour used in the harvest	Yields
I.	up 800 furrows (average 10 has)	animal or mechanical (hired)	manual	collecting centre	family and hired harvesters	750 kg. per furrow
II.	801 to 2.500 furrows (average 30 has)	mechanic	manual	collecting centre	family and hired harvesters	850 kg. per furrow
III.	2.501 to 5.000 furrows (average 64 has)	mechanic	manual	collecting centre and mills	1 permanent skilled labourer, transitory harvesters	950 kg. per furrow
IV.	5.001 to 10.000 furrows (average 126 has)	mechanic	manual and semi-mechanic	mills	permanent skilled labourers, transitory skilled labourers and harvesters	950 kg. per furrow
V.	10.001 to 20.000 furrows (average 300 has.)	mechanic	manual, semi-mechanic and integral	mills	permanent skilled and unskilled labourers, transitory skilled labourers and harvesters	820 kg. per furrow
VI.	more than 20.000 furrows (average 700 has.)	mechanic	semi-mechanic and integral	mills	permanent skilled and unskilled labourers, transitory skilled labourers and harvesters	700 kg. per furrow

Source: Ponce and Haro, 1976, pages 6-9.

The other difference in the technological levels of sugar cane growers concerns the adoption of labour saving technology, specially for the harvesting, transport and delivery of the cane. The harvesting-transport-delivery system is not only important for production reasons but also because it implies a different form of relationship between the cane grower and the mills.

Most small family producers harvest the cane manually and transport them to "collecting centres" from which it is carried to the mill. This system has several disadvantages: first, it implies a double cost of the transport (farm-collecting centre, collecting centre-mill); second, it deteriorates the sugar yields of the cane<sup>19</sup> and third, it does not allow producers to have control of quality of their own cane, because in the collecting centre the cane of different

<sup>19</sup> After being cut the cane has be processed as soon as possible because the sucrose content quickly decreases after the cutting.

producers is mixed and the quality is tested when the cane arrives to the mill. Hence, the producer has no the opportunity to prevent the mill from paying lower prices by artificially lowering the quality of the cane.

On the other hand, producers who adopt the semi-mechanized or mechanized harvesting systems and transport the cane directly to the mills are able to control the quality of their cane individually. Besides, the use of labour saving technology for the harvest seems to be cheaper than the use of labour. In a comparative study of costs of production of alternative harvesting systems, it is stated that while the cost of manual harvesting is \$11.115 per tonne, the cost of the semi-mechanical one is \$6.596 per tonne (Macció et al, 1992:9). Although the difference may be not so high, the fact that mechanization of the harvest is widespread within entrepreneurial farms in Tucumán and in the North allows one to admit that those differences exist.

It is important to highlight that in the cost structure in which Macio et al based their study, labour is considered as a cost and valued at its market price. However, family producers have the "advantage" of using their own labour, which so long as no other better alternatives are found, may be overexploited and underpaid. Besides small producers compensate their lower yields and higher harvesting costs with lower indirect costs such as management costs or amortization of capital, which cannot be avoided in entrepreneurial farms.

But there are differences within the group of small producers: I mentioned before that most of the "capitalized family farmers" do not intervene themselves in the manual tasks of the harvesting but hire labour to do them. They have farms that are bigger than those of peasants and as the harvest requires large amount of labour in a short period of time, they could not do it by themselves. However, these producers have already been introducing semi-mechanical systems of cane harvesting, in many cases, based on collective forms of machinery ownership.

Therefore, considering the advantages and disadvantages that may emerge from differentials in yields, technological levels and costs of production, it

is not clear which types of producers are in a better position to compete in the market. Besides, the capability of the mills to reduce the cost of the raw material by paying lower cane prices may in fact prevent concentration to occur. It may be cheaper for the mills to buy cane produced by small farmers, for whom it is difficult to find sources of income which would allow them to abandon cane production. Having few alternatives, small farmers may be able to accept prices which hardly cover their costs of production, reducing their incomes and the retribution of the family and hired labour. Therefore impoverished persistence of small farmers and the "disappearance" of the middle strata of producers is, in my opinion, more likely to occur than the formation of an agrarian structure similar to that of the North, where only capitalist producers exist.

In any case, the prospects for small farmers are not promising. Impoverishment may prevent exclusion, but neither of them can be considered as positive changes. Which are the alternatives they have? Diversification, lowering the costs of cane production and recovering their historical share in the total income of the activity are the three possible and -in my opinion- complementary paths that can be followed in order to resist their marginalization.

None of these alternatives can be easily pursued by small farmers individually. Diversification in the province has taken place, but the products that have expanded (soya and beans) are cultivated in relatively big farms (200-300 has.) and require the use of capital intensive technology (fertilizers and pesticides as well as heavy equipment to harvest the crop mechanically) (Grass, 1993:24). The reconversion of the small sugarcane farms for the production of these crops does not seem to be a feasible alternative. Besides oilseeds, the production of fruit trees (specially lemon) and of vegetables in "plastic houses" have also expanded in the last twenty years. Small farms are important in these sectors and therefore these crops could be considered as a realistic alternative for small cane growers. However, in both cases, high initial capital investment is required to afford the cost of removing the cane from the land and investing

in the construction of the plastic houses or in the plantation of the fruit trees (which do not produce in the first five years). For most of the small cane growers such initial investment is completely above their individual resources and consequently these type of diversification is also difficult for them without receiving external support (credits, technical assistance, etc).

