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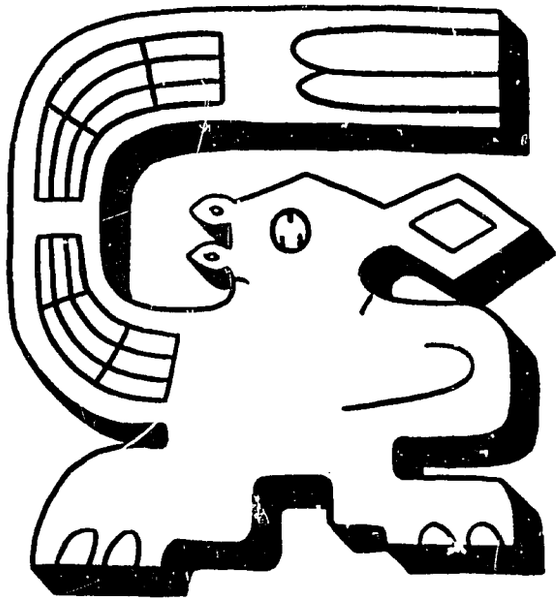

Some Problems of Marketing Among Small Peasant Proprietors in Chile

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SOME PROBLEMS OF MARKETING AMONG SMALL PEASANT PROPRIETORS IN CHILE

by C. D. Scott

This article attempts to identify and analyse certain problems faced by small peasant proprietors in Chile during 1968-69 in the marketing of agricultural products.[1] Despite the changes that have taken place since October 1970, it is felt that certain issues raised in this article have a current relevance. Case studies of local situations are used to illustrate particular marketing problems and some more general aspects of State intervention in the marketing of agricultural produce are also discussed. The article ends with an examination of the implications of the most recent changes in agrarian structure for the development of co-operatives among small farmers.

Small peasant proprietors were defined, not at the level of discrete households, but according to household membership in a particular type of rural community. These communities generally covered areas of extensive subdivision of land which had led to the proliferation of small farm units. The common characteristic of all the communities selected was that they formed a defined territorial unit of subjective reference for a certain universe of peasant households, the overwhelming majority of which owned at least some land.[2]

Against the introductory background of tables 1, 2 and 3 (pp. 22 and 23) a series of questions concerned with marketing can now be asked. What do small peasant proprietors sell? How do they sell? To whom do they sell?

The examination of local case studies begins with three communities which, according to the study's criteria were relatively intensively incorporated into the national economy as producers of agricultural commodities.[3] The first of these is a special case because it was composed almost entirely of large and medium holdings by any definition, and the farmers there did not face many of the problems encountered by small peasant proprietors elsewhere in Chile. It is discussed initially so as to offer a standard of comparison with the other communities analysed below.

Huillinco

The community of Huillinco is situated on fairly level grass land about 10 kms. from Ancud on the island of Chiloé. It was established during the last decade of the 19th century as a colony of European immigrants. The farms were the largest in any of the communities studied, and on CIDA criteria they would have been classified as family or multi-family holdings.[4] 60% of the community sample of 25 households worked farms of at least 60 hectares and there were only two families who possessed less than 20 hectares. These figures exclude the households of permanent wage labourers who were omitted from the sample frame of the community.

Both the cultivated area and pasture area per household tended to be larger than in the other communities. 36% sample cultivated 5 hectares or more, and 76% sample had access to at least 20 hectares of pasture. This ample resource base in arable and pasture land is the result of two generations of capital accumulation through very laborious land clearance.

The major lines of production were dairy farming (mainly milk), livestock breeding and potato growing. Other crops such as wheat and oats were cultivated either for household consumption or for the livestock conversion process. No cases in the sample sold wheat and only three households sold oats.

60% sample sold potatoes. The largest group sold their crop to commercial buyers in Ancud at prices ranging from E° 8-14 per sack of 80 kgs. in 1967. Four households sold their crop outside the more formal marketing channels, one farmer sold to his relations in Ancud, another sold to neighbours in Huillinco, a third sold potatoes to a hired hand on his farm and one farmer sold part of his crop to his lodgers. Two more farmers sold potatoes to the Police Force in Ancud and another two sold part of their crop to the Empresa Comercial Agrícola (ECA) or State Agricultural Marketing Corporation. Of the last two farmers, one claimed to have sold directly to the public in Ancud and the other supplied buyers who came to Huillinco from the mainland.

It is interesting to compare the diversity in marketing outlets for potatoes for these farmers with the much narrower range of options open to another group of small farmers situated nearby in Ichuac who are considered below.

Livestock production[5] in the community was not only the most impressive of all the communities with 40% sample attaining or exceeding the level of E° 3,500 per household in 1967/68, but the turnover of animals on the various farms was also far greater than in other areas studied. 24% households bought more than 2 large livestock over the year, i.e. cattle or horses, while 60% of the households sold more than two large livestock and 24% sold more than five small animals, i.e. sheep or pigs. Taking purchases and sales together, approximately half of these transactions in large and small livestock took place within the community itself,

Table 1. Total land area per household in each community.

land area per household (hectares)	Ichuac		Huillinco		Huifco		Huelen de Paillaco		Huapi		Huente-lauquen		Lo Abarca		Carri-zalillo		Las Tasas		total	
	AF	RF	AF	RF	AF	RF	AF	RF	AF	RF	AF	RF	AF	RF	AF	RF	AF	RF	AF	RF
no land			1	4					1	4	2	8	2	8					6	2.7
<1 ha.	1	4			1	4	1	4			14	56	8	32	3	12	2	8	30	13.3
1-<5	4	16			2	8	2	8	6	24	6	24	10	40	9	36	16	64	55	24.4
5-<10	10	40	1	4	6	24			12	48			2	8	5	20	5	20	41	18.2
10-<15	3	12							3	12	2	8			6	24	1	4	15	6.7
15-<20	3	12			2	8	4	16	2	8			1	4	2	8	1	4	15	6.7
20-<30	4	16	2	8	1	4	2	8	1	4	1	4							11	4.8
30-<40			1	4	1	4	4	16					1	4					7	3.1
40-<50			4	16	2	8	6	24					1	4					13	5.7
50-<60			1	4	3	12	2	8											6	2.7
60-<70			2	8	1	4	1	4											4	1.8
70 or more			13	52	6	24	3	12											22	9.7
total	25	100	25	100	25	100	25	100	25	100	25	100	25	100	25	100	25	100	225	100

