Neo-liberalism and Institutional Reform in Post-1990 Nicaragua: the Impact on Grain Markets

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INTRODUCTION

This article deals with the neo-liberal economic policies and institutional reforms that were introduced in Nicaragua after April 1990 by the UNO government (Unión Nacional Opositora) and their impact on grain markets. It focuses on the consequences of the strongly diminished role of the state and the rapidly changing market structure that took shape as part and parcel of the policies of liberalisation, privatisation and deregulation. Furthermore, it will look into the current position of grain-producing peasant farmers in Nicaragua and their relation to these new markets, investigating whether there has been improvement after three years of UNO rule. This is done in the light of a stagnating domestic grain production, increased penetration of cheap imported or donated grains to the detriment of local producers, low levels of private and public investment and the appearance of short-term profit-oriented commercial capital groups that dominate agrarian markets. In this article some of the reasons behind these phenomena are analysed. Furthermore, some thoughts are developed on the future of the agricultural sector and the necessity for a new type of institutional reform, other than the current disintegration.

The article pursues this analysis in five sections. The first one will provide a brief overview of the interventionist economic strategy of the Sandinistas during the 1980s and its impact on grain markets and peasant farmers. The second section analyses at macro-level the laissez-faire strategy implemented by the UNO government since April 1990. This discussion will concentrate on the consequences of monetary stabilisation, the agricultural credit squeeze and the liberalisation of crop and input markets. In the third section, institutional reform in the post-1990 period is discussed by looking at the process of state compression and privatisation. Following this section, the changed pattern of market agents and the relation of agricultural producers to the market are discussed in a preliminary way. In the final section of the article, some conclusions are presented about the impact of interventionist and laissez-faire strategies on the agricultural and food sector, the origins of its current stagnation, and the medium-term perspectives for its development.

THE INTERVENTIONIST STRATEGY OF THE SANDINISTAS

In order to set the scene for an analysis of the post-1990 period, this section contains a brief overview of Sandinista interventionist policies during the
The attempt to substitute the state for the market in many areas of the economy. Not only did this lead to a highly centralised and mostly inefficient economic management, it also contributed to the segmentation and disintegration of markets, in particular in the agricultural sector. Rigid price controls and the legal wholesale monopoly of the parastatal ENABAS (Empresa Nacional de Alimentos Básicos) changed the organisation and dynamics of grain markets in Nicaragua during the 1980s. While parallel markets rapidly developed, official price policy had an urban consumer and even an anti-peasant bias.

ENABAS' grain prices generally remained low, while producers confronted rising parallel market prices for consumer goods in rural areas. Price controls, or 'price suppression' as Lipton (1991) calls it, worsened the barter terms of trade. Nevertheless, towards the mid-1980s ENABAS had great difficulties in sustaining distribution of basic consumer goods in urban areas, whereas in rural areas this was even more problematic. Shortages of consumer goods and agricultural implements led to a 'goods famine' for the peasantry in the second half of the decade. The Sandinista policy of restraining or even banning the activities of private traders in the grain market (as in other sectors of the economy) hampered the development of private trade. Rural traders selling necessary consumer goods and agricultural implements withdrew in particular from outlying zones. Increased insecurity, caused by the escalating war in most of the typical peasant regions, also contributed to this withdrawal of the private commercial sector. Although commerce 'before' was dominated by merchant-landlords, rural trade provided an essential form of articulation with peasant producers. The intention of ENABAS was to substitute for this market segment, but in spite of the effort in 1985–1986 to redirect a more important part of state distribution to rural areas, the supply of consumer goods and agricultural implements remained insufficient.

During the 1988–1990 reforms the Sandinista government took steps to overcome these problems by liberalising most grain markets and using ENABAS as 'one more agent' in the market. Some rearticulation in markets did occur, but structural problems were not tackled, partly because international support was lacking, but also because Sandinista leadership views on the market had not fundamentally changed (Spoor, 1994). For a decade, grain producers—in Nicaragua mostly peasants, small farmers or cooperatives—had been forcefully linked to official markets of crops, subsidised credit and inputs, as well as to parallel crop and consumer goods markets. Within this complex set of markets they confronted numerous price gaps and multiple transfers. Interventionism in an economy under siege had produced a great number of 'perverse effects' (Timmer, 1991). The highly centralised system produced by the Sandinista interventionist strategy had soon become unsustainable and inefficient but remained basically intact during the decade as 'politics were in command' and economic and institutional policies relating to agricultural markets—dominated by petty-commodity producers—were based on an insufficient understanding of the dynamics of these markets.
A severe economic crisis increasingly showed itself during the 1980s when, under the pressure of war and economic blockade, a survival economy supervened (after an initial positive recovery during the relative peace of 1980–1983). First, GDP per capita dropped from US$1034 in 1978 to a mere US$495 in 1988, and went further down to US$404 in 1992 (see Table 1), transforming Nicaragua into the second-poorest country of Latin America and the Caribbean (after Haiti). Second, a previously existing trade surplus developed into a chronic trade deficit, caused by diminishing export volumes and worsening terms of trade as well as by strongly rising import demand. Finally, domestic inflation, possibly the most important—and increasingly disruptive—phenomenon during the 1980s in Nicaragua, reached a 'record' level of over 30,000 per cent in 1988, the first year of the Sandinista economic reform. While in the following year it was substantially brought down, a new boost in inflation occurred during the two months before the change of government in April 1990, when the state apparatus was largely paralysed. Increased inflation was also due to the time-bomb left by the outgoing Sandinista government which had raised salaries indiscriminately, loosened budgetary controls and increased the money supply.