Considering the lowering of the costs of sugar cane production, individual solutions seem also to be ruled out. I mentioned before that mechanization of the harvest was a key element to achieve economic efficiency. However, to prevent the underutilization of capital as well as to allow small producers to have access to the machinery, collective forms of capital ownership are needed.

Finally, the recovering of farmers' historical share in the total income generated in the activity also requires organized collective action to pressure mills and obtain higher prices for the raw material.

Can farmers' organizations (cooperatives and the farmers' union) contribute to achieve these goals? In the next chapter I will analyze farmers' organizations to explore possible answers to this question.

**Chapter 5: Farmers organizations and the crisis: possibilities and limits of their action**

Cane-growers in Tucumán have always been active social actors involved in struggles that allowed them to improve their socio-economic situation. They are organized in cooperatives and in a farmers' union which are closely interrelated. These organizations fulfil different functions: cooperatives are economic enterprises while the union is an interest representation organization which acts at the socio-political level. The purpose of this chapter is to evaluate the potentials and limits of small farmers' organizations in order to design, promote and achieve an "inclusive" restructuring of the sugar agro-industry. To do so I will take into account the characteristics and functions of cooperatives and the farmers' union in the past and analyze their positions in front of the sugar crisis.

**5.1. The cooperative movement**

I mentioned before that small cane growers in Tucumán are organized in cooperatives that mediate their relationships with sugar mills. The process by which cooperatives emerged deserves to be analyzed, since it shows the way in which small farmers in the past managed to confront and give a new meaning to a situation which was highly unfavourable for them.

The first "wave" of cooperative formation was in 1966/67, when the sugar agro-industry was in its major overproduction crisis. In that moment the military government intervened with policies that tended to concentrate the industrial and rural sector, by promoting the closure of sugar mills (11 out of 27 mills were closed) and establishing a size floor to be a cane-grower. That measure implied the expropriation of the right to produce cane and participate in a protected and subsidized activity of the smallest and weakest farmers.

The dominant image about that crisis is that it produced a restructuring of the activity in favour of the strongest industrial capitalist and against the

small producers (See for instance, Murmis and Waisman, 1969). Although in general terms one can agree with that characterization, it is important to recognize that its results were not so lineal. Small producers did not passively accept the expropriation. In order to reach the size necessary to continue producing cane, they formed cooperatives to which they transferred their quota titles. Production was kept at the individual level but the cane was formally owned and sold by the cooperatives. In this way they avoided the effects of the expropriation law and collectively resisted their exclusion from the activity.

But cooperatives transcended their restricted initial goals: by selling their cane together, small farmers increased their bargaining power vis a vis sugar mills, what allowed them to obtain better payment conditions, fair weighting and quality control, diminished transport costs and no discrimination when the cane had to be carried and "thrown" in the mill. The crisis of 1966/67 ended up in the emergence of a new social actor within the sugar complex which re-ordered power relations between sugar mills and small cane growers in favour of the later.

The period of expansion which followed the crisis of 1966/67 (see chapter 3) allowed cooperatives to stabilize and expand their operations. By capitalizing profits they became able to build offices, hire employees and provide other services to the members, such as credits, fertilizers, technical assistance, etc.

In 1984/85 cooperatives gained renewed strength and entered activities that were previously undertaken exclusively by the mills: the industrial processing of the raw material and the commercialization of sugar. This process of cooperative "forward integration" was allowed by the new modality of sugar cane commercialization that the state introduced to allow the self-financing of the activity, that is the "maquila system" (See chapter 3). Under the new modality, cane growers received sugar as payment for the raw material and had to commercialize it through the cooperatives. The government set a floor of 15.000 tonnes to allow cooperatives to sell sugar, which organized federations in order

to reach that floor. As the union leaders say "the maquila created the necessity of organizing cane growers". Therefore, since 1986, when farmers sold their cane with the "maquila" system through the cooperatives, they were able to benefit from the increases in the price of sugar sold along the year by the cooperatives as well as from participating in the more profitable activity of sugar commercialization.

Simultaneously the government promoted cooperatives to operate mills that were technically "bankrupt". Three federation of cooperatives rented and operated mills, but the only successful experience is that of the Ñuñorco mill that is now owned by a society formed by a federation of cooperatives (the Liga de Cooperativas) and the workers of the mill. Cane growers that participate in this experience have a secure demand for their cane, receive better prices and guarantee payments.

Though when cooperatives emerged they were formed by very small and homogeneous cane growers, their membership nowadays is very heterogeneous and include from small and middle entrepreneurs to pluri-occupied cane growers with very few land. The levels of participation of different types of producers is not homogeneous and consequently cane growers obtain "differential benefits" from them. Cooperatives' leaders are well-off farmers or small entrepreneurs, democratically elected but who, in many cases, tend to perpetuate their leadership. For these rich family farmers and petty entrepreneurs who are actively involved in cooperatives affairs, organized collective action has helped them increase their socio-political power (in the sense of autonomy, self reliance and capability to intervene in public affairs). They have access to information and intervene in collective decision making processes. Leaders negotiate with sugar mills from a position of power that does not emerge from the control of their individual economic resources but from their being legitimate representatives of a group. They also represent small farmers in the regional state-run research and development agency (INTA) having the opportunity to

influence the activities that it will undertake. It is important to stress here that it is thanks to the organizations (cooperatives and union) that these producers have achieved this position. In a province where the political and economic power was in the hands of a few families (owners of sugarmills and of big plantations of sugar cane) a "rich" farmer owner of 50 has and a tractor would hardly have had any more power than a "poor" one without undertaking organized collective actions.

