

# Argentine agriculture is going up in flames

by Gerardo Terán Canal and Gonzalo Huertas

Argentina's agricultural producers conducted a three-day strike on April 19-21, called by the Argentine Rural Society, the Argentine Agrarian Federation, the Argentine Rural Federations, and the Agricultural Intercooperative Federation, to protest the economic policies implemented by Economics Minister Roque Fernández, on the demand of the International Monetary Fund (IMF).

The strike had 100% participation across the nation, "something which has not been seen in 52 years," according to one of the older producers. One of the most striking events occurred at Liniers Market, the country's most important cattle auction, where 20% of Argentine cattle is sold. On April 19, only 527 head of cattle were brought in, as compared to the usual Monday auctions of approximately 10,000 head. By Wednesday, the day that the strike action was concluded, not a single animal was brought in.

Despite the fact that the leadership had not organized protests beyond the strike itself, producers carried out actions against the economic model during the three days, including highway blockades around the country and tractorcades. In Santa Fé, during the burning of a 1950s harvester, one producer said, "Watch closely. Just as that harvester is burning, so will the entire productive sector of the country soon be enveloped in flames."

In the province of La Pampa, merchants shut their doors, while in the provinces of Chaco and Santa Cruz, they not only closed their doors but also conducted a blackout. In the province of Corrientes, veterinarians joined the strike.

The strike was also backed by the Rural Federation of Uruguay. In mid-April, Uruguayan producers conducted a tractorcade in Montevideo, in which 15,000 growers participated to protest the free-trade economic policy of Uruguayan President Julio María Sanguinetti.

According to agricultural leaders, support for the Argentine strike was total. Argentine Agrarian Federation president Rene Bonetto insisted that "the strike began on a massive scale, and ended still more massive." Argentine Rural Federations president Marcelo Muniagurria added that "this strike was a plebiscite by the countryside on [the government's] economic policies."

## The party is over

Since the Convertibility Plan was launched in 1991, all of Argentina's agricultural producers—as did the industrialists—blindly supported the free-trade model, ignoring the warnings that *EIR* repeatedly issued to the agriculture leaders, that the "model" would only favor the food cartels and the international banks.

Confident that the "stability" achieved through the Convertibility Plan would allow them to garner substantial profits, the agricultural sector indebted itself on a grand scale to increase its productivity and to acquire modern capital goods (tractors, harvesters, etc.), as well as state-of-the-art agrochemicals, and to make major investments in irrigation. According to a report by the Ministry of Agriculture, this yielded a 35% to 80% increase in agricultural productivity for the 1997-98 season, as compared to that of 1991-92. In addition, the area under cultivation grew from 12% to 68% during that same period, depending on the crop (see **Table 1**).

This increase in productivity and land under cultivation, in turn, meant a 76% increase in exports of Argentina's primary products from 1991 to 1996. Currently, 60% of Argentina's total exports come from the countryside, which employs one-fourth of the labor force, or 1 million people, 340,000 of whom are producers.

But the magnificent profits evaporated before they ever reached the producers' pockets. Former Agriculture Minister Marcelo Regunaga told the magazine *Noticias* that, especially since 1996, the government "raised the tax on diesel fuel, lowered reimbursements, imposed tariffs on imports of capital goods, did not return the value-added tax to the exporters, increased the tax on profits, and raised interest rates. [But] the worst is the focus of the economy. This team thinks that the only things to resolve are tax and financial problems."

With the Convertibility Plan, the government eliminated the National Grain Council and the National Meat Council, which exercised control over prices and protected national producers. The result was that the countryside has been left to the mercy of the food cartels, which imposed prices based more on their financial gambling needs than on agricultural

TABLE 1  
**Argentine increase in agricultural productivity, 1991-92 vs. 1997-98**  
(% increase)

Crop	Area planted	Amount harvested
Wheat	25%	50%
Corn	40%	81%
Soy	12%	36%
Rice	68%	38%

Source: Argentine Ministry of Agriculture, Cattle, Fishing, and Food Production.

production. To this can be added the serious crises of Southeast Asia and neighboring Brazil, which had been the new markets for Argentina's growing agricultural exports.