MACRO-ECONOMIC POLICIES IN POST-1990 NICARAGUA

As a consequence of the laissez-faire strategy introduced by the UNO government, with an emphasis on monetary stabilisation and a rapidly diminishing role of the state, a number of important changes have occurred in the structure and dynamics of grain markets. In order to understand some of these changes, the most influential macro-policies will be analysed in this section. They include the emphasis on monetary stabilisation, the highly restrictive credit policy linked to this, and the liberalisation and deregulation of agrarian markets.

(a) *The impact of monetary stabilisation*

When power was transferred to UNO, the economy was not only in a state of paralysis because of this dramatic change in the political power spectrum, it was also suffering from re-emerging hyper-inflation. The first stabilisation package that was launched by the UNO in May 1990 ended in straight-forward disaster. The so-called ‘Mayorga Plan’ was supposed to control inflation within 100 days. However, inflation boosted to over 13,000 per cent in that year, for a number of reasons which lie outside the scope of this paper.² Briefly, lack of consistency in monetary and fiscal policies, the co-existence of a new (‘hard’) currency side-by-side with a rapidly devaluing old (chanchero) Córdoba, and the strong supply contraction (in particular in the industrial sector) were some of the reasons behind the failure of stabilisation. In March 1991 the government introduced a more coherent set of measures to combat inflation, backed by sufficient foreign funding, known as the ‘Lacayo Plan’. The new (gold) Córdoba which had already been introduced in May 1990, devalued by 400 per cent, while the old Córdoba was taken out of circulation. Through a rigid restriction of the money supply (‘money squeeze’) the new value (CS5 = US$1) remained stable in official and parallel circuits. Keeping the value of the Córdoba constant became more of a
### TABLE 1 Macro-economic Indicators: Nicaragua (1978–1992)

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<tbody>
<tr>
<td>GDP/capita (USS)</td>
<td>1034.2</td>
<td>750.6</td>
<td>656.1</td>
<td>495.3</td>
<td>465.5</td>
<td>430.6</td>
<td>413.4</td>
<td>404.6</td>
</tr>
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<td>Index</td>
<td>100.0</td>
<td>72.5</td>
<td>63.4</td>
<td>47.9</td>
<td>45.0</td>
<td>41.6</td>
<td>40.0</td>
<td>39.1</td>
</tr>
<tr>
<td>Trade Balance (M.USS)</td>
<td>52.1*</td>
<td>(436.8)</td>
<td>(489.0)</td>
<td>(482.0)</td>
<td>(257.0)</td>
<td>(306.9)</td>
<td>(483.3)</td>
<td>(457.4)</td>
</tr>
<tr>
<td>Inflation (per annum/%)</td>
<td>4.3</td>
<td>24.8</td>
<td>334.3</td>
<td>33,603.0</td>
<td>1689.1</td>
<td>13,490.0</td>
<td>775.4</td>
<td>3.7</td>
</tr>
</tbody>
</table>

*Source:* Adapted from Stahler-Sholk (1990) and Spoor (1994, forthcoming).

* Preliminary data.
primary objective than an instrument of stabilisation. The monetary stabilisation policy was partly successful because it reduced inflation to very low levels, creating new confidence in the national currency, which had practically vanished during the previous decade. It also diminished the very high transaction costs which confronted agricultural producers who had to cope with galloping inflation in a dual market system.\(^3\) Nevertheless, monetary stability was highly artificial, as it was only guaranteed in the short-term by substantial external funding and the use of food donations for anti-inflationary purposes. The gradual overvaluation of the Córdoba that followed led to cheaper imports and disincentives for exporters, particularly during 1992.\(^4\) In combination with the radical opening of markets, this caused Nicaragua to enter the rapidly developing Central American economy with more disadvantages than already existed in terms of labour productivity, land yields and market share. Most recently in January 1993, the apparent stability of the Córdoba was abandoned, when the currency was devalued by 20 per cent and a new system of dollar-pegged regular exchange rate variations was announced (similar to that in Costa Rica). As a consequence the highly import dependent economy reacted with a renewed (but still limited) boost to inflation. Nevertheless, overvaluation of the Córdoba during 1993 remained a serious problem.

(b) **Credit policy: from 'Piñata' to commercial lending**

After a *piñata* decade of subsidised credit with strongly negative real interest rates and as nominal rates lagged behind inflation and default payments were normally accepted without any sanction, in May 1990 the UNO government took measures which were the first steps to a commercial lending system. However, the impact was only noticeable when agricultural credit was provided by the BND (Banco Nacional de Desarrollo) at the beginning of the following agricultural season. This moment coincided with the second stabilisation programme launched in March 1991. The number of peasant families which received agricultural credit decreased from 97,217 at the end of 1990 to only 34,682 families during the 1991–1992 season.\(^5\) This drop in clientele was particularly caused by reducing loans to peasant producers of maize and beans, since the new commercial criteria of money-lending by the BND practically excluded them. On the other hand, decreasing grain prices, increased input prices and high positive real interest rates depressed demand for agricultural credit. The use of pesticides and fertilisers, that had been normally financed by bank credit, diminished substantially and in some areas even completely disappeared.\(^6\)

