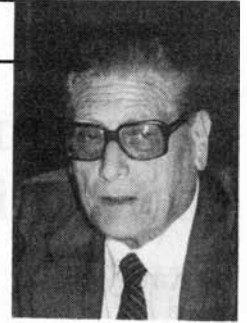

Interview: Leonidas Gasoni



Argentina's austerity policy threatens agro producers

Leonidas Gasoni, president of Argentina's Inter-Cooperative Agricultural Confederation (Coninagro), was interviewed on Aug. 5 in Buenos Aires by EIR correspondent María del Carmen Cabanillas. His organization represents especially small and medium-sized agricultural producers.

As Mr. Gasoni references below, his organization felt compelled to respond to Undersecretary of Agricultural Policy Jorge Ingaramo, who admitted on July 8 that as many as 200,000 agricultural producers, who invoice under \$15,000 annually, could go under as a result of the Carlos Menem government's economic policy. Ingaramo stated that "no one has invested—not even the state—and this is dramatic. The country doesn't have the trains, roads, machinery . . . communications it should have." Coninagro, as well as the three other major organizations representing agricultural interests, has been highly critical of government policy.

EIR: Why have you characterized the Menem government's agricultural policy as one of "every man for himself"?

Gasoni: This came out of a press release we issued, referencing the recognition of certain government officials [Undersecretary of Agricultural Policy Jorge Ingaramo], that the current adjustment policy will or could remove from the system at least 200,000 small and medium-sized producers. We state in our document that it's bad for a country to officially establish a kind of indifference regarding the consequences of political measures which may simply eliminate 200,000 people, most of whom are heads of families, who work and produce. Their productive plots are very small and they can't tolerate the austerity demands imposed by the [government's] economic program.

We believe this is a very bad sign, and that the country can't give out signals of this type, just saying, "It's every man for himself." I don't believe that any modern system of political leadership can operate on the basis of such a premise. So that's why we've criticized those types of statements, and will continue to criticize economic policies now being adopted which may point in the same direction.

EIR: Can you tell us how the current economic model has

affected the agricultural situation? In physical terms, by how much has production been reduced, or how many hectares have been removed from production compared to previous years?

Gasoni: What we've indicated, and on this we agree with the four other organizations representing the national agricultural sector, is that Argentina's agricultural economy . . . is stagnant; not that it has regressed, but that it hasn't grown. Production can be maintained at current levels, but with different policies. It's hard to see how production could drop below current levels of 35-40 million tons of grain and 2 million tons of meat. . . .

But who will maintain those production levels if the small producers become unviable? That doesn't mean that the land will go out of production, only that it will be worked by other people. Those units will continue to produce, but under the supervision of a larger entity and an economy of concentration. When the cost-benefit relationship reaches an extreme in which the smaller units cannot sustain these operating costs . . . then they disappear as autonomous productive units, and become concentrated in fewer hands. . . .

Right now they aren't growing; but even if they were to grow, the primary question is, with what economic model, and with what degree of participation from the agrarian producer, who, in quantitative terms, represents a majority? . . . This is no longer just an economic problem. It is a social one, as well, and this is what we want to tell the government, that it not ignore this aspect of policy, because we're not just talking about being able to produce, but producing through active efforts which are esteemed and respected by many people.

EIR: What is it in the economic policy which has brought you to this point? What has caused this independent activity to disappear?

Gasoni: The problem stems from the Convertibility Plan [the program implemented in mid-1991 which pegs the peso to the dollar], which established a fixed exchange rate and proposed a downward correction of the relative price distortions which existed in the internal economy, using the fixed

exchange rate as a reference point. Disproportionately high prices existed internally just prior to the Convertibility Plan, pushed upward in a disorderly fashion by inflation. So at the point of the plan's application, relative prices were out of alignment . . . [and] the government program intended to correct these internal price distortions.

But this is a very hard thing to do, and to date, the plan hasn't worked. So these incredibly high costs of transportation, energy, fuel, plus the grossly high financial costs, affect the weakest. Who are they? The smallest producers, in the case of the agricultural economy. The delay in correcting the relative price distortions is eliminating the activity of the small producer, because he cannot tolerate the financial costs. Also, neither big nor small producers fix prices. They cannot transfer the burden of these disproportionate financial costs to the agricultural sector, which is itself in need of credit.

The financial costs can't be transferred to prices. The inability to reduce higher utility rates, higher fuel and administrative costs, means that the increase in the cost of living has practically guaranteed that income remains fixed. . . . Income is disproportionate to costs; production now costs almost as much as one earns . . . and there's no margin for one's vital or family needs. That is, there is no margin for subsistence, so this constitutes a form of expulsion. For how long can a productive unit produce at a loss? A year? Six months? Eventually, you become totally decapitalized, or you leave before that happens, selling or renting your land. So the small producers are left by the wayside.

EIR: What kind of tax burden is imposed on production?

Gasoni: Between 20 and 22% of the national agrarian GNP. Between 20 and 22% of the producer's gross income goes to taxes, and combined with the relative price distortions I mentioned earlier, you begin to see the transfer of a totally exaggerated amount of income to the public sector, which the agricultural producer simply cannot tolerate. This is another of the components of the producer's cost of production which make his current situation untenable.

EIR: Isn't there also a problem in terms of physical infrastructure, and technical improvements which need to be made?

