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by
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Land Reform in Plantation Agriculture:
An Analysis of the Case of Sri Lanka with Special Reference to Tea Plantations*

by

Nimal Fernando**

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Though it is very difficult to measure its importance precisely, plantation agriculture occupies a significant place in the world's agricultural economy. Important export crops such as coffee, tea, sisal, banana, oil palm, and sugar are produced on plantations. More than 80 percent of Sri Lanka's total tea production originates on plantations. India, especially North India, also relies heavily on plantations for its production of tea.[1] Sugar cultivation in the Peruvian coastal area was carried out mainly on plantations prior to the country's land reform program in 1969.[2] In fact, plantations play an important role in many of the world's sugar-producing countries, including Guyana and Puerto Rico. South American and Central American banana production comes chiefly from plantations.[3]

There are several ways in which plantation structure is felt to impede economic development:[4] (1) the heavy reliance on one or two crops has tied some countries to the fluctuations of the world market situation, adversely affecting their national economies; (2) the growth of the plantation sector which produces export crops has impeded the growth of the food crop sector; (3) plantation agriculture seems to have hindered the human resource development of the labor force (i.e., the need for a large amount of cheap labor has motivated planters to adopt measures which ensure the continuous availability of a cheap labor force); and (4) plantations often tend to underutilize available land.[5]

Plantations have two major employment problems. One is that they tend to shift toward more labor-extensive techniques which leads to reduction in employment per unit of land.[6] Given the magnitude of the unemployment problem and the inability to absorb an increasing labor force by the other sectors of the economy this poses serious problems for many countries. The other problem is that single crop patterns imposed by most plantations impart a seasonal nature to employment. In crops such as sugar, lack of

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1. Tea Board of India, Tea Statistics (India, 1973/74).

2. J. Paige, Agrarian Revolution, Social Movements and Export Agriculture in the Underdeveloped World (Berkeley: University of California, 1975).

3. FAO, The World Banana Economy (Rome: Commodity Bulletin Series no. 50, 1971).

4. See George L. Beckford, Persistent Poverty, Underdevelopment in Plantation Economies of the Third World (New York: Oxford University Press, 1972). For an analysis with special reference to Guyana, see J. R. Mandle, The Plantation Economy, Population and Economic Change in Guyana, 1838-1960 (Philadelphia: Temple University Press, 1973). Mandle's book concluded: "If development is to be accomplished, it seems clear that the first priority will have to be the dismantling of the plantation dominance of the economy," p. 144.

5. See Beckford, Persistent Poverty.

6. D. E. Horton, Land Reform and Reform Enterprises in Peru (Madison: Land Tenure Center, 1974).

employment during the dead season is well known. For example, in prerevolutionary Cuba the unemployment rate rose to very high levels during the long dead season which ranges from November to April.[7] During this period most sugar workers led a difficult life without sufficient income. The situation of sugar cane workers on plantations in Puerto Rico today seems very similar to that of prerevolutionary Cuba.[8]

To the extent that solving the unemployment problem is important to "development," the plantation has institutional disadvantages, although it may contribute to economic growth by adding to export earnings. So in order to ensure that the national economy derives maximum potential benefits from the lands under the control of plantations, land reform in this sector is essential. To date, very few countries in the world have attempted to do so, however. Moreover, those countries which enact and implement land reform programs tend to exempt plantations from the provisions of the reform laws. While the legislation of 1969 expropriated the coastal plantations, the Peruvian Land Reform Law of 1964 exempted cotton and sugar lands from its provisions.[9] The land reform laws enacted so far in the Philippines have exempted sugar lands from those laws.[10] Other countries which have touched the plantation sector have done so only marginally. Honduras is a good example of such a country. Sri Lanka's Land Reform Law of 1972 initially exempted a large number of plantations from its provisions, but the Amendment to this Law introduced in 1975 led to the expropriation of the plantations so exempted. The major purpose of this paper is to discuss Sri Lanka's 1972 Land Reform Law and its 1975 Amendment as they relate to the country's tea plantations.

Historical Developments of Plantation Agriculture in Sri Lanka

The history of plantation agriculture in Sri Lanka dates back to the British colonial period in the country.[11] The acquisition of the maritime provinces by the British in 1796 and the expansion of British rule to the Kandyan kingdom in 1815 marked an era of basic changes in the agrarian economy of the country. Almost from the beginning the British rulers encouraged the cultivation of commercial crops such as cotton, sugar cane, and indigo. When the difficulty of growing these crops became apparent,

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7. Dudley Seers, et al., Cuba: The Economic and Social Revolution (Chapel Hill: University of North Carolina Press, 1964).

8. Sidney W. Mintz, "Cañamelar: The Sub-Culture of a Rural Sugar Plantation Proletariat," in The People of Puerto Rico, A Study in Social Anthropology, Julian H. Steward, ed. (Urbana: University of Illinois Press, 1956).

9. See Horton, Land Reform and Reform Enterprises in Peru.

10. D. A. Harkin, "The Philippine Land Reform," LTC Newsletter, no. 48 (Madison: 1975).

11. Some have claimed, however, that plantations existed in Sri Lanka even during the Dutch period from 1658 to 1796. See People's Bank, The Economy of Sri Lanka (January 1977), p. 4.

attention of the British colonists shifted to coffee. While the colonial government initially involved itself directly in the cultivation of coffee, it soon encouraged private individuals to cultivate the crop. Coffee cultivation expanded rapidly during the 1840-75 period. Acreage increased from only 5,000 in 1837 to 273,000 by 1878, but was totally destroyed during the 1880s by a blight which had first appeared in the late 1860s.[12]

The commercial cultivation of tea in Sri Lanka began in 1867 with 19 acres planted to the crop in that year.[13] That area expanded rapidly after the coffee crisis, increasing from 57,627 acres in 1885 to 406,224 acres in 1901. By 1946, two years before the end of colonial rule, tea cultivation covered 552,853 acres.[14]

The cultivation of food crops, particularly paddy, was almost entirely neglected by the British until the 1850s. Several subsequent attempts to expand the paddy cultivation mainly through the development of ancient irrigation systems met with little success. This sector's food demand was satisfied, therefore, mainly by increased imports.

Land and Labor for the Plantations

The growth of the plantation crops, first coffee, then tea, among others, was facilitated by alienations of Crown lands to interested planters, including rich Ceylonese. Considerable dissention surrounds the study of the initial distribution of lands to the planters. How did the Crown come to acquire its land? Was the Crown in fact the major source of these lands? Some have argued that the Crown Lands Encroachment Ordinance No. 12 of 1840 enabled the government to increase its ownership of land by acquiring forest, waste, and unoccupied or uncultivated lands until the private ownership for such lands was proved. This ordinance also enabled the government to acquire certain kinds of chena lands (lands used for swidden agriculture).[15] In the meantime, peasants themselves sold some of their lands to the planters.[16] Others have argued that the planters' major source of land was these peasant land sales.[17] However the lands were

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12. K. M. de Silva, ed., History of Ceylon, vol. 3 (Sri Lanka: University of Ceylon, 1973).

13. D. M. Forest, A Hundred Years of Ceylon Tea: 1867-1967 (London: Chatto & Windus, 1967).

14. N. Ramachandran, Foreign Plantation Investment in Ceylon, 1889-1959 (Colombo: Central Bank of Ceylon, 1963).

15. N. Sanderatne, "The Political Economy of Asian Agrarian Reform," Ph.D. thesis, University of Wisconsin-Madison, 1974, p. 269.

16. See M. Roberts, "The Impact of the Waste Lands Legislation and the Growth of Plantations on the Techniques of Paddy Cultivation in British Ceylon," Modern Ceylon Studies, 1:2, 1970, pp. 157-198.

