

Advance Praise for *The Political Economy of Agribusiness*

“The Political Economy of Agribusiness by Maria Luisa Mendonça is a brilliantly written small book about a huge issue confronting humanity: agribusiness — and how it causes social problems such as land grabbing, inequality and exploitation, and provokes resistance. It is a must-read for academics and activists alike.”

— Saturnino M. Borras Jr., International Institute of
Social Studies (iiss), Netherlands

“The concept of “agronegócio” is not just a translation of “agribusiness” to Portuguese. It has been a political construction, based on a narrative of modern technology, appropriation of public resources and concentration of land and wealth. Mendonça’s book critically explores this historical construction in dialogue with political economy and critical agrarian studies. A piece worth reading to better understand inequality, injustice, power relations and monopoly of wealth, as well as social resistance and land struggles in contemporary Brazil.”

— Sergio Sauer, professor of environment and rural development
at the University of Brasilia (FUP/UNB) and faculty member of
the Centre for Sustainable Development (CDS) and master’s in
Sustainability with Traditional Peoples and Lands

The Political Economy of Agribusiness

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The Political Economy of Agribusiness

A CRITICAL DEVELOPMENT PERSPECTIVE

MARIA LUISA MENDONÇA

CRITICAL DEVELOPMENT STUDIES



**FERNWOOD
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**Practical
ACTION
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*This book is dedicated to social movements that are protecting
and building ecological food systems around the world*

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Critical Development Studies Series

Three decades of uneven capitalist development and neoliberal globalization have devastated the economies, societies, livelihoods and lives of people around the world, especially those in societies of the Global South. Now more than ever, there is a need for a more critical, proactive approach to the study of global and development studies. The challenge of advancing and disseminating such an approach — to provide global and development studies with a critical edge — is on the agenda of scholars and activists from across Canada and the world and those who share the concern and interest in effecting progressive change for a better world.

This series provides a forum for the publication of small books in the interdisciplinary field of critical development studies — to generate knowledge and ideas about transformative change and alternative development. The editors of the series welcome the submission of original manuscripts that focus on issues of concern to the growing worldwide community of activist scholars in this field. Critical development studies (CDS) encompasses a broad array of issues ranging from the sustainability of the environment and livelihoods, the political economy and sociology of social inequality, alternative models of local and community-based development, the land and resource-grabbing dynamics of extractive capital, the subnational and global dynamics of political and economic power, and the forces of social change and resistance, as well as the contours of contemporary struggles against the destructive operations and ravages of capitalism and imperialism in the twenty-first century.

The books in the series are designed to be accessible to an activist readership as well as the academic community. The intent is to publish a series of small books (54,000 words, including bibliography, endnotes, index and front matter) on some of the biggest issues in the interdisciplinary field of critical development studies. To this end, activist scholars from across the

world in the field of development studies and related academic disciplines are invited to submit a proposal or the draft of a book that conforms to the stated aim of the series. The editors will consider the submission of complete manuscripts within the 54,000-word limit. Potential authors are encouraged to submit a proposal that includes a rationale and short synopsis of the book, an outline of proposed chapters, one or two sample chapters, and a brief biography of the author(s).

Series Editors

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The Political Economy of Agribusiness: A Critical Development Perspective combines my grassroots work and my academic research on national and global policies that shape economic, social, environmental and territorial dynamics in the countryside. The book is dedicated to the amazing activists and educators from social movements and rural communities who have been an inspiration to me, especially La Vía Campesina, Movimento Sem Terra (MST, the Landless Workers' Movement), Comissão Pastoral da Terra (Pastoral Land Commission), Movimento dos Atingidos por Barragens (Movement of People Affected by Dams), Movimento de Mulheres Camponesas (Movement of Peasant Women), Movimento de Pequenos Agricultores (Movement of Small Farmers), as well as Indigenous and Quilombola (rural Afro-Brazilian) communities that are at the centre of geopolitical struggles to defend land and natural resources.

