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The Agrarian Question in Chile since the Democratic Transition

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The Agrarian Question in Chile since the Democratic Transition

Cristóbal Kay*

Abstract: The agrarian question in today's Chile is largely defined by the problematic impact on the peasantry of the country's continuing integration into the world market. The neoliberal policies of the military government from 1973 to 1990 have profoundly transformed the country's agrarian structure and social relations. Peasant farmers had particular difficulties in adjusting to the new competitive pressures and in only few instances were able to shift to more profitable, particularly export-oriented, activities. Furthermore, employment conditions for rural wage labourers became more precarious. While most capitalist farmers were ultimately able to benefit from the neoliberal policies the peasant sector was largely excluded or marginalized. This paper analyses the agrarian policy of the Concertation governments, which have started the country's democratic transition since 1990, focusing on the shift from a market-led to a State-mediated process of 'reconversion' of agriculture's pattern of production and land use. Although the Concertation governments have designed specific and novel policies aimed at enhancing the productive and transformative capacity of peasant farmers these have not yet been able to reduce the widening technological and economic disparity between capitalist and peasant farming. Thus the future of the peasant economy is far from being assured.

'Dictadura, derecha y concertación, la misma cuestión' (Dictatorship, the right and concertation, the same thing). This text was painted in large letters on a street wall in the town of Cañete, which is located in one of the poorest regions of Chile and which I saw during a field visit in December 1994.

1.- Introduction

The agrarian question in today's Chile is, on the one hand, largely the problem of the increasing difficulties faced by the peasant economy to remain competitive and, on the other hand, the poor and unstable working conditions of rural wage labourers.¹ Although poverty has been reduced in recent years it still is a major problem in the countryside as about a third of the rural population live in poverty. The rural poor tend to concentrate among the minifundistas or smallholders and the seasonal wage workers. Thus policies directed at reducing poverty have to be aimed at increasing the entitlements of these sectors in rural society.

It is my view that the resolution of the agrarian question in Chile cannot be left to market forces alone but requires the active intervention of the State. However, this does not mean a return to a 'statist' and centralized type of State intervention. Today's State should, on the one hand, facilitate local initiatives which enhance the process of democratization thereby strengthening civil society and, on the other hand, design and implement policies which spread the benefits of growth and modernization to those groups in society which

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during the authoritarian period of 1973 to 1989 had been excluded from those benefits. It is undeniable that the market is a major force of change which offers great opportunities for development, especially in today's globalized world. But it is only by following certain type of state policies that these market forces can be harnessed for sustainable growth by promoting participation, equity and the protection of the environment. To define such a new role for the State is undoubtedly a difficult enterprise fraught with contradictions and pitfalls. The Chilean experience since 1990 with the centre-left coalition of parties which form the 'government of the Concertation' ('el gobierno de la Concertación') which proclaims many of the aims just mentioned is thus a useful case for analyzing the feasibility of pursuing such a development path. In this article I am limiting the analysis to the agrarian sector and, in particular, to the government's efforts directed towards the peasantry, especially those which seek to strengthen its productive capacity.

The article starts with a brief overview of the main features of agrarian policy since 1973. I will then proceed to analyze the main transformations in the countryside's productive structure, especially since the mid-1980s. The article then examines the debate on 'reconversión' (reconversion or transformation) as well as the various government policies aimed at promoting the productive reconversion of the peasant economy.

2.- Three Stages of the Post-1973 Agrarian Transformation

It could be argued that at first the military government had no specific agrarian policy as such in the sense that the policy makers from the ministries of finance and economics, whose aim was to fully liberalize and integrate the Chilean economy into the world economy, were the key players setting the parameters for the agrarian policy. Thus the initial agrarian policy was neoliberal and its only distinguishing feature was the counter-agrarian reform. It was only with the economic crisis of 1982 that a distinctive agrarian policy emerged. While agriculture's performance was very erratic in the period of 'extreme neoliberalism' from 1974 to 1982 (the forced and exclusionary modernization), the 'tamed or pragmatic neoliberal' policy introduced in 1983 transformed agriculture, particularly its exports, into the most dynamic sector of the economy. In the first neoliberal period the domestically oriented agricultural sector deteriorated while agricultural exports boomed. The paradox is that the State performed a crucial role in the success of agro-industrial and, particularly, of forestry exports, as will be discussed later. Such a success benefited from earlier State measures, especially from the 1960s onwards, in which the foundations were laid and which ranged from the establishment of state-owned agro-industrial and forestry enterprises to enhancing the country's research and technological capabilities in these fields. But the neoliberal exchange rate policy, which no longer overvalued the local currency as in the import-substitution protectionist era, was a key factor in boosting agricultural exports as well by providing incentives to producers as economic returns in domestic currency increased for every dollar earned abroad.

First stage: productive transformation under extreme neoliberalism (1973-1982)

Major transformations in the land tenure structure took place in this period with the military government's implementation of the counter-agrarian reform whereby most of the land which had been expropriated by the Frei and Allende governments (1964-73) is returned to their former owners and the remainder of the land is subdivided into plots of land (parcelas) which are sold to some members of the reformed sector (Jarvis, 1992). A large proportion of land reform beneficiaries are left without land and over the years over half of the parceleros sell their land as they can no longer afford running their family farms (Echenique and Rolando, 1991a). Many of the former landlords who receive part or all of their former property back decide to sell part or all of their land. This together with the sales of parcelas greatly enhances the land market creating a more flexible and competitive agrarian structure. This was, of course, a major aim of the neoliberal policy-makers, though the initial impulse of the counter-agrarian reform was political as it aimed at destroying the reformed

sector and most of the peasant organizations so as to eliminate any possible source of opposition to its policies.

Priority was given to export agriculture but on the basis of existing Chilean agricultural products and drawing upon past developmentalist state policies which established the institutional, commercial and agro-industrial infrastructure for the expansion of fruit and forestry plantations. Furthermore, in the case of forestry plantations these were heavily subsidized by the State as it provides loans on favourable terms which finance up to 90 per cent of the cost of the reforestation. The whole agricultural sector of the so-called 'basic or traditional crops' is completely neglected and left at the mercy of the neoliberal macroeconomic policy which drastically curtailed internal demand for these products, due to the steep fall in wages and the dramatic rise in unemployment, while at the same time exposing them to the vagaries of the international (and partly unfair) competition through cheap imports which often were subsidized by the exporting country. This had a negative impact on capitalist as well as peasant farmers some of which went bankrupt. A major conflict erupted between the 'Chicago boys' (as the neoliberal policy makers were referred to) and the capitalist farmers's organizations of the southern region which were representing mainly the wheat and milk producing sectors. These were facing an extreme economic crisis during the mid- and late-seventies due to cheap imports of wheat, flour and milk. A representative of the neoliberal position caused furore among farmers when he proclaimed that milk producers should 'eat their cows' ('que se coman las vacas') by which this person meant that they should slaughter their cows and shift production from loss-making to profitable activities (Gómez, 1979). This conflict was an embarrassment to the government as these southern farmers had been among the stoutest supporters of the military and had been a major opposition force to the socialist government of Allende, being one of the most vociferous groups in calling upon the military to overthrow it.

Second stage: the partial reversal of the neoliberal policy (1983-89)

In the post-1983 agrarian policy the neglect towards the traditional food producing sector was rectified although largely in favour of the capitalist farm sector. The area under food crops partially recovered but above all their yields improved substantially (this is discussed in detail later on). But the peasant farm sector did not have the technical nor financial means to achieve such improvements in yields.

Thus an agrarian policy which recognizes the specific problems facing the agricultural sector emerges for the first time since 1973. This new policy jettisons the shock-type measures and seeks to achieve a more gradual productive transformation by stimulating the modernization of the capitalist farms and, to a lesser extent, those peasant economies which are considered as 'viable'. This is done through a series of measures which offer a degree of protectionism for some of the 'basic or traditional crops' such as raising tariff barriers and by establishing price bands (bandas de precios). Furthermore, by instituting 'purchasing powers' (poderes compradores) which is a state fund to finance the minimum support prices for some key products the government now provided income support measures to farmers (Palma, 1995). Also technical assistance programmes, especially for the 'viable' peasant farmers, are an indication of a new attitude to at least this section of the peasantry. The aim was to bring about an increase in yields so as to make the traditional farm sector more competitive. But the export-promoting macroeconomic policy continues unchanged allowing agro-forestry exports to thrive.