The smaller and poorer farmers do not participate actively in cooperatives and leaders have a paternalistic attitude towards them. It can therefore be said that they benefit less than richer ones when their power as individuals is considered. However, as members of a group, with which they identify themselves, they have reduced their dependency and vulnerability towards the decisions taken by the dominant economic and political elites.

On the one hand, cooperatives have coordinated their actions and they pool economic resources to improve the situation of their members. Some federations conduct training and diversification programmes, but the main instrument they use is the renting and operation of sugar mills which are about to be closed, so that they assure members within the area of influence of the mill, that their cane will be bought and payed for. On the other hand, the farmers' union is very closely interrelated with the cooperatives, to the extent that cooperatives' leaders are also union's leaders. Through the union, cooperatives' demands are put on discussion in the political level. Conversely, through the cooperatives, the union has a more direct and easy access to its members. This double-way flow certainly increases small farmers' power when considered as a group that acts collectively through its organizations.

Besides, there seems to be no discrimination against the poorer cane growers when they form part of the cooperatives: in general, all members receive the same price for their produce and credit and fertilizers are distributed proportionally according to the "sugar quota" of each farmer and are discounted

from the payments of the harvest. However, in the survey conducted in 1988 it was found that only half of the poorer cane growers of the province (those characterized as "peasants" ) commercialized their cane through cooperatives, while 90% of the "rich peasants" and 75% of the "capitalized family farmers" did so (Giarracca and Aparicio, 1989:68).

There are two factors that contribute to explain the lower involvement of "peasants" in the cooperatives. Firstly, there are differences among cooperatives in relation to the proportion of different strata in the membership. Although there are few cooperatives exclusively formed by big cane growers, the weight of the smaller ones varies. Since neither land or quota size nor access to capital constrains poor farmers' participation in some of the cooperatives<sup>20</sup>, my hypothesis is that the variation reflects differences in the agrarian structures and in the traditions of social and political struggle of different regions<sup>21</sup>.

The uneven development of cooperatives in different regions has been pointed out by leaders of the cooperative movement and of the farmers union as one of the main limitations they have to confront.

Secondly, there exist differences in the potential benefits that cane growers may obtain from the cooperatives. One of the reasons that poor farmers stated in explaining their direct dealing with the mills was that they lacked the resources to harvest the cane themselves and therefore sold it before being harvested to the mill, which did the harvesting with its own machinery and labourers. Though the price received for the cane was substantially lower than

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<sup>20</sup> In Cooperativa Santa Rosa, for example, 78% of the members hold sugar quotas of 1 to 20 tonnes of sugar. Most of these small quota-holders belong to the group characterized as "peasants".

<sup>21</sup> Both structural and political factors are important to explain the emergence and development of cooperatives in Tucuman. The involvement of cane growers in wider political struggles contributed to build up organizational capacity and a common group identity. Besides, it impregnated their culture with values such as social justice and solidarity, important in the ideology of the populist justicialista party, which strongly influenced the struggles of cane growers and of other subordinated groups of the country.

that for the harvested cane, it was the only option available for those without work instruments, insufficient family labour and lack of money to hire day-labourers. Cooperatives were not able to meet the needs of these extremely resource-poor cane growers.

The above example illustrates the difficulties that cooperatives may encounter in meeting the needs of farmers with differential access to resources and, consequently different, and sometimes contradictory, needs. Nowadays such differentiation may become a more acute problem since cooperatives have to confront the challenge of contributing to reduce the costs of sugar cane production so as to enable their members to compete in the cane market.

Some cooperatives have already started to provide the service of harvesting the cane of their members with cooperatives' machinery and labourers (as I mentioned before, mechanized harvest is cheaper than manual when labour is considered as a cost). A cooperative organized mechanic harvest is certainly beneficial for those with insufficient family labour and who therefore need to hire transitional workers to conduct the harvest. However those with adequate work implements and who make intensive use of family labour during the harvest period may lose more than what they gain. For these cane growers a cooperative organized mechanic harvest would increase its cost (they will have to pay the service to the cooperative) and displace family labour.

The question that arises, then, is what will happen with those whose labour will be displaced and will find it difficult to obtain employment? Is it feasible for cooperatives to provide differential solutions according to the different needs of their members or the interests of a group will predominate? Equitable solutions may conflict with the need of efficiency, and as far as both principles guide cooperative affairs, the way in which that conflict may be solved can not be elucidated a priori.

The heterogeneity of small cane growers may inhibit the design and implementation of strategies which would benefit all of them, and, if this proves

to be true, cooperatives may become an instrument to reinforce inequalities rather than to resist the group's marginalization from agricultural production. However there exist factors that may prevent such a tendency from developing. On the one hand, the presence of the smaller cane growers broadens the cooperatives' representativeness and may provide legitimacy to richer farmers' claims. Inclusive and differentiated strategies may be imposed by the need of obtaining support from other social actors (the state, NGOs, political parties) which would not provide it for well-off farmers alone.

