SECTORIAL EVOLUTION AS A HINDRANCE TO POLICY IMPLEMENTATION: THE 2008 ARGENTINE AGRICULTURAL CONFLICT

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James Bret Tate, B.A.

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James Bret Tate, B.A.

Thesis Advisor, George Shambaugh, Ph.D.

ABSTRACT

This work seeks to explain the 2008 agricultural crisis and subsequent defeat of Resolution 125/2008 in the Argentine Senate. The project develops a model which predicts the creation of a disconnect between economic and political actors should one of the two evolve asymmetrically to the other. A consequence of this disconnect is a decrease in the political capacity to impose on a given set of economic actors thereby hindering governance. The model is tested using the case of the Argentine agricultural sector, which underwent a paradigm change during the late 20th Century.

In the studied case, a notable decrease in political capacity is seen, which corresponds to an earlier shift in the productive structure used by the grain producing sector. This disconnect is argued as being a primary factor in the 2008 Argentine agricultural conflict and subsequent defeat of Resolution 125/2008. The model is demonstrated to be an accurate predictor of behavior in this case.
I would first like to thank my primary thesis advisor Dr. George Shambaugh for his time and guidance with this project.

A number of individuals in Buenos Aires graciously gave their time and energy to help make this project a success. First and foremost among these is David Hughes who is truly an expert in this field as well as being a managing partner in TraulenCo and a fellow Aggie. Ricky Negri and his team at AACREA shared with me their vast wealth of sectorial data and Roberto Bisang of the UN-ECLAC office in Buenos Aires provided a general picture of the sector as well as lent a great deal of literature to the project. I thank you all.

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Chapter 1: Framework

Research Question:

*What explains the 2008 agricultural crisis and subsequent failure of Resolution 125 in Argentina?*

Presentation of the Problem:

In March 2008 Argentina’s political system faced one of its greatest challenges since the economic crisis that had plagued the country seven years earlier. Taxes on oilseed exports had been gradually increasing throughout the decade and reached a breaking point with the March 10th announcement of further increases by President Fernandez de Kirchner and her Minister of Economy Martin Lousteau. Resolution 125/2008 was to restructure the export tax system increasing duties on oilseeds including soy, corn, sunflowers, and their derivatives. The new export taxes were designed on a progressively sliding scale whereby the percentage of taxes levied would be positively correlated to the global price of the given commodity.

The measure was met with immediate strikes by the agricultural sector. Those strikes led to blocked highways and food shortages in the capital and were complemented by large urban protests. The government remained resilient in spite of clear public disapproval from some sectors of society; however, eventually agreed to debate the measure in exchange for allowing foodstuffs to arrive to the capital. The conflict continued until mid-June when the president decided to send the proposal to congress to be debated. After passing in the lower house, the senate blocked the legislation early in the morning of July 17.

This series of events stands in sharp contrast to earlier efforts to raise taxes. Historically, Argentine leaders were very successful in raising taxes on the sector. The sector typically reacted
mildly to tax increases and negotiations between government and agriculture were brief and often unnecessary. What makes the response in this event distinct? Why was there such dramatic social upheaval in response to this measure when previous tax increases faced minimal protest?

This work will hypothesize that the public response to Resolution 125/2008 can be tied to a number of sectorial evolutions that altered the productive structure used by Argentine grain producers. While the agricultural sector had evolved to include new distinct actors as well as distinct forms of organization and methods of production, the government had not changed their approach in dealing with the sector. As a result of this disconnect between government and this group of economic actors, government was unable to impose policy changes that would have been detrimental to the sector. A model will be developed predicting this outcome and thereby making it applicable to other sectors or other cases.

**Hypothesis and variables:**

*Defining the variables*

When this project began it was assumed that the events seen in the 2008 Argentine agricultural conflict could be described adequately by only considering the sectorial changes seen from 1992 to 2007. As such, the independent variable, *change in productive model in agricultural sector*, was assumed sufficient to explain the whole of the events studied in the case. As the research continued a vast number of individuals who had participated in the conflict disagreed with the simplicity suggested by this initial hypothesis. Interviewees suggested that the president’s aggressive dialogue during the conflict was the true casual variable at work. Others suggested that the timing of the event – the announcement of the tax hike fell directly in the period between planting and harvesting – was the most relevant factor. Others still argued that
the lack of representation by those participating in the negotiation was to blame for the conflict. A final group of interviewees, experts in marketing and agricultural economics, held that the scale of the tax increase was sufficient to force small producers and those operating in marginally productive regions to produce at a loss. They believed this to be the sole variable at work in the conflict.

It will be argued that while all of the afore mentioned variables are relevant, any one alone is insufficient to explain the reaction by the rural sector to Resolution 2008/125. The president’s discourse, for example, was quite combative at first; however, it did mellow as the conflict dragged on. Similarly, while small producers and those producing in marginal areas would have been hit the hardest by an increase in export taxes, those groups were the recipients of a tax rebate program implemented by the president midway through the conflict. The continued opposition by these groups to the tax would be unwarranted if these were indeed casual variables. The variables mentioned by interviewees are relevant and perhaps even necessary to the conflict, but none are sufficient to explain the entirety of the sector’s response to the resolution.

This work contends that the events noted as being casual variables by those interviewed are not specifically variables, but rather demonstrations of broader processes at work. The changes in the productive model to be discussed are definable and clearly documented. Their effect on existing forms of representation is undeniable and easily seen with the changing of actors participating in the sector. The agricultural sector has indisputably changed. The aggressive presidential discourse, negotiation with traditional agricultural unions, as well as the timing and size of the tax measure are actually demonstrations of the government continuing its traditional behavior.
What are really at work here are two broad trends manifesting themselves in multiple ways. Changes in the agricultural sector are visible through a change in rural-sector actors and a breakdown in traditional representation systems. A lack of change on the part of the government is seen through the size of the tax measure, the style and path of negotiations, and the aggressiveness of the president toward the sector. The true casual variable explaining the 2008 crisis is the interaction between these two trends, which demonstrates a disconnect between government and agricultural producers.

**Hypothesis**

This work argues that a disconnect developed between Argentine agricultural producers and the Argentine government in the years leading up to the 2008 agriculture conflict. This disconnect was brought on by the failure of government to adapt to the evolutionary changes that had taken place in the agricultural sector. A consequence of this disconnect was a decrease in the political capacity to impose on this set of economic actors. In short, if leaders fail to adapt their bargaining strategies to the sectorial evolutions within a specific economic sector, they will face diminished political capacity thereby hindering governance.

*The 2008 Argentine agricultural conflict is an example of this. Sectorial evolutions in the agricultural sector were not mirrored by changes in the Argentine government’s behavior in implementing, and later negotiating, modifications in tax policy with the sector.*

**Relevance:**

Clearly, the fact that Argentina, a country with a relatively stable economy and established political institutions, was unable to successfully implement a change in tax policy
makes it a case worthy of further study. However, more important to questions of development and global commerce is that this conflict arose due to restrictions on soybean exports.

Global demand for soybeans, among other oilseeds, is increasing as never before. Most authors attribute these increases to three primary factors: usage for biofuels, increasing consumption by specific developing nations, and new demand resulting from the inclusion of biological-based technology in industrial production (Bisang et al). High levels of demand on the international markets have driven prices to new records in recent years. In addition to this, a period of adverse climatic conditions in parts of Brazil and Argentina – two large global exporters of the grain – drastically decreased production during the 2007 growing season. With increasing demand and low supply, global stockpiles decreased adding some volatility to the market; however, prices have remained exceptionally high (Organisation for Economic Co-operation).

Argentina is one of the global leaders in the production of agricultural products, primarily grains and beef. Agricultural production including beef accounted for 49 percent of the country’s exports in 2007 (Bisang, Anilló, and Campi, Una Revolución). The country’s total primary product production, when combined with manufactured goods of agricultural origin, represented 56.5 percent of total exports. The country follows the US and Brazil as the world’s third-largest producer and exporter of raw soybeans and leads the world as the largest producer and exporter of soybean oil. Juan José Llach estimates that as much of 36 percent of the country’s employment is generated via agro-industrial chains. Argentine agriculture, which is currently dominated by soybean production, is clearly an important driver of the domestic economy.

Given the relatively small domestic market for soy products in Argentina, the export market is the primary destination of the vast majority of this production. Those exports are a
large source of revenue for the federal government in the form of export duties placed on oilseeds, derivatives and many other grains. Export taxes on raw soybeans are currently at 35 percent of FOB value. The monies generated from taxation of agricultural production were estimated to be 44 percent of total government income in 2006 (Sastre 55). Government revenues depend heavily on the productivity of the agricultural sector. Clearly, the Argentine economy is dependent on agricultural production and the Argentine government is dependent on the tax revenues created by the sector.

The international consumers of Argentine agricultural goods should be considered in this discussion as well. While Argentina has a wide variety of global trade partners, 11 countries receive 60 percent of Argentine exports (Sastre 61). The top five importers of Argentine goods are: Brazil, China, Chile, the United States, and Spain. Only one of those is a primary destination for soybean exports, China. In the past three years China has consolidated 60 percent of world soybean production and is currently the principle destination for raw Argentine soybeans and soybean oil (Regunaga, Implications 31). Amicable Sino-Argentine relations are key to sustaining Argentine soybean production as well as the economic and fiscal benefits they create.

The Chinese role in this discussion has thus far been limited to that of a market for Argentine grain producers. However, there is a great deal of additional research that could be touched upon surrounding China’s influence in the region. China’s importance in providing direct investment and foreign aid to developing nations is noteworthy and makes this specific case more relevant to broader questions of development. These themes, among others, could be tied into later discussions.
Earlier Relevant Work:

There exist a number of analyses of the 2008 Argentine agricultural crisis. These analyses can be broadly divided into two camps. The first of these, very often written by Argentine political scientists, historians and economists, tend to focus on the domestic Argentine political and economic environment. While certainly this is relevant to the academic community, it typically ignores the application of their lessons to cases outside the Argentine context.

Osvaldo Barsky and Jorge Gelman fall within this first camp. Their work *Historia del Agro Argentina* provides a broad overview of Argentine agricultural history culminating about the time of the 2008 crisis. In a similar historical reconstruction, Roberto Bisang follows developments in agricultural production, focusing much of his work on the contemporary period (Bisang 187-260). He describes the process of market transformation as “forced innovations” imposed on producers inadvertently via economic policy changes. Bisang’s work has provided a substantial base upon which this project will build.

Similar to Bisang, Helena Alapin’s *Rastrojos y algo más; Historia de la siembra directa en Argentina* provides an excellent analysis of the production changes that took place within the Argentine agricultural sector in the years prior to the conflict. Raquel Sastre has expanded on those analyses to bring some insight into the structure of existing representative organizations in Argentine agriculture. She questions the representativeness of current systems and makes some suggestions as to from where future forms of representation might arise. Other authors in this line include Bunga and Porta who provide an interesting analysis of the pre and post crisis Argentine economy.

The second camp of study that dominates this event is the economic point of view. Very often these authors use the Argentine case to provide insights into market performance and
overall welfare benefits associated with taxation. Rafael Costa et al provide a nice comparison of export cost competitiveness between Brazil, the Unites States, and Argentina in the soy complex. Through a stochastic equilibrium model they study changes in price, supply, and demand to draw conclusions related to overall welfare effects. In another study, Dr. Matin Qaim and Dr. Greg Traxler analyze the welfare effects of Argentine production using the new productive model as compared to earlier models. They are able to demonstrate net positive gains to producers as a result of the changes. A similar study had been produced by Giancarlo Moschini, Harvey Lapan and Andrei Sobolevsky in 2000, before the new productive paradigm was completely implemented, with mixed results. A final contribution worthy of mention here is that of Roberta Piermartini. Piermartini provides an excellent explanation of the theoretical costs and benefits associated with export taxes in her latest WTO publication.

While both lines of these lines of previous work must be considered, this project will primarily expand on the former of the two. It will furthermore consider their application to the broader debates surrounding both development and policy creation in middle income countries. It is hoped that some of the conclusions reached here will prove insightful to both academics and policy makers currently participating in these debates both inside and outside of the Argentine context.

**Approach to the Problem:**

*Model (the elevator version)*

This work contends that the events seen in the 2008 Argentine agricultural conflict can be explained by a simplified model, thereby making the conclusions reached here generalizable to other sectors and cases outside the one presented by this work.
The short version of this model (See Figure 1) is that a set of political actors must consider the structure of the economic sector upon which they intend to impose policy. Should government take a traditional approach to policy creation with a traditionally organized economic sector, then the model predicts that government will have the necessary political capacity to impose on the sector. If, however, the economic sector has evolved or otherwise altered its organizational structure, government too must alter their strategy in dealing with the

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<th>Description</th>
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<td>Government Approach Toward Sector</td>
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<td>Structure of Economically Productive Sector</td>
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<tr>
<td>Outcome</td>
<td>Government successfully imposes policy changes on sector</td>
<td>Government unable to impose policy change on sector</td>
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Figure 1: Model (Author’s elaboration)
sector. Should government not modify their bargaining strategy, then a disconnect will exist, political capacity will be reduced, and sectorial responses may lead to policy failure.

The latter of these scenarios describes the creation of a disconnect between government and an economic sector similar to that seen in Argentina in 2008. This work argues that this disconnect explains the response by the Argentine agricultural sector in March 2008.

*The Model Applied to Argentina*

Argentine agricultural production throughout much of its history had been dominated by a vertical organizational structure. This structure is referred to by most Argentine academics as the *traditional structure*. Under this paradigm production was controlled by a single owner-operator who normally controlled all facets thereof. The owner-operator owned land, bought equipment, produced seeds, used limited technology, and employed a limited number of workers. This individual was characterized by his control of the land; that being the principle distinction between him and others participating in production.