Capitalist farmers, who were mainly producers of traditional crops and/or livestock, for the first time adopted on a large scale green revolution type technologies. It is during these years that what could be called the 'easy phase' of agriculture's modernization of the traditional farm sector takes place. The protectionist measures, albeit limited, together with the recovery of the domestic economy gives a new lease of life to the flagging traditional farm sector which turns out to be crucial for its modernization and thus survival. No government official has the arrogance of dictating to farmers that they 'should eat their cows' or of letting sugar beet farmers and the sugar industry collapse, instead, the milk and sugar beet sectors stage a remarkable recovery as will be seen later on.

Third stage: productive transformation with (some) equity (1990-)

This stage begins with the agrarian policy of the democratically elected governments of the 'Concertación' which first took office in 1990 under the Presidency of Aylwin and has continued with President Frei (jr.) from 1994 onwards. The agrarian policy since the democratic transition can be characterized as pursuing 'continuity with changes', or as following 'neoliberalism with a human face'.²

To what extent does the post-1990 agrarian policy differ from that of the Pinochet years from 1973 to 1989? What are the main components of continuity and change?³ In essence the agrarian economic policy of the post-authoritarian governments of Aylwin and Frei (jr.) is one of continuity (Gómez, 1992). First, the macro-economic policy of keeping equilibrium and stability is maintained and even improved upon so as to gain the acquiescence, if not support, of the capitalist class and to create an even more favourable climate for foreign investment (Cox, 1994). Second, a key concern of the newly democratically elected government of Aylwin in 1990 was to assure the continuity of the agriculture's dynamism, especially of its dynamic exports. Thus the Concertación governments are reluctant to undertake any major economic and social initiatives which might endanger the continuing growth of the agro-forestry exports such as trade union legislation, especially for the seasonal agricultural and forestry workers. A third aspect of continuity is the maintenance and even deepening of Chile's exposure and insertion to international markets. Competition is even increased with the continuing revaluation of the Chilean peso which makes agricultural imports cheaper and agro-exports less profitable and will be deepened further with the possible full membership of Chile to the Mercosur integration agreements with Argentina, Brazil, Paraguay and Uruguay, and Chile's future membership of NAFTA (which is suffering some delays but few doubt will take place sooner or later). And fourth, by following a cheap food policy which was never very explicit in either the authoritarian and even less so in the democratic government policy statements, another element of continuity can be detected. By maintaining an open economy Chile's food prices have been kept low thereby benefiting consumers, especially in the urban sector who now constitute 85 per cent of the country's population. This concern for cheap food becomes more visible when policy makers strongly resist any protectionist demands from agricultural producers as evidenced by the protests of livestock farmers against bilateral trading agreement with Argentina. Expressed in political terms a democratic government has an even greater interest in continuing with a cheap food policy not so much out of neoliberal dogma, like in the case of the 'Chicago boys', but due to the simple fact that urban voters far outnumber rural voters (and even a large proportion of rural voters are net gainers from a cheap food policy).

A remarkable factor in this continuity of economic policy is the 'reconversion' of the left-wing policy makers and intellectuals who have come to accept and adopt many elements of the neoliberal economic model. However, they try to marry the positive elements of neoliberalism with their concerns about equity and sustainability. Such as compromise is encapsulated in the neo-structuralist phrase of 'productive transformation with equity' which is often used by government officials (ECLAC, 1990; Borgh 1995). This reconversion of Chilean left-wingers is indeed remarkable and has already been pointed-out in a critical manner by Petras and Morley (1992) and in a more sympathetic manner by Silva (1993). The emphasis is now on competitiveness rather than protectionism, on private entrepreneurship rather than state interventionism or 'developmentalism' ('desarrollismo'), on limiting social demands to what is economically and politically feasible, on continuity rather than change, on technical competence rather than ideology, and so on. A neoliberal social democratic type consensus is developing in Chile through the political alliance of the Concertación coalition of parties. (To what extent it is possible to marry neoliberalism with socialdemocratic ideas remains to be seen). However, there are many left-wingers who wish to go further in the democratization process and have a greater concern for social problem and of empowering the weaker groups in society (Lowden, 1995). But only few on the left think of returning to the pre-authoritarian days. The socialist revolution, even a 'chilean road to socialism' is not on the agenda. Thus it is not surprising that key issues of past agrarian policy agendas, such as land reform, expropriation and unionization are not mentioned in the contemporary political discourse of the left. On the

contrary, little has been done so far with regards to unionization of seasonal workers, strengthening peasant organizations and so on. This, of course, is partly due to the limitations inherent to the democratic transition which inherited an authoritarian legislative framework which was designed to prevent any radical changes. (The 'infamous' *leyes de amarre*). This reconversion of the left could be interpreted as a sign of their maturity or realism but could also be seen as a sign of weakness and concessions to the Christian Democrat partners of the coalition and even to the right. The danger is that this could lead, if it has not done so already, to the alienation of large sections of the population from the political system thereby endangering the post-authoritarian process of social integration and reconciliation and thus limiting the democratization process in Chile. I here refer the reader to the slogan I reproduce at the beginning of this article which reflects such alienation and danger.

There are, of course, major differences in the agrarian social and political policy of the military and democratic governments. These concern above all the democratic context within which agrarian policy is shaped and implemented. There is still a long road to go though in deepening this democratic context but the political break with the authoritarian past is undeniable. The two Concertation governments have thus far been concerned with issues of social equity, poverty alleviation, administrative decentralization and with incorporating the peasantry to the benefits of Chile's economic achievements. Wherever possible the democratically elected governments have attempted to extend the benefits of existing legislation to small scale producers. In this task they have been quite successful but new legislation and more drastic initiatives are required for tackling the more persistent problems of poverty, exclusion and sustainability. In this respect much remains to be done.

3.- From Market-led to State-mediated 'Reconversion'

Given the elements of continuity and change in agrarian policy outline above it is of particular interest to discuss one of the more distinct policy initiatives of the Concertation governments to have emerged in recent years. These are concerned with their various attempts to modernize peasant agriculture so that it can regain and develop its competitiveness thereby hoping not only to raise peasant standards of living but above all ensure its survival. I will focus my analysis on one such attempt which has been referred to in a variety of ways such as 'productive reconversion', 'productive adaptation', 'productive transformation', 'readaptation to more profitable options', 'new productive and market options', 'adjusting the productive structure' or simply 'reconversion'. In a broad sense reconversion measures aim at enabling and improving peasant agriculture's ability to adapt to Chile's increasing exposure to global competition and to enter into the more dynamic world market by shifting their traditional production pattern to new products while at the same time improving their efficiency thereby increasing their competitiveness. Although no comprehensive and coherent programme of reconversion for peasant agriculture has so far emerged there have been a series of measures which have pursued such an objective which are worthwhile examining as they represent a relatively novel policy attempt of the democratic governments, albeit in a haphazard way and with inadequate funding to make a lasting impact on peasant agriculture so far. But a properly funded and coordinated programme of reconversion might well open a way for the better endowed peasant economies towards a 'capitalized peasant family farm' road to a successful capitalist agriculture.⁴

The Performance of Traditional Crops

Before dealing with the debate on reconversion it is appropriate to provide some brief background on Chile's agricultural progress (or lack of it) over the last century or so. It is possible to distinguish three ways of increasing the value of agricultural production: (a) by expanding the area cultivated and planted, (b) by raising yields, and (c) by shifting land use to higher value activities. During the second half of the 19th century the chief source of agricultural growth was the expansion of the area cultivated which was fuelled by the rapidly

rising internal demand due to fast urbanization as well as by burst of surging wheat exports. The development of the mining industry encouraged out-migration from rural areas. During the first decades of this century investments in irrigation raised yields substantially but inputs were also used with greater efficiency. However, a major source of agricultural growth continued to be the expansion of the cultivated land which almost doubled between 1916 and 1927 from 1.116 thousand to 2.150 thousand hectares of which the area with 'traditional crops' accounted for 689 thousand and 1.386 thousand hectares respectively (Kay, 1971:258). Both categories of land have roughly remained at that level until the mid-1970s and began to change only with the neoliberal policies of the military government of 1973-1989. Since the 1930s agriculture grew at a more sluggish rate but increasingly the sources of growth shifted to improvements in yields and cropping patterns which accounted for almost all output growth since the mid-1940s (Kay, 1971:255). Investments in irrigation helped to raise yields and the rapid rate of urbanization led to the expansion of higher value industrial crops such as sugar beet, rape and sunflower seeds, and tobacco. During the import-substitution-industrialization period from the 1930s to the early 1970s agriculture performed poorly and was driven mainly by the growth in internal demand. Government policies often fixed agricultural prices which together with the foreign exchange rate policy failed to provide incentives to agricultural producers and exposed them to cheap imports. The neoliberal policies after 1973 shifted incentives towards exports thereby encouraging the rapid expansion of fruit and forestry exports. At the same time the negative effects on employment and wages reduced the internal demand for food. Both factors had a deleterious effects on domestic food production which reached its lowest level during the crisis of the early 1980s. While the area cultivated with traditional crops during the years 1968-72 was on average 1.263 thousand hectares this fell to a record low of 877 thousand hectares in 1982/83 (see Table 1). This was reflected in a major fall in agricultural output.