17. See quotations from L. Jayawardena's Ph.D. thesis, ibid., p. 180.

originally acquired, a total of about 1.5 million acres is estimated to have been sold for estate development at a nominal price under the system of land sales begun in 1833 by the colonial government.[18] The low population density, especially in the upcountry where plantations were concentrated, also facilitated the large-scale estate expansion. Sri Lanka's total population in 1921 was only 4.5 million.[19]

Some have argued that the Sinhalese community in the upcountry was not adversely affected by the growth of plantations. For instance, Sir Hugh Clifford, British colonial governor in Sri Lanka during 1925-27, said, "The Sinhalese villages of the uplands of Ceylon did not lose anything by the conversion of vast areas of untrodden forests into thriving coffee estates. . . . A process of eviction was applied only to the wild beasts of the forest . . . ."[20] Nevertheless, many scholars have countered that the expansion of plantation agriculture in the upcountry severely limited the possibilities for the expansion of villages, therefore affecting the agricultural economy of those villages.[21] The lack of land for the increasing populations of the upcountry villages resulted in a holding size too small to be economically viable. According to the Census of Agriculture (1946), the average size of paddy holding in the country was 1.2 acres, whereas in major plantation districts, namely, Kandy, Nuwar Eliya, and Badulla, the average holding size was well below the national average (0.59, 0.65, and 0.75 acres, respectively).[22]

Unlike many other plantation economies, the expansion of plantation agriculture in Sri Lanka failed to create an indigenous proletarian class. Kandyan peasants were reluctant to make their labor power available at low wage rates; furthermore, they had access to land for their own cultivation.[23] Thus planters resorted to importing labor from South India, foreclosing the possible link between the peasant and plantation sectors. Descendants of these imported workers helped to perpetuate a supply of cheap labor for the plantation sector.

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18. Sanderatne, "The Political Economy of Asian Agrarian Reform," p. 268.

19. Department of Census and Statistics, The Population of Sri Lanka (Colombo, 1974).

20. Forest, A Hundred Years of Ceylon Tea, p. 236.

21. See D. R. Snodgrass, Ceylon: An Export Economy in Transition (Homewood, Ill.: The Economic Growth Center, Yale University, 1966).

22. Department of Census and Statistics, Census of Agriculture (Colombo, 1946).

23. V. K. Jayawardena, The Rise of the Labor Movement in Ceylon (Durham: Duke University Press, 1972).

Postindependence Period

Even after Sri Lanka gained political independence from the British in 1948, the plantation sector remained intact until recently--despite the regular occurrence of nationalization threats since 1956. Successive governments viewed the plantation sector as the not-to-be-touched foreign exchange earner of the country. This view is reflected in the Control of Fragmentation Law of 1958, enacted to prevent fragmentation of tea and rubber lands into units smaller than 100 acres.

The Tea Subsector in Sri Lanka's Agricultural Economy

Tea is the major crop grown on the country's plantations. In Sri Lanka, a land unit of more than 10 acres planted to tea is defined as a tea plantation. Tea exports account for about 50-55 percent of the total export earnings of the country.[24] Furthermore, the tea subsector contributes in large measure to the total tax revenue of the country. It has been estimated that the tea industry provides direct employment to about 600,000 people.[25] Moreover, there are a number of service industries associated with the tea subsector, increasing its importance to the national economy still further.

Size and Ownership Distribution of Tea Lands

As Table 1 shows, Sri Lanka's tea cultivation is characterized by a few largeholdings and many more smallholdings. About 97 percent of the holdings and 18 percent of the total area planted to tea were in units below 10 acres in 1972. Two percent of the holdings were in units between 10 and 100 acres; the holdings in this category accounted for about 11 percent of the total area planted to tea. The holdings in the range of 100 to 500 acres accounted for only about 0.4 percent of the total number and holdings over 500 acres were only 0.27 percent. However, these two categories accounted for about 24 percent and 46 percent of the total area, respectively.

Approximately 27 percent of the area planted to tea was owned by Sterling Companies (companies registered in the United Kingdom) in 1972, while the Rupee Companies (companies registered in Sri Lanka) owned about 25 percent of tea lands. Ceylonese individual ownership of estates amounted to about 26 percent, and Ceylonese smallholdings numbered about 18 percent (see Table 2). A number of conclusions may be drawn from these data:

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24. Central Bank of Ceylon, Annual Report, 1975. It is important to note here that Sri Lanka is the only country in the world which depends so heavily on the export of tea for foreign exchange.

25. See H.N.S. Karunalilaka, Price Distortions and Their Effect on Employment in Sri Lanka: A Descriptive Overview (Quezon City, Philippines: Council for Asian Manpower Studies, 1976).

Table 1

Size Distribution of Tea Lands, 1972

Size of Holding (in acres)	Holdings		Extent	
	Number	%	Acres	%
Smallholdings (below 10 acres)	114,387	97.2	107,667	18.0
10 to under 100	2,479	2.1	66,662	11.2
100 to under 500	521	0.4	145,760	24.4
500 and above	313	0.3	277,556	46.4
	117,700	100.0	597,645	100.0

SOURCE: Administration Report of the Tea Controller, 1972.

Table 2

Ownership Distribution of Tea Lands, 1972

Ownership Category	Acreage	Percentage
Sterling Companies	158,147	26.5
Rupee Companies	150,889	25.2
Non-Ceylonese individuals	10,859	1.8
Ceylonese individuals	152,468	25.5
Ceylonese and non-Ceylonese individuals (jointly)	4,085	0.7
State	13,530	2.3
Ceylonese smallholders	107,667	18.0
	597,645	100.0

SOURCE: Ferguson Ceylon Directory, 1972/1973.

(1) corporate tea cultivation is about a half of the total acreage; (2) foreign corporate ownership is also substantial; (3) domestic individual ownership is significant; (4) almost all of the smallholdings are owned by Ceylonese.

Prereform Situation in the Tea Plantation Sector

The tenurial problems in the tea plantation sector differ significantly from those of the paddy subsector. Lack of appropriate data and information, however, does not permit a systematic study of these problems. Though tenure problems are present in the tea plantation sector, there seems to have been near-systematic neglect of these problems by both policy-makers

and researchers. The lack of data may be partly caused by the presumption that the tenure structure in the plantation sector is ideal. "Perhaps owing to the several domestic and foreign political constraints and the higher revenue productivity of estate lands, discussion of land tenure problems has generally been confined to the non-estate sector."[26]

But this does not portray the situation accurately. In the first place, the above presumption is based on the notion that a tenure structure is a "good" one if it merely achieves higher land and/or labor productivity. This kind of thinking completely ignores the case for land reform on income distributive grounds. It fails to consider who benefits from higher yields or, more explicitly, from the existing tenure structure. Secondly, it appears erroneous to assume that largeholdings give higher yields than smaller holdings. Under imperfect product and factor markets, economies-of-size arguments tend to lose their validity in that smallholders may be unable to produce higher yields because of these very imperfections. Given a more perfect market situation, perhaps they would achieve the same yield levels as largeholders. Douglas Horton explains it this way: "There seems to be few inherent advantages in favor of any size group. Advantages for specific activities often depend upon the nature of non-agricultural institutional arrangements--e.g., the adequacy of delivery, and technical services for different size groups--and these change over time."[27]

Wage-labor, mostly the descendants of South Indian Tamil laborers imported during the colonial period, is used in the cultivation of tea on plantations. Approximately 80 percent of the tea plantation labor force are Indian Tamils.[28] The total Indian Tamil population in Sri Lanka was estimated in 1971 at 1.1 million,[29] but only about 20 percent of this population holds Sri Lankan citizenship, although most were born there. The "noncitizen" character of this labor force has had an adverse effect on their standard of living, mainly because they do not have access to government welfare programs.

