

CHANGING PATTERNS OF STATE INTERVENTION IN THE BRAZILIAN AGRICULTURE¹

Walter Belik²

ABSTRACT - This paper stresses a discussion on State finance and planning for Brazilian agribusiness in the last 30 years. We can observe a change in the intervention pattern that moved from the complete state regulation to deregulation trend. Taking the theoretical approach of neocorporatism is possible to clarify how the Brazilian state has entered in a process of degeneration due to its fiscal crisis and lack of political legitimate. In consequence, Brazilian agribusiness overcome the 90s seeking for a new model regarding the commercial opening, globalization and the State diminishing.

Key words: agribusiness credit, state, pressure groups

INTRODUCTION

The recent changes that have taken place in the management of Brazilian agricultural policy cannot be attributed solely to the exhaustion of financing mechanisms instituted in the rural sector 30 years ago. In reality, public policy management is entering a new phase in Brazil today. This paper aims to demonstrate that the forms of regulation that were in effect during the phase of agricultural modernization and the emergence of agroindustrial complexes can no longer be found. In other words, there has been a change in the way

¹ This is a new version of the paper "Changing Patterns of State Intervention in the Brazilian Agroindustrial Complex" published in *Sociologia Ruralis*, Vol. 37, number. 3, pp. 405-424, Dec/97. Sober Thanks the Blackwell Publishers Ltd. and the European Society for Rural Sociology for permission to reproduce this paper.

² Senior Lecturer at State University of Campinas, Brazil. Cidade Universitária. P.O. Box 6135, Campinas, SP, 13083-970. E-mail: belik@turing.unicamp.br.

agricultural policy is being made in Brazil today. This means that we need to establish a new frame of reference for the analysis of the concrete conditions needed to solve the rural sector's persisting problems.

During the last 30 years, Brazilian agriculture has undergone an accelerated process of modernization, with a consequent growth in production, occupation of new spaces and niches, and the creation of new markets. In the 90s, the conditions reigning in the Brazilian economy have become significantly different from those that characterized the period in which the traditional instruments of agricultural policy were implemented. Two fundamental elements of agricultural policy planning that were inexistent in the 60s are present today: the collapse of public financing and the accelerated integration of markets, which is accompanied by the falling away of commercial barriers.

The present article analyzes the changes that have taken place in Brazilian agricultural policy in recent years and new forms of market intervention starting at the beginning of the decade. We hypothesize that the regulation of the agricultural and agroindustrial sector has gone through three successive phases within the last 30 years, as specified below.

The first phase, beginning with the 1964 reforms and continuing until the end of the 70s, is marked by a strong State presence which basically determines the growth rates of the agricultural sector and its articulation to bordering sectors. In this early period, governments practice a kind of "regulating fury", imposing discipline on all aspects of agricultural policy. In addition to the classic instruments of agricultural policy such as credit, minimum prices, insurance, technical assistance, etc., new instruments are developed to aid exportation, domestic supply and storage. Other specific instruments are implemented within the particular context of each Agroindustrial Complex (AIC).

In the second stage, beginning in the early 70s—ushered in by the reduction of credit-related subsidies and the alleged maturity of the agricultural sector—some AICs enter a phase of self-regulation. Self-regulation manifests itself through the widening and diversifying forms of finance within the sector and creation of systems of support, classification and market integration. In this period, private sector actors and institutions are strengthened, as the public apparatus of agricultural

intervention moves out of the foreground. As policy decisions travel paths that increasingly bypass the State, there is also greater autonomy of interests springing up in and around different AICs.

During the third stage, which begins in the late 80s, we witness the veritable dismantling of the institutions and instruments that had been guiding agricultural and agroindustrial policy since the creation of the *SNCR (Sistema Nacional de Crédito Rural)*. The volume of credit destined to agriculture drops to its lowest levels, and traditional arenas of regulation are deactivated. These changes occur during a period of accelerated commercial opening and regional integration that affect the agricultural and agroindustrial sectors the most directly. Therefore, this period is characterized by a tendency toward the loss of regulatory powers. In the absence of even a minimal program of action and experiencing internal conflicts that cannot be overcome, agriculture and industry plunge into an intense process of restructuring. Previous competitive advantages – whether natural or borne of State policy – give way to a situation marked by instability and limited prospects for planning.

It is still too early to determine the future prospects for different AICs within the context of Brazilian agriculture. However, it is clear that the current restructuring processes will lead to the emergence of new relations between actors and the State. Within the productive chain, new power relations are being produced. In short, existing interests are undergoing alterations, leading to a rethinking of agricultural practices and policies.

INTEREST GROUPS AND PUBLIC POLICIES

The modernization of agriculture and the development of agroindustry and agroindustrial processing in Brazil can be seen as a two-way process involving the State and organized interest groups. On the one hand, particular interest groups put pressure on the State, obtaining programs and resources needed for development. On the other hand, the State, through government policies, promotes the formation of leadership, which in turn creates sectorially-organized

interests. This mechanism of government differs from typical “market” mechanisms, not applicable moreover in the case of developing countries imbued with deep bureaucratic and authoritarian traditions.

In effect, the way in which policies are organized in monopoly capitalism presupposes some form of negotiation between different interest groups, including those interests authentically rooted in the State, such as those of government and technocrats. In other words, monopoly capitalism can be seen as a form of economic development organized differently from the traditional interpretation of the “market” in which agents engage in exchange fortuitously and within the context of isolation.