Table 1
Chile: Land Cultivated with Traditional Crops (1968/72-1987/88)

Type of Crop	1968-72	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88
Cereals	976	635	781	800	798	875	837
Legumes	103	127	132	140	153	157	148
Industrial*	107	48	64	94	148	130	136
Potatoes	77	67	81	63	53	58	64
Total	1.263	877	1.058	1.097	1.152	1.220	1.185

* Industrial crops: rape seed, sunflower, sugar beet, tobacco and lupino.

Source: S. Gómez and J. Echenique, La Agricultura Chilena: Las Dos Caras de la Modernización, Santiago: FLACSO and Agraria, 1988, p. 289.

Traditional crops only began to recover when the military government changed its dogmatic neoliberal policy by introducing a variety of mildly protectionist measures (see Table 1). This encouraged farmers to improve yields of cropland and pastureland as well as adopting better farm management practices. The green

revolution thus reached belatedly Chile. As can be seen from Table 2 yields had hardly changed between the 1960s and early 1980s, except for maize and sugar beet, but rose significantly thereafter. Some of the biggest yield increases were achieved in wheat and maize which roughly doubled within the decade between 1980-82 and the early 1990s. Wheat and maize are the two most important annual crops accounting for about 60 per cent of the sown area with annual crops (ODEPA, 1994a: table 024). During the dogmatic neoliberal phase of the military government many researchers and government officials had argued that sugar beet had no future and the industry should be left to decline and even disappear. In face of such dire predictions it is even more remarkable to observe its recovery as evidenced by the almost 50 per cent increase in yields achieved between 1980-82 and the early 1990s, and by over 80 per cent from 1968-72 to 1994 (see Table 2). The area cultivated with sugar beet also expanded slightly.

Table 2
Chile: Yields of Traditional Crops, 1968-1994 (Metric quintals per hectare) *

Crops	1968-72	1980-82	1985-87	1988-90	1991-93	1994
Wheat	17.4	17.0	26.4	30.8	33.8	35.2
Oats	14.0	17.4	20.9	25.3	28.5	30.5
Barley	20.6	20.7	27.9	34.4	36.2	35.6
Maize	32.6	40.5	66.4	76.6	84.6	89.4
Rice	28.0	30.2	39.9	42.2	42.1	43.8
Beans	10.9	10.9	10.5	12.5	12.6	12.2
Lentils	6.0	4.3	6.6	5.8	7.9	8.7
Potatoes	93.0	107.5	140.2	146.9	150.7	153.8
Sunflowers	12.0	14.0	18.5	21.8	22.1	18.2
Rape Seed	12.7	12.9	18.0	18.5	20.3	22.4
Sugar Beet	364.7	463.3	562.7	575.2	656.5	670.0
Lupino	-	-	17.3	19.0	20.0	21.3

* Five and three year averages, respectively

Source: ODEPA, Cultivos Anuales: Superficie, Producción y Rendimiento 1979/80-1993/94, Santiago: ODEPA, 1994, p. 2; and S. Gómez and J. Echenique, La Agricultura Chilena: Las Dos Caras de la Modernización, Santiago: FLACSO and Agraria, 1988, p. 291.

What is surprising to find is that the changes in the land use pattern are continuing with the post-1989 democratic governments and perhaps to an even greater extent than before. Changes are less erratic, more gradual and consistent and thus more effective under the elected governments as compared to the authoritarian government. Surprising is also the lack of significant opposition from rural capitalists who vigorously protested in the past against some aspects of the military government's neoliberal policies which had a negative impact on traditional crops. Even though prices for some traditional crops have fallen significantly in recent years, for example, real prices received by domestic farmers have fallen by 25 per cent for wheat, 18 per cent for maize, 30 per cent for rape seed and 29 per cent for sugar beet during 1987 and 1993 (Ortega, 1994a), opposition by farmers is more muted today. Capitalist farmers have now learned to adjust more swiftly to changing price signals and circumstances. Also the adjustment process has become less painful due to a series of supportive measures from the state which are largely of two kinds: first, price stabilization measures consisting of price bands for wheat, wheat flour, sugar and oil, as well as purchasing powers for wheat, rice and maize; and

second, measures for lessening international price distortions through a variety of protective measures such as tariff surcharges and others for wheat flour, rice, maize, milk and sugar (Klein *et al.*, 1995:60, Valdés, Muchnik and Hurtado, 1990). However, some of these measures were applied for only a limited period but they have smoothed and made feasible the adjustment by allowing the modernization and increases in yield to take place (Vicuña and Farías, 1994). Interestingly the evolution of domestic prices for the products with price bands have displayed a similar tendency to the international prices for the same products, albeit with a delay of less than one to less than three years depending on the product (Farías, 1995). Thus changing the production pattern is seen today as the best way to remain competitive and in business as farmers are aware that even a civilian government is not going to reintroduce major protectionist measures for agriculture even if they protested vigorously (Gómez, 1993a). They have thus had to learn to adjust even more swiftly than in the past to changing price signals by altering their production pattern and also by continuously seeking ways to improve productivity.

What is remarkable is that although the area cultivated with traditional crops has continually fallen until 1993/94 output has not always declined and in some years has even rises due to substantial increases in yields. Thus over the last decade or so increases in yields have become the major source of growth for annual crops. Chilean maize and sugar beet yields are similar to those achieved by countries with a highly developed agriculture such as the United States and Western Europe (Gómez and Echenique, 1988:131).

The Shift to Fruit and Forestry Exports

With the shift to an agro-export model during the military government it was the fruit and forestry sectors which expanded rapidly at first while the livestock and crop sectors declined due to the drop in internal demand and competition from cheaper imports. The fruit growing area doubled between 1968-72 and 1985 (*ibid.*:295) and continued to expand thereafter but at a slower rate. Similarly, the average yearly area planted with forests grew by almost 75 per cent from the period 1964-74 to 1975-85 (i.e. 48 thousand hectares as compared to 83 thousand) much encouraged by generous government subsidies and fiscal incentives since the mid-1970s which large corporations were able to take advantage of (*op. cit.*:143-44) but it declined thereafter to a yearly average of 62 thousand hectares (see Table 3). While in 1985 87.5 per cent of the forest plantations were planted with pine by 1993 this had declined to 80.3 per cent while eucalyptus's share increased from 4.3 per cent to 12.2 per cent. During these years the area planted with pine expanded by 31 per cent while that of eucalyptus grew by 304 per cent and the total forested area increased by 42.5 per cent (calculated from Table 3). It should be born in mind that all plantations harvested until the late 1980s stemmed from investments undertaken during

Table 3
Chile: Forestry Plantations, 1985-1993 (thousands of hectares)

Species/ Year	1985	1986	1987	1988	1989	1990	1991	1992	1993
Pine (radiata)	1.040	1.080	1.118	1.148	1.192	1.243	1.305	1.313	1.361
Eucalyptus	51,2	59,4	63,8	70,2	81,8	101,7	130,9	171,5	206,7
Other species	97,8	104,2	104,2	108,8	112,2	116,3	119,1	124,5	126,3
Total	1.189	1.242	1.286	1.327	1.386	1.461	1.555	1.609	1.694

Source: ODEPA, Banco Básico Estadístico: Indicadores Macro-Silvoagropecuarios, Santiago: ODEPA, 1994, table 037.

the democratic regimes before the military government. Furthermore, a large proportion of those plantations belonged to or started with support from the National Forestry Corporation or CONAF (Corporación Nacional Forestal) which is a state agency attached to the Ministry of Agriculture. Although with the military government the private sector increased its investment in the forestry sector, even as late as 1985 CONAF was still responsible for a quarter of new forest plantations (*op. cit.*:144).

