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NICARAGUA'S AGRARIAN REFORM: THE FIRST YEAR (1979-80)*

by

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Nicaragua's Agrarian Reform: The First Year (1979-80)

by David Kaimowitz and Joseph R. Thome*

FROM its beginnings in the early 1960s, the modern Sandinista movement considered the overthrow of the Somoza regime only as a starting point in a long process of social transformation. From the ashes of a corrupt and unjust system would emerge a society working on behalf of all, particularly the workers and peasants. For an agricultural country like Nicaragua, this meant, among other things, an agrarian reform.

Agrarian reform has long been considered a necessary process for achieving more developed and equitable societies in Latin America. And responding to decades of external and internal pressures, many Latin American countries have indeed enacted agrarian reform legislation. But in only a handful of cases have the respective governments gone beyond a lip-service approval of reform to actually provide the political and economic support necessary for achieving any substantial structural change. By contrast, the Nicaragua Government of National Reconstruction not only considered agrarian reform as a key element of a new economic policy whose ultimate purpose was to create a just and egalitarian society,¹ but also backed its concepts with action--within weeks

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of its victory, the new government drastically altered the land tenure structure in Nicaragua through the wholesale confiscation of the landed estates owned by Somoza and his allies.² It is the purpose of this paper to provide a concise but analytical review and discussion of the crucial first year of this agrarian reform process.

The Development of Nicaragua's Rural Structure

Nicaragua's economy has always been very dependent on its agricultural sector. In most years, more than 70 percent of the country's foreign exchange came from the agricultural production, particularly from cotton, coffee, sugar, and meat. If the processing of agricultural products is included, the agricultural sector accounted for almost 35 percent of the country's Gross Domestic Product (GDP).³ According to the 1971 Census, nearly a million people, or 52 percent of the population, lived in the rural areas.⁴ In addition, more than 45 percent of the economically active population (EAP) depended upon agriculture for its livelihood.⁵

The agro-export model of development in Nicaragua had its roots in the great expansion of coffee cultivation in the late 1800s. With coffee, Nicaragua became definitively integrated into the world market, selling agricultural exports to buy the manufactured and other goods it needed. The development of a profitable market for coffee greatly raised the value of land, leading to the dispossession of sharecroppers and renters, and creating a demand for an available work force to work on the coffee plantations. Landownership thus became more concentrated and dispossessed small farmers had little choice but to work on the coffee plantations.⁶

The expansion of coffee production might eventually have brought about the establishment of modern capitalist production in the countryside. This did not occur, however, for a number of reasons. In the early 1900s the United

States supported a series of conservative governments whose social base lay among the traditional livestock hacendados. The coffee growers found themselves without the institutional support necessary for their expansion. This problem was exacerbated by the low coffee prices brought on by the Great Depression in the 1930s.⁷

Not until the Korean War, with its accompanying demand for raw materials, did Nicaragua's agriculture regain a high rate of growth. The introduction of cotton to the Pacific coast marked the beginning of modern, commercial farming in the country. Cotton acreage expanded markedly from 1950 to 1970, once again resulting in the forced removal of small grain farmers from their holdings as well as a dramatic increase in the demand for seasonal labor. In 1973, of the 228,000 workers employed during the cotton harvest, only 26,000 had year-round employment.⁸

Agro-export production, including sugar and beef as well as cotton and coffee, boomed through the mid-1970s, providing the economy with a dynamic, high-growth sector and making possible a rapid rate of capital accumulation. Reliance on export crops, however, made Nicaragua dependent on the volatile world markets for primary commodities. Export crop production aggravated the problem of seasonal unemployment since coffee, cotton, and sugar all have their harvests concentrated in the period from December to March. Because of a high level of dependence on imported pesticides, machinery, and other inputs, the contribution of modern export production such as cotton to the balance of payments was often much less than it appeared.⁹ Since Nicaragua had little in the way of modern techniques or infrastructure, it was forced to compete in the world market on the basis of its cheap labor, a feature which had to be constantly reenforced for the traditional agro-exporting system to function.