AF = Absolute Frequency RF = Relative Frequency

(Source:) C. D. Scott, "Peasant Subsistence and the Process of Change", Santiago, Mimeo, 1[illegible]

As Table 1 shows, the size of land holding varied widely both within and between the communities. In addition, the definition of 'small peasant proprietor' given above led to the inclusion within the sample frame of a number of households whose members sought part time or seasonal off farm employment as wage labour and of others who had service and/or cash tenancies. Nevertheless, of the total sample, only 24 households (10.7%) were 'pure' sharecroppers or tenants who owned no land of their own.

Table 2. Comparison of the value of marketed production per household with the value of total production per household.

value of total production \ value of marketed production	<E°500	500-<1 000	1 000-<1 500	1 500-<2 000	2 000-<3 000	3 000-<4 000	4 000-<5 000	5 000-<6 000	6 000-<7 000	7 000 or more	total
<E°500	21										21
500-<1 000	21	5									26
1 000-<2 000	29	21	8								58
2 000-<3 000	2	10	8	1							21
3 000-<4 000		3	4	3	3	1					14
4 000-<5 000	1		2	2	4	4					13
5 000-<6 000				3		2	2	1			8
6 000-<8 000			1				1	1	1		4
8 000-<10 000				1		1	1	2	1	1	7
10 000 or more				1			1	1	1	14	18
total	74	39	23	11	7	8	5	5	3	15	190

All figures represent absolute frequencies.

(Source:) C. D. Scott, op. cit.

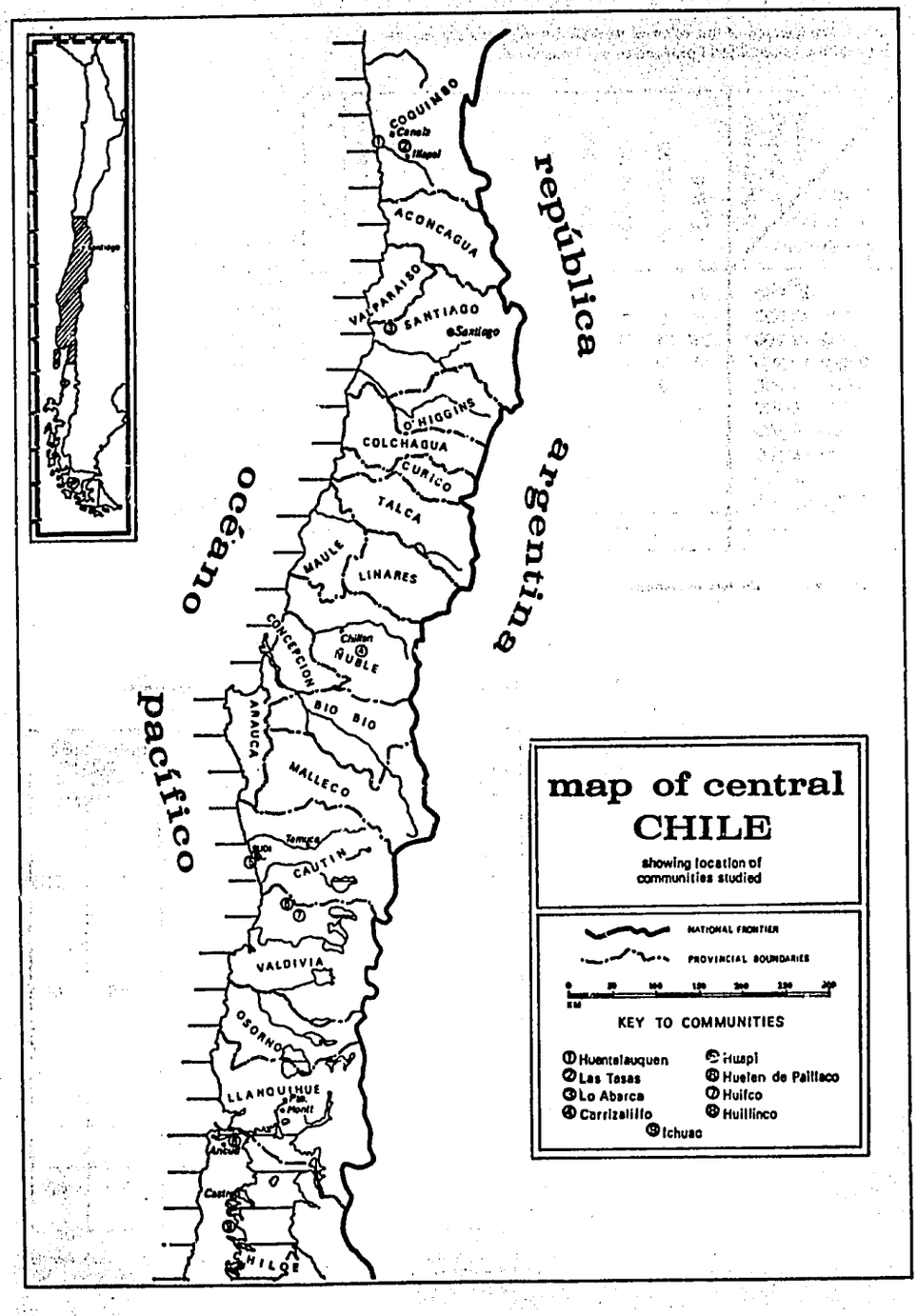
Table 2 shows the relationship between the value of gross agricultural production and the value of marketed agricultural production for each household. If the households which failed to reply satisfactorily to the relevant questions are excluded (six households) along with those which sold no agricultural produce over the year 1967-68 (twenty-nine households), then of the remaining 190 households, 76% retained more than half of total gross agricultural production for consumption in the household production unit.[3]

The importance of different forms of cash income not constituted by the value of marketed production, e.g., remittance receipts from relatives, income from off farm employment, is demonstrated in Table 3. The main implication of these data for an examination of marketing problems is that 62% sample households derived a greater proportion of their cash incomes from remittance receipts and off farm employment than from the sale of agricultural produce.

