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Order of Authors:	Shane Hamilton, Ph.D.

Distributing Legitimacy: The Politics of Milk in Post-World War II Venezuela

Shane Hamilton[a]*

[a]*The York Management School, University of York, York, United Kingdom*

*shane.hamilton@york.ac.uk

Shane Hamilton is Senior Lecturer in Management at The York Management School, University of York. He is the author of *Supermarket USA: Food and Power in the Cold War Farms Race* (Yale University Press, 2018), and has published articles on the historical politics of food and agribusiness.

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Questions of how best to feed the urban masses in an economy largely dependent on petroleum have permeated Venezuela's domestic and international political spheres since World War II. A state-initiated project, run by American capitalists under the direction of Nelson Rockefeller, developed Venezuela's milk distribution system into one of the country's most important agrifood industries by the late 1960s. The ways in which the firm navigated complicated questions of legitimacy and trust in public and private organizations provide an illustrative example of the inherently complicated relationship between state and business in the political economy of food distribution.

Keywords: Venezuela; milk distribution; dairy; legitimacy

Introduction

Food distribution in Venezuela is notoriously problematic. For a decade and a half, American and British newspapers have episodically drawn international attention to interminable queues and empty shelves at Venezuelan supermarkets. Such reporting generally lays the blame for food shortages and repeated bouts of hyperinflation on the socialist economic policies of Hugo Chávez and Nicolás Maduro. For right-wing propagandists, the ready availability of photographs of Venezuela's failures in food distribution provides easy fodder for ridiculing socialism and declaring the inherent superiority of capitalism.[1]

But Venezuela's contemporary food challenges have a much longer and more complicated history than such reports suggest. Although that history is extraordinary, it helps elucidate the ways in which the distribution of food is an inescapably politicized form of business enterprise. Indeed, since World War II, questions of how best to feed the urban masses in an economy largely dependent on petroleum have permeated Venezuela's domestic and international political spheres. Throughout the latter half of the twentieth century, in fact, the political legitimacy of numerous regimes, ranging from social democratic governments to military dictatorships to revolutionary socialists, has been staked on promises of making Venezuela more self-sufficient and domestically secure in the production and distribution of food. And although contemporary commentators may think they are the first to suggest that Venezuela's food problems at are the fault of its political leadership, one truism of Venezuelan economic history, as Ruth Capriles and Marisol Rodríguez de Gonzalo have noted, is "the frequency with which writers attribute the entire blame for the failures of economic development to the state." Yet, as Capriles and Rodríguez note, "the relationship between the state and business or the state and the market is not one-way, or even two-way, but a multiple one." This point is sharpened by recent research into Cold War communist enterprises; even when the state takes full responsibility for delivering goods and services and outlaws private business, managers must still engage in enterprise, and in doing so must navigate relationships far more complex than simple unidirectional command-and-control directives from the state. In Venezuelan history—much the same as in any other nation, no matter the ideology of its political leadership—nothing has ever been particularly simple about business-government relations.[2]

A state-initiated project in developing Venezuela's milk distribution system after World War II provides an illustrative example of the complicated relationship between state and business. Prior to the arrival of the American businessmen, led by Nelson A. Rockefeller, who set up Industria Láctea de Carabobo (INLACA), Venezuela's dairy economy was almost non-existent. By the end of the 1960s, however, dairying was economically more significant than the beef cattle industry—traditionally one of Venezuela's most important enterprises—and INLACA was the largest and one of the most consistently profitable food businesses in the country. Precisely whose interests were served and whose political legitimacy the firm helped support, however, remained in constant question. Both INLACA's successes and failures in transforming the politics and business of the Venezuelan milk economy, sheds light on the fraught process of state intervention in agrifood systems that has long bedevilled the Venezuelan political economy of food distribution.

The Food Problem in Venezuela

Petroleum first became a major component of the Venezuelan economy in the 1920s, during the presidency of Juan Vicente Gómez. Tapped primarily by North American and European companies granted low-cost concessions by the dictatorial Gómez regime, oil decisively replaced agricultural products (coffee, cacao, and cattle hides) as Venezuela's primary export during the Great Depression. When Gómez seized power in 1908, Venezuela was self-sufficient in food production. By 1950, agriculture comprised less than one-tenth of the country's GDP, the lowest share in all of Latin America, and the populace relied on imported food. The domestic political economy of agriculture and food nonetheless remained central to the nation's efforts at state-building. As historian Doug Yarrington has shown, the rise of Venezuela's modern state was grounded in no small part in Gómez's dictatorial control over the nation's cattle and meat business. After Gómez's death in 1935, his military successor Eleazar López Contreras confronted rising demands from leftists for the dismantling of Gómez's infrastructure of corruption. López Contreras forestalled demands for radical change in part by introducing several significant reforms in agrarian policy, including the promise of redistribution of land to peasants. And in 1937, López Contreras developed plans to use increased state power to redirect petroleum profits into Venezuelan agricultural development.[3]

By the onset of World War II, Venezuela's economy involved an uneasy relationship between the international politics of oil and the domestic politics of food and agriculture. For U.S. petroleum firms and foreign policymakers, the possibility of Germans gaining access to Venezuela's oil reserves spurred calls for official American aid to the country's agricultural and food economy. Among the most prominent supporters of such an exercise in American economic diplomacy was businessman Nelson A. Rockefeller, who had become enamored with Venezuela in the 1930s and whose family held extensive interests in petroleum companies operating there, including Creole Petroleum. In 1941, Rockefeller convinced President Franklin D. Roosevelt to appoint him head of a new agency tasked with using Yankee dollars to bolster South American economies and counter German propaganda. By 1942, the Office of the Coordinator of Inter-American Affairs had a budget of $38 million. Its agricultural, technical assistance, and cultural programs established a template for Cold War-era anticommunist development programs, especially President Truman's "Point Four" program.[4]

By the end of the war Venezuela's economy was deeply dependent on petroleum exports to the United States as well as imports of American food and agricultural aid. Leftist demands for the removal of U.S. capitalist influence in the country increased during the war, particularly after the 1941 formation of the social democratic political party Acción Democrática led by former communist Rómulo Betancourt. In October 1945, Acción Democrática successfully overthrew the regime of López Contreras's wartime successor Isaías Medina Angarita, putting Betancourt into the presidency. Betancourt's vision for the future of Venezuela was of an urbanizing, industrializing nation where workers' rights were respected and middle-class consumers benefited from the nation's resource wealth, yet without alienating landowning elites and foreign capitalists from the country's economy or political processes. To aid the transformation, Acción Democrática worked to redirect more of the profits from oil extraction to the Venezuelan state while also instituting agrarian reforms in an effort to diversify the economy. Yet postwar food shortages and price spikes, a product of the country's heavy reliance on imported food and lack of agricultural productivity, bedevilled the Acción Democrática regime. Betancourt increasingly courted international support, seeking to mechanize and industrialize the country's agriculture and drive down food prices.[5]

Nelson Rockefeller was among those internationalists who proved most receptive to Betancourt's call for investment in Venezuelan agrifood systems. Despite his concern that Acción Democrática was on a path to nationalizing its oil industry (as Mexico had done in 1938), Rockefeller entered extensive negotiations in early 1947 with Betancourt's administration, labor leaders, and foreign oil company executives to devise a plan for bolstering the Venezuelan food economy. The result was the creation of the Venezuelan Basic Economy Corporation (VBEC). The firm's mission was relatively straightforward: it would invest in new enterprises devoted to lowering the price of food, primarily by "improving methods of food distribution" and boosting agricultural production.[6]

Despite the seemingly simple mission, VBEC's complex corporate governance structure reflected the convoluted politics that shaped its formation and the expectations of what the firm could deliver. VBEC was formed as a subsidiary of Rockefeller's New York-based International Basic Economy Corporation (IBEC), also established in 1947. IBEC was incorporated with a grander mission of proving to the world that U.S.-based technical expertise, joined with Yankee capital, could generate substantial profits from investing in the basic welfare of developing nations. In other words, IBEC was a for-profit development agency, intentionally modelled on the wartime Office of Inter-

American Affairs, and was explicitly framed as an exercise in Cold War anticommunist propaganda. VBEC was thus owned and controlled by a U.S. parent firm that demanded both profits and demonstrable political results from its operations. Yet negotiations with the Betancourt administration led to an agreement that the Venezuelan government, operating through its own wholly owned subsidiary—the Corporación Venezolana de Fomento —would subscribe to 50 percent of each VBEC subsidiary's capitalization via non-voting preferred stock. Foreign oil companies operating in Venezuela contributed the other 50 percent of capitalization for the enterprise, likewise receiving non-voting preferred stock. Control and management of the VBEC subsidiaries thus remained firmly in the hands of Rockefeller interests, though ownership was shared in a complicated arrangement involving both foreign and domestic stakeholders. Rockefeller promised that after a period of ten years, foreign investors would begin retiring the preferred stock, opening up investment opportunities to Venezuelan citizens and thereby shifting substantial control and ownership of the entire enterprise into domestic, private hands.[7]

Thus VBEC was in some ways ahead of its time, an early example of what would later be called "hybrid organizations" that simultaneously pursue financial sustainability and social investment.[8] Yet VBEC was very much a product of its own time and place, as its complicated hybrid form was largely due to the fact that it was meant to serve multiple, potentially conflicting, interests both inside and outside of Venezuela. Both Betancourt and Rockefeller agreed on the fundamental premise that widespread benefits could be gained if Venezuela's oil wealth were used to build a more diversified economy. The price and availability of food in postwar Venezuela was of particular concern for unionized industrial workers and middle-class urban consumers—crucial constituents for Betancourt's reformist Acción Democrática party.

For Betancourt, state investment in the nation's food infrastructure would simultaneously demonstrate Acción Democrática's commitment to its mission and prevent foreign capitalists from monopolizing economic power as they had done in petroleum since the Gómez regime. Meanwhile Rockefeller, who was increasingly harboring political ambitions of his own, envisioned VBEC as a model for demonstrating to the socialist world the power of American free enterprise as an engine for distributing wealth. It was thus crucial from Rockefeller's perspective, as well as from foreign oil company executives' viewpoints, that VBEC be understood as a form of "free enterprise," a bulwark both against communist ideology and socialist threats of nationalizing industries such as petroleum. Even if the government provided half of the initial capital for VBEC, its direct control over operations had to remain limited, as did its regulatory interventions in the food industry. For Betancourt, a fairer food infrastructure would satisfy the Venezuelan masses and support a stable democracy. For American investors, this was also the goal, but with the important proviso that "democracy" not include a substantial voice for communists. Finally, for all concerned it was important that VBEC not appear to be a predatory business driving local enterprises out of the market, but instead offering a model for Venezuelan-based private interests to emulate in an effort to diversify the country's economy.[9]

It was a heady mix of goals, a swirl of contradictory visions of what "free enterprise" might look like in the Venezuelan food economy. Over several decades of operation, the vision behind VBEC took several different concrete forms, including the construction of a remarkably profitable chain of supermarkets, the establishment of several model farms, and a fish processing business.[10] A closer look at one of VBEC's subsidiaries, Industria Láctea de Carabobo (INLACA), offers insights into just how complicated the politics of food distribution could get in a business intended to produce both sustainable profits and broader social progress.