With most factors of production being in-house, there was limited networking between the individual actors working in the sector. The vast majority of interaction between players was hierarchical in nature, such as that existing between the owner-operator, his employees, and those who purchased the final product.

From the mid-19th Century onward there grew four large organizations designed to protect the interests of agricultural producers. Each of these four represented different groups of producers and were often at odds amongst each other.

It is impractical to list all of the changes to agricultural tax policy throughout Argentine history; however, the changes were numerous and generally successful. By May 1989, for
example, government had successfully increased export duties on Argentine grains to 41 percent. Under the traditional structure, government was undeniably able to implement policies that were not directly beneficial to the sector.

Technological changes, arriving in the 1990s, and macroeconomic policy changes both in 1990 and 2001 greatly influenced the sector. These technological and policy changes forced the creation of a new model of production. This new model increased the country’s productive capacity as well as changed the players and the structure of Argentine grain production.

Under this new paradigm, the vertical structure was broken down and replaced, at least in part, by a horizontal network structure. The horizontal structure is not controlled by an owner-operator, but rather by an agricultural engineer. This individual typically owns no land, uses contractor companies instead of buying equipment, produces using the latest agricultural technology (i.e. genetically modified seeds and advanced herbicide packages), and depends on external sources of financing. Control of land becomes a mute point with the arrival of the new paradigm and is replaced by the knowledge and organizational abilities of the agricultural engineer.

The actors participating in the production chain changed. Under the new paradigm, the landholding owner-operator now leases his property to the agricultural engineer. His employees under the old structure have borrowed capital, purchased equipment, hired employees and installed contracting companies. The inputs, once produced on the farm, are now supplied by one of several multinational companies who provide genetically modified (GM) seeds, agro-chemical packages, technical support, and financing for producers among other things. Finally, the sources of financing changed. The old model took advantage of public banks to purchase large capital goods while operating expenses were paid with personal capital. Today, individual investors,
investment pools, and private banks – all historically distant from the agricultural sector – participate in the financing of agricultural activities in the country. Their activities are complemented by financing provided by vendors of agricultural inputs.

This entourage of new actors has aligned themselves horizontally independent of the social framework that dominated the traditional productive structure. Each individual participant is dependent on the success of the production activity.

Though traditional syndical organizations still exist, they are much less representative than in earlier periods. Membership of organizations that once protected the interests of small farmers is now composed of producers of all sizes as well as some individuals who no longer produce. Organizations that previously represented large landowning producers are now made up of individuals who lease their land to agricultural engineers. Newly formed entities, such as contractors and input providers, have no representative organization to defend their welfare. As can be seen, the organizations historically representative of the sector are no longer able to fulfill their earlier role.

There is clear movement away from a hierarchical, vertically organized production model toward a model characterized by a network of firms and individuals participating in the production chain. It is this type of paradigm change that our model depicts. Furthermore, as the model would predict, government was unable to implement a policy change detrimental to the sector without also adapting. Figure 2 demonstrates some of the changes in agriculture as contrasted with the static behavior of political actors.
When Resolution 125/2008 was adopted in March 2008, agricultural producers immediately reacted with general strikes. Those strikes led to blocked highways and food shortages in the capital and were complemented by large urban protests. As expected, government held meetings with the four large agricultural unions in trying to negotiate a solution; however, a negotiated settlement was never reached. The agricultural sector had changed and
government had not altered their strategy in confronting the sector; this virulent reaction and eventual policy failure was the result of that disconnect.

**Objectives and Methods:**

The overall objective of this work will be to demonstrate that the disconnect between government and the agricultural sector did indeed exist and that it explains the 2008 Argentine agricultural conflict as our model predicts.

The second chapter will address this objective by demonstrating that the Argentine government did not change to meet the sectorial changes that had taken place prior to 2008. The discussion will demonstrate how government acted in as it had historically, using traditional channels of policy creation and later traditional systems of negotiation with the sector. A brief historical review will be used to demonstrate government behavior prior to the conflict. A combination of interviews with participants and a review of media coverage during the conflict will demonstrate a notable level of consistency in government’s approach to the sector.

The third chapter will illustrate the changes that have taken place in the agricultural sector over since the early 1990s. This chapter will draw heavily on the work of Argentine academics who have studied these sectorial changes as they occurred. It will be complemented by interviews with producers, which are expected to expose the lack of representation in current syndical institutions.

Chapter Two and Three will clearly demonstrate that government did not change to meet the structural changes that occurred in the agricultural sector during the studied period, thereby proving the disconnect expected by the model. With this disconnect proven, Chapter Four will
address the success of policy changes after 2002 in Argentina, which would ostensibly bring into question the accuracy of our model.

The fifth and final chapter will attempt to draw relevant conclusions from the analysis that could potentially be applied to other cases.
Chapter 2: Behavior of government

Chapter Two delves deeper into the structure of early Argentine agriculture and reviews the interaction between government and the sector. The first section of this chapter will describe the traditional structures of agricultural production in the Argentine case. The second section will portray the four organizations, which have historically acted to protect and promote the interests of the sector. The third section will briefly review the relationships between government and the rural sector in previous situations of potential conflict. The fourth and final section will describe government behavior during the implementation of Resolution 125/2008.

This chapter is expected to layout the structures and behaviors described by the model prior to a paradigm shift in the agricultural sector. If the model is accurate, the government is expected to be able to impose policy changes on a traditionally organized rural sector and, if necessary, use existing representative structures to diffuse potential conflicts.

Traditional structure of Argentine agricultural sector

Historically, agricultural production in Argentina was dominated by large producers. In 1908, for example, farmers with less than 200 hectares of land represented 85.7 percent of all agricultural producers in the country (Barsky and Gelman 174). Those same producers, however, only exploited 45.6 percent of the country’s land, leaving the remaining 54.4 percent of total lands in the hands of 14.3 percent of producers. While clearly these numbers have evolved over time, they paint a general picture of the gross inequalities in land distribution that characterized the sector.

Likely as a result of the historical inequality of land distribution, the traditional model of production in Argentina – also referred to in some literature as the vertically integrated model or
integrated production model – was based on control of land (Bisang, Anilló, and Campi, Una revolución). Under this structure, land was the primary barrier to entry and production decisions were made by the individuals who controlled that factor of production. Individual producers typically had access to land due to prior subdivisions or due to their access to sufficient amounts of capital to allow them to make the large investments required to acquire the terrain (Bisango, Anilló, and Campi, Organización del agro).

These landholding producers tried to internalize all facets of production. As do many producers in the United States today, they would reduce reoccurring costs by purchasing equipment. They could then hire employees to operate and maintain that equipment. With capital investments made, producers would increase their scale of production as to maximize the use of equipment and optimize their investments. Given that planting and harvesting crops only requires a few months per growing season, much of the equipment spent the majority of the year in storage awaiting the following harvest (Bisango, Anilló, and Campi, Organización del agro). Unable to continuously make use of capital investments, some inefficiency existed in the system.

Further internalizing production practices, producers typically produced all seeds in-house. This trend was altered slightly with the arrival of the first hybrid seeds in 1949, but still remained dominate until the early 1990s (Bisango, Anilló, and Campi, Una revolución 12). It should also be noted that the use of chemical fertilizers, herbicides, and pesticides was limited during this period of time. Those practices too would become widespread during the 1990s.

Under this organizational structure there were significant barriers to entry. The very access to land required high capital investments and was therefore restricted to those with access to capital. Similarly, the capital investments used to buy equipment – while smaller than those needed to buy land – were important. Finally, there was some capital necessary to cover
operating costs. Without capital to finance all three of these factors of production, entry into the sector was impossible.

In addition to acting as a barrier to entry, the costs associated with purchasing equipment under this model discouraged the inclusion of new technology in production. Low use of technology was another principle characteristic of the model. Once the initial investments were made on equipment, producers did not tend to upgrade any earlier than necessary. As such, many producers would not necessarily be using the latest, and presumably most efficient, equipment. Furthermore, since the equipment was used on a single farm only a few months per year, it was subject to less wear than had it been in constant use, further slowing its replacement with upgraded technology.

A few processes were not internalized by the producer in this model. Shipping and storage, for example, were seldom done by the producer. The investment required for these two processes was high and the services were available via third-party contractors. Similarly, in some cases harvesting was left to contractor companies due to the high capital requirements needed to carry out the process in-house. As the following chapter will describe, the growth of contractors accompanied production changes observed beginning in the early 1990s.

A final characteristic of the sector worthy of mention was its low articulation with other sectors of the economy. Since most productive activities were done within the confines of the farm, there was low interaction with other sectors of the economy. Producers had few employees, seldom used contractors, and produced most inputs in-house. They had little or no need to interact with other firms involved in similar activities.

As is seen, a producer operating under the vertically integrated, or traditional, model had access to land, the key element in the productive process. That individual attempted to internalize
all process of production and took advantage of economies of scale to the extent that capital investments would allow. By increasing personal risk the producer attempted to develop the greatest number of processes possible to maximize efficiency. Individual firms had few employees and limited interaction with other external actors.

Figure 3: Vertically Integrated Model (Modified from Bisang, Anilló and Campi, 2008)
Figure 3 is a graphical representation of this sectorial structure. The hierarchical structure and limited articulation with other sectors is visible, as is the technological package implemented by the bulk of producers.

**Existing forms of representation**

Having a general sense of the sector’s historical structure, the discussion will now move on to briefly looking at the organizations and systems that represented its interests.

The Argentine government is a federalist system with bicameral congresses and an independent executive and judicial branch. Given this, and assuming that representatives were indeed sensitive to pressure from their constituents, one would suppose that the first line of defense for agricultural producers would be via existing political institutions.

It is difficult to measure with any accuracy the efficiency of democratic systems of representation. However, in discussions with producers, none viewed existing democratic systems as truly representing the needs of the sector. One individual argued that the channels existed and functioned; however, that the general perception of his peers was that politicians would not listen to the complaints of individual producers. A more frequent response was that politicians were more responsive to their party than to constituents. Whatever the specifics, political systems were disillusioning to producers and not perceived as representing their interests.

With the general difficulties in measuring representativeness in political systems this chapter will not enter into the discussion, preferring rather to focus on the syndical organizations participating in this and earlier conflicts. The term syndical organization here is applied to the
Argentine agricultural *gremios*¹; these groups are essentially labor unions with a strong lobbyist component. Chapter Three will look more at observable changes in congress in the post-conflict period.

*Syndical representation*

Often beginning as a means of distributing technical information among groups of isolated farmers, societies of producers began to spring up during the 19ᵗʰ Century. These societies evolved into organisms that not only distributed information, but also protected the interests of agricultural producers in government. Eventually four large union-like organizations were formed; the *Sociedad Rural Argentina*, the *Federación Agraria Argentina*, the *Confederaciones Rurales Argentinas*, and the *Confederación Intercooperativa Agropecuaria Cooperativa Limitada*. Each of these four represented a distinct group of producers with unique needs; as such their goals were often at odds with each other.

*Sociedad Rural Argentina*

The *Sociedad Rural Argentina* (SRA) was formed in 1866 by a group of rural property owners to protect the general interests of the sector (Sastre 77). From its inception the society held regular meetings, exchanged experience and information, formed a library, and generally worked as a technical organization to improve the productive capacity of Argentine agriculture (78). By the late 1890s, and in the absence of an official organism to fill the capacity, the SRA advised the government as to the needs of the agricultural sector. That advisory role continued to evolve and by the outbreak of WWI, the organization was an active player pressuring congress in

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¹ A Spanish term for ‘union’ or similar forms of organized labor
the creation of pro-agriculture policies; those policies were very often simply liberal policies on beef exports. The organism typically promoted its own interests as exporters and criticized state intervention in most forms.

Today the SRA advertizes their primary goal as the creation and distribution of information to agricultural producers (Sociedad Rural Argentina). In addition to this they provide a number of services including political action, research, and public expositions among other things. Their membership is open to anyone participating in the agriculture sector as well as *ad honorem* membership, which is given to the president, vice-president, and standing members of congress. With the exception of the *ad honorem* members, all associates must pay dues that correspond with their membership level.

While the organization’s charter would seemingly allow the inclusion of producers of all sizes and backgrounds, the association’s history has led it to be a bit less inclusive. Barsky and Gelman note that the founding members were primarily beef producers of British origin (154). Traveling frequently to Europe, this group of producers was typically the most advanced technologically and was interested in ways to disseminate information on production for foreign markets. Frequent intercontinental travel and the use of high technology during the 19th Century imply a level of resources that would only be available to select groups of producers.

In 1948 the SRA opposed a law that would give additional rights to small farmers leasing lands. They considered that this measure could cause some future legal instability (Sastre 79). Since a large number of agriculture producers during that period of time were producing on lands leased from large landholders, it is clear that the SRA was favoring large producers over small.

The domination of the SRA by a rural elite is visible in the perceptions of small and medium-sized producers today. In conversations with producers in the Province of Buenos Aires
and La Pampa, interviewees described the SRA as representing the interests of estancieros — a Spanish term describing wealthy property-owning ranchers in the country. Their perception is further supported by media reports who describe the organization in a similar manner (Eduardo Buzzi Presidente de Federación Agraria).

_Federación Agraria Argentina_

Sastre notes that in 1914 there were 189,271 agricultural producers in the Pampean Region, which is comprised of the humid prairielands in the Province of Buenos Aires and surrounding areas (Sastre 88). Of those producers around 170,000 produced on less than 500 hectares of land, while around 500 held parcels of 10,000 hectares or more. Many of those small producers operated on lands leased to them by large landholders and had little legal protection against arbitrary taxation and contractual changes implemented by landowners (89). Under this situation of inequality and low individual protection, small rural producers organized and called for a strike in protest of the situation. That mobilization, now referred to as the _grito de Alcorta_, marked the beginning of the _Federación Agraria Argentina_ (FAA).