Table 3. Composition of cash income by household.

NUMBER OF HOUSEHOLDS where,	households Absolute Frequency	households %
Total cash income equalled the value of marketed production	63	38
Total cash income exceeded the value of marketed production	84	51
Total cash income was positive but the value of marketed production was zero	17	11
total	164	100

53 households were excluded for having incomplete data on cash income. 8 households were excluded for apparently having zero cash income over the year. Thus 61 households in all were excluded.


map of central
CHILE
showing location of communities studied
NATIONAL FRONTIER
PROVINCIAL BOUNDARIES
KEY TO COMMUNITIES
1 Huentelauquen
2 Las Tesas
3 Lo Abarca
4 Carrizalillo
5 Huapi
6 Huelen de Pailaco
7 Huilco
8 Huillinco
9 Ichuac
República Argentina
Océano Pacífico
COQUIMBO
ACONCAGUA
VALPARAISO
SANTIAGO
O'HIGGINS
COLCHAGUA
CURICO
TALCA
MAULE
LINARES
CONCEPCION
ÑUBLE
BIO BIO
ARAUCO
MALLECO
CAUTIN
VALDIVIA
OSORNO
LLANQUIHUE
CHILOE

testifying both to the level of purchasing power available in Huillinco and to the existence of at least two farmers who possessed high quality breeding stock.

Finally, 48% of the community sample sold fresh milk to the Chiprodal processing plant in Llanquihue on the mainland. Some farms maintained their supply throughout the year, while others were restricted to shorter periods of production. Only four farmers sold butter in 1967-68 because Chiprodal provided butter to its milk suppliers and discounted the cost against their milk delivery invoices.

The importance of Huillinco for a study of marketing lies in explaining the success with which the colonists and their descendants have incorporated themselves into the regional economy as prosperous farmers. This success is owing to several factors. The extent of the individual land grants made to the original colonists which were partly related to family size provided the basis for two generations of capital accumulation and was of primary importance. The proximity of Ancud and the existence of adequate connecting roads guaranteed market access all the year round.

In addition, the flexibility of the supply response of the Huillinco farmers to changing cost and price patterns must also constitute a part of any explanation of their present prosperity. Before the Chipodral plant opened in Llanquihue, the sale of butter and pigs in Ancud was extremely important for the community. As it was, the Huillinco farmers' sale of a high value product for industrial processing at a nearby regional centre contrasts sharply with the Chiloto peasants' sale of a low value, high bulk crop (potatoes) for final consumption in urban areas several hundred miles to the North.

However, the community's relative prosperity tended to hide the fact that the Huillinco farmers' bargaining power in the fixing of the price of milk was weak. Once a year they assembled locally to be told the price of milk that would be paid by the company in the following year. There was no producer co-operative which grouped together all suppliers to the Llanquihue plant and which could have formed a negotiating unit. The actual transport of the milk was undertaken by one of the farmers and this allowed the Company at certain times to play off the farmers against this lorry owner. Chiprodal alleged, for example, that it was high transport costs and not a low delivery price at the factory which should be the target of the farmers' indignation.

Carrizalillo

In the second case study, the introduction of an industrial crop (sugar beet) formed the background for any appraisal of marketing problems.

The community of Carrizalillo is situated in the province of Ñuble to the east of Chillan, approximately 450 kms. south of Santiago. Of all the communities studied, it had the best soil base and probably the largest area of flat land.

However, the subdivision of property was extreme and 48% sample farmed holdings of less than 5 hectares. The incidence of sharecropping was also high. 44% of the sample rented or sharecropped land either from other small proprietors in the community (24%) or from neighbouring large estates (20%). Even with this access to non-family property, 40% of sample households cultivated less than 3 hectares each.

In addition, surface irrigation was both essential for adequate crop yields and also highly undependable. In Carrizalillo, 64% sample denied having access to any regularly irrigated land, though this may have been an exaggeration as peasants' notions of 'regular irrigation' differ. Nevertheless, this aspect is very important because the cultivation of sugar beet requires considerable inputs of water during certain periods of the growth cycle.

Sugar beet was introduced into the community in 1966 by IANSA, the National Sugar Corporation, whose processing plant in Chillan opened in May 1967. In the agricultural year 1967-68, 28% of the community sample were growing beet, while several other households had experimented with it the previous year and then decided against its cultivation for reasons to be discussed below.

Between 1966-67 the distribution of suppliers to the Chillan plant by farm size had become more polarised. In 1966, suppliers cultivating less than 15 hectares of beet made up 78% of all suppliers and controlled 36% of the total area under beet. In 1967, suppliers cultivating less than 10 hectares constituted 75% of suppliers and controlled only 24% of the total beet area. During these two years, the total number of beet suppliers rose from 607 to 980, the total beet area supplying the plant increased from 7,192 hectares to 8,800 hectares and the average area sown by suppliers fell from 20.5 hectares in 1966-67 to 9 hectares in 1967-68, indicating increased participation by small farmers in the cultivation of the crop.

The first step taken by a potential grower was to apply for a pre-contract form which requires data about the size of the applicant's farm, its location, etc. Once this is completed, an IANSA agricultural engineer visits the farm to check that the soil base is adequate, that a satisfactory rotation is feasible and that irrigation is available. All growers of beet must show evidence of having legal rights to a given water supply. In practice, no amount of 'legal rights' can overcome the problem of climatic uncertainty and there was evidence that beet was being grown on several tiny holdings where it was virtually impossible to introduce the crop in the context of an optimum rotation.