Some fears have been expressed that the expansion of forest plantations have encroached upon cropland. Gómez disagrees with a World Bank study which suggests that forestry takes significant land away from crop cultivation. In his assessment this is not the case at least in the region he analyzed (Region X). But in my view his own data reveal that a sizeable proportion of cropland is lost to forestry as about one-third of the land sold to forestry enterprises in Region X during the years 1990 to 1993 was suited for crops and mainly pastures and only two-thirds for forestry (Gómez 1994:70). However, more research needs to be undertaken to clarify this issue. What is undeniable, however, is the high environmental cost associated with the forestry industry, especially with regards to the destruction of the native forest (Fiabane:1994). Nevertheless reforestation has also had a positive environmental impact in those areas which previously had severe problems of erosion and have been incorporated into productive use (Gómez-Lobo, 1992:104-105). As for the employment effect of the forestry expansion this has been negative, although initially it was positive while new plantations were being established. While the land planted with radiata pine doubled between 1973 and 1984 employment fell by almost half. Those areas with the highest rate of forestry expansion were also the areas with the highest rate of rural outmigration (Leyton:1986). This is explained by the closure of small saw mills, the greater use of machinery and the encroachment upon cropland which has higher labour requirements than forestry. Furthermore, most of the forestry workers are employed on a temporary basis and are often hired by labour contractors, while in the past employment was of a more permanent kind.

Changes in Land Use

Thus the neoliberal period brought about a remarkable transformation in the country's land use pattern. As can be observed from Table 4 the cultivated area declined by 9.4 per cent during the years 1986 and 1993 mainly due to the steep fall in the annual cropped area (traditional crops) which declined by 32.6 per cent. The most dramatic change happened with wheat. While during the 1960s Chile cultivated around 740 thousand hectares of wheat this had fallen to all time low of 362 thousand hectares in 1993 recovering slightly to 380 thousand in 1994 (Ortega, 1994a). However, the area cultivated with fruits and vineyards grew by 20.3 per cent while that of horticulture and flower grew by 25 per cent between 1986/87 and 1993/94. Another extraordinary transformation is the shift from natural pastures to improved pastures and the expansion of artificial pastures. While natural pastureland declined by 8.9 per cent, improved pastures grew by 32.8 per cent and artificial pastures by 44.6 per cent in the years 1986/87 to 1993/94 (see Table 4). This enhancement of pastures led to the recovery of the cattle industry which was in deep crisis from the mid-1970s to the mid-1980s. The dramatic transformation of the livestock sector was much helped by measures such as the introduction of price bands for milk, improved feeds, electric fencing, and strict sanitary measures which has kept Chile free of foot-and-mouth disease. The Chilean Minister of Agriculture, Emiliano Ortega, foresees a continuing substitution of traditional crops for fodder crops and artificial pastures as well as possibilities for livestock product exports to the Asian market (E. Ortega, 1994a).

The country's changing structure of land use can be gauged in relative terms as shown in Table 5. While the proportion of land in cultivation compared to pastures and forestry remained quite stable during the period 1986/87 to 1993/94, roughly one-quarter compared to three-quarters of the country's land, significant changes occurred within each of these categories. The proportion of land with traditional or annual crops declined from 15.6 per cent to 10.5 per cent, that of artificial pastures grew from 4.4 per cent to 6.4 per cent and that with forestry increased from 15.4 per cent to 21.1 per cent.

Table 4: Agricultural Land Use (Chile: Regions III to X)
(Thousands of hectares)

Category	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	% Change 1986-93
Annual Crops	1.157	1.075	1.040	987	914	911	794	780	-32.6
Fruits & Vineyards	227	237	245	249	247	254	266	273	20.3
Horticulture & Flowers	72	70	75	75	85	85	88	90	25.0
Artificial Pastures	329	375	408	401	451	423	449	476	44.6
Fallow Land	180	168	173	220	221	201	186	162	-10.0
Total Cultivated (A)	1.965	1.924	1.940	1.932	1.919	1.874	1.783	1.781	-9.4
Improved Pastures	381	433	395	468	360	367	452	506	32.8
Natural Pastures	3.936	3.854	3.661	3.467	3.749	3.674	3.688	3.587	-8.9
Total Pastures (B)	4.317	4.286	4.055	3.935	4.109	4.042	4.140	4.093	-5.2
Forestry* (C)	1.140	1.182	1.218	1.274	1.345	1.436	1.484	1.568	37.5
Total Pastures & Forestry (B+C)	5.457	5.468	5.273	5.209	5.454	5.478	5.624	5.660	3.7
Other Land (D)	1.678	1.373	1.543	1.633	1.399	1.409	1.339	1.339	-20.2
Sub-Total (A+B+C)	7.422	7.392	7.214	7.141	7.372	7.352	7.407	7.442	0.3
TOTAL (A+B+C+D)	9.100	8.765	8.756	8.774	8.771	8.761	8.746	8.781	-3.5

* Forestry refers to pine and eucalyptus plantations.

Source: ODEPA, Banco Básico Estadístico: Indicadores Macro-Silvoagropecuarios, Santiago: ODEPA, 1994, table 022.

Table 5: Agricultural Land Use (Chile: Regions III to X)
(Percentage over total hectares)

Category	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
Annual Crops	15.6	14.5	14.4	13.8	12.4	12.4	10.7	10.5
Fruits & Vineyards	3.1	3.2	3.4	3.5	3.3	3.5	3.6	3.7
Horticulture & Flowers	1.0	0.9	1.0	1.0	1.2	1.2	1.2	1.2
Artificial Pastures	4.4	5.1	5.7	5.6	6.1	5.7	6.1	6.4
Fallow Land	2.4	2.3	2.4	3.1	3.0	2.7	2.5	2.2
Total Cultivated (A)	26.5	26.0	26.9	27.1	26.0	25.5	24.1	23.9
Improved Pastures	5.1	5.9	5.5	6.6	4.9	5.0	6.1	6.8
Natural Pastures	53.0	52.1	50.7	48.6	50.9	50.0	49.8	48.2
Total Pastures (B)	58.2	58.0	56.2	55.1	55.7	55.0	55.9	55.0
Forestry* (C)	15.4	16.0	16.9	17.8	18.2	19.5	20.0	21.1
Total Pastures & Forestry (B+C)	73.5	74.0	73.1	72.9	74.0	74.5	75.9	76.1
Total (A+B+C)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Forestry refers to pine and eucalyptus plantations.

Source: Calculated from data in ODEPA, Banco Básico Estadístico: Indicadores Macro-Silvoagropecuarios, Santiago: ODEPA, 1994, table 023.

Regional Dimensions

These transformations in the land use structure varied according to region and for different types of producers. With regards to the regional impact this can be evaluated by analyzing Tables 6 and 7. As can be seen from Table 6 traditional crops fell significantly in all regions but to a lesser extent in Region VI (7 per cent) and Region IX (10.8 per cent) during the years 1986/87 and 1991/91. The latter region has become the country's most important crop producer with 27.6 per cent of the total land in traditional crops overtaking Region VIII with 22.1 per cent which had a slight edge over Region IX in earlier years (see Table 7). With regards to land use for vegetables and flowers some regions experienced significant expansion while in some it declined but for the country⁵ as a whole it increased by almost one-fifth (see Table 6). Region VII had a spectacular growth while that of the Metropolitan Region of Santiago stagnated (see Table 6) but it still had over twice as much cultivated land with vegetables and flowers as compared to Region VII (see Table 7). The most drastic changes in the area with fruit trees, an increase of 86.6 per cent in Region VIII and decline of 51.5 per cent in Region IX (see Table 6) do not have much significance as they are marginal producers accounting between them for only 2.9 per cent of fruit land (see Table 7).

