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Towards a theory of farming poverty

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Resumen

La pobreza rural, en particular la campesina, está determinada por la estacionalidad de la agricultura y por el hecho que, en el capitalismo, los precios incorporan (como costos) sólo los salarios de las jornadas efectivamente pagadas. Por ello, el campesino debe buscar ingresos adicionales fuera de la parcela. Esta tesis central explica los subsidios agrícolas en los países desarrollados como un reconocimiento social a su derecho a un nivel mínimo de vida, sin tener que degradar su estatus alquilando temporalmente su fuerza de trabajo, lo que significa que el costo social de la estacionalidad lo absorbe la sociedad. Cuando este derecho no se reconoce, se condena a los campesinos a la pobreza permanente. Se concluye que la política correcta para los países del Tercer Mundo, si quieren abatir la pobreza rural, consiste en subsidiar a sus campesinos y protegerlos de los precios del exterior, como hacen los países del Primer Mundo.

Palabras clave: pobreza rural, fuerza de trabajo, salario, subsidios agrícolas.

Abstract

Towards a theory of farming poverty

Rural poverty, particularly peasant, is determined by the agriculture seasonality and by the fact that, in capitalism, prices incorporate (as costs) only the salaries of the working days effectively paid. Because of that, the farmer must look for additional income outside their arable land. This central thesis explains the agricultural subsidies in developed countries as a social acknowledgement to a minimum life level, without having to degrade their status renting temporarily their workforce, which means that seasonality’s social cost is taken by society. When this right is not recognized, the farmers are condemned to permanent poverty. It is concluded that the adequate policy for the developing countries, if they want to overcome rural poverty, consists in subsidize their countrymen and protect them from the external prices, such as developed countries do.

Key words: rural poverty, workforce, salary, agricultural subsidies.

Differences between agriculture and industry

Economists’ training is such, including that which they receive in masters and doctorates, that most are incapable of adequately answer the question on the essential economic differences between agriculture and industry.1 Despite being at risk of uttering the obvious, one must start pointing out that agriculture works with live material; agricultural production basically

1 Its reason is associated, indubitably, with the prevalence of a paradigm where agriculture performs an absolutely secondary role, thus, economists are not trained in agricultural economy; naturally, agricultural economists are the exception of this.
consists in taking care and stimulate the natural biological process of plant growth. Conversely, in industry the objects of the labor process are inert materials. Plants have a biological cycle—a development period—and grow on soil. Hence, labor processes in agriculture have to be done in function of the plant’s growth stage—or the seasonal development of fruit—and must be performed in the place where the plant is. This is to say, the biological process imposes rules, both temporary and spatial, to the activities of man. In industry, instead, where fibers, metals, wood, plastics or harvested grains are worked on, the labor process is neither spatially nor temporarily restricted. The speed of the process and the place where it is carried out are fully determined by man.

These differences can be summarized saying that while in industry processes can be continuous (24 hours a day, 365 days a year), in agriculture they are seasonal (e.g., harvest concentrated on a few weeks a year). A second difference is that while industry all of the activities are part of a production process can be simultaneous (a unit of confection is cut while other is sewn, and a third is packed), in agriculture they are necessarily sequential. A third difference is that while in industry material can be transported to the worker or machinery, in agriculture it is the worker or machinery those which have to go to the place where the plant is.

A fourth difference comes from the uncertainty factors associated to the biological character of agricultural production, which do not exist in industrial activities. Variability on pluvial precipitation in zones with no irrigation systems, the presence of plagues, et cetera, determine the risk of partial or total loss of the harvest. The risks of industrial production loss are lower and, save disasters such as fires, explosions, earthquakes, are not associated with natural phenomena out of the producers’ control. This difference can be summarized saying that while in agriculture productive uncertainty prevails, in industry productive certainty prevails.

