

AGRICULTURAL POLICY, FOOD PRODUCTION, AND MULTINATIONAL CORPORATIONS IN PERU*

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- POLÍTICA AGRARIA Y ESTANCAMIENTO DE LA AGRICULTURA, 1969–1977.* By ELENA ALVAREZ. (Lima: Instituto de Estudios Peruanos, 1980. Pp. 90.)
- LA ACUMULACIÓN DE CAPITAL EN LA AGRICULTURA PERUANA.* By HÉCTOR MALETTA AND JESÚS FORONDA. (Lima: Centro de Investigación de la Universidad del Pacífico, 1980. Pp. 267.)
- REALIDAD DEL CAMPO PERUANO DESPUÉS DE LA REFORMA AGRARIA. DIEZ ENSAYOS CRÍTICOS.* Edited by FRANCISCO MONCLOA. (Lima: Centro de Investigación y Capacitación, 1980. Pp. 338.)
- ALIMENTOS Y TRANSNACIONALES: LOS COMPLEJOS SECTORIALES DEL TRIGO Y AVÍCOLA EN EL PERÚ.* By FERNANDO GONZÁLEZ VIGIL, CARLOS PARODI ZEVALLOS, AND FABIAN TUME TORRES. (Lima: DESCO, Centro de Estudios y Promoción del Desarrollo, 1980. Pp. 286.)

Agricultural development has been a stated priority of successive national administrations in Peru for a number of years. When the military government of Velasco came to power in 1968, independence from foreign sources of food was regarded as an issue of national security and a massive agrarian reform was instituted. The Velasco government attempted to increase domestic food production to make more food available to the rapidly growing urban population and to improve rural living standards. It sought to achieve these goals through a restructuring of the social relations of production in Peruvian agriculture.

Recently a number of studies by Peruvian researchers have appeared that assess the situation of food and agriculture in their country from the perspective of the closing years of the military period. All of the books to be discussed in this essay were published during 1980, the year of transition from military to civilian rule. Throughout the period of military administration, numerous studies were published that dealt with one or another aspect of the agrarian reform, or with related prob-

*The author thanks Peggy Barlett and Jane Collins for reading and commenting upon an earlier draft of this essay.

lems of rural development. The present studies, however, distinguish themselves by clearly defining areas of study related to the omnipresent problem of providing the nation's population with food.

In *Política agraria y estancamiento de la agricultura, 1969–1977*, Elena Alvarez discusses both the stated objectives and the results of Peruvian agricultural policies during the first eight years of the Armed Forces Revolutionary Government. When Velasco took power in October 1968, his government was confronted with a fundamental contradiction in the agricultural situation of the country. On the one hand, most of the nation's arable land, located in the highland region of the country, was engaged in the production of mutton, corn, wheat, barley, and potatoes, which were marketed and consumed primarily in the rural areas of Peru. Approximately one-half of this land was held by individuals who owned less than five hectares. Urban consumption, on the other hand, was based on beans, rice, beef, pork, poultry, milk, and corn, some of which were produced domestically, most in the coastal region. A rapidly increasing percentage of the urban diet, however, was being supplied through food imports.

Alvarez traces the history of this disjuncture in Peruvian agriculture. Since the 1950s, the Peruvian government had faced the problem of how to encourage urban dwellers to consume what the rural population was producing, or how to cause rural producers to cultivate crops that would fit urban consumption patterns. Government policy had traditionally followed the latter course, along with encouraging the production of industrial export crops such as sugarcane, cotton, and coffee, which were important sources of revenue for financing general industrialization efforts. The infrastructural development that benefited enterprises involved in agricultural exports as well as those engaged in domestic industrialization was concentrated in existing urban centers, primarily coastal port cities, or cities that had preexisting transportation links to coastal ports.

The growth of large commercial enterprises in coastal urban centers drew increasing numbers of people from the countryside. In order to feed this growing labor force, commercial agricultural and food processing enterprises were encouraged. What could not be produced domestically was imported. Under the military, food prices were controlled and the government subsidized the production and importation of basic foodstuffs in the urban diet such as meat, rice, and wheat flour.

The commitment on the part of the state to subsidize urban foods had several results. First, it reduced the subsistence costs of urban workers and their households, enabling employers to offer lower wages than would have been possible otherwise. People who would have had only a subsistence income with uncontrolled food prices had the financial resources with controls to constitute a solvent demand for a growing

number of consumer goods. Secondly, by encouraging the substitution of capital for labor inputs in coastal agricultural enterprises that were producing beans, rice, poultry, beef, pork, and corn, the government sharpened the division between them and highland enterprises producing potatoes, wheat, barley, and corn.¹ Not only were the crops produced for urban consumption different from those produced for rural consumption, but in many cases, so was their mode of production. Production for urban consumption became almost a purely capitalist activity, while noncapitalist relations of production continued to predominate in highland agriculture.

