

# Global Value Chains and Disappearing Rural Livelihoods: The Degeneration of Land Reform in a Chilean Village, 1995-2005

Warwick E. Murray\*, Tony Chandler and John D. Overton

*School of Geography, Environment and Earth Sciences Victoria University of Wellington, New Zealand*

**Abstract:** This article assesses land ownership patterns among small-scale producers of non-traditional fruit exports (NTAX) in El Palqui, Chile, in the context of the country's extensive neoliberal reforms during dictatorial rule from 1973-1989 and their continuation under successive democratic Concertación governments since 1990. It reports on work that revisits an export boom locality ten years after an initial study in 1995 and traces the impacts on local farmers of neoliberal restructuring and insertion into global chains. It concludes that small farmers have continued to lose their land to companies and larger farmers, effectively reversing the land reform which took place in the locality in the 1970s. Ultimately without protection small farmers will find it increasingly difficult to sustain their livelihoods. This threatens to undermine the stated goal of growth with equity in the Chilean countryside.

**Keywords:** Global Values Chains, rural livelihoods, neoliberalism, fruit, Chile, small-scale farmers.

## INTRODUCTION

This article assesses changing land ownership patterns among small-scale producers of non-traditional fruit exports (NTAX) in a medium sized rural village in Chile's Norte Chico region in the decade up to 2005. This analysis is undertaken in the context of the country's extensive neoliberal reforms during dictatorial rule from 1973-1989 and their continuation under successive democratic *Concertación* governments since 1990. Specifically the article reports on the reproduction of a 1995 intensive field study in 2005 undertaken by the authors in El Palqui – one of the country's fruit export 'hotspots'. The original study concluded that small-scale producers in the region, who switched from traditional crops to grape-growing for export during the 'fruit boom' under the Pinochet regime, had entered into uneven bargaining relationships with fruit export firms that exposed them to a disproportionately high percentage of the risks associated with exporting in the global marketplace [1]. This drove many farmers into cycles of debt, resulting in the loss of land, increased land concentration and higher levels of inequality in the locality. This has had the effect of reversing the land reforms of the late 1960s and early 1970s that granted small-scale their farmers *parcelas*.

The article reveals that in the ten years from 1995, significant land concentration has continued to occur in El Palqui driven by the uneven relationships of economic power between firms and farmers. In a political sense, the article argues that this failure is a consequence of the successive Chilean governments' failure to assist small producers during and after the critical transitional phase from an inward-oriented to an outward-oriented development mode. This

failure to act represents a 'missed opportunity' to integrate smaller producers into the export sector in a manner conducive to growth with equity.

This article first traces the evolution of neoliberalism and non-traditional exports in Chile, reviewing the shift from inward to outward orientation in the latter half of the last century and the role of globalising agribusiness. In this section it focuses on the distributional impacts of globalisation paying particular attention to implications for small-scale farmers. It then turns to the locality case study and traces the reverberations of the penetration of global value chains<sup>1</sup> in terms of land ownership. Finally, it offers some policy prescriptions intended to stimulate the sustainability of small scale farmer livelihoods.

## FROM REFORM TO GLOBALISATION – THE RE-ORIENTATION OF CHILEAN AGRICULTURAL VALUE CHAINS AND REGRESSIVE AGRARIAN CHANGE

In the early 1960s it was apparent that Chile's significant economic problems were intimately connected to its sluggish agricultural performance, which many blamed on the country's highly inequitable land tenure structure - in 1964, just 2% of property owners controlled 55% of Chile's agricultural land. With such a huge proportion of land concentrated in the hands of so few, and with an abundance of poor agricultural labourers, land owners felt little incentive to pursue more modern agricultural practices. Instead, inefficient extensive agriculture was the norm, meaning much of Chile's agricultural land was left either fallow or underutilised. Un-

\*Address correspondence to these authors at the School of Geography, Environment and Earth Sciences Victoria University of Wellington, New Zealand; Tel: 04 463 5029; Fax: 04 463 5186; E-mail: Warwick.Murray@vuw.ac.nz

<sup>1</sup>Value chains is a terms used interchangeably with commodity chains. On occasion they are also referred to as productive chains. The concept refers to the linking of the various nodes of economic activity that deliver the given item from production to consumption. Calling them value chains implies the study of how the value created at the various nodes is distributed along the chain. In the case here we focus on the impacts at the primary productive end of the chain.

surprisingly then, from the 1930s to the mid-1960s, the country's agricultural output consistently lagged behind population growth. To meet the shortfall, increasing quantities of food had to be imported to feed the expanding urban masses, which soaked up scarce foreign exchange and strained the balance of payments deficit [2]. Furthermore, with around 70% of peasant families living on under US\$100 per year, few Chileans could afford to buy manufactured goods, limiting an already small and underperforming domestic market for industrial products [3].

### The Structuralist Land Reform Period in Chile

Structuralist economists, led by Raul Prebisch made increasing calls through the 1940s and 1950s for land reform across Latin America in order to address the problems of low efficiency, import dependence and price inflation.<sup>2</sup> In Chile, reform was initiated tentatively under Jorge Alessandri's 1958-64 government, continued under Christian Democrat Eduardo Frei (1964-70), and expanded decisively during Socialist Salvador Allende's 1970-73 term. In the case of the latter, arguments beyond pure economic rationale, involving moral viewpoints, were incorporated as rationale for redistribution. Allende's government expropriated all estates in excess of 80BIH.<sup>3</sup> By 1972, all such estates – making up some 60% of all irrigated land – were in state hands ready for redistribution [4]. This was operationalised through the establishment of collectives termed 'agrarian reform centres' (CERA), which combined a number of adjacent estates to form large 'rationalised' production units. In theory, the CERAs were to embody a socialist mode of production. However, political opposition forced the government to compromise and allow private ownership of houses and gardens within these centres.