A fifth difference is to be found on the perishable character of the agricultural products, which contrasts with the non-perishable nature of industrial products. Although cereals are much less perishable than fruit and vegetables, they can not be permanently stored such as, in principle, it can be done with most of the industrial products. Some consequences of these differences are evident, others are not so; let us see.
Seasonality and rural poverty

Agricultural seasonality is expressed by means uneven force requirements along the year. In industry (with the exception of that which depends on agricultural supply of highly perishable nature, thus, seasonal), the requirements are in principle constant along the year. This, which is quite well-known, becomes poorly analyzed consequences. The most important is the one related to the question: who pays the price of workforce reproduction —and their families during the periods of scarce or null activity? This question can be restated as follows: What are the pertinent costs of workforce in the formation of agricultural prices? Does only the cost of worked days or the cost of production, along the whole year, of the producer and their family? In industry this dilemma does not appear. To the extent that labor is carried out year-round, salary is associated with the salaried person’s family support along the year. The presence of this dilemma in agriculture explains the wide variety of ways of production that can be seen in it. Each production way is a particular manner to solve this dilemma.

John W. Brewster, who was considered the “philosopher of American agriculture”, in a classical essay, wonders: “¿if it is not the presence of mechanized or manual techniques that which determines the prevalence of familial or multi-familial farms, what can explain the prevalence of one or the other in the different regions, now or in the pre-mechanized period of American agriculture?” He answers:

The answer seems to be in the extent to which an agricultural area is approximately suitable for mono or multiple cultivations; and the customs which free the multi-familial owners from supporting the laborers in the periods of unemployment in the farm.

Further he continues:

“… the fewer the products cultivated, the longer the unemployment periods between operations. Since most of the workers in those familial farms are familial workers, this means that familial operators must pay (in the shape of family support) for their work, both in employment and unemployment periods in the farm. In other words, labor is, mainly, a fixed cost for the familial worker, not so for the larger-scale operator who pays for the labor only for the time workers are hired. If there was a custom that freed the farmer from the laborers for lengthy periods of unemployment, it would be doubtful

\[2 \text{ Larger than family farms}\]
that managerial advantages of the large-scale operator allowed them to displace the familial operator, not even in mono-cultivation areas (Brewster, 1970: 3-13).

Large agricultural units from the Latin American past, such as the Mexican haciendas, solved in an intelligent manner—to their own interests—the problem of supporting workforce in the period of unemployment: giving the farmer the right to exploit a plot so that they obtained their subsistence from it, and at the time they were able to work for the employer. It is essentially the same solution as the feudal systems and partnerships: giving families the rights to exploit the land, the problem of seasonality is faced by them, which releases the lord from such commitment. With this, agriculture’s biological risks are also transposed to the farmer, totally or partially, according to the modalities of taxation or payment from their farmers.

In capitalist agriculture, as Brewster points out, the problem of supporting the salaried in the periods of unemployment is their problem and not the capitalist’s. The formation of prices in capitalist agriculture is determined, therefore, only by the cost of the effectively worked and payment. To the extent to which familial producer, either American or Mexican farmer, attends the same markets as the capitalist producers and acts in them as price decider, it is also evident that the prices of their products only correspond to the worked days. Nonetheless, family is still responsible of supporting, year-round, its members.

Conventional neoclassic theory states that the added offer of any good (for instance, maize) is the addition of the offer of each one of the producers. The curve of offer (in the short term) of each producer is the same as the their curve of marginal costs, which becomes the typical ascendant curve by the presence of decreasing yields, when there is one or more fixed factors. Conversely, the curves of offer of each company and the added of the market in the long term are determined, in perfect competence, if there is the same technology (and natural productivity) in all of the companies, at the lowest point of the average costs, as the entrance (or departure) of the companies into the market will decrease the extraordinary benefits to zero. Given the prevalence of capitalism is not only economic, but also cultural, I would like to argue that, in a capitalist economy, with an important presence of capitalist companies in agriculture, the very farmer producers will only include in their laboring costs the days worked effectively and not their reproduction costs along the year. A way in which this

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3 See any textbook of microeconomics, for instance Walter Nicholson (2001), if there are differences in soil fertility, obviously, there will be differential revenues (called Ricardian, after David Ricardo, who was the first economist who identified them).
cultural imposition occurs is, for instance, by means of banking credit. When granting a credit to the farmers, (private or public) banking will calculate the costs of cultivation in the same way as it does with a capitalist unit. This acceptance of the cultural imposition of the capitalist production mode explains that the farmers are willing to produce and sell if they recover the costs of supplies and workforce effectively worked. They internalize, in a manner of speaking, one of the factors of their own poverty.