Today, the FAA identifies itself as being a second-degree² union organization whose “nucleus is small and medium-sized producers” (Federación Agraria Argentina, Quienes). The organization’s primary objective is to mediate the concerns of its members and seek out distinct solutions in conjunction with national, provincial, and municipal authorities. It furthermore disseminates sectorial information through the establishment of a library and via monthly publications. Other services include legal assistance to producers, health care plans, and discounts on certain products.

² “Second degree” in this case would mean that membership is primarily made up of rural organizations and not of producers directly
Membership is open to any individual who is an agricultural producer or participant in a related sector (Federación Agraria Argentina, Asóciese). In contrast to the SRA, the FAA does require that members be individuals thereby excluding corporations or similar non-physical entities.

The FAA clearly corresponds to a section of producers distinct from the SRA. Small and medium producers founded the organization and remain, according to official publications, the center of the organization’s focus. While official statements may very well be true, some interviewees questioned this. One small producer who was not affiliated with this organization noted that the FAA most definitely represented small and medium-sized producers earlier in the 20th Century; however, as time passed some of those producers were quite successful. As required by the traditional model of production described above, those producers were then forced to expand their activities to maximize the use of their capital investments. Some once-small producers are now large producers who remain loyal to the organization.

The FAA still represents the needs of small and medium agricultural producers in Argentina. While it would be difficult to measure, those interests must be affected to some degree by the members who are now large operators. The organization, furthermore, excludes from participation corporations regardless of their size. This is an interesting issue given that contemporarily many family farms in Argentina have been structured as corporations to alleviate conflict amongst family members stemming from divisions and control of family property.
Confederaciones Rurales Argentina

Confederaciones Rurales Argentina (CRA) is a third degree\(^3\) syndical organization comprised of 14 rural associations and over 300 rural societies. It is an umbrella organization comprised of provincial associations, which in turn consist of rural societies. The confederation was formed in 1943 in order to unite provincial associations in the production of a national exposition (Sastre 93). Due to its structure the confederation describes itself as representing agricultural producers of all types and sizes throughout the country and as such, membership is open to agricultural producers and related businesses through affiliation with local rural societies (Confederaciones Rurales Argentinas).

The organization’s stated objective is the defense of agricultural producers and their interests (Confederaciones Rurales Argentinas). The confederation organizes annual expositions and fairs, provides social and administrative services, and diffuses commercial information (Sastre 99). The CRA tends to be less visible than the SRA or FAA, but has appeared as a negotiator with government at times.

Argentine agriculture has been dominated by beef producers throughout much of its history. Given this fact, its federalist structure and national reach, it is no surprise that producers often perceive the CRA as pursuing the interests of cattle raisers over those involved in grain production.

ConInAgro

In the early 20\(^{th}\) Century storage facilities, infrastructure, and port facilities were limited (ConInAgro, Historia). With these restrictions, agricultural producers began to form cooperatives

\(^{3}\) “Third degree” in this case describes a federal structure where the national organization is comprised of provincial associations (second degree), which are in turn made up of local societies (base or first degree).
to take advantage of existing resources and thereby more efficiently sell their products. As such, a large number of agricultural cooperatives sprouted up across the country during this period. By the 1930s these cooperatives had joined together forming regional associations. In 1953 a government decree formed a council made up of one representative from each regional association to inform the government on cooperative-related issues. Three years later, in 1956, that council formed the *Confederación Intercooperativa Agropecuaria Cooperativa Limitada* (ConInAgro).

Today ConInAgro is a representative body of third degree, which protects the interests of regional agricultural cooperatives. Regional agricultural cooperatives are essentially the cooperatives representing local cooperatives. The organization’s goals are to promote the industrialization of agricultural products through the use of cooperatives, to establish social and cultural relationships between affiliates, and to coordinate all commercial operations solicited by member cooperatives (Sastre 102-103).

A number of years after its founding, two large cooperative associations, the *Asociación de Cooperativas Argentinas* (ACA) and SanCor, joined ConInAgro. ACA is a large association of grain cooperatives and SanCor is one of Argentina’s largest dairy cooperatives. Sastre notes that this merger changed the direction of ConInAgro substantially (102). His assertion is substantiated by that of some producers who noted that these two large cooperatives dominated the agenda of ConInAgro for a number of years.

In November 2008, only a few months after the 2008 agricultural conflict, SanCor made the decision to leave ConInAgro (SanCor deja Coninagro). SanCor based their departure from the entity on the fact that they were not a representative organization, but rather an industry.
Media reports of the event noted that ConInAgro’s loss of SanCor would result in a large decrease in the former’s affiliates as well as a 20 percent loss of annual income.

In the cases of mediation between agricultural syndicates and the Argentine government studied here, ConInAgro has typically been the least involved of the four major organizations. It is not clear if this stance is a result of their historical relationship with the government or their domination by SanCor and ACA. Whichever the case, their interest in conflict mediation would appear to be limited.

Conclusions

This discussion gives a general overview of the representative bodies available to protect the interests of agricultural producers historically. The SRA represented large landholders; the FAA worked to better the situation of small and medium producers; the CRA’s federalist structure broadly protected the interests of all agricultural producers; and ConInAgro represented agricultural cooperatives, but was dominated by two primary players. What follows is a quick look at the interaction between the agricultural sector and government in previous occasions of conflict.

Earlier tax measures on agriculture

Earlier measures of similar proportion and having similar response proved difficult to find in contemporary Argentine history. After reviewing a number tax changes, two earlier tax measures were researched in depth in an effort to accurately describe the behavior of government when dealing with the agricultural sector under circumstances similar to those seen in 2008. The first of these two measures was a change in tax rules adding an additional 5 percent duty on
specific agricultural sales and adjusting the rate of export taxes on grains. In the case of raw soybeans the increased sum was 41 percent; similar to the increase seen in 2008.

The May 1989 measure was part of a sweeping tax reform designed to deal with the state’s gross fiscal deficits and the skyrocketing inflation rates of the day. The legislation was first sent to the House of Representatives on May 30 where it was approved. The following day it was sent to the Senate (Trabas en el senado).

Due to the size of the reforms and the precarious economic situation of the country, the Senate debate carried on until the morning of July 1, when it was finally approved with some minor modifications not affecting the rural sector.

The sectorial response was, as expected, via the four primary agricultural unions. While the resolution was being debated in the lower house, agricultural organizations made phone calls to representatives asking that the debate be delayed until an impact analysis could be carried out. Once the measure had moved on to the Senate, SRA leader Guillermo Alchourón personally visited Senator Juan Trilla of the Budget Commission with the same request. Senators ignored the sector’s pressure and the bill passed.

Immediately following the passage of the tax increase, all four agricultural groups rejected it as carrying unknown negative effects on the sector (Los Productores no quieren Pagar).

The SRA and CRA produced documents placing the blame for the country’s economic situation on poor economic policies and denounced leaders for favoring industrial interests over agricultural interests in the creation of economic policy (El campo considera que la crisis). The following week the four groups met to discuss economic issues. In that debate the recently passed measures were pushed to the wayside as debate ensued over an additional income tax that...
was being proposed by some in government (Nueva Reunión de ruralistas). A review of the media showed no additional action by the agricultural lobby in opposition to the increased taxes.

In attempting to demonstrate consistency in government behavior over time, the second tax policy change studied was a 1973 proposal to increase property tax on lands based on their potential use, rather than their actual use. For reasons that are yet unclear, the measure received limited coverage in the print media, but was later described in more detail by historians.

In September 1973 the Perón Administration established Law 20.538, which created the Tax on the Normal Potential Profit of Land [Impuesto a la Renta Normal Potencial de la Tierra] (IRNP). Barsky and Gelman (361) noted that while the technical aspects of the law were being examined, an emergency tax was put in place by decree essentially taxing land as Law 20.538 was designed to later do.

While the SRA and CRA openly opposed the measure (Barsky and Gelman 361), the FAA backed it and publically announced their support in their 1973 annual congress (La Federación Agraria inició su congreso). They praised its potential to avoid deformations in landholdings and equalize those already existing. Interestingly enough the government listed the SRA, CRA, FAA, and ConInAgro as adherents in an advertisement supporting the measure printed in La Nación, a large newspaper in Buenos Aires, in late September (El campo y el estado). The support of the SRA and CRA to the measure is both counterintuitive and contrary to other historical reports, which brings into question the legitimacy of the source.

Government instability made enforcement of the emergency tax impossible and technical difficulties delayed formal debate of the law. When the Perón government finally fell in 1976 the measure had still not been made into law.
In these two earlier tax measures we see the kind of interaction predicted by the model. Governments’ attempts to implements policy were met with pressures (positive or negative) by the agricultural lobby, which was made up of the same four syndical organizations in existence today. In the first example, the outcome followed that expected by the model; the sector was unable to affect the policy outcome; political capacity was high. In the second example, the policy was never implemented; however, that is explained by instabilities within government. Pressures by agricultural interests were reasonably mild and had no affect on the implementation of the policy.

In these two examples, as in others not described here, the experience predicted by the model holds true. Government confronted a traditionally organized economic structure and was subsequently able to impose policy changes that negatively affected the sector. The sectorial response was directed through existing representational organizations and was insufficient to prevent government imposition.

These experiences contrast to that seen in March 2008 with the implementation of Resolution 125/2008. As will be seen, political capacity to impose on economic actors was weakened as compared to earlier cases.

**Resolution 125/2008**

On March 11, 2008 Argentine Economic Minister Martin Lousteau formally announced Resolution 125/2008, which created a new scheme of export taxes on grain products. The resolution set up a variable rate tax scheme, which changed in accordance with the world grain prices. At the time of the announcement, the tax increased soybean and sunflower seed export duties from 35 to 44.1 percent and from 32 to 39.1 percent respectively (Vuelvan a aumentar las...
retoenciones). While still tying them to global prices, the new regime decreased export taxes on both corn and wheat by 0.8 percent.

As mentioned above, the tax rate varied daily based on current FOB values.\(^6\) Should the value of the grains have decreased, as they would later that month, the duty would have decreased accordingly. Should the value of the grains have increased, the tax would have increased proportionally capturing any additional profits.

The government justified the measure as a means of redistributing resources from sectors with extraordinary profits toward those with limited resources (Conflicto Agrario). Government sources furthermore argued that higher export duties on soybean and sunflower seeds would act as a disincentive to producers encouraging them to plant wheat and corn, which could feed domestic markets. Agricultural leaders dismissed the government’s rationale as misleading and politically driven (Colombres, Indignación). Most argued that the government was simply seeking out additional sources of revenue to deal with fiscal shortages.

The day of the announcement, before agricultural leaders had the opportunity to meet and make decisions as to how to proceed, some protests began to spring up autonomously in nearby agricultural communities and near ports (Es un nuevo castigo al campo).\(^7\) Major agricultural unions met March 12 and called for a sector-wide strike beginning March 13 (Para el campo).

**Negotiations**

As would be expected under the traditional model of organization, the four primary unions in Argentine agriculture were quick to meet and discuss the new conflict facing the sector.

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\(^6\) For further information on calculation of the duty see Appendix I

Initially, on March 12, only the CRA, FAA and SRA met; however, the following day the normally dialogist ConInAgro joined the others in supporting a sectorial strike (Colombres, El paro del campo). Agricultural groups decided on a two-day stoppage of grains, beef, and milk sales. After two days, the government remained resilient in their position forcing the organizations to continue the strikes.

The agricultural sector demanded that the taxes be removed and refused to negotiate until that had taken place. The government held a similar stance refusing to negotiate with the sector until the strikes were temporarily lifted. The four agricultural organizations continued to extend the strikes. As food shortages finally began to affect the Capital, non-affiliated politicians such as Santa Fe Governor Hermes Binner and Buenos Aires provincial Governor Daniel Scioli began to urge for restraint and dialogue from both sides.

Public mobilization was high both inside and outside of the rural sector. On March 25 a crowd, estimated by one media report to include 10,000 urbanite protestors, converged in front of the presidential palace in opposition to the tax measure (Los cacerolazos de repudio a Cristina). Similar events could be found in multiple neighborhoods and suburbs of Buenos Aires. Rural leaders expressed surprise at the adhesion among urban dwellers.

Friday March 28, the rural sector lifted the strike three hours before holding their first negotiations with government officials (El Gobierno reanudará el diálogo). The three-hour meeting was described as useful by both parties and opened the way for continued meetings the following week. On April 3 agricultural producers officially suspended the strike for 30 days so that negotiations could continue with government officials (Bertello, El campo suspendió el paro).
Leaders of the four large agricultural unions were the sole sectorial representatives during the negotiation. Their primary demand was the creation of an overall agricultural policy that would include specific policies for small farmers, liberalization of wheat markets, removal of de facto government interference in beef markets, and a reduction of grain export taxes to their level prior to March 11. In this last point government maintained that a reduction of the export taxes would be impossible.

Throughout the month of April the two groups carried on negotiations with few advances. By early May some individual rural groups were already beginning to reinstate their protests. Negotiations were broken off officially May 7 and protests resumed (El campo retoma el paro). From that point until the tax measure was sent to congress for approval on June 17, the negotiations, and subsequent recesses in the protests, continued in fits and starts with little progress.

In this case, the four large agricultural organizations united to confront the government. They sought out dialogue, but were quick to used protest in an attempt to pressure government into concessions for the sector. Government agreed to some minor concessions, however, refused to deal with the root of the conflict; the export taxes on grain. In the end, the negotiations were not productive.

