The Political Economy of Rentier Capitalism and the Limits to Agrarian Transformation in Venezuela

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The Political Economy of 'Bachaqueo' and the Limits to Agrarian Transformation in Venezuela

This paper explores the contradictions and limits to agrarian transformation under twenty-first Century Socialism in Venezuela. Given the historical destruction wrought by the oil-based accumulation process upon Venezuela's agricultural sector, the symbolic and social importance of an 'agrarian revolution' could be seen as a yardstick with which to measure the progress of the Bolivarian Revolution in 'sowing the oil'. Eschewing a policy focus on the role of 'food sovereignty' and 'food security', the paper analyses how the dynamics of rentier-capital accumulation have played out in the agricultural sector. The paper argues that the macroeconomic framework of the Bolivarian Revolution has diminished the possibility of expanded domestic food production and instead reduced agrarian transformation to contradictory processes of ground rent appropriation.

Keywords: Venezuela, ground rent, rentier-capitalism, agrarian transformation, currency overvaluation

INTRODUCTION

The discovery of huge deposits of 'black gold' early in the twentieth century destroyed Venezuela's agrarian past, rapidly transforming the country into an overwhelmingly urban and oil dependent nation. Ever since, the clarion call to 'sow the oil' for economic diversification has rung out in vain throughout Venezuela history. When Hugo Chávez assumed the Presidency in 1998 on the anti-neoliberal platform of the Bolivarian Revolution, Venezuela had the highest dependency on food imports in all of Latin America (Morales 2009). In response, Venezuela became one of the first countries to proclaim food sovereignty as national policy and developed a raft of new institutions, governance structures and policies to mobilise land, people and credit in a bid to transform rural development and the domestic provision of food. Yet the Chavez government inherited a rural labour force standing at just 3-4 per cent of the active labouring population; a small peasant movement; an urban population of 94 per cent and an import dependent, monopoly controlled private food distribution sector (Ellner 2008). These obstacles coalesce around the political economy of oil and the dynamics of rentier capital accumulation in Venezuela. The centrality of revenues from the export of oil, means that, unlike other Latin American countries, Venezuela has not used agricultural rents, or an 'agrarian surplus', to fund national processes of development and industrialisation.[1] Rather the most capital intensive industrial sector of the economy has historically functioned as a source of 'oil' surplus that has been tapped to finance food imports and underwrite a small but capital intensive agricultural and food distribution sector. The central mechanism that the state has used to transfer oil rents to the rest of society is an overvalued currency (Mommer 1998). This created a huge bias against agriculture, as food imports have always been cheaper than national forms of production.

By late 2015, and despite over ten years of high oil prices, Venezuelan society was experiencing food scarcity, triple digit inflation, historically low levels of agricultural production and long queues to buy price-controlled goods (Gutiérrez 2015). In fact, in place of local control over culturally relevant food production and consumption, a curious phenomenon emerged known as '*bachaqueo*'. The '*bachaco*' is a large voracious ant native to the frontier zone between Venezuela and Colombia, known for its capacity to carry leaves many times its body weight over long distances. In 2014, the noun '*bachaqueo*' and verb '*bachaquear*' passed into the Venezuelan popular lexicon to describe the practice of re-selling government price controlled goods for a profit. This paper argues that '*bachaqueo*' is the everyday expression of deeper contradictions within Venezuela's agricultural and food policies which revolve around the overvaluation of the currency and populist price controls. This gave rise to two intertwined processes: a flood of food imports and widespread domestic price speculation, both of which have undermined land reforms, cooperative-led production, direct subsidies and state distribution and processing centres as the mechanisms to expand domestic levels of food production. Whilst not wishing to downplay the political recalcitrance of an agrarian elite and a private food-processing sector with a known history of corruption and hoarding – the so-called 'economic war',[2] this paper seeks analytical purchase on the ways in which the Bolivarian state's reproduction of rentier-capitalism has given rise to a distorted world of prices and values and taken Venezuela to the furthest point imaginable from national food self-sufficiency.

To do so the paper mobilises the concepts of ground-rent and rentier-capitalism to theorize the contradictory relationship between massive oil revenues and radical agricultural policies, a sustained analysis of which has remained outside the purview of agrarian scholars.

[1] If we follow the common meaning of agricultural surplus as 'the total value of agricultural production minus what the agricultural sector retains for its own consumption and reproduction' (Kay 2002, 1075), we can see that as a net recipient of transfers this surplus has never existed in any meaningful magnitude in Venezuela's agricultural sector.

[2] See for example Rosset (2009, 17), who argues that companies were using their near monopoly power over food processing to undermine government price controls and pro-consumer policies.

At its most rudimentary, ground-rent is the tribute paid by capital out of extraordinary profits to the landowner, or state, for access to a non-reproducible natural resource. When, as is the case in an oil producing society like Venezuela, this revenue forms the nation's primary source of income, rentier-capitalism can be understood as the political, social and institutional expressions of the appropriation and distribution of this wealth by state and non-state actors. This approach has the distinct advantage of not reducing the developmental effects windfall revenues to the 'Dutch Disease' (Briceňo-León 2005), internal institutional pathologies of the petro or rentier state (Karl 1997), or resource rent populism (Weyland 2009).[3] Instead, the paper seeks to locate the contradictions of the government's agricultural and food policies within the peculiarities of a national space of accumulation based largely upon the appropriation rather than production of value (Coronil 1997).

The paper is structured as follows. Section one lays out the historical development of domestic agricultural production and external food dependency under the influence of the oil economy. Section two draws upon the dynamics between food sovereignty and food security that has captivated much of the literature and suggests that this has led to a false juxtaposition of the Bolivarian Revolution's agrarian policies, obscuring from view macroeconomic contradictions in the accumulation process. To address this gap section three offers a Marxist approach to currency overvaluation, drawing upon work that has shown how ground rent is transferred and valorized in natural resource centred economies (Iñigo-Carrera 2007). Section four locates the emergence of radical agrarian and food policies around the same time as the government introduced exchange rate and currency controls during a period of political instability. Drawing upon field research conducted in the autumn of 2015 in Caracas, and the regional states of Mérida and Portuguesa, section five develops an empirical narrative which traces out the dynamics of rentier capital accumulation in the agrarian sector. Rather than offering single case studies, the paper attempts to tease out the contradictions of radical agrarian policies through research conducted with a variety of actors in the sector.[4] It is hoped that what this strategy loses in case study depth is compensated by the larger picture that each individual strand contributes to illuminate. The conclusion draws the various strands of the argument together to show how the concepts of ground-rent and rentier capitalism can illuminate the limits of agrarian transformation in Venezuela to 'sow the oil'.

OIL, AGRICULTURE AND EXTERNAL FOOD DEPENDENCY

[3] With its epistemological basis in the general equilibrium models of neo-classical economics, the Dutch Disease offers an abstract description of the behaviour of prices under the effects of windfall revenue which is devoid the capacity to deal with the political economy of the accumulation process in social formations such as Venezuela.

[4] Around 25 interviews were conducted with state functionaries (from directors to technicians in various agricultural entities), small-scale producers, leaders of Fundos Zamaranos, large private companies and landlords, workers in the state company Agropatria, academics, activists and independent researchers.