From the point of view of the laborers, the system of wage payments has historically been very unsatisfactory. Until 1927, all wages were paid directly to a middleman, known as kangany, who helped the planters recruit their laborers. The Minimum Wage Ordinance was passed in 1927 and implemented in 1929, but did not bring tangitle benefits to the laborers.[30] Until 1941 the hours of work per day were not regulated by any law.

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26. Sanderatne, "The Political Economy of Asian Agrarian Reform, p. 282.

27. Horton, Land Reform and Reform Enterprises in Peru, p. 126.

28. Ferguson Ceylon Directory 1972/1973 (Colombo, 1975).

29. Department of Census and Statistics, The Population of Sri Lanka, p. 44.

30. See Jayawardena, The Rise of the Labor Movement in Ceylon

Even after Sri Lanka gained political independence, there were no significant increases in real wage rates. A recent ILO paper on rural poverty in Sri Lanka reveals that the estate-sector population experienced a continued fall in their real standard of living during the period between 196 and 1973. The average earnings per day of male workers on tea plantations in 1973 were 6.5 percent less than in 1963. Earnings per family, too, fell during the same period. The study concluded that "the condition of plantation workers demonstrates that the problems of absolute poverty in the rural areas are still widespread."[31]

Although estate owners are obliged by law to provide schooling facilities for the children of workers, the level of education has always been very low. Even today, about 40 percent of the estate population is illiterate, in contrast to the corresponding rate of 20 percent for the whole island.[32] No improvements have been made in the schools, and "the educational system remains more or less what it was during the early decades of this century."[33] The tea subsector only maintains primary schools offering classes up to the fifth or sixth grade. With just one teacher employed in each school, the quality of education is very poor.

Housing facilities, too, remain inadequate. The medical director's 1969 report stated that 44 percent of the estate population still "live in the very unsatisfactory back-to-back lines which were characteristic of the early days of the plantation industry."[34] Most houses are overcrowded since the building of new dwellings has not kept pace with population growth.

When considering health, the rates of both maternal and infant mortality have always been higher in the estates than in any other sector of the economy. The death rate of infants under one year of age per 1,000 live births was 110.4 on the estates in 1969, more than double the rate of 52.7 occurring on the island as a whole; the maternal mortality rate was also roughly two times higher. Figures also reveal that the island's overall death rate of 8 per 1,000 in 1969 was surpassed by the 11.9 experienced by this sector.[35]

The plantation sector is encountering widespread unemployment as well. Open unemployment on estates has grown over the past decades; underemployment, too, is prevalent. The ILO Mission to Sri Lanka in 1971 estimated that "almost one-quarter of the agricultural work force on estates is

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31. E.L.H. Lee, Rural Poverty in Sri Lanka, 1963-1973 (Geneva: World Employment Program Research Working Papers, 1976), pp. 23-24.

32. Government of Ceylon, Socio-Economic Survey 1968/1969, Colombo.

33. Government of Ceylon, Report of the Commission of Inquiry on Agency Houses and Brokering Firms, Sessional Paper no. 12 (1974), p. 140.

34. Ibid., p. 139.

35. Ibid., p. 134.

underutilized."[36] Since most of the people on tea plantations are noncitizens, it is almost impossible for this sector's growing labor force to find alternate employment in the virtually stagnant agrarian economy.

The picture painted so far does not, of course, apply to the white-collar employees on plantations, such as superintendents and assistant superintendents. The management hierarchy during the colonial period consisted mainly of Europeans; after independence, the situation changed gradually with Ceylonese young people increasingly replacing the Europeans.[37] But these managers almost always came from rich Ceylonese families since recruiting was done on the basis of "family connections, personal friendship, social class and the 'old school ties'."[38]

White-collar employees in the tea estates draw salaries ranging from Rs.1,000 to Rs.3,500 per month in addition to enjoying a variety of other benefits. Superintendents, for instance, "are paid approximately Rs.2,000 to Rs.3,000 per month, have large bungalows, an average of three or four servants and cars provided by the estates."[39]

A tenure system may be described as "good" only when it serves the needs of the people, not the needs of rich absentee landlords or white-collar employees. When the cultivators of the land remain in poverty garnering little hope for a decent standard of living while the fruits of their labor are enjoyed by others, we can conclude, regardless of who the others are, that the tenure system needs restructuring. A good tenure system should provide cultivators of land with an opportunity to better themselves and prepare their children for a life with the basic necessities. Viewed in this context, the situation of tea plantations prior to the land reform program can hardly be considered satisfactory.

It also appears to be a fallacy that the estates are being managed efficiently. A sample survey (the sample consisted of nineteen tea estates) done for the Commission of Inquiry on Agency Houses and Brokering Firms revealed that some estates were very poorly run. On the basis of this survey's results, the Commission concluded that only eight of the nineteen estates were operating satisfactorily.[40]

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36. I.L.O., Matching Employment Opportunities and Expectations: Report (1971), p. 87.

37. Forest, A Hundred Years of Ceylon Tea.

38. See Government of Ceylon, Report of the Commission of Inquiry, p. 125.

39. Edith M. Bond, "The State of Tea: A War on Want Investigation into Sri Lanka's Tea Industry and the Plight of the Estate Workers" (London: War on Want, 1974), p. 7.

40. See Government of Ceylon, Report of the Commission of Inquiry, p. 84.

Replanting is a very important agricultural practice in tea cultivation simply because most of Sri Lanka's tea bushes are very old.[41] Therefore, replanting frequency is a good indicator of efficient estate management. The Commission on Agency Houses collected data from those tea estates of over 200 acres managed by the Agency Houses, on the acreage they replanted each year from 1965 to 1970. Analysis of the data received from 215 estates showed that: (1) the annual rate of replanting on the estates stayed below 2 percent per annum, generally accepted as the minimum desirable rate for Sri Lanka; (2) the rate of replanting on Rupee Company estates is significantly higher than that on the Sterling Company estates; (3) the highest rates of replanting achieved by the estates are in those at the low elevations[42] even though the high elevations are generally considered to be better suited for tea because the tea they produce is high quality and brings a higher price on the market.

The Commission concluded that the amount of replanting taking place was not in line with long-term national economic interest. It can also be pointed out that the replanting ratio, defined as replanted tea acreage to total tea acreage, was only 6.7 percent in 1970.[43]

Fertilizer use can also be used as an indicator of good agricultural practice. The performance here, too, has been disappointing--as shown in Table 3. The total amount of fertilizer used in the tea industry has been declining continuously since 1965 except for a very marginal increase over the previous year recorded in 1971. Partly as a consequence of such poor practices, the average yield of made-tea (processed tea) has decreased from 840 lbs. per acre in 1965 to about 750 lbs. in 1974.[44]

There has also been a lack of necessary investment into processing machinery and equipment. In 1966, 942 tea processing factories were operating in Sri Lanka and "the vast majority of them had a high proportion of old equipment and needed renovation. About a third of the tea factories in Sri Lanka were not electrified by that year." This brought about speculation that "one of the major reasons for the lower price of Ceylon teas was because quality had been unwittingly sacrificed by excessive demands on factory capacity and [that] this adverse price trend may be expected to continue into the future, if an expansion of factory capacity does not occur."[45]

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41. Forest, A Hundred Years of Ceylon Tea.

42. See Government of Ceylon, Report of the Commission of Inquiry, p. 98.

43. Central Bank of Ceylon, Annual Report, 1972.

44. Acreage data are from Ferguson Ceylon Directory 1972/1973. The data on fertilizer are from Karunalilaka, Price Distortions and Their Effect on Employment in Sri Lanka.