Two subtleties in this case should be underlined as they will be pertinent to future discussions. The first is the immediate response by producers following the announcement of the resolution. Some producers had already begun to protest the tax measure before agricultural leaders had the opportunity to discuss it. That fact brings into question the allegiance of protesters to the decisions made by those representative bodies. The second issue of interest is the cohesion by urbanites to the rural sector cause. Given the limited integration and association
that rural producers had under the traditional model described earlier in this chapter, it is unlikely that those individuals were directly linked to the sector. In that case their participation could allude to sectorial movement away from the traditional model toward one with greater integration of the sector.

*Presidential discourse*

Discussions with interviewees shed light on how the sector was, and perhaps still is, perceived by the general public. Producers tended to be of the opinion that Argentines viewed the sector as being dominated by a wealthy class of landowners. Furthermore, their business activities were perceived as being low skilled and using low levels of technology. The general public viewed the sector as being structured under the traditional paradigm.

The presidential discourse throughout the 2008 conflict is an interesting piece of this discussion in that it mirrors the perceptions, or stereotypes, of the sector as described by producers. Government’s perception of the sector fits the traditional model detailed earlier in this chapter. A brief review television news footage available during the conflict substantiates this claim.

For example, in a public address around March 25 President Fernandez de Kirchner first compared the ongoing protests to those following the 2001 economic crisis (Paro por tiempo indeterminado). She noted that the protests earlier in the decade had been the result of economic despair and described them as “pickets of misery”. She contrasted those pickets to the ones currently underway by noting that the instigators of the current protests were working in the most profitable sector in the country. She described the agricultural lock-out as “pickets of abundance”.

34
The president seemingly believed that the participants in the protests were affluent individuals participating in a profitable sector.

In a March 27 speech, the president justified the export taxes as holding down domestic food prices and encouraging additional production of foodstuffs over exports goods (Habla Cristina). She then noted that 60 percent of the land in the agricultural sector had been rented and used to cultivate soybean. Her discourse continued by claiming that the government supported small rural producers, but was opposed to the concentration of land by large producers. Again, the president saw land concentration as being negative and as representing control of the sector by large producers. Furthermore, she clearly viewed the interests of small and large producers as being distinct.

On March 31 the president spoke about inequality in the country (Con las retenciones, no pierden plata). She noted that Argentina had 85,000 soybean producers. Of those producers the top 20 percent produced 80 percent of total output while the lowest 80 percent produced 20 percent of total output. She further noted that the top 2.2 percent controlled 46 percent of total production. Once again the president focused on concentration of land and articulated it as being tied to control of the sector by a rural elite.

In addition to these specific instances there were a number of recurrent themes and language in the president’s discourse that further substantiates the argument made here. She consistently described producers as oligarchs, estancieros, and elitists. Concentration of land, redistribution of resources, and control of domestic food prices were among the themes appearing repeatedly in official public discourses. The executive was seemingly trying to create, or entrench, historical notions of class structures in Argentine society.

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8 A Spanish term referring to wealth rural landowners or ranchers
The general level of verbal aggression by the executive toward the sector began quite high and decreased as the conflict wore on. By the end of the conflict, the words used in describing the sector had not changed, but the delivery of them was much more conciliatory.

In general, the president confronted the sector as if it were dominated by an affluent rural elite. Her discourse furthermore described a sector whose levels of land concentration were high, or increasing, and whose production centered on the cultivation of a single export crop. These trends were described as distinct processes from those occurring among small producers. The president’s discourse would be consistent with that of a government confronting an agricultural sector dominated by the traditional productive model.

*Timing and size*

During this study many comments have been made by producers regarding the timing and size of this tax measure in fomenting the conflict. As such, a few final comments should be made on these issues.

Under the new tax scheme export taxes on raw soybeans would have increased from 35 percent to an adjustable rate, initially at 44.1 percent. That increase represented 9.1 percentage points, which is lower than the two 10 point increases mandated by the Duhalde Administration in 2002 and the 21 percent increase registered in the month of May 1989. The percentage increase seen in Resolution 125 was lower than some previous increases and cannot be considered abnormal for Argentine standards.
The total tax, 44.1 percent (See Figure 4), was higher than had been registered on soybean exports in the past. The two tax increases on soybean closest resembling the 2008 increase were that of May 1989 and February 1972 at 41 and 42.8 percent respectively (Asociación Argentina de Consorcios Regionales de Experimentación Agrícola). The variable scale of the taxes set by Resolution 125/2008 allowed the total duty to decrease to around 40 percent by February 2008. Total duties under the 2008 tax scheme differ quite little from earlier tax measures and are not considered by this work to represent new or unexpected behavior on the part of the government.
If this tax measure is compared to export taxes on other grains, the government’s pattern of arbitrarily implementing high export taxes is further documented. For example, in 1989 President Alfonsin increased export taxes on sunflower seeds to 40 percent from their previous level of 30 percent, which one year earlier had been at only 10 percent. When viewed amongst this backdrop of government intervention in grain markets, a 44.1 percent export tax on soybean should not have been a surprise to those involved.

Finally, Resolution 125/2008 was implemented on March 11 after soybean crops had been planted, but before they were harvested. While many producers would argue otherwise, it would be mere speculation to say that the timing was intentional. At any rate, the timing does not fall outside of historic patterns of behavior for the government. In 1989, 1990, and 2002 export taxes on soybeans were increased in late March or April similarly falling in the time between planting and harvest.

The tax increases registered in 2008 were quite consistent with earlier tax measures. The timing of implementation, the percent increase, and the total value of the duty did not represent distinct patterns of behavior on the part of the government.

Conclusions

This chapter has described the traditional structure of the argentine agricultural sector and the institutions that were designed to represent that sector. A look at previous encounters between government and the sector depicts the situation the described by the model. Government was able to impose itself on a traditionally organized sector and conflicts or pressures were channeled through established representative organizations.
In 2008 government behaved much as it had in previous situations. The timing and size of the tax measure was on par with those seen in earlier instances. The president’s discourse during the conflict gave the impression that she was dealing with a traditionally structured sector controlled by an affluent rural elite. Agricultural interest groups pressured government not to implement the change in tax policy and later were leaders in protest and subsequent negotiation. The government’s approach to the sector had not changed in 2008.

The following chapter will demonstrate that the composition of the agricultural sector in 2008 had changed. As the model predicts, when a sectorial paradigm change takes place without similar changes in government and representative structures, a disconnect will develop between the government and the sector. That disconnect ultimately decreases political capacity to impose on a given set of economic actors.
Chapter 3: Evolution of the Argentine agricultural sector

Chapter Two described the structure of the traditional model of Argentine agricultural production and looked briefly at the historical interaction between government and the sector. It was demonstrated that the interactions between government and the agricultural sector varied little in the years leading up to the 2008 conflict. Traditional behavior on part of the government as well as traditional channels of representation, and later negotiation, were observed before and during the 2008 conflict.

Interestingly enough, earlier attempts at policy implementation were successful while the 2008 tax measure expanded into broad social conflict and subsequent policy defeat. This work contends that the 2008 conflict is explained by changes in agriculture, which were not mirrored by changes in the way government confronted the sector. Since government behavior remained static while the sector evolved, a disconnect formed reducing political capacity to impose on economic actors. The objective of Chapter Three is to demonstrate the changes which occurred in the agricultural sector in the years leading up to the conflict.

Chapter Three will describe the changes that have taken place in the agricultural sector since the early 1990s and portray the structure of the sector as it was at the beginning of the 2008 agricultural crisis. The first section will examine the broad changes to the sector, their timing, as well as causes and effects. The second section will look briefly at the sectorial structure as a whole in March 2008. The third and final section will look at existing representational structures and question their application in the context of a new productive paradigm.

This chapter is expected to be the counterpart to Chapter Two in demonstrating that while government behavior did not change prior to the conflict, the agricultural sector did. This pattern is conceptualized by the model and explains the disconnect created between the government and
economic actors. A disconnect that would dilute political capacity to affect this group of economic actors and subsequently explain the failure of Resolution 125/2008.

Changes to sector

As mentioned in Chapter One, many authors see sectorial change in soybean production as directly tied to new or increased demand for soybean and soybean derivatives. Of the world’s largest soybean-producing countries, Argentina is the only one to have undergone large sectorial changes in recent years. As such, this work rejects the assertion that all changes seen are demand driven, preferring instead to describe increased global demand as setting the stage for sectorial changes. Under a climate of high demand, specific triggers or driving factors have led to the changes seen. These triggers were the macroeconomic policy environment, the arrival of specific agricultural technology, and the subsequent rise of contractor companies participating in the sector. In the pages that follow these three elements will be examined.

Market evolution

The implementation of an economic stabilization package in late 1991 shored up the Argentine Peso, marked the beginning of the recovery of credit markets, and occurred shortly before the arrival of new technology to the agricultural sector. As such, it is an ideal point to begin to evaluate grain markets as they affected Argentine agricultural producers. As Figure 5 clearly demonstrates soybean prices were substantially superior to those of wheat and corn — two of the country’s major export crops — during the period studied.

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9 See also: Bisang, Anníló, and Campi, Una revolución
Relatively stable prices in all three grains were interrupted by abrupt increases in 1995. As will be discussed in following sections, those price increases occurred just prior to the arrival of transgenic seeds to the country. With increasing prices, producers had more capital and were more readily able to adopt new technology. In the case of soybean the prices remained high until 1998 when they began to drop eventually reaching their lowest level of the decade in late 1999.

Figure 5: Argentine Grain Price Evolution (Author’s elaboration based on Bolsa de Comercio data)

Unlike soybean, the price of wheat and corn decreased sharply in early 1997. Barsky and Gelman attribute that decrease to the 1997 Asian economic crisis. Prior to that crisis Brazil was a large importer of Argentine grains and other agro-exports. The tumultuous economic situation surrounding the Asian crash forced Brazil to devalue its currency and put in place some trade barriers (380-81). Decreased Brazilian demand for Argentine exports would add downward pressure on prices as is demonstrated in Figure 5.
A final noteworthy feature of Figure 5 is the strong decrease in soybean prices following 1998. As will be discussed in more detail in future sections, expanding credit markets and high grain prices in the early 1990s allowed producers to borrow the capital needed to update their equipment. When soybean prices began to decrease in the latter part of the decade, producers faced high debt levels and narrowing profit margins (Bisang 201). The financial constraints put on producers forced them to increase efficiency through innovation in order to make the business economically viable.

It was within this economic climate that changes to agricultural production began to emerge. Throughout the decade, grain prices favored soybean over other more traditional crops, encouraging soy production. Later decreases in the prices of traditional grains would further encourage this trend. Eventually, declining soybean prices forced producers to seek out greater efficiency to compensate for high levels of debt and reduced profit margins.

1990s-Macroeconomic policy

The arrival of President Menem and his economic liberalization policies of the 1990s drastically affected agricultural production in Argentina (Bisang 193). Presidential decree 2.284 dissolved the National Grain Board [Junta Nacional de Granos] early in Menem’s administration, altering many facets of the business. Prior to its dissolution, the board had intervened in the commercialization of grains, supported minimum grain prices, and administered the national network of grain elevators (Barsky and Gelman 374-5). Under the Menem Administration this changed.

The removal of the grain board was part of a broad fiscal restructuring that also included tax systems. Under these changes the 41 percent export tax on soybean was reduced to 3.5
percent and tariffs or other quantitative barriers on imported inputs were reduced or removed (Sastre 152). ¹⁰ Furthermore, taxes on fuel were also reduced; a move favoring agricultural producers (Barsky and Gelman 376).

Menem additionally deregulated and privatized rail transport, port elevators, and port operations (Barsky and Gelman 376). Privatization of rail transport led to the closure of many rail lines forcing producers to ship their products by truck on newly-privatized and more costly toll roads. The efficiency of ports is noted by multiple authors as having increased; however, data demonstrating changes in the costs associated with the use of elevators and ports is lacking.

In general the Menem Administration stabilized domestic prices, liberalized markets, and reduced many taxes (Sastre 152). ¹¹ His policies carried both positive and negative impacts for the sector. The stabilized economic climate encouraged foreign direct investment (FDI), which brought in new agro-input providers, producers, as well as crushers and processing plants (Regúnaga, Implications 36). These economic policies also encouraged the recovery of credit markets. Credit to agricultural producers increased 2.5 times in the period from December 1990 to June 1993 (Barsky and Gelman 377).

Among the negative impacts of these policies on agricultural producers was an increase in the labor costs associated with the overvaluation of the domestic currency (Barsky and Gelman 377). As did labor costs, the general cost of living increased when considered in real terms. Another cost rising with privatizations was that of transportation. Once-public highways were handed over to private companies and operated as toll roads, increasing transportation costs for producers.

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¹⁰ For further reading on this process see: Regunaga, “Implications of the Organization of the Commodity Production and Processing Industry,” 36

¹¹ See also: Regunaga, “Implications of the Organization of the Commodity Production and Processing Industry,” 36
In spite of the sector’s gains through tax reduction, Barsky and Gelman note that agricultural production in general was more difficult than in previous periods (378). Their analysis demonstrates that a farmer producing from 1960 to 1965 needed an average of 72 hectares to sustain a family. In the period from 1979 to 1983 that number had decreased to 38 hectares. In 1994 they estimated that a farm needed a minimum of 161 hectares to sustain the costs of a family.

Agricultural producers in the early 1990s had access to an expanding credit market and reduced taxes; however, they also faced open markets and increased costs in certain areas. Overall their situation was more precarious than it had been ten years earlier. It was under this situation that producers were forced to look for ways to optimize production either through economies of scale or through the implementation of additional technology. The latter of these two options, technology, would prove indispensable to producers if they were to continue in the activity.

