

Poverty Reduction Through Dispossession: The Milk Boom and the Return of the Elite in Santo Tomás, Nicaragua

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Summary. — Ideally, poverty indicators improve because poor people's livelihoods are improved. They can, however, also improve because poor people are expelled from the territory. This article explores the case of the cattle region of Chontales, Nicaragua, which during 1998–2005 experienced economic growth and declining poverty rates, spurred by investments and organizational development. The article argues that in the absence of pro-poor coalitions, these investments facilitated the return and strengthening of the local elite and that the observed decline in poverty rates emerges as the result of dispossession and subsequent exodus of the poor rather than of inclusive economic growth.

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1. INTRODUCTION

Expectations have been high since the mid-1990s that the livestock and dairy value chain would contribute to Nicaragua's economic development. These expectations grew even further with negotiations for the Central America Free Trade Agreement (CAFTA) and with the formulation of the National Development Plan (Government of Nicaragua, 2004). During the 1990s and into the first decade of the twenty-first century, Nicaragua's economic policy encouraged investment in the dairy cluster, in order to transform it into an 'engine of economic growth and poverty reduction' (Government of Nicaragua, 2001, 2004). The key policy goals have been to increase the national cattle herd, milk production, and cheese exports; raise domestic milk consumption; increase the production and export of meat; promote environmental sustainability; and improve the road network, provide electricity, and improve the water supply in the livestock region (Government of Nicaragua, 2004). These goals have been pursued through both public investments (to a large extent financed through international development cooperation to improve and expand basic infrastructure and to strengthen the cooperative sector and local government institutions) and private investments (often from abroad) that have sought to develop the dairy infrastructure (milk collection, cooling, and processing).

At first sight, many of these expectations appear to have been met. During 1998–2005,¹ 53 of Nicaragua's 141 rural districts experienced significant growth in average per capita consumption. Fourteen of these districts are located in the livestock region (Rodríguez *et al.*, 2012). Since the late 1990s, the livestock herds which had been decimated due to the land reform and the civil war affecting Nicaragua during the 1980s, have been re-established and the production of milk for the domestic market has grown considerably, as has that of other types of dairy products, notably the type of cheese known as *quesillo* both for export to El Salvador, Honduras and lately also United States of America as well as for the domestic market. A bit more than a quarter of this

Nicaraguan milk production originates from the three districts – Santo Tomás San Pedro de Lóvago and Villa Sandino – that comprise the Santo Tomás area (Gómez & Ravnborg, 2012). Among these three, the Santo Tomás district stands out because it also reduced the percentage of the population below the poverty line (as measured by annual consumption), from 60% in 1998 to 55% in 2005. At face value, then, the milk boom of the Santo Tomás area appears to be a successful example of the type of pro-poor livestock sector development advocated by Otte *et al.* (2012).

Based on empirical research conducted in the Santo Tomás area during 2008–10, this paper examines the relationship between this set of concurrent events of sustained public and private investments, economic growth and poverty reduction. It does so by following the territorial actors (see Berdegú, Bebbington, & Escobal, 2015; Escobal, Favareto, Aguirre, & Ponce, 2015) who individually or collectively through different network constellations seek to promote, alter, or capture specific investments or institutional changes in order to achieve specific individual or societal outcomes (Araujo, Ferreira, Lanjouw, & Özler, 2008; Mahoney & Thelen, 2011; Robinson, 2010). These territorial actors include traditional large-scale land owners as well as small-scale farmers and dairy cooperatives (many of which were established with support from international development cooperation in the wake of the 1990 peace agreement), merchants, public employees, and politicians. The paper argues that despite the rupture made to the highly unequal distribution of economic (land)

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and political power through the Sandinista land reform and the associated expropriations carried out during the 1980s, the traditional elite managed not only to re-establish itself as livestock farmers. Upon their return to the Santo Tomás area during the early 1990s and through their own mutual networks as well as alliances forged with international development cooperation and national policy makers, members of the traditional elite managed to establish themselves as part of the dairy sector and thus to strengthen their economic and political position. Meanwhile, in the absence of a strong pro-poor coalition, small-scale farmers gradually gave up or sold their land to establish themselves as (livestock) farmers further inland or to form part of the urban poor or the migratory labor force that provides its labor mainly to Costa Rica.

The paper is organized into six parts. The next section describes the three sets of empirical data upon which the paper is based, and is then followed by a section which introduces the Santo Tomás area and its trajectory over time, with a particular focus on its changing agrarian structure. The fourth section provides an account of the economic and institutional changes that have occurred in the wake of the public and private investments that have been made, primarily in support of the dairy sector. On this basis, the fifth section analyzes these changes from a political economy perspective in order to examine the extent to which the observed poverty reduction in Santo Tomás can be attributed to the dairy investments and the subsequent milk boom, while the sixth and last section concludes and provides some final reflections.

