

AGRARIAN REFORM PRESENTATION
To
AGRARIAN UNION LEADERSHIP COURSE

(Notes by Richard L. Hough - September, 1992)

I - Introduction

A. Difficult Confusing subject

Confusing because of the different types of Agrarian Reform that are involved.

Difficult because there are always "winners" and "losers" in land reform programs; the interest conflict direct and explosive in many cases; the resistance to change likely will be great, at least, in Latin American countries.

One of the constants of successful agrarian reform is to find ways to soften the interest-conflicts.

The example of the Republic of China (Taiwan) - Assets transferred off the land to a growing industrial sector through government bonds.

II - The Different Types of Agrarian Reform

A. Expropriation: Expropriation of privately Owned lands with compensation to the ex-property owners by the Government.

1. Most direct and usually most comprehensive option -
- also usually the most violence prone.

2. Redistribution of the expropriated land can be in various ways:

(a) Divided as individual family farms, to small farmers who had previously been renting or sharecroppers.

(b) Or to wage labor farm workers who form cooperatives to work the land.

(c) El Salvador has both -- El Salvador example.

B. Colonization: The settlement of farm families on government-owned lands.

1. Usually under-developed, lower quality lands; expensive projects involving the construction of high cost infrastructure, for example, housing, irrigation, potable water, community centers.

2. Colonization Projects: Not been successful in Latin-America - Examples are: the Transversal del Norte project in Guatemala and the Asentamientos in Panama.

- too expensive, beyond the resources of the Government; prone to corruption and bad management; movement of people from their homes to far out places, generally on poor quality lands--if the land was good, reasonably close to centers of population with decent roads it would have long since been settled.

- Escape, outlet for the government from dealing with excessive land pressures.

- Examples of Colonization in Indonesia - Java and Sumatra.

- Example of the huge colonization zone in Santa Cruz.

-- 50 Hectare parcels of reasonable good land; little development of infrastructure by Government; little or no extension service; colonizers annually have under cultivation about five to ten of their 50 hectares.

C. **Progressive Land Taxation:** Land taxes based on size and quality of holding, and the amount of holding under cultivation.

1. Purpose of such taxation: to reduce incentives for large holdings and penalize inefficient land use.
2. The intent of progressive land taxes is to create strong incentives for voluntary sale of under-utilized lands to smaller producers.
3. Progressive land taxation has proven difficult to implement, or enforce, administratively and politically.

(a) Honduras & Guatemala both have reasonably good progressive land taxation laws that are simply not enforced, or "loopholes" are exploited.

D. **Land Tenure Reform:** securing title to producers already on the land.

1. No redistribution of land assets involved.
2. What is involved is providing tenure security to small farmers, or primary producers, who will likely already have use-rights to their parcels.
3. This is a major problem area of agrarian reform throughout virtually all of Latin America -- the lack of secure tenure arrangements for small producers; the lack of legal titles for their holdings.

4. **Insecurity of tenure affects economic choices**

(a) lack of a land title in most Latin American countries restricts access to both production and investment credit.

(b) directly impinges on decisions to invest in new capital formation, or to diversify from subsistence to cash crops.

(c) Insecure tenure inhibits risk-taking and agricultural modernization; deadens the incentive of entrepreneurship among small producers.

- This is the principal agrarian reform problem in the central part of Paraguay in the intensively farmed minifundio areas.
- Major problem also in the rich, fertile valleys of Cibao in the Dominican Republic.
- Many other Latin countries where land tenure security is a serious problem for the large mass of small producers.

E. Commercial Land Markets: the "soft" alternative to expropriation.

1. Involves establishing institutional and financial means which allow owners of large holding who are willing to divest themselves of some of their land to in fact sell to many small farmers, or landless, who want to buy.
2. Require land banks or mortgage institutions to make it work: that is, specific legislation and a financial institution authorized to promote land sales to small farmers.
3. Major problems with this approach:
 - Small farmers in Latin America unless subsidized in some way will generally have only very limited funds for down-payments on land purchases.

- Historically, interest rates for land purchase -- the cost of money -- have been way too high and the amortization period too short -- in comparison, for example, with Australia or the United States.
 - Third, though there may be large landholding willing to sell, the institutional and financial mechanisms to facilitate their transfer to a large number of small holders are generally not in place.
4. The role of the Gov't. is thus key in a commercial land market initiative which could be taken instead of expropriation.
- For example, while a land market program as a form of agrarian reform is voluntary, the gov't. can provide incentives to large holders to sell such as the exclusion of the resulting capital gains from taxation.
 - Or tax incentives for reinvesting land sale proceeds in key industries.
5. This new Commercial Land market approach to land distribution is now becoming more visible, with more interest, particularly in Central America.
- Small commercial land sales program in the Highlands of Guatemala through the Fundación del Centavo.
 - A new land bank and compra y venta program in El Salvador.

III - Difference between Land Reform and Agrarian Reform

- A. The two terms are often used interchangeably which is wrong.

- B. Land reform refers to the redistribution of land assets; the shift toward more equitable access to land and water.
- C. Agrarian reform is land redistribution accompanied by institutional programs designed to make the reform sector more productive: attention obviously has to be put on production.
- D. That is, reform beneficiaries, must also gain access to production credit, technical assistance, marketing services and education.
- E. **The Bolivian example.**

IV. The Causes of Unjust and Unequal Patterns of Land Distribution in Latin America

- that generate the need for Land Reform and Agrarian Reform Programs
- First, the Brazil Example of Land Concentration and Landlessness to show the Injustice and lack of Equality
 - Extreme concentration of land ownership and great landlessness
 - Number of landless and near landless about 11 million rural inhabitants.
 - 29% of rural properties with more than 1000 hectares occupy 57% of the agricultural land
 - 30% of farms are smaller than 10 hectares and occupy only one % of the farm land
 - The larger farms also have the higher quality land.