Technology; GM seeds and no-till seeding

Normally the technological advances in soybean production are referred to as being a technological package, which was implemented as one set of changes rather than multiple distinct processes. Since the processes that changed and would eventually make up the new technological package developed at slightly distinct times, they will be explored individually.

Traditionally, soybean, as with most grain crops, required that the land be tilled in preparation for planting; the land was tilled, then sewn. This system required that the land be worked at least twice, once to till and a second time to plant. This presupposed a set quantity of direct costs; those included labor costs, fuel costs, as well as wear and tear on equipment.
Similarly, indirect costs associated with tilling existed. First, disturbing the soil left a greater quantity of it exposed thereby causing an additional loss of moisture (Regúnaga et al 51). Second, removing plant cover, the land was more susceptible to wind and water erosion. Third, annual tilling prevented the accumulation of organic materials decreasing marginal productivity.

With the additional costs producers faced using traditional planting systems as compared to no-till planting; it is no surprise that when no-till seeding technology first arrived to the country in the early 1990s that many producers were quick to upgrade.12 No-till seeding technology removes the need for tilling allowing the seeds to be directly planted into un-worked soils, thereby reducing many reoccurring costs. The new systems cheapened labor costs, reduced fuel usage, made better use of moisture, and diminished the time needed between harvesting and planting—allowing for less down-time between crops (Alapin 72).

Figure 6 shows a drastic decrease in the sale of conventional seeders in Argentina. This decrease is compensated by an important increase in the sale of no-till seeders during the same period of time. Clearly a mass adoption of no-till seeding technology was underway.

In her analysis of the technological changes affecting the sector, Helena Alapin noted that the implementation of this technology was also greatly impacted by the liberal economic policies of the moment (60). She pointed out that low import restrictions, the removal of bureaucratic barriers, an overvalued peso and increasing fuel costs all worked to speed the transition from conventional to no-till seeding.

12 Interviews with producers substantiate this premise
Even with the massive adoption of no-till seeding in Argentina, the purchase of equipment had certain capital requirements. Producers without personal capital with which to purchase the equipment were left purchasing the equipment on credit and subsequently increasing individual debt burdens. Those small and medium-sized farmers without access to credit were unable to make the efficiency saving upgrades and forced to be less productive and to potentially exit the activity (Alapin 63).

A second technological advance, argued by some to be one of the most relevant advances in the history of agriculture, was the arrival of genetically modified seeds. On March 25, 1996 Bt corn\textsuperscript{13} and \textit{Roundup Ready} soybean (RR soybean) made their arrival to the Argentine market.

\textsuperscript{13} For more on Bt-Corn and other transgenic systems, see: Bessin 2003
RR soybeans are genetically engineered to be resistant to glyphosate, which is a broad spectrum herbicide first introduced as *Roundup* by Monsanto in 1974 (Gianessi and Carpenter 54). The chemical only damages plant tissue and has no residual effects on the soil, making it a popular herbicide in grain production. Prior to the release of *Roundup Ready* soybeans in 1996, glyphosate was primarily used to defoliate fields before sowing crops. By genetically modifying the soybean plant to produce an enzyme to which glyphosate cannot bind, the crop becomes essentially immune to the chemical, allowing the herbicide to be sprayed over the soybean plants killing any competing vegetation (Gianessi and Carpenter 54).

Conventional planting processes required three applications of herbicides to produce effective weed control (Alapin 82); however, if timed correctly using RR seeds, a single application of glyphosate was sufficient to provide complete weed control (Gianessi and Carpenter 55). This particular technology offered to increase profit margins substantially by decreasing chemical use and simplifying management.

Monsanto, the creator of the gene, was unable to patent the seed in Argentina due to its earlier release by Asgrow Argentina, previously a Monsanto subsidiary (Alapin 80). Without having the patent on the gene, the product was produced and distributed in Argentina by a number of companies from early on. Monsanto did, however, hold the patent on glyphosate. When that patent expired, the product was then imported from China at a lower rate further decreasing costs (84).

Figure 7 tracks the price evolution of glyphosate in both the United States and Argentina, clearly demonstrating the comparative advantage the latter had on the former in terms of this specific input cost.
RR seeds permitted complete weed control, simplified management, increased profit margins, and were the perfect complement to no-till seeding. Through no-till seeding advantages were gained by controlling existing groundcover with chemical herbicides, rather than traditional tilling. Combining no-till seeding and RR soybean seeds, herbicide costs and the labor required for their application decreased substantially.

Marcelo Regúnaga et al call the Argentine case one of the most dynamic cases of massive incorporation of GM seed technology and innovation in the world (52). Within four years of the product’s release, 90 percent of Argentine production was using RR seeds. Within five additional years, nine years after the product’s release, the adoption rate was around 95 percent (53).

The efficiencies gained through the application of these two technologies are numerous. First, working the land less meant that surface moisture could be retained for longer. This shortened the time between crop rotations and allowed for more effective use of growing cycles.
Second, working the land less decreased labor costs and associated equipment costs; less fuel was used, less maintenance was required, and there were lower costs associated with equipment operators. Third, leaving existing organic matter on the surface of the fields made crop rotations more sustainable (55).

The economic benefits of using no-till planting and RR soybeans are also notable. Overall cost reductions using RR soybeans and direct seeding varied from 10 to 40 USD per hectare depending on the region and specific inputs used (Regúnaga et al 57). Average production yields associated with use of these new technologies have steadily increased. On the national level, average yields increased from 2.06 tons per hectare from 1985-1997 to 2.61 tons per hectare in the period from 1999-2007 (Campo y Comunidad 40).

The arrival of new technology to the Argentine countryside also brought with it new integration with other economic actors. Demand for no-till seeders adapted to Argentine lands was high. As a result of that demand 46 companies sprung up to produce no-till seeders (Alapin 95). Similarly, companies producing agrochemical sprayers refitted their production to specialize in equipment specifically designed for use with glyphosate, while other new companies started up to meet current demand (Alapin 98).

As with equipment producers, new actors began to participate in the provision of seeds and chemicals as well. Bisang, Anilló, and Campi describe the creation of “service centers” designed to provide these inputs (Organización del agro 14). Typically these centers were operated by transnational firms and offered all inputs to farmers in the form of a package. Seeds, biocides, fertilizers, and the technical expertise to use them were all sold to producers by these companies. These centers furthermore offered some financing on inputs. Marcelo Regúnaga notes that as many as 50 firms are now involved in the provision of agro-inputs in Argentine
grain production (Implications 9). These firms and individuals marked the incorporation of new and distinct actors fully tied to the sector.

The Emergence of Contractors

As mentioned in Chapter Two, there existed certain tasks associated with production under the traditional model that producers did not internalize, but rather left to contractor companies. Shipping, storage and harvest were often, though not always, left to third-party contractors. Most authors agree that the trend of using third-party contractors in agricultural production began to expand during the 1990s.\textsuperscript{14} While statistics representing this increase are scant, it would appear to be reasonable given the growing credit markets of the time and the reduced margins facing producers. The contractors interviewed in this study dated their entrance into the field to the early 1990s further substantiating that premise.

Contractors, in general, are individuals or firms who own equipment and offer services to producers (Bisang, Anilló, and Campi, Una revolución 20).\textsuperscript{15} Typically, the equipment is purchased on credit and, as such, the firm faces high risk. The company has little control over input costs, such as fuel, maintenance and labor, creating further risks. In order to minimize risk as well as accumulate capital, the firm tries to roll over semi-fixed capital quickly while constantly expanding production. In other words, the firm must consistently expand production through both upgrading and purchasing additional equipment. Furthermore, this equipment must be constantly employed to reduce inefficiencies in the capital investments. In order to maintain

\textsuperscript{14} Barsky and Gelman (367) argue that this process began a decade earlier; however, their definition of “contractor” is expanded to include short-term leases on property as well as service only providers. Their use of this amplified definition likely explains the discrepancy.

\textsuperscript{15} See also: Bisang, Anilló, and Campi “La Organizacion” 13, or Bisang et al 236
the equipment constantly employed contractor companies must be mobile, moving around the country as their services are required.

Regúnaga divides contractor companies into three types based on their primary activity: tilling and sowing firms, crop defense or fumigation firms, and harvesting firms (Implications 22). He further notes that some studies have estimated that there are approximately 10,000 contractor firms in the country, 1,000 of which are harvesting firms and 250 are spraying firms. Other statistics demonstrate a 57 percent increase in the use of tilling and planting firms in the period from 1988 to 2002 (Bisang, Anilló, and Campi, Una revolución 20). Similarly, a 200 percent increase in the use of fumigation firms was noted in the same period.

The evidence is strong that contractor companies were on the rise from the early 1990s onward. This trend coincides with the arrival of no-till technology and the RR soybeans. Since contractor companies constantly used their equipment, it was subject to more wear than that owned by producers under the traditional model; therefore, needing to be replaced more regularly. This, along with their need to constantly expand production, would encourage contractor companies to quickly adopt new technologies including transgenic seeds and no-till seeding.

The expansion of contractor companies removed the need for producers to own equipment and thereby reduced the risks associated with those capital investments. It furthermore quickly incorporated the use of new technologies in agricultural production. With contractor companies, producers no longer controlled all factors of production as they had under the traditional model. Additionally, the barriers to entry that once prohibited others from entering the sector were being reduced and subsequently new actors were participating in Argentine grain production.
Post 2001-Macroeconomic Changes

In late 2001 Argentina faced an economic crisis that eventually led to a currency devaluation of over 200% in only a few months and changed the country’s economic landscape. Confronting fiscal shortfalls and a continuing precarious economic situation, the government re-imposed export taxes on grains; taxes on soybean were set at 13.5 percent for raw unprocessed grains (Regúnaga, Implications 40). The duty was increased in April 2002 by 10 percent, leaving total taxes at 23.5 percent for raw soybeans (40) and 20 percent for soybean derivatives (US International Trade Commission 10).

In spite of the country’s economic situation and the tax increases, soybean prices remained reasonably consistent at their 1999 level until increasing slightly in 2004 (Bolsa de Comercio de Rosario). In late 2006 they began a steady upward movement reaching record prices in 2008.16

The economic environment confronting producers had changed. Like many commodities, soybeans are sold on international markets in US Dollars. As such, producers’ incomes in real terms were not directly affected by the devaluation. In the short term the currency devaluation decreased the price of agro-inputs in real terms, benefiting producers; however, those prices eventually increased back to pre-devaluation levels. Debt on agro-inputs held by producers in dollars, or dollar convertible pesos, would eventually become a point of conflict between the government and producers. While the government changed most dollar-denominated debts held by citizens into pesos, a great deal of agricultural debt was left in dollars.

Even with increased export taxes on soybeans, producers continued to produce. Production increased from 30 million tons when the taxes were increased in April 2002 to over 47 million tons by early 2008 (Asociación Argentina de Consorcios Regionales de

16 See Appendix II for more complete information on grain price evolution
Experimentación Agrícola). Similarly, the surface area planted in soybean during the same period increased from around 10 million hectares to just over 16 million hectares (Campo y Comunidad). Many authors attribute this continuation of production to the technological and organizational changes registered throughout the 1990s. The continuation and expansion of those changes after the 2001 crisis demonstrates the consolidation of a new productive model in Argentina.

**Structure of sector under new model (structure in 2008)**

Having looked at triggers that began the alteration in Argentine agricultural production, this section will follow other trends that have subsequently developed as a result of those initial changes. These trends include the movement toward leasing land and the involvement of additional actors in the productive process. The conclusion of this section will paint a picture of the sector as it was arranged when the 2008 conflict began.

*Other Trends*

In the traditional model of agricultural production in Argentina a single owner-operator controlled all factors of production. This individual’s control of land was the dominant factor that set him apart from other participants in the productive activity. In the 1990s agriculture began to incorporate new technology to augment margins and reduce risk. During this period of time some authors have tracked an interesting divergence in the role of the traditional landowner.

Barsky and Gelman noted that in the 1988 Argentine census, most lands were operated by their owner; as would have been expected under the traditional model of production (388-90). However, Bisang, Anilló, and Campi have noted a sizable change in this trend (Una revolución
They found that between 1988 and 2002 there was an 11 percent decrease in the surface area worked exclusively by landowners. Furthermore, they noted a 25 percent increase in properties operated by combined groups such as landowners and renters, and a 28 percent increase in properties worked by companies. Some Argentine producers were leaving the activity while other existing producers and firms were renting lands to expand production.

Further substantiating this premise is a decline in the number of agricultural production firms. Between 1988 and 2002 the total number of firms decreased 21 percent from 378,357 to 296,407 (Cámara de Sanidad Agropecuaria y Fertilizantes 122). As such, the average amount of land held by each firm increased from 469 hectares to 588 hectares. Land was being consolidated by a decreasing number of firms.

As one interviewee suggested this trend is easily explained by considering the risks of those participating in the activity. In order for landowners to produce they must risk a certain amount of capital. Fluctuating markets and economic instability may cause landowners to view those risks as being unreasonable. Current producers already facing some risks need to expand production to take advantage of economies of scale and are normally willing to lease additional lands (Alapin 63).

In some cases small landowning producers may not have the sufficient capital to expand their operations and maximize efficiency. In those instances they must decide to either minimize personal risk by leasing the land to others or to increase personal risk by obtaining the necessary capital through debt. Should additional capital not be available, the small producer would be forced to exit the market completely or opt to lease his land.

A second trend observed in the wake of the technological changes seen in the 1990s is the emergence of a new actor managing agricultural production. Agricultural production companies
are the new key player in agricultural production, organizing all factors of production and assuming a great deal of production risks (Bisang et al 235). Typically these companies do not own land; they treat it as an input, leasing it from landowners. Similarly, they own little or no equipment, depending partly or wholly on contractor companies. The agricultural production companies are normally operated by an agricultural engineer who uses his knowledge of technology, markets, agro-inputs, and contractors to organize all factors of production.