When I was planning the scope of this project, the recommendation I received from rural movements was to produce theoretical information that would uncover key contradictions about agribusiness that could be used as tools for building perspectives for change. This was the main goal of my research for my PhD in Human Geography at the University of São Paulo, which is an interdisciplinary department that combines political economy, philosophy and social sciences. I was fortunate to have Ariovaldo Umbelino de Oliveira as my adviser. One of the most influential geographers in Brazil, Ariovaldo has shaped current critical theory and mentored a whole generation of scholars in different regions of the country. He challenged me to always go back to classic political economy and philosophical questions as a way to push the theoretical envelope. I received enormous support from other professors in the Geography Department, especially from my dear friends Larissa Mies Bombardi and Marta Inez Medeiros Marques. Another space that contributed to the formulations in the book was the

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We launched our first collective publication in 2015 together with the Center for Place, Culture and Politics at the CUNY Graduate Center, when Director Ruth W. Gilmore brought together activists and scholars to discuss similar patterns of land speculation in rural and urban areas. Since that time, Ruthie has been an inspiration, a mentor and a sister to me. The Center for Place, Culture and Politics has been a second home for me in New York, and I am grateful for the wonderful support of Mary Taylor, Peter Hitchcock and David Harvey. At seminars I met brilliant people who formed a community of friends, including Sonia Borges, Mamyrah Prosper, Ujju Aggarwal, Kafui Attoh, Laura Y. Liu and Leigh Claire La Berge.

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Acronyms

BNDES	National Bank for Economic and Social Development
CEDAW	United Nations Committee on the Elimination of Discrimination Against Women
CPCP	Center for Place, Culture and Politics
CPT	Pastoral Land Commission
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
HMC	Harvard University Management Company
INCRA	National Institute for Agrarian Reform
LAAD	Latin American Agribusiness Development Corporation
MST	Landless Workers Movement
TIAA	Teachers Insurance and Annuity Association
TRS	total recoverable sugar
USAID	US Agency for International Development
USDA	US Department of Agriculture
WTO	World Trade Organization

Introduction

This book is the result of several years of grassroots work with rural movements in Brazil, and a contribution to their strategy of exposing the main dynamics that frame economic and geopolitical disputes in the countryside. In order to understand this process, it is necessary to start with a historical analysis of the creation of agribusiness as a concept and as a set of policies in the United States, as well as its international influence. The book explores theoretical perspectives that explain the political economy of agribusiness from a critical development approach. It describes recent international policies that play a key role in agricultural systems in Brazil, such as financial speculation in farmland, agroenergy production and market concentration of commodities.

The historical analysis investigates how the image of agribusiness was shaped by the publication of the 1957 book *A Concept of Agribusiness* by John Davis and Ray Goldberg at Harvard University. This book had a strong influence on agricultural policies in the United States and internationally. It promoted a “technological revolution” supported by the state to provide incentives for large farms and massive processing, distribution and transportation infrastructure for the production of food and fibres. The agribusiness system envisioned by Davis and Goldberg included agricultural and industrial corporations, research institutions, lobby groups and state offices.

During the post–World War II period in the United States, the economic context was characterized by a crisis of overaccumulation. In the agriculture sector, this included an increase in the productivity of grains, which demanded larger investments to cover the costs of mechanization, and the creation of several governmental policies to provide subsidies for internal markets and for export. These policies, described in the first chapter, reveal how the state has played a central role in the creation and expansion of the agribusiness system.

The internationalization of the agribusiness system by the United States resulted in the expansion of monocrop plantations of agricultural commodities in several countries. The case of Brazil, presented in the book, illustrates this dynamic. To expand the influence of agribusiness, the United States flooded international markets with its surplus of grains and supported the growing role of US agribusiness corporations internationally through trade policies and financial mechanisms. As a result of this type of neocolonial approach, US agribusiness corporations took control of world grain stocks and commercialization, which stimulated financial speculation in agricultural commodities.

The discourse in defence of the development of agribusiness was promoted within an ideological context influenced by the so-called evolutionary economy, which is based on the idea that economic theory and technological “progress” should follow patterns similar to biological science. However, the crisis of overaccumulation revealed contradictions in the process of industrializing agriculture, which increased constant capital in relation to labour exploitation in the production process. The second chapter of the book presents an economic analysis of this process, as well as the main theoretical concepts that are helpful for understanding the historical and current dynamics of power relations in rural areas. One perspective in this analysis is the theory of value, which is based on the main categories of capitalist social relations: labour, capital and land.