2. DATA AND METHODS

The empirical basis of this paper consists of three sets of data. The first two data sets are based on semi-structured narrative interviews held with a total 84 key informants and six focus groups in rural communities and urban neighborhoods. The aim of these interviews was threefold. First, the interviews served to trace the economic, political, and social interactions among territorial actors such as cattle ranchers, merchants, public employees, and politicians. Second, the interviews served to identify perceptions of the economic, social and environmental changes in the area, and of the factors perceived to have contributed to those changes. Third, the interviews aimed to identify institutional changes that had occurred and the key actors who had tried to promote or impede those changes. The interviews were transcribed, coded, and analyzed using the program NVivo for qualitative text analysis. This set of transcribed and coded interviews constitutes the first data set.

Drawing on the same set of interviews, the identified social actors (individuals, groups of individuals and organizations) as well as the types of relations (family, friendship, political and economic) among them were tabulated and analyzed using the social network analysis program Ucinet and the software package for statistical analysis SPSS. This actor-network database constitutes the second data set.

The third data set is based on a questionnaire-based survey on household poverty and the household's engagement in the dairy economy as individual farmers and through their engagement with dairy cooperatives. The survey was conducted in 2009 and administered to two independent samples of households – one urban and one rural – of 250 households each, selected as random samples through a two-step sampling procedure. Data were tabulated and analyzed using SPSS. Inspired by the reservations expressed by Sen (1981, 1985) toward understanding and measuring poverty and well-being solely on the basis of income or expenditure data, the poverty profile

was developed on the basis of people's own perceptions of poverty, identified through well-being rankings. The descriptions of different poverty levels resulting from the rankings were 'translated' into indicators² and these indicators formed the basis for constructing a household poverty index and an associated set of three poverty categories. Thus, based on data obtained through the questionnaire survey, households were classified as belonging to the category of 'poorest', 'less poor' or 'non-poor' households. For further details on the methodology and how it was applied in this study, see Ravnborg *et al.* (1999) and Gómez and Ravnborg (2011), respectively.

3. THE SANTO TOMÁS AREA – ITS AGRARIAN STRUCTURE AND THE BECOMING OF A LIVESTOCK PRODUCTION CLUSTER

The Santo Tomás area is located in the Chontales department which borders the eastern shores of the Cocibolca Lake, also known as Lake Nicaragua, and comprises the districts of Santo Tomás, San Pedro de Lóvago, and Villa Sandino. Santo Tomás and San Pedro de Lóvago were founded in 1861 and 1864 respectively, when the government of General Tomás Martínez decided to relocate the Loviguisca indigenous community to those areas. It is estimated that at the time of the relocation the Loviguisca community comprised approximately 250 people (Espinoza, 2009).³ Villa Sandino developed around the Pueblo Viejo settlement that grew from a construction camp for the workers building the road connecting Chontales to El Rama and Muelle de los Bueyes. In 1892, the settlement only had three houses.

At this time the first settler families had arrived to the area. Among these families were the Bravo, López, Orozco, Vargas, and Sovalbarro families in Santo Tomás; the Gonzalez and Miranda families in San Pedro de Lóvago; and the Duarte family in Villa Sandino.⁴ These families established their *haciendas* (estates) on the *ejidos* (areas declared 'common land'). By going to the mayor's office to claim a piece of land that 'belonged to no one,' and by paying one peso per year for between 100 and 150 *manzanas*⁵ (between 70 and 105 hectares), they obtained use rights to the land. Those who were able, continued to pay the rent year after year, until eventually they could claim possession of the land and obtain ownership rights. According to Espinoza (2009), some families acquired as much as 800 *manzanas* of land in this manner. Meanwhile, indigenous communities also received common lands when they were relocated. However, as they could not pay the rent, they became indebted to those who could pay. Little by little they lost their land rights and finally ended up as casual farm laborers.

The population in the Santo Tomás area did not exceed 10,000 people until around 1940. However, particularly from 1950 onward with the opening of the road connecting Managua to Chontales and further on to El Rama, the population started growing more rapidly, in the first place through the arrival of peasant families from the northern and western parts of the country who were being displaced by the expansion of the banana and cotton companies (Espinoza, 2009). The majority of the families who arrived in the 1950s and 1960s settled on land belonging to the large estates, where the owners allowed them to plant crops as tenant farmers. It is estimated that in the Santo Tomás area in 1963, approximately half of all rural households had no land (Instituto Nacional de Estadísticas y Censos [INEC], 1963). At the same time, the 1.4% largest agricultural properties accounted for 35% of the total agricultural area in the Department of Chontales, while the 38% smallest properties accounted for barely 2.7% of the

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