To obtain the full contract for growing sugar beet, the applicant must give his number on the Tax Roll and produce the title deeds to his land. Sharecroppers and tenant farmers must display their contracts in writing, while, in the case of indivisible inheritances (**sucesiones**), it must be established that the **sucesión** is legally constituted and evidence from the heirs authorising the contract with IANSA must be produced. Guarantees of the applicant's solvency may either be procured from a bank, or, as is more common in the case of small proprietors, it is IANSA's agricultural engineer who decides on the extent of the risk after conversing with other farmers in the area who know the applicant.

If the latter is finally considered suitable, then he is obliged to sign two contracts. One guarantees payment for the credit in kind and the sums in cash

forwarded by IANSA for the purchase of various inputs and the other contract sets out the conditions of sale of the beet to the plant.

Now there were several reasons why IANSA was very keen to increase the number of small farmers supplying its various plants of which the most important was the reliability of small farms to deliver beet in even the worst of weather conditions because of their need for cash. Operators of large farms could not be relied on in the same way, owing to their superior liquidity position. However there existed various problems related to the marketing of sugar beet in the community which will be analysed.

Firstly, sugar beet is harvested during the winter and at that time of year the unsurfaced farm roads in Carrizalillo often become impassible for mechanised vehicles. This was a very serious problem and the President of the local Committee of Small Farmers did not cultivate beet precisely because he would have been unable to get his crop transported out in the winter months.

Secondly, even if a small farmer is successful in overcoming these physical difficulties to the marketing of his beet, it is a success achieved at a relatively high cost. IANSA grants its suppliers a transport subsidy but the cost of transporting the crop to the Chillan plant was still high in 1968. There was no marketing co-operative in Carrizalillo and the individual contracting of lorries by producers puts the latter at a disadvantage. If each supplier's crop is relatively small, as it was in the community, then there is a choice between a full load on a small lorry or underutilising the capacity of a large lorry. Both options are likely to be suboptimal in relation to a full load on a large lorry. As it is, the truckers tend to charge a premium for their services under difficult climatic conditions, while they know that once the beet is harvested, each producer wants to get his crop delivered to the plant as soon as possible to prevent sucrose loss.

Thirdly, the small farmers of Carrizalillo encountered a serious problem in IANSA's method of payment for the beet, although this difficulty has now apparently been resolved.[7] In 1967-68, at least, the Chillan plant was faced with a severe shortage of liquidity during the period of beet deliveries. Instead of receiving the net value of their crop in cash, suppliers were paid with promissory notes (letras) drawn on the State Bank. This situation had been foreseen and a clause in IANSA's contract with each supplier granted the company the right to pay a maximum of 30% of the net value of any crop in cash, the remainder to be paid in letras of between 90 and 150 days maturation.

The disadvantages of this system for the small producer are obvious. The notes were not adjustable for the inflation and there were cases of several months' delay before payment was received. For peasants who lacked bank accounts or who needed the cash immediately, and these were the overwhelming majority of peasants in Carrizalillo, recourse could be had to an informal discount market. In nearby San Carlos, an enterprising financier bought up IANSA promissory notes at a handsome discount; one example given was of a E° 5,000 note changing hands for E° 3,500. The large producer who had greater access to credit and banking facilities was thus in a privileged position.

Promissory notes were also apparently used in certain cases in the payment of anticipos, or the formal credits to suppliers to meet necessary input costs during the cultivation of the beet, and this gave rise to similar difficulties. In any case, all crop deliveries are now liquidated in cash and letras are only given in exceptional circumstances and then only to large producers.[8] Furthermore, IANSA now charges a differential rate of interest on its anticipos as between the 'reformed' and the 'unreformed' parts of the agricultural sector. The reformed part, and this includes peasants organised into committees and co-operatives by INDAP (a State agency charged with the promotion of agricultural co-operatives and rural trade unions), are charged 12% per annum, while the unreformed part of the sector consisting of the remaining private landowners are charged at the State Bank's rate of interest, 18%.

In concluding this analysis of Carrizalillo, two points can be made. Firstly, it has been argued that the growing of sugar beet gives 'institutional security' to small farmers on account of the contract system which stipulates that all a peasant's crop will be purchased at a given price known to the grower in advance. In addition, the system of anticipos and free technical assistance has been seen as providing an incentive to the small farmer to cultivate the crop.

However perfect foreknowledge about crop prices is a necessary but not a sufficient condition for security. Certainty about costs and yields is also required. Difficulties over irrigation may make yields fluctuate considerably and there is evidence that the output of beet per hectare is lower on small than on large farms in Ñuble for reasons connected with the preparation of the soil.[9] Cost projections may also be upset by sudden variations in wage rates as the cultivation of beet is relatively labour intensive. Bad weather during the harvest together with inadequate access roads increases the probability of suppliers incurring penalties from IANSA if delays in transportation lead to a reduction in the sucrose content of the beet below a certain level or if particular deliveries are made at dates later than those set by the plant authorities.

Secondly, IANSA is a vertically integrated State enterprise, since CORFO (the State Development Corporation) owns 98% of IANSA's capital. Therefore, an analysis of its impact on one community has considerable relevance at a time when part of the marketing strategy of the government is concerned with the formation of a series of vertically integrated State enterprises throughout the country.

Lo Abarca

The third case study, Lo Abarca, is situated approximately 100 kms. to the south-west of Santiago in the Coastal Range of the Central Valley. It had two important characteristics which distinguished it from the other communities studied.

Firstly, the community constituted a remarkably urban nucleus of agriculturalists, as the cultivated plots were laid out next to the houses of the town of Lo Abarca and all the sample households were part of a

compact settlement pattern rather than being dispersed over the surrounding countryside.

Secondly, only 60% of the household heads in the sample gave agriculture as their principal activity and they were divided into the following groups: small proprietors (12%) sharecroppers (24%); permanent wage workers in agriculture (20%) and one tenant farmer (4%).

The size of holdings in the community was very small. 72% sample had access to less than 5 hectares of land, excluding those families with no land at all. All sample holdings had less than 4 irrigated hectares and 40% sample had less than 2 hectares under irrigation, again excluding those with no land at all.

The two crops of major commercial importance were lettuces and tomatoes which were grown by 48% and 40% sample households respectively. 20% sample cultivated potatoes and 16% grew wheat on the surrounding dry lands.