Within the non-reformed portion of the agriculture sector, fear of expropriation, the development of a black market, and rural unrest – particularly land seizures, which the government appeared either unable or unwilling to try to halt – created a highly unstable business climate. This discouraged investment and led many farmers to de-capitalise their farms. The reformed sector fared little better. The decision to allow individual titles backfired in that it undermined the reform's collective ideals, as many peasants neglected their collectives in favour of their own individual plots [2, 5, 6]. Consequently, wheat and potato production declined by a third while sugar-beet slumped by more than 40%, precipitating a fourfold increase in food imports at a time when foreign exchange earnings were already stretched [4]. This combined with right-wing actions to disrupt food production and distribution led to a virtual collapse in Chile's commercial agricultural system. By mid-1973, the national economy was in crisis, the social order in flux, and militaristic tensions on both sides of the political spectrum were becoming increasingly palpable [4]. On September 11 1973 the military, led by General Augusto Pinochet, intervened abruptly, establishing a dictatorial regime and putting a swift end to this era of state-led structuralist informed development.

<sup>2</sup>As such land reform attempts at the time can be seen as part of the policy Important Substitution Industrialisation favoured by the structuralists, that was ultimately oriented towards modernisation and urban development rather than rural progress per se.

<sup>3</sup>Basic Irrigated Hectares. BIH is used rather than absolute size as it gives a better indication of the land's productivity relative to its size

### Neoliberalism, the Military Dictatorship and the Counter-Reform

Beginning in mid-1974 Pinochet and his regime, under the advice of the neoliberal 'Chicago Boys'<sup>4</sup> instituted economic shock treatment in Chile. This included, among other things, cutting public expenditure by half, reducing the money supply to raise interest rates, privatising some 400 state-controlled or 'intervened' companies [7], liberalising foreign investment laws, and dramatically cutting tariffs and quotas on imports.<sup>5</sup> In the agrarian sector, land reform was brought to an abrupt halt. Political activity was forbidden, wages cut, subsidies to small farmers terminated, and food prices allowed to rise [8, 9]. Traditional crop growers in particular faced serious financial hardship as cheaper food imports poured in [2]. 'Jungle law', or the survival of the fittest, arrived in the Chilean countryside as peasant farmers were pitted against each other through the application of neoliberal agrarian policies.

The military government enacted a land counter-reform which had three main objectives: firstly, breaking up the cooperatives and returning land to the former owners; secondly, suppressing collective political power among the peasantry; and thirdly, unlocking Chile's comparative advantage by subjecting its agriculture to the 'discipline' of the market to bring about a more dynamic, efficient, export-orientated agricultural sector [8]. Surprisingly, the counter-reform did not include resurrection of the *hacienda* system<sup>6</sup> [8, 10, 11]. Somewhat paradoxically, Pinochet used the earlier land reforms and the modernisation process already set in motion to his advantage [11]. Thus, of the reformed sector only 30% was returned to its original owners, 30% was auctioned to private purchasers, 7% was kept by the state, and the remaining 33% was parcelled out to *campesinos* (peasants). By 1979, the military government had achieved its counter-reform and introduced neoliberal competition to Chile's rural areas.

If Pinochet aimed through such reforms to demobilise the peasantry and stimulate export-led growth, he succeeded. These reforms, coupled with de-unionisation, proved an irresistible magnet for foreign investors who poured into Chile to take advantage of the country's abundant natural resources, non-existent environmental regulations, cheap labour and counter-seasonality [8]. Between 1975 and 1986 GDP growth averaged an impressive 7%, and was particularly strong in the non-traditional agricultural export (NTAX) sector which was dominated by fresh fruit (especially grapes and apples), together with forestry and fishery products [8, 11, 12].<sup>7</sup> In just over a decade (1974-1987) the value of Chile's total agricultural exports grew from US\$250 to US\$1300 million, accounting for 27% of total exports in 1987 which reduced the country's previous precarious reliance on copper exports [15].

<sup>4</sup>The Chicago Boys refers to a group of economists who had studied at the Chicago School of Economics under the influence of Milton Friedman and his nascent neoliberal ideas.

<sup>5</sup>The military government cut tariffs from 70% to 10% in 1974, making them some of the world's lowest [1].

<sup>6</sup>The system of land ownership concentration in large estates that prevailed in colonial times.

<sup>7</sup>Kay [5, p. 507] refers to the military government's labour policy as "market repression" in the sense that its primary aim was to lower wages so Chile could increase its international competitiveness and profits.

For orthodox neoliberal thinkers, Chile's miraculous growth in NTAX came as proof of the market's superior resource-allocating ability vis-à-vis the state. Certainly, it cannot be refuted that the creation of a land market and a group of highly individualistic, profit motivated, small-to-medium-sized farmers, helped drive increased agricultural efficiency and paved the way for the agro-export-led growth of the late 1970s and 1980s [2, 8]. However, to attribute this growth solely to the wonders of the 'free-market' represents a gross distortion of the situation leading up to the NTAX boom. The creation of an efficient land market, for instance, would have been impossible without the reforms that had taken place under Frei Senior (1964-70) and Allende (1970-73). Furthermore, the growth in Chile's dynamic fruit export industry owed (and continues to owe) much to Frei's 1966 National Plan for Fruit Development, aimed at stimulating the fruit export sector. Under the plan, the government surveyed existing orchards, conducted market research, established nurseries and experimented with new varieties, established phytosanitary standards, partially subsidised credit facilities for orchard investment, and built critical research and development links with the University of California and the Universidad de Chile [13]. In this sense the working of comparative advantage in Chile's NTAX sector was stimulated by the construction of competitive advantage in the 1960s.