Starting from the dominant paradigm, Tyrians and Trojans* have foreseen the generalization of capitalist economy in agriculture (the decomposition of farming economy). Who would be in charge of the workforce —and their families— during the periods of agricultural unemployment if such prediction was fulfilled? Can a generalized work system that hires workforce in a temporary manner function? Luis Cabrera, a notable thinker of the early XX century, stated, in reference to the providence of plots to communities, that this would allow the medium and large exploitations a wide availability of cheap workforce. This is to say, Cabrera conceived the agricultural capitalist companies and farming economy as complementary; while the latter secured the existence of a labor market, completing their incomes with salaried work in capitalist companies, the former had a supply of cheap workforce without the need to support them when there was no need for their services.

Differently from these productive forms, which move the problem of seasonality to farmers or salaried people, slave-based economy in agriculture had to afford the expenses of supporting the slaves throughout the year —as it has to be done, in any productive form, with horses and other labor animals— which indubitably, must have undermined their competitive capacity with capitalist economy, which as we have seen, only pays for the day worked. Whereas slave-based economy was supplied with adult slaves in an inexpensive manner, the aforementioned disadvantage was compensated by the elimination of intergenerational production of slaves; nonetheless, as the noteworthy Russian thinker Chayanov pointed out:

To the extent large wars of slave clutching started to deplete due to the frequent attacks, the first cost of acquiring slaves increased; their market price grew rapidly and many uses for the slaves which generated small slave revenue were no longer profitable… an important factor in the fall of the old slaveholding system was that, in order to be able to secure the supply of slaves, the methods of war and clutching

* “Tirios y troyanos” Spanish language expression which is currently used to refer to two antagonist people or groups always fighting and never reach an agreement.
had to be substituted by pacific production by means of natural reproduction. Here, the old economic unit faced the first costs so high that they started to surpass the capitalized slaveholding revenue (Chayanov, 1966, 15-16).

It seemed as though the only productive forms that afford farming reproduction and workforce costs along the year are primitive societies, the slave-based and the farming economy (including the familial farmer). Even if farming economy did not attend a market competing with capitalist economy it would be able to, at first, charge the consumer the costs of family support along the year, via prices. However, to the extent that it is not so, they must afford the ‘social cost’ that capitalist forms impose to agriculture, so they must become workers outside the plot, or perform other activities (agricultural or non-agricultural), in order to complete their income. The human cost of this is sky-high (family breaking, frequently inhuman conditions of life, etc.), and the economic result: permanent poverty. In spite of this, farming economy shows a humongous competence and resistance capacities. The announced generalization of the capitalist economy in the countryside does not appear, partly because capitalist economy needs farming economy which supplies it with inexpensive workforce, and partly due to the competitive advantage of the independent farmer, who receives all the added value and does not have to divide it into salaries and revenues, such as capitalist economy.

The fact that a familial agricultural unit is able to adequately live not only on the labor days invested on its plot and, therefore, has the need or not of searching additional employment sources, evidently depends on the factors that explain the productivity of agricultural labor, as well as the relative prices it faces. Obviously, the objective situation of the American familial farm is very different from that of the Latin American farmer.

Let us look at the American familial farm, analyzing by the way, the consequences of the second and third differences between agriculture and industry (sequentiality vs. simultaneity; transportable materiality vs. non-transportable).

