

# Argentina: Truce in three-week agricultural strike

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Leaders of Argentina's four major agricultural producers' organizations announced a 30-day truce in the three-week-old strike and road blockades that have shaken the country for the past three weeks, leading to widespread food shortages and a growing atmosphere of political crisis. At the same time, however, they threatened to resume their actions if the government fails to meet their demands.

The announcement came a day after Cristina Fernandez de Kirchner took the stage before a rally of some 20,000 people outside the presidential palace in Buenos Aires to denounce the country's farmers and media and compare the rural protest to the economic convulsions that were unleashed in the run-up to the country's 1976 military coup.

The strike was launched in response to an increase in the so-called *retenciones*, or export taxes imposed upon the extraordinary profits being made by big producers from the country's agricultural exports.

Martin Lousteau, the minister of the economy, justified the imposition of a sliding scale of taxes on agricultural products exported from the country as a means of avoiding a return of hyperinflation and of guaranteeing the availability of basic food supplies within the country. Lousteau indicated that the export tax hikes also served to avoid what has been referred to in Argentina as the "soyization" of the country.

By *soyization* what is meant is the exclusive domination of all agricultural land by the monoculture of soy production for export. According to the government, this could lead to a collapse in food supplies and an explosion in food prices in the country. Lousteau argues that the objective of the export tax increase is to decouple the internal prices on food from international prices. "What would happen with industry, what would happen with people if food in Argentina costs what it would have to cost according to international prices?" the minister asked, expressing his anger over the rural strike.

For their part, the landowners say that if Argentina wants the countryside to continue to guarantee the country's current economic growth and the jobs that it generates (it is estimated that one third of all jobs in the country are tied to agriculture), the population must begin to pay for food according to market prices, that is in accordance with prices set by the world market.

At the root of this conflict between the agricultural sector and the government are various problems that the Peronist government of Nestor Kirchner (who was succeeded as president by his wife three months ago) was unable to resolve in its four years in office and which are now exploding under President Cristina Fernandez. One of these problems is the growing reinsertion of the Argentine economy into the world market as a major source of agricultural goods. Argentine agriculture has increasingly concentrated production on

commodities for export, such as soy, corn, wheat, meat and oils.

Soy, for example, became the rage in the Argentine countryside in the 1990s, when a large part of cultivated land was dedicated to the growing of transgenic soybeans. Argentina today ranks as the world's third largest soybean producer, trailing only the US and Brazil.

The crop offered extraordinary profits to the country's big agricultural concerns due to the fall in the cost of production during the first years of cultivation.

A decade later, however, the costs of production began undergoing an alarming increase. Throughout the chain of production of soy, from seeds to fertilizers and pesticides, supplies are controlled by the agricultural sector's big monopolies, and prices have been rising continuously affecting profitability. Those principally suffering from these price increases have been the small and medium producers, who are unable to maintain a stable profit rate because of their inability to control increased costs of production.

Similar problems have arisen in the cattle industry. With the dollar worth close to 3.15 pesos, the country's principal meatpacking houses have decided to direct the bulk of meat to the external market. As a result, the internal market has suffered from permanent shortages and a sharp increase in meat prices within the country.

Another problem resulting from these economic forces is the tendency for the growth of transgenic soy production to squeeze out production of foodstuffs for the country itself. Land has increasingly been concentrated in the hands of big landowners who use it to grow soy for export. Large sections of land that previously were used for the cultivation of wheat, for example, have been given over to transgenic soy, affecting wheat supplies on the domestic market.

To protect domestic supplies, the government has imposed export quotas. In January of this year, however, the government decided to raise the quota, allowing greater export of wheat. The result was a sharp rise in the price of wheat paid by the export houses. From close to 500 pesos a ton, the price of wheat jumped to 700 pesos in a few weeks. The same thing has happened whenever the government has reopened export rights on any exportable agricultural product. The price rises rapidly in the grain exchanges, and internal supplies fall, resulting in rising prices for consumers and extraordinary profits for the agro-export sector.

Another problem linked to those already cited is the fact that, with the national currency strongly undervalued, all of the country's big seed warehouses and meatpacking houses have sought to sell their products on the external market. With this operation, profits in these sectors have tripled in some cases.

If the market in food was to remain at the mercy of this agribusiness sector, all of the food production in the country could be bound for the

export market, with Argentine consumers left with no alternative other than paying international market prices if they wanted to buy these products.

Lousteau, who had already imposed export quotas and taxes, decided to raise the taxes based on a number of factors. One was an attempt to avoid internal shortages of the principal foods consumed by the population, like meat, wheat and vegetable oil. He was also seeking to prevent the soyization of the country, that is, to prevent Argentina as a whole from being subordinated to the big agricultural export monopolies, and to avoid hyperinflation in domestic food prices.