Early in the twentieth century 'the dance of oil concessions' removed political pressure to protect the agricultural economy, landlords sold their property and used the proceeds to develop commercial and financial enterprises in growing urban centres. (Di John 2009, 190). In place of regional competition between coffee and cacao producers linked to agro-export Caracas based elite, a network of military and mercantilist interests set to gain from oil rents and an overvalued currency emerged as the main nexus between the state and world market (Coronil 1997, 83). By the 1950s the under-utilisation of land generated by the presence of *latifundios*, mainly dedicated to cattle ranching, had already created a chronic deficit in national food production, supply was outstripped by demand leading to price inflation (Rodríguez 2011). The first concerted state-led efforts to sow the oil in the agricultural sector, and avoid confrontation with the landed elite, came in the 1950s with the expansion of agricultural frontier through the 'US farmer' model based upon immigrant European labour (Crist 1984: 154). The offer of public credit and irrigated lands was taken up by a new class of medium scale producers using mechanised production techniques high in the consumption of industrial inputs (Delahaye 2001, 61). The ability to import the technological packages necessary for modern industrial agricultural production quickly made Venezuela one of the most capital intensive agricultural sectors in Latin America (Rodríguez 2011, 75).[5] The main forms of capitalist production were in cereals, milk and meat for the expanding internal market. This created an apparatus of state intervention and distribution that privileged medium to large agrarian producers in a bid to reduce food prices for an incipient industrialisation process (Gutierrez 1998, 26).[6]

The first agrarian reforms designed to confront the concentration and under-utilisation of land through re-distribution came in the 1960s. Overall, around 230,000 families benefitted from the redistribution of just over 12 million hectares of land (Wilpert 2005, 251). Initially, this saw the creation of up to 150,000 smallholders with an average of 10 hectares of land (Delahaye 2001). However, the granting of rural credits unconnected with extension support, the industrial-technological bias of agrarian production, and the poor quality of land taken from the agrarian frontier limited the viability of smallholders leading to the progressive abandonment of redistributed lands (Penn and Schuster 1965, 555 cited in Rojas 2011). This created an informal land market which favoured the 'farmer' of the rural middle class who consolidated their role as the primary productive agents (Llambí, 1988). This is reflected in the evolution of the agrarian structure. By 1971 both smallholders and *latifundios* had seen relative declines in importance, whilst medium size farms (around 2000, occupying 500,000 hectares with an average of 250 hectares) managed to expand in surface area and output (Delahaye 2001, 71). For example, they went from 51 per cent of the value of vegetable production in

[5] This created a production system that favoured a new rural middle class which required a minimum scale (50ha) of production to reach maximum efficiency (Rodríguez 2011).

[6] Historically, up to 20 per cent of the lending portfolio of commercial banks had to be dedicated to agricultural activities. Prices were controlled and adjusted according to internal production costs.

1961 to 55 per cent in 1971; and in the same period increased from controlling 20 to 26 per cent of the land under cultivation (Rodríguez 2011, 82; Delahaye 2001, 70).

Alongside the rural middle class emerged a monopoly controlled agro-industrial sector. (Llambí and Cousins 1989). Dominated by large agro-industrial capitals such as Agroisleña and Polar, these companies benefitted from state-subsidizes and took control of the processing and distribution of food and agricultural inputs integrated within networks dependent on links with international traders (Morales 2009, 131).[7] Even though the limits of agricultural production were beginning to reveal themselves by the 1970s (seen in falling productivity) (Delahaye 2001), a ten-year oil boom disguised the sector's weaknesses as foods imports covered national shortfalls. The oil boom in 1973 put paid to any radical agrarian policies as the country could easily finance imports through a severely overvalued currency and Venezuela became the first country in Latin America to become a net food importer via a food system fully inserted into transnational circuits of distribution (Morales 2009). Private capital and the state bureaucracy acted in concert ensuring that the processing and distribution of foodstuffs did not depend on national agricultural production. In fact, the overvaluation of the Bolivar and import subsidies created a growing disarticulation between an expanding agro-industrial food-processing sector and a stagnant agricultural sector (ibid, 135). This system continued to operate under heavy state protection until falling oil prices saw the Bolivar uncoupled from the dollar on 'black Friday' in 1983 (Delahaye 2001, 69).

This devaluation exposed the extent to which the sector depended upon the distribution of oil rents through Import Substitution Industrialization (ISI) policies. This was starkly revealed during the drastic fall in production levels and the availability of food following the introduction of neoliberal reforms by Carlos Andrés Pérez in 1989, culminating in the urban uprising known as the *Caracazo* (Parker 2008). Unable to continue food imports for domestic processing and subsidise domestic agriculture, the sector was exposed to a severe round of World Bank mandated liberalisation. During neoliberal reforms the growth of agricultural GDP was 0.1% between 1988-1993 and 0.3% between 1994-1997 (Montilla 1999, 7). This saw hunger and malnutrition grow in a context of intensified rural to urban migration, social unrest and an even greater dependence upon food imports (Morales 2009). Thus when Chávez swept to power in 1998, the food processing and distribution system was characterized by entrenched private monopolies, agricultural production was bereft of both capital and labour and the farms that remained in production were those dominated by medium to large scale capital intensive production (Rodríguez 2011). As is well known, Chávez assumed power on a political platform that was far from clear and, at the time, rural development was orientated around achieving greater social justice, food self-sufficiency and land re-distribution within a national project of economic diversification termed 'endogenous development' (Purcell 2013).

[7] This system operated through the state owned *La Corporación de Mercadeo Agrícola* (The Agricultural Marketing Corporation – CMA).

Although the goals of food sovereignty and food security have been ever present, as the following literature demonstrates, their articulation and emphasis have changed over time.

FROM FOOD SOVEREIGNTY TO FOOD SECURITY

By 1998 small farms made up 75 per cent of the country's landholders but they held only six per cent of the land, whilst the five per cent of large landholders controlled 75 per cent of the land (Delahaye, 2001). Setting its sights on the *latifundios,* the government's 2001 Land Law sought to democratise underutilised rural property in favour of a peasant-led food sovereignty drive organised through the creation of new cooperatives. The government distributed '*cartas agrarias*', or 'agrarian letters', which granted provisional usufruct rights and various forms of credit and subsidies in a bid to quickly get lands under cultivation. By 2013 the government had recovered 6.34 million hectares, regularised 10.2 million hectares and distributed 117,224 '*cartas agrarias*' nationwide (PROVEA 2014, 236). Although these reforms have benefitted over a million people, they have not translated into a significant increase in surface area under cultivation. Between 2003 and 2014 the average annual surface area of cultivation was 2.1 million hectares; this was above the 1.6 million inherited by the government in 1998 but below the 2.3 million reached in 1988 when land reforms were absent (Gutiérrez 2015, 40). The upshot has been lower than expected levels of food production despite a six-fold increase agricultural spending (Morales 2016).

