



# Rent of agribusiness in the Amazon: A case study from Mato Grosso



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## ABSTRACT

The article analyzes the political-economy of the agriculture frontier in the Brazilian state of Mato Grosso to question the productivist argument commonly presented by the agribusiness sector. The assessment makes use of the category of rent considered as a proportion of exchange value diverted from production for the payment to the landowners and its class-based allies. The agriculture frontier in Mato Grosso had basically three main rent extraction periods: a first moment when rent was forged by the state apparatus (1970s–1980s), a second period with serious turbulence and a macroeconomic transition (1980s–1990s) and a third phase with more complex flows of rent due to the neoliberalization of agribusiness (since the late 1990s). At the frontier of agribusiness, agricultural activity depends on combined strategies of rent creation and rent extraction. Empirical results suggest that rent is more than just the extraction of value from the use of land, but there is a wider capture of value from the network of relations that maintain land in production. Rent derives from land through the formation of a powerful network state-landowners-private agroindustrial sector that provides the conditions for rent extraction.

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*“The mobilization of rent and real estate wealth must be understood as one of the great extensions of financial capital within recent years”.*

## 1. Introduction

The expansion of agriculture in the Brazilian State of Mato Grosso, in the centre of South America, is a subject of growing scholarly attention, and much controversy. The rapid transformation of Mato Grosso offers a paradigmatic example of the late stages of the long- ‘Green Revolution’ (as defined by [Patel, 2013](#)), of the conversion of Amazon forest and savannah vegetation into large-scale farmland (e.g. [Laval, 2015](#); [Rausch, 2014](#); [Richards, 2015](#)) and, ultimately, of the encroachment of globalized capitalism upon agriculture (e.g. [Goodman and Redclift, 1981](#); [Martins, 2010](#); [Peine, 2010](#)). In the last few years, a growing literature on Mato Grosso’s intense agriculture activity, the history of rural colonization, and the idiosyncrasies of agribusiness entrepreneurship has become available (e.g. [Arvor et al., 2013](#); [Desconsi, 2011](#); [Oliveira and Hecht, 2016](#); [Richards et al., 2014](#); [Weinhold et al., 2013](#)). Yet, there is still a clear demand for critical studies that go beyond land use change, the contradictions of productivism and the failures of government interventions, but that focus on other issues such as intersectoral

exchanges, racial discrimination, household and personal repercussions and the ideological biases of hegemonic science. Departing from the majority of existing narratives and interpretations, the intention with the present article is to question the trajectory of agribusiness in the region from a politico-economic perspective and, in particular, weigh up production versus the economic role of rents. (For analytical and explanatory purposes, rents are considered here as additional sources of income beyond direct production activities; see more below.) The motivation of the research was to interrogate the productivist argument commonly presented by the agribusiness sector in support of calls for more favourable public policies and state concessions.<sup>1</sup>

Our analytical strategy was to examine the significance of rent extraction for the consolidation of commodity production in Mato Grosso, which has been since the 1970s one of the most important frontiers of agricultural expansion in the country (according to [Jepson, 2006](#); agricultural frontiers are geographical areas with zero, but imminently positive, rents). A qualitative case study was

<sup>1</sup> The concept of agribusiness was famously introduced by [Davis and Goldberg \(1957\)](#) in relation to agroindustry and entrepreneurial agriculture, as well as all the operations involved in the manufacturing and distribution of farm supplies and the storage, processing and distribution of farm commodities. Interestingly, due to promotional campaigns and influential public policies, the term ‘agribusiness’ has a particularly positive, and strategic, meaning in Brazil, where it is commonly used in reference to all large farms (and, to a lesser extent, to food processing and trading companies).

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carried out and drew upon 28 semi-structured interviews, longitudinal observation of practices and cross-sectoral interactions, analysis of documentation, newspaper articles, reports and secondary data. The research involved three fieldwork campaigns conducted between 2013 and 2015 (with around six weeks each) that consisted of visits to cropping areas, private companies, research centres (such as the unit of Embrapa in Sinop),<sup>2</sup> indigenous communities and subsistence farming communities, attendance at public meetings and interviews in the municipalities of Sinop, Cláudia, Lucas do Rio Verde and Sorriso (located in the Upper Teles Pires River Basin, where most of the agribusiness production is located), as well as in the capital city Cuiabá. With the help of local academics, interviewees and informants were identified, initial contacts were set up, and the research then followed a snowball approach targeting different sectors, from farmers and business-people to politicians and public authorities. Interviews and other qualitative material were transcribed, coded and examined in Portuguese; only the extracts reproduced in this paper were translated into English. The analysis of historical documents served to consider the importance of rent-forging during the period of frontier expansion (1970s–1980s), while interviews and site observations were particularly helpful to understand the more complex flows of rent in the recent and ongoing phase of neoliberalized agribusiness (since the 1990s).

After revisiting the literature on rent, the next sections will demonstrate that, rather than a pre-given and easily definable concept, rent encapsulates the spatial transformation and the political complexity of new agricultural frontiers. The final part is an attempt to summarize the findings and propose a new conceptualisation of the rent of agribusiness.