The corporatist approach supplies the best instruments with which to understand this period of intense State regulation of the economy. Corporatist theory is attractive precisely because of the empirical difficulties that characterize other paradigms that attempt to explain the relationship between State and Society.³ The term neocorporatism came after corporatism. Corporatism evolves as a critique of the pluralist vision which conceives of society as a harmonious and self-regulating system based on the interaction and free competition of social groups. In order to differentiate this system to that from the old corporation from the Middle Age, we use to call corporatism of new corporatism (neocorporatism).

According to Cawson (1985:8), “Corporatism is a specific socio-political process in which organizations representing monopolistic functional interests engage in political exchange with state agencies over public policy outputs which involve those organizations in a role that combines interest representation and policy implementation through delegated self-enforcement.” Schmitter (1985) distinguishes three types of corporatism, depending on the greater or lesser strength of the State and the cohesiveness of the economic groups that are involved.

A first type of corporatism is called *privatized government*, characterized by the privatization of State organisms through monopolist representations which aim to obtain subsidies or implement

³ We base ourselves here on Cawson (1985)

norms restricted to the emergence of new organized systems. A second type is defined by Schmitter as one in which “the State – normally through an authoritarian mandate – creates, coopts or controls an interest-based organization and can, thereby, coerce its leaders or members.” (1985:60). Schmitter refers to this second type as *subordinate government*. Finally, we have a third type of organization, denominated *private interest government (PIG)*. PIGs emerge when the State is unable to control, through a monopolistic regime, the arrangements surrounding production and distribution of goods and services. At the same time, the State, under these PIG conditions, is able to influence behavior by imposing rules of coexistence. The result of this process is a high dose of organizational self-regulation.

With regard to the process of agricultural modernization and the constitution of agro-industrial complexes in Brazil, we are most interested in the modalities known as *subordinate government* and *PIG*. Concerning the former, Schmitter (1985) reminds us that it was a frequently-encountered form some time ago, in Latin America and Southern Europe.

In Brazil, the development project put together since the Vargas period led to the “creation” of legitimacy for particular interest groups. Since these interests were yet unorganized, the State allowed particularly influential organizations ⁴ to speak in the name of these still unconsolidated interest groups. In this way, different forms of interest representation were created, with the participation and under the auspices of the State. The key to understanding this period lies in the political strength or in the ability to access and mobilize resources in the hands of the State.

Beginning in the early 80s, with the emancipation of particular interest groups, the political crises of several governments and the fiscal crisis of the State, there is a qualitative change in the way in which constituted interest are regulated and organized. Streeck and

⁴ Claus Offe (1989) reminds us that the functioning of a corporatist system may be linked to the degree to which governments attribute “status” to private institutions. There are four types of “status attribution”, as follows: 1) resources 2) representation 3) organization (regulation of internal relationships) 4) procedures

Schmitter (1985:20) point out that government agencies are always prepared to accept “voluntary” self-regulation, even if this implies concessions and loss of direct control. In the latter case, whatever the State loses ends up being recovered, with lower implementation costs and greater effectiveness. Private interest governments (PIGs) presuppose a State that enjoys both enough autonomy and strength to insure that certain maintenance costs pertaining to sectorial policies are incorporated into organizations. On the other hand, this form of State must not be so strong as to eliminate the competitive participation of organized private interests.

There is a recognizable fit between the environment of policy definition in the early 80s and PIG characteristics. In Brazil, starting in the early 80s, sectorial interests undergo a veritable emancipation process, beginning to define autonomously – albeit under State supervision – the main elements for the development of sectorial politics. Notwithstanding the more general emphasis of economic policy on price control, organized interests have the role of defining margins, product classification and differentiation, changes in price lists, etc. At the same time, the State has greater bargaining power with regard to such things as taxing, price levels and internal supply.

It is interesting to note that in the British case, we can observe the same movement from a *subordinate* to a *private interest government*, during the 70s. Cox, Lowe and Winter (1986), studying the emergence of private interest in British agriculture (as represented by the NFU) show that initially “formal controls and bureaucratic arrangements were necessary. This was partly because government had still to develop the administrative capacity to manage the agricultural sector and the NFU had not yet developed the capacity to effectively manage its constituency. (1986:488) Further on, the authors assert that “corporatism in the agricultural sector changes in emphasis from a species of state intervention to a complex partnership involving a high degree of self-regulation.”⁵

⁵ This transition occurs from the 70s to the 80s, due to the greater involvement of organizations and the change in conditions brought about by Great Britain's entrance into the European Common Market.

Corporatism is a part of the post-liberal game. It is a polycentric system of government, in which instances of decision-making are spread across specific forums, with the tripartite representation of Capital, Labor and Public Power. Our specific focus here is on the way this particular constellation of interests plays itself out within the context of the management of sectorial politics in agricultural. In other words, the main variables needed to understand the agricultural politics of the period can be found outside the market within these specific instances of decision making.

Nonetheless, we do not conceive public policy as the outcome of lobbyists' actions, but as a legitimate play of interests acting itself out within the context of a government that selectively distributes resources and benefits. This form of agricultural politics leads to the formation, development and strengthening of some important AICs within the Brazilian economy. We are not speaking of a mere organization of conventions among agents through a contract system (implicit or explicit) but of a complete system of meso-economic or sectorial regulation. Acting within this system are *organizations* and *institutions*, "instances over which individuals do not act directly, but which edit the rules or manage the devices within which individuals' actions are coordinated."⁶

The differential benefits that organizations obtain thereby reflect, more than the action of lobbies, the articulation and involvement of groups and of the State in policy maintenance.