John Brewster summarizes the differential consequences of mechanization in agriculture and industry s follows:

In pre-mechanization times, agriculture and industry were similar, as operations in both cases were usually performed in a sequential manner, one after another; normally by the same individual or the same family. The appearance of the mechanized process has made agriculture and industry become utterly different... since the substitution
of human power and manipulations by those of the machines, the individuals (in agriculture) do not modify their pre-mechanized habit of carrying out their productive steps one after another whatsoever, whereas with the same substitution in industry men have been forced to increasingly acquire the habit to perform several operations of the productive process... these differences imply in industry a revolution in the social structure, while the opposite is true in agriculture... for industrial mechanization rapidly multiplies the number of concurrent operations in a production unit beyond the number of workers in a household. Ergo, adopting mechanized techniques, men force themselves to replace the familial production units of the old society, with enormously larger units, disciplined and guided by a hierarchy of bosses and managers; in agriculture, conversely, mechanized methods remain as compatible as the manual techniques with both familial and multi-familial units. Their compatibility with familial units is based upon the fact that agricultural operations are so separated by time periods after mechanization as they were before; hence, the number of operations to be performed in the farm at the same time remains as close as always to the number of works in a common family (Brewster, 1970: 3-5).

Nevertheless, not only does John Brewster show how the mechanized farm is as compatible with familial economic unit as with that which is not, but also shows four consequences in a comparative manner between agriculture and industry: the forms of division of labor techniques (functional and by tasks); the identification of the worker with the product and process; the character of labor, and the creativity in it:

In the first place, technological advancement accelerates functional and by-task specialization in industry, not so in agriculture... the absence of specialization by functions and tasks in industry would make the worker lose time changing from an operation to another, whereas any specialization degree by tasks in agriculture would make the workers lose time waiting between operations. In order to be ‘modern’, in relation to efficiency, agriculture must remain ‘old-fashioned’ in relation to ‘higher forms’ of specialization. In the second place... the relation that once prevailed in both was the worker’s personal identification with the product, as the operation’s sequential pattern allowed them to guide the materials until the final product became the materialization of their planning and effort. This relation is maintained in agriculture, as the old sequence still prevails. However, as industrial machinery works simultaneously, it severed long time ago the worker from the product and has tied them to the repetitive execution of a particular operation, as the worker cannot be in different places at the same time. Third, the machine... has left untouched the position of agriculturists in their labor as beings with initiative (self-directed), whereas, it has heavily reduced (industrial) workers to the status of machines... Fourth, mechanized
agriculture... preserves and expands traditional human satisfactions at work, while the converse is true in industry. The old artisanal way of production satisfied very well the individual’s need for finding evidences of personal signification through: 1) expressing their creative powers by means of their hands products, and 2) being the master of rhythm and quality of their labor movements... Leaving the agricultural product unaltered as the expression of planning and effort of the agriculturist, mechanized agriculture leaves likewise the agriculturist in possession of the artisan’s creative satisfaction, which came from guiding the materials, through the diverse operations toward the final product. And, as it does not split the agriculturist’s managerial activities from the laboring ones, leaves them in full possession of the artisan’s power to control their laboring movements according to their idea of the desired product from later operations. Finally, mechanized agriculture expands the satisfactions of the creative and self-directed work, releasing human energies from the brutal load of manual operations and allows them to concentrate on the world of will and imagination which agriculture is so heavily dependent on (Brewster, 1970: 7-9).

The differences, in respect to the (movable or immovable) nature of the material, mean in the first place that machines must be transported to the ground and plants, conversely to industry, where the object of labor is that which is moved toward the machines, which are immovable. This difference imposes limits to the optimal economic size of the agricultural units: the larger the units, the higher the costs of transport of the machinery to the place where they are needed. This limit means, among other things, different structures of market between agriculture and industry. As Brewster points out,

the patter of simultaneous activities makes it possible a scale of production so extended that the efficacy of use in industry can only require one, or at most some companies, each one sufficiently large to substantially influence on the prices at which its sells or buys... the guaranty of the competitive forces of the impersonal kind, which linked the operation of industry with public interest, disappear. Conversely, the mechanized methods “have neither decreased nor increased the primitive competitive character of American agriculture” (Brewster, 1970: 10-11).

The highly perishable character of some agricultural products is reflected on the prices’ seasonal variability, contrasting with industry which, in principle, shows prices’ consistency along the year. Nonetheless, when studying the formation of agricultural prices it is necessary to take into account, simultaneously, other characteristics of agricultural production: to the extent to which the processes are not continuous, neither is the production flow. In general, in a few
weeks the whole production of the years can be concentrated. The agriculturist, unlike the industrial producer, cannot daily regulate their production flow. Whereas the latter can, almost on a daily basis, adjust production to the signals of market, the agriculturist, at the time of making the decision to sow, has to be based on expectations on which the situation of the market will be when they harvest and sell.

