Consumer Protection, Divestment, and Food Security: A Pampas Parable

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Abstract

Government interventions intended to protect consumers can trigger supply-side divestment, leaving markets undercapitalized and exposed to future shocks. This paper exploits the unique features of a particular industry – cattle ranching – to illustrate this intertemporal trade-off. Distinctive dynamics arise because of cattle's dual role as a consumption and capital good: increasing current beef consumption requires liquidating cattle stocks, thereby constraining breeding capacity and future consumption. I combine a dynamic model of cattle ranching with variation in export restrictions from the Argentine beef market to show how consumer protection compromises food security through a divestment mechanism. While restrictions on food exports are often associated with a government's home bias, divestment reveals present bias: consumption is not only redistributed from foreign to domestic consumers but also from future to current domestic constituents. By discouraging investment, consumer protection raises the industry's exposure to climate risks and strengthens subsequent political incentives for intervention, generating a dynamic feedback loop between food policy and climate resilience.

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