45. IBRD, Review of the Economic Situation and Foreign Exchange Problem of Ceylon (Colombo, January 1968), pp. 127-128.

Table 3

Use of Fertilizer in the Tea Subsector, 1965-1972

	Area Planted to Tea (Acres)			Amount of Fertilizer Used		
Year	Plantations	Small-holdings	Total	Total (000 tons)	Per Acre (tons)	Per Acre Excluding Smallholdings (tons)*
1965	496,963	97,345	594,308	161.6	0.271	0.325
1966	497,113	99,332	596,445	158.6	0.265	0.319
1967	497,640	101,174	598,814	149.4	0.249	0.300
1968	494,844	102,646	597,490	146.6	0.245	0.296
1969	492,645	103,869	596,514	121.7	0.204	0.247
1970	492,011	105,488	597,499	118.8	0.199	0.241
1971	490,602	106,569	597,171	121.1	0.203	0.247
1972	489,978	107,667	597,645	106.4	0.178	0.217

*This assumes that fertilizer was used only by plantations.

SOURCE: See note 44.

The rate of reinvestment into tea factories became so low that the government intervened in 1966 to provide subsidized loans for the purpose of "tea factory modernization."[46] In the years 1972 and 1973, Rs.9.1 million and Rs.11.3 million, respectively, were granted to tea plantations under this loan scheme.[47] The Commission of Inquiry on Agency Houses noted that "if the plantation companies had followed a conscious plan for capital development of their properties by building up specific reserves to be utilized in the future, the necessity for large scale assistance would not have arisen." It also reported that too great a "proportion of the profits available after tax have been utilized to pay off dividends at the expense of the build-up of reserves."[48] About eight years after the introduction of the "tea factory modernization loan scheme," the Central Bank Annual Report of 1974 concluded that "machinery and equipment used in the tea industry has not kept pace with technological change in the industry."[49] After consideration of these various factors, one must conclude that tea plantations generally have not been managed efficiently.

46. Government of Ceylon, Ceylon Year Book (Colombo, 1969).

47. Central Bank of Ceylon, Annual Report, 1973.

48. See Government of Ceylon, Report of the Commission of Inquiry, pp. 274, 276.

49. Central Bank of Ceylon, Annual Report, 1974, p. 18.

Another undesirable feature of Sri Lanka's tea subsector is the dominant position held by the Agency Houses, the intermediary organizations which "manage the cultivation, production and marketing of estate produce on behalf of the companies and proprietorship within the agency." Some Agency Houses also direct imports on behalf of the plantation company acquiring necessary inputs for the plantation's operation and receiving buying commissions on the basis of the import values varying from 1½ to 3 percent. As depicted in Table 4, Agency Houses hold a position of tremendous importance in the tea subsector. They controlled about 62 percent of the total tea production in 1970. The Agency Houses derive their income mainly from three sources: (1) acreage fees of about Rs.15 per cultivated acre per annum levied on the estates under its agency; (2) commissions of about 2-2½ percent of gross sale proceeds received on sales of estate produce; and (3) secretarial fees of about Rs.12,000 per year.[50]

Table 4

Significance of the Agency Houses in Tea Subsector, 1970

1. Total production (million lbs.)	468
2. Total production by estates under Agency Houses (million lbs.)	290.8
3. (2 as % of 1)	(62.1)
4. Contribution to GNP by estates under Agency Houses (%)	6.21
5. Total area planted to tea	597,499
6. Tea acreage under Agency Houses	279,845
7. (6 as % of 5)	(46.8)

SOURCE: See note 33.

It has been found that the Agency Houses, through interlocking directorates, exert substantial control over the operations of Rupee Companies, whereas the control over Sterling Company operations, though significant, is relatively small.[51] The Commission of Inquiry on Agency Houses reported specifically that: "The direct concern of the Agency Houses lies in the fees and charges receivable which they continue to collect regardless of the actual performance of the estate."[52] The report stated that "the Agency House charges are exorbitantly high in relation to the services they perform."[53]

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50. See Government of Ceylon, Report of the Commission of Inquiry, p. 72.

51. Ibid., p. 64.

52. Ibid., p. 120.

53. Ibid., p. 225.

Finally, the Commission concluded in their report that the operations of the Agency Houses have not been consistent with the long-term interests of the tea (and rubber) industry in the country[54] and recommended that the government create new institutions to take over their activities.[55]

Selected Major Provisions of the Land Reform Law of 1972

The Land Reform Law of 1972 (hereinafter the LRL of 1972) places a ceiling on the amount of land owned by individuals in Sri Lanka, stipulated at twenty-five acres of paddy land and fifty acres of other lands. However, no person can own more than fifty acres, including paddy land. Any land owned by persons in excess of the ceiling is to be vested in the Land Reform Commission (LRC), established under the same Law, from 26 August 1972 onward. The LRL of 1972 exempted public company-owned lands from its provisions. An Amendment introduced to this Law on 14 October 1975, however, led to the expropriation of these lands.[56]

Effects of the Land Reform Law on Ownership of Tea Lands

The LRL of 1972 has had a major impact on the ownership of tea lands in the country. As shown in Table 5, the Law expropriated almost one-quarter of the total area planted to tea in 1972 while the Amendment Law expropriated an additional 40 percent, approximately, resulting in a total expropriated amount of 63.1 percent of tea lands in 1975.

Of the total tea lands expropriated under the 1975 Amendment, 45.1 percent were owned previously by the Sterling Companies while 54.9 percent were owned by the Rupee Companies. This represents a massive change in the ownership structure of the country's tea lands in that practically every plantation changed hands as a result of the reform law.

Foreign ownership of tea lands ended as a result of the 1975 Amendment. In this respect, the Law can be considered one of the most significant pieces of legislation in the history of land legislation in the country.

Redistribution of the Expropriated Tea Lands

It is not possible to give a complete picture of how the expropriated tea lands have been redistributed among various institutions since those

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54. Ibid.

55. Ibid., p. 535.

56. A section detailing the major provisions of the LRL of 1972 and its 1975 Amendment can be found in N. Fernando, A Preliminary Analysis of Recent Agrarian Reforms in Sri Lanka (Madison: Land Tenure Center, 1977 draft), pp. 23-24, 78-79. See Government of Sri Lanka, The Land Reform Law No. 1 of 1972, and The Land Reform (Amendment) Law of 1975.

Table 5

Expropriation of Land Under the Recent Land Reform Laws

1. Total area of land expropriated under the 1972 law (acres)	563,400
2. Total area of tea land so expropriated (acres)	139,354
3. 2 as a % of 1	24.7
4. Total area of tea land expropriated as a % of total area planted to tea in 1972	23.3
5. Total area of land expropriated under the 1975 Amendment (acres)	417,957
6. Total area of tea land expropriated under the Amendment (acres)	237,592
7. 6 as a % of 5	56.8
8. Total area of tea lands expropriated in 1975 as a % of total area planted to tea in 1975	39.8
9. Total area of tea lands expropriated under both laws as a percentage of total area planted to tea in 1975	63.1

SOURCE: Land Reform Commission; Central Bank of Ceylon, Annual Report, 1976.

data are not available. However, according to certain unofficial sources, the majority of tea lands expropriated in 1972 have been redistributed to the Upcountry Cooperative Estate Development Board (known as USWASAMA in Sri Lanka) and to the State Plantations Corporation, the former being the major beneficiary.[57]

The redistribution of tea lands vested in the LRC under the Amendment of 1975 is given in Table 6.

Table 6 shows a little more than 60 percent of the total tea lands expropriated in 1975 to have been allocated to the Janawasama and about 35 percent to the State Plantations Corporation. Both institutions expect to operate their received holdings without subdividing them. In fact, one reason that large areas were allocated to these institutions was to avoid fragmentation of largeholdings which would, according to the policy-makers, adversely affect productivity.