During the 1992–1993 season the bank’s criteria were further sharpened as the UNO government ordered the BND to ‘clean’ its portfolio, providing it with new capital and pressuring it to become a commercial bank, eventually to be privatised. First, a legally accepted land title became necessary to provide collateral. Second, a lawyer was to be involved in preparing the application, at the expense of the farmer or the co-operative. Finally, proof of financial solvency and sufficient production prospects were required. In case of default payment, the bank could take legal measures.\(^7\) Peasants with a property of less than two *manzanas*\(^8\) were also excluded from formal credit
as transaction costs were considered to be too high for the bank. The consequence of the new credit policy has been that the CAS production co-operatives (Cooperativas Agropecuarias Sandinistas) in particular were limited in their access to credit, even if there was financial solvency and no history of default. For CAS co-operatives and also peasant farmers who had benefited from the Agrarian Reform, the lack of formally recognised land titles became a real problem. During the Sandinista Agrarian Reform legalisation of land titles for its beneficiaries was not seen as important. In fact, only in August 1989 was a programme started to provide the CAS co-operatives with official land titles, a process speeded up during the two months of government transition. Some co-operatives have received help from private legal advisers to reconstitute their organisation and become formally recognised. As a result of the increased difficulties that co-operatives encountered, renewed activity of grassroots peasant organisations also expressed itself in an armed occupation of the BND office in Jalapa and the blocking of access roads, in an attempt to change the rigid position of the government and the bank. Nevertheless, many CAS co-operatives did not have access to credit during the 1991–1992 season and the general tendency for the 1992–1993 season has been a further reduction. According to the BND, during the primera (April–October harvest) of the 1992–1993 season only 47,000 manzanas of grain production were financed in comparison with 120,000 manzanas during the same period in the 1991–1992 season, while the final figures for financed areas of corn and beans (produced mostly by peasant farmers and CAS co-operatives) came down to only around 6 and 4 per cent, respectively, of the total sown area of these crops.

(c) Liberalisation and deregulation of the grain market

During the first agricultural season under the UNO government, the parastatal ENABAS continued to play a certain intervening role in the market, partly because within the Mayorga Plan import parity levels were used to establish guaranteed prices to be paid by ENABAS, and also because of its monopoly on the import and distribution of food donations. Although market prices during the 1991–1992 primera harvest remained below the official ones, ENABAS—supported by Central Bank finance—still bought substantial quantities of grain in the domestic market, particularly corn. It has been claimed that prices dropped because of the withdrawal of ENABAS (ENVIO, 1991). However, this was more a combination of various factors, such as the price impact of food donations and commercial imports on the domestic market and the elimination of the premium of illegality when parallel grain circuits disappeared. Furthermore, the addition of more than 10,000 new peasant producers as a consequence of the land distribution programme to demobilised members of the contra and the government army provoked a boost in the production and marketed output of beans. This development depressed the market price. In Table 2, in which state procurement and domestic grain production are compared, it is noticeable that ENABAS’ share in the market was reduced to minimal levels in 1991. With the liberalisation approach of the UNO government, ENABAS had lost its role as a domestic marketing agent.
<table>
<thead>
<tr>
<th>Year</th>
<th>Corn</th>
<th>Beans</th>
<th>Rice</th>
<th>Sorghum</th>
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<tbody>
<tr>
<td></td>
<td>ENABAS</td>
<td>Domestic production</td>
<td>ENABAS</td>
<td>Domestic production</td>
</tr>
<tr>
<td>1980</td>
<td>556.1</td>
<td>3995.3</td>
<td>197.7</td>
<td>624.7</td>
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<td>1981</td>
<td>851.9</td>
<td>4199.5</td>
<td>394.0</td>
<td>904.9</td>
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<td>1982</td>
<td>891.5</td>
<td>3602.6</td>
<td>611.9</td>
<td>1030.1</td>
</tr>
<tr>
<td>1983</td>
<td>1148.7</td>
<td>4516.7</td>
<td>537.9</td>
<td>1226.1</td>
</tr>
<tr>
<td>1984</td>
<td>1111.2</td>
<td>4581.2</td>
<td>304.9</td>
<td>1259.8</td>
</tr>
<tr>
<td>1985</td>
<td>957.7</td>
<td>4241.4</td>
<td>135.5</td>
<td>1007.8</td>
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<tr>
<td>1986</td>
<td>712.3</td>
<td>4703.6</td>
<td>187.6</td>
<td>1290.0</td>
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<td>1987</td>
<td>1543.6</td>
<td>6160.9</td>
<td>50.1</td>
<td>740.0</td>
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<tr>
<td>1988</td>
<td>843.6</td>
<td>6572.1</td>
<td>109.5</td>
<td>1228.1</td>
</tr>
<tr>
<td>1989</td>
<td>1099.8</td>
<td>6370.2</td>
<td>44.9</td>
<td>1360.2</td>
</tr>
<tr>
<td>1990</td>
<td>486.5</td>
<td>4851.5</td>
<td>176.1</td>
<td>1550.2</td>
</tr>
<tr>
<td>1991</td>
<td>189.4</td>
<td>5162.7</td>
<td>49.2</td>
<td>1561.4</td>
</tr>
</tbody>
</table>