In the summer months, 36% of the sample households producing lettuces sold them to a lorry owner from Zarate, the neighbouring village to La Abarca. This buyer advanced his suppliers consumption credit in the three months before the harvest (approximately June-July) but he paid a lower price for the produce to make up for not charging interest on his loans. Another 36% lettuce producers sold their crop to a family in Lo Abarca, while the remaining 28% sold to other buyers, some inside, some outside the community. The pattern in tomato marketing was similar; 40% tomato producers sold to the same lorry owner from Zarate; 20% to the same family in Lo Abarca and 40% disposed of their crop to other buyers.

The lorry owner from Zarate and the four or five truckers in Lo Abarca were in a strong position to keep producer prices down, because the demand for transportation by the market gardeners pressed hard on the supply capacity of the lorries available locally and incursions from outside truckers were rare and irregular. An important reason for this was that producers in Lo Abarca were less likely to get consumption and production credit granted to them by lorry owners living outside the community. In addition, the extreme perishability of both crops made producers highly dependent on those with the means of transporting produce to market. Other things being equal, this dependence may appear to be less subjectively to the producer the smaller the distance trucks have to come to collect his crop each day and the greater the control he feels he has over changing time schedules for collection, if that should be necessary. Both these elements tend towards the establishment of local oligopsony and oligopoly networks.

The most important lorry owners in Lo Abarca were significant land owners and producers of firewood. Thus the small farmers in the community were dependent on the local truckers not only for access to land during the summer, but also for employment as cutters of firewood during the winter. At a rough approximation, six lorry owners, two of whom lived outside Lo Abarca, offered 75% of local job opportunities in the winter months.

The first conclusion from an analysis of Lo Abarca is that it is impossible to understand the marketing problems faced by small farmers outside of a more general perspective that identifies the totality of economic roles being played by individuals and by households in concrete local situations. In the case of Lo Abarca, the essential unity of the peasants' problems derived from the fact that the marketing and employment structures in the community were characterised by a system of domination based on the ownership of capital; specifically, land, lorries, woodpiles and loanable funds.

This system was consolidated firstly by an attempt by the lorry owners to secure sources of supply, either by buying land and letting it out to sharecroppers, or through advancing money to farmers who were then incorporated as dependent elements. The process operated during the winter when the truckers were able to buy wood from the nearby estates (if they did not have their own small plantations) and then bring it to Lo Abarca for cutting and splitting.

This integration ran forwards as well as backwards. Two of the most important lorry owners had contracts with supermarkets in Santiago, i.e. the ALMAC and the UNICOOP. This securing of market outlets meant that although the intermediary receives a lower price per unit of produce, larger volumes can be purchased by the lorry owners from the producers without any fear that difficulties will be met in disposing of the crop in Santiago. This system of contracting, although an incentive to expanding the area cultivated in lettuces and tomatoes, for the truckers will want to carry loads of maximum capacity to compensate for lower prices, can be expected to have ambivalent consequences for the growers.

Truckers will find it attractive to buy land suitable for market gardening and will put in more sharecroppers, thus preventing existing sharecroppers from expanding their areas of cultivation. Such a process can be expected to increase the concentration of land ownership in the community and to bid up prices of land to levels which will effectively exclude most small farmers from entering the market as buyers. However, the situation may be changing now with the formation of a State sponsored vertical marketing co-operative in the Santiago region for market gardeners.

The case of Lo Abarca also demonstrates a process of lateral integration of capital ownership through family membership. That is to say, of the four most important truckers in the community, two were brothers and the other two were father and son. This consolidation of class power in the small urban nucleus of a rural area is based on the transformation of free entry into commerce into family entry, as particular households come to control access to marketing outlets and to the purchase of certain agricultural inputs. Truckers supplied fertilisers to certain of their suppliers and some sharecroppers had their land ploughed by their landlord's tractor, while credits from the INDAP were very few in 1968.

In short, this analysis of Lo Abarca implies that considerable difficulties may be encountered when trying to establish a marketing co-operative. It would be easy for the lorry owners to disunite the relatively independent producers by threatening to boycott their produce during the initial period of the co-operative

when it might be unable to market all its members' produce. Finally, any sharecropper or tenant farmer of the truckers would jeopardise his position if he showed any intention of joining a co-operative, which suggests that certain measures of land redistribution may have to precede the formation of effective marketing co-operatives.

The last two case-studies serve as illustrations of some local marketing problems of two of the most important crops grown by small farmers in Chile, i.e. potatoes and wheat. The first case allows a partial appraisal of the role of the ECA, the Agricultural Marketing Corporation in relation to the small farmer, and the second case confirms the hypothesis, offered by Frank[10] (1969) that the remainder of the indigenous population in Chile, the Mapuche Indians living in the South, have the weakest bargaining position in exchange transactions among the rural population.

The Agricultural Marketing Corporation or ECA is a State organisation with responsibility for guaranteeing an adequate supply of foodstuffs to the population. It fulfils this function by supervising the export and import of certain agricultural products, by administering a system of support prices for selected crops and by attempting to improve the national marketing system.

Created in its present form in 1960, the ECA has increased the extent and volume of its activities from year to year, to the point where any list of its current operations would have to include the following:

i) a construction section responsible for planning and executing the construction of refrigerated storage depots, grain silos and ordinary warehouses.
ii) a chain of retail outlets in areas which are particularly inaccessible and which are often unserved by commercial distributors.
iii) a group of 14 refrigerated storage depots, mainly for meat.
iv) a nation-wide network of temporary purchasing centres are established each year to cover a large range of agricultural products. In 1967, 257 of these centres received 14 different products.
v) the ECA intervenes decisively in certain areas of Chile's international trade. Of particular interest is ECA's 99% holding in VINEX, the company which controls the export and domestic consumption of Chilean wine.

This list could be extended, but this article is concerned only with the ECA's role as a State purchaser of certain crops grown by small farmers.