## 2. Agrarian capitalism and rent extraction

The politico-economic concept of rent, despite the controversies it generates, constitutes one of the most invaluable tools to understand old and new features of the capitalist economy. That is because rent remains “one of the most powerful and contradictory aspects of the political economy of capitalism” (Swyngedouw, 2012, 314). Rent is typically understood as all payments based on the fixed nature of resources, that is, “rent is a distinguished feature of every resource whose price increase does not alter the demand” (Tratnik et al., 2009, 105). It is basically an ‘extra’ payment for a factor of production – such as land and natural resources – in excess of the cost needed to bring that factor into production. This is classically the case with ground-rent, which is related to payment for using someone else’s land (i.e. landowner’s). Rent also includes the income gained by those who have privileges or patents or are beneficiaries of other contrived exclusivity, such as protection due to favourable policies and legislation. In this case, the seeking of rents involves the attempt to increase one’s share of existing wealth without creating new wealth. Already for Adam Smith (2008, 217), “rent is the produce of those powers of nature, the use of which the landlord lends to the farmer”. Smith depicted it as a relational phenomenon, insofar as the rent of food producing land ‘regulates’ the rent of other cultivated land. The realization of the relational and differential basis of rent was later expanded by Ricardo (2004), who argued that ground-rent derived from the incorporation of lower quality land into production. Although Ricardo’s analysis is quite schematic, it is possible to learn something here about the opportunistic and exploitative behaviour of landowners in a situation of increasing land scarcity and capricious fertility.

Also Marx was intrigued by the function of rent in the relations of production and that he emphasized the socio-political attributes of rent in his frontal critique of the ‘sanctity’ of private property (without ever producing a comprehensive rent theory). According to Lefebvre (1991, 324), Marx recognized the impossibility of reducing capitalist economy to the polarization between bourgeoisie and proletariat, because landed property and landowners showed no signs of disappearing, nor “did ground rent suddenly abandon the field to profits and wages.” For Marx, all categories of bourgeois economics, such as wage, rent, exchange, profit, are ultimately derived from the alienation of labour and the conversion of everything into a sellable object (Mészáros, 2005). In the final part of his *opus magnum* [i.e. *Das Kapital*], land and agriculture re-emerge emphatically and Marx delineates the dialectics capital-land-labour as essential to comprehend the reproduction of capitalist relations and, ultimately, the production of the spaces of capitalism. While Ricardo focused on accumulation, Marx shifted his attention to production. According to Marx (1991), “the monopoly of landed property is a historical precondition for the capitalist mode of production and remains its permanent foundation” (p. 754) and whatever “the specific form of rent may be, all types have this in common: the appropriation of rent is the economic form in which landed property is realized” (p. 772). Marx significantly extended the concepts of extensive and intensive rents proposed by Ricardo, calling these respectively ‘Differential Rent I’ (equal amounts of capital invested) and ‘Differential Rent II’ (unequal investments).

Marx (1991, 772) argued that all ground-rent is essentially surplus-value or “the product of surplus labour” (i.e. the additional time worked by farmers to pay the rent, beyond the time required to reproduce themselves). According to Harvey (2006), Marx shared the same impression of most political-economists of the time that rent is paid to parasitic landowners, who simultaneously drain on both capitalists and labourers. Ground-rent, thus, should not be confused with profit, which involves productive human action and the appropriation of surplus-value by the capitalist, but is a gain acquired at the expense of the privileged position of the landowner. Marx’s main insight was to more directly relate rent to production and profitability (both involving the payment to landowner or not, as in the cases where the producer is the landowner) and, crucially, refer to the ways in which the mobilization of land and other resources affects the value of commodities and the redistribution of surplus-value (Swyngedouw, 2012). Marx concentrated on the historically specific form of landed property rehabilitated by the intervention of capital and capitalism, especially the transformation of surplus profit into ground-rent. To achieve that, Marx considered four types of rents, ‘Differential I’ and ‘II’, and ‘monopolistic’ (associated with the unique character of land or location) and especially ‘absolute’ rents from the extraction of surplus-value by landlords (related to the value of agricultural products is higher than their price and the fact that agriculture has lower average organic composition of capital compared with industry). Absolute and monopoly rents are more directly related to production costs, while differential rent demonstrates the dynamics of expanding land-use and the connection between production areas.

Rent theory evolved very little over the next half a century or so after Marx’s death, a period increasingly dominated by a focus on marginal utility and marginal use of land, basically treating land as merely another form of capital. Some noteworthy exceptions were the work of Lenin, in 1901, on the agrarian question, Hilferding, in 1910, on cartel rents, Schumpeter, in 1934, on entrepreneurial rents and Sraffa, in 1960, on a neo-Ricardian theory of value. The study of rent re-emerged, to some extent, in the 1960s mainly because of rapid increase of land and housing prices in the USA. Neoclassical authors, such as Alonso, in 1964, advanced the concept of rent-paying ability and the allocation of rent across different urban sites, which could lead to the most efficient land-use pattern. Such

<sup>2</sup> Embrapa is the public and national agricultural research corporation, under the aegis of the Ministry of Agriculture. It currently has 63 research centres in Brazil and seven units abroad.

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