Bertrand (1982) is perhaps the first author to call our attention to the fact that these complexes are veritable fronts of organized interests. Thus, as organized fronts, they cannot be viewed as simple aggregates of figures and participation as is common in studies in the area of industrial economics.

The State emancipates interests through its participation in organizing them and through the partnerships it establishes for the implementation of sectorial policies. It is in this sense that the following observation by Cawson is interesting, "Certain kinds of organizations

⁶ See Brousseau (1996).

have developed a semi-compulsory character; they constrain and discipline their members and often make exit from organizations difficult if not impossible. Moreover this social control capacity has often been promoted or licensed by the state, and used as a means of implementing public policies.” As we can see, corporatist organizations not only represent categories but also play an important role in governing.

The factors that influence the relationship between the State and private interests in different forms of governing will be analyzed below, identifying the elements that influence the management of agricultural policies in Brazil.

THE DIRECTED MANAGEMENT OF PUBLIC POLICY AND COMPULSORY MODERNIZATION

The reforms initiated after the 1964 coup had a direct impact on Brazil's rural sector. Up until the 50s, there had been a consensus among those responsible for policy formulation that agriculture was “not an obstacle to economic development” insofar as it fulfilled its role in providing food and labor for the growing urban economy.⁷ However, faced with the high cost of foods and the growing pressure exerted by rural social movements, the agrarian sector comes to be seen as backwards and growth-retarding. This diagnosis compelled the military government to begin to put together a new modernizing structure for the sector.

Beginning with the establishment of a national system of rural credit (*SNCR*) in 1965, the agricultural system acquires permanent funds for the financing of its activities. The sources of these funds are, as follows: a) Reserve requirements on account holders' cash deposits b) foreign loans and c) resources coming from the government budget. Though

⁷It was commonly accepted that agriculture would have five basic functions, as follows: 1) the production of food and raw materials 2) the capturing of foreign currency 3)transferral of labor to other sectors 4) supplying resources to other sectors and 5) expansion of the internal market. See Mueller (1982) in this regard.

these funds were destined primarily to agricultural activities, they were linked to the usage of inputs and modern equipment. This policy had an immediate impact. To demonstrate how widespread these changes were, we need only to note that, between 1960 and 1980, the relationship between cultivated acreage and tractors used was reduced to seven times what it had been. By the 70s, Brazil had become the world's "second largest market for tractors and its second largest producer". (Pinto, 1981:23). The same is true for fertilizers and pesticides, which were directly affected by an accelerated policy of import substitution.

In 1973, together with the public rural credit, the government began the Rural Insurance Program (*PROAGRO- Programa de Seguro Rural*), meant to guarantee bank credit for farmers. Other mechanisms of official support for the *SNCR* also merge in the early 70s, with the creation of the *EMBRAPA* and *EMBRATER*, with their respective responsibilities for research and official technical assistance. The adoption of modern technologies linked to a predetermined technological package was held together by programs for rural insurance, technical assistance and technological adaptation. It was soon followed by the increased diversification of credit opportunities that accompanied the widening of the Guaranteed Minimum Price Policy, applied to diverse agricultural and agroindustrial products.

The State also maintained an important role in the channeling of production. State intervention through stock regulation and direct action over the market dates back to the 40s, though at that time it was linked to the effort to adjust consumption demands to the wartime economy.⁸

With regard to the link to consumers, government creativity led to intervention in the domestic market through wholesale warehouses and even supermarkets for the retail sale of food products to the needy population. During the 60s, these activities widen, with the creation

⁸Linhares (1979). In this regard, see the actions taken by the *SAPS (Serviço de Assistência da Previdência Social)*, the *CME (Coordenação da Mobilização Econômica da Comissão Nacional da Alimentação)* and the *CFP (Comissão de Financiamento de Produção)*

of the *CIBRAZEM* (*Companhia Brasileira de Armazenagem* or Brazilian Storage Co.), the *COBAL* (*Companhia Brasileira de Alimentação* or Brazilian Food Co.) and, later, the *CEASAs* (Wholesale Public Markets Network) and *Rede SOMAR* (State Owned Supermarkets), during the military regimes.

As far as the processing industry is concerned, policies implemented after the 1964 coup allowed for a large allocation for financing, coming from budget-based resources and rural credit managed by the *Banco do Brasil*, *Banco Central* and the *BNDES*. These forms of credit came primarily from the *FUNAGRI* account — managed by the *Banco Central*, whose source was the reserve requirements on account holders cash deposits left unused by rural credit. These voluminous resources, reaching as much as 1/3 of all rural credit allocated in given years by the government's *SNCR*, were fattened by resources obtained from the National Treasury, destined to specific programs for agroindustrial development such as the National Program for Alcohol and the various National Plans for Celulose and Paper, just to name a few.⁹

On the external front, State intervention took place regularly through the direct action of State tradings companies, as was the case with coffee and sugar; or, generically, through exchange rates, exemptions, rebates and special credits.

While we need not go into more depth regarding the effects of the above-mentioned changes, we should remember that the process of agricultural modernization brought with it more concentrated land ownership and wealth. It also provided incentives for monoculture and environmental destruction. One generic indicator of prestige and growth in the agricultural sector is the official volume of rural credit. Looking at dollar values, we see that the official amount of rural credit leaps from \$6-7 billion in the early 70s to approximately \$25 billion by the middle of the decade.

As we have seen, rural credit involved a permanent system to capture resources — based on reserve requirements on account holders' cash deposits, resources from the Treasury and foreign loans, that until the

⁹See Belik (1992).