Janatha Wathu Sanwardana Mandalaya (Janawasama)

The "Janawasama" (People's State Development Board) was established on 6 February 1976 under the State Agricultural Corporations Act of 1972 by

57. Personal communication with Mr. Upali Gunawardane in the Ministry of Planning, Colombo.

Table 6

Redistribution of Tea Land Vested in the LRC Under the Amendment of 1975

Type of Institution	Acres	% of Total Tea Lands Vested in 1975
1. Janawasama (People's Estate Development Board)	145,287	61.1
2. State Plantations Corporation	81,968	34.4
3. Tea Research Institute	3,027	1.3
4. Usawasama (Upcountry Cooperative Estate Development Board)	2,310	1.0
5. Land Reform Cooperatives	3,695	1.6
6. Janawasa (Cooperative Settlements)	835	0.4
7. Divisional Land Reform Authorities	470	0.2
Total	237,592	100.0

SOURCE: Land Reform Commission, Colombo.

the Minister of Agriculture and Lands to manage certain estates taken over by the government under the Amendment of 1975. About 56 percent of the total lands taken over since the Amendment have been allocated to this institution, and more than 50 percent of them are tea lands located in the districts of Badulla, Nuwara-Eliya, and Kandy.

The activities of the Janawasama are administered by a board comprising six directors, including the chairman of the LRC. There are plans to set up seven regional offices, three of them to be at Badulla, Nuwara-Eliya, and Kandy, where the majority of the tea estates under its jurisdiction are located.[58] The head office in Colombo will primarily administer policy while the regional offices concentrate on matters more closely relating to the field, e.g., direct cultivation. Each regional office, headed by a regional manager, will have the following four divisions: (1) supplies administration; (2) welfare and labor relations; (3) training; (4) engineering, including transportation.[59] The regional offices are expected to receive wide, autonomous powers in order to avoid delays and other bureaucratic impediments that could result from a centralized management of crop cultivation. The Janawasama has, however, decided to set up centralized marketing and supplies divisions, for example, a marketing division which is expected to distribute the Janawasama's tea exports to the London auctions.

Why a separate board?

58. Ceylon Daily News, 10 February 1976.
59. Ibid., 7 February 1976.

One may question why the government chose to set up another institution to manage some of the estates vested in the LRC when there exists a well-established state corporation like the SPC. The simple answer is that the decision was based on political, not economic considerations. Mr. Kobbekaduwa, Minister of Agriculture, who came from a Kandyan electorate, appears to have wanted the administration of the upcountry "reformed" lands to be under the jurisdiction of his Ministry. If reformed lands were given to the SPC, he would have lost direct control over them since the SPC comes under the jurisdiction of the Ministry of Plantation Industries. To achieve his political objectives, Mr. Kobbekaduwa must maintain administrative power over these lands. This theory is supported when we examine the method by which expropriated lands have been distributed between the Janawasama and the SPC. The Janawasama received a substantial share (56 percent) of the total expropriated lands and most of these lands were concentrated in the upcountry districts of Badulla, Kandy, and Nuwara-Eliya; the SPC has relatively less area in these districts.[60]

The State Plantations Corporation

The State Plantations Corporation was set up in 1959 to manage the plantations purchased by the government, but served a very limited function until the fiscal year, 1971-72, because it possessed only thirteen plantations with 12,827 acres until that year.[61] Its ownership increased with adoption of the LRL of 1972 when it was given an additional 34,000 acres of land. With the 1975 Amendment, the SPC became the second largest landowner in the country. As shown in Table 6, it now controls almost 82,000 acres of tea lands.

The Issue of Subdivision on Expropriated Tea Estates

According to the available fragmentary data, only a few of the expropriated tea lands have been subdivided since the reform.[62] This appears to be sound judgment considering that the average yield produced on tea smallholdings in Sri Lanka is about 50 percent lower than on plantations.[63] Although small size is not entirely responsible for poor yields, the existing institutional structure does favor largeholdings in the product market as well as in the factor markets. Therefore, until that structure is modified in such a way as to be consistent with the needs of the smallholders, it

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60. For further insight into this area, see Fernando, A Preliminary Analysis, pp. 87-88.

61. Central Bank of Ceylon, Annual Report, 1972, p. 68.

62. Personal communication with Mr. Yasapala Perera in the Central Bank of Ceylon, Colombo.

63. For an interesting discussion of Sri Lanka's smallholder tea sector, see H. P. Weerasekera, "The Small Man's Tea," Ceylon Daily News, 3 February 1976.

would be difficult for them to increase the yield of their land to the level obtained by plantations.

Despite the popular notion that tea is best suited to the plantation structure[64] Kenya, which previously cultivated tea on plantations, has shown since about 1960 that tea can be grown efficiently on smallholdings as well. It is important to note, however, that Kenya also has a well-designed and efficiently operating institutional mechanism which caters to tea smallholders.[65]

Although the Kenyan experience is useful for the comparison of reform in Sri Lanka's existing tea smallholder sector, it appears to be less relevant to the reform of the recently expropriated tea plantations. Creating smallholdings on new lands and subdividing existing estates appear to produce different probabilities of success. In the first place, if the existing estates are to be subdivided, then their present physical layout will have to be changed. Here, the nature of the prereform institutional system imposes a number of limitations. For example, under the former ownership, workers' housing was concentrated in a certain part of the estate. In a reform situation, where each family is given an individual holding, everyone may want land nearer to his residence. This desire could easily create confusion, conflicts, and social problems.

More importantly, as Paige's analysis indicated, the typical plantation proletarian is a moderate reformist who bargains with management "over limited bread-and-butter questions and he does not demand the radical redistribution of property."[66] According to Paige, the major concern is distribution of income from property, not the property itself. Mintz' earlier analysis of Puerto Rican sugar plantation workers led to the same conclusion.[67] In Malaysia, rubber plantation workers, under the National Union of Plantation Workers, held an antisubdivision rally in 1967.[68] The tea plantation worker in Sri Lanka falls in line with this pattern. The demands of the labor unions in the tea subsector have revolved, so far, around wage increases and better working and living conditions; the unions have never demanded expropriation of estates. Thus subdivision of the tea estates is not necessarily a better strategy than nonsubdivision;[69] neither

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64. V. D. Wickizer, Tea Under International Regulation (Palo Alto: Food Research Institute, Stanford University, 1944). See also Paige, Agrarian Revolution.

65. See D. M. Etherington, Smallholder Tea Production in Kenya: An Econometric Analysis (Nairobi: East African Literature Bureau, 1973).

66. Paige, Agrarian Revolution, p. 49.

67. See Mintz, "Cañamelar."

68. S. Gordon, "The Condition of Our Plantation Worker," Intisari 3:4 (Singapore, 1970).

69. The decision rejecting subdivision of tea estates was based partly upon political factors, the discussion of which falls beyond the scope of this paper.

does this imply that the expropriated estates should be managed exactly as they were before the take-over.

Output Effects of the Reform Law

Before discussing output effects of the reform law, it is important to emphasize the complexity of the issue under consideration. Isolating the pure effect of land reform on production is extremely difficult due to the multitude of variables such as weather, use of fertilizer, and price policy which also affect crop production.[70] This difficulty, even in gross terms, is often reinforced by the method of reporting production data. Aggregate national level data do not seem very useful here, but data disaggregated enough for this purpose are hard to find. There is another important problem which is often ignored in this kind of discussion: governments which undertake land reform programs often conceal the adverse effects of such programs for political reasons. We need to remember these difficulties when discussing the question of productivity. Moreover, the following discussion must be undertaken in the most general terms due to the data and information constraints.