Table 6
Chile (Regions III-X): Regional Changes of Land Use from 1986/87 to 1991/92
(in percentages)

Land Use/ Regions	Traditional Crops	Vegetables & Flowers	Fruits	Artificial Pastures	Natural Pastures
III & IV	-38.2	51.6	48.0	9.4	-33.5
V	-27.9	5.1	9.8	39.2	-26.4
Metropolitan	-24.7	1.3	19.4	30.1	10.5
VI	- 7.0	35.0	24.4	80.6	-13.0
VII	-24.9	129.3	41.3	165.6	0.0
VIII	-30.5	84.8	86.6	75.6	0.0
IX	-10.8	-40.1	-51.5	16.5	3.2
X	-29.3	-19.6	0.0	62.9	-14.1
Total	-21.3	19.4	21.1	62.6	-6.6

Source: Calculated from data in ODEPA, Estadísticas Silvoagropecuarias 1987-1992, Santiago: ODEPA, 1992, pp. 30, 32.

The most significant relative increase in land area during these years happened in the land cultivated with artificial pastures which increased by 62.9 per cent in Region X (see Table 6) which has most of the country's artificial pastures, 38.6 per cent (see Table 7). In Region VII artificial pastures increased by a formidable 165.6 per cent but it has only 12.7 per cent of the country's land falling in that category. Natural pastures declined or stagnated in almost all regions (see Table 6) and Regions VII to X concentrate most of the country's natural pastures. The most important regions regarding forest plantations (pine and eucalyptus) are Region VIII with

almost half of the total, followed by Regions VII and IX which have 23 per cent and 19 per cent of forest land, respectively (ODEPA, 1992:107).

These changes in land use pattern have, however, not fundamentally altered the regional specialization in a broad sense. Thus, in terms of land use, the Central Region (Regions V to VII including the metropolitan Region) continues to be overwhelmingly the fruit (85 per cent) and vegetables and flowers (75 per cent) growing region (see Table 7). While the South Region (Regions VIII to X) is by far the largest livestock and forestry producing region. As for traditional crops these are more evenly spread as the Centre Region has over 40 per cent of the cropland while the South Region has almost 58 per cent of it (see Table 7). Thus the crisis of the traditional crop and livestock sectors from the mid-1970s to the early 1980s had a particularly serious impact on the South Region which was only partially compensated for by the expansion of the forestry sector. Meanwhile the fruit export boom clearly benefitted the Centre Region but this region was also affected by the traditional crop crisis.

Table 7
Chile (Regions III-X): Land Use by Region, 1991/92 (in percentages)

Land Use/ Regions	Traditional Crops	Vegetables & Flowers	Fruits	Artificial Pastures	Improved Pastures	Natural Pastures
III & IV	1.5	9.0	8.1	2.4	0.0	0.0
V	2.7	16.1	17.6	3.8	0.7	5.8
Metropolitan	5.3	27.6	23.9	7.6	0.9	5.4
VI	15.1	17.6	29.0	3.7	1.0	11.0
VII	17.2	13.2	14.3	12.7	4.9	18.7
VIII	22.1	8.0	1.7	14.5	4.1	23.1
IX	27.6	3.7	1.2	17.8	16.0	19.6
X	8.2	4.8	4.2	38.6	72.3	15.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculated from data in ODEPA, Estadísticas Silvoagropecuarias 1987-1992, Santiago: ODEPA, 1992, pp. 30, 32.

Capitalist and Peasant Farmers

It is mainly within capitalist farms that these transformations in the land use pattern have taken place as peasant economies have far greater difficulties in adapting their production system to changing market circumstances and also as they are less exposed to them, especially when their production is geared towards subsistence and on-farm consumption.⁶ However, it is quite possible that those peasant units which fail to adapt may sooner or later no longer be able to survive and that those who are willing and able to adapt may not only improve their chances for survival but indeed prosper. These issues together with other have been raised since the early 1990s within the debate on reconversion. This is a most significant debate to analyze as it concerns key policy issues for the future of the peasantry. The peasant farm sector is still important within the rural economy. The peasant economy controls 39 per cent of the land and contributes about 26 per cent to the marketed agricultural output

while providing employment for roughly 36 per cent of the agricultural labour force. Meanwhile the capitalist farm sector has 61 per cent of the land, supplies 74 per cent of the marketed agricultural output and employs 64 per cent of agricultural labour (World Bank, 1994:33-39). However, three-quarters of the labour employed by the capitalist sector is of a temporary kind thereby overestimating the real contribution of this sector to total agricultural employment (Klein, 1995:3). Thus, in terms of residence about two-thirds of the rural labour force are attached to peasant households (E. Ortega, 1994a).

It is possible to distinguish between a market-led, market-induced or spontaneous reconversion and state-directed or state-led reconversion. The former is the easier and cheaper option while the latter is the more difficult and expensive but potentially more egalitarian option. While the former generally favours entrepreneurial or commercial agriculture, the latter can be geared towards peasant agriculture. The earlier analysis on the changes in land use are an illustration of a market-type reconversion. Given the centrality of this issue it is not surprising that a variety of meanings has been attached to the term 'reconversion' which in turn have differing policy implications and degrees to which the problems of peasant agriculture are tackled. These different strands will be identified and their possible implications for the peasantry and rural development are examined. In the Chilean context the meaning of reconversion is generally referred to government policy measures which seek to alter the peasant farm's production pattern so as to increase its profitability and competitiveness by taking advantage of changing and better market opportunities. Thus ultimately such measures aim at increasing the peasant farmer's integration and adaptability to changing market circumstances.

4.- The Debate on '*Reconversión*'

The so-called reconversion of the peasant economy has been called by some experts the 'second modernization' of Chilean agriculture as the 'first modernization' was limited to capitalist or entrepreneurial agriculture (Gómez, 1993b). Whether this second modernization will have much significance remains to be seen but it is highly unlikely to ever match the first modernization achieved under the neoliberal policies of the military government. The discussion about 'reconversion' or transformation of production patterns in agriculture reflects perhaps the most serious attempt by policy makers of the democratic governments since 1990 to set out a distinct agrarian policy. It is a debate which is full of ambiguities revealing the differences within the coalition of centre-left political parties forming the Concertation government. It reflects many of the dilemmas and problems faced by the democratic governments who wish to continue the process of Chile's integration into the world market, which favour the agro-export capitalist sector, while at the same time aiming at reducing inequalities by strengthening the peasant sector. This debate is a way to come to terms with the fundamental continuity of neoliberal agricultural policy under the democratic regimes by attempting to design agricultural policies which not only minimize the often negative impacts of neoliberal policies but which also attempts to go further by reducing the widening technological and income gaps between capitalist and peasant farming (H. Ortega, 1992; Marambio, 1994). It is worthwhile remembering that the economic programme of the Concertation governments reflect the influence of the ideas and writings of the various UN agencies based in Santiago de Chile such as the United Nations Economic Commission for Latin America and the Caribbean's work on productive transformation with social equity (ECLAC, 1990), the Food and Agricultural Organization's (FAO) work on rural poverty and the peasantry, and the International Labour Office's (ILO) regional programme's work on the social debt (PREALC, 1988).⁷ Ambiguities remain as to the meaning of reconversion, as to who should be the main beneficiaries or target groups, as to the length of the process, as to the resources required, as to the extent to which reconversion should be linked to poverty alleviation, and so on. While government policy makers and experts have made much reference to reconversion to date no integrated and properly funded programme of reconversion for the peasantry has emerged, although as will be

seen later many actions have been taken in favour of the peasantry.

In the first year or so of the Concertation government no mention is made to reconversion and it is only by 1992 that several writings use this term with reference to the agricultural sector. The discussion is particularly intense in the years 1993 and 1994 when the Concertation government and parties try to influence the design of the agrarian policy of the Frei (jr.) presidential candidacy and what was to become the second government of the Concertation. The more technocratic wing of the Concertation take a broader view of reconversion which they define as any process by which the agricultural production structure adjusts to the new international and domestic market conditions by either shifting from less profitable activities for more profitable ones or by increasing efficiency of existing agricultural activities, or a combination of both. Meanwhile the more socially-oriented wing of the Concertation limit the use of the term to exclusively the peasant sector as they propose that government policy and resources should concentrate on supporting the peasant sector in their efforts of adjustment and survival.