A. Causes

- Excessive rates of population growth
 - increasing the number of landless and near landless and high population densities on the land

-- The Central American Example

- In 1988, Central American countries were growing at an average rate of about 2.8-2.9 percent
- Nicaragua 3.5%; Honduras 3.1%; Guatemala 3.2%; Costa Rica 2.9%; El Salvador 2.8%; Panama 2.2%
- population doubling time for a country growing at 2.9% is 24 years.
- population grows like compound interest - the lily pond analogy
- Spanish-speaking Central America had 8 million people in 1950; about 26 million today; at the present average, the population will reach 39 million by the end-of-the-century.

3. Excessive population growth rates is one of the central factors explaining the severe land pressures which exist in Central America today.

4. Also the capacity of public and private agencies to provide agricultural, technical and financial services on the land are overwhelmed by the excessive growth of population.

B. Government Policies Favoring Larger Scale Commercial Farming (Cash Crop Ag.)

- Squeezing out the small farmers at the very time of high population growth and increasing landlessness
- The Dominican Republic Example
 - Depopulation of the Rural Areas
- Green Gold example (bananas) in Central America.
- Soy Bean Example in Southern Brazil

- The neglect of the Small Farmer -- The Sendero Luminoso in Peru.

C. Historical Factor -- The Latifundio Tradition

- The Spanish Heritage of latifundia - the crown giving large tracts of land to the chosen few led to a tradition of:
 - Estate or Land Extensive agriculture
 - reducing the campesinos to serfdom.
 - direct antecedent to large scale commercial agriculture today

V - The Land Reform Experience in Latin America

- Beginning with Alianza para el Progreso in 1961, 19 Latin American and Caribbean countries passed Land Reform legislation, creating land and agrarian reform programs of various kinds
 - U.S. financial assistance was provided for many of these undertakings
 - Major form of reform in Latin America and particularly Central America, has been colonization programs on public lands
- On the whole, with a few exceptions here and there, these land reform programs have failed, been progressively diminished, or have not sustained themselves. The reasons for this include:
 1. Lack of political will
 - Carrying land reform through to a successful conclusion extremely complicated and difficult.
 - There has to be sufficient political will to counter the strong and often violent opposition.

-- this has been lacking in LA governments

-- So long as people whose interests are threatened by reform hold power, they will find ways to obstruct, and diminish land reform programs - simple proposition

2. Basic focus on the politically easier path: Colonization programs

-- Emphasis on settlement in new areas while land tenure structures in productive areas -- with good infrastructure -- are left alone

-- For example, by 1985, Ecuador's reform sector included 30% of the total national farm land; yet over three quarters of this was made-up of colonization lands

-- for failure or moderate success.

Other reasons - beyond those of colonization settlements in removed areas and lack of political will.

3. Poor quality lands: Mexican example

-- In the 1960s & early 70s more than 25 thousand hectares were distributed to the landless, but only about 10% of the land was arable

4. Lack of production inputs & other services

-- converting land reform into agrarian reform programs

-- by providing the seasonal credit, production inputs & technical assistance so badly needed

-- the Governments failure in this key area in Peru, Bolivia, Guatemala, Panama, El Salvador

5. too little land per parcel for farm household

- In countries with minifundia type agriculture, a major problem has been that the land parcel has been too small to support the small farmer beneficiary and his family
- For example in El Salvador, the Phase III. Land-to-the-tiller beneficiary has found that his parcel accounts for only about one-third of his families net annual income
- Similar type problems in the highland areas of Ecuador, Bolivia and Peru.

6. The bimodal or dual structure of landholding

- Fundamental to understanding the limited success of agrarian reform programs in Central America.
- In Honduras for example, there is a high-technology, cash crop sector in large part dominated by the banana industry.
- And a low technology subsistence sector of corn, beans, of basic staples.
- Roughly over half of all farmers are squatters on public lands
- this dual structure is characterized by the modern, cash crop sector receiving the best lands, virtually all capital and technical assistance and government support on the one hand.

- And subsistence agriculture on the other
- With this type of basic pattern of landholding it is difficult to implement, even impossible, agrarian reform -- "without revolution"
- Contrast with Asia and the successful agrarian reform in Taiwan, South Korea and Japan after WW II.
- Where there is a unimodal structure of land holding
- and where agrarian reform programs were implemented by governments with virtually no political ties to the landed class.

VI - Agrarian organizations and Production Services

- A. Over the years campesino collective action in the struggle for land has been the principal factor in generating the growth of agrarian organizations.
 - This has been the case in Mexico, Honduras, Venezuela, El Salvador, Dominican Republic
- B. Only seldom have agrarian organizations of small producers been established principally to serve economic functions - such as collective efforts to obtain credit, the marketing of products or the purchase of production inputs.
 - In considerable part, the inability of campesino organizations to organize to pursue economic interests is a direct result of this bimodal structure of landholding where input, output, credit channels are all geared to serve large producers.

- Even after land redistribution, effective campesino organizations that provide economic services to their member farmers have been most difficult to establish the
 - The Phase One Co-ops in El salvador and the Regional Multi-purpose Cooperatives in Honduras and good examples of this
- The great continuing challenge of campesino organizations today is exactly in this area
 - the modernization of agricultural technology, and transition to cash crops for export all dependent on economic services from the agrarian organizations.
 - ultimately, the issue is survival of the organizations
 - long-run, progressive modernization of small farmers or campesino agriculture the key to the political & economic success of the agrarian organizations that service the farms.

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