A Short History of the Nationalization Issue

Although the expropriation of tea lands began in 1972 and was continued until 1975, this issue has a long history in the country. During the second half of the 1950s the estate nationalization issue--mainly concerning foreign-owned tea lands--came to the forefront accompanying the massive political change which occurred with the 1956 general elections. The nationalization of foreign-owned estates became an accepted policy of Mr. Bandaranayaka's government in 1956.[71] The government prepared a memorandum entitled, "A scheme for the nationalization of foreign-owned tea and rubber estates"[72] in 1958, but by 1959 the plan had been postponed.[73] In 1961, the government promised not to nationalize foreign-owned plantations for at least ten years,[74] however, this does not seem to have stabilized the situation judging from the tea industry's poor investment record during the

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70. For instance, Thiesenhusen noted with reference to Chile that "besides the impossibility of measuring the effects of agrarian reform on total agricultural production, given its limited scope and short time horizon, a great many factors other than the reform have been operating and influencing agriculture during this period." W. C. Thiesenhusen, "Agrarian Reform in Chile," in Land Reform in Latin America: Issues and Cases, Peter Dorner, ed., Land Economics Monograph Series no. 3 (Madison: Land Economics for the Land Tenure Center, 1971).

71. Ramachandran, Foreign Plantation Investment in Ceylon, p. 175.

72. Ibid., p. 107.

73. Ibid., p. 175.

74. Beckford, Persistent Poverty, p. 42.

1960s. For example, an IBRD mission to Sri Lanka in 1967 noted that "uncertainty over nationalization made companies reluctant to invest" and this uncertainty is partly responsible for the low level of investment in the tea plantations.[75] Although we cannot know exactly to what extent this uncertainty has affected the decline in fertilizer use--a crucial input in the tea industry--we may assume that the uncertainty did have a substantial effect especially in the case of foreign-owned tea plantations.[76] Preref orm declines in total tea production may also be attributable to the uncertainty over nationalization since use of fertilizer and output of tea is positively correlated. In fact, the average yield of made-tea per acre decreased from 840 pounds in 1965 to 800 pounds in 1971.[77] This does not mean, however, that the production declines were caused entirely by the uncertain status of the government's future land policy. For instance, the production decline over the previous year occurring in 1969, was partly a result of "the heavy and widespread rain experienced in the fourth quarter" of the year.[78] The important point, then, is that the uncertain climate concerning the future of tea lands existed well before the LRL of 1972 was enacted for reasons which were unrelated to its enactment.

Uncertainty Since the LRL of 1972

The LRL of 1972 exempted land held by public companies as long as such land was held on May 1971 and retained after that date. This exemption was granted partly because the policy-makers believed that the expropriation of big plantations would lower the productivity of the land.[79] However, mere exclusion of those lands has not prevented lowered productivity for several reasons. First is the definite "stage character" of reforms around the world. In many countries (e.g., the Philippines and Peru) land reforms began with high ceilings and wide exemptions,[80] but as time went on these reforms tended to be widened. Ceilings stipulated in the initial laws were lowered and the generous exemptions were gradually reduced. So the public companies may have expected a shift in that direction in the government's land policy after the enactment of the LRL of 1972.

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75. IBRD, Review of the Economic Situation, p. 38.

76. A further factor which influenced foreign-owned tea plantations can be found in Fernando, A Preliminary Analysis, pp. 73, 75.

77. Karunalilaka, Price Distortions and Their Effect on Employment in Sri Lanka.

78. Central Bank of Ceylon, Annual Report, 1969, p. 218.

79. For an analysis of this exemption, see R. J. Herring, "Redistributive Agrarian Policy: Land and Credit in South Asia," Ph.D. thesis, University of Wisconsin-Madison, 1976; also see Fernando, A Preliminary Analysis.

80. See Harkin, "The Philippine Land Reform," and Horton, Land Reform and Reform Enterprises in Peru.

Second, the Commission of Inquiry on Agency Houses and Brokering Firms' probe of the intimate relationship between the Agency Houses and those public companies involved with tea plantations reinforced the uncertain status of future tea land ownership. The preelection manifesto of the three parties comprising this government had called for some control of the Agency Houses; the Governor General's address to Parliament on 14 June 1970 also made reference to the Agency Houses.[81] The Commission was appointed by the Governor-General on 21 June 1971. Three of its seven members were members of the Lanka Sama Samaja Party (LSSP) which advocates nationalization of the plantations and, of these, one was a member of both the Parliament and the coalition government which represent the LSSP. Another was an advisor to the LSSP Finance Minister in the Cabinet. This would indicate substantial bias toward plantation take-over on the part of the Commission during its operation until April 1974, and justify suspicions felt by the Agency Houses that the government would expropriate plantations in the near future.

In addition, the government enacted legislation (the Estates [Control of Transfer and Acquisition] Act of 1972) to control the transfer and acquisition of estates over 100 acres in size. According to this Act, transfer of ownership of such estates could be made only with the prior approval of the Minister of Plantation Industries. The Act also gave the Minister authority to acquire any estate in the national interest,[82] increasing the uncertainty still further. On 3 April 1975, with the backing of the Act, the Minister of Plantation Industries acquired 10,600 acres of tea and rubber lands belonging to three companies.

So although public company-owned lands were exempted from its provisions, the LRL of 1972 did contribute to the uncertainty created by these other factors.

According to the Central Bank Annual Report of 1973: "an atmosphere of uncertainty pervaded the tea industry with the implementation of the land reform scheme. As a consequence of this, some estates which traditionally maintained a high level of investment on technological improvement have reduced their level of expenditure."[83] The Central Bank data documenting fertilizer application on tea lands reveal that the use of fertilizer decreased from 99.3 thousand tons in 1972 to 63.7 thousand tons in 1973.[84] Although 1972 fertilizer consumption had decreased from its 1971 level as well, the decrease was not as large (only 19.5 thousand tons as compared to 35.6 thousand tons in 1973).[85] The Central Bank also commented on the

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81. See Government of Ceylon, Report of the Commission of Inquiry, p. 1.

82. The Coconut Development Act No. 46 of 1971 also empowers the Minister of Plantation Industries "to acquire any coconut plantation" where this is necessary for the purpose of the Act.

83. The Central Bank of Ceylon, Annual Report, 1973, p. 15.

84. This set of data differs somewhat from the data given in Table 3. However, the point I am making still holds.

85. The Central Bank of Ceylon, Annual Report, 1973.

decline in tea production occurring in 1974 over the previous year, claiming that it was partly due to "the uncertainty arising from the Land Reform . . . ."[86] A closer look at production data reveals, however, that, in 1974, the drop in tea production was almost entirely concentrated in the low-grown areas. Whereas a decrease in total tea production did occur in 1974, from its 1973 level of 466 million pounds to 450 million pounds that year, low-grown tea production fell at a much higher rate in 1973, from 132.8 million pounds to only 117.3 million pounds in 1974.[87] It is interesting to note here that the bulk of tea lands expropriated by the 1972 Land Reform Law are concentrated mainly in the low-grown areas while the exempted public company-owned tea lands are generally found in medium-grown and high-grown areas of the country. Yet, we still cannot conclude to what extent production was affected by the uncertain situation reinforced by the LRL of 1972. But as a tentative hypothesis we can suggest that without such reinforcement, given the favorable price situation, production would have been higher than it was in 1974.

Total tea production increased in 1975 to 21 million pounds over the 1974 production level. This does not mean that the situation described earlier disappeared. First of all, the international prices for Sri Lanka's tea were much higher in 1975 than they had been in 1973 and 1974.[88] That seems to have had a positive effect on production, offsetting the negative aspects of the previously described situation. Secondly, the 1975 production increase was concentrated mainly in low-grown areas and, to some extent, in medium-grown areas as depicted in the following table.

Table 7

Tea Production by Elevational Categories, 1973-1976
(million tons)

Elevational Category	1973	1974	1975	1976
High-grown (4,000-6,000 feet above sea level)	177.6	177.0	176.7	167.3
Medium-grown (2,000-4,000 feet)	155.2	155.4	161.1	142.0
Low-grown (below 2,000 feet)	132.8	117.3	133.2	123.9
Total	465.6	449.7	471.0	433.2

SOURCE: Central Bank of Ceylon, Annual Report, 1976.