On the other hand, there are solidarity links and a common group identity already built up in opposition to the industry, to which all small producers are subordinated. This unequal relation gave rise to struggles in which small farmers acted collectively and constituted themselves as a social actor. "Peasants" or "capitalized family farmers" are theoretically constructed categories which lack a social existence as differentiated groups. There are not two separate organizations, one formed by "peasants" and another formed by "capitalized family farmers". Besides all of them refer to themselves as small cane growers (cañeros chicos). The perception of belonging to a group which has common interests is also a base to develop inclusive strategies to overcome the problems small farmers confront today.

From the analysis made above it can be concluded that cooperatives have proved to be an effective instrument in improving the socioeconomic situation of small cane growers in the past by (partially) overcoming their subordination to the industrial capital and reducing the extraction of surpluses from their members. However, cooperatives have strengthened the position of the better-off farmers who participate more and more actively than the rest. This is the main limitation of cooperatives to providing an inclusive restructuring of agriculture in Tucumán. Besides, the regional differences in cooperatives' coverage, the different levels of participation in decision making instances and the different potential benefits that small cane growers may obtain from participating in

cooperatives do also limit the possibilities of these organizations of fulfilling that positive role.

The challenge that cooperatives have to face nowadays is how to incorporate the poorer cane growers in the organizations. This seems to depend on finding differentiated strategies to meet the differential needs of heterogeneous producers and on deepening the democratization of the institutions to allow the participation of the poorer ones in the decision making processes.

### 5.2. The farmers' union

Small cane growers are organized in the Unión de Cañeros Independientes de Tucumán (U.C.I.T.). The union was formed in 1945, but previously cane growers were part of the Federación Agraria Argentina, a national organization which nucleates small farmers of the country, but which mainly represents the capitalized family farmers of the pampean region.

UCIT has always confronted the industrial sector of the sugar complex, and direct measures (such as paralysing the harvest) have been common along its history. Despite this direct opposition to the agro-industrial capital, in the final analysis, the ultimate recipient of its demands was the state, both in cases where the distribution of income was the problem as well as when the closure of mills threatened the maintenance of the sources of employment for labourers and cane growers. Consequently the organization often formed part of "regional fronts" integrated by different social actors of the activity (the organizations of mills (CAR), large cane growers (CACTU) and industrial and agricultural labourers (FOTIA)). With those actions they forced the national government to provide protection and subsidies for the activity (Craviotti, 1992).

In the light of the socio-political changes that have taken place in Argentina in the past years and which were reviewed in the first chapter of this paper, it is clear that those strategies are very unlikely to succeed nowadays.

The claim for social justice or even the prevention of social conflicts are no longer effective to obtain the support of the state, whose policies are now legitimized by the need of enhancing the efficiency and international competitiveness of the argentinean economy. This new socio-political context makes unviable the traditional union discourse and practice, centred in influencing the state policies towards the sugar sector so as to guarantee the continuity of all the mills operating in the province and to obtain cane prices which covered small producers' costs of production.

To what extent is the farmers union aware of the implications of the new socio-economic and political context? Has the union's discourse and practice changed in the past years or do they continue with their traditional claims? Both changes and continuities can be observed analysing the demands and proposals of the organization with regards to the way in which the state is addressed and its role conceived as well as with regards to the priority given to exercising pressure at the political level vis-a-vis the organized collective action in the economic sphere.

The historical experience of farmers and union's leaders is that they have been able to obtain policies in their favour by exercising political pressure. This experience conditions their behaviour so the union continues identifying the state as the privileged actor responsible in finding and implementing solutions for the crisis of the sugar sector. However, the leadership is aware that their power to influence decisions at the national level is weakened so they no longer address the national government but identify the provincial government and the Congress as the actors "who have responsibilities in the design of the strategies to improve the sugar economy" (La Gaceta, 12/93). They are making use of the spaces opened up by the process of democratization to pressure within those political arenas which are deemed more sensitive to their demands.

There are also changes in the way the union conceives of the role of the state, which is now demanded a type of intervention which differs from the

traditional one. Though the Union continues asking for measures to "defend the price of sugar" its proposal to achieve that end is the formation of a private entity to regulate the sugar sector. The state should enhance the constitution of that entity by calling the different actors of the sugar sector to reach an agreement to self-regulate production, preventing overproduction and allowing the recovery of sugar prices (La Gaceta, 12/1993 and interviews with farmers' leaders, 1991). Though the union is not demanding the direct intervention of the state to control the activity, the emphasis put on the price of the product may be interpreted as a sign which shows that it is following a path with few chances of success, given the increasing liberalization of the economy and the process of regional integration in the South Cone (MERCOSUR).

UCIT has been unsuccessfully trying to constitute that private regulatory entity since the activity was deregulated. Despite their failure, they are determined to continue "claiming in the desert" (to use the Union's words) to reach an agreement with sugar mills (La Gaceta, 12/1993). Their determination seems to be more a result of a lack of alternatives rather than of their conviction of the feasibility of their proposal.

The changes and continuities observed in the demands and proposals analyzed above show that the organization is undergoing a process of change which is not yet complete. That process of change is also observable in relation to the importance that organized collective action in the economic sphere has acquired as an instrument to guarantee the viability of small farmers vis a vis the traditional forms of socio-political struggle.