The literature that has evaluated the Venezuelan government's attempt to alter rural development and increase levels of food production has been divided over the suitability and efficacy of the 'food sovereignty' and 'food security' policies rolled out by the Bolivarian state.[8] Some scholars have tended to endorse the normative and pro-peasant principles of the former over the productivist and technological bias of the latter (Schiavoni 2015). Looking specifically at peasant-state dynamics through the lens of 'food sovereignty', Lavelle (2013) has argued that campesinos have been at the radical edge of reforms, leading 'illegal' occupations in struggles with landowners and institutions over what constitutes 'appropriate' production in 'socialist' agriculture. However, the slow pace of land redistribution, by a fragmented and often non-revolutionary state and violent resistance from landowners has stymied the real emergence of pro-peasant agriculture. Although recognising the problem of bureaucratic inefficiencies and intimidation by large land owners, Wilpert (2013, 11) is more sanguine about reforms as 'state support and an organised peasantry ought to be sufficient' to bring about greater social justice in the agrarian sector. This sympathetic account maintains that modest gains in production have been outstripped by demand (Wilpert 2013, 8).[9] As Parker (2008,

[8] Venezuela's Organic Law of Agro-food Security and Sovereignty passed in 2008; however, food sovereignty was included in the 1999 Constitution, specifically in Articles 305, 306 and 307 (Mckay et al. 2014, 1181).

[9] Given that the Venezuelan Central Bank (BCV) does not disaggregate agricultural GDP from the hotel and restaurant activity, taking them together as the 'rest' in national accounting figures there is a

139) has pointed out, production is still to recover levels reached in 1988 whilst the population has grown by 30% and social welfare spending has increased solvent demand from larger swathes of the population.

In this context Rodríguez (2011) has argued that politically motivated food sovereignty initiatives (price controls and small cooperative farms) are discordant with the existing technological conditions of medium size farms that could increase production. This speaks to the ambiguity around the appropriate subject in struggles for increased food production, calls for which tend towards normative appraisals often without sufficient theoretical or empirical foundation (Llambí 2012, 128). For this reason, Kappeler (2013) has questioned the fundamental applicability of 'food sovereignty', understood a locally produced culturally relevant food, in a domestic context of hyper-urbanisation and import dependence. His ethnographic research describes as an 'abject failure' the state's attempt to increase national production through small scale peasant led production, and that 'state officials quickly realized the scale of production required to feed large urban populations were beyond the immediate capabilities of the existing peasantry' (ibid, 7-8). In its place emerged a kind of 'Fordist-Neopopulism' in which peasant cooperatives were arrayed around large industrial state farms where the economies of scale and exploitation of labour in the enterprises made calls for "peasant socialism" as the basis of food sovereignty appear rather strange and incongruous' (ibid, 14).

Enríquez and Newman have dealt in detail with the tensions between food sovereignty and food security through the lens of 'dual power' (Enríquez 2013) and the 'dual-institutional structure' of the state (Enríquez and Newman 2015). They point out that oil money allowed Venezuela to 'cheat' on immediate reform problems posed by potential losses in productivity as the ability to import food freed up space to experiment with radical food sovereignty reforms based upon cooperatives (ibid, 7). Yet this left untouched the underlying structure of large-scale private farms and when chronic food shortfalls began to emerge around 2009–10 'food sovereignty' gave way to an 'any means necessary' policy of ramping up 'food security'. This saw the fragmented state skew support towards conventional industrial farming in the form of *Unidades de Producción Socialista* (Socialist Productive Units – UPS) alongside the persistence of other private farms (ibid, 23). This theoretical approach draws useful attention to the ways in which the state, based upon the availability of oil money, has tended to 'intervene on behalf of *both* the dominant and dominated classes' (ibid: 26). Yet, whilst accounting for the agents implicated in the reproduction of the same state structures, an inherent problem this type of Poulantzian structural-functionalism is that it elides an analysis of the social relations of production which the state is meant to be regulating and reproducing (Clark 1991). The upshot is that policy contradictions are not dealt with in relation to rentier capital accumulation (the nationally specific social relations of production), but depicted in

lack of basic knowledge of the evolution of the production in the sector. Such ambiguous statistics have allowed accounts to assume different ideological positions.

Weberian terms of the limits of 'relative autonomy' whereby the bureaucratic rationality of the state as a form of administration is compromised by political conflicts.

Notwithstanding their internal differences, all of these accounts juxtapose food sovereignty and food security which neglects the fact that the Chavez government never produced a coherent development plan for either policy, in a way that unites macroeconomic design with production. This is despite policy advice from *La Via Campesina* recommending a 10 per cent annual reduction in imports and an active demand shift towards locally produced goods by small farmers (Wilpert 2005, 263). Rather, as highlighted below, we see the politicised and ideological use of both concepts to justify short term and often contradictory policy packages. Whilst most authors do empirically note the influence of oil money and the ongoing dependence upon imports, this is normally ascribed to the dynamics of the 'rentier-state' or so-called 'Dutch Disease'. An example of this can be seen in Wilpert's (2013, 12) account whose analysis closes with the caveat that, 'the problem of agricultural production is probably more a result of larger macroeconomic factors, such as the low prices of food imports (due to Venezuela's overvalued currency), than of a failure of the government's agricultural policies'. In general, the upshot is the treatment of agricultural and food policies as discrete arenas of analysis and struggle, in separation from the social relations of production that give rise to 'larger macroeconomic factors'. Through a Marxist analysis of the rentier capitalist accumulation process, the following develops a theoretical approach which lays the basis to unite the problem of the overvalued currency with agricultural and food policies.

VALUE THEORY, GROUND RENT AND RENTIER-CAPITALISM

When the capacity of a national currency to represent social wealth is greater in the domestic than in the world market it can be considered overvalued (Iñigo Carrera 2007). This distortion in a currency's real purchasing power has two primary implications for the value of goods exported and imported through the overvalued exchange rate. First, exporters are forced to sell foreign exchange earned in global markets below its value, the loss of a fraction of the export price can only be sustained because 'a surplus profit – ground rent in the case of primary commodities – must be materialized in the price of the exported goods' (Grinberg 2013, 456).[10] Therefore, for an oil rich state like Venezuela, the total value that enters into national spheres of accumulation in exchange for the export of oil is greater than their costs of production (including normal profits). Marx (1981, 799-800) termed this surplus profit a 'false social value', given that for natural resources 'the market value is always above the total production price for the overall quantity produced'. Second, local access to cheap foreign exchange lowers the real cost of imports. This implies that imports financed by the foreign exchange entering

[10] This implies that the costs of production for capital invested in land of differential quality – in order to valorise at the normal rate of profit – already accounts for the ground-rent charged by the landlord.

Venezuela are externally dependent on the surplus value captured from the capitals and working class of the importing countries (Iñigo Carrera 2007).

