Reverse leasing and power dynamics among blue agave farmers in western Mexico

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Abstract. We examine changing production relations in the Mexican tequila industry to explore the ways in which large industrial firms are using “reverse leasing arrangements,” a form of contract farming, to extend their control over small agave farmers. Under these arrangements, smallholders rent their parcels to contracting companies who bring in capital, machinery, labor, and other agricultural inputs. Smallholders do not have access to their land, nor do they make any of the management decisions. We analyze the factors that have led some producers to participate in reverse leasing arrangements, while allowing other producers to continue farming independently. In addition, we look at the ways in which farmers are responding to these new production relations and constraints and the strategies that they are using to regain control over the production process.

Key words: Small farms, Reverse leasing, Contract farming, Tequila, Blue agave, Mexico, Latin America

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Introduction

The “globalization” of agricultural production has been highlighted in both academic scholarship and popular media. Agricultural production processes are becoming progressively more industrialized, and the increased scales of production that are required for technology adoption both require and facilitate the concentration and centralization of capital (Magdoff et al., 2000; van der Ploeg, 1999). Increasingly, small farmers are integrated into agro-industrial sectors through the use of contract arrangements, particularly in the production of high value crops (Little and Watts, 1994; Collins, 1993; Raynolds, 2000; Dolan, 2001; Singh, 2002). These arrangements have been prompted in developing countries as “dynamic partnerships” between small farmers and capital (Williams and Karen, 1985; Eaton and Shepherd, 2001; USAID, 1994). Contract arrangements are increasingly adopted by agroindustrial firms because they allow firms to maintain control over the production process while increasing flexibility and reducing labor costs (Raynolds, 2000; Collins, 1993). States and development agencies promote contract arrangements primarily because of their ability to redistribute the risks of producing crops in highly volatile markets and because of the assumption that they help to provide resource-poor growers with the capital-intensive inputs necessary for “efficient” production (Williams and Karen, 1985; USAID, 1994).

However, contrary to the conceptualization of contract farming as a mutually beneficial arrangement for farmers and agroindustrial firms, work in sociology has elaborated the way in which contract arrangements function to increase power inequalities between smallholders and
large corporations (Vellema, 2002; van der Ploeg, 1999).
Other negative effects of contract farming include
increased social differentiation among farmers (Collins,
1993; Singh, 2002; Watts, 1994), a devaluing of farmer
knowledge (Wolf et al., 2001; Raynolds, 2000), loss of
farmers’ independence (Collins, 1993; Clapp, 1994), and
states that although contract farming is promoted as
preserving farmers’ autonomy, under contract arrange-
ments farmers are forced to surrender direct control over
the inputs, product, and labor process. In contract farm-
ing, says Clapp, the control exercised by the company is
“indirect but effective,” while the farmer’s control is
“legal but illusory.” Similarly, drawing from Goodman
states that contract arrangements are a tool used by
industrial capital to appropriate the agricultural produc-
tion process. According to Watts, contract arrangements
represent a form of appropriation in two ways. First,
contracting allows capitalist firms to locate sources of
accumulation without engaging in direct agricultural
production, transferring the risks of production to small
producers while at the same time controlling the
production process (e.g., Jansen and Vellema, 2004;
Raynolds, 2000). Second, by stipulating the specific
technologies or inputs that the farmer must use, the
contract is a legal and institutional means of promoting
and ensuring further processes of appropriation (Watts,
1994; Singh, 2002). The development and expansion of
contract arrangements, according to this view, represents
“a particular kind of agro-industrialization” and a
“subsumption of the rural labor process” (Little and
Watts, 1994; van der Ploeg, 1999).
In most contract arrangements, the landowner provides
land, labor, and management, and the agricultural firm
provides cash advances and some credit. The firm then
purchases the crop from the landowner at a fixed price.
However, contract arrangements vary greatly according
to the type of firms and farmers involved, the terms of
the contract, the crop being grown and its associated
requirements, and the political-economic context (Singh,
2002). In addition, authors have emphasized the role that
state institutions (Raynolds, 2000; Dolan, 2001) and non-
governmental organizations (Singh, 2002) can play in
monitoring and regulating contract arrangements and
mediating their effects. Therefore, when looking at the
way in which contract arrangements integrate small
farmers into the agricultural production process, authors
such as Collins (1993), Echáñove and Steffen (2005),
and Singh (2002) have emphasized the need to examine
the specific case and particular interests involved.
Here we would like to draw attention to a particular
type of contract arrangement, known as reverse leasing,
which is becoming increasingly prevalent, especially in
Latin America (Lastarria-Cornhiel and Melmed-Sanjak,
1999). Under these arrangements, smallholders rent their
parcels to contracting companies (often affiliated or
directly owned by large transnational corporations) who
bring in capital, machinery, labor, and other inputs nee-
ded for agricultural production. Smallholders do not have
access to their land, nor do they make any of the man-
agement decisions. By excluding landowners from
making decisions or participating in the labor process,
reverse leasing arrangements further alienate small pro-
ducers and go one step further in making the smallholder
what Clapp (1994) called a “disguised wage laborer”
with no control over the agricultural production process.
The key aspect of reverse leasing arrangements is that the
contracting firm, not the landowner, takes control of all
management decisions and provides all of the labor
during the period of the contract. The smallholder is not
involved in agricultural production on his or her land in
any way, although, ironically, he or she can be hired by
the contracting firm to provide wage labor on his or her
own farm, as well as on other farms. González (2002),
discussing the specific case of blue agave cultivation in
western Mexico, argues that because reverse leasing
arrangements exclude smallholders from the productive
process, they have very little positive impact on
household incomes and fail to stimulate agricultural
productivity.
In this study, we examine the expansion in the pro-
duction of blue agave and the implementation of new
production arrangements that have taken place in
southern Jalisco, Mexico, in recent years. We explore the
ways in which industrial tequila firms have appropriated
the agricultural production process by extending their
control over land management and, indirectly, over small
farmers. We analyze the factors that have led some pro-
ducers to participate in these reverse leasing arrange-
ments, while allowing other producers to continue
farming independently. Finally, we look at the ways in
which farmers are responding to the constraints imposed
by the tequila industrialists, and the strategies that they
are using to reshape production relations and increase
their power vis-à-vis these firms. We conclude by offer-
ing some suggestions of how the tequila industry might
be made more sustainable and how relations between
farmers and tequila companies might be made more
equal.

The case study: Blue agave production in southern
Jalisco, Mexico

Blue agave (Agave tequilana Weber) is the principal
agreement in tequila, which is made by fermenting and
distilling the roasted hearts of the agave plant. The
increased cultivation of blue agave in southern Jalisco
was prompted by specific events (e.g., the devastating