INLACA

Milk for the Masses

Prior to the 1940s, the Venezuelan dairy industry could barely be considered an industry at all. As in many countries in Europe and Latin America, consumption of fresh milk was extremely stratified by economic class and geography. Fresh milk was not really for the masses, but instead for concentrated pockets of middle- and upper-class urbanites. Daily fluid milk consumption in the capital Caracas was estimated in the 1930s at 18 liters per year per person, essentially the amount needed for affluent residents to enjoy the liquid stimulant *café con leche*. (By comparison, annual fresh milk consumption in 1930 London was 139 liters per year, and in Zurich 230 liters per year).[11]

Venezuela's first—and for several decades, only—milk processing plant equipped with modern technology was built in 1915. It was owned by the dictator Juan Vicente Gómez, who treated the business much like his other enterprises, using the reins of the state to ensure monopoly power and distributing the firm's profits to cronies who in turn assured Gómez's political power. The plant distributed packaged butter and some cheese, primarily to affluent consumers in Caracas. After 1937, during the López Contreras presidency, several modern pasteurization plants were built in Caracas and Valencia to deliver fresh fluid milk to elite urban residents. The rest of the country, as well as working-class city dwellers, relied almost entirely on reconstituted milk made from imported dried milk powder. Cheese, in the form of *queso de mano*, played an important part in the Venezuelan diet but was produced mainly in small batches directly on farms. *Queso de mano,* as the name suggests, required little in the way of capital investment or technological sophistication for either production or distribution. One Rockefeller associate described such cheese in 1943 as "of questionable qualities" and suggested that the ample milk supplies of the sparsely populated Maracaibo Basin, if only they could instead be transported to larger cities in fluid milk form, would "effect a salutary change."[12]

In 1946 Acción Democrática began a push to transform the dairy economy of Venezuela. The goal was to improve the quality and availability of fluid milk without increasing retail prices. Making milk available to the masses, and not solely to what Romulo Betancourt often called the "*élite caraqueña*" (Caracas elite), was very much in line with the populist-consumerist politics of the Acción Democrática regime. Indeed, prior to coming to power Betancourt had criticized the military leaders of the Gomecista era for allowing a "milk deficit" that prevented workers and peasants from being able to afford nutritious milk for their children. Once in power, Betancourt authorized the Corporación Venezolana de Fomento to purchase two existing pasteurizing plants in Caracas, merging them into a single state-owned company, SILSA (Sindicato de la Leche, S.A.). The firm focused on reconstituted milk, selling at half the price of fresh milk.[13]

During Nelson Rockefeller's visits with Betancourt in 1947, he was shown SILSA's operations. Caracas residents waited in long lines to purchase the low-price reconstituted milk from what was commonly referred to as a "mechanical cow." Acción Democrática representatives asked Rockefeller to "give serious consideration" to "taking the leadership" in constructing similar milk processing facilities in other major cities, including Maracaibo, Valencia, Barquisimeto, San Cristobal, and Barcelona. Enthusiasm was high among all involved. After receiving formal approval from IBEC headquarters in New York in May 1947, VBEC representatives began purchasing equipment and designing a model processing plant.[14]

There was, however, a crucial problem with the “mechanical cow.” Although half-price reconstituted government milk had obvious price advantages for working-class consumers, it was beset by inherent questions of trust and legitimacy. Most problematic were rumors suggesting that SILSA’s milk was so cheap because it was adulterated with lime and chalk. The rumors, though false, highlight how the distribution of food, particularly highly perishable food such as fluid milk, generally involves a complicated balancing act between legitimacy, trust, and price.[15]

An organization, whether public or private, that can provide wider, more affordable, or more certain access to food can gain or enhance its institutional legitimacy. Failure to do so, as the literature on the moral economy of food has repeatedly shown, can lead to mass rejection of the legitimacy of entire classes of organization—e.g., “middlemen,” grain speculators, chain stores, local and national governments.[16] The ability of consumers to trust an organization that distributes food is of course shaped by general attitudes of legitimacy, but also by the extent to which asymmetries of information between producers and consumers are either lessened or increased as food moves through the chain of distribution. Trust is severely undermined during food scares and crises involving pathogens such as *E. coli* and *salmonella*, or in the case of milk, tuberculosis bacteria. Public and private organizations spent much of the nineteenth and twentieth centuries devising institutional means of ensuring trust in perishable foods—with mixed results—including the rise of branded packages, the development of inspection and certification regimes, and the deployment of phytosanitary standards.[17]

Making milk cheaper, then, was simply not enough for Acción Democrática. Given Venezuela's recent political history of corruption and dictatorship, in many ways it was more important for the social democratic government to use milk distribution as a means of securing trust and legitimacy than as a program in reducing the price of food. The politics of food became even more central to Acción Democrática's fortunes in February 1948, when Rómulo Gallegos took office after having won a landslide victory in what is considered the first legitimately democratic election in Venezuelan history. On the eve of his presidency, Gallegos pledged to "raise the standard of living of Venezuelans, both in cities and on the farms," making it clear that agricultural productivity and lower food prices were high priorities.[18] Relying on a combination of "mechanical cows" and foreign capitalists whose fortunes had been made in part from exploiting Venezuela's petroleum resources was perhaps not the most politically palatable route to take. This helps explain why, in March 1948, representatives of the Gallegos government surprised the Rockefeller team by declaring they "did not want to participate in any manner in the milk company, and would prefer that VBEC abandon the project." But with more than $300,000 already invested, VBEC's managers were not inclined to give up so easily.[19]

A series of negotiations led to an agreement in mid-1948: VBEC would move away from reconstituted milk and instead work with the Gallegos government to pioneer a fresh fluid milk industry. Inherently this would require some means of boosting local production of fresh milk, rather than relying on imports of powdered milk from the United States. It would require efficient transportation of Venezuelan milk from farms to pasteurization plants. And it would require the construction of a distribution system for customers who were largely unaccustomed to drinking milk that had never been in powder form.[20] None of these three challenges was minor. Indeed, in the preceding decades in the United States, regional and national battles over the production and distribution of milk had led to so many vitriolic and event violent episodes—including milk strikes and milk boycotts—that in 1943 a U.S. federal judge suggested milk had nearly been the cause of an "incipient agrarian revolution" in the 1930s and that over the recent course of American history milk had "provok[ed] as much human strife and nastiness as strong alcoholic beverages." In the U.S., the response to this milk problem in the 1930s entailed a complicated political infrastructure of regional milk marketing orders, antitrust enforcement, agreements with labor unions, and technological developments in trucking. Even with this thick web of regulatory intervention, in many ways the acrimony over the politics of milk distribution continued to rankle U.S. consumers, workers, business managers, and policymakers well into the 1950s.[21]

The Gallegos government did not follow the American approach of deep regulatory intervention into the dairy economy. Instead the initial focus was on direct subsidies. To entice Venezuelan farmers to produce more high-quality milk and wean the nation off imported powder, the Gallegos government instituted a base payment for dairy farmers, to be paid through milk bottling plants.[22] This was in part a response to the distinctive environment and geography of Venezuelan agriculture. Raising dairy cattle in any climate is subject to constraints of seasonality, as cows always produce significantly more milk when they are able to dine on juicy grasses, but in a tropical climate with widely varying cycles of rainy and dry seasons the problem is exacerbated. Generally rain benefits pastures for cattle grazing, but too much rain makes them unusable, while prolonged dry periods severely restrict milk production. Most of the cattle raised in Venezuela were crossbreeds well adapted to the extremes of the tropical climate, being a cross of Criollo and Zebu with some genetic material from Holstein and

Brown Swiss cattle, but adaptation to tropical conditions did not make the cattle especially well-suited to year-round mass production of milk. A subsidy to dairy farmers, then, was expected to provide incentives to farmers to specialize in milk production, investing in dairy herds bred specifically to produce milk as well as enabling the purchase of concentrated feedstuff additives to boost production in off-seasons. Rockefeller's team at VBEC agreed to support the initiative by building a model dairy farm at Chirgua, about 150km west of Caracas on an abandoned coffee estate in the state of Carabobo. The managers of the dairy farm would provide technical advice to Venezuelan farmers, encouraging them to adopt American dairy science and technology.[23]

In autumn 1948 there was reason for optimism both among Acción Democrática supporters and the managers of VBEC. Rockefeller's team was busy building model farms and designing model dairy plants, intent upon demonstrating the power of American capital to deliver fresh milk to the masses. But what was already a complicated political situation became only more so in November 1948, when military officer Marcos Pérez Jiménez orchestrated a successful coup against the Gallegos government, establishing a new dictatorship that would last a decade.

Legitimacy, Trust, and Competition

Pérez Jiménez initially took power through force, but maintained power through spectacles of consumer plenty. With world oil prices steadily rising in the 1950s, the military regime invested heavily in public infrastructure, visibly proclaiming Venezuela's importance on the world stage through concrete testaments to modernist progress, from bridges to museums to stadiums. Pérez Jiménez staked his regime's claim to legitimacy on the ability to efficiently deliver the material goods of mid-century capitalism, critiquing the Gallegos presidency and Acción Democrática less for their ideology than for their ineptitude.[24] Thus, a sweeping (and notoriously repressive) transformation of political leadership did not necessarily dictate a fundamental transformation of the VBEC milk project. Delivering affordable milk to the masses, previously a project in social democracy, remained an important goal under the military dictatorship of Pérez Jiménez.