In general terms, capital is defined as the result of extracting value from labour in the production process as well as in distribution, circulation of commodities and financial markets. Capitalism is an economic system mostly mediated by the commodity form, which is based on exchange value or market dynamics, as opposed to use value, which is not measured by markets. The global expansion of capitalism promotes the commodification of all aspects of life. For example, water is an essential element of life, which means that it has high use value, but its commodification has influenced monopolist control of this market to generate exchange value. In the current dynamics of capitalist relations, use value and exchange value form a dialectical unit. This theoretical approach permeates the book, as it investigates how agribusiness corporations promote the commodification of land and other natural resources.

The analysis of agribusiness demonstrates how the process of capital reproduction in search of valorization or profits leads to capital accumulation. The book describes these dynamics of capital reproduction as agribusiness corporations tend to increase the concentration of constant capital or fixed assets (such as land, machinery, technology and raw materials). It also shows

how this trend relates to labour exploitation as the source of surplus value or profit. The search for profit or valorization is the main driving force of capitalist accumulation and the development of productive forces.

In *The Wealth of Nations*, Adam Smith identified labour as a source of value and as a measure of exchange value based on the naturalization of the division of labour. He explained the division of labour as a natural inclination for exchange in social relations, which would lead to the development of productive forces, combining less labour time with a higher volume of commodities produced through labour specialization and production mechanization. For Smith, the “law of supply and demand” would follow a “natural order” moved by individual interests that would eventually benefit society.

David Ricardo developed the theory of value in the book *On the Principles of Political Economy and Taxation*. He analyzed value as exchange value, measured by the comparative number of commodities produced by labour in relation to fixed capital. The relative value of commodities is therefore determined by labour time. Ricardo saw the increase in productivity of the means of subsistence (such as food, shoes and clothes) as key to determining the reproduction of the labour force. According to his theory, value originates in the productive process, in addition to the commercialization of commodities. Thus, the development of productive forces would determine a difference in value, and not in the price of commodities, as social labour time defines the average profit rate. This observation is based on the proportion between fixed and circulating capital. Ricardo also related the decline in profit rate to the increase in fixed capital.

Marx defined value based on the concept of labour as a concrete abstraction and the dialectical relation between use value and exchange value. When social relations are mediated by the commodity form, use value and exchange value are merged into a dialectical unity, as opposite but inseparable concepts. For Marx, value is determined by the proportional relation between constant capital (meaning objectified or “dead” labour) and variable capital (“live” labour), considering the unity formed by the production and circulation of commodities. Marx described the capitalist division of labour by explaining the history of primitive accumulation, with reference to the violent displacement of peasants and the role of colonization. The relation between labour and means of production in peasant agriculture brings fundamental differences that are central to the current debate about the political economy of agribusiness.

These concepts are relevant to the study of agribusiness and its tendency to form monopoly capital by dominating national and international markets,

as the book demonstrates. Increasing investment in constant capital is a result of competition between corporations, but it generates a contradictory dynamic of capital concentration because it reduces competition. This process includes mergers and joint ventures that eliminate smaller companies, leading to a market monopoly in agricultural production and trade. Further, agribusiness corporations increase their assets to have privileged access to credit and subsidies. Competition functions as a dialectical element in stimulating the development of productive forces through higher levels of investment in constant capital that only certain corporations with greater access to subsidies can achieve, which ends up eliminating competition.

Capital mobility creates this pattern of market concentration internationally, although with certain characteristics in different regions and countries, according to the ways it affects the appropriation of land and natural resources. A monopoly over farmland follows a dialectical tendency as well, since it “immobilizes” capital and, at the same time, stimulates land speculation and capital circulation in financial markets. The current process of speculation in farmland, described in Chapter 3, illustrates this dynamic.