Sources: ENABAS, MAG (Department of Information).
Notes: The data for 1980–1986 for rice overestimate the procurement of ENABAS. In fact, substantial parts did not pass through ENABAS, but formed part of a commercial agreement with large private producers, organised in ANAR.
The data for domestic production are per ‘agricultural year’, while procurement is measured per ‘calendar year’.
In terms of the share of total supply of marketed grain, however, ENABAS still retained a strong position. In 1990, when domestic procurement had already decreased (except in beans), food donations provided ENABAS in the rice, corn and beans market with 39.1, 27.7 and 13.0 per cent, respectively, of its total (domestic and external) supply. From these data it can be observed that the UNO government, at least temporarily, saw ENABAS as a useful instrument in its anti-inflationary programme. ENABAS, for its part, used the income of the distribution stocks and new donations (sold at market or near-market prices) to improve its own budget deficits. It also shifted its attention to providing services of storage, drying, packaging and fumigation to the private sector.

Another measure taken by the UNO government was the reduction of import tariffs. Mid-1991, the Central American governments decided to have an open grain market (with the exception of yellow corn in the case of Costa Rica). For Nicaragua this decision meant that rice, which was in short supply, became an attractive commodity to import, not only for the traditional commercial groups with renewed ties to the government, but also for economic groups which had been formed around former officials of the Sandinista government. In 1992 the imports from within the Central American region were exempted from tariffs, while for imports outside the region, price bands (bandas de precios) were established for rice, yellow and white corn and sorghum. This system is comparable with that implemented in El Salvador and Chile. If the actual CIF-price is lower than the bottom price (piso) of the band, the existing import tariff (of around 15 per cent) is increased with a variable premium; if the actual CIF-price is higher than the maximum (techo) of the price band, a reduction of the tariff is provided to the importer. It remained unclear how donations would be included in this when this new system was introduced in early 1992. Furthermore, the state apparatus was not able to provide and manage information necessary for this intricate system. The consequence for domestic price development was limited as only external market fluctuations were somewhat dampened, while the extreme seasonal fluctuations on the domestic markets were still strongly influencing crop and consumer prices. Exports of most grains were liberalised with the exception of beans. However, with increased production it was decided mid-1992 to open the market for beans as well, after pressure by foreign donors and by producer organisations such as UNAG. In 1993 the price of beans has improved substantially in response to the growing Central American demand.

STATE COMPRESSION AND THE PRIVATISATION PROCESS

(a) Institutional reforms and state compression

During the Sandinista economic reform programme, a process of state compression (compactación) had already been initiated. Although there was a need to reduce the bureaucracy in areas such as domestic and external trade, this move also led to a severe cut in the state's capacity to assemble and process statistical information and the weakening of agricultural extension services. With the UNO government, this process of state compression has
been strongly stimulated. Many officials of the Sandinista government left their posts. This occurred in three ways. Most of the Sandinista top officials in the state apparatus were sacked during the first months, often replaced by political cadres of the UNO coalition or even rémigrés from Miami. Some went because they had started (or continued) agricultural, commercial or industrial enterprises in the private sector, or had started to work in NGOs. A much larger group of lower or intermediate level cadres, however, left the state as part of the so-called plan ocupacional, which was an intensive follow-up of the process of state compression initiated by the Sandinistas during the 1988–1990 period.

For example, the BND reduced its personnel from 4300 in 1990 to 1700 in 1992, while in ENABAS this number dropped from 2000 to 400. Although the intention was to increase the efficiency of the state apparatus, a severe blow has been dealt to its directive capacity; the Ministry of Agriculture and Livestock, for example, was left practically paralysed. Whereas during the Sandinista epoch state interference in the productive and commercial spheres of the agricultural sector was omnipresent, the UNO government followed the neo-liberal recipe of closely combining market relaxation with state compression (Lipton, 1991: 26). The current weakness in governmental institutions is so obvious that a joint mission of the World Bank, the BID (Banco Inter-Americano de Desarrollo) and FAO in 1992 even proposed the formation of a co-ordinating committee responsible for agricultural policies. This co-ordination is indeed necessary, but will only be effective if a revitalisation of some important support services takes place. This seems to be on the drawing board with the planned strengthening of policy development departments, a new national cadaster and an institute for technological development. However, it will take still a substantial amount of time before these can be operational.

(b) A future for ENABAS?
The main installations of ENABAS (silos, grain warehouses, drying plants) have been left untouched, including five large terminals and between 60 and 70 regional grain deposits. Apart from a few exceptions, none of this capacity has been privatised, although external pressure called for this step. However, as the distribution and sales apparatus of ENABAS was privatised, its operations were crippled. Furthermore, pressures from workers’ trade unions induced the management of ENABAS to privatise much of its transport capacity. The main storage and processing plant in grain producing regions, located in San Isidro, was even occupied for quite some time by workers who demanded that it should be turned over to their control, and clashes with the Sandinista-controlled police and army followed. The MEDE (Ministerio de Desarrollo Economico) wanted to sell some of the regional deposits during 1992 but this did not happen. However, ENABAS had no intention of privatising those plants in the most productive grain areas. Undefined government policies combined with noticeable private interests within ENABAS caused a slow-down in a process in which producers, merchants, capital groups and co-operatives were trying to improve their storage and processing capacity. In 1992, during the various missions of the
World Bank and BID to assess the possibilities for Structural (and Sectoral) Adjustment Loans, and to discuss the conditions attached to them, the privatisation of ENABAS has become a priority, although in practice no action was undertaken.