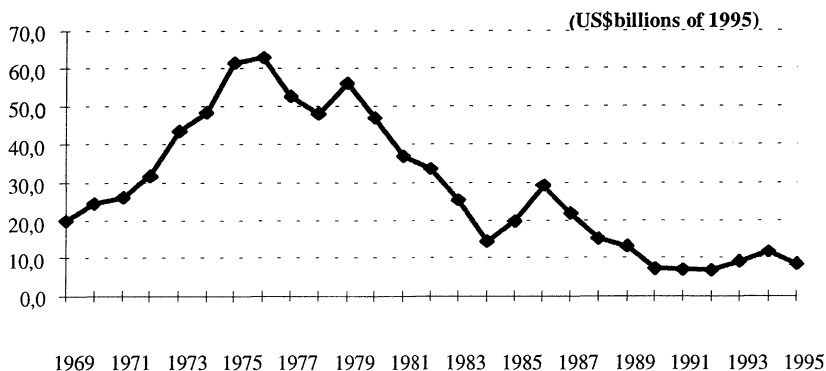
mid -70s were not subjected to great crises. In fact, reserve requirements on account holders' cash deposits remain high given that, with inflation below 50% per annum, the volume of cash deposits remains stable. On the other hand, there were few restrictions on the use of monetary budget resources for the financing of rural activity, whether due to the precarious control over public deficit or because external resources were brought in at low rates. As Werner Baer's (1995:153) study shows, loans from the *Banco do Brasil* were the main factors behind the expansion of the Monetary Base, with loans to the rural sector amounting to around 60% of the total for the 70s.

Statistics on rural credit gathered by Pinto (1981) demonstrate that agricultural credit as a whole grew by around 850% between 1968 and 1978. The total number of contracts was multiplied by 3.5, raising the average value by 170% in real terms. In terms of credit distribution, the 1980 Census indicates that 80% of all agricultural establishments received no credit at all, while only 1% of all establishments, producing 15% of the total and employing 3% of all labor, received 40% of all resources. Considering that incentives to agricultural production went beyond credit to include acquisition guarantees, loans based on minimum prices, tax exemption on exportation and credit for agroindustry, the sector can definitely be considered privileged.

Graph 1 depicts the evolution of rural credit over the last 26 years, expressed in 1995 dollars. Here we can see that agriculture received the highest volumes of credit in the mid 1970s. In constant terms, farmers in 1974 and 1975 received six times the amount of official credit awarded in 1995. It is useful to keep in mind that grain production hardly went beyond 40 million tons until 1979, reaching 70 million in 1995. The graph illustrates a period of veritable management of the public control over agricultural policy, hinged on rural credit.

· ph 1.

Brazil: Oficial Rural Credit



Source: Central Bank

From a macroeconomic point of view, the conditions for increased modernization within the AICs were benefited by the maintenance of favorable exchange rates. After major currency devaluation in 1979 and 1983, exchange rates in the 80s were kept relatively low. FAO studies on the performance of Brazilian agriculture in the 80s show that “during the 1981-84 period, all macroeconomic and sectorial policies were oriented toward the short-term re-establishment of external balance through the generation of mega-surpluses in the commercial balance.” (FAO, 1992:85). According to Goldin and Rezende (1993), agricultural exportation was stimulated by the maintenance of exchange rates, which also cheapened the inputs needed for their production.¹⁰

At the same time, the policy of “exportation at whatever the cost”

¹⁰ According to Goldin & Rezende (1993) the “freezing” of exchange rate in 1986 has led to a valuation of Brazilian currency regarding the increasing of the inflation. In 1997, two mini-devaluations and another one in 1989 had restored the loss of all those years. The authors stress that “the exchange rate in the 80’s was, in average, inferior as the last decade” (and) “the devaluation has benefited the agriculture exports as much as the manufactured products” (p.60)

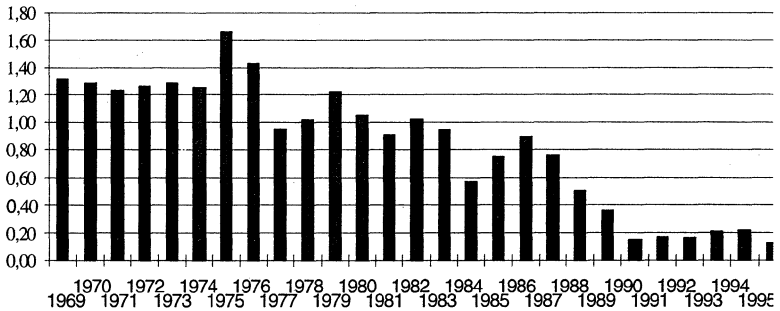
exhausted internal stocks, since foreign prices were better than domestic ones.¹¹ Although the policy's purpose was to provide incentives for exportation, it led to elevated interest rates and government indebtedness, which in turn increased external imbalance. Furthermore, currency devaluation, while supposed to favor agriculture on the whole, penalized domestic consumers through higher prices. Within agriculture, this policy provided enormous gains for those exporters who received supply credit or financed their growth with their own resources.

Graph 2 (below) compares the volume of Official Rural Credit and the Agricultural GNP. This comparison enables us to understand the importance of official support for rural activities up through the end of the 80s.

Graph 2.

Brazil: Rural Credit Relative to the Agricultural GDP

Rural Credit / AgriculturaGDP



Source of raw data: *Banco Central do Brasil*, as put together by author.

