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MEMO

September 24, 1969

TO: Donor M. Lion Associate Director, USAID Brazil
FROM: D. W Adams AID/W, PPC/SMAD

SUBJECT: Observations on GERAN's proposed land reform activities.

As you know, I spent the period August 27 to September 10, 1969 in Recife with your staff focusing on the land reform aspect of GERAN's programs. The following presents (1) a brief summary of my activities during that period, (2) the major policy issues on land reform which I feel the Mission and GERAN face, and (3) several suggestions for specific programs which the Mission might consider in order to support land reform in NE Brazil.

Activities and Focus

As I mentioned previously, I felt my time could best be spent in focusing on just the land reform part of GERAN's program. Sugar modernization and improving conditions for sugar workers, the other aspects of GERAN's program, will draw more support within GERAN and among usina owners than will be true of the land reform activities. AID's influence could be most useful in making sure that social-economic surgery (land reform) is not lost in the operating shuffle of GERAN. I feel that most of our resource input should be clearly aimed at the improvement of working conditions among sugar workers and settling workers through land reform. We should be supporting sugar modernization only to the extent necessary to achieve these social goals.

With the help of Louis Guzman, I was able to visit several different types of land reform programs in the general area of Recife. These included IBRA's Caxanga project, CRC's project near Cabo and Padre Melos activities also in the Cabo area. In addition, we visited with officials from GERAN, IBRA, and owners of GERAN's proposed first program: Cucau. I came away from these visits without any clear feeling about whether or not GERAN will go. Things are coming to a head, however, and a clear indication on the viability of GERAN should be available by the end of the year.

Land Reform Issues

In general I felt that the conditions and technical feasibility for a substantial land reform program in the Zona da Mata are about the best that I have seen in Latin America. Some of the reasons for this are as follows: (1) Land is relatively inexpensive. Good land can be purchased from usinas for 50 to 75 dollars per hectare. (2) More than half of the

land in the usinas is not being intensively cropped. There is also a good bit of land still being cleared. (3) Most potential land for parcelization has available access roads. Little will need to be spent initially on providing land reform participants with access to markets. (4) The Zona da Mata is a food deficit area and could easily absorb a substantial increase in production of a broad range of food items without serious impact on prices. (5) Food prices are high in the Zona and should provide excellent production incentives to land reform participants. (6) A number of the usinas are under economic pressure. They are apparently willing to exchange some of their excess land for relief from this pressure. (7) Abundant labor resources exist in the area. A substantial part of the labor force has or is losing "permanent-worker" status. (8) Climate and land resources are such that a broad range of production enterprises can be carried out. Land reform participants need not be locked into just one or two enterprises. (9) GERAN is a politically acceptable mechanism for carrying out land reform. (10) Strong support for land reform exists in the Recife AID group.

*Conditions
Proposed*

EVEN A MODERATELY WELL ADMINISTERED LAND REFORM PROGRAM IN THE ZONA SHOULD BE SUCCESSFUL.

Some of the major issues which GERAN faces in its land reform program, and my suggestions for AID's position on these issues follow:

1. Where should farm enterprise diversification take place in the Zona da Mata? --- Although AID should be interested in seeing any regional farm enterprise diversification take place, main stress should be placed on getting this diversification on small-to-medium sized units.
2. Who should manage the land reform activities included in GERAN's program? --- If possible IBRA should play a major role in managing these. If this is not possible and GERAN undertakes these activities, GERAN must be quickly alerted to the problem associated with parcelization activities. Introducing GERAN officials to land reform activities in Brazil as well as in other Latin American countries as soon as possible seems highly desirable.
3. How much land for parcelization should GERAN seek within their program? --- AID should clearly signal to GERAN that we are interested in getting as much land for parcelization as is possible. GERAN should be encouraged to apply liberal definitions of "surplus workers" and size of parcelization units in negotiating with usina owners.
4. In what forms should AID assist GERAN? --- AID is already committed to provide technical assistance to GERAN. Some general budgetary support will also likely be necessary. It seems preferable, however, for AID to put most of its support through specific projects clearly identified with the social aspects of GERAN's programs. (Several suggestions for these are outlined later.)
5. How should the selection of the land reform participants be carried out? --- A major key in the success of parcelization programs is the types of people settled. GERAN should be encouraged to select participants from as

broad a base as possible. Ideally, all interested participants located in the general area should be allowed to apply for participation. Priority, however, can be given to qualified workers on the GERAN-project usina. Applicants should be selected on the basis of age, health, family labor available, letters of recommendation, experience with crop cultivation, credit responsibility, and long-term resident of general area.

