



Land tenancy, soybean, actors and transformations in the pampas: A district balance[☆]



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ABSTRACT

In Argentina, the recent expansion of agriculture has turned into an extreme process almost completely dominated by soybean. The magnitude and speed of soybean expansion are believed to be the main drivers behind social, organizational and economic changes, including the displacement of small-scale producers out of agriculture. Under these transformations, land leasing is a critical management practice and constitutes a link among agricultural actors. This study analyzes changes in land tenancy patterns considering the recent *agriculturization* process but also older drivers of change. Our results indicate that the expansion of agriculture affects small- and large-scale farms differently, as land renting practices and productive orientation show clear differences by size. In the land leasing market, local producers are the main tenants while sowing pools rent about one quarter of the leased land. The competition for leasing farmland appears to operate within farm sizes. Small- and medium-scale producers compete among them for land, while large-scale local producers compete with sowing pools for the larger plots. Sowing pools do not appear to be the main drivers of land tenancy changes as they are no more relevant than local actors in the land leasing market. However, results suggest that small-scale landowners renting out their land for several years are the ones with higher probabilities of selling their lands. This segment of producers appears to be the one most negatively affected by *soybeanization*.

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1. Introduction

Since the 1930's, the Argentine Pampas have been experiencing an *agriculturization* process. In the Pampas, the term *agriculturization* is usually used to define the continuing and growing use of land for large-scale cultivation, in the detriment of the other main

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production alternative, cattle production. This process has not been linear, but rather followed ups and downs according to factors such as relative profitability, technological changes, and policy incentives. The evolution of the planted area and production of the main crops shows the *agriculturization* process and highlights the importance of the recent soybean boom (Fig. 1). Indeed, in the past fifteen years, *agriculturization* has turned into an extreme process almost completely dominated by soybean; such new process is now called *soybeanization*. From a land use perspective, *soybeanization* can be thought as a continuing expansion of the soybean crop, not only through the Pampas and Argentina, but also through neighboring countries as well. In Argentina, the area planted with soybean has almost tripled in the last fifteen years, making Argentina the third top soybean-producing country in the world. The

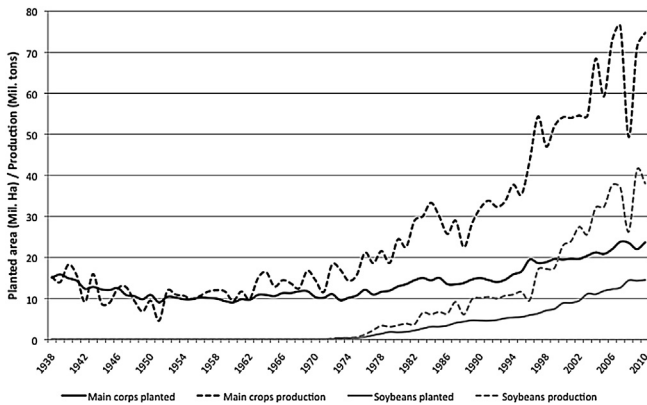


Fig. 1. Evolution of planted area (million hectares) and production (million tons) for the main crops in the Pampas region. Main crops include wheat, corn, linseed, sunflower, barley and soybean grown in the Provinces of Buenos Aires, Córdoba, La Pampa and Santa Fé. Built based on Balsa (1968) and Agricultural Estimates Department – SIAP (2011).

soybeanization process has been facilitated in part by a unique combination of technological innovations that save cost, time and labor during the production process. The typical production package includes no-till seeding, glyphosate-resistant transgenic seeds, and glyphosate as the main herbicide.

The soybeanization process has taken such dimension that many believe it to be the main cause of social, organizational and financial transformations throughout Argentina's agriculture. Several studies argue that the expansion of soybean increases the practice of tenant farming, driving small-scale producers out of agriculture and replacing them with large-scale producers. Typically, the displaced farmers become custom-farming contractors (Albaladejo and Bustos Cara, 1997; Barsky and Gelman, 2009; Martinelli de, 2008). Indeed, given the recent boom in commodity prices, substantial amounts of investment funds have been directed into crop production, especially soybean, promoting the creation of large-scale producers, organized as sowing pools. These pools are firms that work like investment funds that develop a business plan and offer it to potential shareholders. Sowing pools are normally organized by agricultural consultants who gather investors and manage the logistics of the production process by hiring land and custom farm labor.