On this basis ground rent can be understood as category derived from a lower level of abstraction than the production of surplus value by labour (the global origin of all value transfers), but at a higher level of abstraction than the workings of the specific institutional and policy environments of rentier-capitalism. Thus ground rent existing as 'false social value' is the necessary presupposition for a concrete understanding of rentier capitalism and the valorization of international surplus value transfers. Iñigo Carrera (2007) identifies this process as the accumulation of capital through the appropriation of ground rent in resource centred economies, a peculiar process which is always mediated by a mix of direct and indirect state policies which transfer the surplus to other sectors of the economy.[11] The role of direct and indirect value transfers has also been of concern to scholars researching the relationship between agricultural surplus and industrial development. As Kay (2002, 1091) notes, these transfers can be considered 'direct' when they affect the price level (their domestics terms of trade) of agricultural commodities through mechanisms such as price controls, export and import taxes; whereas indirect transfers involve macroeconomic policies that result in the real exchange rate overvaluation (depressing their external terms of trade). Whilst these policies can create biases against agriculture, when the 'surplus' derives from mining and rather than agricultural production the same policies can form the basis of inter-sectoral transfers in the opposite direction whilst still depressing agriculture's external terms of trade (because of overvaluation) (Grinberg and Starosta 2009).

Direct price controls and the indirect sale of cheap US dollars have been the central mechanisms through which the Venezuelan state has distributed oil ground-rent (Mommer 1998, 20). This can be sustained as long as the administrator of foreign exchange, the central bank, possesses a permanent flow of additional social wealth to offset the sale of foreign currency below its value (Iñigo Carrera 2007, 18-21). In Venezuela non-oil economic activity generates a meagre 4 per cent of the foreign exchange that enters the country, which means the social wealth sustaining overvaluation is oil ground rent, generated in the form of dollars by the state oil company PDVSA. This huge external dependence means that the 96 per cent of foreign exchange acquired by the state is later sold below its real value to finance imports. A high oil price will sustain an overvalued currency, however if the oil price declines then the government can either devalue the currency and generate more national money for the sale of oil or it can print money, expanding supply, and generate debt through tools such as oil based

[11] Iñigo Carrera (2007, 17-21) has pioneered the analysis of direct (export and import taxes, price controls) and indirect state policies (currency overvaluation and subsidies) as the contradictory social form in which ground rent can be appropriated in resource centred economies. Strictly speaking, if the transfer of ground-rent does not generate expanded reproduction in the domestic market, then it would be more accurate to see the capture of ground rent as straightforward appropriation with no knock-on accumulation effects. This is relevant for the analysis below which addresses falling production, scarcity and the direct (fraudulent) appropriation of ground-rent.

bonds and external loans as a short term measure to finance spending. However, if the expansion of the monetary base is not 'sterilized' or backed up by increases in domestic production, the expanded inorganic basis for the continuation of selling foreign exchange below its value can lead to inflation. As the following section shows, these dynamics of rentier capital accumulation are of direct relevance to the contradictions expressed through state-led policies of agrarian transformation and food provision.

RENTIER-CAPITALISM AND EXCHANGE RATE MANIPULATION

In November 2001 Chávez convoked an 'Enabling Law' to push through 49 law decrees, this signaled the first serious confrontation with opposition groups who reacted most fiercely to the new Land Law. Perceived as an attack on private property and the business community, opposition forces led by the business chamber FEDECÁMARAS unified to reject the legitimacy of the Chávez government (Buxton 2005). To ward off capital flight amidst the business strike – following the attempted coup in 2002 – a fixed exchange rate was introduced in 2003 pegging the Venezuelan Bolivar (BsF) at 2.15 for the US dollar. This was accompanied by strict exchange controls, requiring applications to the specially created *Comisión de Administración de Divisas* (Foreign Exchange Commission – CADIVI) to access dollars along with the decision to increase state control over imports. To protect low-income groups, price controls on essential foods and fixing the currency to reduce the cost of imports was regarded as the best way to contain inflation. As part of the government promoted social programs known as *misiones* (Missions), food security concerns led to the creation of the subsidized food network MERCAL with 13,000 outlets and 4,000 feeding houses (*casas de alimentación*) as distribution points to improve food security (mainly through imports) across the country (Morales 2009). This established early on in the Bolivarian Revolution that the availability and price of food were integral to the regime's capacity to maintain its base of support (Enríquez and Newman 2015).

Renewed state control over the oil industry and the post 2004 upward trend in oil prices led to the rapid appreciation of the exchange rate and the overvaluation of the Bolivar – as state policy rather than the automatic outcome of an economic curse – took centre stage as the mechanism to transfer oil rent (Kornbliht 2015: 65). Pragmatic alliances formed with FEDECÁMARAS dissenters, the so-called 'productive business people' granted access to cheap dollars (Ellner 2015), became entrenched around these short-term macroeconomic measures as exchange rate, currency and price controls ossified into 'revolutionary' economic policy. Although it is not uncommon for Latin American governments to use currency appreciation as a way to transfer incomes to the urban working class and subsidize the capital requirements of ISI strategies, as will be shown below, this was biased towards consumption and not production thereby fomenting a contradiction between food security and food sovereignty policies.

Initially the agricultural policies of the Bolivarian government sought modernization through private sector investment and state support of new cooperatives and Fundos

Zamoranos (FZ), through the redistribution of marginal lands that were already under state ownership.[12] To lead land reforms and support newly formed cooperatives the government created three principal institutions: *Instituto Nacional de Tierras* (National Land Institute – INTI); *Instituto Nacional de Desarrollo Rural* (National Institute of Rural Development – INDER) to provide agricultural infrastructure, such as technology and roads, credits, and training for farmers; and the *Corporación Venezolana Agraria* (Venezuelan Agricultural Corporation – CVA) to help cooperatives and FZ get their products to markets (Wilpert 2005, 255). By 2006, and despite the redistribution of 4 million hectares of land and almost USD 2 billion invested in rural development (not including additional credit lines made available by the National Assembly and off the books spending by PDVSA) (Guerrero 2014: 238), it became apparent that cooperatives and the *vuelta al campo* (repeasnatization) initiatives were not adequate to increase food production (cf, Page 2010). Attention turned to the creation of a deeper a socialist productive model and the state, using new provisions in the Land Law, intensified the expropriation of privately owned land and almost doubled the magnitude of rural development spending between 2007 and 2012 (Guerrero 2014).[13] The state also created socialist production companies, designed to purchase agricultural products at above market rates and anchor the productive activities of agrarian cooperatives lacking the scale of production and market access needed for their own expanded reproduction (Purcell 2013). This trend towards greater state intervention in food production and distribution continued with expansion of credit lines, the recovery of more lands (totaling 6.3 million hectares by 2013) from *latifundios* to create large state farms in the form of UPS, and the expropriation of agro-industrial food processing companies to combat food inflation through state owned Socialist enterprises (Enríquez and Newman 2015). However, the overriding logic was the ideological propagation of 'socialist humanism' – prices below production costs – rather than a technical question of economic management and raising production levels (Ellner 2015).