The demise of Acción Democrática and the rise of a military dictatorship reliant on harmonious relations with foreign-owned petroleum companies meant that initially VBEC's operations were left largely alone by the new government. In early 1949 VBEC negotiated a deal with a group of Venezuelan businessmen to purchase their assets in an outdated milk processing plant in Valencia in exchange for a minority share in a new VBEC subsidiary, Industria Láctea de Carabobo (INLACA), a joint venture with U.S.-based Golden State Dairies. Rockefeller's team took on substantial debt to update the plant's technology. By the end of its first full year of operation INLACA could report numerous successes. In October 1949 the firm received its first license to distribute fresh milk in the Caracas area as well as Valencia, and was quickly selling its "entire supply" of upwards of 13,000 liters of milk per day. Some 1,200 liters of that supply had recently been procured from the "El Manglar" hacienda, a grade A milk producer equipped with modern refrigeration technology and "one of the finest operations in Venezuela" according to INLACA's first manager, E. G. Van Wagner, formerly of Golden State Dairies.[25]

Sales successes for INLACA continued to mount in 1950 and 1951. In the first three months of 1950, the firm earned double its expected income. By the end of the year the firm declared a net income of $112,227, on sales of over 5.7 million quarts of pasteurized milk and more than 67,000 quarts of ice cream. Salesmen assigned to specific districts in Valencia and Caracas replicated American techniques of encouraging additional milk consumption, including offering deals on cheese and ice cream. By 1951, Edward Kimball, a former food procurement officer for the City of New York, had replaced Van Wagner as manager of INLACA. Kimball proudly reported on the success of INLACA in proving that private enterprise could provide incentives to dairy farmers to produce more milk, noting that INLACA offered a guaranteed year-round market at reliable prices. By the end of 1951, twice as many suppliers (70) were delivering raw milk to the firm than had done so in 1949; some suppliers were shipping milk as far as 250 kilometers via refrigerated truck to Valencia. INLACA's milk travelled to consumers in "modern hygienic paper" cartons, rather than glass bottles, delivered to more than 10,000 homes daily via its house-to-house sales network. Sales were, as Kimball succinctly noted, "most satisfactory," leading to a tidy net profit in 1951 of $207,500.[26]

While INLACA was busily demonstrating the efficiency of its privately owned operations, its main competitor remained the state-owned SILSA. As with any food distribution business, competition was waged on two fronts, in both the consumer market and the supplier market. Consumers sought reliable, trustworthy food at the lowest possible price; suppliers sought reliable, trustworthy payments at the highest possible price. For milk processors the balancing act between the interests of producers and consumers was even more complicated than in many lines of the food industry, as the intense seasonality of milk production—which in Venezuela was (and is) particularly pronounced due to the tropical climate—meant that an equilibrium between supply and demand was hard to come by and was always intensely politicized. In the United States, as noted earlier, this unavoidable conflict over a "fair price" for milk led to the development of an elaborate regulatory regime meant to maintain systems of "orderly marketing" from the 1930s onward. In Venezuela, no such regulatory regime existed. Partly as a consequence, INLACA and SILSA experimented with a variety of competitive tactics to build their customer and supplier bases. In 1951, for example, INLACA sold quarts of home-delivered milk in Caracas for 1.25 bolivars; SILSA sold its quarts for only Bs. 1, as its customers resided primarily in the less affluent sections of the city, while INLACA dominated sales in middle-class areas. The following year, SILSA increased its payments to farmers by 5 centimos per liter, threatening to poach some of INLACA's most reliable producers. In response, manager Edward Kimball informed the board of directors that he refused to let INLACA become a "national parasite" like SILSA and would demand a hearing with the Minister of Fomento.[27]

For his part the Minister of Fomento had, according to Venezuelan newspapers, become "acquainted with the big profits being made by both producers and pasteurizing companies." The primary profiteer, it was reported, was INLACA. Government officials began devising plans to intervene much more heavily in the burgeoning dairy industry, potentially introducing some American-style regulatory functions such as pricing systems based on a combination of geographical region, milk quality, and whether consumers' milk was store-bought or home-delivered. In early 1952 the government formalized a new approach, setting a maximum retail price for milk with the intent of enabling Venezuelan milk distributors who had previously been undersold by INLACA to compete on price, even without home delivery. Ironically, Edward Kimball's response to the state's price ceiling was to request permission from the board of directors to dramatically expand sales, buying raw milk increasingly from farms near Maracaibo, 700km west of Caracas. At the end of 1952, INLACA reported a 69% increase in production over the previous year, and although the year was profitable, the net income was lower than the prior year due to the price ceilings.[28]

Thus as of 1954 INLACA was clearly supporting the mission of its parent VBEC, churning out reliable profits by selling affordable milk, setting an example for domestic firms to emulate. But several of VBEC's other subsidiaries, particularly its farming operations, had performed exceptionally poorly. Consequently, in 1954 VBEC was liquidated, with all assets merged into New York-based IBEC. All shares in the firm previously owned by the Venezuelan government and by foreign oil companies were acquired by IBEC, leaving control and ownership over INLACA firmly in the hands of a New York-based corporation strongly associated with Nelson A. Rockefeller. With the full support of IBEC's directors, INLACA continued to rapidly expand its operations in Venezuela. Confident of its buyer power, the firm began insisting that all 120 of its producers install refrigerated bulk tanks on their farms, an expensive investment in the milk supply chain that effectively signalled to farmers they either needed to boost their production or exit the market. INLACA's milk was distributed in 40 towns and cities, reaching beyond the federal district of Caracas into eight other states in the capital, central, central-western, and llanos regions. Sales of Bs. 22 million produced substantial profits of Bs 898,000 in 1954.[29]

The politics of INLACA's business took on new layers of complexity after the merger into IBEC, imbuing competition in the milk marketplace with new questions of legitimacy. As one IBEC representative familiar with Venezuelan politics noted, the company was "considered foreign" and faced a significant challenge rooted in the agrarian infrastructure laid in the Gomecista era, as "the large dairy farms are the property of strong capitalists, who directly or indirectly, have a positive voice in the government." Such producers might very well comply with demands to industrialize their operations with the instalment of bulk tanks (thus erecting barriers to entry for smaller dairy farms), but they might also turn to government officials or the state-owned

SILSA to pressure the American-owned firm to increase its prices for raw milk. Or, as INLACA managers increasingly worried in 1955, well-capitalized dairy farmers could themselves become competitors; as one report put it, "Everyone in Venezuela who owns a cow thinks he should have a milk plant." Groups of around a dozen milk producers were increasingly forming joint stock companies to establish their own pasteurization plants, generally delivering direct to retail food stores and restaurants rather than bother with home delivery service. With more entrants to the milk distribution business competing with INLACA and SILSA, but with all distributors limited by law to maximum consumer prices of Bs. 1 per liter, INLACA increasingly turned to price wars to maintain its market share. In 1955 the company sold at a loss in its largest market of Caracas in 1955, although nationwide sales that year reached Bs. 24.6 million, with profits of Bs. 691,100.[30]

The competition became intense enough by 1956 that IBEC's directors believed a crossroads had been reached: either INLACA should be sold outright, or it should redouble its energies and strongly assert its dominance in both the supply chain and in retail markets. INLACA was one of IBEC's most consistently profitable divisions (its Venezuelan supermarkets the other), so the decision was nearly foreordained. First INLACA demanded that politically connected dairy farmers accept lower prices, even for milk cooled on the farm in bulk tanks, otherwise the firm would liquidate its assets and cease operations. Once the producers fell in line, INLACA opened a new front in the retail price war, introducing "7 Lochas" brand homogenized milk. Selling homogenized pasteurized milk was an innovation for the Venezulean market, as was the idea of making a brand mark out of a specific retail price—*locha* being the colloquial term for a 1/8th bolivar coin worth 12.5 centimos, thus 7 Lochas sold for 87.5 centimos. By May, Edward Kimball gloated that 7 Lochas had "caused quite a stir," forcing competitors to slash their own prices, though he acknowledged that "tak[ing] the offensive in order to protect its market" would drive the firm's accounts into the red for the short term. Still, Kimball remained confident that the plan would not set off political retribution as it would require INLACA to source more of its milk from the western state of Zulia, a land of productive pastures which government officials had openly declared ought to "be the 'Wisconsin' of Venezuela," mass-producing "cheaper milk" for the central and capital districts.[31]

Nearly a decade into its operations, INLACA had established its legitimacy as a large-scale private enterprise despite being foreign-owned and repeatedly antagonizing both its competitors and its suppliers. INLACA's managers had forged relationships of trust with thousands of Venezuelan consumers, who had integrated pasteurized fluid milk into their diets to such an extent that Edward Kimball predicted 1957 sales of Bs. 1.2 million and suggested offering shareholders an "extra dividend" despite the impacts of ongoing price wars. And the firm was clearly meeting its intended mission as a spur to competition, using its concentrated economic power to push both its distributing competitors and its farm suppliers to seek efficiencies in production and economies of scale and scope as they ramped up the dairy industry in Venezuela. Over the course of 1948-1958, when the Venezuelan population grew by three percent annually, milk consumption increased by ten percent, so that overall consumption doubled within a decade.[32]

Then, in January 1958, a coup d'etat ended the Pérez Jiménez regime amidst rising dissatisfaction with the dictator's claims to legitimacy, spurred on by his 1957 decision to cancel a promised election that he realized he would not win. In the wake of the revolution, after a short period of caretaker governance by a military junta, elections held in autumn 1958 returned Romulo Betancourt and Acción Democrática to power.

Revolution, Reform, and Retreat

Initial reaction to the coup was quite upbeat among Rockefeller associates on the ground in Venezuela. As one IBEC manager put it, “we have many friends in the new government” and the prospects of “returning to a democratic and representative form of government” seemed promising for the milk business. Yet events of September highlighted the instability of INLACA’s political position, when yet another military rebellion, though quickly quashed by government troops, disrupted the movement of milk nationwide for several days. In response, a critical friend of INLACA suggested the firm ought to “do something more than it has done in the past in the way of building up good will, or let us call it public relations.” Raking in profits and spurring ever-more intense competition in the dairy industry was not enough; the firm needed to cooperate with the new leaders of the country to rebuild the public’s trust, not just in the quality of its milk but also in the entire political economy of food distribution.[33]

Thus in early 1959, as Romulo Betancourt officially retook office as the nation’s president, INLACA also changed its leadership, with Bernardo Jofre replacing Edward Kimball as the firm’s general manager. Unlike Kimball, Spanish-born Jofre had a knack for understanding the nuances of Latin American politics, having made his professional name as a writer of political editorials in Caracas before serving as Rockefeller’s Head of Public Relations for the Office of the Coordinator of Inter-American Affairs during World War II. Although IBEC’s directors put their faith in Jofre to navigate INLACA through Venezuela’s new political territory, they also reduced their financial stake in the firm, selling half of the company’s shares to Foremost Dairies, the U.S.’s fourth-largest dairy, which had acquired INLACA’s founding minority shareholder Golden State in 1954.[34]