Highland producers could not compete with subsidized food imports and domestically produced foodstuffs sold at controlled prices. The presence of these goods artificially depressed the entire food price structure. The sale of surplus food ceased to be an option for earning cash among large portions of the highland smallholding population. Other options, such as seasonal wage labor or becoming commercialists, were adopted. In some cases these outside activities conflicted with agriculture in their labor demands, and as a consequence, the production of traditional staples consumed in rural areas decreased. Rural households purchased rice, noodles, and other artificially cheap foodstuffs to make up any shortfalls in production, adding their demand for these products to that of the urban population.

In many areas of the countryside, there were no alternatives to the sale of surplus production. The scale of migration from rural to urban areas increased to unprecedented proportions. Between 1940 and 1972, the population of Lima grew from one-half million to more than three million inhabitants, increasing from 9 to 22 percent of the total population of Peru.

Food imports were viewed by Peruvian planners throughout the fifties and sixties as a means of compensating for shortfalls in domestic production. They were to be temporary, lasting only until domestic producers were able to satisfy domestic demand. The effect of subsidized imports and food price controls, however, was to depress the rural economy, causing a steady decline in the production of traditional rural staples and creating a demand for cheap urban foodstuffs in rural areas. While production of foodstuffs for urban consumption increased at a mean annual rate of 4.5 percent between 1961 and 1972, the mean annual rate of urban population growth was about 6.4 percent for the same period.²

Velasco's military government, which took power in 1968, tried to bring an increasingly chaotic situation under control through efforts to direct a larger portion of the nation's agricultural production toward satisfying urban food demands. In the short run, this approach was the most politically palatable; but in the long run, it represented a continua-

tion of the policies that had given rise to the situation, and it sharpened rather than resolved the contradictions in the agricultural economy.

The centerpiece of the military government's agricultural policy was the agrarian reform, which was officially announced in June 1969 as having three major objectives. These goals were the revitalization of agricultural production, the integration of the rural population into the national economy, and the coordination of agricultural policy with goals for national industrialization.

Only the last of these objectives was achieved, and that only partially. The first major action of the agrarian reform was the expropriation of large estates. This action received widespread international attention and was touted as being a major step toward the revindication of the nation's peasant population. Large coastal estates engaged in producing industrial crops or food crops for urban consumption, however, were already functioning as capitalist enterprises. For these organizations, expropriation primarily signified bringing them under more direct state control to facilitate centralized planning; for workers, it simply meant a change of employers.

In the highlands, where the bulk of Peru's peasant population resides, the estates that were expropriated corresponded more closely to the customary image of an Andean *hacienda*. These enterprises were engaged in the extraction of precapitalist rents from peasants bound to them by debt peonage and ties of personal servitude. They were not, however, the most vital participants in highland agriculture. In fact, the preceding years of the twentieth century had witnessed a process in which independent peasants and peasant communities had gained the advantage over the haciendas in the highland economy. By 1972 individuals owning less than five hectares held 50 percent of the irrigated land in the highlands and 43 percent of the lands dependent upon rainfall. Also by 1972, over one-half of the sheep and camelids, nearly 60 percent of the cattle, and two-thirds of the horses in the highland region belonged to people who owned less than five hectares of land. Properties of larger than 50 hectares controlled only 25.9 percent of the sheep, 30.5 percent of the camelids, 5.7 percent of the horses, and 13.1 percent of the cattle in the highland region.³

The agrarian-reform legislation that was aimed at peasant communities raised expectations, but changed relatively little. The bureaucratic machinery that would have been the vehicle for enactment of this aspect of the reform was slow in being established. By the time it began functioning, Morales Bermúdez had assumed control of the government, and the agrarian reform had entered what was officially designated as its "second phase."

The military government of Morales remained committed to providing cheap food to the urban population. Agricultural credits were

targeted mainly at the associative enterprises created by the reform, and within this group, primarily at those enterprises producing food for urban consumption. Associative enterprises producing for export received the next highest priority for agricultural credits.

Alvarez shows the continuity of military policy with the policies of previous administrations. She evaluates the agricultural objectives of the military in terms of what they actually achieved and highlights their contradictory nature. In this respect, Alvarez's book distinguishes itself from those that criticize the military for its failure to transform the countryside and for its contribution to a general economic disarray, but which explain this failure only in generalities about the military being an anti-popular regime, or its policies reflecting a crude bourgeois nationalism. The book is a brief one, however, and Alvarez does not carry many of her points to their logical conclusions. It is not clear who suffers from national pricing policies, or who gains from the subsidized importation of food, or from the subsidies provided for domestic production of food for urban consumption.