The book also explains how the market concentration by agribusiness corporations reveals a contradiction within the organic composition of capital, which is formed by the dialectical relation between constant or fixed capital and variable capital or labour power. This analysis shows that a market monopoly does not arise from a linear or mechanical process, as if the development of productive forces were only a result of technological “progress.” On the contrary, it demonstrates a dialectical relation between crisis and accumulation, as simultaneous and permanent elements of capitalism, even when they are manifested as polarized and cyclical.

A crisis of overaccumulation, therefore, is not just a result of underconsumption or an imbalance between supply and demand. It happens within a process where there is a proportional increase of constant capital in relation to variable capital. The search for valorization increases the composition of capital and labour productivity, which means a decrease in valorization through labour exploitation. Based on this perspective, the “product” of capitalist agriculture is expressed in the search for valorization within social relations of land, capital and labour.

To explain this process, the book describes how the agribusiness system was promoted through a set of measures implemented by governments and private institutions that intensified the industrialization and standardization of agriculture in several countries. Some of the key elements of this system are the uniformity of crops, the application of machinery and chemical inputs and the heavy use of water and energy in the production process.

The agribusiness system also relies on subsidies and state credit to cover increasing costs of production with mechanization. The internationalization of agribusiness led to capital concentration in industrial supplies and trade corporations.

The origins of this system of production date back to the Great Depression of the 1930s, when the US government adopted measures to restrict food imports and protect local agriculture. These policies included subsidies for both food production and price guarantees, which generated surpluses, especially of grains. As a result, the government began to provide funding for export and for “food aid” programs that promoted dumping in other countries and flooded the world grain market. In the 1970s, US-based agribusiness corporations intensified their efforts to establish subsidiary companies in various countries. Financial deregulation facilitated this process by increasing the international mobility of capital. The growing specialization of agricultural production led farmworkers and peasants to migrate, which changed land ownership structures and land uses in many countries.

Widespread use of machinery and chemical inputs caused genetic erosion of crops, deterioration of soils and speculation on land prices. Data on the loss of soil fertility are generally omitted from official statistics. However, growing dependency on nitrogen-based fertilizers reveals how natural nutrients are being depleted. The use of inputs based on fossil fuels causes major impacts on water sources and air quality. It also generates economic vulnerability in a context marked by geopolitical disputes over oil and natural gas, as well as instability caused by the role these commodities play in speculative operations on financial markets.

The historical and current policies discussed in the book are key elements to understanding the causes of the global environmental crisis and climate change. The book also highlights the organizing process of rural communities in Brazil to build international solidarity in defence of land rights and ecological food production. Brazilian rural movements have a long history of struggle against land-grabbing and the expansion of monocrop plantations by agribusiness.

Before the word “agribusiness” became popular in Brazil, the most frequently used concept was “agroindustrial complex,” associated with linear notions of “progress,” “development” and technological “advancement.” After the 1960s, Brazilian agriculture became more dependent on industrial inputs and continued to prioritize foreign markets. To cover the increasing costs of machinery and chemical inputs, controlled by multinational corporations, more access to credit and subsidies for agricultural production

was required. The so-called agroindustrial complex was supported by state policies such as special lines of credit that deepened the role of financial capital in agriculture.

To explain the process of transformation in Brazilian agriculture, the book includes original research about key words that constructed the concept of agribusiness in mainstream media outlets. This research shows a change in mainstream discourse, especially in relation to the dissemination of key words to describe the predominant agricultural system, based on social, economic and political elements used to promote the concept of agribusiness. Particularly during the implementation of neoliberal policies in the 1990s, academic institutions and media outlets associated the concepts of agribusiness and “production chains” so that industrial, chemical and marketing businesses would be included in the calculation of agriculture’s contribution to gross domestic product (GDP). At that time, agribusiness corporations also advanced the idea that family farmers should be “integrated” into these “chains.”

Meanwhile, neoliberal policies facilitated the international circulation of financial capital, as well as speculation in commodities markets. Structural adjustment policies in Brazil stimulated the dumping of agricultural products from external markets and the privatization of strategic economic sectors. Neoliberal policies were based on the defence of a “minimum state,” even though large agriculture corporations have always depended on several forms of governmental subsidy. This is a main point of investigation explored in the book, which examines the creation of the agribusiness system in the United States and its international expansion.