Jofre's first opportunity for burnishing INLACA's political reputation came in March 1959 when the firm was contracted by the Betancourt government to deliver fresh milk to every school student in Caracas. Jofre had his "fingers crossed" for the success of the program, recognizing it not only as a good political move but also as "a free sales promotion for fresh milk." The firm's significance in Venezuela's domestic economy was substantial, accounting for 37% of fluid milk sales in the country, with the majority of its supplies now coming from the western state of Zulia surrounding the shores of Lake Maracaibo. Yet there remained significant opportunity for growth, as Venezuelan per capita dairy consumption, despite having doubled in the previous decade, remained at half that of the United States. Furthermore, the country continued to rely heavily on imported dry whole milk for reconstitution, undercutting markets for domestic dairy farmers and undermining incentives for increased specialization in dairying, even in Zulia, the would-be "Wisconsin" of Venezuela.[35]

Indeed it was in the area of farms and farm politics that one of the most striking contrasts between Venezuela's dairy economy and that of the United States became increasingly apparent. The original plan behind VBEC, with the backing of Acción Democrática, had been to use food distribution enterprises—not only milk, but also supermarkets—to spearhead an agro-industrial transformation of the countryside, spurring rural development in an effort to wean the country off food imports. The impact of INLACA on dairy farming illuminates the mixed results of this project. On the one hand, INLACA had provided market incentives to some Venezuelan cattle farmers to specialize in and boost production of fresh milk. Yet those incentives primarily appealed to large landowners already well capitalized. As a result, the fundamental structure of the rural dairy economy remained largely unchanged, certainly not revolutionized. On the other hand, the impacts that INLACA had produced on the farm economy were almost wholly a product of private market incentives, with remarkably little government involvement in either the infrastructure of the rural economy or the regulation of wholesale or retail markets, other than the provision of a base subsidy to dairy producers which primarily benefited large landowners. In the late-1950s United States, farmers large and small relied on a dense infrastructure in which state research universities, federal scientists and policymakers, state-federal cooperative extension agents, and large-scale agribusinesses ensured that farmers were always aware of the latest scientific and technological developments that could boost production. American farmers who failed to hop onto what Minnesota farm economist Willard Cochrane labeled a "technological treadmill" in 1958, e.g. by investing in a bulk milk tank or converting to an all-Holstein dairy herd to increase output, could expect to have their operations bought out by those farmers who did. In Venezuela, by contrast, the federal government invested very little in the infrastructure of agribusiness. There were no agricultural market reports—except for milk price reports delivered a full year after the information would have been relevant to producers—no livestock reporting, no federally maintained grades or standards for farm products or processed foods, no federal inspection service, and very little technical advice provided to farmers. Thus, although producing and distributing milk was an intensely political enterprise in Venezuela, the political questions tended to focus on the end consumer with relatively little attention paid to the food system as a whole. Farm politics, in other words, had been left to private businesses in the distribution end of the food chain to hammer out. Strategy was forged in the halls of government, but operations were managed almost entirely by private businesses.[36]

It was not the case, however, that the new Betancourt administration had no interest in intervening in INLACA's business or the dairy economy more generally. In spring 1959, Jofre informed IBEC directors of his concern that Betancourt might hold the company to its original agreement to have Venezuelans take over ownership of the firm after ten years, even though VBEC had been liquidated. Over the next several years, IBEC responded to such pressure by selling off its non-voting shares, so that by 1963 Venezuelan investors held a 47.9% stake in the firm, although IBEC maintained its controlling stock. INLACA found more difficulty in its ongoing attempts to negotiate better terms with its milk suppliers. A September 1961 attempt to reduce the prices paid to farmers led the Ministry of Agriculture to announce that “any attempt to arbitrarily reduce the price of milk [would] be counteracted by application of a special clause of the Agrarian Law [of 1960].” This legislation called for an immediate transformation of the country’s farm economy, a transition to full agricultural self-sufficiency. The agrarian reform act included provisions for land redistribution, resettlement of subsistence farmers, offers of credit to small farmers, government investment in marketing facilities, guaranteed farm prices, and improved rural housing for farmworkers. Much of the political attention to the 1960 Agrarian Law, at the time and for years afterward, focused on the promise (ultimately undelivered) to redistribute land to small-scale producers. Yet the government’s reaction to INLACA’s attempted price cut illustrated the day-to-day reality that power in the countryside remained firmly in the hand of large, well-capitalized producers who maintained strong influence in the ministry of agriculture.[37]

In 1965 the Acción Democrática government introduced a dramatic revision to dairy policy, attempting to reinforce the aims of the 1960 Agrarian Law by making Venezuela self-sufficient in milk production. Consumer prices for both fluid milk and milk powder were adjusted to the level of domestic production costs. In part the new policy was a response to positive signs in the rural economy; from 1961 to 1965 milk production increased 145 percent, from 444.6 million liters to 646.1 million. The intent behind increased consumer prices was to provide incentives to Venezuelan farmers to meet domestic demand for milk, driving foreign imported milk out of the market entirely. Prices for reconstituted milk—still primarily consumed by low-income citizens—suddenly rose around 30 percent, while pasteurized fluid milk prices increased by 12.5 percent. As a result, per capita consumption of milk fell quickly back to mid-1950s levels. The directors of IBEC began considering full divestment of their milk business in Venezuela, noting that INLACA was "placed squarely between the consumers and the farmers, and is subject to all nature of political and economic forces, generally acting contrary to Inlaca's interests." Such discussions continued for several years at IBEC headquarters. Continued profitability of the milk business made IBEC's directors loath to pull out; indeed in 1968 the company declared expansion of INLACA to be a "priority." But when Edward Kimball returned as head of INLACA in 1971, he was struck by rising hostility against U.S.-owned companies operating in Venezuela and began pressuring New York to sell its remaining shares in the firm. Full divestiture ultimately came in 1974, with ownership of the firm shifting to a group of Venezuelan cattle dealers who renamed the firm C. A. Industries Lara-Carabobo.[38]

Five years before IBEC pulled out of the milk distribution business in Venezuela, an American economist produced a report on the country's farm and food economy for the Ford Foundation. Surveying the nation's food distribution system as a whole, Louis E. Heaton saw it "characterized by few strong points and many weak ones." Among the strong points was the distribution of milk, anchored by 19 large pasteurization plants and five powdered milk plants. But Heaton upheld the consensus view that rural producers, supported by government subsidies, had not really invested in the production of milk for the masses. "Moreover," Heaton declared, "there is a constant crisis with respect to policies to be followed, and widely differing arguments are presented by the various interests involved." The one thing everyone could agree on was that conflicts over the place and price of milk in Venezuela's economy were unlikely to end anytime soon.[39]

Conclusion

For just over a quarter of a century, American capitalists owned and operated a milk distribution firm in Venezuela, delivering milk through multiple political revolutions and constantly beset by "widely differing arguments" as to the purpose of the company. At first called upon to deliver milk to the masses as a developmental project in state-backed social democracy, the firm proved most successful in the 1950s as a for-profit firm devoted primarily to buying milk from affluent farmers to process into pasteurized milk for upper-income consumers. Contestation over whether the firm should be a Venezuelan-owned company or an American-funded model of capitalist efficiency reflected the deeply politicized position of the firm. As a food distribution business, INLACA was inherently caught in the middle of competing demands from producers and consumers, a fraught position in any context that was further amplified by the fact that multiple political regimes in the country saw the distribution of milk as a significant aspect of their claims to legitimacy. It is remarkable that the company was as successful as it was at delivering the goods, though it is also worth noting how fundamentally the enterprise failed to deliver the transformative political results expected of it at its founding.

At core the history of INLACA highlights the importance of *food sovereignty* to Venezuela's twentieth-century political dynamics. The term "food sovereignty" only came into formal usage in the early 1980s, emerging from a Mexican government program intended to reframe international agricultural politics away from quantitatively measured national “self-sufficiency” in food to an approach of “national control over diverse aspects of the food chain, thus reducing foreign capital and imports of basic foods, inputs and technology.”[40] For petroleum-rich, exceptionally urbanized Venezuela at mid-century, “self-sufficiency” in quantitative terms—whether calories, liters, or bushels—was by any objective measure a misplaced goal. Rationally it made sense to export valuable oil and import cheap food. But notions of sovereignty—of national pride, of government authority and legitimacy, of localized control over the meanings and structures and enterprises of food provisioning—challenged such quantitative, rational measures. Thus in the Agrarian Law of 1960, Venezuela declared a goal of “self-sufficiency,” but the specifics of the program were focused on redistributing economic and social power—sovereignty—by broadening access to land and markets and healthful foods throughout the agrifood system. The long-term failure of the reforms to achieve either quantitative self-sufficiency or substantive qualitative transformations in the agrifood economy, however, illustrate an essential tension embedded in food sovereignty: achieving redistribution of power in the agrifood system inherently requires significance exercise of state authority, yet by redistributing such power the state opens itself up to threats, including questions regarding the legitimacy of the government in power.[41] The history of INLACA clearly illustrates such tensions, as over the course of 27 years it was at times called upon to bolster the legitimacy of state interventions in the food economy and at other times shunned as a threat to Venezuelan national identity and self-sufficiency.

In the twenty years following IBEC’s decision to pull out of the Venezuelan milk business, the project of agrarian transformation continued to face significant challenges. From 1984 to 1988, an Acción Democrática regime led by Jaime Lusinchi once again introduced agricultural policies intended to achieve increased domestic output and food self-sufficiency, again primarily through provision of subsidies and credit to producers rather than through investment in the infrastructure of agricultural production or distribution. But continued dependence on oil exports at a time of great instability in oil markets led to an economic crisis, to which the next Acción Democrática president, Carlos Andrés Pérez, responded by instituting a number of harsh neoliberal economic reforms in 1989, including slashing of farm subsidies. One immediate consequence was a steep decline in milk production, so that between 1989 and 1992 the amount of milk available per capita decreased by 45 percent. Dairying remained a labor-intensive rural enterprise in an exceptionally urbanized country. In the early 1990s, more than an hour and a half of labor was required to produce a liter of pasteurized milk in Venezuela, when the same took four minutes in the United States.[42]

One significant impetus behind the 1990s revolt against Acción Democrática that ultimately led to the 1998 election of Hugo Chávez was the widespread perception of Acción Democrática's repeated failures to achieve its promises of national food sovereignty. Agrarian reform measures, including mass redistribution of land to peasant and tenant farmers, have been among the most far-reaching components of Chávez's Bolivarian Revolution. Yet Chávez and his successor Nicolás Maduro faced many of the same challenges as their predecessors, including the continued political and economic dominance of large-scale rural landowners, as well as an ongoing lack of state capacity to implement and operationalize meaningful reforms on the ground to achieve food self-sufficiency.[43] Venezuela has thus remained highly dependent on imports to meet its food needs. And in the contemporary milk economy, it also relies on foreign multinational enterprises to distribute milk: the remains of INLACA, though sold to Venezuelan investors in 1974, now belong to Dairy Partners Americas, a joint venture between global giants Nestlé and Fonterra established in 2003. Whether such a global milk distribution enterprise can maintain legitimacy and trust in a political climate marked by intense debates over the balance between state and business power and rapidly deteriorating economic conditions remains uncertain.[44]

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Distributing Legitimacy: The Politics of Milk in Post-World War II Venezuela

Questions of how best to feed the urban masses in an economy largely dependent on petroleum have permeated Venezuela's domestic and international political spheres since World War II. A state-initiated project, run by American capitalists under the direction of Nelson Rockefeller, developed Venezuela's milk distribution system into one of the country's most important agrifood industries by the late 1960s. The ways in which the firm navigated complicated questions of legitimacy and trust in public and private organizations provide an illustrative example of the inherently complicated relationship between state and business in the political economy of food distribution.