The discussion above suggests that soybeanization constitutes the modern most extreme form of agriculturalization, transforming land tenancy structures, displacing certain agricultural actors and creating new others, and ultimately changing the relation between agriculture and the rest of the society and the territory (Hernandez, 2007; Albaladejo and Arnauld de Sartre, 2012). Understanding these transformations is key not only to provide a critical point of view about the impacts of technological innovations, but also to define development policies for the diversity of agricultural actors. Therefore, the objective of this article is to analyze the dynamics of land tenancy in Balcarce, a district of Buenos Aires province, and to understand the different rationales leading to land leasing. Land leasing constitutes the link among peer land owners, and between land owners, tenants and sowing pool managers. This analysis will allow understanding the relationships and actors that characterize the new agriculture.

2. Latest changes in Argentina's agrarian structure

In most countries, agriculture is currently dominated by family-

based farms – relatively small pieces of land operated by families that own most production means. As of 2009, only seven farming companies had been publicly listed worldwide, contrasting with agricultural processing and input providing industries characterized by large public corporations, often highly concentrated (World Bank, 2007). Three main reasons are cited to explain the persistence of the family farm in both developed and developing economies (Binswanger and Deininger, 1997; Allen and Lueck, 1998). First, it is argued that family work is of superior quality than hired labor because family members are the residual claimants to profits. This difference in labor quality is important in agriculture because production is spatially dispersed, making worker supervision costly. Second, family members are thought to have a superior knowledge of local soil and climate conditions, often accumulated through generations, which allows them a better agronomic management. Finally, families are considered to have higher flexibility than firms to adjust labor supply to seasonal demands because family labor can be reallocated more easily within the farm or be diverged to off-farm employment.

The importance of a large number of small-to medium-scale farms to foster agricultural growth and local development has been long recognized. In the 1960's, Schultz's seminal study detailed the rationale and objectives of family-based farms and showed their ability to increase productivity and adopt technologies under appropriate conditions. More recent analyses have shown the ability of agricultural growth to reduce poverty not only of rural populations, but also of urban populations (de Janvry and Sadoulet, 2010). Because of its higher use of unskilled labor relative to other sectors of the economy, agriculture is the most effective sector in reducing poverty (Loayza and Raddatz, 2010). The importance of numerous smallholders for economic growth remains even in developed countries, such as the United States. Galor et al. (2009) showed that differences in land ownership between North and South America are associated with differences in human capital formation and economic growth. Analyzing data from the United States, the authors concluded that counties with highly unequal land ownership structures reduce educational expenses due to the effects on the county's tax collection.

Despite the benefits of small family farms for local development, an increase in the presence of large-scale corporate farms is being observed in different parts of the world, including Argentina. Motivated by growing food demand, increased market integration and technological innovations, abundant investment funds have been directed to large-scale corporate-type farming in different parts of the world. Across different regions, these large operations share common features including of farming units in excess of 10,000 ha, being vertically and/or horizontally integrated and generating sales exceeding \$1 billion annually (Deininger and Byerlee, 2012). However, corporate farms also exhibit differences between countries. In Argentina, these corporations are commonly organized as sowing pools. Motivated by high commodity prices and inexpensive financing, sowing pools started operating during the early 1990's as a way to capture investment funds mainly from urban residents. However, by the year 2000, commodity prices had declined substantially and, with lower economic margins, most sowing pools either stopped farming or reduced operations to a minimum (Barsky and Gelman, 2009). Nonetheless, Argentina's 2001 crisis brought a redefinition of the main macroeconomic policies, creating strong incentives for the reappearance of sowing pools. Accompanied by a sustained increase in international commodity prices, domestic changes included the depreciation of the Argentinean currency – which increased the competitiveness of farming – a sharp reduction in the availability of bank loans for agriculture and a government decision to convert existing debts originally assumed in dollars into pesos. With debts converted into

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