In *La acumulación de capital en la agricultura peruana*, Héctor Maletta and Jesús Foronda describe growth in the use of capital inputs and increases in food production in Peruvian agriculture since the early 1960s. The authors find that small and medium-sized producers—enterprises ranging from five to fifty hectares—have registered the highest rates of increase in the use of capital inputs such as fertilizer and mechanized equipment, as well as the greatest increases in productivity. The authors therefore conclude that the sector of the agricultural economy composed of small and medium-sized producers is currently involved in a process of capital accumulation.

The book provides much useful information; however, it suffers from theoretical and methodological problems that may overshadow its good points. The methodological problem faced by Maletta and Foronda stems from their attempt to treat the process of capital accumulation by using census and survey data. The data base of the book is the 1961 and 1972 census material, supplemented by additional survey data collected as recently as 1978. By comparing the information gathered in these surveys on livestock ownership, land under cultivation, credit allocation, fertilizer and equipment purchases, and infrastructural development, the authors conclude that small and medium-sized enterprises constitute the dynamic sector of the agricultural economy where capital accumulation is occurring most rapidly.

The use of census data to study capital accumulation leaves the authors' findings open to question. First, because of the many difficulties involved in conducting survey research in developing countries, the data are frequently untrustworthy. Maletta and Foronda themselves point out that inflated 1961 census figures on the number of livestock in

the country misled many researchers who, upon comparing them with 1972 figures, concluded that the agrarian reform had led to a decapitalization of the large estates as landowners sold or slaughtered animals rather than allowing them to be expropriated. Moreover, the survey data are synchronic and are therefore inadequate for studying an historical process like capital accumulation. Even when the results of two or more surveys are compared, one can only guess at the processes that might have led to different results. It is their reliance solely upon survey data that precipitates the authors' difficulties with the concept of capital accumulation as a social relation.

The theoretical problem derives from the way that authors employ the concept of capital accumulation. They open the book by presenting the concept as defined by Marx. That is, capital accumulation is the transformation of profit into additional capital so as to produce greater profits that, in turn, may be transformed into more capital, and so on. "Profits" are the units of surplus value that result from the wages of workers, in whatever form these are paid, being inferior to the value of the products they create. Thus, the key to capital accumulation lies in the institutionalization of the social relation between capital and labor whereby wages are exchanged for labor power.

Maletta and Foronda state that they recognize that the accumulation of money, raw materials, equipment, and other goods by a sector of the economy is simply a manifestation frequently associated with capital accumulation, and that the process of capital accumulation in reality derives from the exchange of labor power for wages. The authors argue, however, that the social relationship does not lend itself to study, while the accumulation of money, raw materials, and equipment does. They therefore elect to use this latter sort of accumulation as an indicator of capital accumulation. Unfortunately, the distinction between social relations and the accumulation of capital goods becomes lost as the book progresses.

These theoretical and methodological problems in Maletta and Foronda's study lead to an analytical flaw. If we accept the figures they present as indicators of a particular dynamism among small and medium-sized agricultural enterprises, we must also observe that Maletta and Foronda fail to note why this might be the case. Indeed, the findings of the authors are most curious in light of the fact that the state allocated agricultural credits predominantly to the associative enterprises created from expropriated estates. Why, then, are small and medium-sized producers investing in technical innovations at a more rapid rate than those centerpieces of the agrarian reform that are supposed to propel Peru into agricultural modernity?

Maletta and Foronda suggest an answer; however, because they focused their attention on capital inputs rather than on relations of

production, they fail to pursue it. They correctly note that different sectors of the agricultural economy have experienced capital accumulation during different historical periods. The cotton and sugarcane plantations of the coast were centers of capital accumulation during the past century. Many of these estates had been granted to military officers as rewards for their services during the Wars of Independence. These amounted to a state concession not only of land, but of labor, for the landowners had the right to subjugate the population resident on the land as well as to recruit forcibly nonresident labor.

Maletta and Foronda express the view that capital accumulation began on the coastal plantations when farmers began investing in guano to fertilize their fields and improve productivity. This view is inconsistent, however, with the definition of capital accumulation that the authors say they are employing. Capital accumulation on the coastal plantations began when social relations of production were established that institutionalized the exchange of wages for labor power, with the value of labor's remuneration inferior to the value of the product created. Maletta and Foronda fail to recognize that the introduction of guano fertilizer simply "upped the ante" in a game already being played.