Keywords: Venezuela; milk distribution; dairy; legitimacy

Introduction

Food distribution in Venezuela is notoriously problematic. For a decade and a half, American and British newspapers have episodically drawn international attention to interminable queues and empty shelves at Venezuelan supermarkets. Such reporting generally lays the blame for food shortages and repeated bouts of hyperinflation on the socialist economic policies of Hugo Chávez and Nicolás Maduro. For right-wing propagandists, the ready availability of photographs of Venezuela's failures in food distribution provides easy fodder for ridiculing socialism and declaring the inherent superiority of capitalism.[1]

But Venezuela's contemporary food challenges have a much longer and more complicated history than such reports suggest. Although that history is extraordinary, it helps elucidate the ways in which the distribution of food is an inescapably politicized form of business enterprise. Indeed, since World War II, questions of how best to feed the urban masses in an economy largely dependent on petroleum have permeated Venezuela's domestic and international political spheres. Throughout the latter half of the twentieth century, in fact, the political legitimacy of numerous regimes, ranging from social democratic governments to military dictatorships to revolutionary socialists, has been staked on promises of making Venezuela more self-sufficient and domestically secure in the production and distribution of food. And although contemporary commentators may think they are the first to suggest that Venezuela's food problems at are the fault of its political leadership, one truism of Venezuelan economic history, as Ruth Capriles and Marisol Rodríguez de Gonzalo have noted, is "the frequency with which writers attribute the entire blame for the failures of economic development to the state." Yet, as Capriles and Rodríguez note, "the relationship between the state and business or the state and the market is not one-way, or even two-way, but a multiple one." This point is sharpened by recent research into Cold War communist enterprises; even when the state takes full responsibility for delivering goods and services and outlaws private business, managers must still engage in enterprise, and in doing so must navigate relationships far more complex than simple unidirectional command-and-control directives from the state. In Venezuelan history—much the same as in any other nation, no matter the ideology of its political leadership—nothing has ever been particularly simple about business-government relations.[2]

A state-initiated project in developing Venezuela's milk distribution system after World War II provides an illustrative example of the complicated relationship between state and business. Prior to the arrival of the American businessmen, led by Nelson A. Rockefeller, who set up Industria Láctea de Carabobo (INLACA), Venezuela's dairy economy was almost non-existent. By the end of the 1960s, however, dairying was economically more significant than the beef cattle industry—traditionally one of Venezuela's most important enterprises—and INLACA was the largest and one of the most consistently profitable food businesses in the country. Precisely whose interests were served and whose political legitimacy the firm helped support, however, remained in constant question. Both INLACA's successes and failures in transforming the politics and business of the Venezuelan milk economy, sheds light on the fraught process of state intervention in agrifood systems that has long bedevilled the Venezuelan political economy of food distribution.

The Food Problem in Venezuela

Petroleum first became a major component of the Venezuelan economy in the 1920s, during the presidency of Juan Vicente Gómez. Tapped primarily by North American and European companies granted low-cost concessions by the dictatorial Gómez regime, oil decisively replaced agricultural products (coffee, cacao, and cattle hides) as Venezuela's primary export during the Great Depression. When Gómez seized power in 1908, Venezuela was self-sufficient in food production. By 1950, agriculture comprised less than one-tenth of the country's GDP, the lowest share in all of Latin America, and the populace relied on imported food. The domestic political economy of agriculture and food nonetheless remained central to the nation's efforts at state-building. As historian Doug Yarrington has shown, the rise of Venezuela's modern state was grounded in no small part in Gómez's dictatorial control over the nation's cattle and meat business. After Gómez's death in 1935, his military successor Eleazar López Contreras confronted rising demands from leftists for the dismantling of Gómez's infrastructure of corruption. López Contreras forestalled demands for radical change in part by introducing several significant reforms in agrarian policy, including the promise of redistribution of land to peasants. And in 1937, López Contreras developed plans to use increased state power to redirect petroleum profits into Venezuelan agricultural development.[3]

By the onset of World War II, Venezuela's economy involved an uneasy relationship between the international politics of oil and the domestic politics of food and agriculture. For U.S. petroleum firms and foreign policymakers, the possibility of Germans gaining access to Venezuela's oil reserves spurred calls for official American aid to the country's agricultural and food economy. Among the most prominent supporters of such an exercise in American economic diplomacy was businessman Nelson A. Rockefeller, who had become enamored with Venezuela in the 1930s and whose family held extensive interests in petroleum companies operating there, including Creole Petroleum. In 1941, Rockefeller convinced President Franklin D. Roosevelt to appoint him head of a new agency tasked with using Yankee dollars to bolster South American economies and counter German propaganda. By 1942, the Office of the Coordinator of Inter-American Affairs had a budget of $38 million. Its agricultural, technical assistance, and cultural programs established a template for Cold War-era anticommunist development programs, especially President Truman's "Point Four" program.[4]

By the end of the war Venezuela's economy was deeply dependent on petroleum exports to the United States as well as imports of American food and agricultural aid. Leftist demands for the removal of U.S. capitalist influence in the country increased during the war, particularly after the 1941 formation of the social democratic political party Acción Democrática led by former communist Rómulo Betancourt. In October 1945, Acción Democrática successfully overthrew the regime of López Contreras's wartime successor Isaías Medina Angarita, putting Betancourt into the presidency. Betancourt's vision for the future of Venezuela was of an urbanizing, industrializing nation where workers' rights were respected and middle-class consumers benefited from the nation's resource wealth, yet without alienating landowning elites and foreign capitalists from the country's economy or political processes. To aid the transformation, Acción Democrática worked to redirect more of the profits from oil extraction to the Venezuelan state while also instituting agrarian reforms in an effort to diversify the economy. Yet postwar food shortages and price spikes, a product of the country's heavy reliance on imported food and lack of agricultural productivity, bedevilled the Acción Democrática regime. Betancourt increasingly courted international support, seeking to mechanize and industrialize the country's agriculture and drive down food prices.[5]

Nelson Rockefeller was among those internationalists who proved most receptive to Betancourt's call for investment in Venezuelan agrifood systems. Despite his concern that Acción Democrática was on a path to nationalizing its oil industry (as Mexico had done in 1938), Rockefeller entered extensive negotiations in early 1947 with Betancourt's administration, labor leaders, and foreign oil company executives to devise a plan for bolstering the Venezuelan food economy. The result was the creation of the Venezuelan Basic Economy Corporation (VBEC). The firm's mission was relatively straightforward: it would invest in new enterprises devoted to lowering the price of food, primarily by "improving methods of food distribution" and boosting agricultural production.[6]

Despite the seemingly simple mission, VBEC's complex corporate governance structure reflected the convoluted politics that shaped its formation and the expectations of what the firm could deliver. VBEC was formed as a subsidiary of Rockefeller's New York-based International Basic Economy Corporation (IBEC), also established in 1947. IBEC was incorporated with a grander mission of proving to the world that U.S.-based technical expertise, joined with Yankee capital, could generate substantial profits from investing in the basic welfare of developing nations. In other words, IBEC was a for-profit development agency, intentionally modelled on the wartime Office of Inter-

American Affairs, and was explicitly framed as an exercise in Cold War anticommunist propaganda. VBEC was thus owned and controlled by a U.S. parent firm that demanded both profits and demonstrable political results from its operations. Yet negotiations with the Betancourt administration led to an agreement that the Venezuelan government, operating through its own wholly owned subsidiary—the Corporación Venezolana de Fomento —would subscribe to 50 percent of each VBEC subsidiary's capitalization via non-voting preferred stock. Foreign oil companies operating in Venezuela contributed the other 50 percent of capitalization for the enterprise, likewise receiving non-voting preferred stock. Control and management of the VBEC subsidiaries thus remained firmly in the hands of Rockefeller interests, though ownership was shared in a complicated arrangement involving both foreign and domestic stakeholders. Rockefeller promised that after a period of ten years, foreign investors would begin retiring the preferred stock, opening up investment opportunities to Venezuelan citizens and thereby shifting substantial control and ownership of the entire enterprise into domestic, private hands.[7]

Thus VBEC was in some ways ahead of its time, an early example of what would later be called "hybrid organizations" that simultaneously pursue financial sustainability and social investment.[8] Yet VBEC was very much a product of its own time and place, as its complicated hybrid form was largely due to the fact that it was meant to serve multiple, potentially conflicting, interests both inside and outside of Venezuela. Both Betancourt and Rockefeller agreed on the fundamental premise that widespread benefits could be gained if Venezuela's oil wealth were used to build a more diversified economy. The price and availability of food in postwar Venezuela was of particular concern for unionized industrial workers and middle-class urban consumers—crucial constituents for Betancourt's reformist Acción Democrática party.

For Betancourt, state investment in the nation's food infrastructure would simultaneously demonstrate Acción Democrática's commitment to its mission and prevent foreign capitalists from monopolizing economic power as they had done in petroleum since the Gómez regime. Meanwhile Rockefeller, who was increasingly harboring political ambitions of his own, envisioned VBEC as a model for demonstrating to the socialist world the power of American free enterprise as an engine for distributing wealth. It was thus crucial from Rockefeller's perspective, as well as from foreign oil company executives' viewpoints, that VBEC be understood as a form of "free enterprise," a bulwark both against communist ideology and socialist threats of nationalizing industries such as petroleum. Even if the government provided half of the initial capital for VBEC, its direct control over operations had to remain limited, as did its regulatory interventions in the food industry. For Betancourt, a fairer food infrastructure would satisfy the Venezuelan masses and support a stable democracy. For American investors, this was also the goal, but with the important proviso that "democracy" not include a substantial voice for communists. Finally, for all concerned it was important that VBEC not appear to be a predatory business driving local enterprises out of the market, but instead offering a model for Venezuelan-based private interests to emulate in an effort to diversify the country's economy.[9]

It was a heady mix of goals, a swirl of contradictory visions of what "free enterprise" might look like in the Venezuelan food economy. Over several decades of operation, the vision behind VBEC took several different concrete forms, including the construction of a remarkably profitable chain of supermarkets, the establishment of several model farms, and a fish processing business.[10] A closer look at one of VBEC's subsidiaries, Industria Láctea de Carabobo (INLACA), offers insights into just how complicated the politics of food distribution could get in a business intended to produce both sustainable profits and broader social progress.