¹¹Graziano da Silva (1996) demonstrates that domestic prices on basic food items went down over the course of the decade. The greatest problem of the 80s was the loss of buying power resulting from policies of "economic adjustment". According to data collected by da Silva (1996:133), minimum wages dropped more than 50% between 1981 and 1990 in real terms. Under these conditions, producers are practically pushed onto the external market.

As we can see in Graph 2, high volumes of official rural credit were maintained throughout the 70s. In reality, credit volumes were far higher than the actual value of agricultural production. In 1975, rural credit was a full 1.66 of the agricultural GNP. Rural credit volumes are reduced in the 80s, however, and the ratio between credit and the agricultural GNP falls below 1.0. Throughout the eighties, the ratio between official credit and the agricultural GNP stabilizes at around 0.5 and drops to 0.2 only at the end of the decade.

In truth, when we compare credit to the GNP, we are deliberately engaging in impropriety. The GNP refers only to the added value generated by an activity, while credit refers to the financing of inputs and intermediary goods. In other words, financing should be understood as covering everything that goes into the production process except the additional value. This observation, made by Munhoz (1982) is valid and shows that, if the additional value generated by agriculture is, historically, smaller and smaller, the amount of credit that is needed to finance intermediary consumption would have to be greater and greater. According to Kageyama's (1990:121) calculations, intermediary agricultural consumption must be close to 40% gross product value, thus demonstrating that, in reality, the credit/GNP ratio underestimates the leverage effect on agricultural financing. Agricultural financing must in fact be much greater than what it appears to be, although this effect has been decreasing over time.

MATURITY AND SELF-REGULATION IN THE AGROINDUSTRIAL COMPLEX

The reduction of resources available to agricultural and agroindustrial producers led to the reduction of individual demands on resources considered to be public. The 80s bring a radical change in the relationship between the State and interest groups. The weakening of the State, whether in political terms or with regard to financing power, makes way for what we referred to above as *Private Interest Government*.

According to Lamounier (1994:15), the exhaustion of subsidized credit coincides with the Brazilian democratization process. Within

this process, the “technobureaucratic” elite’s power is eroded and new demands emerge, more articulated with new areas of policy making. In other words, this marks the end of distributive policies and the strengthening of self-regulatory ones.

Similarly to Cox, Lowe and Winters’ (1986) description of this process as it pertains to Great Britain, we can see that, initially, under the weight of a strengthened State, agricultural policies are organized, created and increasingly managed by private groups set up around pressure groups. At a later moment, when the State’s financial power weakens, the political power of the former is reinforced, leading to self-regulation.

The comparison between Brazil and Great Britain should not be taken casually. The 80s initiate a profound revision of the paradigm of the Keynesian State, which is practically rooted in an inability to finance development policies. At the same time, there is another important but rarely mentioned reason for the transition from one form of regulation to another: the growing power of transnationals in the production and commercialization of agricultural and food products. With expanding internationalization and transnational power, the power and significance of agricultural policies decrease. Agricultural production becomes more dependent on world food systems.

Another important issue is the way that the concentration of production combines with the “technology push” to impose cultural habits and forms of consumption distinct from native forms.⁹¹² According to Allaire and Boyer (1995), the mechanisms of institutional regulation which were previously national in character become global. One example of the distortions this creates is the juxtaposition of local, national and international regulatory devices in major commercial zones¹³.

One of the reasons for the strengthening of transnationals lies in the change in relative prices within the sphere of agrofood complexes. After

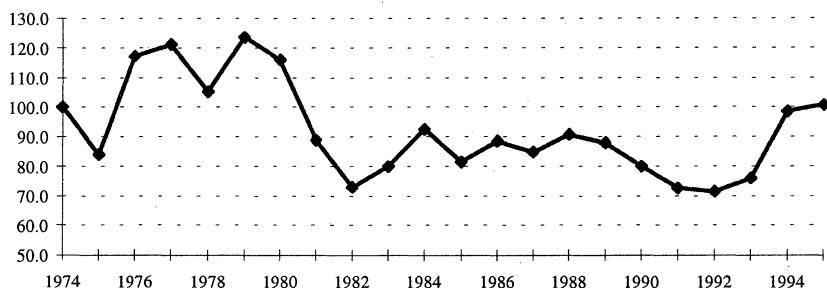
¹² See Marsden, T., Flynn, a., and Ward, N. (1994)

¹³ This question, raised by Allaire and Boyer, leads to reflections on new forms of regulation, whether local or sectorial. See Allaire, G. and Boyer, R. (1995)

a period of accelerated rise in commodity prices in the 70s —resulting principally from the instability of international financial markets — the prices of agrofood commodities, especially those *in natura*, begin to drop. Graph 3 illustrates this movement.

Graph 3

Commodity Prices on the International Food Market



Source of Raw Data : *The Economist*

The graph above shows that in the 80s, international commodity prices were well below the historic average of the 70s. This accentuated variation discouraged the exportation of *in natura* products and stimulated the production of processed items. As a consequence, many firms that had worked with the commercialization of cereals and grains expanded vertically, processing these products for exportation or the domestic market. The result was the strengthening of processing firms, within the context of an agricultural sector that was weakened and neglected by public policy.

In the Brazilian case, this shift brought about self-regulation in policy management within the most important AICs. Looking at the main complexes functioning in the Brazilian agricultural sector as citic juice, coffee, wheat products, poultry and sugarcane the situation evolved was quite related.