Whilst undoubtedly positive in macro-economic terms Chile's NTAX boom had massive regressive social-economic impacts in Chilean rural space. The fruit boom, for instance, was "largely concentrated in the Central Valley region" [2, p. 480], and thus more peripheral regions of the country were excluded. Within the central and lower northern regions rural inequality was exacerbated through the workings of the boom. Large capitalist fruit farmers and agribusiness - that possessed the necessary capital and technical expertise to become competitive - have reaped the majority of benefits. Indeed, Bengoa [14], Cruz [15], Kay [2] and Silva [16] estimate that half of all reform beneficiaries lost their land during the first few years of neoliberalism from 1975-1979. Crucially, however, even when small farmers managed to convert their *parcelas* from traditional to export crops (through what Chilean economists refer to as *reconversión*) few were able to remain viable over the long term due to excessive debts and scale difficulties. With few options available to them, most had little choice but to flock to nearby rural shanty towns in search of low-paid, precarious seasonal work. To illustrate the magnitude of this transition, Silva [16] estimates that in 1970 almost 80% of the Chilean fruit industry workers held permanent work compared with only 10% of agricultural workers in the late 1980s. Given such employment problems between 1981-1986, per-capita food consumption in terms of calories decreased 5% and 20% respectively [10]. By the end of the end of the 1980s, rural poverty had risen substantially and was the reality for approximately half of the population.

### **Reconversión, the State and the Market in the Democratic Era**

Chile returned to democratic rule in 1990 following the loss of Pinochet in a referendum on his continued rule in 1989. The first four governments to rule the country between 1990 and 2010 came from the *Concertación* alliance of cen-

trist, centre-left and moderate left-leaning parties formed to topple the dictatorship<sup>8</sup>. Each administration attempted to address Chile's persistent social inequalities to varying degrees, whilst being careful to not jeopardise its export-led growth. This has been variously labelled as an approach of 'neoliberalism with a human face', or 'neoliberalism' [2].

In terms of economic policy, the first *Concertación* government showed little interest in altering the fundamental tenets of the neoliberal orthodoxy except to tame some of the more regressive aspects of the free market model [8]. Expropriation of land was off the agenda and export-led growth remained central. However, in an effort to give a 'human face' to neoliberalism, the government re-established its role in assisting small farmers and cooperatives with credit and technical support, and continued to offer price support for domestic crop producers. The government also invested in health and education in rural areas in an effort to try to address two decades of economic Darwinism in the Chilean countryside.

*Reconversión* lay at the centre of the democratic government's agrarian policy. *Reconversión* refers to the process whereby growers are encouraged - depending on the ideological orientation of the government of the time - by either the state, export firms (*via* contracts), market imperatives or a combination of these forces, to switch from traditional crop production towards competitive, higher value, non-traditional export crop production [2]. Underlying this policy is a commitment to free-market resource allocation and hence the need to focus on those sectors and regions which are deemed to have a comparative advantage within the global market place [8].

By 1992 it was clear that the *Concertación* government had successfully managed to retain Chile's export momentum. Kay [2, p.27] wrote that "a major structural shift [had]...occurred regarding agriculture's contribution to foreign exchange and position within the national economy", and for "the first time since the mid 1930s agriculture made a positive net contribution to foreign exchange." Indeed, in the early 1990s agricultural exports contributed close to a fifth of total foreign exchange earnings, in comparison to the pre-1973 period where they contributed less than one fifteenth of these earnings [2].

The apparent 'continuity' and persistence of the neoliberalism model under supposedly leftist democratic regimes is partly explained by the fragile political-economic environment bequeathed by the military government which included:

*[t]he powerful influence of international capital and the desire of the government to maintain investor confidence; the role of the military-aligned business elite and their opposition to the social reform and high taxation...*

<sup>8</sup>There have been five governments since the restoration of democracy in Chile in 1990 led by the following presidents: Aylwin 1990-94; Frei (Junior) (1994-2000); Lagos (2000-2006); Bachelet (2006-2010); Piñera (2010-present). The first four of these administrations represented the *Concertación* with the respective Presidents coming from component parties which were, in chronological order, the Christian Democratic Party (Aylwin and Frei [Junior]), the Party for Democracy (Lagos) and the Socialist party (Bachelet). The election of the rightist Coalition for Change saw the inauguration of Chile's first right-wing president in the new democratic era. Sebastian Piñera is a member of the National Renovation party the more centrist of the new coalition component parties.

*the legacy of the 1980 constitution which swung the balance of power in the parliament and senate towards the right wing; and the wish of the democratic governments not to antagonise the military ...” [8, p. 430].*

In the countryside, this led to an implicit adherence to market *reconversión*, whereby it has tended to be agribusiness, rather than the state, that has mediated the process of the insertion of small-scale producers into global value chains [2]. Through the use of contract farming in particular, agribusiness, much of it foreign-owned, became the key driver of agrarian change, channelling tied-finance, advice and inputs to small-scale producers in an effort to promote *reconversión* [9]. Where the state has provided support, it has tended to be directed towards *reconversión* itself rather than toward supporting the ‘reconverted’ once they have re-oriented to global markets. Furthermore, because assistance for *reconversión* has generally only been offered to those growers that are considered ‘viable producers’ by the administration, *minifundistas*<sup>9</sup> have effectively been left out, creating “a geographic and a socio-economic concentration of exclusion” [8, p. 433]. Thus, despite limited government assistance, small-growers wishing to partake in *reconversión* have for the most part had to rely on agribusiness for credit, technical expertise and market access, and vast power asymmetries between these often-illiterate small-scale producers and large international firms are evident in the agreements that have resulted [1].

To summarise, globalisation in the Chilean countryside greatly exacerbated inequalities there, creating a two-track agrarian system. On one hand, a highly modern, highly capitalised, dynamic and globally integrated sector evolved that became the envy of other countries in Latin America. In order for this modernised track to exist it was necessary to carve out a rural Chile where rural socio-economic marginalisation, land concentration and rural proletarianisation were the dominant processes and where the livelihoods of peasant families were systematically undermined. These vastly different tracks are two sides of the same coin with the modernising track dependent on the labour and resources released through restructuring in the marginalised track. In what follow we investigate the tensions inherent in the change brought about by the insertion into globalising value chains in the context of one particular locality that formed a crucial hotspot of export activity in the NTAX sector in the 1980s and 1990s in particular.