To buttress the difference between production costs and consumer prices, these agricultural and food policies relied on the overvaluation of the Bolivar, currency and price controls to channel oil rents through the state. Up until 2013, it is estimated that exchange rate overvaluation was never been lower than 200 per cent and reached peaks of 400 per cent (Kornbliht, 2015). Despite five devaluations since the creation of the CADIVI in 2003, the 2015 US$ fixed exchange rate of BsF 6.3 now administered by the *Centro Nacional de Comercio Exterior* (The National Foreign Trade Centre – CENCOEX) was overvalued by almost 500 per cent when measured against the parallel 'real' market USD exchange rate of BsF 37.75 (ibid). As striking as these numbers are by late 2015, as inflows of foreign currency and the international oil price plummeted, the parallel *Dólar Today* market shot up from BsF. 100 in

[12] Part of *Mission Zamaro* launched in 2001, *Fundos Zamoranos* were created by INTI to group agrarian cooperatives together on expropriated land.
[13] New provisions in the Land Law permitted the recovery of land deemed idle or underproductive.

October 2014 to BsF. 800 in October 2015.[14] This created a huge distortion in the capacity of the Bolivar to represent social wealth. For example, at the fixed overvalued exchange rate (BsF 6.3), 100 dollars for importers granted through a public bidding system (*subasta*) would be worth BsF 630 when selling these goods at official controlled prices in the domestic market.[15] However, the same US$100 on the parallel 'real' market exchange rate (BsF. 800) in late 2015 would have a value of BsF 80,000, making the parallel market dollar 127 times more lucrative for importers and more expensive for consumers.[16] As a result, exchange rate, currency and price controls have given rise to a variety of mechanisms and incentives – public and private – for the appropriation of ground-rent.[17]

Manuel Sutherland, an independent researcher at the *Centro de Investigacion y Formacion Obrera* (Worker's Research and Training Centre – CIFO), has argued that exchange rate manipulation permitting the expansion of fraudulent imports has been the central cause of inflation and scarcity. Two potent cases in the agricultural sector were sacks full of stones being registered as imports of coffee and an exponential rise in the fraudulent import of meat (Sutherland 2015). In the case of coffee, imports grew by an enormous 8,200 per cent whilst the scarcity of coffee, according to the Venezuelan Central Bank (BCV), reached 94 per cent in 2014 as producers turned to illegal exports or abandoned production under regulated prices. Similarly, in the case of meat, between 2003 and 2013 imports grew by an astonishing 17,000 per cent, whilst consumption dropped by 22 per cent (Sutherland 2015). These were either cases of phantom imports to access preferential dollars or, as some interviewees attested, were later smuggled across the border and sold in Colombia.

The weight of import economy cannot be attributed to a so-called 'economic war' and public figures not aligned with the opposition have recognised as much. It has been estimated that between 1998 and 2013 agro-food imports went from US$ 1.7 billion to a high of U$ 10.4 billion (Gutiérrez 2015, 48). Rodriguez Torres, ex Minister of Interior Justice, noted 'many dollars were taken out of the country without importing anything with them, or the imported commodity was overvalued by the well-known fraud '*sobrefacturación'* (overbilling) (cited in Sutherland 2015, 3). In the light of these examples we can see how justifying massive imports in the name of 'food security' has been one of the principal covers for the manipulation of the

[14] *Dólar Today,* housed through servers in the US, is the website that provides daily prices for the 'real' value of the Bolivar to the dollar and is used as the reference price by the whole population to buy and dollars on the 'black market'.

[15] On top of this there is government sanctioned 30 per cent rate of profit – an enormous legally sanctioned appropriation of ground-rent.

[16] In 2013 with interest rates at 15 per cent and annual inflation running at 60 per cent in Venezuela, trading in dollars was estimated to be 50 times more profitable than saving or investing in productive activities (Sutherland, 2015).

[17] In 2015, data leaked by the 'International Consortium of Investigative Journalists' from the global bank HSBC revealed that Venezuela, sandwiched between the UK and the US, had the third largest amount of money (US$14.8 billion) held in 1,282 offshore accounts by 1,138 clients (ICIJ 2015).

exchange rate for private gain (Hernández 2010). This has benefited both the domestic importing bourgeoisie, especially in the agro-food chains controlled by monopolistic producers such as Polar and the network of national supermarkets such as Makro, and those within the Bolivarian state apparatus, such as the military, that have controlled imports for food security initiatives like MERCAL and PDVAL (Morales 2016). For example, in 2010 corruption and mismanagement was uncovered in the public food company PDVAL when 2,334 containers of expired foodstuffs never made it into the PDVAL and MERCAL outlets (Clark 2010, 157).

In the absence of a 'redistribution of power to facilitate direct control over food systems' (McKay 2014, 1179) or a devolved system of rising community-led national production, these macroeconomic distortions and institutionalized import fraud found concrete expression in the political economy of '*bachaqueo'*. Specifically, this saw state and non-state actors take advantage of differing prices for the same commodity through, what could be termed, rentier arbitrage. Within wider society the practice of '*bachaqueo'* was initially concentrated among people buying in Bolivars (anything from coffee to gasoline) and selling them for Pesos over the border in Colombia for many times their subsidised sale price. Pesos would then be changed for dollars in Colombia, to be sold on the parallel market in Venezuela thus completing a double movement: first, a ground rent bearing good purchased domestically in the commodity form; and second the appropriation of ground rent through its sale and transformation into the money form, the latter movement forcing the real value of Bolivar – its domestic purchasing power – down further as demand increases for parallel market dollars.

Rentier-capitalism can sustain the overvalued exchange rate and subsidize 'alternative' forms of production and consumption at the national level when there is a steady flow of oil dollars. However, with the oil price falling 75 per cent since 2014 the capacity to finance imports has drastically declined and there has been a growing scarcity of price controlled basic goods (e.g. soap, flour and milk). This has seen the practice of *'bachaqueo'* spread throughout the domestic economy as people dedicate their working week waiting in lines for hours to buy and re-sell subsidised products. The then President of the National Assembly Diosdado Cabello, called the *'bachaqueros'* a plague that are hurting the people and President Nicolas Maduro has passed punitive legislation penalizing the act with up to 5 years in prison. Nevertheless, by October 2015 the *'bachaquero'* economy was widespread and growing. Opportunities arise at least one day a week when, according to the Venezuelan national identity card the *cedula,* people are permitted to buy their quota of price controlled items. As a result, *'bachequeando'* has assumed a systematic role in the distorted world of oil rent appropriation, inflation and scarcity. In fact, these practices partly explain how the popular classes have actually endured the pressures of creeping hyper-inflation and falling real wages, because everybody in some way is *'bachaqueando'*. Far from a 'cultural' problem of 'rent-seeking' or the product of an 'economic curse', this behaviour can be seen as the everyday appropriation of oil ground rent within the contradictions of rentier capitalism. In the agricultural context its institutional expression can be seen most vividly in the case of Agropatria where *'bachaqueo'* took root in an initiative ostensibly designed to lead the 'food security' agenda. The following empirical examples unfold research conducted in around the political economy of rentier-capitalism which highlight how *'bachaqueo'*, particularly in the latest phase of Bolivarian agricultural and food policy, can be seen as a concrete expression of the ways in which private and state supported production in Mérida and Portuguesa were subsumed by the logic of ground rent appropriation.