INLACA

Milk for the Masses

Prior to the 1940s, the Venezuelan dairy industry could barely be considered an industry at all. As in many countries in Europe and Latin America, consumption of fresh milk was extremely stratified by economic class and geography. Fresh milk was not really for the masses, but instead for concentrated pockets of middle- and upper-class urbanites. Daily fluid milk consumption in the capital Caracas was estimated in the 1930s at 18 liters per year per person, essentially the amount needed for affluent residents to enjoy the liquid stimulant *café con leche*. (By comparison, annual fresh milk consumption in 1930 London was 139 liters per year, and in Zurich 230 liters per year).[11]

Venezuela's first—and for several decades, only—milk processing plant equipped with modern technology was built in 1915. It was owned by the dictator Juan Vicente Gómez, who treated the business much like his other enterprises, using the reins of the state to ensure monopoly power and distributing the firm's profits to cronies who in turn assured Gómez's political power. The plant distributed packaged butter and some cheese, primarily to affluent consumers in Caracas. After 1937, during the López Contreras presidency, several modern pasteurization plants were built in Caracas and Valencia to deliver fresh fluid milk to elite urban residents. The rest of the country, as well as working-class city dwellers, relied almost entirely on reconstituted milk made from imported dried milk powder. Cheese, in the form of *queso de mano*, played an important part in the Venezuelan diet but was produced mainly in small batches directly on farms. *Queso de mano,* as the name suggests, required little in the way of capital investment or technological sophistication for either production or distribution. One Rockefeller associate described such cheese in 1943 as “of questionable qualities” and suggested that the ample milk supplies of the sparsely populated Maracaibo Basin, if only they could instead be transported to larger cities in fluid milk form, would “effect a salutary change.”[12]

In 1946 Acción Democrática began a push to transform the dairy economy of Venezuela. The goal was to improve the quality and availability of fluid milk without increasing retail prices. Making milk available to the masses, and not solely to what Romulo Betancourt often called the “*élite caraqueña*” (Caracas elite), was very much in line with the populist-consumerist politics of the Acción Democrática regime. Indeed, prior to coming to power Betancourt had criticized the military leaders of the Gomecista era for allowing a “milk deficit” that prevented workers and peasants from being able to afford nutritious milk for their children. Once in power, Betancourt authorized the Corporación Venezolana de Fomento to purchase two existing pasteurizing plants in Caracas, merging them into a single state-owned company, SILSA (Sindicato de la Leche, S.A.). The firm focused on reconstituted milk, selling at half the price of fresh milk.[13]

During Nelson Rockefeller’s visits with Betancourt in 1947, he was shown SILSA’s operations. Caracas residents waited in long lines to purchase the low-price reconstituted milk from what was commonly referred to as a “mechanical cow.” Acción Democrática representatives asked Rockefeller to “give serious consideration” to “taking the leadership” in constructing similar milk processing facilities in other major cities, including Maracaibo, Valencia, Barquisimeto, San Cristobal, and Barcelona. Enthusiasm was high among all involved. After receiving formal approval from IBEC headquarters in New York in May 1947, VBEC representatives began purchasing equipment and designing a model processing plant.[14]

There was, however, a crucial problem with the "mechanical cow." Although half-price reconstituted government milk had obvious price advantages for working-class consumers, it was beset by inherent questions of trust and legitimacy. Most problematic were rumors suggesting that SILSA's milk was so cheap because it was adulterated with lime and chalk. The rumors, though false, highlight how the distribution of food, particularly highly perishable food such as fluid milk, generally involves a complicated balancing act between legitimacy, trust, and price.[15]

An organization, whether public or private, that can provide wider, more affordable, or more certain access to food can gain or enhance its institutional legitimacy. Failure to do so, as the literature on the moral economy of food has repeatedly shown, can lead to mass rejection of the legitimacy of entire classes of organization—e.g., "middlemen," grain speculators, chain stores, local and national governments.[16] The ability of consumers to trust an organization that distributes food is of course shaped by general attitudes of legitimacy, but also by the extent to which asymmetries of information between producers and consumers are either lessened or increased as food moves through the chain of distribution. Trust is severely undermined during food scares and crises involving pathogens such as *E. coli* and *salmonella*, or in the case of milk, tuberculosis bacteria. Public and private organizations spent much of the nineteenth and twentieth centuries devising institutional means of ensuring trust in perishable foods—with mixed results—including the rise of branded packages, the development of inspection and certification regimes, and the deployment of phytosanitary standards.[17]

Making milk cheaper, then, was simply not enough for Acción Democrática. Given Venezuela's recent political history of corruption and dictatorship, in many ways it was more important for the social democratic government to use milk distribution as a means of securing trust and legitimacy than as a program in reducing the price of food. The politics of food became even more central to Acción Democrática's fortunes in February 1948, when Rómulo Gallegos took office after having won a landslide victory in what is considered the first legitimately democratic election in Venezuelan history. On the eve of his presidency, Gallegos pledged to "raise the standard of living of Venezuelans, both in cities and on the farms," making it clear that agricultural productivity and lower food prices were high priorities.[18] Relying on a combination of "mechanical cows" and foreign capitalists whose fortunes had been made in part from exploiting Venezuela's petroleum resources was perhaps not the most politically palatable route to take. This helps explain why, in March 1948, representatives of the Gallegos government surprised the Rockefeller team by declaring they "did not want to participate in any manner in the milk company, and would prefer that VBEC abandon the project." But with more than $300,000 already invested, VBEC's managers were not inclined to give up so easily.[19]

A series of negotiations led to an agreement in mid-1948: VBEC would move away from reconstituted milk and instead work with the Gallegos government to pioneer a fresh fluid milk industry. Inherently this would require some means of boosting local production of fresh milk, rather than relying on imports of powdered milk from the United States. It would require efficient transportation of Venezuelan milk from farms to pasteurization plants. And it would require the construction of a distribution system for customers who were largely unaccustomed to drinking milk that had never been in powder form.[20] None of these three challenges was minor. Indeed, in the preceding decades in the United States, regional and national battles over the production and distribution of milk had led to so many vitriolic and event violent episodes—including milk strikes and milk boycotts—that in 1943 a U.S. federal judge suggested milk had nearly been the cause of an “incipient agrarian revolution” in the 1930s and that over the recent course of American history milk had “provok[ed] as much human strife and nastiness as strong alcoholic beverages.” In the U.S., the response to this milk problem in the 1930s entailed a complicated political infrastructure of regional milk marketing orders, antitrust enforcement, agreements with labor unions, and technological developments in trucking. Even with this thick web of regulatory intervention, in many ways the acrimony over the politics of milk distribution continued to rankle U.S. consumers, workers, business managers, and policymakers well into the 1950s.[21]

The Gallegos government did not follow the American approach of deep regulatory intervention into the dairy economy. Instead the initial focus was on direct subsidies. To entice Venezuelan farmers to produce more high-quality milk and wean the nation off imported powder, the Gallegos government instituted a base payment for dairy farmers, to be paid through milk bottling plants.[22] This was in part a response to the distinctive environment and geography of Venezuelan agriculture. Raising dairy cattle in any climate is subject to constraints of seasonality, as cows always produce significantly more milk when they are able to dine on juicy grasses, but in a tropical climate with widely varying cycles of rainy and dry seasons the problem is exacerbated. Generally rain benefits pastures for cattle grazing, but too much rain makes them unusable, while prolonged dry periods severely restrict milk production. Most of the cattle raised in Venezuela were crossbreeds well adapted to the extremes of the tropical climate, being a cross of Criollo and Zebu with some genetic material from Holstein and

Brown Swiss cattle, but adaptation to tropical conditions did not make the cattle especially well-suited to year-round mass production of milk. A subsidy to dairy farmers, then, was expected to provide incentives to farmers to specialize in milk production, investing in dairy herds bred specifically to produce milk as well as enabling the purchase of concentrated feedstuff additives to boost production in off-seasons. Rockefeller's team at VBEC agreed to support the initiative by building a model dairy farm at Chirgua, about 150km west of Caracas on an abandoned coffee estate in the state of Carabobo. The managers of the dairy farm would provide technical advice to Venezuelan farmers, encouraging them to adopt American dairy science and technology.[23]

In autumn 1948 there was reason for optimism both among Acción Democrática supporters and the managers of VBEC. Rockefeller's team was busy building model farms and designing model dairy plants, intent upon demonstrating the power of American capital to deliver fresh milk to the masses. But what was already a complicated political situation became only more so in November 1948, when military officer Marcos Pérez Jiménez orchestrated a successful coup against the Gallegos government, establishing a new dictatorship that would last a decade.

Legitimacy, Trust, and Competition

Pérez Jiménez initially took power through force, but maintained power through spectacles of consumer plenty. With world oil prices steadily rising in the 1950s, the military regime invested heavily in public infrastructure, visibly proclaiming Venezuela's importance on the world stage through concrete testaments to modernist progress, from bridges to museums to stadiums. Pérez Jiménez staked his regime's claim to legitimacy on the ability to efficiently deliver the material goods of mid-century capitalism, critiquing the Gallegos presidency and Acción Democrática less for their ideology than for their ineptitude.[24] Thus, a sweeping (and notoriously repressive) transformation of political leadership did not necessarily dictate a fundamental transformation of the VBEC milk project. Delivering affordable milk to the masses, previously a project in social democracy, remained an important goal under the military dictatorship of Pérez Jiménez.