The openness of the Chilean economy makes this adjustment through reconversion and increased efficiency a continuous process as this is the only secure way of remaining competitive. Producers adjust to changing profitability in two ways: by changing their land use pattern thereby shifting from less to more profitable activities and by raising yields. As analyzed earlier both types of adjustment have taken place in Chile. But it is necessary to point out that the ability of producers to adjust varies greatly depending on entrepreneurship, farm size, access to capital, technical knowledge, agro-climatic factors, agricultural policy and its biases, and so on. Simplifying it can be argued that capitalist farmers can adjust more radically while peasant farmers less so as they are constrained in many ways such as the need to secure a subsistence income and reduce risks, lack of finance, and so on. Thus it is not surprising to find that yields increased mainly on capitalist farms which also altered more radically their land use patterns. While in the past, when the traditional latifundia was dominant, differences in yields between farmers were small by the late 1980s they had widened significantly (Echenique and Rolando, 1991b). For example, already in 1986/87 wheat yields of large farmers were 18, 59 and 27 per cent higher compared to those of small farmers in the Centre Region, irrigated and dryland, and South Region, respectively (Gómez and Echenique, 1988:294). Similarly, maize yields in the irrigated Centre Region by large farmers were 46 per cent higher than those of small farmers (*ibid.*). The greater adjustment difficulties faced by peasant agriculture therefore call for a more differentiated agrarian policy which instead of favouring capitalist farmers, as during the military regime, do 'take an option' for peasant farmers and rural wage labourers in general.

Peasant producers have particular difficulties in adjusting as they have less financial, technical and entrepreneurial resources at their disposal compared to capitalist farmers. In particular, smallholders are also tied into subsistence production for food security reasons and can ill afford to become too specialized or market oriented as this exposes them to greater risks. During the military government little was done to remedy this state of affairs as economic ideology dictated that the market should drive the adjustment process and not the State. However, due to the severity of the economic crisis of 1982 and 1983 and the increasingly precarious political support for the military regime it began to introduce technical assistance schemes to farmers. This had a limited impact but it provided a starting point for the democratic government in 1990 which improved the programme of technical support to peasant producers while at the same time extending substantially its coverage.

Viable and Non-Viable Peasant Farms

In the discussion on reconversion a vital distinction is made between viable, potentially viable and non-viable peasant- or small-scale-agriculture.⁸ Definitions of what is meant by these various terms, as well as the estimates of the total number of peasant units, differ among analysts. Thus the estimates of the numbers of peasants falling into each category also differ. Octavio Sotomayor (1994a:19) estimates that 100.000 peasant

farm units (50 per cent of the total) have a minimum productive potential for being viable as agricultural producers. Of these he considers that 50.000 peasant units are already viable and a further 50.000 peasant units are potentially viable. In my view the former group could be categorized as capitalized peasant farmers, using Lehmann's (1986) and Llambí's (1988; 1989) terminology, while the latter group could be viewed as constituting Chile's middle peasantry. The remaining 100.000 peasant units, or 50 per cent of the total, are too small in size and generate too little agricultural income. To survive they have to engage in non-agricultural activities and/or seek wage employment. These are the minifundistas, or poor peasants, who can be considered as forming a semi-proletarian peasantry.⁹ Julio Berdegú (1993) also estimates that 100.000 peasant enterprises lack potential for becoming viable small scale producers as most of their income derives from non-agricultural activities, i.e. these are the minifundistas I referred to earlier. But he then estimates that 65.000 peasant units can be incorporated in the short term into the modernization process while between 35.000 and 50.000 units can achieve this only in the medium term. Meanwhile Sergio Gómez (1991 and 1993c) estimates that 66.000 or 32 per cent of peasant farm units are potentially viable and that the remainder, 140.000 or 68 per cent (the minifundistas), can become potentially viable under special development programmes which would require major investments, among other measures.

While Sotomayor (1994a) and Berdegú (1993) use the figure of 200.000 peasant units, and Gómez (1991; 1993b) speaks of 206.000 units, a World Bank study estimates that there are in total 225.000 peasant farmers divided into 125.000 small farmers and 100.000 minifundistas. The regional distribution of the peasant units is as follows in descending order: 26 per cent in Region IX, 22 per cent in Region VIII, 16 per cent in Region VI and 14.5 per cent in Region VII. These regions have also the highest proportion of rural poverty (World Bank, 1994:33-39). Emiliano Ortega (1994a), speaking as Minister of Agriculture, and Hugo Ortega (1993a:7), writing as Head of INDAP, the principal institution within the Ministry of Agriculture dealing with the peasantry, mention the figure of 240.000 peasant proprietors, of which, according to H. Ortega 140.000 are minifundistas with little potential for productive development while the remaining 100.000 peasant farmers have sufficient resources for modernizing their enterprises and embarking on alternative, more profitable, productive activities. Last but not least, Leiva and Sotomayor (1994) give the largest estimate for peasant farmers, 250.000, which they compare with the 100.000 permanent agricultural wage workers and the largest group of all, the 400.000 temporary wage workers. Thus, despite the variations in estimates and categorizations of peasant farmers among authors, most agree that over half of the peasant units (the minifundistas) have too few resources to be able to make a meaningful adjustment in their production process which would secure their future as producers.

According to the Ministry of Agriculture reconversion pursues the following three aims. First, to increase yields and lower unit cost for those principal crops which producers find difficult to substitute such as wheat, maize and rice, so that they can remain competitive compared to foreign producers. Second, and linked to the former, if such a competitiveness cannot be achieved then new and more profitable alternatives have to be found. However, to achieve this aim is more difficult due to soil, climatic, financial, technological, and other restrictions. This reconversion option takes more time to achieve as well as being more expensive. Third, improve the economic efficiency of the various stages of the production process and the marketing chain, both at the input and output levels (ODEPA, 1993:5).

This reconversion is aimed at all producers, particularly in those regions which have greater difficulties in meeting the challenge of external competition. However, the government singles out peasant farmers for special assistance in this reconversion process, although they believe that it is the medium farmers, defined as the owning between 12 and 80 basic irrigated hectares (or their equivalent) who have the greatest productive potential. But the reconversion programme for peasant agriculture is limited to those whose income is mainly derived from on-farm agricultural and livestock production, and which provides them with at least a yearly minimum income (ODEPA, 1993:7).

Government Policy Toward the Reconversion of the Peasant Economy

According to Leiva and Sotomayor (1994:1) about 120.000 peasant farmers (about half of the total) are linked to some development project of the government and/or non-governmental organizations (NGOs). This is a vast increase as compared to the military government but it has to be recognized that resources are thinly spread and many of these projects have only a limited, and at times temporary, impact upon the peasant economy. Most of these projects are not specifically aimed at reconversion, although they often support it, but they indicate the far greater degree of commitment to the peasantry of the democratic governments as compared to the Pinochet regime.

The democratic government has introduced a series of programmes to help the process of adjustment and reconversion of the peasant economy which are described below. But I will first refer, albeit briefly, to the evolution of the technical assistance programmes as they can be seen as constituting the first policy of the military government aimed at promoting the more commercially-oriented peasant farmers and as they opened possibilities for a more meaningful and specifically peasant targeted programme of reconversion by the later Concertation governments. The first measure was taken in 1978 with the establishment of the Programme of Entrepreneurial Technical Assistance (ATE or Asistencia Técnica Empresarial) which was designed for supporting parceleros, i.e. peasants who had received a piece of land resulting from the subdivision of the agrarian reform sector enterprises during the military government. Initially the programme is administered by the Agricultural and Livestock Service (SAG or Servicio Agrícola Ganadero) of the Ministry of Agriculture. As from the mid-1980s this programme is transferred to the Institute of Agricultural and Livestock Development (INDAP or Instituto de Desarrollo Agropecuario) which is also part of the Ministry of Agriculture and which traditionally was geared to the peasant sector. The programme is now called Programme of Technological Transfer (PTT or Programa de Transferencia Tecnológica) whose objective is to improve peasant technological capabilities. At first the programme is geared towards peasant heads of household who have a greater productive potential reaching its highest coverage in 1987 when it provided technical services to almost 20.000 beneficiaries. In that same year the Basic Technological Transfer Programme (PTTB or Programa de Transferencia Tecnológica Básica) is created which is oriented towards poorer peasant farmers (including active members of the household). It reached over 11.000 families in 1989 and was largely designed for political reasons so as to increase the popularity of the military government in view of the impending presidential elections. As from 1990 with the democratic government the PTT programme is enhanced and expanded, particularly towards the poorer peasant farmers. The PTT is now part of a local development programme and group experiences and interactions regarding technical assistance are encouraged, instead of being isolated and sporadic activities as in the past. Furthermore, PTT is now often linked to credit support schemes and to a minor extent to marketing and irrigation projects. The PTT programme now covers 50.000 peasant households who are serviced by 1.300 professional belonging to 140 private consultancy and technical assistance enterprises, many of which are NGOs (Namdar-Irani and Quezada, 1994a:28), reaches 33.000 women who are organized in 1.850 groups and directly serviced by 308 specially trained extensionist (Barría, 1992:40).