RENTIER CAPITALISM AND THE POLITICAL ECONOMY OF BACHAQUEO

Agropatria is a state company dedicated to the purchase, production and distribution of agricultural inputs and falls under the wider rubric of *Mission AgroVenezuela* launched in 2011 by Chávez to revamp the food security agenda. Agropatria was created through the expropriation of Agroisleña, a private company dating back to the 1950s that held a monopoly position in the supply and production of inputs for the agricultural sector. Agroisleña imported technological packages from transnationals such as Monsanto and, through a dedicated network of affiliated companies and salesmen-technicians, would distribute inputs on credit to small, medium and large producers across the country. As part of the broader aim of undoing monopoly control over agro-industrial chains, Agroisleña was nationalized following accusations of price speculation and charging exorbitant interest rates to small producers (Orhangazi 2013, 9). In the words of the official decree to expropriate Agroisleña, the objective was to "graft the socialist state into the distribution chain of inputs for agrarian production" and confront one of the perceived causes of food price inflation (Gaceta oficial 379.889). The aim was to directly assign preferential dollars to a state entity, overcome intermediary speculation and better regulate product prices for fertilizers, agrochemicals and seeds thereby improving the access, and productivity, of small and medium size producers and ultimately increasing the national food supply without increasing food prices.

In the first four years, the government claimed to have served up to 500,000 producers, up from the 90,000 clients of Agroisleña, and expanded its activities along three lines: the industrial production of fertilizers and seeds; the production of machinery; and the provision of transport and storage services.[18] By 2015, Agropatria had 101 outlets across the country and formed part of a wider push across agricultural state bodies to better unite production and distribution under government control. Interviews with the *Fondo Para el Desarrollo Agrario Socialista* (Fund for the Development of Socialist Agriculture – FONDAS) in Caracas identified the importance of Agropatria as a tool to eliminate the speculative role of private

[18] See, http://www.entornointeligente.com/articulo/3699256/VENEZUELA-AgroPatria-atiende-a-500000-productores-a-4-anos-de-su-nacionalizacion-07102014

intermediaries and to undermine monopolised distribution chains.[19] For their part FONDAS provides its producers with a special debit card, underwritten by the Agricultural Bank of Venezuela (BAV), which can only be used in Agropatria outlets. This allows FONDAS to tie credit to the receipt of products later taking control of distribution and commercialization through state sponsored *mercados a cielo abierto* (open ceiling markets). Its producers are obliged to deliver 75 per cent of their crop to FONDAS which it purchases at regulated prices through its collection and distribution centres thus sending goods to market at controlled prices levels. In principle this system should ensure accountability and provide measures of productivity and control, as yet, however, their territorial reach is extremely limited, undermined by corruption and the absence of an integrated auditing or control system between FONDAS and Agropatria or other state bodies. Interviews conducted with Agropatria in Mérida and Portuguesa revealed that only around 10 per cent of their customers use BAV debit cards. Moreover, these producers only need small amounts of inputs for their plots, whereas large producers with 500 hectares and above were said to be the main beneficiaries of subsidies, as Agropatria does not officially discriminate between producers.

When meetings were held in Caracas with a panel of experts from the Venezuelan agrarian sector, it was the doubts about the capacity to effectively manage and control production chains that raised concerns about expropriating Agroisleña (interview 13/10/2015). The panel suggested that, although justified in principle, it was premature to expropriate a company with more than 50 years of experience and expertise. It was feared that the state lacked the institutional and professional capacity to manage the transition without unnecessarily creating shortages, logistical disruptions and opportunities for corruption. Given that the whole network depended upon importing, producing and processing agricultural products that were previously dispersed among numerous affiliated private companies, state take-over would imply a drastic structural reorganisation from personnel, buying, processing and distribution. It is in this context that during field work Agropatria was cited as 'a pioneer of *bachaqueo'*, profiteering on the back of re-selling or manipulating access to subsidised agrarian inputs often *en masse* over the border in Colombia. Other practices included changing farmer's names within the books from credit to debt, and demanding the cancellation of the outstanding amount before any new items could be sold. Similarly, to overcome quotas in the RUNOPA system, workers would use the identities of other farmers in the system to sell products to one large private client in bulk.[20] Up to 95 per cent of agricultural imports, from seeds to machinery, have now been centralized through Agropatria, which according to one state functionary from the Ministry of Labour has created 'chaos and corruption' (interview 22/10/2015).

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[19] To better fit the socialist goals of agrarian development FONDAS was created out of the old FONDAFA (*Fondo de Desarrollo Agropecuario, Pesquero, Forestal y Afines* – Fund for the Development of Agriculture, Fishing, Forestry, and Related Areas).

[20] RUNOPA is the government's producer database that assigns producers with a quota of materials it can access through Agorpatria.

The historical basis of class relations in the countryside meant that small peasants were the worst affected by this abuse of a public monopoly, many even looking back with nostalgia for Agroisleña (interview 24/10/2015). Rather than extra income generated from expanded production, the rural poor were said to have benefitted from social missions and food subsidies. In fact, the weak and factional peasant movement, lacking the powers of mobilisation of their Latin American counterparts, was cited as the reason why producers had not risen up against such public corruption (interview 14/10/2016). Coupled with this are conjunctural factors such as the absorption of key peasant leaders into political positions through client relations, and, perhaps most importantly, an enduring allegiance to Chávez whose legacy is seen to exist above and beyond the fray of corrupt individuals. These characteristics have not been amenable to a mobilised and autonomous peasantry holding public bodies to account. In fact, food sovereignty and food security initiatives have played out across the very fault lines of these class relations in the countryside. The initiatives included under the rubric of food sovereignty, such as the expansion of social missions targeted at the rural poor, extension support and small producer credits have allowed peasants to 'subsist', often turning credit into consumption (Kappeler 2013); whereas the wholesaling of subsidised agricultural inputs have been skewed towards medium to large farmers with the scales of production to take advantage of food security policies. Such practices within Agropatria seem to have taken root immediately, only a year after its launch there were recorded losses of BsF. 184.7 million.[21] Unable to pay its employees or purchase new inventory the national executive injected BsF. 300 million to re-float the books.[22] This example of institutionalised *'bachaqueo'* is a microcosm of the appropriation of oil rent by state and non-state actors mixed in with the government's inflationary expansion of the money supply to paper over the cracks of failing policies.

During field work the fall in the availability of foreign exchange, due to declining oil prices, meant that imports of much needed agricultural inputs and machine parts had been dramatically reduced. Producers in Mérida and Portuguesa depend upon 7 and 5 Agropatrias respectively for the delivery of seeds, machinery, and high levels of consumption of agro-chemicals and fertilizers. Unable to access the right input at the right time for their crop cycle, producers reported that yields had fallen as much as 50 per cent in some cases. As one farmer in Portuguesa commented to me, he only managed to access products because his brother worked in Agropatria and would call him immediately when new stock arrived (interview 24/10/2015). But around the same time a neighbour couldn't get the herbicide needed for his five hectares of *frijoles* (kidney beans) and lost his crop. This was compounded by a reduction in the rural labour force, as another farmer lost his crop because of a lack of local labour (interview 25/10/2015). Workers had abandoned the countryside to *'bachaquear'*, where it was said they could earn BsF. 5000 a day, dwarfing the official minimum salary of BsF. 7.500 per

[21] At the official exchange rate of 2011 this equated to US$43 million.
[22] See: http://www.reportero24.com/2012/10/corrupcion-gobierno-admite-quiebra-de-agropatria/

month. This has negatively influenced the production levels of important crops, like potatoes and rice, and contributed to the general inflationary pressures for both producers and consumers forced to buy goods on the black market.