On April 22, the magazine *Trespuntos* wrote that, because of the fall of international prices, agriculture this year would only receive "fresh revenues" of some \$7.5 billion, \$4.5 billion less than it took in after the so-called "Tequila Effect," the financial fallout from the Mexican debt crisis of 1994-95.

Domestically, the government reduced the taxes on food imports from 39% to 10%, on average, during 1989-95, and authorized the supermarkets to set their own price policy. All of this forced producers to sell at bargain prices in order to stay in the domestic market at all. As one grower from Santa Fé province said to *La Nación*: "I was born in the countryside, and never saw a situation like this. The yields of the countryside are not bad, but the accounts are in the red. In this area, wheat, soy, sorghum, and beans are produced. But for some time now, it has been very difficult to sell the crops, even with prices falling to half."

### The agricultural debt

As a result of the government's high interest rates and financial policy, the agricultural sector's debt is currently \$10 billion, of which \$7 billion is uncollectible. That is why between 11 and 12 million hectares have been mortgaged, as

have farm machinery and even the personal assets of the growers. *Noticias* wrote on April 24 that, "of a total of 300,000 agricultural producers, 180,000 are heavily indebted, and the rest are living in a subsistence economy."

To meet its obligations to the IMF, the government has maintained an unsustainable tax pressure on the agricultural sector. A producer has to pay 13% to 42% on his assets; taxes on profits are 6-35%; and so on. And, the government has also invented a tax on interest paid for credit.

Further, as an indirect tax, a producer must pay 12¢ for every liter of diesel fuel. A recent study by the Argentine Rural Federations indicated that cultivating one hectare of soy/corn consumes 20 to 35 liters of diesel, which translates into \$2.40 to \$4.20 per acre—just for the tax on fuel.

As a result of privatizations since 1991, growers began to pay tolls on the highways. For example, an Argentine Rural Federations study estimates that a grower with 200 hectares, who has to get his 70 hundredweight (cwt) (3,556.14 kilograms) of corn to the export complex at Rosario, must pay \$25 per truck to go through a single toll. So, that grower has to pay approximately \$1,200 to get his 70 cwt of corn to market. Add to this the costs generated by privatization of public services, whose rates include up to 42% in taxes, which the government apparently uses to pay the foreign debt.

### Soros and Co. lie in wait

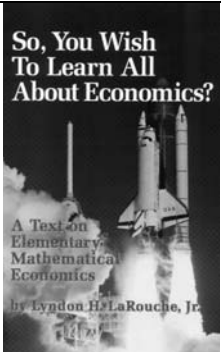
During 1992-97, while rural establishments declined in number by as much as 30%, the government's policy left open the doors for speculators and financial sharks to buy up vast chunks of the best lands in Argentina. According to unofficial reports, narco-speculator George Soros already has something on the order of 800,000 hectares of prime Argentine land.

In one of the documents issued by the agriculture federations in March, it is stated that the situation, "aggravated by the international picture and by the Brazil crisis, shows the economic team to be either very impotent in the face of these facts, or suffering from an alarming ignorance of the agricultural sector and the limitations imposed by the weather, the prices, and the availability of financing, on development of its activity. This is the only way to explain the recurring threat by government officials, that farmers should either sell off their landholdings or invest in other economic areas, if they don't want their accounts in rural enterprises to be shut down."

Despite the significance of the strike, as of this writing the Argentine government has shown no sign of changing its economic direction, which has driven the agricultural sector—which in another time would have been the basis for Argentina to become the ninth industrial power in the world—to the brink of extinction.

Some of the slogans used by the producers during their strike eloquently state the lesson to be learned: "If the countryside dies, the city doesn't eat," and "The country can save itself with agriculture; without it, the country perishes."

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