In other important complexes, similar situations appear. The State exhausts its financing capacities and gradually gives up its regulating power. The lack of financing for the paper and cellulose complex and the *Banco do Brasil*'s inability to provide support for wheat production leads to the emergence of private regulation in these sectors, as is also the case with beef, rubber, cotton and other products. Curiously, trade agreements and self-regulation also appear in emerging areas, where State presence was never strong, as in the case of fruit and flower-growing.

The establishment of sectorial boards is an element that marks this phase. At the end of the 80s, the discussion of certain sectorial topics begins, through the tripartite decision-making mechanisms within sectorial boards. Within the latter, the government commits itself to reducing taxes and tariffs on input importation, and the other parties represented therein obtain, through negotiation, the policy management for the sector.

Without a doubt, the most organized and cohesive segment are very close to self-management. Considering, however, that many segments were still organized on a "guild-like" basis, advancing their own particular demands, these segments become further removed from public policy management and lose regulatory power. For this reason, we can still not claim to be under a Private Interest Government during this period.

Evidently, during this stage governments were concerned with controlling the inflationary process. Therefore, agricultural policies had to be subordinated to needs generated by the fight against inflation. The State, gradually removing itself from the directing and managing of agricultural policies that belonged to traditional areas of decision making, leaves more room for sectorial oligopolies. This explains why, when called upon to intervene in internal matters of sectorial management (or matters related to prices and margins, imports, etc.) governments ended up submitting to the oligopolistic power of large economic groups.

NEW CHALLENGES IN RURAL POLICY MANAGEMENT

In their analysis of the development of agricultural policy management in Great Britain during the 80s, Marsden, Flynn and Ward (1994) describe State intervention in two events that significantly altered the relationship between the State and rural producers. The “crazy cow syndrome” and the reported salmonella contamination of eggs, were major sanitary problems affecting Great Britain in the late 1980s. In both cases, State action was modest and fell short of its traditional functions of fiscalization and control. According to the above mentioned authors, corporatist schemes began to disappear as the isolated influence of associations, or of isolated links in the distribution chain such as retail trade increased.

Similarly to the British case, the Brazilian fiscal crisis led to the decline of the State’s traditional role in agricultural management. As shown above in Graph 1, official credit volumes drop to their lowest between 1990 and 1991. At the same time, we witness the veritable dismantling of structures supporting research, technical assistance and the commercialization of agriculture. Within the context of increasing self-regulation, constituted and consolidated interests are subjected to new structural changes which in turn lead to new schemes of sectorial governance.

The new factors that shake the balance of consolidated forms of governing in the 90s are, in general terms, commercial opening, the forming of “Mercosul” and the deepening fiscal crisis of the State. On a more specific level, we have the growing weight of the distribution link in the productive chain and the entrance of new transnational firms in the commercialization and processing of agricultural products. All these factors enable us to assert that the Brazilian AIC is subjected to a growing loss of power beginning in the 90s.

With the State’s gradual withdrawal from agricultural financing, new forms of financing — with no or little relation to Rural Credit — emerge. Traditional Rural Credit’s old role in orienting modernization is substituted by the private relationships among different agents within that link of the productive chain. One matter that comes up frequently

in debates on Brazilian agricultural policy has to do with the stability of levels of grain production at the end of the 80s, which occurred even amidst changing priorities regarding official credit. To gain greater understanding of this problem, we need to trace the growth of alternative forms of agricultural financing for the period.

Graph 4 illustrates the relationship between total private loans made to the rural sector and Official Rural Credit through the finance system.¹⁴ The enormous growth of the latter is evident. Graph 4 provides evidence of how private financial agents were able to take over the role previously held by the government in furnishing credit. For example, in 1992, private credit granted to agricultural activities through the financial system represented 4.6 times the credit provided by the *SCNR*. This movement kept agricultural activities functioning precariously. This “multiplier” of official credit does not have one defined behavior, depending instead on the greater or lesser liquidity of the economy, market interest rates and agricultural producers expectations.

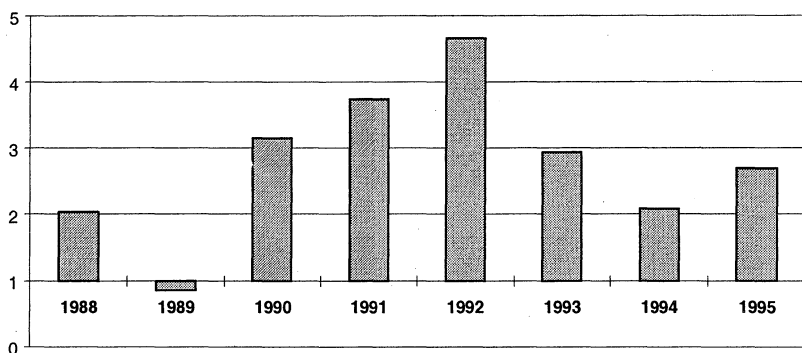
In reality, Graph 4 illustrates some elements of agricultural credit in the 90s, limiting itself to operations effected through the financial system. In addition to this, we have the decreasing role of intermediaries,

¹⁴Comparisons made in dollars, at the average exchange rate for the year.

which leads to the financing of productive agents through schemes of quasi-integration, anticipated sales or even usury. Within these numerous categories we also find the anticipated negotiation of sales on the commodities exchange

Graph 4.

Relationship Private and Official Loans



Source of Raw Data : *Banco Central do Brasil*.