Likewise, by focusing their attention on technical changes in production by small and medium-sized producers, the authors describe a similar process of "upping the ante" and fail to address a key issue. They do not investigate the possibility that small and medium-sized producers may be experiencing more economic growth than associative enterprises because of state concessions analogous to those of the nineteenth century. Interestingly, the small and medium-sized enterprises that have shown the most activity are the same that produce foodstuffs for urban consumption such as milk and poultry. These products also represent an area of Peruvian agriculture that is dominated by multinational corporations through their control of critical inputs and processing functions.

Many of today's small and medium-sized producers only recently have made the transition from traditional, poorly capitalized agriculture, and as Maletta and Foronda note, frequently through alliances with external economic interests. For example, much of the recent expansion of the processed-milk industry has been the result of peasants in the Arequipa and Cajamarca regions receiving financial and technical assistance from the Carnation and Nestlé companies designed to encourage them to enter commercial milk production. The authors suggest this situation as a possible factor in the economic growth of Peru's small and medium-sized enterprises, but they do not pursue it.

When Maletta and Foronda discuss the social relations associated with capital accumulation, they treat them as a strictly national concern. For example, they note the concentration of the means of production in

the hands of small and medium-sized producers and the expansion of a wage-earning population in agriculture. They note that small private enterprises are the primary beneficiaries of state electrification and irrigation projects that are financed through taxes paid by the entire wage-earning population. They ignore, however, the fact that the largest of these projects, the Majes project in the south, is also financed by a private international consortium that has contributed five times the amount of capital provided by the Peruvian government, a fact that implies strong linkages between small and medium-sized enterprises and international capital.⁴

According to the authors, capital accumulation in Peru is a process of technical innovation that is spurred on by competition in a free market. Ultimately, less innovative enterprises will be unable to compete successfully because they will be less productive. They will be forced out of business and their share of the market will be divided among the survivors. Although Maletta and Foronda set out to analyze capital accumulation based on Marx's definition, they end up by repeating the myths of neoclassical economics. Thus led astray, the authors do not consider the links between multinational corporations and small and medium-sized producers, or the role of government concessions to both multinationals and producers of food for urban consumption in facilitating the process of capital accumulation.

Realidad del campo peruano después de la reforma agraria is a collection of ten essays prepared by some of Peru's most distinguished social scientists. The book attempts to bring together the major themes of current research in the areas of food and agricultural production. The essays cover a broad range of topics, including the institutional context of state agricultural policies, the food-commercialization network, and the role of multinational corporations in food production. All but one of the essays were first presented as papers at a conference on the Peruvian countryside sponsored by the Centro de Investigación y Capacitación. Some of the papers have been published elsewhere as important articles in their own right, while others summarize recent major works of their respective authors. They appear to have undergone an uneven editing process. Some readers may be frustrated to find referencing occasionally incomplete or inconsistent and points that were undoubtedly self-evident in the context of the original conference are now opaque to readers who were not present. In spite of the minor problems noted above, the editors do a creditable job of arranging the papers so as to present a coherent overview of Peruvian agriculture in the wake of agrarian reform.

In his introductory essay, Francisco Moncloa states that the fundamental change presently occurring in the countryside is the conversion of peasant agriculture into a support system for the expanding

industrial and agroindustrial sector of the economy because peasants provide cheap labor at the same time that they are becoming larger consumers of manufactured goods. Héctor Maletta describes changes in Peruvian agriculture since 1950 that have characterized this state of affairs and summarizes the argument of the book by Maletta and Foronda discussed above.

The military's program of agrarian reform is examined by José María Caballero and Héctor Martínez. Caballero argues that the military failed because it did not support the most dynamic sector of the agricultural economy—the small and medium-sized producers engaged in capitalist production. He argues that large, state-run associative enterprises and the proliferation of agencies created to supply them with capital inputs required a level of state support that ultimately exceeded available resources and prevented the agrarian-reform institutions from functioning as they had been intended to do. Like Maletta and Foronda, Caballero assumes that economic expansion by small and medium-sized producers resulted from conditions internal to this sector. He does not mention links with multinational corporations that aided in initiating and maintaining this expansion.

Martínez reviews the organizational arrangements that characterized the agrarian-reform institutions and the circumstances surrounding their establishment. He confirms the view that the large associative enterprises, specifically the production cooperatives (*Cooperativas Agrarias de Producción*) and the agricultural societies (*Sociedades Agrícolas de Interés Social*), received priority in state support over peasant communities and peasant-run enterprises. In spite of this support, Martínez maintains, large associative enterprises failed because of bureaucratic bungling that created the enterprises without regard to constraints imposed by terrain, lack of infrastructure, and the consequences of bringing together antagonistic interest groups in a single enterprise. Many of the expropriated estates in the highland region had been in a transitional stage between being land used as a means of extracting precapitalist rents and as a factor of capitalist production. Martínez argues that it was naive to expect that the new enterprises would be able to compete when thrust into the international capitalist economy.