The UNAG (Unión Nacional de Agricultores y Ganaderos) had a rather ambivalent position towards the privatisation of the state's grain procurement and processing capacity. On the one hand this was seen as a means to strengthen the position of production co-operatives by acquiring more 'market power' in a liberalised market. On the other hand, UNAG still considered it the government's obligation to intervene in prices and markets. The co-operative company, ECODEPA (Empresa Cooperativa de Productos Agropecuarios, linked to UNAG), showed no interest in taking much risk in this market, concentrating its efforts on the export of coffee and sesame and the import and distribution of a selected number of agricultural inputs. While in general the process of liberalisation, deregulation and privatisation has moved forward quite substantially, ENABAS still presents a problem for the government. It has a function in the reception and distribution of food donations, and it provided services of storage and drying to sorghum producers in the 1991–1992 season. However, its enormous capacity remains under-utilised. Large producers of rice and sorghum have traditionally had and still have private storage and processing capacity and private distribution channels. Therefore, they have no problems with this status quo, although they might be interested in acquiring some of the storage and processing facilities. The problem is more urgent for peasants, small farmers, and co-operatives who had for long been discouraged—in the presence of ENABAS—to 'market' their crops and who have limited capacity to store grain at the farm, awaiting better prices.

(c) The input market and state withdrawal

The input market changed because the large parastatal companies, PROAGRO (distribution) and ENJA (imports), were deprived of personnel and received only very limited commercial credits. This meant that availability of fertilisers and pesticides for peasant farmers substantially diminished as many branch offices of PROAGRO were closed. Similarly, because of credit restriction, demand also dropped. However, some of the gap was filled by the private sector (that during the 1980s had kept around 50 per cent of the distribution market, but lived with the state monopoly on most imported inputs). A number of private commercial input agents (re)opened shops in the main grain producing areas (such as Gurdián and Rappacholi/MacGregor), while private banks were also allowed to open. However, these are mostly linked to existing or re-emerging agro-industrial capital groups (Pellas and Lacayo), with less interest in the high-risk grain producing sector. The local input agents seem to be currently concentrated in providing services to medium and large commercial farmers, while peasant farmers are excluded because of a combination of high input prices (in particular because of a substantial gap between producer price and CIF-price), the lack of credit and insufficient production performance. As the technical assistance services of the BND and the Ministry of Agriculture
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practically vanished, under current market conditions a process of marginalisation has set in for peasant farmers.

(d) Privatisation and the impact on land distribution

The process of privatisation and redistribution of land in the post-1990 period included two main phenomena. First, the return of 'unlawful' confiscated land to former owners was done in a rather uncontrolled and in some cases violent manner. It included arrangements between former owners and new occupants, violent land occupations and a series of often conflicting government interventions. Second, most state-owned properties, amongst them huge enterprises such as HATONIC and CAFENIC, were rapidly privatised after the UNO government took office.

Redistribution of land was combined with the resettlement of thousands of former members of the contra, the army, and returning refugees. Part of this process was a largely negotiated privatisation and division of assets between interest groups, based on the 1991 agreement (concertación) between the government and the Sandinista opposition. For example, by August 1991, when around 80 per cent of state-owned assets in agriculture had been privatised, 26 per cent had been given back to former owners, 22 per cent to ex-contras, 17 per cent to the army and 35 per cent to agricultural workers (CARANA, 1992). More recent data provided by the ATC (Asociación de Trabajadores del Campo) confirm this tendency. Property which was acquired by agricultural workers is now being defined as APT (Area de Propiedad de los Trabajadores). In early 1993 this included 170,000 manzanas with an estimated number of beneficiaries of around 19,500. Nevertheless, the workers' ownership of assets in former state farms or companies is very diverse, ranging from the acquisition of minority stocks to collective ownership. During the years 1992 and 1993 negotiations continued, with outcomes strongly depending on the strength and homogeneity of the particular union. The banana sector was in great part returned to former multinational owners, while in the coffee, rice and livestock sectors greater worker influence prevailed. Some conclusions can be drawn from the influence of the privatisation process on the agrarian structure. First, large private landowners have not regained much of their lost control as many did not return from Miami, or have made compensatory arrangements with the government in cases of property disputes. However, the still slowly developing land market, segmented and with speculative tendencies, is increasingly benefiting the stratum of medium commercial farmers. Second, as a consequence of land disputes, only some production co-operatives formed during the 1980s were dissolved, while in a few other cases (in particular during the first months after April 1990) co-operatives were occupied by armed members of the contra.