Firstly, of the various objectives of official price policy and government intervention in commodity markets, two are of particular importance for the cases of wheat and potatoes in Chile. Where an individual producer knows that the State will buy any volume of a particular crop he delivers at a price known to him beforehand, then, ceteris paribus, the degree of uncertainty associated with the cultivation of that crop is reduced. This is the case for wheat in Chile and can be seen as an attempt to guarantee a certain 'floor' to the domestic supply of this basic foodgrain. This reduction in uncertainty is due to foreknowledge about crop disposal on the one hand and to the possibility of anticipatory revenue and profit calculations on the other. In fact, the process of fixing the actual price will involve other objectives as well, but for the small farmers at least, it is the certainty of disposal of what may often be a residual form subsistence requirements that is of the greatest importance.

There is no contradiction between this and what was said earlier about sugar beet. The mere contracting to buy the beet output of a given acreage at a given price differs enormously from a similar contract for wheat. This is because wheat yields are less sensitive to marginal changes in probabilistic inputs such as water than are beet yields. Furthermore, unforeseen changes in labour costs will have much less impact on the average small peasant proprietor producing wheat because he is much less likely to employ any wage labour.

The second objective of a government price policy is to increase, reduce or maintain the real incomes of farmers growing particular crops. This may be seen as an instrument of resource allocation, or as a means of 'subsidising' particular groups of producers who face an extremely restricted set of production possibilities, at least in the short run. It is this last aspect which is relevant for any discussion of potato farmers in Chiloë.

Potatoes are an important case study for a discussion of the marketing problems of small farmers in Chile, because of the crop's concentration in certain geographical areas and among certain sizes of holding. Between 1961-65, 46.35% of the country's total potato output came from Chiloë and the four mainland provinces immediately to the north of the island, i.e. Llanquihue, Osorno, Valdivia and Cautin. In Chiloë itself, it has been estimated that two-thirds of the cash incomes of farmers with less than 50 hectares derives from the sale of potatoes. During the period 1961-63, 46% of the national potato acreage sown was estimated as forming part of holdings of less than 50 hectares.[11]

In short, as the CIDA study made clear, the island of Chiloë is characterised on the one hand by large numbers of small holdings most of which are highly dependent on one crop for subsistence consumption and cash sales, while on the other hand, much of the land area was dominated by latifundia many of which were either abandoned or under absentee ownership. These have now largely been expropriated. In addition to inadequate farm size and monocropping, these groups of minifundia suffer from extreme geographic isolation from urban markets, which has a number of important implications.

A study published in 1966 suggested that for an average haulage distance between producer and consumer of 100 kms., the producer's share in the retail price of potatoes in Santiago was 52.16% against a marketing margin of 47.84%. For a grower of the same type of potato in Chiloë who sold his crop in the same market, the producer's share in the retail price fell sharply to 38.97% against a marketing margin of 61.03%.[12]

There is little evidence that the situation has improved since 1966, while at that time it seemed as if it was becoming more acute. That is to say that from 1961-65, despite adverse marketing conditions, the zone comprising the area from Cautin to Chiloë was one of only three zones in the whole country which

actually increased its output of potatoes over the period, albeit only marginally. This resulted in a zonal excess of potato supplies over consumption of more than 2,000,000 metric quintales by the end of this five year period. In such a situation, the role of a State purchasing agency could be of crucial importance. However, in 1965, at least, ECA's purchases of potatoes in North Chile and in the southern half of the Central Valley represented a greater proportion of the total potato output of these areas than was the case in the zone stretching from Cautin to Chiloé. The figures were 6.07% for the zone between Tarapacá and Coquimbo in the North, 3.82% for the zone between Colchagua and Linares and 2.53% for the Cautin-Chiloé zone. These figures are particularly interesting because North Chile had a zonal deficit of the crop and the Colchagua-Linares zone had a zonal surplus one fifth as large as that of Cautin-Chiloé!

The local consequences of this low degree of participation by the ECA in a market situation characterised by chronic oversupply and monocropping is best seen through an analysis of the fourth case study.

Ichuac

The community of Ichuac is situated on a small island off the western coast of Chiloé. 60% community sample farmed less than 10 hectares and all the households interviewed produced and sold potatoes.

The main complaint of the peasants was that the ECA did not begin to purchase potatoes locally in Chonchi (the nearest town on mainland Chiloé) until March, while many farmers harvested much of their crop in January and February. ECA's reply was that between December and March there is usually a potential surplus of potatoes in the Norte Chico and the Central Valley which has to be distributed throughout the country as quickly as possible. In any case, one official argued, the main crop from the Chiloé region comes later in the year in July and August, so therefore, the potatoes harvested earlier are an 'artificial crop'.[13]

The problem of timing is obviously crucial, but in this case it was, and still is, aggravated by ECA's relative lack of purchasing power and inadequate storage capacity both nationally and locally. This latter point seems to be the only way to explain the strange distribution of available purchasing power that was noted above.

The consequences of all this for the peasants of Ichuac were that ample scope was given to intermediary buyers who travelled to the island in January and February of 1967 purchasing potatoes at E° 8 per sack of 80 kgs., which they reportedly later sold at E° 40 per sack in Punta Arenas. In fact, 56% of the community sample sold their potatoes to these buyers; 24% sold their crop in Chonchi and 20% travelled to Castro, one of the largest two towns on Chiloé.

When the ECA did enter the market locally, it paid a support price of E° 14.40 per sack. This price, which was 80% higher than that received by at least 56% of the sample who sold their crop one or two months earlier, was specifically seen by the ECA as a form of relief or subsidy to the Chiloé region. Unfortunately, many of the peasant farmers received little benefit, either because they lacked storage space to wait for the ECA's intervention, or because their cash needs at the beginning of the year required the immediate sale of their only liquid asset — their potatoes. What this case study demonstrates clearly is the contradictory set of objectives with which the ECA appears to be faced and the difficulties it has in reconciling them. Specifically its attempt to use price policy to make income transfers to small farmers in one community in Chiloé was shown to be a failure.

The final case study to be examined concerns another weakness of the ECA which has already been identified in the case of Chiloé. This is the Corporation's failure to replace market structures characterised by extremely weak bargaining power on the part of the small farmers by an institutional framework which is more favourable to them.