These companies try to minimize risks by producing in distinct regions of the country, thereby minimizing the probability of climate-related crop failures (Bisang, Anilló, and Campi, Una revolución 18). They also diversify crops to the extent possible reducing market-related risks. Furthermore, the companies make use of commercial insurance to guarantee a minimum return on crops in the case of failure.

There is no single organizational structure that typifies agricultural production companies. They are very often small corporations or commercial companies, but may also be mutual funds, agricultural trusts, or pools of investors among others (Bisang, Anilló, and Campi, Una revolución 19).

In addition to the adoption of new technology and the emergence of contractor companies, the 1990s also marked the beginning of a period of land concentration and the formation of a new type of actor; the agricultural production company. The combination and eventual consolidation of these new forms of organization and production created a new productive paradigm in the Argentine grain industry.
The New Productive Paradigm

The transition described in the preceding pages took a vertically organized, traditionally structured sector and replaced it with a horizontally organized network of firms, all of which depend on the success of the production activity. The key factor necessary for production is no longer land, but rather knowledge. A single organizer with that knowledge joins together all factors of production, which are directly controlled by distinct actors.

Under this new model, any one of multiple multinational firms sells seeds and other inputs to agricultural production companies. These firms offer seeds, herbicides, fertilizers, and technical support to producers in the form of a package. Having an interest in the success of their clients, the input providers act also as disseminators of new technology. Additionally they, in some cases, finance their wares to producers becoming an important source of credit.

With the arrival of this new model, the barriers to entry in the sector have changed. An individual interested in participating in production can do so in some capacities with very low barriers to entry. The agricultural engineers who manage production, for example, face very low capital requirements to fulfill the job; their primary barrier to entry is knowledge. On the other hand, landowners — who normally rent their lands to production companies – still face high barriers given the relatively high capital investment needed to acquire property.

For the producer operating under this model, equipment or the capital to purchase it is no longer a consideration. Multiple contractor firms offer any necessary services reducing not only the costs associated with equipment purchase, but also the labor and management costs involved in working the land. Additionally, these companies can often be paid a flat rate or as a percentage of the harvest further diversifying risk.
The low articulation noted in the traditional model no longer exists under the new model of production. Agricultural production companies must constantly interact with those firms directly related to the production process; those being contractors, landowners, and input providers, among others. Additionally, they must articulate with sources of financing, which may include banks, input providers, or investment pools located in distant cities or even internationally. Articulation between actors has moved from non-existent to mandatory.

Few studies have been done measuring the direct impact of this paradigm change on the rural workforce. Marcelo Regúnaga estimated in 2008 that direct employment in the sector on a national level could be as high as 266 to 381 thousand jobs (Implications 35). He compared that approximation to an earlier study estimating that 215 to 304 thousand jobs were directly produced by the sector in 2003. Similar studies produced by the Asociación Argentina de Consorcios Regionales de Experimentación Agrícola (AACREA) demonstrated that direct employment in the Province of Buenos Aires increased 45 percent in the agricultural sector from 2001 to 2006 (Campo y Comunidad 15). Their study further noted that employment created in the agricultural equipment service industry also increased 45 percent during the same period, which implies that total indirect employment created by the sector is quite large.

As mentioned earlier, the new model of production is undeniably characterized by a concentration of land by individual firms. As smaller producers exit the industry, larger firms rent those lands to augment production and better take advantage of economies of scale. At the same time as lands are being concentrated, the estimates of direct employment in the sector demonstrate an increasing number of actors directly tied to the activity. Under the new production model, concentration of land is not synonymous with a decrease in the quantity of rural sector actors or other movements of the labor force from the rural to urban sectors. Quite
the contrary is taking place; increased concentration of land is occurring as an increasing number of actors are incorporated into the sector. An expanding number of actors depend on the success of the sector.

There are no statistics demonstrating the exact number of actors *indirectly* tied to production; however, they could be assumed to be large when considering that many other businesses provide services that are used by direct actors. Contractor companies, for example, are certainly dependent on other firms for the provision of parts and service for their equipment. Similarly, domestic producers of chemical fertilize have expanded production exponentially as demand for their product increased in the mid-1990s (Cámara de Sanidad Agropecuaria y Fertilizantes 427). These and similar examples suggest that as direct actors, the quantity of indirect actors dependent on grain, and more specifically soybean, production has increased even as lands are being concentrated.

In 2008 when the conflict began, agricultural production companies were concentrating land holdings just as the president’s discourse led the public to believe. The element that government did not recognize, or did not publically articulate, was the increase in the number of actors dependent on the sector. Under the traditional model of production, control of land was the key element to production and landholders carried the bulk of the risks. Under the new model of production control of land had been superseded by knowledge as the key element necessary to production and risks were diversified amongst multiple actors. When export taxes were increased on grains in 2008, government unknowingly attacked countless actors directly or indirectly tied to the sector, rather than just the landholding producers that had controlled production under the traditional model.
**Representation under new model**

As the sector has undergone changes affecting the individual participants as well as their role in production, questions arise as to who represents the interests of those actors. As described in Chapter Two, the traditional four agricultural unions mobilized against the government in March 2008. But, were those organizations actually representative of all producers, or rather simply the only available option?

**Existing representation in conflict**

In discussions with producers the theme of representation was touched upon a great deal. Some producers were affiliated with one or more of the four large agricultural organizations; however, when asked if those institutions were actually representative of their interests, the answer was consistently “no”.

Most producers interviewed shared similar perceptions of the four syndical organizations. The SRA represents “old family names” and “gentlemen farmers” who were once large producers. The CRA represents “true farmers” who live on the land and who want to be large producers. The FAA represents small farmers and is representative of that group, but critical of large producers. ConInAgro is only of relevance to cooperatives.

If this perception is indeed the reality of current representative institutions, then there exist no organizations that represent many of those actors directly tied to agricultural production under the new productive paradigm. The agricultural engineers, who organize production under the new productive model, are neither small producers, nor “old family names”, nor farmers who live on the land. Similarly, contractor companies fall nowhere within this representative structure, yet their livelihood depends completely on the success of grain production. The same could be
said for input providers, equipment salesmen, or any number of other direct or indirect actors in the sector.

Institutions designed to represent the interest of the sector have been affected by sectorial evolutions. Current structures do not represent many of the new actors participating in production and as such the sector as a whole faces a dearth of representation.

Auto-convocados

Chapter Two mentioned that even before the four large agricultural groups had the opportunity to meet and decide how to proceed in the 2008 conflict, there were already protests springing up around the country. Many of those protesters were what would eventually become known as the *auto-convocados*, or self-organized protestors. Producers from some regions noted that during the 2008 conflict most protestors fell within this category.

This group of producers claimed no allegiance to any of the four organizations mediating during the conflict. While they sometimes followed the lead of the large syndical organizations, their actions were often based at the individual or local level. The emergence of these producers acting independently of existing organizations could very easily be a response to representative organizations, which no longer adequately fulfill their role as such.

Agro-Diputados

Most producers noted only two or three congressmen over the previous 20 years who came from the rural sector and later worked to protect its interests in congress. This statement is in line with the general disillusionment that producers had with existing political systems. As
mentioned earlier, most producers saw politicians as following party interests rather than that of their constituents.

Following the 2008 agricultural conflict a new trend has taken place in political institutions. There have been multiple agricultural producers who have made the transition into politics. Currently there are eleven agro-diputados – the term used for congressmen from the rural sector — in congress. One of these agro-diputados stated that as a producer he felt that existing systems of representation did not work. His interest in entering politics was driven by the need to resolve the lack of representation in the sector.

Again, a lack of representative structures would appear to have existed in 2008. At least in formal political institutions, this trend does seem to be changing with the incorporation of new agro-diputados following the conflict.

Conclusions

Argentine agriculture has undergone a great number of changes throughout the last two decades. A once vertically organized production structure has broken down and been replaced with a horizontally organized network of firms. Risks in production, once held by the landholder alone, are now diversified amongst a large number of individual actors directly or indirectly tied to the activity.

Agricultural production companies, under the direction of an agricultural engineer, now organize all factors of production. Diverse sources of financing are used to lease lands, purchase technologically advanced inputs, and contract firms to plant and harvest crops. Input providers purchase imported herbicides, domestically produced fertilizers, and employ local experts to aid in the implementation of this technology. Contractor companies hire local equipment operators,
purchase domestic and foreign produced equipment, and pay other firms to service and maintain that equipment. Investors in distant cities who had never before participated in agricultural production invest in individual production firms or in investment pools thereby tying their interests as well to those of the sector.

With this expansion and diversification of actors in the sector, traditional forms of representation no longer truly represent the sector as a whole. Certainly the interests of some individuals are still represented by existing organizations; however, a large number of individuals and firms fall outside the reach of these organizations.

When export taxes were increased on soybean and other grains in 2008, government acted as if it were confronting a traditionally organized agricultural sector. The sector, however, had clearly changed drastically. There was a disconnect between the vision the government had of the sector and the true nature of the sector. This disconnect diluted political capacity to affect this group of economic actors and subsequently explains the failure of Resolution 125/2008.
Chapter 4: Does the model adequately describe the events?

Chapter Two looked at government behavior in dealing with the agricultural sector prior to and including the 2008 conflict. Government seemed to hold perceptions of producers and use channels of representation or negotiation, which supported the notion of a traditionally structured agricultural sector. Until the 1990s the sector had been structured in a hierarchal manner and was dominated by a rural elite; government acted as if that was the case even up to the 2008 tax measure.

Chapter Three described a set of changes that began to affect Argentine agricultural producers in 1994 and carried on until after the 2001 economic crisis. High global demand for soybean incentivized its production over other more traditional crops and certain economic triggers forced producers into innovations augmenting productivity and overall efficiency. As the chapter illustrates the changes that took place from the mid-1990s onward altered the productive paradigm in Argentine grain production. The traditional model was replaced by a horizontal network of agricultural production companies and associated firms. While lands were concentrated by individual production companies, the number of individuals tied to the activity expanded.

These two stories demonstrate the disconnect that this work argues led to the 2008 agricultural conflict. When government imposed tax policy changes on grain producers in the 1970s and 80s, it was able to do so with little resistance from the sector and less from non-affiliated sectors. Grain producers were traditionally structured and political capacity to impose on them was high. In 2008 agriculture had changed and was no longer organized in a traditional fashion. When government attempted to impose a tax on agriculture, it was met with rejection.
from producers as well as other historically non-aligned sectors. In the measure that agriculture had evolved, political capacity had declined.

Returning briefly to the model introduced in Chapter One, we see that government was able to implement policy changes detrimental to a traditionally organized agricultural sector without problem. Multiple examples of this exist prior to 1990. By 2008 agriculture had changed while government had not; a disconnect existed. The result was a policy failure damaging the political power of the standing government.

One potential flaw still exists in the model that has yet to be flushed out in full. That is explaining the success of increases in export taxes by the Duhalde Administration in 2002 and by the Administration of Nestor Kirchner in 2007. Why did they too not face responses similar to that seen in 2008? Chapter Four will focus on this deficiency. The first section of this chapter will be dedicated to explaining the success of tax policies implemented in 2002 while the second section will look into the successes of Nestor Kirchner in 2007.

Earlier conflicts

As Figure 4 of Chapter Two demonstrates, the first increases on grain export taxes following the 2001 economic crash occurred in early 2002. The rate was later increased again two times in 2007. Presumably, the paradigm changes in agriculture began in the mid-1990s and were consolidated sometime in the 2000s. If this is indeed the case and the model is to be proven accurate, then it would stand to reason that tax increases of similar proportion after the paradigm changes and before 2008 should have created a public response on the scale of that seen in 2008. The sectorial response in both instances was much larger than those registered prior to 1990; however, they did not reach the scale of the 2008 conflict. What explains this discrepancy?
The sections that follow explain how both President Duhalde and later President Nestor Kirchner were able to avert crisis by dividing the sector and appealing to certain key players in agriculture. By appealing to the needs of some individuals and interests in the sector, they were able to diffuse potential conflict in spite of the paradigm changes that had already taken place.

*The Duhalde Administration Tax Increases; 2002*

**March 5, 2002**

On March 5, 2002 the Duhalde Administration created two norms. The first of which was to convert debts held in dollar-convertible pesos into devalued pesos. Agro-inputs, however, were exempt from this process, holding their value in dollars. The decision was based on the fact that many exporters sold their goods in dollars and that the multinational companies holding the debt – often providers of agricultural inputs – owed dollar-denominated debts outside of Argentina. Those companies lobbied for the measure arguing that they would be unable to finance the year’s harvest if the debt were devalued.

The second measure announced was the first increase in grain export taxes in more than a decade. Export taxes on raw grains increased 10 percent (ConInAgro y Federación Agraria aceptaron) and those on processed agricultural products, 5 percent (USDA, Changing Policies). The increase in duties had two general objectives: to take advantage of the “extraordinary” profits being earned by exporters for much needed social programs and to help slow inflationary trends (Siempre es mayor tarde que nunca). Given that many agro-inputs were denominated in pesos and export goods were sold in dollars, the sector’s relative profits were expected to have risen. One estimate put the increased revenues at 40 percent in pesos, while noting minimal increases in input costs (Siempre es mayor tarde que nunca).
The economic and social context surrounding the implementation of this policy is important to understanding how it was received by the public. The government was in a precarious fiscal situation in the moment the export taxes were applied. As a result of the 2001 economic crisis, unemployment was in excess of 20 percent (Argentina, Instituto Nacional de Estadística y Censos), poverty was rampant, multiple public protests were staged daily to pressure government action, and the government was facing huge fiscal shortfalls (Desde diciembre). Complicating government’s position were international pressures to cut spending and close budgetary gaps as a requisite to receiving emergency funds.