However, the impact of the new economic environment on the production co-operatives has been one of the main causes of a rapid process of parcelisation. The apparent stability that is reflected in official figures (see Table 3) does not take this into account, as accurate figures are still to come from the recent co-operative census. In many cases, CAS co-operatives disappeared or remained only in name. Only those sufficiently capitalised are surviving,
TABLE 3  Land Distribution in Nicaragua: 1978–1992 (% of total area of farmland)

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<tbody>
<tr>
<td>Private sector</td>
<td>100.0</td>
<td>62.8</td>
<td>65.6</td>
<td>64.4</td>
</tr>
<tr>
<td>&gt;500 manzanas</td>
<td>36.2</td>
<td>12.4</td>
<td>7.5</td>
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<td>200–500 manzanas</td>
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<td>12.2</td>
<td>13.0</td>
<td>13.2</td>
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<tr>
<td>50–200 manzanas</td>
<td>30.1</td>
<td>29.6</td>
<td>28.4</td>
<td>26.9</td>
</tr>
<tr>
<td>10–50 manzanas</td>
<td>15.4</td>
<td>6.9</td>
<td>14.3</td>
<td>14.0</td>
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<tr>
<td>&lt;10 manzanas</td>
<td>2.1</td>
<td>1.6</td>
<td>2.3</td>
<td>2.3</td>
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<td>34.4</td>
<td>35.6</td>
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<td>0.7</td>
<td>2.6</td>
<td>12.2*</td>
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<td>CCS</td>
<td>0.0</td>
<td>10.0</td>
<td>11.4</td>
<td>11.7</td>
</tr>
<tr>
<td>CAS</td>
<td>0.0</td>
<td>7.8</td>
<td>8.7</td>
<td>9.1</td>
</tr>
<tr>
<td>State farms</td>
<td>0.0</td>
<td>18.8</td>
<td>11.7</td>
<td>2.5†</td>
</tr>
</tbody>
</table>


* Including land assignments, land returned to previous owners, and APT (2.1%).
† Still in process of privatisation.

articulating themselves with private producers, and adapting their co-operative structures and sometimes their ownership relations. Thirdly, a large group of the peasantry (at least several tens of thousands) is still lacking access to land. It seems that they have benefited neither from the Agrarian Reform nor from the current privatisation movement, and are depending mostly on the re-emerging tenancy arrangements that were practically absent during most of the 1980s.

GRAN MARKETING AGENTS AND AGRICULTURAL PRODUCERS

(a) The private sector in the grain market

Already during the Sandinista economic reforms, but, moreover, after the UNO government took power, traditional middlemen reappeared, particularly in those areas which for years had been impenetrable because of the war (like the valleys of Pantasma and Vigia in the north-western region). However, the impact of the Sandinista adjustment programme, low grain prices and galloping inflation for consumer goods and agricultural inputs like fertilisers and diesel, still prevented a sufficient growth of rural trade. With the strong state withdrawal from grain markets, new rural marketing systems have still only been marginally revived. Some traditional traders indeed returned and new urban ones appeared. An outcome of the privatisation of transport of ENABAS was that the lorry drivers could purchase their trucks at favourable prices, while in the piñata of the transition period some officials appropriated substantial capital assets to begin (or even continue) private
commercial business activities. Furthermore, with opening-up to external markets, large rice and sorghum producers started to be involved in imports as well, benefiting from better knowledge, economies of scale and storage facilities. They are likely to be the ones who will survive in the post-1990 market conditions in which many private importers have tried their luck. It seems that the saturation point has already been reached and during 1992 quite a number of traders went bankrupt. The mentality of trading in most markets is directed exclusively towards quick profit. Profit margins are substantially higher in the Nicaraguan grain markets than in any of the other Central American countries, reflecting a trade with ‘small quantities and high profits’.22 A severe problem is that hardly anybody in the market is investing in facilities, information or improvement of quality, because of the great political insecurity and economic uncertainties that remain. Finally, with the opening of the Nicaraguan market to foreign agents, merchants from all over Central America came in search of new markets. Cheap potatoes and tomatoes come from Guatemala, and rice is imported from Costa Rica or Thailand. The border with Honduras, formerly closed to most legal business because of the contra presence in the area, is beginning to open up as well. Even the trail between the valley of Jalapa and Honduras, previously covered with mines, has been opened. In 1991, during the primera harvest, Honduran merchants had already taken this risky road to Nicaragua, in order to buy grain. However, most business transactions remained problematic because of the absence of a customs office and of legal and fiscal arrangements for foreign exchange dealings.

(b) ECODEPA and the peasant stores

Since 1985 UNAG has stimulated the formation of peasant stores (tiendas campesinas) which are linked to a central co-operative company, ECODEPA. The objective was to create a ‘two-way’ marketing channel controlled by producers, with grain procurement and the sales of agricultural implements and basic consumer goods. Although in the late 1980s ECODEPA reached around 60,000 co-operative members of 170 peasant stores, in practice most of them had operational problems. During the first years ECODEPA imported more than 100 different products with foreign funding and founded a ‘sellers’ market’ where consumer preference was hardly taken into consideration: the necessary products often came late or were of the wrong quality. During the period of Sandinista economic adjustment even greater difficulties had to be confronted, as fiscal policies favoured the state sector above the co-operative sector, while the expanding parallel market provided better quality consumer goods and implements often at lower prices. Because of long-term foreign support the 140 remaining peasant stores could survive, although many gave the impression that they were doing well under conditions of hyper-inflation, while in reality the contrary was true. Only during 1989 a ‘dollarisation’ of accounts was implemented in order to improve cost accounting.23