In fact, scarcity gave rise to an even more lucrative 'parallel' market.[23] For example, Agropatria should sell its products at fair prices regulated around 30 per cent below the private market rate. In October 2015 the official registry marketed a 50kg sack of fertilizer at Bs. 239 whereas on the black market, or from private outlets, the quoted price was Bs. 1500 – 468 per cent higher (interview 20/10/2015).[24] Attributing these price differences to the politically motivated 'economic war' or dishonest individual acts of corruption somewhat obfuscates the structural logic, given that this degree of price distortion is indicative of an agricultural sector governed by speculation and private appropriation exacerbating the sector's inability to deliver food security. As one producer reflecting upon the so-called 'economic war' commented to me 'we don't eat politics, we eat food' (interview 14/10/2015). Traumatic experiences of accessing inputs from Agropatria and selling in state distribution networks means that private intermediaries remained the primary agents of distribution. In particular, this cast a negative light on the role of open ceiling markets, the state sponsored events which sell subsidised goods around the country. It was suggested that in the absence of any system of stock control, sales receipts or oversight the national network of these markets were a hotbed of institutional corruption or *'bachaqueo'* (interview 28/10/2015). Whilst much fanfare is made on government websites about the sale of vegetables, fruits and grains at just prices – the open ceiling markets have an ideological function. Rather than improving access to food and supporting agrarian socialism, the events can be seen as 'performances' in the vein of Coronil's (1997) Magical State, in the sense that what underlies these events is not the demonstration of the capacity to produce but the political efforts to uphold the illusion of production.

The Marginalisation of Socio-ecological Alternatives and Declining Production

The Andean state of Mérida shares a land border with Colombia and is one the most productive zones in the country for fruits and vegetables. The area is known for the hidden passages to Colombia, known as *Trochas,* which are used to *'bachaquear'* goods over the border and for the huge discrepancies between farm gate prices and consumer prices in major urban centres like Caracas. The state of Portuguesa is Venezuela's most important producer of rice, grains and corn. These fundamental items in the food basket have historically been produced by capital intensive, highly mechanised farms of 200 hectares and above which control more

[23] Rather than a 'black market', the category 'parallel' market is employed to reflect the fact that it is not hidden, or rather it is an open secret that the parallel market is a much closer reflection of production and consumption costs of daily life.

[24] It was in this context that state functionaries from Fudacite, CIARA and INIA shared the view that regulated prices are have become unrealistic and needed to be adjusted in the context of real costs faced by producers and the incentives for *'bachaqueo'*.

than half of Portuguesa's agricultural land (Rodríguez 2011, 94; Enriquez and Newman 2015, 15). Up until 2006 producers and industrial processors in Portuguesa – taking advantage of government subsidies – were exporting surplus rice to regional markets like Colombia (interview, 20/10/2015). Yet by 2015, national production was in decline and the country was importing rice to try and meet domestic demand.

In Mérida, under the umbrella of the Ministry of Agriculture (MPPAT), the main agricultural bodies responsible for promoting the agrarian model of socialist development are the National Institute Agricultural Research (INIA), the Foundation for the Development of Science and Technology (Fundacite) and the Foundation for Training and Innovation for Rural Development (CIARA). In the 1970s, Mérida became the leading territory for state protected and subsidised potato production, with technological packages imported from Canada and lands turned over to homogenized intensive cultivation (Romero and Monasterio 2005). To both reduce the dependence upon foreign seeds and foment community led agro-ecological practices, Fundacite and INIA have been participating in a 'food sovereignty' initiative to promote the production of native potato varieties as part of the 'Socialist Network of Productive Innovation'. Fundacite takes a particular interest in promoting agro-ecological practices, recovering local crop varieties and promoting biodiversity through ancestral knowledge and practices, whereas INIA's research and development seeks to provide the technology and inputs for these practices. Work in the municipality of Rangel with the 23 members of Mucuchies producer cooperative saw the certification of a new national potato variety, the transfer of new knowledge and techniques to community members and the expansion of production. Yet the scale of production remains quite marginal and local potato varieties cannot compete on cost or productivity with the Canadian variety (interview, 14/10/2015).

The President of Fundacite complained that problems in the sector were a product of 'incompetence, interests and instability' and that state bureaucrats and 'certain' institutions demonstrated 'incomprehension and insensitivity to social change fostered from within communities' (interview, 14/10/2015). In the same vein the technical manager at INIA spoke of a funding request for the hydroponic production of local potato varieties that in principle had been approved, but the financing never arrived to cover irrigation and other capital costs, as a result they have witnessed the gradual marginalisation of their agro-ecological initiatives. In this way the overall logic of external dependence on industrial scale imports from Canada has deepened because there are 'too many vested interests with the MPPAT' that have upheld the import economy (interview, 14/10/2015). In 2014, there were reports from across the country that potato seeds of low quality and in poor condition were imported from Canada without the correct checks and quality control carried out by Agropatria. Producers, who had previously been included in the delegation to monitor seed selection in the country of origin, denounced the mismanagement and demanded, in vain, a full investigation from the National Assembly. Suspicions circulated that this was a typical case of *sobrefacturación* (overbilling), whereby a receipt for foreign exchange is provided as if the seeds were of a premier class but the actual import is cheaper and of inferior quality allowing vested interests to appropriate the difference. As a result, in 2014 national production fell by around 40 per cent and the price for a kilo of potatoes jumped from BsF. 28 to over BsF. 300.[25]

Whilst this case was an example of the institutionalised mismanagement of foreign exchange, other crops have been indirectly impacted by the scarcity of inputs and the divergence between regulated prices and production costs. An interview at *El Intento*, one of the biggest private industrial producers and processers of rice in Portuguesa, revealed some of the problems they had encountered. Given that the majority of critical scholarship has focused upon government-sponsored sites of production, this example is useful to reflect upon the ways in which an individual private capital has responded to the government's agrarian policies. Rice, along with other grains and cereals, is one of the areas where the state has complete control over prices, inputs and raw material imports. Private companies have to register all sales with the state, even those sanctioned at non-regulated prices, and run the risk of expropriation by not declaring all production and sales activities. *El Intento* finances the production and purchases rice from small to medium producers (20 to 50 hectares), later processing and packaging the rice for final sale to food the distribution network.