#### **THE GLOBALISATION OF A CHILEAN VILLAGE: AGRIBUSINESS, GLOBAL VALUE CHAINS AND SMALL-SCALE FARMERS IN EL PALQUI**

El Palqui is a rural village of approximately 5,000 people located in the foothills of the Andes in Chile’s Norte Chico, the semi-arid zone of the country. It has undergone one of the most dramatic transformations of rural space in the Chilean NTAX boom. The locality was dominated by a minority of powerful *haciendas* until the mid-1960s. It was then home to

extensive expropriation and collectivisation projects under Frei and Allende. As discussed above these were subsequently halted, and in some cases reversed, by the military government’s counter-reforms. Through his counter-reform, by 1982 150 new parcels of land (*parcelas*) of an average ten hectares in size, in five reform units (*parcelaciones*) were carved out of the previous collectivised land (Silva, 1988). Most beneficiaries were new landowners, with few business skills, little managerial experience, and scarce financial capital thrust into one of the most uncertain and precarious times in Chilean economic history.

Initially, the drastic social-political upheavals and the harsh economic conditions brought on by the extreme neo-liberal reforms were enough to force many beneficiaries to sell their land. Those who chose, or perhaps more accurately were able to remain, produced traditional crops for the domestic market. However, as the macro-economic situation altered and the Chilean peso dropped in value, local and foreign investors scrambled to unlock El Palqui’s unique competitive advantage - based on cheap land and labour, favourable climatic conditions, and the availability of water. This investment precipitated significant ‘fruit boom’ [9]. El Palqui is an ideal location for investigating the impact of NTAX, given its almost wholesale adoption of table grapes production, extensive global orientation and capital penetration, particularly of international fruit export agribusiness.

Research from 1995 focused particularly on the ‘dependent’ relationship (under contract) that formed between large-often foreign owned and globally oriented - export firms that helped convince small-scale, capital-starved peasants to convert from traditional crops to table grapes for export [1]. In the absence of state intervention, these large export firms were the primary agents controlling small-scale farmer insertion into the global economy, offering credit, technical advice and market access in exchange for exclusive supply provision under contract. Accustomed to meagre incomes, growers were quick to embrace *reconversión* in order to improve their material wellbeing. Following an early boom by the 1990s external economic conditions began to worsen. Increasingly, returns became insufficient to repay credits and charges, water shortages drove up the price of this vital resource, and many farmers experienced declining yields. As growers plunged further and further into debt, most could not afford to switch back to traditionally less volatile agriculture. Many had little option but to sell their land to the export companies. Given that farmers were tied to companies and had effectively mortgaged their land through exploitative contracts these transactions often took place at less than market value.

#### **AGRARIAN TRANSFORMATIONS IN EL PALQUI 1995-2005**

The economic pressures discussed above were thus “leading in turn to a significant concentration of land ownership” [9 p. 207] within the locality as larger players consolidated their holdings at the expense of smaller and more vulnerable producers. In 1997 it was predicted that “it is quite possible, six years from now after the completion of the original fieldwork, that the remainder of the *parceleros* will have been fully proletarianised” [1]. It is to this prediction that we now turn to an analysis of primary and secondary

<sup>9</sup> Peasant farmers owning very small plots of land that are generally only viable for subsistence and have limited market potential. Such plots are usually less than 2 hectares in size.

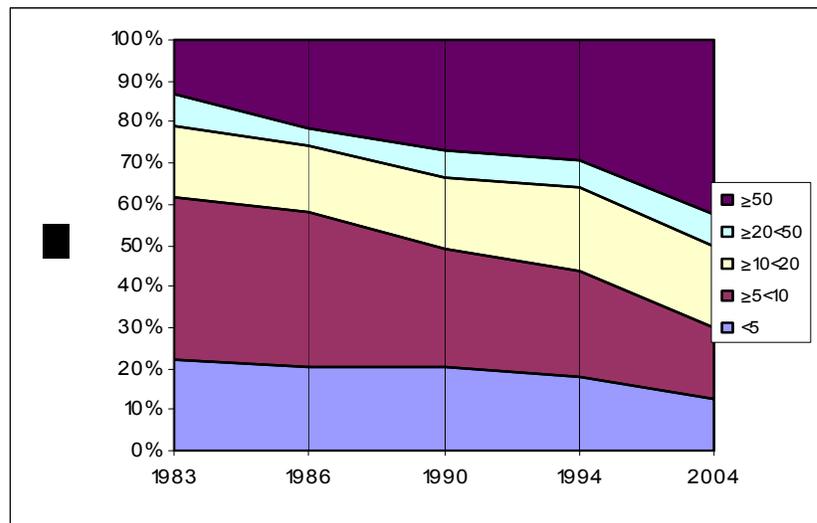


Fig. (1). Change in Land Distribution in El Palqui, by Percentage Hectares Owned, 1983-2004).

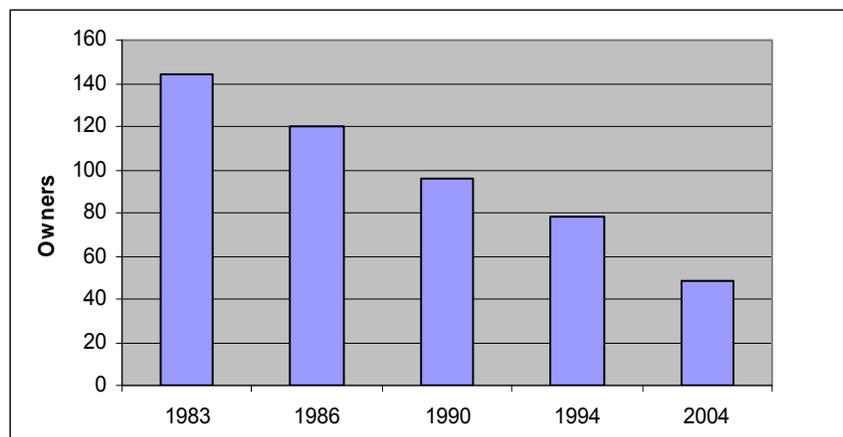


Fig. (2). Number of Original Parceleros remaining in El Palqui, 1983-2004.

data gleaned through a follow-up study to the original 1995 fieldwork.<sup>10</sup>

### Evidence of Land Re-Concentration in El Palqui 1983-2005

Data generated from the 2005 fieldwork showed continued concentration in ownership first identified in 1995 [1]. As Fig. (1) shows there is a marked increase in the proportion of land accounted for by the  $\geq 50$  hectare category and a smaller increase in the  $\geq 10 < 20$  hectares division. It is quite clear who the 'losers' have been since 1994: small farmers, particularly those within the  $\geq 5 < 10$  category.