Peru's peasant communities are a third type of agricultural institution, distinct from the associative enterprises and from the small and medium-sized producers. Their role in the modernization of the rural economy is discussed by Orlando Plaza and Carlos Samaniego. Plaza argues that although the peasant communities of today are not descendants of a pre-Hispanic communal tradition, as some have claimed, neither are they simply agglomerations of individual smallholders, as has been argued by others. Communities in the various areas of the country have become incorporated into the Peruvian economy in differ-

ent ways. In the north-central region of the country, for example, the economy was dominated by plantations cultivating and processing sugarcane, which provided seasonal employment for large numbers of Native Americans from highland peasant communities. In the south, wool-producing haciendas encroached upon the lands of peasant communities, forcing people to leave, or placing them in a state of debt peonage.

As a result of these different historical experiences, peasant communities in the north were often integrated into a system of wage labor earlier than those in the south. Plaza states that the institutions of particular peasant communities, such as systems of reciprocal obligation and land-tenure patterns, reflect their efforts to protect themselves from exploitation by haciendas and plantations. Peasant communities manage the means of production at their disposal in different ways. Plaza argues that it is not possible to generalize about whether peasant communities, large associative enterprises, or privately owned commercial enterprises are the most appropriate institutions upon which to base a restructuring of the rural economy.

Samaniego reviews the modernization of those sectors of Peruvian agriculture that produce food for urban consumption, and he voices apprehension about the large role of multinational corporations in this process. The case of the Peruvian milk industry illustrates Samaniego's concern.⁵ Two subsidiaries of multinational corporations, Leche Gloria (an Arequipa-based subsidiary of Carnation) and Perulac (a Cajamarca-based subsidiary of Nestlé), account for all of Peru's processed-milk production. These companies, together with the national government, offered incentives such as improvements to pastures, selective stock-breeding programs, and access to agricultural credits in order to induce smallholders to enter commercial milk production. Smallholders responded and became an important source of whole milk for the companies. Prices paid to producers, which were initially relatively high, began to decline after several years, forcing some smallholders out of business and resulting in a consolidation of their holdings. Samaniego feels that the role of multinational corporations in industries like milk production is incompatible with the goals of rural development and greater independence in food production.

Samaniego's concern is echoed by Fernando González Vigil, whose article describes the dominant position achieved by multinational corporations in major food-producing industries in Peru. As in the milk industry, the importation of oleaginous grains also is dominated by several multinational concerns, including Cargill, Continental Grain, and Bunge and Born. In 1976, 80 percent of the imported grains used by domestic oil producers were sold to Peru by one of these three companies. This influence extends into the production of oils and fats in

Peru. González Vigil warns that Peru is becoming increasingly dependent for its food upon companies sensitive to world-market forces that bear no relation to internal social and economic conditions.

Adolfo Figueroa discusses how price controls on urban foodstuffs have contributed to a decline in the production of traditional food staples. Figueroa argues that agricultural policies need not be an either/or proposition that would pit rural and urban interests against one another, as both government policymakers and their critics have tended to assume. Peasant producers are handicapped by a food-marketing network in which food bulkers and shippers enjoy an oligopolistic position in relation to both producers and consumers of foodstuffs. As a result of this situation, the price paid by consumers bears little relation to the prices received by producers. Figueroa concludes that a rationalization of the food-marketing network that would foster competition among food bulkers and shippers by encouraging broader participation in this occupation would result in higher prices for producers without significantly increasing consumer food costs.⁶

Carlos Amat y León reviews the history of the current situation in Peruvian agriculture and explains the emphasis on urban consumers. He believes that a state-level policy of encouraging industrialization and of directing populist initiatives toward urban centers had begun by the period of 1957–59. By this time, the key electorates for politicians were urban-based, and urban populations constituted the major demand for manufactured goods. Investment in the urban industrial sector returned higher profits than did investment in agriculture, and the urban masses had much greater visibility than did the peasantry. Once this pattern was established, it rapidly gathered momentum, propelled by massive migrations of rural dwellers in search of economic opportunity. The government was unable to keep up with the growing demand of these new urban interests, much less to do anything about the depopulation and pauperization of the countryside. This situation was largely responsible for the destabilization of the country and the return of the armed forces to power in 1968. In spite of its effort to regain control of the situation, the military was forced by the momentum that had already been established to continue favoring the interests of the urban industrial sector of the economy.