Politically, export taxes were quite tenable at the moment of this increase. Augmented spending on social programs was popular with the impoverished sectors of society, which at that time accounted for nearly half of the population. The measure’s positive effects on price stabilization, however minor they may have been, were popular with consumers.

The agricultural sector was divided in its responses to the tax increase. The FAA openly supported the measure. ConInAgro accepted the government’s tax increase asking only that the tax be reduced from 10 percent to 8 percent and that the revenue be used for the country’s neediest citizens or for pro-rural policies (ConInAgro y Federación Agraria aceptaron). Conversely, the SRA rejected the measure calling it “anachronistic” and proposing the creation of a private fund whose monies would be administered to social causes by non-governmental entities (Crotto: Las nuevas medidas). That offer was downplayed by the president as an attempt to avoid payment of the taxes (Con la pobreza). CRA opposed the measure noting that it was contrary to promises made by President Duhalde earlier in his administration. This group discussed the possibility of protests and continued pressure on the administration to
rescind the measure (Oposición del campo). In the end, agricultural interests remained divided and no substantial protests were held.

Minister of Economy Lenicov recognized the pressure being asserted by agricultural producers to remove the measure. He announced to producers that the taxes were only being put in place to compensate for their particularly good economic position after the crisis and that the measure would be transitory (Una cuota).

Some academics have suggested that the success of this early tax measure was based on necessity; the government needed funds and the agricultural sector was the only one with income at the time. While this premise may very well be true, it is difficult to retroactively test the hypothesis. A few more substantial comments can be made on this particular event. First, the lack of solidarity among agricultural unions certainly weakened the sector’s response to the measure. Their lack of solidarity could very well be tied to the union’s growing inability to represent a sector whose composition was clearly changing. Second, context is important. The country was facing massive economic problems and certainly many producers were sympathetic to the plight of their friends, relatives, or countrymen who were harder hit by the crisis and would be helped by funding social programs. Third, government’s continual announcements that the measure was to be temporary, probably further calmed the complaints of other would-be objectors.

April 3, 2002

By late March 2002 the government was under pressure by the IMF to make the structural and budgetary reforms necessary for further funding. Minister of Economy Lenicov was pressuring the president to increase export taxes and further devalue the currency (Duhalde
no quiere subir las retenciones). After a period of conflict between the executive and the minister, an increase in export taxes on agricultural products was announced April 3, 2002. The new tax hikes raised duties on cereals and oilseeds from 10 to 20 percent while meals and oils also faced a 20 percent duty. Manufactured goods and beef retained their current rate of 5 percent.

As before, the government noted that they disagreed with the general concept of export taxes; however, they were faced with few options in this instance. The stated goals of the policy change were to moderate the inflationary effects of the currency devaluation on products consumed domestically and to sure up public finances (Confirmaron el increment de las retenciones al agro).

Similar to the later 2008 conflict, the response by the agricultural sector was swift and much more united than before. The CRA and FAA immediately condoned the measure and convened meetings to address what responses would be taken in opposition (Definieron el aumento par alas retenciones). Similarly, the SRA rejected the measure claiming that it would reduce the size of Argentine agribusiness; they did not weigh out the use of force in opposing the measure.

Within a few days three of the four major agricultural groups – SRA, FAA, and CRA – had declared a state of alert and mobilization with some leaders proposing the blocking of ports and highways in an extended strike (Confirmaron el incremento de las retenciones al agro). In the days that followed a number of conventions were held by agricultural groups to organize strikes. Strikes were eventually planned; however, there was disagreement amongst the organizations as to how they should be handled.

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In the midst of pressure from the agricultural sector against the tax policies, the government was suddenly faced with internal divisions as well. On April 8th the Secretary of Agriculture [Secretario de Agricultura, Ganadería, Pesca y Alimentación] made public his resignation from the government (El secretario de Agricultura). He lamented that his management had been limited by the recent increase in export taxes and resigned in opposition to the measure. His decision was praised by agricultural groups. Shortly thereafter on April 23rd, the Minister of Economy also resigned from his post (Renunció el ministro).

Seeing the institutional crisis that was facing the government the SRA decided to postpone their participation in the upcoming strikes. The SRA called on other organizations and citizens to, “add to instead of take away, to build instead of destroy, to act with sensibility and moderation” to avoid the “danger of social disintegration” (Se supendería el paro).18 They further demanded that governmental organizations maintain the constitutional order and interior peace.

In spite of the institutional crisis facing the administration and in response to pressure from the sector, President Duhalde held meetings with the FAA and CRA in which he promised not to further increase the export taxes and asked the groups to delay protests (Gestiones de Duhalde). Notwithstanding the president’s plea and the call for calm by the SRA, protests were held. A series of protests and negotiations between government and agricultural unions carried on throughout most of the month of May. With each round of negotiations, the demands of agriculture evolved to include more than just export taxes.

In early June the four primary agricultural groups met together and drafted a document listing their demands from the government. Those demands included a reduction in export taxes, a solution to the issue of dollar-denominated debts for agro-inputs, a neutral value added tax for

18 Author’s translation
grains, a reduction in fuel prices; a list far larger than their initial complaint (Mira, El agro reclama).

The Duhalde Administration took advantage of this expanded list of demands to make some concessions to the sector.

First, government organized reunions between the producers of agro-inputs and agricultural producers to resolve the issue of debts (Mira, El gobierno laudará). Companies had sold goods to producers in convertible pesos and later lobbied for those debts to remain denominated in dollars. Agricultural producers demanded that the debt be subject to the same devaluations as other domestic debts. Even though government had responded early on in favor of the input providers, they now needed to make concessions to the agricultural sector.

Second, when the reunions between input providers and producers had not proven fruitful, the new Minister of Economy, Roberto Lavagna, stepped in with Resolution 143/2002, which decreed that those debts held by agro-input providers would be repaid with a deduction over the value of the dollar (Fijan el pago). The deduction was to be 40 percent for beef, 50 percent for dairy, and 60 percent for other products.

Third, government announced on July 5th that it would decrease export taxes on certain goods between 5 and 15 percentage points (El gobierno rebajó las retenciones). Taxes on organically certified crops; seeds of corn, soy,19 wheat, sunflower, and pasture grasses; and popcorn were all to decrease from 20 to 5 percent. Exports of onion, garlic, chicory, and some dried vegetables would be taxed 5 percent rather than the previous level of 10 percent. That same decrease applied to packaged rice, cotton fiber, small packages of honey, and queen bees.

These concessions were sufficient to quell the protests. As in the March 2002 policy change, there were divided interests in the sector that prevented the sort of consolidated response

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19 Note that this tax reduction applied only to seeds and not to raw grains produced for export.
seen in 2008. Agricultural input companies clashed with producers over debts, essentially cutting out a part of the production network that would have been opposed to the tax measure had it been debated alone. Additionally, tax decreases on regional products further isolated producers of those goods, removing them from the conflict. The agricultural sector was clearly divided. Government’s ability to successfully split up the sector and appease certain specific actors allowed them to move the conflict over tax policy away from the forefront.

*The Kirchner Administration Tax Increases; 2007*

**January 12, 2007**

By 2007 Argentina was facing high rates of inflation. While official sources – whose creditability was shrouded with controversy – placed the 2007 rate at 8.5 percent, private inflation estimates put rates in excess of 25 percent annually (Tasas Mensuales). With inflation abounding, the government was heavy-handedly intervening in markets to slow the increase in prices.

Price caps on domestically consumed foodstuffs were among President Nestor Kirchner’s policies to rein in inflation. The prices of domestic food products were determined by the Ministry of Interior headed by Guillermo Moreno. Wheat prices, a prime example, were held to a maximum of $370 per ton, while the world markets were paying nearly $430 per ton (Bertello, Suben las retenciones). Similarly, beef prices at Liniers, the country’s largest cattle auction, were capped at $2.55 pesos per kilogram even though buyers were willing to pay an average of $2.74 (Bertello, Presión). The rural sector was understandably unhappy with this market intervention.

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20 See also: [http://sites.google.com/site/bsascity/inflation](http://sites.google.com/site/bsascity/inflation)
On January 12, 2007, the government announced its latest measure to control inflation: Resolution 9/2007. The resolution called for a four-point increase in export taxes on soybeans to be put in place (Cámara de la Industria Aceitera de la República Argentina). The revenues collected by this tax were to be deposited into a newly-created fund, which – with a $100 million dollar boost from the federal coffers — would reach a total of $500 million dollars. The fund was then to be used to subsidize the internal consumption of wheat, corn, and sunflower seed. The subsidy, which should have been equal to the difference in the world price and the domestic price, was paid to food producers who used the subsidized products as inputs. It would allow those manufacturers to pay primary product producers near-market price for their goods without increasing the cost of the final product. For example, bread producers would receive a subsidy allowing them to increase the price they paid farmers for wheat without increasing the cost of bread to urban consumers. The measure would similarly affect grain mills, poultry producers, and possibly even commercial beef producers.

Export duties on raw soybean were set to move from 23.5 percent to 27.5 percent and duties on derivatives from 20 to 24 percent. The response from agricultural producers was mixed early on (Bertello, Suben las retenciones). The SRA, CRA, and ConInAgro defined the measure as “unnecessary”, but still agreed that steps should be taken to halt the price increases among staples goods. The four major agricultural groups were in agreement that the tax measure was distortive, that it would de-incentivize production, and that it was unnecessary given the recent increases in both world price and domestic production (Nueva crítica de la Rural). They furthermore lamented the lack of dialogue between policymakers and the sector. Agricultural groups met to decide how to confront the new tax increase.

Five days after the increase, the CRA and FAA decided to begin a round of protests and assemblies that would last five days (Dos entidades del campo). The SRA made the decision to not participate and called for the elaboration of new global agro plan that would benefit the country, confront inflation, and permit access to basic necessities to the entire population (La Rural optó). CoInAgro joined the SRA in seeking dialogue in spite of pressure by the two protesting organizations (El campo prepara su protesta).

Throughout this conflict the SRA and ConInAgro continually called for dialogue, while the FAA and CRA held protests. The traditional agricultural unions remained divided in their response. Additionally, much of the media coverage of the event did not look at union responses, but rather focused on the plight of small producers and the negative consequences that the tax measure would carry for those individuals.

After off and on protests Chief of Staff Alberto Fernández called agricultural leaders on January 31 offering to discuss the demands of the sector under the condition that the export taxes not be included in the talks (Crettaz, Postergó el campo un nuevo paro). The sectorial leaders accepted the offer in hopes of gaining other concessions from government.

Over the months that followed negotiations were held and some concessions were promised by government. The export taxes that had sparked the conflict did not re-enter into the negotiations being overshadowed by caps on beef prices and government intervention at Liniers, price caps on wheat, producer debts held by national banks, and specific regional programs and tax policies (Crettaz, El campo inicia un diálogo). Eventually, slaughterhouse operators were also drawn into the negotiations by government further dividing interests and complicating the issues.
Through this series of moves, government was able to direct the focus of the agricultural sector from the initial protest against export taxes on soybean products to one surrounding other producer concerns. To avoid conflict, government offered concessions to the agricultural sector, but not specifically to grain producers. Traditional agricultural unions found themselves agreeing to concessions which benefited some members at the expense of those members who produced soybean. The interests of grain producers were not protected by existing unions. Having assuaged enough actors in the agricultural sector as a whole, grain producers were left with limited room to protest. The eventual inclusion of the beef processing sector in the talks further complicated matters, separating the interests of processors, potentially-aligned with producers, from those of beef producers. As in the other cases discussed in this chapter, government was able to isolate, and give concessions to, specific actors thereby diffusing conflict.

November 7, 2007

The fourth hike on agricultural export taxes occurred on November 7, 2007. This was only 34 days before the end of Kirchner’s Administration and the entrance of his wife, Cristina Fernandez de Kirchner, as the country’s new president. The country’s economic situation had changed little in the time since the last tax increase. While inflation was still high, non-governmental estimates put monthly rates around 2 percent; down from an August high of over 3 percent (Tasas Mensuales).22

Minister of Economy Miguel Peirano made the announcement that export taxes on wheat would increase from 20 to 28 percent, corn from 20 to 25 percent, and raw soybean from 27.5 to 35 percent. Oils and derivatives of these products were to increase between 8 and 10 percentage points depending on category (Argentine, Presidencia de la Nación). The government

22 See also: “http://sites.google.com/site/bsascity/inflation”
announcement rationalized the measure as creating “price stability, the growth of investment, and economic strength.” News reports put the increased revenues created by the measure at 3.5 billion pesos, in addition to the 5.2 billion peso increase expected from recent rises in world prices and domestic volume produced in 2007 (Anunciaron el increment de los derechos de exportación).

The agricultural sector responded critically. Agricultural groups noted that the measure was designed to increase public spending and sure up public finance for the arrival of the president’s wife on December 10. Others based their complaints around the effects the measure would have on small and medium producers. The FAA, sectors of CRA, and eventually the SRA made announcements that the measure would undermine the productivity of small and medium farmers forcing them out of business and causing a subsequent consolidation of production among larger firms (Juegen). The adherence of the SRA to those announcements is of interest given that they historically protected the interests of large producers.