One might say with hindsight that the change of government has worked positively for ECODEPA and the peasant stores. During 1990 the company took important steps towards a more commercially sound policy and
marketing operations diversification. During the last three years ECODEPA has managed to reduce operational costs by half (in particular by reducing personnel) and diversified towards the export markets of coffee and sesame seed. In the 1991–1992 season ECODEPA already handled 15 per cent of the total coffee of Nicaragua and around 40 per cent of sesame seed. The company has undertaken investments in processing plants for coffee and sesame in order to consolidate its position in these markets. However, in domestic grain markets ECODEPA's participation is minimal. Its grain procurement through the peasant stores is remaining at a constant level, which is estimated at around 50,000 quintals/annum. This procurement in the 1991–1992 season represented the equivalent of less than 1 per cent of total domestic production. While ENABAS does not want to sell its storage and processing capacity, ECODEPA has no interest whatsoever in buying, as it does not want to enter in this rather risky market or become too large, thus incurring enormous overhead costs. Nevertheless, ECODEPA is investing in some smaller processing plants (such as a rice mill in Jalapa), using a combination of its own and donor funds.

(c) Other new marketing agents: FENACOOP and ASOCODE

During the Sandinista epoch, the CAS co-operatives could never develop marketing strategies. They were entangled in different parastatal circuits of credit, inputs and crop purchase, their crop-mix was often established by ministerial directives and wage-levels were pre-determined. In spite, or maybe because of, the state interference in these co-operatives, hardly any of them developed efficient cost-accounting systems. Therefore, when they were suddenly thrown into the market many of them could not function properly, in particular because of the discriminating new credit policy that was discussed above. Although at the time of writing the new co-operative census has not yet been completed, preliminary studies and personal interviews all seem to indicate a progressive disintegration of the production co-operatives. In San Benito, a zone nearby Managua, from the previously 57 existing co-operatives only one still had collective property, while the others had vanished, or had parcelised their land under different forms of private ownership. Nevertheless, the National Federation of Co-operatives (FENACOOP) which was founded in 1990 is trying to consolidate and strengthen the position of the existing production and credit-and-service co-operatives in Nicaragua, for example by improving the marketing strategy of the grain producing CAS co-operatives [by now renamed CAP (Cooperativa Agropecuaria de Producción)]. Since the beginning of 1992, FENACOOP provided commercial contacts between the wholesale traders of the main Managua market (mercado oriental) and those co-operatives who wish to market their grain. The system functions through an informal broker of FENACOOP, who did not sell or buy grains, but facilitated the contacts and information necessary to buyers and sellers. This experimental marketing channel, which apparently was discontinued after only seven months of operation, hoped to improve the market power of the member co-operatives. Furthermore, a new organisation of private small producers has been formed in Central America (ASOCODE), of which UNAG is the representative in
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Nicaragua. Through a foreign funded training programme new forms of co-operative marketing are being promoted in order to improve the rather shaky position of the peasantry, including those farmers who operate in export markets (such as coffee and sesame).

CONCLUSIONS

As has been shown in this article, grain markets are in a process of restructuring. The parastatal ENABAS has withdrawn from procurement, and only plays a role in handling and distributing food donations (which were an instrument in the anti-inflationary policies of the UNO government) or providing services to the private sector. Undefined government policies and a 'private' interest in hanging on to the sizeable infrastructure of ENABAS have prevented a privatisation process in which private farmers and co-operatives could benefit by increasing their storage and processing capacity, although pressure is now mounting to eliminate the parastatal agency. Some of the outcomes of UNO's post-1990 policies towards agricultural markets are still uncertain, as only just over three years have passed. However, it is clear that restrictive monetary and credit policies have had an enormous impact. The privatisation process has also brought some benefits to agricultural workers as an interest group and has provided land to thousands of demobilised government soldiers and former members of the contra. However, at the same time the new market conditions are leading to a rapid parcelisation of co-operatives, creating an increasing land market in which capital-intensive medium farmers are currently strengthening their position.

Old market agents are reappearing, in some cases still linked to the traditional existing merchant-landlord system, although traders are now of a more entrepreneurial type. New agents also include capital groups which have been formed by former officials of the Sandinista government. Furthermore, based on the organisational strength of existing peasant and agricultural workers' organisations such as UNAG and ATC, new initiatives have developed that are directed to increasing market power of the production co-operatives and individual peasant producers. Nevertheless, they may prove to be insufficient if laissez-faire policies are continued and no alternative forms of state intervention are implemented to further develop peasant farmers' production and marketing. Existing co-operative market agents like ECODEPA and the Peasant Stores have established and specialised themselves in the import and distribution of agricultural inputs and the export of certain cash-crops, but they leave the risky grain market aside.

The perspectives for the grain producing peasantry are grim because of three reasons. First, grain prices have not improved during the last seasons (apart from beans in 1993), while the low volume/high profit markets in Nicaragua have the highest price band (between producer sales and consumer purchases) in Central America. Second, the input market also shows a similar development, with a large gap between the CIF and the producer price. Third, the credit squeeze has affected in particular the corn and beans producing peasant farmers. Finally, the opening of markets has boosted the import of cheap corn (from the American market) and rice, strongly competing with domestic production and marketed surplus.
The combination of market liberalisation and deregulation with state compression has led to a generalised paralysis in state capacity to develop and implement policies, while a sort of 'jungle capitalism' is emerging in which short-term profit motives are dominant. Indeed, consumer goods supply (in particular through imports) has grown and inflation has virtually stopped during 1991 and 1992. However, purchasing power of many urban and rural dwellers was greatly restricted, and improvements in terms of income are reaching only few economic agents. Marginalisation and the occurrence of large-scale poverty are the consequences. To conclude, four phenomena can be observed in the current situation. First, the Nicaraguan economy is in a severe state of stagnation. Public and private investment is at minimal levels, and economic agents (in spite of the recent absence of inflation) have persisted in a short-term 'wait and see' attitude, because of continuing political instability and the absence of any sort of attractive 'investment climate'. Second, small and medium-sized agricultural producers which gained socio-economic space during the 1980s, have—after the change of regime—proved to be sufficiently organised interest groups to have their say in the privatisation process. However, peasant farmers, co-operatives and worker-controlled production units have great difficulties in operating successfully in the new market conditions.

