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Soy Industry Booms in Argentina

by LADB Staff

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Cultivation of soy crops in rural Argentina has exploded thanks to a weak Argentine peso, a bad growing season in the US, and strong demand from China.

Soy, the nation's key export, has become a crucial element in Argentina's efforts to rebound from its economic meltdown of 2001, particularly in the central plains where soy producers are enjoying unprecedented wealth. This, in part, has contributed to a national economic growth rate in 2003 of 8.4%, much better than Economy Minister Roberto Lavagna had expected. The 8.4% figure is partly owed to construction and industry, but also to the agricultural sector, thanks to increases in international prices. The milling industry also enjoyed a record year, processing historic amounts of sunflower and soy.

Buenos Aires newspaper Clarin called Argentina "the country of soy," crediting the crop with making up a quarter of national exports.

Unprecedented expansion of transgenic soy farming

After the US and Brazil, Argentina is the world's third-leading exporter of soy, sending 98% of its production to international markets. In the last year, 70 million tons of grains were harvested in the country and more than half of that was soy. When the Argentine peso was unpegged from the dollar in 2001, the currency crashed (see NotiSur 2002-02-15), a disaster for most of the country but a boon to export-oriented farmers, since they are paid in still-strong foreign currencies.

The total area planted with soy has more than doubled as international prices for the legume rose to about US\$240 a ton, a price increase of more than 50%. This brings total sales of Argentine soy to more than US\$8.5 billion.

Regional economies may not have recovered, but many areas have switched from traditional crops to growing soy, even if they know the current boom may be transitory. Farm-machinery manufacturing shot up 80% in 2003 over the previous year, meaning many more tractors, harvesters, and combines were built and sold. More than twice as many combine harvesters were sold in 2003 as in 2002, jumping from a total of 550 to 1,700, and tractor sales have almost reached the level they were at before the 2001-2002 economic crisis. Warehouses, which could be seen closed up along the roads throughout the pampas not so long ago, are now operating day and night.

Cattle on the pampas have declined, with national head counts down by two million. "There are hardly any cows left in the pampas," says Jorge Solmi of the Argentine Agrarian Federation, exaggerating to make his point. The "soy frontier" has crept north, west, and south, at the expense of other crops like cotton, potatoes, sweet potatoes, maize, wheat, lentils, and artichokes.

"Soy is a crop that doesn't require much work, so there is no reason to stick around to look after it," says Raul Elias, a farmer in Cordoba. This has shifted the focus of rural life away from the farm to the towns, where business and construction is booming and new pickup trucks cruise the streets.

Those who farm large extensions of land national or international companies, cooperatives are getting rich because of soy prices, and owners of small and medium-sized farms are paying off debts and once again investing. Even for the poorest in rural Argentina, there is hope in new opportunities and new jobs. State coffers are also benefiting from the boom.

Free trade and soy

Could the advance of "free trade" punch a hole in the bottom of the Argentine soy production boat? Chilean soy producers expressed grave concerns when a US-Chile free trade agreement went through last year (see NotiSur, 2003-06-13), fearing that US soy crops, subsidized by the government and produced with higher technology, could devalue their crop output.

US trade negotiators said the four-year transition written into the agreement would be enough for the Chilean soy industry to adapt competitively, though members of the industry disagreed. The current Argentine boom, however, is pegged as much to soy's status as an export crop in a time of extreme weakness for the peso, making producers' wealth much greater relative to their compatriots.

This boom may be over by the time any serious agreements between the US and Argentina come to fruition, and agreement between President Nestor Kirchner and the US government has been scant of late. Kirchner recently blasted neoliberal policies, which he said had decimated Latin America, at the Special Summit of the Americas, while US President George W. Bush sat and listened. He has also defied holders of Argentine debt and Washington-based officials (see NotiSur 2004-01-16).

The strong demand from China, the world's largest purchaser, also helps insulate Argentine soy production, at least to a certain degree, from North American competition. China purchased about US\$2.8 billion of the crop from Argentina last year, meaning more than half its soy came from the South American nation.

GM seed battle

Argentina also owes part of this explosive production cycle to the "green revolution" in biotechnology, which began in the mid-1990s with the arrival of genetically modified (GM) seeds, one strain of which makes the crop resistant to the Monsanto corporation's herbicide glyphosate (Roundup). The devaluation combined with the drought in the US and increasing Chinese imports to make export farmers' purchasing power skyrocket. Almost 90% of the soy plantations in Argentina are transgenic.

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In a just-released report, the Union of Concerned Scientists said they had found genetic contamination in three non-GM crops in the US, leading them to conclude that traditional seed supplies need active preservation. They called genetic contamination "pervasive" and said, "Serious risks to human health could result if genes from pharmaceutical and industrial crops contaminate the seeds for food crops at a significant level."

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Now Monsanto is waging a fight against farmers who cull GM seeds to sell to other farmers, suspending seed sales in Argentina and calling off research and development of seeds specially adapted to local conditions there. Though seed laws allow Argentine farmers to save seeds for

replanting, Monsanto claims 50% of seeds are going to resales for which farmers should pay the company royalties.

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The government of Argentina is trying to mediate the dispute. The perils of monoculture Environmentalists argue that the boom will bust in the long term. They argue that even though the profits now are immediate and substantial, over time monoculture wipes out diversity. This creates a situation that might appear to be profitable but is really very fragile, vulnerable to the fluctuations of the global market.

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The secretary of agriculture warned that the appearance of "rust" or "mildew" on soy cultivations in neighboring Brazil could indicate the "imminent development" of blight in the country. The blight "still remains distant from the principal production zones," said the secretary, pointing out that Argentina is the only soy-producing country in South America that has not yet suffered commercial damages from the rust.

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