Their 'clients' (producers) complained of the delays in the payment of state subsidies ('which are too low') and that the government's regulated sales price of Bs 25 a kilo of rice was way below the reported Bs. 41 per kilo cost for the producer (interview, 20/10/2015). It was explained that this magnitude of difference is because the government estimates production costs based on the fixed exchange rates with which it sells dollars, imports and distributes the goods domestically (through Agropatria). However, production costs are closer to the parallel rate, because a large percentage of inputs are only available through non-regulated channels. As a result, they have seen production deteriorate as producers dedicate more land to alternative non price regulated crops or simply sow sections of their land with any product they can get their hands on to avoid claims that can be made against idle lands. Unlike other agricultural products there are no price controls for fruits and vegetables, but subsidies for producers at the point of production. As such a phenomena encountered across Portuguesa (and Mérida) was the reliance upon producing non price controlled items to cross subsidise other loss making activities. In Portuguesa, and nationally, this has manifest in the fall in rice production which, according to FEDEAGRO, fell from 230,000 hectares sowed in 2014 to 140,000 hectares in 2015. As result rice imports have increased, but in a manner that further undermines national production because cheaper imports actually flooded the market at the same time as the national harvest (interview, 20/10/2015).

To manage their own cost structure and evade the system of price controls, producers like *El Intento* add flavours and extra ingredients to their rice so they can market it as a special product outside of the price controls that dictate the sale of basic rice. According to their

[25] See, http://www.aporrea.org/medios/n273684.html)

production manager they divide this between 60 per cent for the price-controlled markets and 40 per cent (with added flavours) for the private market (interview, 20/10/2015). Whether or not this was a true reflection of how they divide their product, they claimed it was the revenue generated from the sales of the latter that cross-subsidised losses made in the sale of rice at state regulated prices. Yet this private capital did inadvertently reveal the private sector's reluctance to invest and expand operations. Legally banks must lend 20 per cent of their portfolio to the agricultural sector, but to whom they lend is at the discretion of individual banks who tend to seek out large traditional clients. As a 'respected' and 'efficient' producer *El Intento* has been able to take large loans for 'capital that is almost free' given the rampant level of inflation and negative real interest rates.[26] However, this capital was taken not to support production but to save until the 'political climate' becomes more propitious for investment (interview, 20/10/2015). In this case, therefore, it was less about the direct hoarding of foodstuffs but internal transfer pricing and the hoarding of cheap capital. From the point of view of increasing food security, what we see in this example is that in spite of the expansionary credit environment capital is not investing in production let alone improving methods of production. In both Mérida and Portuguesa one of the processes that came to the fore was the fragmented and divided scale at which government initiatives have tended to operate, largely leaving untouched the structural power of capital and private intermediaries in the agrarian sector. Whilst government food sovereignty initiatives have had short life-spans, food security policies have created agro-industrial white elephants and both have been unable to create alternative production and trade networks (economies of scale).[27] At the same time large agrarian capital has adopted a defensive consolidation strategy, the common ground between the two processes has been the inability of the state, government supported small producers and the private sector to expand the scale of agrarian production.

CONCLUSION

David Harvey (2014, 6) notes that we only tend to ask the bigger questions 'when something dramatic happens – the supermarket shelves are bare, the prices in the supermarket go haywire, the money in your pocket suddenly becomes worthless'. Taking the phenomena of *'bachaqueo'* as a concrete expression of rentier capital accumulation, this paper has attempted to ask after the 'bigger questions' surrounding what is perhaps the terminal phase in Venezuela's Bolivarian model of agrarian transformation. It was shown how short-term measures adopted

[26] As of 2015 the nominal interest rate was 15 per cent, but with an official rate of inflation of 180 per cent the real rate is a negative 165 per cent, in other words its free money (Sutherland 2016).

[27] During an interview in Merida with the President of the Fundo Zamorano Jesus Antonio Guerrero, we accidentally came across a Yuca processing plant lying idle that was replete with shiny untouched machinery imported from Brazil. The peasant leader explained the type of Yuca needed for the machinery is not grown locally and that the plant was at best a vanity project of local politicians not connected to any real production plan – the plant was never officially opened – and at worst an act of blatant corruption (interview 14/10/2015).

to control capital flight and protect urban consumers (price controls and the fixing of the exchange rate) served to undermine policies geared towards increasing production (access to cheap credit, technical support and subsidised inputs). Instead, control over the exchange rate and access to foreign exchange turned into sources of corruption and chaotic populist spending. The way in which ground rent financed the ramping up food imports and spending in the countryside, has undermined the prospects for the expanded reproduction of domestic food production under an alternative system of social production relations. Whilst the intentions of land reforms and the launch of cooperatives and FZ under the banner of food sovereignty was a progressive political response to an inherited social debt and extreme marginalisation of the rural poor, small producers benefitted most from direct populist spending rather than expanded income and political power through control over food production, processing and distribution.

The paper approached rentier-capitalism as the political, social and institutional manifestations (phenomenal forms) of global value relations underpinned by the circulation and valorisation of ground rent. This theoretical perspective allowed the paper to question the juxtaposition of food sovereignty and food security and instead focus on these policies as concrete political forms taken by contradictions in the accumulation process which have played out across the faultiness of class relations in the countryside. By moving beyond single policy or case studies and drawing out the internal relations between the oil economy and the agricultural sector, the paper unpacked how price distortion, input scarcity and falling production was indicative of an agricultural sector and system of food imports subsumed by the logic of speculation and private appropriation of public assets and goods. From this perspective, the paper critically reflected on the direct (price controls and subsidies) and indirect (currency overvaluation) policies which opened an overwhelming gulf between prices and values creating multiple opportunities for the practice of *'bachaqueo'* in the agricultural sector. This is not to downplay the political dimension of a recalcitrant agrarian elite, nor to reduce the complexity of instituting new agricultural policies to macroeconomic policy, but rather to shine a light on the political economy of rentier capital accumulation that has until now remained outside the purview of agrarian scholars.

The evidence tied together examples of how rentier-capitalism impacted agrarian transformation. The state company Agropatria, the entity responsible for the national distribution of agricultural inputs and ostensibly geared towards enhancing the food security agenda, was identified as an institutional expression of *'bachaqueo'* manipulating the access to key inputs outside regulated prices for private gain. In particular, this took advantage of a weak divided peasantry and undermined the interests of those small producers which the company is meant to represent. The agro-ecological production of potatoes in Mérida was shown to have a marginal presence in the context of ongoing incentives and interests to keep alive the industrial scale imports of Canadian seed imports. The fall in the oil price and the availability of foreign exchange also reduced the availability of key inputs through official channels, forcing producers into the parallel market and raising production costs. This has manifest in the deterioration of rice production in Portuguesa and reinforced the defensive strategy of large private producers to hoard cheap capital and reduce output of price controlled goods. This was expressed in the ongoing fragmentation, de-capitalization and the generalised inability to expand production.

By 2016 the government's response to severe food shortages was the promotion of urban-farms and micro agro-ecology as the route towards 'socialist' food sovereignty. This strategy was rolled out at the same time as the government moved to further restrict imports, dismissed any significant devaluation of the currency or measures to reassess the viability of costly price controls (Álvarez 2015). Agrarian transformation seems trapped within a kind of inflationary inertia, Maduro's government holds steadfast to the line that inflation, shortages and growing hunger are the product of a so-called 'economic war'. This stance of an ostensibly revolutionary government working in the interests of the peasantry and working class is farcical at best and self-destructive at worst.

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