<sup>10</sup>The fieldwork from 1995 involved a survey of 26 of the 144 owners that existed at the time. This survey included a detailed questionnaire which probed into economic and social conditions as well as the history of involvement in the export market. Crucially it explored the contract relationship with the firms that purchased fruit in the locality. Growers were selected in order to form a representative sample based on farm size. This rich qualitative and quantitative data was interpreted in the context of secondary data on land ownership gleaned from local government records. This was complemented with data regarding prices, labour markets and production activities gained from interviews with the firms and other stakeholders in the local economy. Murray spent approximately three months living in the locality. Chandler repeated this methodology in 2005. He was able to locate all of the original growers that were interviewed in the 1995 fieldwork period. This often involved travelling to local towns where the growers had migrated.

Fig. (2) charts the successes and failures of the 'original' parceleros who (mostly) received their land through reforms of the early 1980s. Of 144 originals in 1983, only 44 (31%) have retained ownership of their land indicating a clear shift in ownership away from small-scale beneficiaries.

Fig. (3) traces growth in land ownership for the top five land-owners in El Palqui over the last 14 years. Of the total landed area of approximately 1,500 hectares the proportion accounted for by these powerful landowners has increased significantly. Local company Fruit Export more than doubled its holdings, while Italian multinational Unifrutti and Chilean multinationals Rio Blanco and Aconex also experienced steady growth. Significantly in all three periods four of the top five largest landowners were agribusinesses.

As Fig. (4) demonstrates, from 1994-2004 the number of parceleros owning land has decreased in all three parcelaciones sampled. Overall, only 58% of those interviewees still in possession of their parcela in 1994 remained in 2004.

Of course, while Fig. (4) shows the number of 'full' parcelas sold, it underestimates the full extent of the sale of land as 'parcela shrinking' – or sale of parts of plots - has

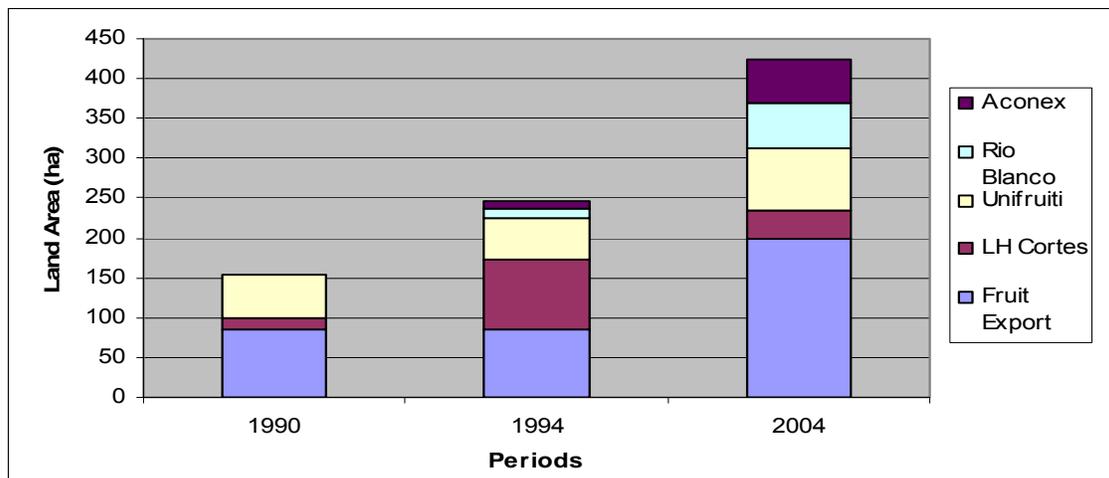


Fig. (3). Land Area Expansion (hectares) of Top 5 Land Holders, November 2004.

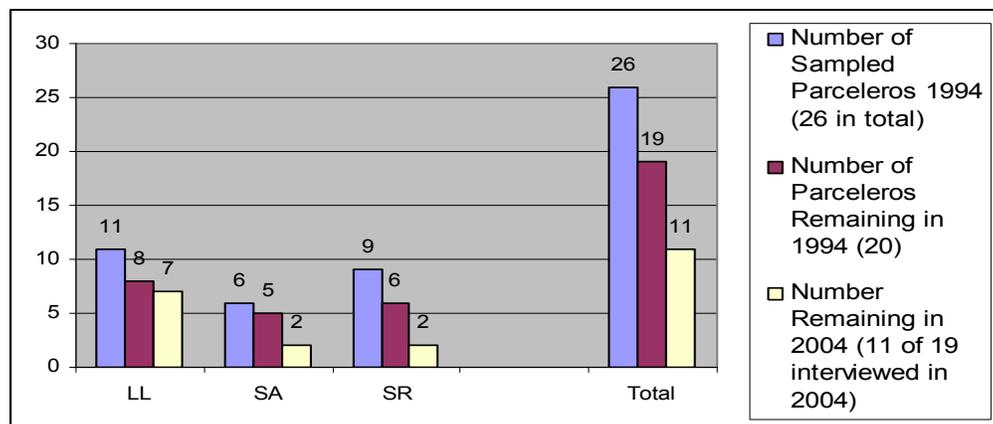


Fig. (4). Number of Parceleros Still Retaining Land 1994 to 2004.