Agribusiness corporations in Brazil lobby for increasing access to state subsidies while also complaining about “protectionist” policies and agricultural subsidies in other countries, especially in the United States and Europe. The agribusiness lobby in Brazil occupies key spaces of power in the national congress. A common element in its discourse is the idea that Brazil has a “vocation” for agricultural production, associated with the notion of “development” as a linear historical process based on technological “progress.” This discourse is used to justify the demand for state subsidies for large monocrop plantations as part of the “production chains” of agribusiness. The book highlights this dynamic as it describes how the agribusiness system was promoted in Brazil, including through state policies to expand sugarcane plantations for the production of ethanol.

The word “development” is frequently used by Brazilian government officials, corporations and media outlets to describe the expansion of agribusiness (Mendonça 2018). This is part of a strategy to disseminate

a positive image and to hide the impacts of an agricultural system based on monocrop plantations that destroy natural resources, such as land and water. A key objective of this strategy for agribusiness corporations is to have continuing access to state subsidies. These subsidies become a means for private corporations to appropriate public funds. Their main “product,” then, is debt. This is one of the primary points investigated in the book, along with how agribusiness corporations take advantage of subsidized credit to speculate in farmland and in financial markets.

To justify receiving state subsidies and special credit, the agribusiness sector claims it contributes to economic “development.” This type of discourse is an essential part of a communications strategy used to increase agribusiness corporations’ control over land, perpetuating social and economic inequalities in rural areas. Historically, the agricultural system based on extensive monocropping of commodities for export has relied on state policies that generate public debt. In 1980, for example, the Brazilian government “forgave” a US\$13-billion debt of agribusiness corporations. This represented twice the amount of the trade balance for agriculture at that time. Indebtedness persisted for agribusinesses, despite their continued access to various types of subsidies and tax incentives. In 1999, the Brazilian government cancelled another US\$18 billion in debt, when the announced trade surplus for the agribusiness sector was US\$10 billion (Mendonça 2018).

Even during periods of economic crisis, the Brazilian government has continued to provide large subsidies for agribusiness. In 2015, for example, subsidized credit provided by the state program called Plano Safra increased 20 percent compared to the previous year and reached a total of R\$180 billion (R\$, or the real, is the Brazilian currency). Data from the Ministry of Agriculture show that this amount was equivalent to the trade balance of agribusiness in 2014, which was US\$80 billion (at an average exchange rate of R\$2.50 to each US\$). This number does not include agribusiness debts, which have been accumulating for years. In the 2014–15 harvest period, the debt of sugar and ethanol corporations alone exceeded R\$50 billion, which represented a 12 percent increase compared to the previous year’s debt (Mendonça 2015).

In addition to increasing debt and dependency on subsidized credit to cover the rising costs of machinery and chemical inputs, state support for agribusiness deepened Brazil’s role as a supplier of agricultural raw materials based on foreign demand. Meanwhile, the import of industrialized food products changed eating habits in the country. Today, there is a growing demand for organic and locally produced food in Europe and in the United

States. In Brazil, food production by small farmers is usually underestimated and often even ignored in economic data, despite their role of providing food for the majority of the population.

The Brazilian government spends huge amounts of public resources to finance the production of agricultural commodities, which constitute an increasingly limited list of products for export. For the harvest period of 2021–22, for example, the Brazilian government announced that its subsidized credit plan, Plano Safra, would allocate R\$39.34 billion (equivalent to about US\$8 billion) to small farmers from a total of R\$251.22 billion, while the Brazilian Institute of Geography and Statistics estimates that small farmers produce approximately 70 percent of food for local markets in the country (Ministério da Agricultura 2021).

The combination of historical, analytical and field research presented in the book serves as a tool for grassroots organizing and international solidarity to transform agricultural systems, replacing monocrop plantations of commodities with agroecological food production. This movement includes strengthening the role of peasant and small farmers who produce healthy food for local markets and defending the land rights of Indigenous and Quilombola communities to build food sovereignty.