The demise of Acción Democrática and the rise of a military dictatorship reliant on harmonious relations with foreign-owned petroleum companies meant that initially VBEC's operations were left largely alone by the new government. In early 1949 VBEC negotiated a deal with a group of Venezuelan businessmen to purchase their assets in an outdated milk processing plant in Valencia in exchange for a minority share in a new VBEC subsidiary, Industria Láctea de Carabobo (INLACA), a joint venture with U.S.-based Golden State Dairies. Rockefeller's team took on substantial debt to update the plant's technology. By the end of its first full year of operation INLACA could report numerous successes. In October 1949 the firm received its first license to distribute fresh milk in the Caracas area as well as Valencia, and was quickly selling its "entire supply" of upwards of 13,000 liters of milk per day. Some 1,200 liters of that supply had recently been procured from the "El Manglar" hacienda, a grade A milk producer equipped with modern refrigeration technology and "one of the finest operations in Venezuela" according to INLACA's first manager, E. G. Van Wagner, formerly of Golden State Dairies.[25]

Sales successes for INLACA continued to mount in 1950 and 1951. In the first three months of 1950, the firm earned double its expected income. By the end of the year the firm declared a net income of $112,227, on sales of over 5.7 million quarts of pasteurized milk and more than 67,000 quarts of ice cream. Salesmen assigned to specific districts in Valencia and Caracas replicated American techniques of encouraging additional milk consumption, including offering deals on cheese and ice cream. By 1951, Edward Kimball, a former food procurement officer for the City of New York, had replaced Van Wagner as manager of INLACA. Kimball proudly reported on the success of INLACA in proving that private enterprise could provide incentives to dairy farmers to produce more milk, noting that INLACA offered a guaranteed year-round market at reliable prices. By the end of 1951, twice as many suppliers (70) were delivering raw milk to the firm than had done so in 1949; some suppliers were shipping milk as far as 250 kilometers via refrigerated truck to Valencia. INLACA's milk travelled to consumers in "modern hygienic paper" cartons, rather than glass bottles, delivered to more than 10,000 homes daily via its house-to-house sales network. Sales were, as Kimball succinctly noted, "most satisfactory," leading to a tidy net profit in 1951 of $207,500.[26]

While INLACA was busily demonstrating the efficiency of its privately owned operations, its main competitor remained the state-owned SILSA. As with any food distribution business, competition was waged on two fronts, in both the consumer market and the supplier market. Consumers sought reliable, trustworthy food at the lowest possible price; suppliers sought reliable, trustworthy payments at the highest possible price. For milk processors the balancing act between the interests of producers and consumers was even more complicated than in many lines of the food industry, as the intense seasonality of milk production—which in Venezuela was (and is) particularly pronounced due to the tropical climate—meant that an equilibrium between supply and demand was hard to come by and was always intensely politicized. In the United States, as noted earlier, this unavoidable conflict over a "fair price" for milk led to the development of an elaborate regulatory regime meant to maintain systems of "orderly marketing" from the 1930s onward. In Venezuela, no such regulatory regime existed. Partly as a consequence, INLACA and SILSA experimented with a variety of competitive tactics to build their customer and supplier bases. In 1951, for example, INLACA sold quarts of home-delivered milk in Caracas for 1.25 bolivars; SILSA sold its quarts for only Bs. 1, as its customers resided primarily in the less affluent sections of the city, while INLACA dominated sales in middle-class areas. The following year, SILSA increased its payments to farmers by 5 centimos per liter, threatening to poach some of INLACA's most reliable producers. In response, manager Edward Kimball informed the board of directors that he refused to let INLACA become a "national parasite" like SILSA and would demand a hearing with the Minister of Fomento.[27]

For his part the Minister of Fomento had, according to Venezuelan newspapers, become "acquainted with the big profits being made by both producers and pasteurizing companies." The primary profiteer, it was reported, was INLACA. Government officials began devising plans to intervene much more heavily in the burgeoning dairy industry, potentially introducing some American-style regulatory functions such as pricing systems based on a combination of geographical region, milk quality, and whether consumers' milk was store-bought or home-delivered. In early 1952 the government formalized a new approach, setting a maximum retail price for milk with the intent of enabling Venezuelan milk distributors who had previously been undersold by INLACA to compete on price, even without home delivery. Ironically, Edward Kimball's response to the state's price ceiling was to request permission from the board of directors to dramatically expand sales, buying raw milk increasingly from farms near Maracaibo, 700km west of Caracas. At the end of 1952, INLACA reported a 69% increase in production over the previous year, and although the year was profitable, the net income was lower than the prior year due to the price ceilings.[28]

Thus as of 1954 INLACA was clearly supporting the mission of its parent VBEC, churning out reliable profits by selling affordable milk, setting an example for domestic firms to emulate. But several of VBEC's other subsidiaries, particularly its farming operations, had performed exceptionally poorly. Consequently, in 1954 VBEC was liquidated, with all assets merged into New York-based IBEC. All shares in the firm previously owned by the Venezuelan government and by foreign oil companies were acquired by IBEC, leaving control and ownership over INLACA firmly in the hands of a New York-based corporation strongly associated with Nelson A. Rockefeller. With the full support of IBEC's directors, INLACA continued to rapidly expand its operations in Venezuela. Confident of its buyer power, the firm began insisting that all 120 of its producers install refrigerated bulk tanks on their farms, an expensive investment in the milk supply chain that effectively signalled to farmers they either needed to boost their production or exit the market. INLACA's milk was distributed in 40 towns and cities, reaching beyond the federal district of Caracas into eight other states in the capital, central, central-western, and llanos regions. Sales of Bs. 22 million produced substantial profits of Bs 898,000 in 1954.[29]

The politics of INLACA's business took on new layers of complexity after the merger into IBEC, imbuing competition in the milk marketplace with new questions of legitimacy. As one IBEC representative familiar with Venezuelan politics noted, the company was "considered foreign" and faced a significant challenge rooted in the agrarian infrastructure laid in the Gomecista era, as "the large dairy farms are the property of strong capitalists, who directly or indirectly, have a positive voice in the government." Such producers might very well comply with demands to industrialize their operations with the instalment of bulk tanks (thus erecting barriers to entry for smaller dairy farms), but they might also turn to government officials or the state-owned

SILSA to pressure the American-owned firm to increase its prices for raw milk. Or, as INLACA managers increasingly worried in 1955, well-capitalized dairy farmers could themselves become competitors; as one report put it, "Everyone in Venezuela who owns a cow thinks he should have a milk plant." Groups of around a dozen milk producers were increasingly forming joint stock companies to establish their own pasteurization plants, generally delivering direct to retail food stores and restaurants rather than bother with home delivery service. With more entrants to the milk distribution business competing with INLACA and SILSA, but with all distributors limited by law to maximum consumer prices of Bs. 1 per liter, INLACA increasingly turned to price wars to maintain its market share. In 1955 the company sold at a loss in its largest market of Caracas in 1955, although nationwide sales that year reached Bs. 24.6 million, with profits of Bs. 691,100.[30]

The competition became intense enough by 1956 that IBEC's directors believed a crossroads had been reached: either INLACA should be sold outright, or it should redouble its energies and strongly assert its dominance in both the supply chain and in retail markets. INLACA was one of IBEC's most consistently profitable divisions (its Venezuelan supermarkets the other), so the decision was nearly foreordained. First INLACA demanded that politically connected dairy farmers accept lower prices, even for milk cooled on the farm in bulk tanks, otherwise the firm would liquidate its assets and cease operations. Once the producers fell in line, INLACA opened a new front in the retail price war, introducing "7 Lochas" brand homogenized milk. Selling homogenized pasteurized milk was an innovation for the Venezulean market, as was the idea of making a brand mark out of a specific retail price—*locha* being the colloquial term for a 1/8th bolivar coin worth 12.5 centimos, thus 7 Lochas sold for 87.5 centimos. By May, Edward Kimball gloated that 7 Lochas had "caused quite a stir," forcing competitors to slash their own prices, though he acknowledged that "tak[ing] the offensive in order to protect its market" would drive the firm's accounts into the red for the short term. Still, Kimball remained confident that the plan would not set off political retribution as it would require INLACA to source more of its milk from the western state of Zulia, a land of productive pastures which government officials had openly declared ought to "be the 'Wisconsin' of Venezuela," mass-producing "cheaper milk" for the central and capital districts.[31]

Nearly a decade into its operations, INLACA had established its legitimacy as a large-scale private enterprise despite being foreign-owned and repeatedly antagonizing both its competitors and its suppliers. INLACA's managers had forged relationships of trust with thousands of Venezuelan consumers, who had integrated pasteurized fluid milk into their diets to such an extent that Edward Kimball predicted 1957 sales of Bs. 1.2 million and suggested offering shareholders an "extra dividend" despite the impacts of ongoing price wars. And the firm was clearly meeting its intended mission as a spur to competition, using its concentrated economic power to push both its distributing competitors and its farm suppliers to seek efficiencies in production and economies of scale and scope as they ramped up the dairy industry in Venezuela. Over the course of 1948-1958, when the Venezuelan population grew by three percent annually, milk consumption increased by ten percent, so that overall consumption doubled within a decade.[32]

Then, in January 1958, a coup d'etat ended the Pérez Jiménez regime amidst rising dissatisfaction with the dictator's claims to legitimacy, spurred on by his 1957 decision to cancel a promised election that he realized he would not win. In the wake of the revolution, after a short period of caretaker governance by a military junta, elections held in autumn 1958 returned Romulo Betancourt and Acción Democrática to power.

Revolution, Reform, and Retreat

Initial reaction to the coup was quite upbeat among Rockefeller associates on the ground in Venezuela. As one IBEC manager put it, “we have many friends in the new government” and the prospects of “returning to a democratic and representative form of government” seemed promising for the milk business. Yet events of September highlighted the instability of INLACA’s political position, when yet another military rebellion, though quickly quashed by government troops, disrupted the movement of milk nationwide for several days. In response, a critical friend of INLACA suggested the firm ought to “do something more than it has done in the past in the way of building up good will, or let us call it public relations.” Raking in profits and spurring ever-more intense competition in the dairy industry was not enough; the firm needed to cooperate with the new leaders of the country to rebuild the public’s trust, not just in the quality of its milk but also in the entire political economy of food distribution.[33]

Thus in early 1959, as Romulo Betancourt officially retook office as the nation’s president, INLACA also changed its leadership, with Bernardo Jofre replacing Edward Kimball as the firm’s general manager. Unlike Kimball, Spanish-born Jofre had a knack for understanding the nuances of Latin American politics, having made his professional name as a writer of political editorials in Caracas before serving as Rockefeller’s Head of Public Relations for the Office of the Coordinator of Inter-American Affairs during World War II. Although IBEC’s directors put their faith in Jofre to navigate INLACA through Venezuela’s new political territory, they also reduced their financial stake in the firm, selling half of the company’s shares to Foremost Dairies, the U.S.’s fourth-largest dairy, which had acquired INLACA’s founding minority shareholder Golden State in 1954.[34]

Jofre's first opportunity for burnishing INLACA's political reputation came in March 1959 when the firm was contracted by the Betancourt government to deliver fresh milk to every school student in Caracas. Jofre had his "fingers crossed" for the success of the program, recognizing it not only as a good political move but also as "a free sales promotion for fresh milk." The firm's significance in Venezuela's domestic economy was substantial, accounting for 37% of fluid milk sales in the country, with the majority of its supplies now coming from the western state of Zulia surrounding the shores of Lake Maracaibo. Yet there remained significant opportunity for growth, as Venezuelan per capita dairy consumption, despite having doubled in the previous decade, remained at half that of the United States. Furthermore, the country continued to rely heavily on imported dry whole milk for reconstitution, undercutting markets for domestic dairy farmers and undermining incentives for increased specialization in dairying, even in Zulia, the would-be "Wisconsin" of Venezuela.[35]