"I think that those times in which we used to fight, to confront, in which we fought and obtained things from the state and from the mills [are gone]. 'The cow has no milk in this moment', or it has very little, thus we have to search how to feed it. We have to address ourselves to the cooperatives, towards "inside" the institutions, to strengthen them. We have to make that strengthening work, going to the field, providing services, incorporating technicians, organizing the mechanized harvest"

(Interview with A.S., president of UCIT, 1991).

The Union recognizes the necessity of changes aimed at increasing productivity and reducing the costs of sugar cane production and considers cooperatives as the appropriate instruments to achieve them. The importance that cooperatives have in the union strategies is relatively new and can be dated back to the last crisis of the sugar industry (1984-85) when the government changed the system of cane commercialization (See chapter 3). Though in the beginning the Union was reluctant to accept measures that implied cane growers taking the risk of sugar production and commercialization, with the successful experience of the sugar marketing federations and of the Ñuñorco sugar mill, UCIT started to openly defend the "cooperative agro-industrial integration" not only as a solution for small cane growers, but also as a permanent solution for the recurrent economic and financial problems of the sugar mills (Craviotti, 1992:54-55).

The increased importance given by the union to cooperatives is also a result of a generational change that has taken place in the unions' leadership: there is a new generation of leaders which comes from the cooperative movement and which conceive of cooperatives as one of the most important "instrument of struggle" of small cane growers which allows them to have greater autonomy vis-a-vis sugar mills and the state. To put it in the leaders words

"We in the union, we will fight, but if we do not have tools, we will fight with empty hands, if we do not have tools, which are our cooperatives, our mill, that is why we have to defend them" (Interview with the president of UCIT, A.S., 1991, emphasis mine).

The points of views of the new leadership have become, if not hegemonic, very influential in the organization and consequently cooperatives have acquired a strategic place for the union as a privilege instrument to guarantee the economic viability of small farmers.

As I have analyzed, the demand and proposals of UCIT show several positive changes. The leadership is aware of the new socio-economic and political context they have to confront and therefore no longer claim the traditional intervention of the national state to solve the sugar crisis, giving priority to private

agreements between the actors of the sugar complex to self-regulate the activity. Besides, it also recognizes the need to improve the efficiency of cane production and stresses the role that cooperatives can fulfill for achieving this goal. The main limitations that can be signalled are the emphasis put on the recovery of the sugar prices and their determination to continue claiming for the intervention of the state to force an agreement within the actors of the sugar complex without considering alternative measures to improve the situation of the small producers.

### 5.3. Collective alternatives for an inclusive restructuring of agriculture

I highlighted in the previous chapter three complementary paths that could be followed to prevent small farmers' marginalization from cane and/or agricultural production: diversification, improvement of the efficiency of cane production and recovering farmers' share in the income of the activity. I also mentioned that they can not be pursued individually but require the organized collective action of cane growers to be successfully implemented.

The interlinkage that exist between cooperatives and the farmers' union provides a basis to combine strategies at the productive, socio-economic and political levels to undertake these three complementary alternatives. Cooperatives may promote the adoption of productivity increasing technology and also design and implement diversification programs to reduce the dependency of their members on cane income. The union may pressure at the political level to obtain necessary economic support for those activities. The articulated action of cooperatives and union may allow the recovery of farmers' share in the global income of the activity. Those are potential spaces in which these local social actors can fight for and contribute to achieve -both in economic and political terms- a more democratic society. But are the organizations (cooperatives and union) thinking of or actually implementing any of these strategies? In which ways? Which of them is given priority?

Through my field work and by conducting interviews with cooperatives' and union's leaders I have observed that cane prices are the most important issue for both organizations. As I mentioned before, the union pressures for an agreement with mills to regulate sugar production while at the same time asks producers to commercialize their cane through the cooperatives and utilize the maquila system to strengthen the bargaining power of the organizations. Such an action, if successful, may allow for the recovery of the historical share of cane producers in the income of the activity, but, would hardly produce a substantial impact on small farmers incomes. However, leaders are aware of the limitations of pursuing this strategy alone and emphasise the need to promote measures to reduce the costs of cane production.

Measures to reduce the costs of cane production have already started to be implemented by cooperatives. Emphasis is put on providing technical assistance for the adoption of land productivity increasing technology and management practices (use of new varieties of cane, harvest of the cane in the moment in which saccharose is at its highest level, use of adequate quantities of fertilizers, etc). The other aspect emphasized is the provision of services to make use of economies of scale, not only with regards to machinery to harvest the cane but also in relation to accountability and other administrative services now undertaken individually by farmers but which could be provided by cooperatives.

"It is necessary that cooperatives tend to fuse themselves so as to constitute economically solid organizations to defend the price of cane, and to develop the provision of services to cultivate, harvest and transport the cane and to incorporate technology to reduce the costs of production and increase productivity" (UCIT, La Gaceta, 12/1993).

The quotation shows that the leaders are also aware that the organizations themselves have to become more efficient in order to undertake these plans effectively. However, the path chosen to strengthen cooperatives can be characterized as technocratic and probably concentrative. A process of fusion of cooperatives may allow them to increase their efficiency, but the risk run is

the weakening of farmers' democratic control and the prioritization of efficiency instead of equity. This may prevent the development of differentiated strategies according to the needs of different types of cane growers what, as I mentioned before, may lead cooperatives to become an instrument to serve exclusively the needs of the well-off cane growers.