The final two essays in the volume, by Eduardo Grillo and Alfredo Saco Miró Quesada, place present conditions in a broader perspective. Grillo's article reviews Peru's ecological history. He divides the country into ecologically defined habitats and examines the history of the exploitation of these habitats. Grillo argues that in pre-Hispanic times, administrative units reflected the ecological zonation of the country and that productive regions were defined on the basis of the need to exploit a variety of habitats. Since the arrival of the Spanish, administra-

tive units have reflected the extractive designs of the groups in power without consideration of the habitats to which the population must have access in order to survive. The process of modernization, characterized by massive urbanization and the depression of the rural economy, is simply the most recent chapter in a long history of external domination in which no attention has been paid to ecological realities. This latest chapter is characterized by the growth of a new class of capitalist enterprises whose development is closely linked to the expansion of multinational corporations, and who increasingly define their interests as synonymous with those of international capitalist institutions.

In the final essay of the volume, Miró Quesada calls for a general debureaucratization of the state agencies created as part of the agrarian reform so that they might be able to compete more effectively with the growing, internationally connected private sector. He stresses that the government should make the reform an on-going process because only with active state support will food production be a viable alternative for the peasant population that in the past has supplied most of Peru's food. Continuing reforms should make financial resources and technology available to improve existing peasant crop lands, to exploit new lands, and to intervene in the agricultural economy in ways that would make food production profitable for peasants.

In *Alimentos y transnacionales: los complejos sectoriales del trigo y avícola en el Perú*, Fernando González Vigil, Carlos Parodi Zevallos, and Fabian Tume Torres present case studies of two industries that illustrate recent changes in Peruvian agriculture. The authors examine in detail the expansion of the wheat and poultry industries in Peru, which have been major beneficiaries of Peruvian initiatives to stimulate the production of food for urban consumption. Although the bulk of their expansion has been realized by private concerns, both industries have received tax breaks, subsidies, and cooperation from the state in securing the necessary support facilities to handle their products on a large scale.

Neither the wheat nor the poultry industry has played a major role historically in Peruvian agriculture. Because of ecological constraints, wheat was confined to limited areas, and small quantities were imported. Consumption was largely limited to urban elites. Toward the end of the nineteenth century, the wheat-importing business came increasingly under the influence of emerging multinational grain traders, who were gaining control of large shares of the product in wheat-exporting countries and had begun actively to seek out new markets. Their interest in Peru coincided with the first movements toward industrialization. As growing imports increased the supply, wheat products ceased to be a luxury item for the wealthy classes and became the staple grain in the diet of the growing urban working class.

As wheat imports increased, the change in wheat's role in the

national diet was reflected in milling operations. Multinational grain-trading corporations became involved in Peruvian milling operations by the 1940s, either acquiring mills through Peruvian subsidiary companies or entering into technology purchase agreements with existing Peruvian mills. The second half of the twentieth century witnessed a spate of mill modernization and construction that greatly enhanced the capacity of industry to process wheat. Between 1964 and 1975, no less than seven new mills were established in Peru. The presence of the grain trading companies, however, changed the nature of the competition among mills. The expansion of mills ceased to bear any relation to the rate of increase in demand stimulated by Peru's growing national market. Rather, the authors argue, it was a manifestation of oligopolistic competition among the trading companies for the purpose of gaining a dominant position in processing capacity.

The Peruvian government managed to stimulate some increases in domestic wheat production. In spite of these increases, however, wheat imports grew so rapidly that domestic wheat currently accounts for only about 1 percent of that processed by the large commercial mills. Interestingly, 98 percent of the domestically grown wheat is not marketed through the large mills, but circulates instead through separate regional-exchange and marketing networks, never reaching major urban centers. Part of this regionally marketed wheat is consumed by peasant households, and part finds its way to small, local milling and bakery operations from which it emerges as inexpensive bread.

The production of inexpensive bread and other wheat products for urban dwellers has been the goal of the state in subsidizing wheat imports; however, the authors find that a disproportionate amount of the imported wheat is converted into cookies, crackers, and higher-priced pastas, which are consumed by Peruvians with above-average incomes. The prices of these products are not regulated, which provides a greater margin of profit for the mills and creates greater demand for wheat imports to be used to produce popularly priced wheat products.

Like the wheat industry, Peru's poultry industry has expanded with the nation's urban population during the twentieth century. As with wheat, private entrepreneurs and state planners decided that poultry offered potential for development as a low-priced addition to the urban diet. Until about 1935, poultry production was largely a subsistence activity that formed one component in diversified subsistence strategies of rural households. The birds were fed the nonedible remains of foods consumed by the households.

Between 1929 and 1947, the poultry population of Peru nearly tripled, reaching 9.5 million birds. During the 1940s, the first links were established between the burgeoning poultry producers and milling companies that were going into the business of producing animal feeds.