86. Ibid., 1976, p. 265.
87. Ibid., p. 10.
88. Ibid.

In fact, the production figures in high-grown areas showed a slight decrease from their 1974 level. It is interesting to note here that the majority of the foreign-owned tea plantations are located in the high-grown areas of the country. These areas too were adversely affected by the uncertainty of the situation. The available evidence suggests that by 1975 the neglect of estates was widespread. As a result, the government passed Emergency Regulation (Protection of Company Estates) No. 1 of 1975 under section 5 of the Public Security Act on 30 July 1975 to ensure the protection and proper maintenance of company-owned estates. Among its stipulations, this regulation imposed a restriction on sale of assets by the public companies or the Agency Houses.[89]

Performance During the Transitional Period and Under the Postreformed Institutions

In almost any land reform program there may be a transitional period during which the management of reformed property is weak. Since the final and permanent institutional form that these lands take may not be clear during the transition, for either the cultivators or the managers, there may be no real incentive to work. For example, the managers may not know whether they will be able to continue their jobs. Such insecurity is a disincentive which could certainly have adverse effects on production.

Under the 1975 Land Reform (Amendment) Law, the Agency Houses which had managed most of the estate lands prior to the reform law became statutory trustees of the land vested in the Land Reform Commission. As statutory trustees, they were expected to properly maintain the estates until the government established new institutions to take over management. The government planned to terminate the trusteeship gradually, completing the process by 31 March 1976.[90] However, the government soon became aware that the trustees were neglecting maintenance of the estates. In late January 1976, the government warned them that action would be taken against those trustees not working to maintain the quality of tea.[91] Despite these warnings, maintenance of some estates was so badly neglected by certain trustees (Agency Houses) that the government canceled the trusteeship of all the Agency Houses as of 13 March 1976 and redistributed the lands. Although we do not know the extent to which neglect of estates during the transitionary period was responsible for the drop (37.8 million pounds) in total 1976 tea output (see Table 7), it can be considered partly responsible for the decline in production, along with unfavorable weather conditions--in 1976 the Kandy and Nuwara-Eliya districts, where most tea lands are concentrated, "recorded the lowest annual rainfall of the decade."[92] Most of the

Ceylon Observer, 31 July 1975.

Ceylon Daily News, 10 February 1976.

Ibid., 2 February 1976.

Central Bank of Ceylon, Annual Report, 1976, p. 10.

expropriated tea estates are now being managed by the State Plantation Corporation and the Janatha Wathu Sanwardana Mandalaya.

Many conflicting views have been expressed about the SPC's ability to run these estates efficiently. Long before the take-over, in 1971, the ILO mission to Sri Lanka expressed doubts about it.[93] The 1970 Annual Report of the Central Bank of Ceylon also claimed that many state plantations had poor records.[94] But, in 1974, the Central Bank changed its conclusion on the basis of a study it did, stating that most of the estates received by the SPC under the LRL of 1972 were being fairly well run, though some neglect was evident from the reduced application of fertilizer and the lack of weeding. The Bank also concluded that "production and management on most of these properties have improved considerably."[95] In 1976, several members of the National State Assembly, including one leading member of the then opposition, expressed satisfaction with the SPC's performance in managing the estates. One attributed its good performance to equipment and managerial skill. It is difficult to determine whether this assessment is appropriate, however, because, according to certain people, including the Minister of Agriculture, the SPC was allocated the most productive lands vested in the LRC under the LRL of 1972.[96]

Both the SPC and the Janawasama have faced the difficulties caused by a lack of skilled managers.[97] Some experienced managers left the plantations either because they disapproved of the reforms or because they had been asked to or compelled to leave by the new owners. Some managers may have chosen not to work for the SPC because they could not enjoy the same benefits under the new ownership as they did before the reform.[98] Since the field of estate management has always been confined to the upper-income classes, the supply of qualified managers tends to be highly inelastic in the short run.

Moreover, the quality of management has decreased with the undue interference from members of the National State Assembly. In some cases, political favoritism determined the appointment of managers rather than qualifications and experience. There is the additional factor of a centralized management and bureaucracy in both the SPC and the Janawasama which could hinder the smooth functioning of the estates. In the case of tea cultivation and processing, "quick decisions" play an extremely important role.

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93. ILO, Matching Employment Opportunities and Expectations, p. 97.

94. Central Bank of Ceylon, Annual Report, 1970, pp. 74-75.

95. Ibid., 1974, p. 18.

96. Ceylon Daily News, 6 February 1976.

97. Personal communication with Mr. Upali Gunawardane in the Ministry of Planning, Colombo.

98. The government discontinued the services of the former managers in many of the estates taken over under the LRL of 1972. See Central Bank of Ceylon, Annual Report, 1974, p. 19.

The Central Bank has already indicated that the SPC tends to curtail the decision-making power of those estate managers working under its jurisdiction. According to the Bank "this has resulted in delays in repairing machinery or incurring expenditure to maintain production at a high level."[99] However, the government appears to be aware of these difficulties related to centralized management, especially as they affect crop cultivation. Perhaps the newly established SPC and Janavasama regional offices will reduce some of these problems.

In addition, there appears to be no appropriate incentive system in the estates for either the agricultural workers or the managers. The managers are paid a fixed monthly salary not correlating at all with the productivity of the estate. There is questionable value to this kind of salary system for managers, especially in agricultural enterprises.

The role of the workers is also of vital importance for the efficient operation of the estates. Workers' attitudes have an important effect on the productivity of land, so if the take-over has led to an increase in worker enthusiasm, it will affect the productivity favorably. However, this enthusiasm is determined largely by the material benefits the workers are getting under the new ownership in contrast to the benefits they received under the previous ownership. If they do not see significant gains, the enthusiasm may soon wane because the reform was not associated with a worker-supported ideological or mass political movement. Change came from the top, initiated by a handful of politicians living in the central city of Colombo. Therefore, short-run gains assume a very important role in worker enthusiasm. Work incentive could drop significantly. Considering the large number of noncitizen laborers on these tea estates, it is unlikely that the transfer of ownership would greatly increase worker enthusiasm since few noncitizen workers identify their interests as consistent with those of the ruling party or any nationalistic government. So, despite the apparent value to be derived, an appropriate incentive system has not yet been introduced to the tea estate laborers.

Furthermore, wages for the laborers, although increased somewhat after the take-over, are not closely or directly linked to the performance of the enterprise. As with other state-managed enterprises this could very well lead to the "even if I don't work hard I get my wage, so why should I work hard" mentality.

Some Favorable Long-Term Effects

The estate take-over of 1975 is likely to favorably affect the productivity of tea lands. First of all, the long-standing uncertainty surrounding the government's estate policy has been eliminated. Discussing the issue of reform in the plantation sector, the ILO Mission pointed out in 1971 that "Whatever the eventual changes are to be, they should be decided on

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99. Ibid., p. 18.

and announced soon" in order to avoid any adverse effects which could result from uncertain policy.[100]

Moreover, under the new ownership the replanting program can be speeded up, reducing the dependency on very old trees. This is possible not only because profits now remain inside the country (a partial amount available for development purposes), but also because under the new ownership, national economic interest will receive priority. The SPC has already started to increase the replanting of Vegetatively Propagated (VP) tea, which is expected to increase the yield 2.5 to 3 times per acre over seedling tea.[101] This would significantly increase the productivity of tea lands in the long run.

It can also be expected that the state might pay more attention to improving the machinery and equipment of the tea industry than former owners. This would increase the quality of the product, thereby increasing the ability to compete in external markets. Since the tea industry contributes a substantial share of the total export earnings of the country, and foreign exchange earnings have important political as well as economic value, politicians might be somewhat more careful in their policies concerning the tea subsector. For them to retain their political viability, they will want to guarantee the flow of essential food imports which depend on the availability of a sufficient amount of foreign exchange.