Today many of the peasant reconversion projects are accompanied with technical assistance as well as credit and marketing services through the PTT programme (Berdegúé, 1992). In 1994 the government provided credit to 70.000 peasant farmers who received on average about \$US 800 each (H. Ortega 1993a). An estimated 10 to 25 per cent of these are women and who are heads of households (Barría, 1992:26). However, not all smallholders qualify for PTT assistance as only those enterprises which generate as a minimum a surplus equivalent to the annual minimum wage and which are no larger than 12 basic irrigated hectares (or their equivalent) and have assets below US\$ 90.000 can participate (Namdar-Irani and Quezada, 1994b:19). These limits rule out all minifundistas as well as a proportion of what I referred to earlier as middle peasants as their annual on-farm incomes are below the yearly minimum wage. According to a World Bank (1994:37-38) study

for almost 150.000 peasant households on-farm income only constitutes 30 per cent of total income while 40 per cent originates from wages and most of the remainder from state subsidies and transfers. Using data from this World Bank study I calculate that the on-farm income of this group is about half the minimum wage and thus they would all be excluded from INDAP's PTT programme. This indicates that the PTT programme can only be used for at most one-quarter of peasant farmers as a route to reconversion and already seems to have reached its limit.

One of the first mayor reconversion programmes for peasant agriculture was for rice producers in regions VII and VIII. It started in 1993 and is aimed at achieving competitive levels of productivity and costs, reduce the dependence on rice by introducing alternative activities such as eucalyptus trees, improved pastures, livestock rearing and new vines, improve the links with the marketing system, strengthen the local productive organizations, and generate technical and commercial information for the beneficiaries (ODEPA, 1993:14). This rice reconversion programme includes around 8.000 beneficiaries, of which 7250 are peasants and 700 capitalist farmers, costs about 5.6 million US dollars or about \$US 700 on average per beneficiary (*ibid.*:6), and covers activities such as the provision of technical assistance, training, credit, irrigation investments, marketing, support for peasant organizations, and research. This programme is coordinated by a Regional Committee in which the various government institutions which are involved in the programme are represented (INDAP, CONAF, SEREMI, INIA, MINAGRI) as well as having delegates from the peasant organizations and NGOs.

As part of its reconversion strategy the government is also seeking to incorporate peasant farmers to the benefits of the subsidy system for reforestation (Decree Law 701) which previously was restricted to almost exclusively capitalist farmers and forestry companies. For example, in Region VIII, which is the main forest region, in 1991 only 433 hectares were planted benefitting 535 peasant units, while in 1993 this had increased to 1.154 hectares and 1.614 peasant families and the average investment was \$US 170 per unit (FOSIS, 1994:34). This is still a minuscule figure as it represents less than 1 per cent of the yearly forested area in that region. In Region X this percentage was slightly higher as 3 per cent of the reforested area belonged to peasant enterprises and the government largely financed the forestation of 637 hectares involving 966 peasant families (Gómez, 1994:39). In total by 1994 1.400 peasant enterprises covering 3.600 hectares participated in the peasant forestry programme of INDAP and CONAF (E. Ortega, 1994:11).

The main obstacle for the forestation of peasant land is the lack of finance as it involves a major investment which can only be harvested after 10 or 15 years. This is why the government in order to encourage the development of small forest plantations in peasant areas has hit on the idea of providing link financing (*financiamiento de enlace*) disbursed by INDAP and FOSIS as the subsidy from D.L. 701 is only paid after the investment has been done and also to link up the peasant unit with the forestry industry which can supply the seedlings, technical as well as other services, and later purchase the cut forest (Gómez, 1994; Donoso and Bahamondes, 1994). According to the World Bank (1994) study the dryland areas, where many peasant farmers are located, are continuing to deteriorate as they are not suited for crop cultivation and thus they recommend forestation as this will reduce soil erosion and will generate greater incomes. Peasant farmers can rent their land to the pulp factory in return for working on their land and the factory would provide the finance for converting to tree plantation.

In furthering reconversion the government is also encouraging linkages between agro-industry and peasant farmers (Faigenbaum, 1993). For example, an horticultural development plan linked to more than 100 food processing plants is envisaged. Agriculture Minister Emiliano Ortega (1994a) foresees that the country can expand horticulture from the current 110.000 hectares to no less than 250.000 hectares over the next 15 years. This is an opportunity for peasant agriculture although capitalist farmers will undoubtedly seize the opportunity as well. Worth mentioning is also the reconversion of smallholders' vineyards in the dryland areas of Regions VII and VIII with the incorporation of improved vinestocks and appropriate technologies especially suited for small agriculture (*ibid.*).

The government has also initiated projects which stimulate the cultivation of non-traditional agro-exports like flowers, seeds and bulbs also receives support (INDAP 1994). For example, INDAP has convinced many mapuche peasants in Region VIII (Bio-bío) to set aside small plots of one-quarter to half a hectare for the cultivation of liliu bulbs. INDAP acts as an intermediary between a Dutch agro-industrial company which provides the bulbs and wishes to take advantage of the summer growing season in Chile while in The Netherlands it is winter, and which then imports the mature bulbs back to The Netherlands. INDAP provides technical assistance and credit as well as having supported the construction of a packing and storage plant owned by a peasant cooperative which in turn was set up with the organizational backing of INDAP (author's field visit in December 1994).

Some of the reconversion projects are aimed at strengthening the productive capacity of women in the countryside. Although these are few and far between they are at least introduce in a more explicit way a gender dimension to reconversion. They still tend to be rather traditional activities as they are largely confined to the development of garden plots, through the construction of relatively cheap and simple green houses which allow the cultivation of vegetables, flowers, seeds, etc. There are also small projects which seek to encourage and improve the methods of raising small animals as well as their quality, and of developing other productive activities such as beekeeping which women tend to undertake as these activities take place either within the house or adjacent to it (Barría, 1992). Many of these projects are aimed at indigenous women (author's field visit, December 1994).

Although irrigation projects are often not explicitly designed for reconversion programmes they do greatly facilitate farmers' productive transformation if they wish to do so as the irrigation of former drylands or a greater security and continuity in the supply of irrigation water leads to increases in yields and allows the introduction of new crops and other productive activities which previously were either unfeasible or unprofitable (ODEPA, 1995). In 1985 the military government published Law No. 18.450 of Promotion to Private Investment in Irrigation and Drainage Works with the aim of expanding the country's irrigated area. This law provided a substantial subsidy to those private entrepreneurs undertaking irrigation and drainage works. However, only 5 per cent of the total government subsidies were allocated to peasant farmers during the military regime (Jeria *et al.*, 1994) and the remainder was captured by rural capitalists. The Concertation government designed a Peasant Irrigation Programme in 1990 so as to extend the benefits of Law No. 18.450 to peasants and small farmers with less than 12 basic irrigated hectares or their equivalent. The aim is to assist peasant farmers in reducing the technological gap between it and capitalist farmers. Most of these irrigation projects are channelled through an agreement between INDAP and FOSIS to communal organizations of peasants and small farmers. Until late 1994 679 projects had been submitted involving 31.439 peasant families contemplating the irrigation of 157.661 hectares, i.e. on average 5 hectares per beneficiary unit, and costing on average \$US 1.400 per peasant unit (Furche, 1995:39).