Looking at the BM&F, the country's most important commodities exchange system, we can also see that there was an enormous growth of futures. Many contracts negotiated at BM&F were already being negotiated within other exchange houses, which makes it impossible to measure their recent growth. Nonetheless, according to the BM&F agricultural markets manager, at present "business in coffee futures is equivalent to half of all Brazilian agricultural production, and business in beef cattle futures is equivalent to 15% of the nation's herd."¹⁵

As a result of this free market strategy for agriculture, those producers

¹⁵Interview with Felix Schaichana, in the daily newspaper *Gazeta Mercantil* 10/22/96.

not linked to the Complexes more organized interests have been left unprotected. In other words, it has led to the erosion of traditional alliances that were based on a large number of interests permitting sectorial governance. This erosion is reinforced by the instability arising from the country's recent and rapid commercial opening. One illustration of this is the average customs tax on food importation, which dropped from 85% in 1988 to its current 22%. Cotton, taxed at 38%, drops to 0% in 1990.¹⁶

Brazil's entrance into Mercosul, accompanied by a policy of higher exchange rates, leads to profound changes within particular sectors of agroindustry. The decision-making arena, once very parochial, expands to incorporate a wide range of actors and diverse but mutually integrated national policies. Within this context, the environment becomes favorable to transnational involvement in the economy and to the transformation of agricultural products.

For multinational firms, accustomed to operating at the world level, this new scenario is favorable for the expansion of business. In reality, since the second half of the eighties, the flux of mergers and acquisitions lead to a radical change in the Brazilian food industry. Important segments of Brazilian industry are "denationalized" at the end of the decade. This is not an isolated movement occurring only in the vulnerable economies of the "periphery" but rather a wave of restructuring affecting the industry of core countries and already weakened upon its arrival in Brazil.

Retail sales' emergence as a strengthened link in the agroindustrial chain has the same effect described above. According to the new productive paradigm of flexibilization and segmentation, the most structured and dynamic activities take the lead and swallow up larger portions of the added value of agroindustrial production. The bankruptcy of the old supplying system gives the pioneers in "just-in time" supplying and management systems enormous profits and imposes daunting obstacles on traditional competitors.¹⁷

The situation described above demonstrates that the new competitive

¹⁶ Data from *DECEX/SECEX* Ministry of Trade and Industry.

¹⁷ See Green and Schaller (1996)

environment is unfavorable to corporatist arrangements. The State's loss of regulating power leads to the disintegration of particular interest groups that tend to become obsolete within the new sectorial productive scenario. Basing ourselves on Cawson's (1986) discussion of the factors that favor the emergence of corporatism, we are able to evaluate changes in the patterns of governance of Brazilian agriculture.

According to Cawson, there are six factors that influence the appearance and disappearance of corporatism in any society. The analysis of these factors enables us to understand what is behind the passage from one period to another, within the scheme of periodization of forms of intervention in Brazilian agriculture that we are working with. The historical elements are, as follows: (1) the characteristics of the product such as perishability, possibilities for standardization and homogeneization; (2) the weight (importance) of multiproduct firms within the complex. Supposedly, a large participation on the part of multiproduct firms inhibits the constitution of interests since the firms would be more willing to dispute positions in other markets than to struggle for singular policies alongside suppliers and competitors; (3) the presence of multinational firms. These firms have specific interests which, in certain cases, are not conducive to the formation of common fronts with local enterprises; (4) the international competitiveness of local firms. This factor inhibits collective action in particular areas. Since decision-making forums are generated outside federal and local government, this situation is not conducive to association; (5) the technological maturity of the sector. A decisive factor in the search for association, since less mature sectors require development programs and greater State intervention; (6) the degree of economic concentration within the sector is also decisive. Within an environment of small, disperse firms in an atomized market, the degree of sectorial organization tends to be reduced by the inability to obtain a common agenda for development.

In general terms, the increased degree of concentration, greater weight of transnational firms (largely multiproduct) and greater competitiveness and technological inactivity of the sector lead further and further away from corporatist governing practices. The greater or lesser occurrence of these practices will depend on the nature of what is produced within the AIC.

There are several examples we can cite for the Brazilian case, in which factors of self-regulation mentioned above lead to a situation of open conflict of interests within agroindustrial sectors. This is a new situation in which traditional interest groups are undone in the name of benefits, advantages or isolated market shares gained by isolated firms or small groups of producers. Historical differences and market characteristics notwithstanding, in sectors such as coffee, sugar and alcohol, beef, wheat, wheat products and orange juice, among others, a deep "purifying" of operational forms is occurring. In all these cases, the old consensus between different interest groups has been undone.

In some cases, the most organized segments were able to segment their market and reorganize, obtaining sources of financing and new channels of distribution for their products. Some sectors were able to establish new contracts among the parties concerned, implementing new forms of action. In general, those sectors that were already somewhat self-regulatory were more successful than the totally disorganized ones.

According to Lopes (1994) belongs to the new economic policy to warrant that the adjustment's sacrifices will be equally distributed among all individuals. "The new scenario creates conditions for a whole privatization of the agricultural policy and shows the need of redefinition of a State role"(Lopes, 1994:9). In short, it still have space for State intervention leading the agricultural policy, but we need reconsider the format for this intervention and the generation of new tools for development.

CONCLUSIONS

This paper analyzes the evolution of State intervention in the management of policies for the Brazilian Agroindustrial Complex. Adopting the corporatist approach as our frame of reference, we can see that policy management goes through three distinct phases: state regulation, self-regulation and loss of regulatory power.