Feed mixes for large livestock had been produced for some years, financed by capital from two Peruvian firms, Frigorífico National and Nicolini Hermanos, and by the Peruvian representative of the multinational firm Bunge and Born, La Fabríl. Pedigreed birds replaced common stock among the imports, which originated in Canada, Chile, and the United States.

By 1950 the government had given poultry production high priority as it sought to increase the domestic supply of food. During the 1950s, eight new poultry-producing enterprises were established in the department of Lima. The importation of birds for breeding increased at a mean annual rate of 45 percent during this decade, as compared to a mean annual increase of 2 percent between 1935 and 1950. In addition to the astronomical increase in the rate of importation, the domestic poultry population was increasing through reproduction at a mean annual rate of over 5 percent.

The increase in both quantity and quality of Peruvian poultry generated a growing demand for high-quality commercial feed mixtures, of which Nicolini Hermanos and Molinera Santa Rosa were the leading producers. A significant effect of the poultry-feed industry was to increase the domestic production of hard yellow corn for livestock at the expense of varieties that had been consumed by humans. Imports of hard yellow corn from the United States also increased.

The authors view the mid-1960s as the beginning of the most recent stage of consolidation of the poultry industry. This period saw the arrival of the U.S. poultry company Arbor Acres in Peru, which established both incubation and poultry-raising facilities. Foreign companies expanded their interests in the areas of feed production and the importation of veterinary supplies and equipment. The original goal of supplying poultry to the domestic population was replaced by a growing emphasis on the export of live and processed birds.

The dramatic increase in poultry production did not result in increased availability of poultry products for Peruvians. Price decreases resulting from greater productivity were offset by increases in the price of the imported capital inputs upon which the industry depended. Also, once the Peruvian poultry industry had made the investment necessary to modernize and had established links with multinational corporations, producers began to view profit maximization on an international scale. Although the rationale for encouraging the development of the poultry industry originally had been the provision of inexpensive meat protein to the urban poor, the urban poor were ultimately unable to compete with more lucrative export markets. Poultry exports became particularly important in the 1970s, when the government found itself desperate to increase exports in order to secure the foreign exchange necessary to continue subsidizing food imports.

By focusing on the growing role of multinational corporations in the wheat and poultry industries, González, Parodi, and Tume illuminate a major force shaping the course of agricultural development in Peru. Their historical approach demonstrates the relationship between the level of growth in these industries and the amount of multinational participation in them. As a result of multinational domination, investment in new equipment or construction of new facilities in these industries has little to do with factors of supply and demand in Peru. Rather, industry actions are guided by the goal of profit maximization on an international scale.

González, Parodi, and Tume allude to agricultural policies of the United States that facilitated the expansion of multinational corporations in the Peruvian wheat and poultry industries on several occasions. They do not specify, however, as to what those policies were or what their impact was. This omission is unfortunate because it tends to undermine their argument among readers disinclined to see the negative aspects of the growth of multinational food companies or the advantages of greater self-sufficiency in food production by developing nations. The authors would have done better not to raise the issue of government policies in the United States if they did not intend to deal with it seriously.

The authors note that the multinational presence in the wheat and poultry industries grew rapidly in the late 1950s and 1960s. During this period, a number of developing countries experienced rapid multinational expansion into their agricultural systems, frequently accompanied by effects on domestic food production. Much of this expansion was caused or encouraged by the passage of Public Law 480, the Food-for-Peace bill, by the U.S. Congress in 1954.⁷ Designed to reduce grain surpluses in the United States, this law authorized low-interest loans to developing countries for the purchase of American grain that could be repaid with local currency. Later, the local currencies received were one of several forms of low-interest loans made available to U.S. corporations interested in establishing operations in those countries. It was hoped that this arrangement would increase the local wage-earning population who might purchase U.S. grain products. Industries such as poultry that would themselves be consumers of grain for feed were particularly encouraged. González, Parodi, and Tume would have provided a great service if their account of multinational expansion in Perú had documented the impact of P.L. 480.

The question for those interested in public policy is not whether the development of new industry, such as wheat and poultry, is good or bad, but who reaps the benefits and who pays the costs. Peruvians pay for the state to support the importation and production of food for urban consumption. They pay again when mechanization costs them jobs as

laborers, and again when the small wage they earn through seasonal or part-time labor has its value gutted by inflation and currency devaluations. They pay more when vast areas of the countryside are rendered unproductive because peasants cannot afford to produce a marketable surplus. They continue to pay when they want to buy inexpensive government-supported food and find that it has all been smuggled to Bolivia or Chile, or that food is only available for those who can afford to pay a black-market price.