The need for differentiated solutions is not present in the public discourse of the union's and cooperatives' leaders. Though they recognize the heterogeneity of small cane growers, they seem to assume that their strategies are valid for all of them. However, at the level of the cooperatives that awareness translate itself in the search for alternatives which may improve the situation of the smaller and poorer cane growers. Here is where diversification becomes an option considered by the cooperatives as a way to complement the incomes of the poorer cane growers.

Some federations of cooperatives have already been implementing diversification programmes. The Liga de Cooperativas, for instance, undertook a plan of chicken production together with INTA (National Institute of Agricultural technology) in which farmers were provided with the initial capital necessary to start production, technical assistance and marketing services. The Secretariat of Education of the same federation also promoted the formation of groups among young farmers to cultivate vegetables under plastic houses, an activity which was financed with the help of the German Embassy in Argentina. The Liga has also commissioned a study to explore the feasibility and to design a project for lemon production, which has not been implemented yet.

Though there is not a carefully studied and designed plan of reconversion, these attempts made by cooperatives can be considered as a positive basis to undertake more comprehensive projects. However, diversification is regarded as a way of complementing the incomes derived from sugar-cane production for those whose farms are too small as to obtain a cane-income to reproduce the farm and sustain the family all the year. Neither cooperatives nor the union propose

diversification as substitution of sugar cane cultivation for other crops. They stress their identity as cane growers and therefore give priority to the problems related to sugar cane production.

Three weak points may inhibit farmers organization from effectively promoting inclusive strategies of restructuring agriculture in Tucumán: the emphasis put on the recovery of sugar prices, the neglection of "complementary" diversification and/or reconversion as valid alternatives in the public discourse of UCIT, and, finally, the lack of explicit consideration of the need of differentiated solutions for cane growers with different resource endowments and consequently different needs. However, I have also stressed the aspects which may allow farmers' organizations to fulfil a positive role in that difficult task: their awareness of the possibilities and constraints posed by the coexistence of a democratic regime and a government implementing neo-liberal policies; the stress in the state promoting a private agreement among the actors of the sugar sector which can be interpreted as a demand to reinforce the power of the civil society organizations vis a vis former paternalistic/clientelistic ways of state intervention; the recognition of the need to achieve greater efficiency to compete in the sugar market and finally, the cooperatives' attempts to promote diversification among their members, making use of external support (government agencies and non-governmental organizations) to conduct them.

It is important to highlight that external sources of support are needed if cooperatives and union are to implement projets leading to greater efficiency and/or production diversification. Financial and technical assistance and, in the case of diversification, marketing channels and services are crucial for the effective implementation of these projects. Since farmers' organizations can not provide these resources alone, their ability to develop alliances with other social actors and pressure to obtain the necessary support for those activities will very much determine the path of development and the consequent agrarian structure which will emerge in the province. The future of small farmers depends

on the extent to which their organizations succeed in pressuring at the political level and in obtaining the necessary support to exploit the potential productive and economic spaces in which they can intervene.

### Conclusions

The key purpose of this paper was to identify spaces in which local social actors could effectively intervene to achieve an inclusive restructuring of the sugar agro-industrial complex, and the elements that would constrain or enable that kind of intervention. I did not attempt to make predictions about the future of small cane growers based on a diagnosis of their present situation. That way of defining the objectives of the paper was a result of both empirical and theoretical considerations.

On the one hand, in my past work with sugar cane growers I learnt that in other situations "structural tendencies" were effectively counteracted or modified by their individual and collective actions. The persistence of those very poor cane growers who, despite their dependency on off-farm employment to survive, continued cultivating cane; the enrichment of farmers with little access to resources but who found ways to maximize them and initiated a process of expanded reproduction; the emergence of the cooperative movement and the importance they had acquire in the sugar complex, were all facts that "contradicted" what could have been expected given the structure of the sugar complex and the policies of the state towards it.

The "unexpected" results that emerged from past experiences pointed out to the futility of making predictions when social orders are analyzed and revealed that subjects are able to imagine and implement strategies which alter their relations with other social actors and thus modify the direction and/or characteristics of the processes of social reproduction/change.

On the other hand, in the debate around what has come to be known as the "crisis of marxism" -widely influential in Argentina during the period I conducted my studies- two crucial points systematically emerged. First, the inability of conventional marxist analysis to give account of politics, of non-economically based power and of the social construction of actors. Secondly, the

failure of the new theoretical approaches (which criticized marxism) of considering the structural conditions in which subjects are situated, especially of those approaches that could be grouped under the category of post-modernism.

This debate also affected development studies. Marxist and neo-marxist approaches to development were severely criticised during the 1980's and led development studies to a theoretical "impasse" (Schuurman, 1993:1). The advancement of post-modernism within the social sciences was one of the factors that contributed to undermine development theory and posed the challenge of building up theoretical perspectives on non-reductionist and non-teleological basis to overcome the impasse (ibid:11 and 32).