Source: Field work, El Palqui. 2004

Note: The figures for 2004 are derived from a sample of 19 growers although 20 originals remained as of 1994, because one individual was not able to be contacted.

taken place. Thus, taking into account partial sales, as in Fig. (5), land concentration becomes even more pronounced.

Clearly, considerable land concentration has occurred in El Palqui since the time of the original 1995 research. Overwhelmingly, it has been small-scale producers, particularly the original *parceleros*, who have been squeezed out and pushed aside. The main beneficiaries have been large export firms.

### Explaining Land Re-Concentration – Motivations for Selling or Staying

In 1995 the 26 growers that were interviewed were surveyed with respect to their motivations for retaining or selling their land. Of this group of 26, six had already sold all of their land by the time the interviews took place, due to excess debt with export companies. Perhaps of even more concern, of the remaining 20 growers, almost all had either debt to land value ratios, were concerned about the continued expansion of export firms, or expressed considerable pessimism as to the future role of *parceleros* within the

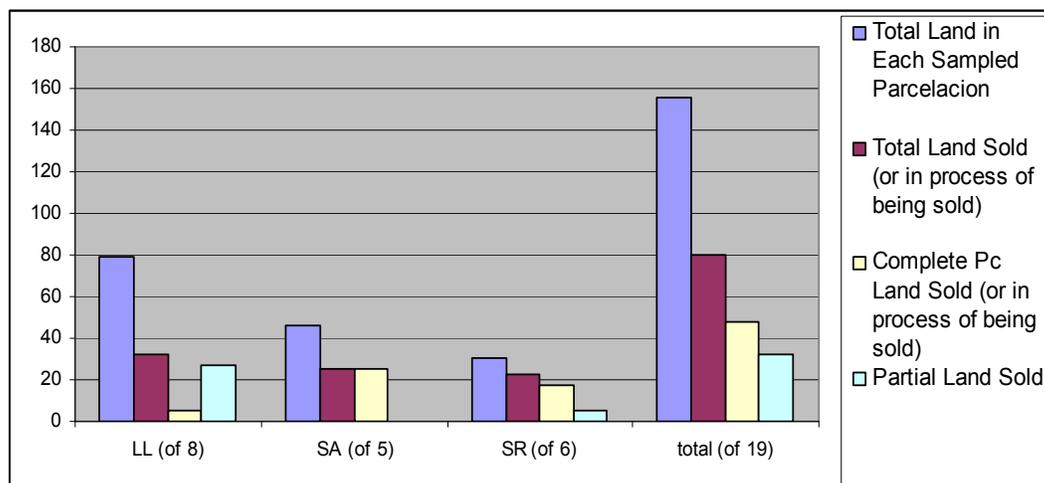
locality. It was concluded that without greater government intervention, many more *parceleros* would inevitably lose their land.

It appears that relative land endowments play a crucial role in growers' success or failure. Firstly, many investment costs (especially one-off investments, such as the purchase of land, machinery or an irrigation system) are scale sensitive. Additionally, larger owners may benefit from greater negotiating leverage when establishing contracts and in terms of the procurement of inputs such as fertilisers and pesticides. A range of comments from the growers themselves highlight these points:

*The small farmer cannot compete with a big farmer that has 7 hectares for example (Orlando González).*

*I had to sell...my land was too small. With only 5 hectares I couldn't afford anything (José Muñoz).*

*I think for it to be profitable you need over 10 hectares (José Laffarte).*



**Fig. (5).** Total Land Sales and Partial Land Sales vs. Total Land, in the Three Sampled Parcelaciones, El Palqui, 1994-2004

Note: Total sales include full parcela sales and partial parcela sales.

Land can also be used as a financial buffer - some growers sell off a certain amount of land to settle debt, invest in machinery or improve remaining land without having to take on excessive debt to begin with – as Lorenzo Antonio Elgueta Cortes remarked:

*We sold some land to invest and improve some other land of ours. We don't have big debts. [And somewhat paradoxically], we are fine as we are with a small piece of land.*

Debt levels also seem to play a key role in grower viability. Of the 13 *parceleros* who had either sold half or all their *parcela* by 2005, when asked what motivated them to sell land, all mentioned financial difficulties of some kind: nine specifically mentioned excessive debt, three stated scale difficulties, and one simply stated he “needed the money”. Also of concern is the apparent lack of expansion or entrepreneurial dynamism among *parceleros*. While eleven of the original 26 producers have managed to hold on to their *parcelas*, they seem unlikely to expand them. Of the eleven interviewed who still owned their land, only one individual had bought more land (four hectares).

### From Land Re-Concentration to Land Stabilisation

It is most certainly the case that re-concentration has been on-going in this locality. However, there appear to be some signs that land concentration is beginning to stabilise. Those that have survived up to this point have greater prospects in terms of economic sustainability. Over the last two decades many small-scale growers have attempted to recon-vert and failed. Those still in business at the time of investigation are likely to have been in business for some time. In an ‘economic-Darwinist’ sense, one might say that they represent those growers who have been economically ‘selected’ for their relative efficiency and business acumen [1]. Indeed, Hernán Sanforlin Jofre - a medium-sized producer, packing plant owner and employer of 16 people - commented that he expected “that things are going to be stabilised in about a year”. As discussed later, not all growers are this optimistic. We suggest the following reasons for this slowing down in the re-concentration process.

### Structural Transformations in Credit and Contracts

A number of important structural changes have occurred in the village that have helped empower small-scale farmers in their dealings with the export companies, especially the evolution of a more competitive credit market. As mentioned, in the past credit could only be attained from export companies, with strict borrowing conditions. Today, some banks also offer credit, which is to some extent reducing grower dependence on export companies and helping to break down the skewed power relations. A number of growers indicated – often with a sense of pride and accomplishment – that they no longer relied on the export companies for credit. Of 15 who answered the question, only three were in debt to companies - ten utilised bank loans, and three also had Ministry of Agriculture (INDAP) loans. Interestingly, of the six producers in 1994 who relied, at least in part, on bank credit, five are still in operation today.