We can say, at risk of simplifying, besides uncertainty (associated to natural risks) which characterizes agricultural production and contrasts it to industry; there is another important difference: the risk in industry is concentrated, mainly, on the investment on fixed capital, whereas in agriculture the risk concentrates on the circulating capital (seeds, supplies, workforce) which must be performed every agricultural cycle.

These differences have forced the development of specific theories of price formation for agriculture. One of the most known is the theorem of the cobweb which, essentially, states that the current price of an agricultural product is determined by the quantity produced in the current cycle, whereas this amount is determined by the price of the previous cycle.4

Subsidies and poverty in farming economies

In everyday reality of the Latin America farmers, the uneven requirements of workforce along the year, in markets where capitalist companies attend, forces the agricultural producers to complement their plots’ income with extra-plots’ income in order to be able to fulfill their reproduction of workforce. In some cases these extra-plot incomes represent more than 50 percent of the incomes (e.g., in the state of Puebla, Mexico; or in the Guatemalan north-occidental plateau).5

The numeric importance of the peasantry in Latin America (the number of units at national level is usually hundreds of thousands and in some countries millions) and their distinguishable participation in production, principally of basic food, reflects the competitive structure of agricultural production. The deterioration of the interchange terms between agriculture and urban sectors (national and international) is added to (and aggravates) a structural tendency to very low relative agricultural prices, when they are compared to those prevailing in developed countries.

4 For a detailed analysis of this theory see Frederick V. Waugh (1970: 89-106).
5 See Alain de Janvry (1991) table 10
The explanatory factors of the low relative prices of agricultural products in Latin America seem to be three if they are compared to those in developed countries, both now as 20 or 30 years ago: 1) Low effective protection of agriculture —compared to industry— during the lengthy period of industrial importations’ substitutions; 2) the abrupt foreign aperture in the 1980’s and 1990’s decades, according to the countries, has led to the massive importation of subsidized agricultural products from wealthy countries, which depresses the general level of agricultural products’ prices, and 3) the fact —previously analyzed— that all of the farmers afford the cost of workforce’s reproduction along the year, without being able to transfer to the agricultural products’ prices but the effectively worked days.

In respect to the last point, it seems evident that, differently from Latin American farmers, agriculturist of familial units from Europe, the United States and Japan, to the extent to which their respective governments protect their agricultures from external competence, and grant them large subsidies, obtain from the added value in their agricultural units enough incomes for their families’ reproduction along the year, without being forced to temporarily (and in an itinerant manner) sale their workforce. This could be interpreted as the societies from these countries recognize the agriculturists’ right to a minimum level of life without the necessity to degrade their status, hiring temporarily their workforce. These conditions, given the formation of prices when farming (or familial) economy concurs with capitalist companies in the same markets, which only afford the cost of effectively used workforce, and given the resources and technology, can only be afforded by means of protected of subsidized prices for their products; when this right is not recognized, such as in our countries, farmers are condemned to permanent poverty.

A hypothetical numeric example could make the argumentation clear. Let us suppose, to simplify, that in maize production workforce is used in the third part of the days of the year (122); let us also suppose, that it is the only cultivation, both of familial and capitalist producers and both use the same technology. Their only differences are that the capitalist units hire personnel by the day and the familial producers carry out all of the tasks with familial workforce. Let us additionally suppose that salaries paid in agriculture allow, as the constitutional norm states, the satisfaction of material and cultural needs of the workers and their families, and providing their children with education. This is to say, the salary is the same as the poverty line of a family. The cost of workforce (by hectare) in the first case (where it is a fixed cost) would be three times as much as in the
capitalist case. When concurring in the same market (let us think first in a national market, absolutely closed) capitalist and familial producers, the price is determined by the price at which the former are willing to sale; since they only paid 122 days, they are willing to sale at 110 (40 of supply costs, 60 of workforce and 10 of revenue) the production from each hectare. Familial producers, then, are forced to sell as though their production cost was the third part instead 220 (40 of supplies costs and 180 of workforce support). They would sell at half the price of their total cost. If in the market concurred only familial producers, the production would be sold at 220 (without revenue, as this is not necessary in familial production), twice as much as they earn when competing with capitalists. As poverty line is 180, selling at 110 the family would be very poor. Selling at 220 the family would obtain a net income of 180 (subtracting 40 of supplies) and would be exactly above poverty line; it would not be poor.