The limitations of both marxist and post-modern perspectives signal the necessity of integrating in a coherent analytical approach both subject and structure, economics and politics, culture and the "material base" of society. Actor-oriented perspectives to the study of social (or agrarian) change, as formulated by Long, Giddens or also Bourdieu, could be considered, in my opinion, as fruitful attempts to make such an integration. These authors stress the capability of human agents to structure the social world through their practice but at the same time conceive human agency as in itself structured, that is constrained and enabled by elements that are beyond the actors' control. Thus these approaches highlight the mutual dependence of structure and social action and overcome the deterministic features of marxian theory creating a theoretical space to give account of how people "make their own history" (Long, 1990:168).

Therefore, unpredictability and innovative intervention of social actors were a necessary a-priori stand point if the analysis was to be conducted using an actor oriented perspective.

In the analysis made within the paper I tried to systematically take into account social actors' behaviour as well as the interactions, negotiations and struggles which take place among them. Despite the difficulties I encountered in doing so, I think the analysis was enriched by adopting such theoretical

perspective.

The political dimension of economic problems and the importance of human agents exercising power was highlighted in the analysis made of the sugar crisis, which could not be understood without considering the conflicts among (and strategies deployed by) the actors of the sugar agro-industrial complex and the intervention of the state. Though the determinants of the sugar crisis are economic (fall in international sugar prices, stagnant domestic demand), the specific ways in which those factors affected the sugar sector was mediated by the intervention of the state, which in itself was influenced by the organizations of mills, farmers and workers of the sugar sector.

The role of varying individual strategies was stressed when analysing how the process of differentiation among small cane growers developed: both the persistence and the heterogeneity of the group could not be understood if only external factors (market forces, structural situation) are considered. Here again the role of the state was important to shape the pace and modality of that process.

Finally, the emergence of the cooperative movement and the changes undergone by the farmers' union show that agents are able to confront and adapt themselves to changing situations, take advantage of the new spaces opened up by those changes and also modify them in their favour.

In the paper I have identified different tendencies that may evolve from the present situation provided actors intervene in one or the other form. To do so I considered the socio-economic, political and ideological context in which the sugar crisis takes place and highlighted that the new development model shaped by the adoption of neo-liberal policies tends to marginalize and worsen the situation of the weakest sectors of the rural population. However, I also pointed out that the process of democratization sets limits to the consistent exclusion of subordinated groups and opens up spaces where they can exercise pressure and fight for more democratic and inclusive policies (Chapter 2).

I also reviewed the structural features of the sugar agro-industrial complex and characteristics of the agents involved in it, highlighting the highly unequal relations that exist between small farmers and sugar mills. This relations allow mills to confront the tendency of falling sugar prices by reducing the price they pay for the raw material, what may lead to the increased impoverishment of small farmers, unless cane production is restructured so as to improve efficiency and reduce its costs of production. Considering the heterogenous characteristics of cane growers in terms of access to resources, reproduction strategies and technological levels I concluded that it was not clear what types of producers are in a better position to compete in the sugar market. Resource poor farmers compensate their technological disadvantages by making intense use of family labour and undertaking a combination of activities that allow them to complement their incomes without abandoning agricultural production (Chapters 3 and 4).

Finally, in the last chapter I analyzed small farmers' organizations, showing their positive and negative features. The new socio-economic and political context makes necessary for these organizations to change themselves if they are to develop effective strategies to allow the persistence of small producers. Though as limited actors they can not radically change the structural conditions in which they live or the orientation of state policies, they can negotiate the terms under which they integrate themselves to the "new world".

Social mobilization and political pressure have always been a necessary instrument for small cane growers to guarantee their "economic viability", specially in the periods of crisis in which sugar agro-industry recurrently fell. Despite the deregulation and liberalization of the economy, politics continue to be important in determining the economic prospects for different sectors of the population.

In shaping the path of change that will follow from the present sugar crisis, politics and power deployed by agents in their individual and collective

strategies were therefore given priority over the structural features of the sugar complex and the orientation of state policies towards it.

The theoretical perspective adopted did not only enrich the analysis to understand the sugar crisis and the situation and prospects of small cane growers. It also served to think of possible policies which could effectively contribute to the "inclusive and democratic modernization of agriculture". Those policies did not emerge from considerations about what can be good or not for the small cane growers but took also into account the analysis of what actors are actually doing and what they consider needs to be done in order to improve their situation.