With the turnover in estate ownership a way has been paved for the implementation of a well-planned large-scale crop diversification program. The advantages of such a diversification scheme for Sri Lanka's development are well known. However, in order to reap maximum benefits, the choice of crops has to be made systematically incorporating both agro-climatic conditions and geographical differences. The economic viability of new crops needs consideration; evaluation of new crops has to be done in terms of shadow prices so as to allow for the various market imperfections. We can speculate that the estate take-over will facilitate more systematic diversification than the previous form of ownership because national interests can now receive the highest priority.

More importantly, we can expect more attention to be paid to the use of yield-increasing inputs such as fertilizer. We mentioned earlier the declining trend in its use after about 1965, attributable in part to the desire of maintaining a certain level of profits.[102] Since short-term profit will hopefully not be the objective of the new owners, we can anticipate that such destructive policies would cease to exist under their ownership.

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100. ILO, Matching Employment Opportunities and Expectations, p. 98.

101. ILO, Matching Employment Opportunities and Expectations, Technical Paper (1971), p. 89.

102. See Government of Ceylon, Report of the Commission of Inquiry.

"Land Reform" or Nationalization? A Concluding Remark

The term "land reform" has been subject to many different interpretations. Some regard it as a synonym for agrarian reform while others have sought to differentiate land reform from agrarian reform, considering the latter to be a much broader concept. For example, Doreen Warriner treated land reform and agrarian reform as synonyms in her book, Land Reform in Principle and Practice. She defines land reform as "the redistribution of property or rights in land for the benefit of small farmers and agricultural laborers."[103] Many people, however, use what Warriner calls the traditional meaning of land reform, i.e., land reform "as a redistribution of land in favour of the landless." Land reform is also presented as a confiscatory and "revolutionary measure which passes power, property and status from one group of the community to another."[104] And to Edward Boorstein, a radical economist: "a true land reform is not a technical measure that can be accomplished to the satisfaction of everybody. A true land reform means taking the land away from the large estates and making it available to the people. A true land reform hurts; it changes the balance of political power; it begins a process of broader change. A true land reform is not a reform; it is a revolutionary measure."[105]

Although there is no universally accepted definition of true land reform, scholars seem to agree on certain elements of such a program: it is restructuring a bundle of rights that a person has to a piece of land, in favor of the landless or nonprivileged groups such as very small landholders; it involves some element of confiscation; it changes the distribution of political power substantially; it creates opportunities for socio-economic advancement to previously disenfranchised groups of people. In short, true land reform gives political as well as economic citizenship to such disenfranchised groups. Viewed in this sense, a true land reform may or may not give ownership rights of land to individuals. Ownership rights may be collective, with individuals receiving rights to enjoy a reasonable share of profits under this collective ownership, and given an opportunity to participate in the decision-making process of the enterprise. Using this perspective, it is important to raise the question whether the changes brought about by the recent program in Sri Lanka constitute a true land reform. We try to answer this question with special reference to "reformed" tea lands.

As mentioned earlier, the LRL of 1972 and the 1975 Amendment have brought about a substantial change in the ownership of tea land in the

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103. Doreen Warriner, Land Reform in Principle and Practice (London: Oxford University Press, 1969), pp. xvi, xiv.

104. E. Flores, "The Economics of Land Reform," in Agrarian Problems and Peasant Movements in Latin America, R. Stavenhagen, ed. (Garden City, N.Y.: Doubleday, 1970), p. 151.

105. E. Boorstein, The Economic Transformation of Cuba (New York: Monthly Press, 1968), p. 15.

country. Approximately 377,000 acres have changed hands as a result of the program. Foreign ownership of Sri Lanka's tea lands has virtually disappeared

Nevertheless, landownership has not been transferred from the private owners to the landless people in the country. Allocation to individuals has been insignificant, especially in the case of tea lands. As a result of the reform, the state has become the largest landowner in the country, but that has brought no tangible change in the situation for the landless. The upcountry landless (assumed to have lost their land because of plantation expansion during the colonial period) have received no land from this program on any significant scale.

Neither has the "so-called" land reform program effectively changed the tenurial structure of the land taken over. This is especially apparent for the tea lands expropriated in 1975, which were operated as large plantations prior to the take-over. The resident wage-laborers who cultivated tea on these plantations owned land only in exceptional cases where they had "use rights" to tiny plots of marginal lands on the plantations to grow subsidiary food crops. Even under the new ownership, most of them have received no land because noncitizens are barred from receiving land for any purpose under both the 1972 and the 1975 Laws. Therefore, these workers remain wage-laborers, still sharing with Puerto Rican sugar plantation workers[106] the characteristics of plantation proletarians outlined by Mintz.

The tea lands allocated to the SPC and the Janawasama basically are being managed as largeholdings, like before. The same wage-laborers continue to work on these lands except where the repatriation of noncitizen South Indian laborers has occurred. In such cases, mainly Sinhalese laborers have filled the vacancies opened by the repatriation of laborers under the Indo-Ceylon Pact.

The managers of these estates have been appointed by the government. In some cases estates have kept the same managers as before nationalization, though at a lower salary level. And no wage-laborers have been "involved" in management decisions in any sense of the word.

The reform has brought about no change in the hierarchical character of the plantation either. So the social organization of labor is the same as before. Using Edgar Thompson's terminology avoiding its harsh tone, these plantations still share some characteristics of what he calls "military agriculture."[107] The wage-laborers still obey the orders of the labor supervisors and labor supervisors take orders from the hierarchy above them. There is hardly a relationship between laborers and these managers--socially, wage laborers interact with fellow wage-laborers and managers interact with other managers on the nearby plantations.

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106. See Mintz, "Cañamelar."

107. E. Thompson, "Plantation Societies, Race Relations and the South: The Regimentation of Populations," Selected Papers of Edgar T. Thompson (Durham: Duke University Press, 1975).

In that the laborers have been given no ownership rights to the plantation lands on which they work, their benefits are confined chiefly to the higher real wages they may receive under the new ownership, plus the marginal improvements in health, housing, and educational facilities. In fact, few of these benefits are attributable to the "land reform law" per se; they could have been achieved even without this kind of legislation. For example, educational facilities could have been improved by integrating the "estate school system" into the country's national educational system. This had been one of the major demands of the labor unions on the plantation sector.[108] Thus, one can argue that from the laborers' point of view the reform program changed only the ownership of estates--not the tenurial structure--from a bad owner to a good owner that takes somewhat better care of its workers' welfare.

The reform program has also made the South Indian noncitizen Tamil laborers' employment somewhat more insecure. For example, the president of a leading trade union in the plantation sector, Mr. S. Thondaman has stated:

> Workers have been forced out of employment for no bigger crime than trade union activity. Trade union rights have been denied and the new managements have refused to negotiate with unions to settle disputes.[109]

According to him, some benefits including maternity benefits and subsidized funeral expenses which had been enjoyed by the workers under the former system have been "arbitrarily wrested" under the new management.[110] Although we do not know exactly how widespread these practices are, such criticisms indicate that the reform law has created an insecure job environment for the South Indian noncitizen laborers. Thus, it is probably entirely fair to conclude that the so-called land reform program is not a true land reform at all, especially regarding expropriated tea lands. Rather, it can be considered simple nationalization, since the ownership of land was transferred from the private sector to the public sector as a result of the Law.

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108. Ceylon Workers' Congress, Annual Report, 1972 (Colombo, 1973).

109. S. Thondaman, "Towards New Order," Asian Labor 23:121 (August 1975). Since Mr. Thondaman is an ex-plantation owner affected by the reform program, one should be cautious about his criticisms of the reform program. Personal communications with Mr. S. Pinnaduwage (University of Ceylon, Peradeniya) also indicated that some Indian noncitizen plantation laborers have lost their jobs due to the land reform program.

110. S. Thondaman, "Great Leap Backward in Sri Lanka," Asian Labor 23:115 (January 1975).