Still, it seems only a select few of the sampled population (five of those interviewed) have been able to completely free themselves from the highly exploitative contract systems evident in the 1980s and 1990s so they can sell their produce (either on the vine or off the vine) to the highest bidder. Under the traditional contract system, indebted producers are restricted to selling their produce to the company to which they are indebted, even when offered a better price elsewhere. Israel Alamín, one of those who escaped this system, explained this system:

*[I]n the past a lot of people got loans from the companies, then couldn't pay them back, so they lost their land...That's why we get a loan from the bank, so I can choose the buyer. I don't give grapes on consignment...If you do that they just tell you tales. They [the export companies] are not healthy....they are not honest.*

As one producer, Sr Yañez explains this often involved the passing on of significant risk by the company:

*We used to sell on consignment, so if anything went wrong with the fruit and it wasn't sold, they didn't pay me.*

### **Alternative Production Strategies**

Two growers, at the time of the 2005 research, had abandoned grape-growing altogether and returned to more traditional and arguably less volatile horticulture-based agriculture. As Ángel Luna describes,

*We took the grapes out [in 1998] when things started to get bad...the export business became bad and the debt started to increase...it was never a good price...We planted cucumbers, tomatoes and green beans.*

González has employed this low-return, but low-risk, strategy from the outset and credits this with helping him maintain control over his land. Below, González describes his reservations towards grape-growing:

*I don't like growing grapes because you have to sell to the export companies or do business with them. This has made a lot of farmers lose their parcelas. I don't want to run the risk. It's safer with tomatoes and beans...the small farmers always end up exporting with companies because they can't export by themselves. If they could, I would probably grow grapes."*

### **Institutional Learning and Grower Attitudes**

Even for those producers still reliant on the traditional contract system, attitudes have changed. Having witnessed the many failures of the past and the ruthlessness of large export companies, growers are now wiser to the export companies' practices and cautious about the transparency of their contracts. These strategies were often very effective. According to Duermel Yañez:

*One didn't know anything about prices...the companies just came and brought the liquidation and showed the debt in the liquidation. I've already had to sell everything - my tractor, my machinery. I've got nothing and I've worked so hard. And now I'm old... (He cries)...they don't leave you in peace until they get your land.*

In 2004, Herminio Jiménez, who sold in 1998 to Rio Blanco, claimed that the companies originally set out to "conquer" the small farmers and that he left the sector before he was pushed out:

*It all started with the agrarian reform. The big pieces of land were divided and the small farmers were given the opportunity to have land. The rich...well I don't want to sound as if I consider the rich the enemy ....[but] maybe the rich thought 'well, now we'll give them the land, but one way or another we will get it back in the future', and they did. They did this by getting the producers into debt by giving us bad returns...They came here with a document with a price saying that this was the price of the fruit, and the price of the packaging and processing [but] what was supposed to be*

*profitable wasn't, so there was no way that that information was true... The returns they gave us were always lower than what they used to get in the US for example... I never wanted any company to fill my pockets - I just wanted what I needed at home to keep my family and pay for my children's secondary school costs...I was always getting negative results even with a good production...I was sinking...I sold my parcela before they took it away from me.*

### **Technological Empowerment**

There is now some evidence that modern technology, particularly in the form of the Internet, is helping empower small-farmers operating within the global market place by "making it easier to stay in touch and check prices" (Yañez, pers. comm., 2004), helping break down information asymmetries and hold export firms to account. Another important technological development has been the almost wholesale adoption of drip irrigation. In the past, water scarcity was a crucial limiting factor for many small growers. Now, of 17 who answered the question, 'what irrigation method do you use'? 16 recorded using the water-conserving drip irrigation (goteo) system. Significantly, for at least seven of these individuals, a state subsidy was an essential factor in helping fund this investment.

### **Access to Legal Redress**

The 1995 research [1] identified the lack of legal redress open to parceleros (due to costly legal fees) as a key hurdle small scale farmer survival. In 2004 Jiménez indicated that this problem still exists:

*There used to be some private lawyers offering advice because they knew there were problems here, but I suppose they wanted to make some profit...like everybody else. It's difficult for the government to intervene when it is only private companies*

However, Yañez revealed that "now with this government things might be different. I have a state solicitor. If I win I pay 10%, if not, I pay him nothing". The 2005 follow-up research was unable to establish how widespread the practice of using state solicitors is. But in principle we believe it has been critical in helping hold export firms to account.

### **The Unravelling of the Land Reform in El Palqui Summary and Policy Implications**

Overall, therefore, there seems to be a greater sense of optimism among grape producers within El Palqui than at the time of the 1995 research. The less successful growers have been squeezed out of the system and those that have survived are, by definition, better equipped to remain sustainable. While most growers continued to express how difficult it was for small-farmers, and all but one were unhappy about how prices have evolved, most accepted that farmers were better off now than in the past and said there is generally more employment available. Half of all growers interviewed intended to grow grapes in the future. Several commented on the government's free trade agreements, and were

hopeful that these would improve external markets conditions: according to Luna, the future of the export business “looks good, especially due to all the trade agreements that they are signing.” Another two indicated that they would like to grow grapes if they did not have to rely on export companies.

It seems, then, that *reconversión* is not a flawed strategy *per se*, but the way it has been pursued to date requires significant attention. Had the Chilean government taken a more active role, it could have helped offset some of the regressive aspects of restructuring, by providing small-scale growers with the right tools to protect themselves from extra-economic exploitation and enjoy some degree of equality of opportunity, perhaps averting such rapid and widespread grower failure. We suggest a number of policy implications based on the research.

### **Opening Legal and Technological Channels**

Short of a new round of politically volatile land reforms, there is little that can be done to directly alter existing land endowments among growers. However, the main stumbling-block for small-scale growers has been almost wholesale reliance on export companies. A degree of accessible, impartial legal advice (state funded or subsidised) prior to signing contracts and following the resolution of the accounts may help prevent these firms exploiting grower ignorance. Yañez’s comments suggest such policies are beginning to be implemented already, and this must be encouraged in the future. Informational empowerment through e-literacy could also be fostered.