Agriculture’s response to the measure was distinct in this event. While there was talk of protest by the large agricultural players, it was more limited than in previous instances. It is possible that the limited time remaining in the president’s term played a part in this response. Whatever the cause, ConInAgro, SRA, and the FAA all decided to pursue dialogue with the government and quickly dismissed the possibility of a sectorial-wide strike (Crettaz, El agro organiza protests). Many, but not all, of the societies comprising CRA planned to protest the measure; this apparent disunity within the CRA again demonstrates the multiple evolving interests that existed within the large agricultural unions.

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On November 11, four days after the announcement of the tax measure, CARSFE – the regional CRA affiliate from the Province of Santa Fe – announced a proposal to challenge the legitimacy of the export taxes in federal court (Bordón). The proposal was studied and on November 26, the CRA, FAA, and SRA announced that the sector would fight the measure in court. The adhesion of ConInAgro was later announced.

Dialogue between the government and agriculture continued until near the end of Nestor Kirchner’s term in office, but was interrupted in support of protests by dairy farmers on December 5. By the time the dairy protests ended, the new administration had taken office and negotiations regarding increased export taxes on grains fell to the wayside.

The government’s success in avoiding conflict in this instance was simply timing. The Kirchner Administration likely knew that the sector would have little time to mobilize and stage protests with only 34 days remaining before the arrival of the new president. Agriculture was also aware of that fact and used dialogue in responding to the tax measure.

Conclusions

All of the tax measures imposed on grain exporters in the period after the implementation of the new productive paradigm received larger, more virulent, responses than did similar earlier measures. Sectorial response to the first tax increase was very much a product of its historical context. As a result of the social woes of the moment, agricultural groups were divided in their support for or against the measure. Furthermore, the social disparity that characterized the moment made promises of funding social programs using the tax popular. Potential conflict following the second and third tax increases were well handled by leaders. Government isolated certain pieces of the agricultural sector and offered concessions in exchange for permitting
increased taxation. In both cases government was successful. The success of the final tax increase is best explained by timing. The Kirchner Administration implemented the measure at a time that it was not feasible for agriculture stage a productive counterattack against the administration.

Reviewing the cases retrospectively, the initial cracks in existing representative structures also begin to become apparent. At times the existing agricultural unions made announcements supporting groups that clearly did not fall within their historic membership and interests. The interests of their membership had changed as the agricultural paradigm shifted, as can be seen by their actions. Similarly, a lack of cohesion not only among agricultural unions, but also within them emerged. For example, specific societies within the CRA acted at times without the blessing of the body as a whole; the complete organization did not necessarily represent the interests of its individual parts.

While these are all interesting cases of political maneuvering and sectorial change, none damage the accuracy of the model presented earlier in this work. If anything, they strengthen the assertion made by the model. Government, using traditional structures and methods of political maneuvering, will have high political capacity when facing a traditionally organized sector. If the sector evolves, government’s political capacity to impose on that sector is diminished. As such, government must alter its bargaining strategies in dealing with the sector if it is to be successful. Though government may or may not have realized it, in each of these four cases they altered their behavior in dealing with the sector and were subsequently successful.
Conclusions

This chapter has demonstrated how the Duhalde Administration and later the Nestor Kirchner Administration were able to avert conflict with the rural sector. By making mild concessions with specific parts of the agricultural sector, dividing the sector, and timing policy changes such that they were practically impossible to oppose, both administrations successfully diffused potential conflict. The tax policies implemented required changes in government behavior in order to successfully confront an agricultural sector operating under the new productive paradigm.

Demonstrating the successes of the Kirchner and Duhalde Administrations begs the question: Why was President Fernandez de Kirchner unable to successfully do the same type of political maneuvering in 2008? She, likely as Kirchner and Duhalde, did not know the extent to which the sector had evolved. Similar to Kirchner and Duhalde, Fernandez de Kirchner made mild concessions to small and medium sized producers in 2008 expecting them to represent a relevant percentage of her opposition, as they would have under the traditional model of production. In reality those producers represented only a small number of firms carrying out a single productive activity in a much larger production network and as such, the president’s concessions were inadequate. Unlike Fernandez de Kirchner, Nestor Kirchner and Duhalde were successful by placing individual parts of the production network at odds with each other; seed providers vied against grain producers, subsidized wheat producers against heavily taxed soybean producers. That distinction allowed the earlier administrations greater success in imposing policy on the sector.

The assumptions made by the model have demonstrated the disconnect argued here to be the primary cause of the 2008 Argentine agricultural conflict. That model and its assumptions
hold in the case of agriculture. Having shown how political capacity declined in the face of changes in an economic sector, Chapter Five will look into relevant conclusions that can be drawn from this analysis and seek out potential directions for future research.
Chapter 5: Conclusions

As Chapter Two described, Argentine agricultural production was historically organized vertically. A single landowning individual was the sole decision maker and the greatest bearer of risk in production. That owner internalized as many processes as possible in trying to control most, if not all, the factors of production. This type of firm would own land, purchase equipment, produce inputs in-house, and use limited technology. Furthermore, the integration of this firm with other actors was limited.

These traditionally organized farmers were perceived by outsiders as representing the country’s landed elite and typified by the gross quantities of land they controlled. Even though smaller producers existed, they very often operated on the fringes of the sector on lands owned or financed by large landholders.

This work has argued that the Argentine agricultural sector changed in the period between 1994 and the early 2000s. High global demand for grains, especially soybean, incentivized the production of the crop. The incorporation of new agricultural technologies and new forms of organization increased crop yields and diversified risks. Unstable grain markets and domestic macroeconomic instability following the 2001 crash forced producers to produce as efficiently as possible further consolidating the sectorial changes.

In addition to direct production changes noted here, there were also a number of broad social changes that are quite important in explaining the 2008 conflict. As agricultural production companies concentrated control of land through leasing, they also employed the services of an ever increasing number of contractor companies and agricultural service providers; some of these firms were new actors and some were existing actors who had altered or expanded their services to meet current demand. Furthermore, new sources of funding, such as investor funding or
financing of inputs by provider companies, tied previously-disinterested parties to the success of grain production. The sheer number of actors directly or indirectly tied to the sector increased. Agriculture had changed.

Prior to the sectorial changes noted above, government had imposed policy on the sector with minimal problem. When taxes on agricultural producers were increased, the sector – represented by four primary unions – pressured lawmakers against the measures and made public statements denouncing government interference in the market; in general, their response was limited. Government had the necessary political capacity to impose on a traditionally organized agricultural sector.

In 2002 that pattern began to change. As Chapter Four detailed, when the Duhalde Administration increased export taxes on the sector, the response was more virulent than before. In the first instance, the agriculture was divided and mobilization was limited; however, in the second instance protests sprang up and government was forced into making concessions thereby dividing the opposition. President Nestor Kirchner was met with a similar response to his export tax increases in 2007. Kirchner was able to make a deal whereby specific agricultural concerns would be negotiated, but export taxes would remain in place. He was able to isolate and give concessions to specific parts of agriculture without conceding the tax increase. These two administrations altered their approach to the sector slightly as to garner the necessary political capacity to implement the desired reforms.

In 2008 when President Fernandez de Kirchner attempted to increase export taxes again, the sector reacted much as it had in 2002 and in 2007; virulently. The government acted as it

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24 It is worth noting here that President Kirchner’s second export tax increase received a distinct kind of response than the first. Chapter Four argues that the more timid response on the part of the agricultural sector in November 2007 was a result of the timing of the policy. The administration had only 34 days left, limiting the time available for a serious mobilization to be organized on the part of the sector. This is distinct from the situation seen with the January 2007 policy change.
always had when facing the sector; however, unlike Duhalde and Kirchner, Fernandez de Kirchner did not quickly make concessions or inside deals as to assuage and divide the opposition. After the conflict had dragged on for an extended time, the president made some concessions, but by that point many producers had already been affronted by the administration’s adhesion to antiquated stereotypes and bellicose language.

Fernandez de Kirchner lacked the political capacity to increase export taxes. Rather than garnering that capacity, as had Duhalde or Nestor Kirchner, Fernandez de Kirchner continued attacking the sector as a traditionally structured rural elite further consolidating her opposition and diluting her own political power. This led to the eventual defeat of her policy.

When the 2008 agricultural conflict began, the government clearly did not recognize that agricultural had changed. They were disconnected from the reality of the sector. Rather than looking for rationale to explain the conflict, the government remained steadfast in their policy decision and in their anti-elitist (i.e. anti-traditionally structured rural sector) rhetoric. This work argues that this disconnect explains the 2008 agricultural conflict in Argentina.

**Application to other cases / Relevance to policy creation**

This analysis demonstrates clearly that political capacity declines to influence economic actors in a particular sector if that sector undergoes drastic changes. This is not the case if political leaders adapt their bargaining strategies to compensate for those sectorial changes. While this study focused on the Argentine case, the same analysis could and should be applied to other similar cases.

Deese and Reeder point out that there are multiple countries that impose export taxes on grains and oilseeds; among these are Russia, Malaysia, Indonesia, and Ukraine (US International
Trade Commission 4). As demand for foodstuffs continues to drive producers toward more efficiency-creating technologies, it is possible that a similar situation to the one seen in Argentina in 2008 could arise in one of these export-taxing nations.

Other middle income countries with a large share of their production stemming from agricultural exploits are also vulnerable to the same kinds of technology-based sectorial evolutions. Brazil, for example, is the largest exporter of raw soybeans in the world (Costa et al 3). As technology is implemented, policymakers should look closely at the sector’s organizational structure before implementing changes. The implementation of not only tax policy, but any policy changes that could compromise the agricultural sector, should be examined in depth to avoid potential policy failure.

Further political analysis should be undertaken to examine similar evolutions in other cases. Should additional cases behave as the Argentine case, the model presented here would, of course, be strengthened.

Relevance to development

One interviewee in this project likened the new model of production in Argentine agriculture to the style of production practiced in the United States. His analysis was not based on the organizational structure, but rather on the number and size of the actors participating in the activity. He argued that never in the history of Argentina have there been successful small farmers; the sector was always dominated by the rural elite. With the changes seen in the late 1990s, any individual became able to enter into some faucet of grain production and be successful. The notions of a self-made man in the context of multiple Jeffersonian-like agricultural communities were central to his argument.
While the arguments made by that producer may fall a bit outside the academic realm of this work, there is something to be said for reduced barriers to entry and a subsequently growing number of individuals operating in the sector. The removal of dominant elite in production and lower barriers to entry create greater participation and the potential for a reduction in income inequality within the sector.

Additionally, many social conflict theories tie economic control to political or social control. According to those theories, evolutions in economic structures will lead to changes in the actors that have de facto political power. Arguably, this is what is seen in the Argentine case as more agro-diputados than ever enter into congress better representing a growing number of rural sector workers. The changes witnessed in Argentine agriculture are altering the composition of elected representative bodies and potentially strengthening the legitimacy of existing democratic institutions.

These benefits are relevant to questions of socioeconomic development. The positive welfare effects of the changes in the organizational paradigm of Argentine agriculture are notable. Seeking out ways of reproducing those kinds of organizational changes in other cases could provide similar positive results.

**Other considerations**

This work is clearly restricted in its breadth leaving a great deal of room for additional related research. The first of several themes important for future research is the application of technology in food production. Enormous bounds in food production have already been made through the application of transgenic plant varieties, unique planting technologies, and the use of distinct kinds of biocides and fertilizers. As global demand for foodstuffs increases further
advances must be made to meet that demand. For the scientific community this means seeking out ways of augmenting output given a fixed resource base. For social scientists and development professionals it means learning how to incorporate these new technologies in existing social, political, and organizational structures.

A second theme of study is how changes in organizational structures can increase efficiency in production per any given quantity of capital input. The case of Argentina and the United States is a prime example. Both countries use essentially the same technology in soybean production; however, Argentine producers make more soybeans with the same investment than do their North American counterparts. The distinction lies in Argentine use of contractor companies increasing the overall efficiency of capital investments in equipment. In a world with limited capital, looking for ways to maximize capital investments is important and should be given attention.

A third theme of interest for future works is the role of other countries in the evolutions studied here. The two countries that first come to mind are China and Brazil. China is the world’s largest consumer of raw soybean and is becoming increasingly involved in the entire developing world; especially in the countries that produce this commodity. China’s growing influence in the world is incredibly important and opens the door for a vast quantity of research on themes from foreign direct investment, to sustainability, to global security issues.

Brazil too is a case worthy of study. Having the second largest economy and the second largest population in the Western Hemisphere (CIA Factbook), Brazil is a regional hegemon well positioned to be an important global player. Additionally, in recent years Brazil, together with the United States and Argentina, has consistently been in the top three soybean exporting countries in the world. Beyond the themes affecting Brazil mentioned earlier in this chapter,
there is currently a great deal of debate surrounding the environmental impact of Brazilian agricultural on the environmentally sensitive Amazonian Region. As agricultural continues to expand to meet world demand, questions of sustainability will grow increasingly important.
Export tax under Resolution 125/2008 based on following:

\[ d = \frac{VB + AM(FOB - VC)}{FOB} \times 100 \]

Where,

d=export duty

FOB=Official FOB price as established by SAGPYA

AM=Marginal Tax Rate \([\text{Alticuota Marginal}]\)

VC=Cut Value \([\text{Valor de Corte}]\)

VB=Basic Value \([\text{Valor Basico}]\)

<table>
<thead>
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<th>FOB Price Range (USS / tn)</th>
<th>VB (USS)</th>
<th>AM (%)</th>
<th>VC (USS)</th>
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Data taken from the Cámara de la Industria Aceitera de la República Argentina
Raw Soybean Price at the Port of Rosario
Converted to USD/metric ton

Taken from Bolsa de Comercio de Rosario


Bunga, Cecilia Fernández and Fernando Porta. “El crecimiento reciente de la industria argentina: Nuevo régimen sin cambio estructural.” Crisis, recuperación y nuevos dilemas: La


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