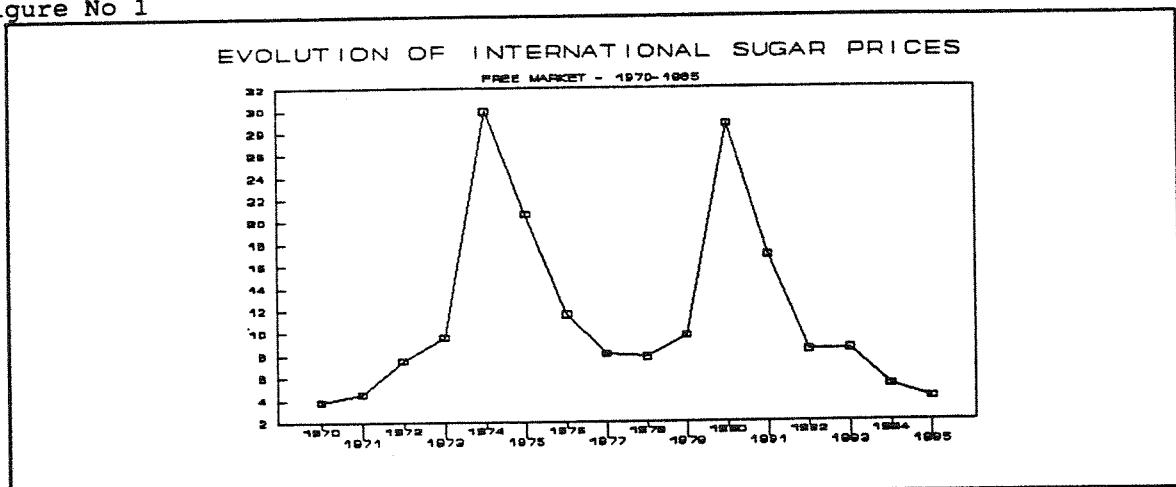
Considering people's views in the detection of the critical issues they face and of the proper solutions for them could contribute to overcome some of the problems usually confronted by planned interventions. It is not uncommon that projects are designed disregarding who is willing or capable of implementing them, and therefore face the indifference or even the resistance of those who are supposed to be the beneficiaries. The identification of social actors who can participate in the design of projects and implement them by themselves could give planned interventions more possibilities to succeed. Besides, it is a more democratic procedure which can contribute to the empowerment of peoples' organizations vis-a-vis the state, which is, in my opinion, a necessary prerequisite to building up inclusive societies, in economic, social and political terms.



## APPENDIX

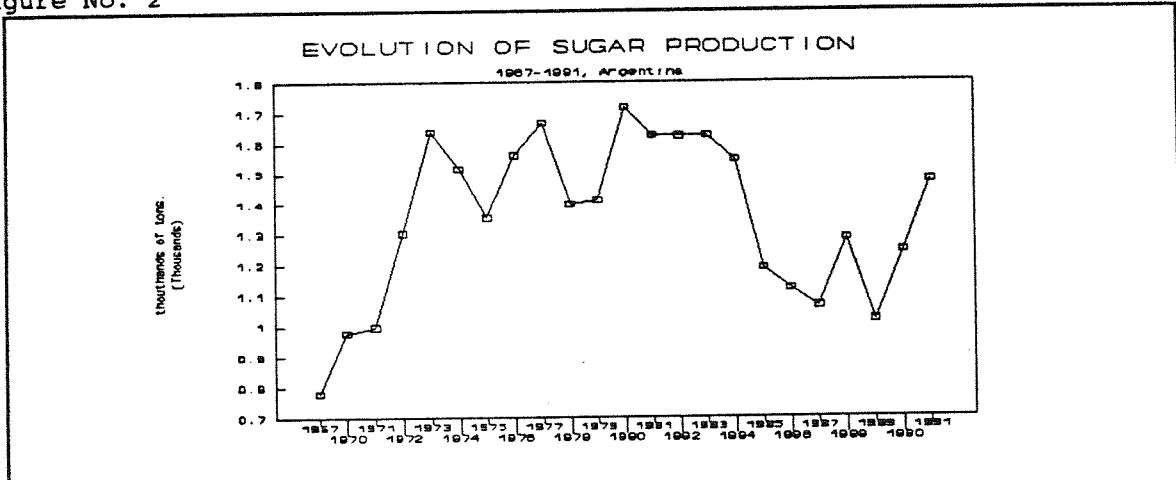


Figure No 1



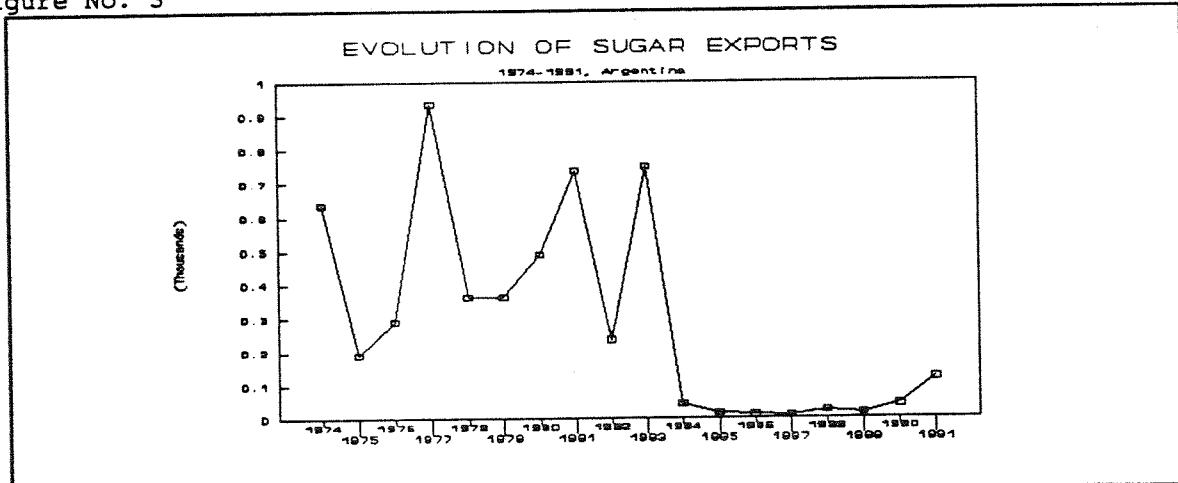
Source: Abbot, 1990:38.

Figure No. 2



Source: table 1 and 2.

Figure No. 3



Source: table 1 and 2.



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