Huapi

The community concerned is situated in Cautin approximately 100 kms. due west of the regional centre of Temuco. It is composed of several settlements of Mapuche Indian households (reducciones) on a small island in the inland lake of Budi, which is separated from the Pacific by a narrow strip of land.

This area of Chile is important for the growing of wheat and the zone between Malleco and Llanquihue produces an excess of this cereal in relation to zonal consumption. The ECA is also active in the region and between 1959-63 it purchased approximately 13.7% of zonal wheat output which is the same proportion of wheat production purchased by the Corporation nationally.[14] It can be seen, therefore, that ECA's intervention in the marketing of this crop is much more significant in terms of the proportion of total output purchased than in the case of potatoes. In 1965, the ECA bought 2.25% national output of potatoes, while between 1959-64 this figure was less than 1%.[15]

The island of Huapi was the poorest community studied as measured by several indicators. 76% of sample households farmed less than 10 hectares and all the families interviewed grew wheat. Approximately one quarter of them (24%) sold wheat and a higher proportion (32%) sold oats.

The Mapuche sold their cereal crops in a small town on the lakeside, Puerto Dominguez after they had rowed across the lake. The central figure in the town was Mr. C, who owned the biggest retail store and a lorry. He was virtually the only buyer of wheat from the Mapuche in Huapi, while his market position was strong with regard to oats, linseed and potatoes. The price he offered for wheat changed according to the seasonal fluctuations of supply and demand, being at its lowest immediately after the harvest in January and February when most of the Mapuche sell their crop. More precisely, C only paid 25% of the value of wheat and oats in cash and the remaining 75% he provided in goods from his shop.

An approximate calculation showed that C's gross profit margin per sack of wheat purchased was 160% if it was sold as flour and 40% if sold as wheat. The first of these figures is probably an underestimate owing to the assumption of a low flour/wheat coefficient and that the barter 'price' of each transaction was equal

to the cash price. His gross margin on potatoes and oats was much smaller, being approximately 18% in both cases, although all these estimates were calculated on the basis of data that it was very difficult to check.

In short, C's most profitable trade came from the Mapuche bartering their wheat immediately after the harvest, part of which they then have to buy back again as flour the next winter at a high price.

C's brother-in-law, Mr. L, operated in a comparable fashion. He owned one of the two flour mills in the town and preferred to be paid in kind for milling grain. The Mapuche also preferred to pay in kind because of their chronic shortage of cash at the time of harvesting.

The advantages of this scheme to L were considerable. He could mill the wheat received in payment and sell the flour back to the Mapuche in winter. The same wheat also provided cereal by-products with which he used to fatten pigs bought from the Mapuche in spring when their cash reserves were very low. These animals would later be sold to buyers from Temuco at a handsome profit.

Thus, the marketing structure of the town was defined by two major elements. First, there existed extreme monopsony power in the purchase of the Mapuche's cereals. The pattern of exchange relationships demonstrated the following cycle. At the start of the cereal harvest in January, the small traders and shopkeepers are unable to buy wheat because they lack purchasing power which can only derive from the sale of their consumer goods to the Mapuche. This forces the Mapuche to turn to C who barters their crop for merchandise. This restricts the Mapuche's purchasing power which prevents other buyers entering the market for wheat and tends to limit the Mapuche's consumption purchases to one store.

The second element of interest for marketing analysis was the existence of a system of commercial domination based on the ownership of capital by a specific kin group. Here, as in Lo Abarca, though in a more extreme fashion, free entry had become family entry.

Why did not the Mapuche of Huepi sell their wheat to the ECA? The cycle of exchange relationships described above provides an adequate answer in itself, but two points can be added.

Firstly, the nearest purchasing office of the ECA was at Nuevo Imperial, a town approximately 50 kms. from the island. As the ECA does not provide transport to its suppliers, the Indians would have had to organise so as to pool the harvests of individual households and hire a lorry to market their wheat. This type of co-operative organisation existed only in embryo form when the island was visited in 1968.

Secondly, even if there had existed a marketing co-operative on the island, the Mapuche would still have had to obtain the hire of transport. In Puerto Dominguez, the chance of being boycotted was high and the individual whose activities were described above could bring pressure to bear in several other ways such as refusing to sell consumer goods to co-operative members. This would act as a pressure for a degree of vertical as well as horizontal integration in marketing, i.e. the Mapuche would require to own their own transport to break this local oligopsony.

The consequences of such conditions of exploitation are far reaching, being reflected as they surely are in such variables as the suicide rate among the Mapuche. One extremely important economic consequence of this particular marketing structure was that the Mapuche on the island had become severely indebted to the INDAP for production credit, because they were unable to earn sufficient cash from the sale of their crops to make the necessary credit repayments, and this had led to a process of decapitalisation in certain cases through the sale of draught animals to raise money.

CONCLUSION

In conclusion, one final question must be posed. The case studies have illustrated several different sets of marketing problems faced by small farmers in different areas of Chile. A number of the communities studied displayed common features, i.e. geographic isolation from markets, dependence on one crop, and the existence of oligopoly. Nevertheless, several important differences were pointed out, as in the case of economic uncertainty relative to guaranteed prices and quantities in the cultivation of sugar beet on the one hand, and wheat on the other. It was also seen that an analysis of marketing problems cannot be satisfactorily undertaken in most cases without a close examination of a number of related topics such as credit, local off-farm employment, etc.

The question raised, therefore, is what type of marketing organisation is optimal for small farmers in different situations?

This is by no means a new problem, for it was raised at least fifty years ago by the Russian agricultural economist, Chayanov, in the last chapter of his brilliant book: The Theory of Peasant Economy.[16]

Arguing in 1922-23 against basing the whole of Soviet agrarian policy on the concentration of peasant lands into large-scale production units, he proposed that '... the main form for the concentration of peasant farms can be only vertical concentration and moreover, in its co-operative forms, since only in these forms will it be organically linked with agricultural production and be able to spread to its proper extent and depth', Chayanov, (1966, p. 267). In short, Chayanov saw the essence of agricultural co-operation among the peasantry as consisting of a deep process of vertical concentration or integration. His argument is extremely relevant for the present situation in Chile for several reasons.