With this I have showed that, even if we eliminate (through suppositions) the other poverty factors of familial producers present in the reality of underdeveloped countries (still preserving them in the framework of a closed economy: lesser productivity and profitability than their capitalist competitors; and valuing of workforce below the cost of satisfaction of basic needs), familial producers would be poor in a market where the level of prices is determined by the capitalist companies’ logic of functioning.

Even if the suppositions eliminate other factors of farmer poverty are false in the southern countries, they are not in the most of Europe, Japan, Canada, New Zealand, Australia and the United States. They were not so when the Common Agriculture Policy (CAP) started in the by-then European Community (now European Union).

The large subsidies to agriculture in developed countries, some people estimate them at 360 billion USD a year, achieves avoiding (the largest part of) poverty in which their familial producers would be without them. This poverty would not come from their low productivity, neither from their undervaluing their labor in their societies, but only from the seasonality of the agriculture’s productive process. Without the subsidies the European or Japanese (even United States) farmers would have to seek employment for several months a year outside their plots, in cities or abroad to complement their incomes, being in the itinerant misery experienced by our farmers.

6 These figures are in fictitious currency; they are neither pesos nor thousands of pesos.
This is one of the objectives CAP wanted to reach; according to Buckwell Report (available at the European Union’s electronic portal) nowadays the incomes in agricultural households, in most of the EU countries, are comparable to the average incomes of urban households.

The new pressures in EU on the reduction of subsidies have mobilized farming resistance. From the analyzed perspective, agricultural subsidies in developed countries will not be lowered for these societies have recognized their farmers’ right to live with dignity, as the new American Agricultural Law demonstrates. Hence, with a series of technological and financial disadvantages, national producers, additionally face the great differences in supports and subsidies they receive from their respective governments and the environment. It is convenient to analyze the new American Agricultural Law.

The Farm Security and Rural Investment Act approved by the United States’ congress in 2002, replaces the Fair Act which prevailed as from 1996. The new law will be valid for six years. These sorts of laws in the United States are, as a matter of fact, mechanisms of multiannual budgetary assignation, something we should imitate in Mexico. The new law establishes, among others, subsidy programs for specific products, programs of international commerce and conservation. The program of subsidies represents an increment between 70 and 80 percent in respect to the current one.

The core component of the new law is anti-cyclical, which means the United States’ agriculturists will be compensated for the market’s fluctuations, in such manner that they will continue receiving high prices even if the prices crumble, which can induce overproduction. The international consensus on subsidies, which led Mexico to eliminate guarantee prices for agricultural products, aims to eliminate subsidies that create incentives to overproduce. Because of this, in an electronic portal from the European Union it is pointed out: “The Agricultural Law of the United States, subsiding the agriculturists in a highly distorted manner of production, has made the United States lose all credibility in WTO’s negotiations”.

The new law includes three sorts of subsidies: 1) fixed payments, by agriculturist, for each eligible cultivation; soy and some oleaginous plants are included. This is a similar subsidy to that from Procampo. Payments increase in respect to the previous law. 2) Compensation prices when the market price is lower than a price fixed by the government; they are called loan rates, apparently because prices are fixed when the agriculturist receives the credit to sow; this subsidy, also existed in the previous Law, yet its value is increased in
circa 5 percent and some leguminosae, previously not considered, are added. 3) New countercyclical subsidies; these subsidies are paid when the total income of agriculturists (the addition of the revenues from the market and the two previous subsidies) does not reach a determinate level. Although there was not a similar prevision in the previous law, the government of the United States had introduced emergency plans in this respect, as a response to the price drop as from 1998.