The extraordinary profits being made from agricultural production have three different sources. In the first place, there is the high international demand for agricultural commodities, which has raised their prices in dollars. Secondly, they have their source in the extremely rich fertility of the Argentine soil, which is one of the best in the world for the cultivation of wheat, soy, corn and sunflowers as well as for grazing cattle. Finally, they have their origin in the super-exploitation of agricultural wage labor.

Agricultural workers in Argentina receive average monthly salaries that are far below those paid to workers in the cities, which are already insufficient to meet basic social necessities. The worker in the Argentine countryside, like his counterparts throughout Latin America, generally receives from the landowners no more than the minimum needed to survive.

The difference between national and international prices, the difference between the fertility of Argentine soil and average soil fertility in the rest of the world, and the difference between the subsistence wages of the Argentine agricultural workers and the average wages paid to the working class in general form the basis of what economists call the profit differential of agriculture.

It was the government's attempt to partially redistribute this differential profit that provoked the outrage of latifundist capital in Argentina, bringing it into direct confrontation with the administration of Cristina Fernandez.

By keeping part of these profits in the treasury's vaults, Lousteau believed that it would be possible to avoid all of the problems mentioned earlier. What the minister failed to take into account was the intense and radical reaction of the agricultural sectors, joined by some middle class sectors in the cities, against his fiscal policy. The protest—which has seen road blockades and growing shortages in the markets—has now lasted three weeks without any proposal announced by the government appearing likely to resolve it.

In the rally Tuesday, the Argentine president spoke to a crowd that included large numbers of union members organized by the Peronist CGT, students as well as delegations from the Mothers and Grandmothers of the Plaza de Mayo. She addressed herself to the landowners, declaring, "I want to ask you, to earnestly beseech you, those who still believe that it is good to block the roads to food, to stop materials for the factories, that you please realize the evil that you are doing."

Earlier, Cristina Fernandez had gone to the press to condemn the protests as "egotistical," as the landowners did not want to share with the government a part of their extraordinary profits.

There had been speculation that the government could decree a state of siege. Before Tuesday's rally, Argentina's Interior Minister Florencio Randazzo commented, "There's no reason for the countryside to still be on strike. We are not going to allow the shortages to continue."

One of the major problems confronting the government is that in its attempt to negotiate a settlement with the countryside it is not dealing with a homogeneous group that can be satisfied with a general proposal. The great majority of the rural producers involved in the protest is made up of small and medium landowners who belong to the Argentine Agrarian Federation (FAA). For this sector, what is involved is not just the question of the export taxes, but rather the government's entire agricultural policy over the past five years, which has been turned toward the agro-export market.

The problem with the *retenciones* rests in the fact that they are not applied to this or that sector of the countryside, but rather to all agro-export production. The battle against *soyization* that Lousteau claims to be fighting has its most serious effects on the small landowners, not on those enjoying the benefits from the increasing concentration of land ownership in recent years.

To resolve the conflict, Lousteau reached the point of considering a further devaluation of the peso, to 3.50 to the dollar. Such a devaluation could, in theory, maintain the present fiscal charge on exports without affecting the amount of resources flowing into the state treasury and the profits that remain with the farmers, measured in pesos. With this measure, however, the government would be shooting itself in the foot, as it would touch off a rise in inflation, which Lousteau is supposedly trying to prevent.

On the other hand, a revaluation of the peso (the dollar could be exchanged for only 3 pesos, for example) could avoid an avalanche of exports and internal shortages. However, a revaluation would come into conflict with the interests of the UIA (Industrial Union of Argentina—the country's main manufacturers' association), allied with the government in the struggle against the countryside and the *soyization* as it would open up the national market for foreign-made products which would compete more favorably with nationally manufactured goods.

The situation poses no easy solution for Cristina Fernandez. The farmers' strike represents much more than merely a protest by one part of the country's bourgeoisie against the state's redistribution of part of its profits. The strike expresses the entire set of contradictions in which Argentine society is mired.

If Argentina's economy was not affected by the world crisis of capitalism, the government could continue fighting with one faction of a ruling class of which it itself is merely a representative.

But it precisely this world crisis that dominates and disorganizes the country's fragile system of prices and exchange rates. When the extraordinary profits being reaped in the countryside fall, when inflation tears apart the conditions of life for the working class and makes the support of the CGT bureaucracy inadequate to hold back workers' struggles and when all of the current contradictions of Argentine society explode under the impact of the global crisis, the present economic policies being contemplated by the government of Cristina Fernandez will prove useless in holding back a new period of immense class struggles.



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