Firstly, the analysis of several market situations in which individual peasant's bargaining power was weak, suggested the need for establishing a horizontal co-operative organisation to cover the actual process of exchange itself. However, it quickly became evident that if it was to survive, any co-operative formed initially to bargain more strongly with existing intermediaries would be forced into a series of 'forward linkages' in the marketing process, especially into possessing its own transport. This is to argue that any move towards viable co-operative organisations among small farmers must tend towards vertical integration

because of the existence of certain economies of scale in the marketing process, because of the need to internalise certain external economies, and because of the nature of the class confrontation between peasants and intermediaries. This conflict constitutes one of the major contradictions in a society characterised by private capitalist and co-operative sectors.

Secondly, there already exist a number of vertically integrated enterprises in agriculture. These include small scale private capitalist enterprises like those producing firewood in Lo Abarca; State enterprises like IANSA in Carrizalillo and types of co-operative/State enterprise such as exist where the previous government expropriated vineyards and established **asentamientos** or provisional co-operatives, which might sell their wine through VINEX.

So far the Popular Unity government has progressed little further than the Christian Democrats as far as the co-operative vertical integration of small peasant proprietors is concerned. The two major innovations in agriculture since November 1970 have been the establishment of the **Centros de Reforma Agraria** (Centres of Agrarian Reform)[17] and the **Consejos Comunales Campesinos** (Peasant Councils).[18] Both these organisations are primarily concerned with increasing horizontal rather than vertical integration. On the other hand, there exist plans to establish vertical State enterprises in agriculture although few of these organisations exist at present. One such enterprise that is in operation is a co-operative for marketing vegetables grown by small farmers in Santiago which competes with existing marketing channels.

Finally, it should be emphasised that policy solutions offered for the marketing problems of small peasant proprietors must be related to the many other problems faced by them whether these be inadequate size of holdings or lack of dependable irrigation. Furthermore, it is impossible to propose any measures for improving incomes without a more general perspective of what their role in agricultural and economic development can, or should, be. This requires a much closer examination of the concepts of 'small peasant proprietors' and 'small farmers' with the aim of identifying which households have a development potential as production units as presently constituted and which do not.

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FOOTNOTES

1. The material on which this article is based was gathered as part of a project on small peasant proprietors in Chile carried out at the Institute of Training and Research in Land Reform (ICIRA), Santiago, Chile. The author participated in this project from 1967-69 as a Fellow of the Overseas Development Institute, London.
   Nine communities were studied and the total sample size was 225 households drawn on a flat rate of 25 households per community. The communities are identified on the map. A comprehensive analysis of the project's economic data is to be found in C. D. Scott, 'Peasant subsistence and the processes of change', Santiago, mimeo, 1969.
2. 86.7% of the sample households owned at least some land.
3. This consumption includes both human and animal consumption.
4. These criteria included the value of marketed production and the value of marketed production as a proportion of total agricultural production.
5. See 'Tenencia de la tierra y desarrollo socio-económico del sector agrícola', CIDA, Santiago, 1966.
6. Livestock production was defined as the value of household consumption of livestock and the value of livestock sales over the year 1967-68. Inventory movements proved impossible to identify accurately in the time available for field work.
   In the first quarter of 1967, the official (trade) exchange rate for the US dollar was 4.65 Escudos. A year later it was 6.37 Escudos.
7. Conversation with the Director of IANSA in Santiago, October 1971.
8. Conversation with the Director of IANSA in Santiago, October 1971.
9. Data obtained from the Office of Statistics in the IANSA plant in Chillan in 1968.
10. A. G. Frank, 'Capitalism and Underdevelopment in Latin America', Monthly Review, 1969.
11. The figures cited in this paragraph are drawn from A. Sanchez and R. Parada, 'Comercialización de la papa en Chile', Consejo Superior de Fomento Agropecuaria (CONSFA), Santiago, 1968.
12. A Sanchez and R. Parada, op. cit.
13. Conversation with ECA officials in Santiago, October 1971.
14. This figure is given in C. Cermona A., and J. Luis Mariaba C., 'Comercialización de trigo en Chile', CONSFA, Santiago, 1965.
15. A. Sanchez and R. Parada, op. cit.
16. A. V. Chayanov, 'The Theory of Peasant Economy', R. Irwin, 1966.
17. The Centres of Agrarian Reform are a new provisional form of production and multi-service co-operative created in the countryside by the Popular Unity government under the existing agrarian reform law passed by the previous Christian Democrat government. These Centres have been established on all the latifundia expropriated since October 1970, while any two or more separate holdings may form a Centre by mutual agreement. The forms of co-operative production organisation in agriculture set up by the Christian Democrats between 1965-70 are to co-exist with the new Centres, although two or more asentamientos may join together to form a Centre of Agrarian Reform.
   The objectives of the new Centres are to eliminate some of the disadvantages associated with the asentamientos, while attempting to retain the benefits of co-operative forms of organisation. Thus, in contrast to the asentamientos, provision is made for temporary workers to participate in the General Assembly and Production Teams of each Centre, while the wife and adult children of each permanent worker on the Centre are also considered members of the Centre. These new organisations have responsibility for building up social infrastructure in rural areas as well as for the management of agricultural production on the lands assigned to them.
18. The Communal Peasant Councils (CPCs) are organisations established in each comuna in the rural areas and are constituted by members of each officially recognised peasant organisation in the locality whether it be an agricultural trade union, a co-operative, an asentamiento or a Centre of Agrarian Reform. The Councils have no official budget and no formal executive powers.
   Some sections of the Popular Unity government see the Communal Peasant Councils as embryo forms of 'dual power' and would like to broaden their class base to include non-agricultural workers. In certain areas, the peasant organisation (MCR) of the Movimiento Izquierda Revolucionario (MIR) has achieved representation on the CPCs despite the MCR's lack of recognition by the government as an official peasant organisation.

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