“What is wrong with countercyclical subsidies?” the electronic bulletin of the European Union asks. In the first place it answers with a statement of the utmost importance in terms of the theory here sketched:

These payments guarantee American agriculturist a certain level of income; since their income is granted, the agriculturist does not have to follow the market signals, particularly in times of low prices. As the guaranteed income means guaranteed profitability in almost every cultivation, the agriculturists will expand production into marginal lands, disregarding whether the cultivation will find a good price in the market. Additional production will overflow the market decreasing prices (while incomes are protected by growing subsidies of the types 2 and 3). It is so that the most important American commentators describe this policy as self-destructive as a last instance.

On the United States’ agricultural exportations the bulletin pinpoints:

The United States exports 25 percent of its agricultural production and in some cultivations, such as wheat, up to 40 percent. Subsidies 2 and 3 will cheapen said exportation; decreasing domestic prices, the United States’ market will no longer be attractive, particularly for those in the developing countries, regardless the advantages they can have.

Briefly, the new law means our agricultural importations from the United States will be increased, whereas our exportations to said country will be decreased. Potentially, the bankruptcy of many small, large and mid-sized productive units will occur; this will take place because of the mere action of forces in the market.
Nonetheless, the new law increases the financing for programs of creation, expansion and maintenance of foreign markets for agricultural products from the United States; credits for exportation and the program of subsidies for exportation continue. OECD has identified these subsidies as the origin of the 97 percent of the agricultural subsidies in the world and has been labeled by WTO as an illegal subsidy, which obviously, has not prevented it from being practiced.

In Mexico, the poverty of the familial producers is abysmal: a) because its levels of productivity are really below those of their competitors: the capitalist producer from the country and North American producers (American and Canadian); b) because this labor is undervalued in the country, mainly in the rural environment; and c) because the cost of seasonality is paid, almost exclusively, by the farmers. In order to overcome poverty of the familial producers the three factors of disadvantage would have to be reversed; the disadvantage in productivity can be compensated with a combination of measures of commercial protection and boosting technological development. Manuel Diaz points out that in Latin America virtually there is not applied research to our agricultures, “we only buy and misuse that created in other countries”. It was not so in Mexico in the 1960’s and 1970’s decades, as in those years we had a growing development of agricultural research and extensionism, as well as a protected agricultural market; yet nowadays, conditions have been inverted in both ways.

Three factors are central to explain the undervaluing of workforce in the country: the forces of globalization, which have diminished the coverage and power of syndicates; the policy of salary repression, which uses salaries as anchor to inflation; and the slow growth of economy and employment in modern economy. It is possible to instrument changes that reverse the three factors’ tendencies: a new salary policy, a reform to the Federal Law of Labor (Ley Federal del Trabajo) in order to strengthen independent syndicalism, and an economic policy that stimulates economic growth, instead of the current one, obsessed by inflation control.

Finally, it is necessary to subsidize agricultural producers and protect them against external competence. To avoid that many of the resources from subsidies fatten the profits of the most favored producers, it will be necessary that familial producers receive the totality of the subsidies destined for compensating the cost of seasonality. Capitalist producers, conversely, will only need subsidies to face the asymmetry of international competence. Subsidies and commercial protection must be complementary; the less protection the more subsidies.
In a unified world market (that in reality does not exist), without protectionist systems, neither subsidies, agricultural prices (and those of the supplies and machinery) will be the same around the world and the income of farmer producers will be a function of the product by employed people. The differences between the developed and underdeveloped countries’ farmers would be the same as the differences of productivity by employed person. Nevertheless, the theory hereby sketched predicts —this has to be empirically proved— that the differences in incomes are much greater, for while the economic policy of the developed countries leads the society as a whole to afford the cost of agricultural labor’s seasonality, in the developing world this policy is determined that such cost would be solely afforded, remaining in poverty, by the farmers.

The right policy for the developing world, if it wants to substantially bring down rural poverty, it is not, therefore, to combat the developed world’s agricultural subsidies, but also subsidize its farmers and protect them from the foreign low prices.

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