Gasoni: For reasons I've already described, modernization of equipment has halted and is actually in regression. The country's agricultural equipment is, on an average, 18 years old, well beyond the normal amortization period for agricultural machinery, and this raises costs and exacerbates the situation.

Moreover, there's no possibility of buying equipment, because even if there's a deal on credit, with the existing exorbitant interest rates and low profitability rates, anyone who dares to take on debt in order to purchase equipment

will unquestionably hasten his own bankruptcy. For the moment, there is just no possibility of modernizing machinery, and if there is no offer of credit from abroad—international credit with international interest rates and terms for investment in agriculture, for both machinery and installation—and if there's no international credit for working capital and to pre-finance exports at international rates, there is, for the moment, no possibility of reversing this situation. . . .

EIR: What kind of interest rate levels are you talking about?

Gasoni: Because there is parity between the peso and the dollar, the rate in pesos is virtually the same as in dollars. The minimum peso rate is in the order of 2.5% *monthly*, but there are private commercial rates of up to 4-5% monthly, which, in international terms, means dollar rates as high as 30%, and even 40% and 50%, annually. That speaks for itself. No productive activity, in Argentina or anywhere else in the world, can sustain that level of interest rates. Technically, eventually this is the factor which annihilates any undertaking one might wish to initiate.

EIR: If there hasn't been any technical improvement or modernization of machinery, how have you avoided a decline in production?

Gasoni: What happens is that maintenance costs increase. Machinery is used in the most efficient way possible, and repairs are made. But the cost of production increases, because maintenance costs increase. If this doesn't change, we'll reach a point at which the equipment will be so old, that it will finally become worn out and cease to function. This hasn't happened yet, so we're not yet estimating a drop in production. What we can say is that under these circumstances, and if conditions don't change, we can't foresee increased production, and it is increasingly difficult to maintain current levels of production.

EIR: How many producers and hectares are you talking about?

Gasoni: There are about 400,000 agricultural producers in Argentina, most of whom are small or medium-sized. Of that universe of 400,000 producers and their families, we can say that about 75% are affected. Seventy-five percent of those producers are more affected than the rest, although of course everyone is affected by the overall situation. Beyond the 50% which a government official said were at risk of having to abandon production, we can add another 25% who can only continue producing with great difficulty.

EIR: How does the policy of opening the country up to imports affect you?

Gasoni: This is another complicating factor we have, because, through unfair trade practices and dumping, imports

are invading the internal market. Argentina hasn't done what other countries have done in terms of applying compensatory rights to prevent products from being dumped onto the market, which then affects our country's productive activity.

This year, dairy imports equaling 12%-15% of the total volume of nationally produced dairy products will enter the country. Almost all of this is due to the practice of dumping. Some products come from countries which subsidize their exports and others which, although not subsidized, sell at international prices regulated by subsidized products. Who will buy from a country that sets higher prices when he can buy subsidized products at a lower price?

Whoever wants to sell dairy products has to do so at prices equal to the subsidized prices. So, the effect on us is the same. The country has no policy of compensatory rights which protects Argentine producers from unfair international trade. This is also the case with natural fibers—look at the case of cotton; it is also happening with wheat. While we don't import wheat, our exports are unfairly affected. . . .

EIR: Have exports dropped?

Gasoni: Exports haven't dropped in terms of volume, but they have in terms of the income produced, because in the face of the empire of unfair international trade practices and subsidized prices, international prices have dropped.

EIR: What can you tell us about foreign investors buying up Argentine land? Do you know who they are?

Gasoni: What I do know is that this is a process of concentration and accumulation of productive land . . . [and the buyers] could be either local or foreign companies. I think that, for a foreign investor, the value of Argentine land compared to its productive activity, is very cheap. While productive agricultural activity in Argentina right now is not all that attractive, from the standpoint of investment, it is. I think our country is attracting the foreign investor. . . .

Although I don't know the names of those who are buying land, I have no doubt that this is going on. . . . Rather than having any productive purpose in mind, real estate investors put their money down on the expectation of a future increase in the product's value. Evidently [investors] think that the value of Argentina's agricultural lands will constantly increase. . . .

EIR: How would you define the small or medium-sized producer?

Gasoni: It depends on the type of production and the location. For example, in the area of the *pampa* dedicated to agriculture, if a producer owns 100-200 hectares, he is considered to be medium-sized. But if you go to the more marginal zones, even with 500 hectares, you're a small producer, because you have to raise cattle or something like that. So it all depends on where one is located and the productive

characteristics of the zone.

EIR: What solutions, or what agricultural policy are you demanding of the Menem government?

Gasoni: We have always recommended that people remain on their lands. In the first place, it is a fundamental necessity that the small and medium-sized producers continue to exercise their right to own property, the right to own their plots; and secondly, that their job be recognized as valid, respectable, and productive. For this to happen, the producer first of all needs a financial policy which gives him access to credits and the necessary working capital; to allow him to sow, to support his family in the course of the crop's vegetative period, or in the case of cattle raising, until the calving period is finished.

Producers also need credit for machinery, and to invest at interest rates and terms which producers in the rest of the world pay. We're prepared to pay taxes, but on terms which don't imply a transfer of income which leaves us without the means to guarantee the support and progress of our own families, or to pay for the health and education our people need, as well as the machinery for the agricultural home, and the necessary communications and transportation infrastructure. . . .

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