In the first stage, the State and constituted interests travel along a two-way road. This is a period of accelerated modernization and

constitution of the AICs. Through corporatist-based arrangements, important sectors of Brazilian agriculture are established and developed. In the 80s, with the State's increasing loss of financial and administrative power, the most consolidated sectors are able to establish a kind of self-regulation. This new form of action on the part of constituted interest comes to determine margins, quantities, distribution routines and market divisions among the different actors in each AIC. The end of the decade inaugurates radical changes in these proceedings, introducing new elements, both internal and external to the planning policies for agriculture.

The most recent phase, which we are calling "de-regulation", requires a new approach for mapping out the basic elements for the planning of AIC development. There is no question that, without funds for financing agricultural and industrial producers, and with no resources to operate regulatory inventories, government ability to intervene in basic aspects of agriculture is limited. Furthermore, with commercial opening and economic stability, decision making arenas multiply, demanding more attention to variables other than those handled by government.

Undoubtedly, the capacity to direct development and correct growth distortions decreases with the loss of regulatory power. Nonetheless, it is still possible to recover some public policy instruments inherent to the character of the State, and to thereby reintroduce certain public priorities in the development of agricultural sectors in Brazil.

REFERENCES

- ALLAIRE, G., BOYER, R. (1995) Regulations et Conventions dans l'Agriculture et les IAA. In: ALLAIRE, G., BOYER, R. (orgs.) *La Grande Transformation de l'Agriculture*. Paris: INRA/Economica, pgs. 9-32.
- BAER, W. (1995) *A Economia Brasileira*. São Paulo: Nobel.
- BELIK, W. (1992) *Agroindústria Processadora e Política Econômica*. Doctoral thesis. Campinas: IE/Unicamp.
- _____. (1994). *The Food Industry in Brazil: Towards a Restructuring?* London, England: ILAS/University of London (Research Papers no. 35).
- BERTRAND, J.P. (1982) *Systemes Agri-Alimentaires: Methodes D'Analyse, Division du Travail, Modes D'Organization et Strategies*. Doctoral seminar. INRA/Université de Paris I - Pantheon - Sorbonne.
- BROSSEAU, E. (1996) De La Science du Marché à l'Analyse Économique et Formes de Cordination. Paris: *Cahiers Français*, no. 272. pgs. 54-63.
- CAWSON, A. (1986). *Corporatism and Political Theory*. Oxford: Basil Blackwell.
- COX, LOWE and WINTER (1986). From State Direction to Self-Regulation: the Historical Development of Corporatism in British Agriculture. *Policy and Politics*. 14 (4). October, 1986. pgs. 475-491.
- GREEN, R.; SCHALLER, B. (1996) *Rationalisation Commerciale et Mise en Marche de Produits Alimentaires*. Paris: INRA.
- GRAZIANO DA SILVA, J. (1982) *A Modernização Dolorosa*. Rio de Janeiro: Zahar.

- _____. (1996). *A Nova Dinâmica da Agricultura Brasileira*. Campinas: Instituto de Economia/Unicamp.
- GOLDIN, I.; REZENDE, G. C. (1993) *A Agricultura Brasileira na Década de 80; Crescimento numa Economia em Crise*. Rio de Janeiro: IPEA (IPEA series no. 138)
- KAGEYAMA, A. (org.) (1990). O Novo Padrão Agrícola Brasileiro: do Complexo Rural aos Complexos Agroindustriais. In: DELGADO, G.C., et. al. (org.) *Agricultura e Políticas Públicas*. Rio de Janeiro: IPEA (IPEA series no. 127).
- LAMONIER, B. (org.) (1994) *Determinantes Políticos da Política Agrícola: Um Estudo Dos Atores, Demandas e Mecanismos de Decisão*. Brasília: IPEA (Studies in Agricultural Policy No. 4.)
- LINHARES, M.Y.L. (1979). *História Política do Abastecimento (1918-1974)*. Brasília: Binagri- Ministério da Agricultura.
- LOPES, M.R. (1994) Política Agrícola: Reformas Inadiáveis e Subsídios Insustentáveis. *Rev. Agroanalysis*. Vol 14, no. 2 - outubro de 1994. pp9-11
- MARSDEN, T.; FLYNN, A.; and WARD, N.; (1994) Food Regulation in Britain: A National System in an International Context. In: BONANNO, A.; BUSCH, L.; FREEDLAND, W.; GOUVEIA, L. and MIGNONE, E. (1994) *From Columbus to ConAgra* Lawrence: University Press of Kansas, pgs. 105-124.
- MUELLER, C. (1982) Formulação de Políticas Agrícolas. *Revista de Economia Política* 2 (1) January - March 1982. São Paulo: Brasiliense. pgs. 89-102.
- MUNHOZ, D. (1982) *Agricultura: Uma Defesa dos Subsídios*. Petrópolis: Vozes.

- OFFE, C. (1989) A Atribuição de "Status" Público aos Grupos de Interesse In: OFFE, C., *Capitalismo Desorganizado*. São Paulo: Brasiliense.
- PINTO, L.C.G. (1981) *Notas Sobre a Política de Crédito*. Campinas:Unicamp (Ford Foundation/Unicamp).
- SCHMITTER, P. (1985) Neocorporatismo y Estado. *Revista Española de Sociología*. Madrid, No. 31. pgs. 47-78.
- STREECK, W.; SCHMITTER, P. (1985) . *Private Interest Government — Beyond Market and State*. London: Sage.
- WORLD BANK (1982). *Brazil: A Review of Agricultural Policies*. Washington: The World Bank (A World Bank Study).