### **Providing Alternative Credit Facilities**

As mentioned, a number of growers wrested themselves from export companies’ grips by taking on bank loans that offer them far greater autonomy, fewer risks and higher returns. Subsidised credit, or alternative credit (either directly or through a private/public partnership with the banks) provided by the government for growers, could help achieve similar objectives.

### **Fostering Cooperation**

Encouraging cooperation brings the benefits of economies of scale. Despite having once been part of cooperatives, *parceleros* in El Palqui exhibit a comparatively high degree of individualism, which has led to a sub-optimal level of cooperative organisation. This might be partially explained as a legacy of the dictatorial period when collective activity was harshly repressed. Economic incentives, helping to set things up, and providing advice and institutional capacity could help inspire such mutually beneficial arrangements.

Such policies go beyond inducing more equitable distribution of the ‘fruits’ of the fruit export boom, however. They are also likely to contribute to the political sustainability of *reconversión*, and ultimately the integrity of the export model and the capitalist system itself. One major caveat, however, remains: given that firms were attracted not just by Chile’s natural comparative advantage but also its human-engineered competitive advantage (i.e. the neoliberal labour repression model), it remains uncertain to what extent in-

vestment will remain as labour and production conditions improve.

## **CONCLUSION**

Continued growth in the fruit export sector, particularly in table grapes, has helped sustain the predominance of *reconversión* as the central agrarian policy of the Chilean government. But despite the emergence of a new entrepreneurial class, proletarianisation, land concentration and social differentiation continue to tarnish Chile’s reinsertion into the global economy [2]. The Chilean countryside is thus developing a character somewhat reminiscent of the country’s pre-reform *hacienda* system. Today, of course, it is not large, inefficient estates that dominate the countryside, but medium-to-large capitalist farmers and agribusinesses. Whether this is tantamount to neo-feudalism would form an interesting line of investigation.

It could be argued that small farmers are victims to the assumptions of the neoliberal model, which tends to view development in a very narrow sense, whereby a country’s wellbeing is crudely assumed to correlate to macro-economic indicators. In achieving its ends, neoliberalism shows little mercy. It turns a blind eye to the many complex histories, different geographies and underlying structural constraints faced by different socio-economic groups and communities. Stripped of history, in the eyes of neo-liberalism, everyone experiences the same barriers, hopes and desires. Those who fail economically, thus, have only themselves to blame. From this perspective, grower failure is not something to be lamented – it is simply part of a process that separates the weak from the strong, the efficient from the non-efficient, or to use the language of Chilean policy circles, the ‘viable’ from the ‘non-viable’.

Ultimately, however, the final say with respect to the merits of neoliberalism must be given to affected communities themselves. During research, a comment was made to a local resident - himself the son of a *parcelero* who had only recently been forced to sell his land- that ‘it must be sad that so many have lost their land?’, to which he responded, ‘perhaps, but it has not affected employment’. El Palqui and indeed Chile as whole continues to enjoy economic success through NTAX, and this has lowered the nation’s hitherto precarious reliance on volatile copper exports. In El Palqui at least, the fact that firms have bought land and are now directly involved in production as well as exporting indicates that they have something of a stake in the area. Despite fewer individuals owning land, locals are still likely to benefit from the flow of technology and techniques, employment and economic multipliers, which in turn helps retain the local population and maintain the area’s integrity.<sup>11</sup> However, more research needs to be done to glean a more complete picture of El Palqui’s agrarian change under neoliberalism regarding economic multipliers, wage rates, job security and working conditions, and perhaps more importantly, the opinions, attitudes and perceptions of the locals who have actually lived through this tumultuous transformation.

<sup>11</sup>Gwynne and Ortiz (1997) in Kay [2] found that despite land concentration, the fruit boom, especially given the labor intensive nature of grape production, has at least helped maintain the local population. Anecdotal evidence suggests this is still the case, although more research is necessary to say for certain.

To conclude, there is little doubt that, in purely economic terms, Chile remains one of the most successful examples of NTAX-led growth in Latin America. But rural poverty remains high at one quarter of the rural population, while land concentration, socio-economic differentiation and poor and precarious working conditions continue [2]. Moreover, some question the long-term environmental, economic and political sustainability of a growth model dependent on the exportation of low value primary products [1]. The free trade agreements Chile is so actively pursuing may create opportunities for medium-to-large producers, but pose threats for small farmers. Regarding employment, if land concentration persists and average land sizes increase, danger exists that labour may be substituted for new labour-saving technologies.

Only state intervention can prevent the decline of the Chilean peasantry and the reversal of the gains of the land reform. Land concentration changes in El Palqui and beyond are inextricably linked to wider political-economic struggles. *Parcelero* failure and consequent land concentration is not a 'natural' process in the evolution of the Chilean economy, but can be traced to the military government's explicit, and to a lesser degree the *Concertación* governments' tacit non-interventionist bias. Since the initiation of land reform under Alessandri, Chilean farmers - particularly *parceleros* - have been caught up in an ideological battle between socialism and neoliberalism. Former Chilean president Michelle Bachelet (2006-2010) attempted to strike the middle line expressing during her election campaign her administration's goal of positioning Chile as a major food supply power. She claimed to see a key role for government in promoting "public policies for quality control, public-private cooperation and a change in the productive focus". She also held that:

*Any policy we implement needs to be inclusive, in which everyone can be part of the achievements of development. The emphasis will be on small-scale family farming, to support the production base and strengthen productive chains [17].*

Clearly, international integration and export-led growth remained firm on the agenda, but Bachelet's 'inclusive' ideals were encouraging. It remains to be seen, of course, whether this rhetoric can be converted into reality during the

current centre-rightist Piñera era when export orientation remains firmly at the centre of economic policy.

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