What do Peruvians receive for all these payments? The results include declining productivity in highland agriculture and people abandoning the countryside to join the unemployed and underemployed in the nation's urban areas. Wheat has become a staple crop in spite of the fact that most of Peru's farmland is not well suited for wheat production. Peruvians earn the privilege of being permanent customers of multinational food companies and the foster parents of poultry destined for export. Peruvians have paid for modernization, but development has not resulted.

The works reviewed in this essay are not programmatic statements on how to remedy the conditions they describe and analyze. Their policy recommendations are limited to generalities about the need to include peasants in plans for agricultural development, to make state-run enterprises more competitive with internationally linked private ones, and to regain control of the food industry from international financial interests. In some cases, this disappointing treatment stems from insufficient research to permit the problem addressed to be analyzed adequately.

Another factor that inhibits the ability of the authors to make concrete recommendations is that, with several exceptions, they write with a distinct urban bias. The negative effect of agricultural policies in rural areas is duly noted; however, the importance of agricultural policies is consistently defined in terms of its impact upon urban centers through such phenomena as rates of urban population growth, urban food prices, and urban employment rates. Studies focusing upon changing rural conditions tend to deal with the amount of land allocated among different land-tenure institutions, or with the organizational structure of these institutions. Little attention is paid to the way rural dwellers have responded to capitalist expansion in Peru by retreating into agriculture as a subsistence activity and participating seasonally in the capitalist economy. This strategy has served the interests of many capitalist enterprises by reducing the cost of unskilled labor. Wages do not have to reflect the subsistence costs of rural households because these are partially met through non-capitalist social institutions related to subsistence agriculture in peasant hamlets and villages. Such an arrangement also serves the interests of rural dwellers insofar as it permits

them to maintain control over the production of basic subsistence needs and maintain a greater degree of economic independence than is enjoyed by a person totally dependent upon wage labor. It does not, however, solve the problem of increasing food production.

Thus, in rural areas, capitalist expansion as it is described by the authors of the works under review has also resulted in a reinforcement of non-capitalist social and economic institutions that obstruct its continued growth. This trend implies a period of heightened conflict and realignment of interests as efforts at further capitalist expansion in the countryside progress.⁸ A focus upon the rural response to Peru's agricultural situation would sharpen our understanding of what needs to be done to increase food production and improve living standards in rural and urban areas alike.

These areas are some that the present works leave for future research. That the works under review have not treated systematically these aspects of agricultural development in Peru is disappointing because one is left with a sense that they tacitly accept the notion that Peru is powerless to effect a meaningful change. By failing to adequately describe and analyze the aspects of the Peruvian agricultural economy that they address, the authors obfuscate the political and economic relationships that must be changed for Peru to become more independent in food production and to improve the standard of living of its rural and urban population.

In spite of these shortcomings, the works discussed make an important contribution by allowing readers to view the Peruvian agrarian reform and its results in the broader context of major directions in agricultural policy during this century. These works demonstrate how the issues of industrialization and agricultural modernization are intimately linked, and that policy decisions in one area have a direct impact upon conditions in the other. Finally, the example of Peru serves as a warning that as the population of the world continues to grow and the need to increase food production becomes more critical, we should ponder carefully the forces that undercut efforts at national independence in this area.

NOTES

1. Corn grown in the highlands is primarily for human consumption. The corn included among the products for urban consumption is hard yellow corn, consumed indirectly as poultry feed.
2. A mean annual urban population growth rate of 6.4 percent is an unofficial estimate. The official estimate is 5.0 percent.
3. Alvarez draws these figures from José María Caballero, "La economía de la sierra peruana en los albores de la reforma agraria" (Lima: Instituto de Estudios Peruanos, 1979).
4. "Majes: A Challenge to Nature," *Peru Reports* 2 (1976):7.

5. Samaniego also discusses the wheat and poultry industries. Discussion of these is omitted here because these cases are treated in detail by González Vigil, Parodi Zevallos, and Tume Torres in the final book to be discussed in this essay.
6. For a detailed description of the Peruvian food-marketing network and its domination by a small group of bulkers and shippers, see Oscar Esculies Larrabure et al., *Comercialización de alimentos* (Lima: DESCO, Centro de Estudios y Promoción del Desarrollo, 1977).
7. See, for example, Leonard Dudley and Roger J. Sandilands, "The Side Effects of Foreign Aid: The Case of Public Law 480 Wheat in Colombia," *Economic Development and Cultural Change* 23 (January 1975):325–36 and J. S. Mann, "The Impact of Public Law 480 on Prices and Domestic Supply of Cereals in India," *Journal of Farm Economics* 49 (February 1969):143.
8. Michael Painter, "The Political Economy of Food Production: An Example from an Aymara-Speaking Region of Peru." Ph.D. dissertation. Ann Arbor: University Microfilms.