Indeed it was in the area of farms and farm politics that one of the most striking contrasts between Venezuela's dairy economy and that of the United States became increasingly apparent. The original plan behind VBEC, with the backing of Acción Democrática, had been to use food distribution enterprises—not only milk, but also supermarkets—to spearhead an agro-industrial transformation of the countryside, spurring rural development in an effort to wean the country off food imports. The impact of INLACA on dairy farming illuminates the mixed results of this project. On the one hand, INLACA had provided market incentives to some Venezuelan cattle farmers to specialize in and boost production of fresh milk. Yet those incentives primarily appealed to large landowners already well capitalized. As a result, the fundamental structure of the rural dairy economy remained largely unchanged, certainly not revolutionized. On the other hand, the impacts that INLACA had produced on the farm economy were almost wholly a product of private market incentives, with remarkably little government involvement in either the infrastructure of the rural economy or the regulation of wholesale or retail markets, other than the provision of a base subsidy to dairy producers which primarily benefited large landowners. In the late-1950s United States, farmers large and small relied on a dense infrastructure in which state research universities, federal scientists and policymakers, state-federal cooperative extension agents, and large-scale agribusinesses ensured that farmers were always aware of the latest scientific and technological developments that could boost production. American farmers who failed to hop onto what Minnesota farm economist Willard Cochrane labeled a "technological treadmill" in 1958, e.g. by investing in a bulk milk tank or converting to an all-Holstein dairy herd to increase output, could expect to have their operations bought out by those farmers who did. In Venezuela, by contrast, the federal government invested very little in the infrastructure of agribusiness. There were no agricultural market reports—except for milk price reports delivered a full year after the information would have been relevant to producers—no livestock reporting, no federally maintained grades or standards for farm products or processed foods, no federal inspection service, and very little technical advice provided to farmers. Thus, although producing and distributing milk was an intensely political enterprise in Venezuela, the political questions tended to focus on the end consumer with relatively little attention paid to the food system as a whole. Farm politics, in other words, had been left to private businesses in the distribution end of the food chain to hammer out. Strategy was forged in the halls of government, but operations were managed almost entirely by private businesses.[36]

It was not the case, however, that the new Betancourt administration had no interest in intervening in INLACA's business or the dairy economy more generally. In spring 1959, Jofre informed IBEC directors of his concern that Betancourt might hold the company to its original agreement to have Venezuelans take over ownership of the firm after ten years, even though VBEC had been liquidated. Over the next several years, IBEC responded to such pressure by selling off its non-voting shares, so that by 1963 Venezuelan investors held a 47.9% stake in the firm, although IBEC maintained its controlling stock. INLACA found more difficulty in its ongoing attempts to negotiate better terms with its milk suppliers. A September 1961 attempt to reduce the prices paid to farmers led the Ministry of Agriculture to announce that "any attempt to arbitrarily reduce the price of milk [would] be counteracted by application of a special clause of the Agrarian Law [of 1960]." This legislation called for an immediate transformation of the country's farm economy, a transition to full agricultural self-sufficiency. The agrarian reform act included provisions for land redistribution, resettlement of subsistence farmers, offers of credit to small farmers, government investment in marketing facilities, guaranteed farm prices, and improved rural housing for farmworkers. Much of the political attention to the 1960 Agrarian Law, at the time and for years afterward, focused on the promise (ultimately undelivered) to redistribute land to small-scale producers. Yet the government's reaction to INLACA's attempted price cut illustrated the day-to-day reality that power in the countryside remained firmly in the hand of large, well-capitalized producers who maintained strong influence in the ministry of agriculture.[37]

In 1965 the Acción Democrática government introduced a dramatic revision to dairy policy, attempting to reinforce the aims of the 1960 Agrarian Law by making Venezuela self-sufficient in milk production. Consumer prices for both fluid milk and milk powder were adjusted to the level of domestic production costs. In part the new policy was a response to positive signs in the rural economy; from 1961 to 1965 milk production increased 145 percent, from 444.6 million liters to 646.1 million. The intent behind increased consumer prices was to provide incentives to Venezuelan farmers to meet domestic demand for milk, driving foreign imported milk out of the market entirely. Prices for reconstituted milk—still primarily consumed by low-income citizens—suddenly rose around 30 percent, while pasteurized fluid milk prices increased by 12.5 percent. As a result, per capita consumption of milk fell quickly back to mid-1950s levels. The directors of IBEC began considering full divestment of their milk business in Venezuela, noting that INLACA was "placed squarely between the consumers and the farmers, and is subject to all nature of political and economic forces, generally acting contrary to Inlaca's interests." Such discussions continued for several years at IBEC headquarters. Continued profitability of the milk business made IBEC's directors loath to pull out; indeed in 1968 the company declared expansion of INLACA to be a "priority." But when Edward Kimball returned as head of INLACA in 1971, he was struck by rising hostility against U.S.-owned companies operating in Venezuela and began pressuring New York to sell its remaining shares in the firm. Full divestiture ultimately came in 1974, with ownership of the firm shifting to a group of Venezuelan cattle dealers who renamed the firm C. A. Industries Lara-Carabobo.[38]

Five years before IBEC pulled out of the milk distribution business in Venezuela, an American economist produced a report on the country's farm and food economy for the Ford Foundation. Surveying the nation's food distribution system as a whole, Louis E. Heaton saw it "characterized by few strong points and many weak ones." Among the strong points was the distribution of milk, anchored by 19 large pasteurization plants and five powdered milk plants. But Heaton upheld the consensus view that rural producers, supported by government subsidies, had not really invested in the production of milk for the masses. "Moreover," Heaton declared, "there is a constant crisis with respect to policies to be followed, and widely differing arguments are presented by the various interests involved." The one thing everyone could agree on was that conflicts over the place and price of milk in Venezuela's economy were unlikely to end anytime soon.[39]

Conclusion

For just over a quarter of a century, American capitalists owned and operated a milk distribution firm in Venezuela, delivering milk through multiple political revolutions and constantly beset by "widely differing arguments" as to the purpose of the company. At first called upon to deliver milk to the masses as a developmental project in state-backed social democracy, the firm proved most successful in the 1950s as a for-profit firm devoted primarily to buying milk from affluent farmers to process into pasteurized milk for upper-income consumers. Contestation over whether the firm should be a Venezuelan-owned company or an American-funded model of capitalist efficiency reflected the deeply politicized position of the firm. As a food distribution business, INLACA was inherently caught in the middle of competing demands from producers and consumers, a fraught position in any context that was further amplified by the fact that multiple political regimes in the country saw the distribution of milk as a significant aspect of their claims to legitimacy. It is remarkable that the company was as successful as it was at delivering the goods, though it is also worth noting how fundamentally the enterprise failed to deliver the transformative political results expected of it at its founding.

At core the history of INLACA highlights the importance of *food sovereignty* to Venezuela's twentieth-century political dynamics. The term "food sovereignty" only came into formal usage in the early 1980s, emerging from a Mexican government program intended to reframe international agricultural politics away from quantitatively measured national “self-sufficiency” in food to an approach of “national control over diverse aspects of the food chain, thus reducing foreign capital and imports of basic foods, inputs and technology.”[40] For petroleum-rich, exceptionally urbanized Venezuela at mid-century, “self-sufficiency” in quantitative terms—whether calories, liters, or bushels—was by any objective measure a misplaced goal. Rationally it made sense to export valuable oil and import cheap food. But notions of sovereignty—of national pride, of government authority and legitimacy, of localized control over the meanings and structures and enterprises of food provisioning—challenged such quantitative, rational measures. Thus in the Agrarian Law of 1960, Venezuela declared a goal of “self-sufficiency,” but the specifics of the program were focused on redistributing economic and social power—sovereignty—by broadening access to land and markets and healthful foods throughout the agrifood system. The long-term failure of the reforms to achieve either quantitative self-sufficiency or substantive qualitative transformations in the agrifood economy, however, illustrate an essential tension embedded in food sovereignty: achieving redistribution of power in the agrifood system inherently requires significance exercise of state authority, yet by redistributing such power the state opens itself up to threats, including questions regarding the legitimacy of the government in power.[41] The history of INLACA clearly illustrates such tensions, as over the course of 27 years it was at times called upon to bolster the legitimacy of state interventions in the food economy and at other times shunned as a threat to Venezuelan national identity and self-sufficiency.

In the twenty years following IBEC’s decision to pull out of the Venezuelan milk business, the project of agrarian transformation continued to face significant challenges. From 1984 to 1988, an Acción Democrática regime led by Jaime Lusinchi once again introduced agricultural policies intended to achieve increased domestic output and food self-sufficiency, again primarily through provision of subsidies and credit to producers rather than through investment in the infrastructure of agricultural production or distribution. But continued dependence on oil exports at a time of great instability in oil markets led to an economic crisis, to which the next Acción Democrática president, Carlos Andrés Pérez, responded by instituting a number of harsh neoliberal economic reforms in 1989, including slashing of farm subsidies. One immediate consequence was a steep decline in milk production, so that between 1989 and 1992 the amount of milk available per capita decreased by 45 percent. Dairying remained a labor-intensive rural enterprise in an exceptionally urbanized country. In the early 1990s, more than an hour and a half of labor was required to produce a liter of pasteurized milk in Venezuela, when the same took four minutes in the United States.[42]

One significant impetus behind the 1990s revolt against Acción Democrática that ultimately led to the 1998 election of Hugo Chávez was the widespread perception of Acción Democrática's repeated failures to achieve its promises of national food sovereignty. Agrarian reform measures, including mass redistribution of land to peasant and tenant farmers, have been among the most far-reaching components of Chávez's Bolivarian Revolution. Yet Chávez and his successor Nicolás Maduro faced many of the same challenges as their predecessors, including the continued political and economic dominance of large-scale rural landowners, as well as an ongoing lack of state capacity to implement and operationalize meaningful reforms on the ground to achieve food self-sufficiency.[43] Venezuela has thus remained highly dependent on imports to meet its food needs. And in the contemporary milk economy, it also relies on foreign multinational enterprises to distribute milk: the remains of INLACA, though sold to Venezuelan investors in 1974, now belong to Dairy Partners Americas, a joint venture between global giants Nestlé and Fonterra established in 2003. Whether such a global milk distribution enterprise can maintain legitimacy and trust in a political climate marked by intense debates over the balance between state and business power and rapidly deteriorating economic conditions remains uncertain.[44]

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