Third, export performance remains very poor, while the radical opening of markets has been rather destructive for low-efficiency agricultural producers. For still embryonic non-traditional export production, competition with other Central American countries is fierce, and cheap imports of (particularly US) grain caused domestic producers to confront decreasing and shifting domestic demand. During the Sandinista decade—even after certain reforms—markets were already fragmented, with a complex set of official and parallel circuits (including illegal parastatal activities). However, the market reforms in the post-1990 period have not yet produced an integrated or competitive market, as the process of liberalisation of markets was not combined with the formation of new institutions and legal frameworks. The Nicaraguan case shows us that neither the interventionist nor the laissez-faire approach leads to the despegue (take-off) of an agricultural sector that is dominated by peasant farmers, and that a process of marginalisation of the peasantry is continuing. While certain previously subsidised safety networks still existed, in their absence and with the process of state withdrawal ['minimalism' according to Streeten (1993)] this might lead to increased rural–urban migration, which—taking into account the high rates of extreme poverty that already exist—will strongly contribute to social unrest.

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NOTES

1. Goods famine is a well-known phenomenon from early Soviet economic history.
2. The plan bore the name of Francisco Mayorga, who became the first President of the Central Bank. During the elections he was economic advisor of the opposition candidate Violeta Barrios de Chamorro. The second stabilisation plan was named after Antonio Lacayo, Chamorro's Prime Minister.
3. Interview with Mario Hannón Jr, Chairman of the National Commission for Basic Grains, Managua, 23 July 1992. He is a representative of a group of large entrepreneurial rice producers in Nicaragua.
4. CARANA (1992) concluded that the market equilibrium rate of the Cordoba in early 1992 was around CS8 = USS1.
5. Data provided by the BND, July 1992.
6. It is not clear yet what the impact has been on crop yields. There are reports which indicate that yields at least did not drop much. Furthermore, over many years an over-use of pesticides had developed, with severe ecological consequences. From that point of view, the reduction might also be seen as positive.
7. In an interview by the author with Leonidas Valdés, Agricultural Credit Manager of the BND, Managua, 7 July 1992, he noted that the bank was already proceeding in 20–30 cases in order to set 'an example for others'.
8. 1 manzana = 0.7 hectares.
9. Some production co-operatives (CAS) only had a letter signed by Commander Jaime Wheelock Roman, the then Minister of Agricultural Development and Land Reform, to indicate that the land was theirs. For details of land titling, see Amador and Ribbinck (1992).
10. Data provided by the Banco Nacional de Desarrollo, which in 1993 changed its name from BND to BANADES.
11. Interview by the author with the Deputy Manager of ENABAS, Ruth Ramírez, Managua, 10 July 1992. She also provided the most recent data on procurement volumes.
13. Some officials who used to direct ENABAS and MICOIN (Ministry of Internal Trade) formed with a strong economic mercantile group, named Santo Domingo.
14. It offered some form of compensation to the outgoing officials, on condition that the person would not re-enter the state apparatus for the next three years.
15. An interesting detail is that the new minister, Rondón, is a large land owner (Barricada, 27 July 1992: 11).
16. This committee is called CONAGRO and includes top representatives of the MAG (Ministry of Agriculture and Livestock), IRENA (Institute for Natural Resources) and INRA (Land Reform Institute).
17. ENABAS owns the largest grain terminal in Central America, constructed in the mid-1980s just outside Managua. It has a capacity of 1,000,000 quintals in silos and 600,000 quintals in warehouses. Processing and dispatching is automatic and the whole plant is run by 5–8 persons (field visit, author, 23 July 1992, Los Brasiles, Managua).
18. Presentation by Mario Hannón Jr, Chairman of the National Commission for Basic Grains, 9 July 1992, in a seminar where the author was present.
19. This agreement specified that each of the four interest groups mentioned would be entitled to acquire 25 per cent of state assets in agriculture.
20. Personal communication of Harrie Clemens of UNAN, Managua (April 1993). He also provided me with the reference which gives the most recent data on land distribution (see Table 3). According to him, APT also included some land which was privatised by former officials of the Ministry of the Interior.
21. UNAG was able to buy the largest meat processing plant in Nicaragua (CARNIC), while the ATC's rice syndicate gained a substantial share in some modern former state rice farms. Interview with Domingo Gómez, Chairman of the latter organisation, Managua, 16 July 1992.
27. The UNAG also formed a co-ordinating committee for ‘peasant affairs’ with the contra.
28. Hansen and Romero (1993) argue that this is also the case for coffee, where the intermediaries can easily get away with large profit margins.

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