6. What role should labor unions and coops play in parcelization activities? --- Organizations representing the farm workers and parcelization participants should have viable roles in GERAN's activities. The labor unions should be encouraged to exercise a voice in GERAN. They should have a piece of the action! As a minimum the unions and/or coops should have final say on selection of land reform participants and their credit worthiness. The long run success of parcelization activities will largely rest on allowing the workers to express themselves on the projects in a meaningful manner. --- Could union leaders be sent to Venezuela and/or Chile to see what roles unions have played in land reform?

7. How much training will be necessary for the land reform participants? --- If latitude is allowed in selection of participants, little emphasis need be placed initially on formal training programs. I feel that AID and GERAN are far too preoccupied with the "lack-of-ability-among-sugar-workers". The land reform projects which I looked at in the Recife area strongly suggest that given access to resources, adequate incentives and a very modest amount of technical assistance most land reform participants can claw ahead. Large doses of training and supervision will only be necessary if usina owners are allowed to select those whom they wish to receive parcels.

8. How large a subsidy element should total project cost for land reform include? --- The project should be designed so that land reform participants repay most project cost. I would also recommend that commercial rates of interest be charged on debts and on production credit loaned to parcelization participants.

9. What are the investments needed in social infrastructure in parcelization projects? --- Only very modest amounts of capital should be tied up in housing and improved roads. Some investment may be required in water system for home and livestock use.

10. What additional information does AID and GERAN need in order to make better decisions about land reform? --- As a minimum, the results of parcelization projects in the Recife area should be carefully studied. This might include taking a look at how participants were selected, amount of technical assistance provided, credit availability, farm enterprises adopted, per family cost figures, income data, and repayment capacity.

11. How should AID staff up to assist with GERAN's programs? --- AID badly needs a full time coordinator in the Recife group to handle GERAN questions. In addition, at least three technicians will be initially needed to help GERAN think through the land reform questions. This would

include: (1) A general economist and/or management specialist who could help GERAN set up, plan, and think through its overall activities, (2) a land reform policy expert who could draw from other experience, (3) an agricultural credit specialist who could begin to help set up credit facilities for settlers.

Possible AID Projects

In addition to the technical assistance and modest budgetary support which AID might provide to GERAN, I feel there are several specific projects which might also be considered.

High priority should be given by AID to a production credit program aimed at supporting settlers. This could include a modest amount of supervision. Between \$1,000 and \$2,000 dollars worth of credit should be planned for each participant. Sugar cane planting expenses, fences, ?? cattle, and improved pasture could receive early credit emphasis. PL480 local currency could probably be used for this purpose.

A moderate amount of PL480 food aid might also be tied into the land reform projects to substitute for needed consumption credit in the first two years of the program. Several hundred thousand dollars worth of this would probably be sufficient.

Finally, I feel that AID should seriously consider a "land sale guarantee" program, similar to that being proposed in Ecuador, in order to expand the amount of land available for parcelization. Briefly, this program would guarantee payment to landowners for commercial sale of land to a peasant organization. In this manner the landowner would in effect finance the land reform program, and the money placed in the guarantee program result in a good deal of leverage. I can see where the guarantee program could have an important impact on substantially increasing the amount of land available for parcelization. Again, PL480 local currencies could fill the guarantee fund. Adjustments could also be worked in for monetary correction.

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purpose: special group for the rationalization of the NE Sugar administration (CC&SI) which to be financially, technically and administratively capable of carrying out the modernization and diversification of the sugar industry in the region.

- admin & org procedures improved
- technical & planning capabilities developed
- supervision of various projects provided
- working relationships with other govt agencies established
- sugar industry modernized