As mentioned earlier the target of the government's reconversion policy largely excludes the minifundistas and the government still lacks a clear policy which tackles the minifundia problem. Emiliano Ortega is aware that with Chile possibly joining Mercosur and NAFTA the scale of enterprise is going to become an even greater problem (Molina, 1995). Thus the inevitable tendency toward land concentration. Are there any policy measures to increase the farm size of the smaller peasant economies? Should INDAP concentrate its scarce resources in assisting those peasant economies which have a greater chance of success, i.e. the already viable peasant farm sub-sector, or should it be targeting the minifundia but with little chance of success as it would spread its meagre resources too thinly to make a significant impact?¹⁰ This is the dilemma which INDAP is still seeking to resolve but it is putting more emphasis on those peasant producers with greater chances of success while leaving the poorer groups to be dealt with by FOSIS and other institutions which have poverty alleviation programmes. Undoubtedly INDAP's programmes have contributed to the reduction of poverty in rural areas but on its own it cannot resolve such a major problem. Thus an inter-ministerial coordinating

committee was established recently to tackle the poverty issue in a more comprehensive manner. Minister Ortega bypasses the problem when declaring in a newspaper interview that '[a]ll peasants and small agricultural producers are viable' (E. Ortega, 1994b). A more realistic assessment is done by Larraín (1996) who predicts that the association of Chile to Mercosur will already lead to greater concentration of farms due to competitive pressures resulting from lower tariffs. Many small farmers will be unable to survive and what will happen is 'an agrarian reform in reverse' induced by the competitive pressures of the market as the liberalization process is further enhanced. It is indeed ironic that almost the same centre and left-wing parties which implemented the state-driven agrarian reform from 1964 to 1973 are today letting this 'agrarian reform in reverse' happen. While perhaps not purposefully encouraging this process the centre-left government is not taking sufficient counter-measures either to prevent it from happening.

Is there going to be a market-induced process of contraction of the peasant economy, especially of the 140,000 minifundia? If agricultural wages rise and employment opportunities become more favourable (more permanent or at least shorter periods of unemployment during the year besides absolute reduction of unemployment) then this will facilitate the process of proletarianization as smallholders might decide that their fortunes would improve by selling their land. This would be a reconversion out of farming altogether! This 'reconversion out of farming' is already happening as indicated by the high rate of outmigration from small farming communities and where poverty is concentrated. For example, in the dryland areas between Regions V and VIII the number of small farms has fallen by over 40 per cent between 1975 and 1993 (World Bank, 1994). While poverty push rural labour out of the rural sector, pull factors such as higher wages entice poorer peasant farmers to engage in wage labour either in the rural or urban sectors. On the one hand, agricultural real wages have increased by 15 per cent between 1988 and 1993 but urban real wages increased even more (Klein *et al.*, 1995:4; Cox, 1994:165). In 1992 the percentage of agricultural and forestry wage workers earning less than the legal minimum wage had been reduced to 18 per cent, while almost two-thirds earned between one and two minimum wages (*ibid.*:5). On the other hand, the rate of agricultural unemployment diminished between 1986 and 1992 from 5.3 per cent to 2.0 per cent but increased to 3.0 per cent in 1994 (Marchant, 1994:35; ODEPA, table 95012). On balance these factors encourage the further semi- or full-proletarianization of the peasantry, although in this case it is not accompanied by increased poverty as rural poverty decreased from 42 per cent in 1990 to 34 per cent in 1992 (Barría, 1994:1-2) and has continued to fall since, although at a lesser rate.

5.- Conclusion: Outstanding Challenges for Rural Chile

Peasant organizations are today still extremely weak in terms of membership and their influence on employers despite the process of democratic transition opened in 1990 with the Aylwin government and continued today with the Frei (Jr.) administration (Gómez, 1993b). Their sway on government policy is also very restricted at least in comparison to capitalist farmers, although the latter group has far less influence on government policy as compared to the years of military rule and, above all, the pre-land reform period before Frei (Sr.) was elected to the Presidency in 1964.

There are some uncertain years ahead for the agricultural sector as the 'easy agro-export phase' is showing signs of exhaustion and domestic producers face increasing international competition both in export- and domestic-oriented production (Palma, 1994; Gámez, 1995). While some capitalist farmers might rise to the challenge, peasant farmers might find the going tougher and some might have to give up farming altogether (Armijo and Montero, 1991). Life is certainly not easy for farmers in view of (a) the 'embarrassment of dollar riches' or 'Dutch disease' which is making agricultural exports less profitable due to the increasing strength of the Chilean peso, (b) the increasing competition of other fruit exporters in the world market (Montero, Jarvis

and Gómez, 1992), (c) the commercial agreements with the Mercosur countries, especially with Argentina, (d) the likely (if temporarily postponed) future NAFTA membership of Chile, and, last but not least, (e) the increasing predominance of urban over rural interests in policy making which determine a cheap food policy making it difficult to introduce protective measures for domestic agriculture. Furthermore, there are the increasing environmental problems to contend with (Gómez-Lobo, 1992, *The Economist* 1996).

Perhaps, the key problem for the agrarian sector today is that as it has become a major foreign exchange earner and reasonable supplier of foods (but with decreasing ability for self-sufficiency) and it no longer raises the spectre of land reform and large scale rural conflicts and mobilizations, governments no longer feel the need to have a special concern for this sector and thus design an agrarian policy which is distinctive from the overall macroeconomic policy (Mujica, 1993). Agriculture has to fend largely for itself, has limited priority and no longer is a significant player in the political and policy arena. This has the danger that policy makers can afford to overlook the unresolved social question in the countryside. The minifundia peasant sector is still plagued with lack of land and capital resources, low yields and a traditional production pattern. Meanwhile the temporary wage workers are still unorganized and unprotected (Salas, 1995). Both groups continue to live in poverty and society has still an outstanding debt with them.

While Chile has become a model for many countries and its achievements have indeed been remarkable this should not lead to complacency in view of the outstanding problems. To resolve these is no easy task in view of the relative weakness of today's State (compared at least to the pre-1973 period) due to the neoliberal reforms, the 'leyes de amarre' (though these hopefully are only temporary), and the wider process of globalization throughout the world system. Thus the Chilean State has inadequate economic resources, institutions, personnel and might also command insufficient support and legitimacy for tackling these fundamental problems which certainly will require sacrifices from those sectors of society who most benefitted from the dictatorship. Although the judgement expressed in the quotation at the beginning of this article is perhaps an undeservedly harsh judgement on the performance of the concertation governments it is a warning that more decisive action has to be taken to address the problems of equity and exclusion. No process of modernization and democratization can be complete unless the country has tackled, if not fully resolved, this outstanding agrarian question.

NOTES

1. For an historical overview of the agrarian question in Chile, see Kay and Silva (1992).
2. The Concertation governments would contend that they are aiming at 'changing production patterns with equity' (to borrow a phrase from ECLAC's neostructuralist development strategy, see ECLAC, 1990) but to qualify for such a characterization government policy would have to achieve better results concerning equity. The high rates of economic growth achieved by the Concertation government in recent years while reducing poverty have also worsened Chile's income distribution.
3. For a further analysis on the issue of continuity or change in agrarian policy with regards to the first Concertation government, see Kay (1993).
4. For an analysis of the origins of the concept 'capitalized peasant farmers' and subsequent discussions within the Latin American context, see Kay (1995).
5. When referring to data for the country as a whole using data from Tables 6 and 7 (as well as in some other tables) I am strictly speaking only of Regions III to X. However, this is a reasonably approximation for the real country total data as, for example, these regions account for 97 per cent of country's land (Regions I to XII) and 93 per cent of its land with forest plantations.
6. It is difficult to gather adequate evidence for substantiating the above statements and thus this is an important area which requires further research.
7. At the time of writing this article Chile's Minister of Agriculture is Emiliano Ortega, who for many years was Head of the Joint ECLAC/FAO Division which undertook a series of influential studies on structural adjustment and its impact on the rural sector and the peasantry. For Ortega's own views on these issues, see E. Ortega (1987).
8. Criteria for calculating and determining a minimum viable farm unit are given in Namdar-Irani and Quezada (1994b:19-22).
9. Estimates as to the number of peasant units differ even from one text to another by the same author. Thus Sotomayor (1994a) gives the figure of 200.000 while in a later study he writes that most estimates vary between 210.000 and 230.000 peasant units (Sotomayor 1994b:111).
10. These questions are explored by the former Head of INDAP, Hugo Ortega (1993b).

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