With the expansion of agro-export production, food production for domestic consumption was pushed onto the poorest lands, often on the agricultural frontier. The overwhelming bulk of government assistance went to export crops and most domestic food production became concentrated in the hands of small producers who lacked the resources to produce capital-intensive export crops or to modernize their production. Basic food production thus tended to stagnate and imports and prices to rise.¹⁰

The resulting social structure was characterized by a highly skewed distribution of assets and income, with vast rural poverty coexisting with great concentrations of wealth. Thus, 1.4 percent of the total number of farms controlled 41.2 percent of the farmland, while, at the other extreme, 50 percent of the farms, all under 7 hectares (17 acres), controlled only 3.4 percent of the land.¹¹ Many of these small farms were on the agricultural frontier, isolated from access to roads, drinking water, electricity, education, and health services. In addition, a large number of rural families owned or controlled no land whatsoever.

Seasonal unemployment affected the majority of rural workers (both the landless and those with small plots), with steady work available only during the 3-4 month peak agricultural period. In 1972, the annual average income of the poorest 50 percent of the rural population was \$35 per capita.¹²

Somoza and the War

As the rural poor became increasingly impoverished, one family was becoming increasingly rich. When Anastasio Somoza Garcia first became president in 1936, the Somoza family had practically no agricultural holdings, but by 1979 they were the largest landholders in the country. In addition, the Somozas controlled the only two meat processing plants licensed to export, three of the six sugar mills, 65 percent of the commercial fishing, 40 percent

of the commercial rice production, and the largest milk processing plant. Moreover, the Somozas had controlling interests over a wide assortment of companies involved in processing, selling, and transporting agricultural inputs and goods.¹³ Needless to say, the Somozas were proficient at using the state apparatus to their own benefit; during World War II, for example, many coffee plantations owned by German immigrants were confiscated by the government and transferred through various means to the Somozas, making them the largest coffee growers in the country.¹⁴

The problem, of course, was not just one family. Around the Somozas a whole social structure developed. The military dictatorship of Somoza created strata of military and civilian functionaries who controlled the development of the country in pursuit of the sole goal of enriching themselves and building their private empires.

Conditions for the rural poor had been worsening for some time, but the 1979 war brought the entire economy to the verge of collapse. Due to the dislocation and destruction of the war, agricultural production fell 37 percent in 1979. The cotton harvest was only 20 percent of that of a normal year. Corn was down 33 percent, beans 29 percent, and rice 37 percent. It is estimated that up to 300,000 cattle were either slaughtered or smuggled out of the country. Much agricultural machinery was destroyed or sabotaged by Somoza's followers before leaving the country. Material damages in agriculture alone, not counting the value of lost crops, came to almost \$30 million.¹⁵

The Process of Agrarian Reform, 1979-80

1) Initial Goals and Policies

For some time before the final victory in July of 1979, the Sandinistas and other anti-Somoza groups had maintained that the maldistribution of land,

insufficient production of basic grains, low standards of living, and other economic and social ills could be resolved only through basic changes in the economic structure, such as an agrarian reform.¹⁶ The Sandinista Front (FSLN) also realized that the success of both its military operations and any subsequent social restructuration was to a large extent conditioned on the support and participation of organized workers. The FSLN thus promoted the organization of rural workers and landless peasants into workers' committees. By 1978 these had grown strong enough to found the Rural Workers Association (ATC) as a national organization.¹⁷

Land invasions and other peasant actions during the war also affected subsequent agrarian reform policies and programs. As early as June of 1979, for example, organized peasants in the Province of León began to invade large and mostly Somoza-owned estates in those areas liberated or controlled by the Sandinista forces. Once the lands were occupied, the peasants, often acting under Sandinista Front supervision or guidance, began to organize communal or cooperative forms of tenure. Known as Comunas Agrícolas Sandinistas (CAS), they were subsequently formally incorporated into the agrarian reform program.¹⁸ To a lesser extent, this experience was duplicated in various regions of Nicaragua, creating a situation to which the new government of National Reconstruction had to respond.

Upon the overthrow of the Somoza regime in July of 1979, the new government wasted no time in setting about its most immediate tasks of reactivating the economy and reconstituting it into a mixed system, including both private and state enterprises, and redistributing income within the limitations of Nicaragua's economic possibilities.¹⁹

In the crucial agricultural sector, the government's goals were to increase production and at the same time begin a process of agrarian reform that would transform the land tenure structure in Nicaragua and provide the rural population with different forms of access to land, credit, technical assistance, and other indispensable services. According to the government program, the first stage of this reform process would include the acquisition of all the lands owned by Somoza, his family, and his military officers and followers, as well as those lands owned by delinquent taxpayers, lands obtained illegally from the public domain, and all abandoned or uncultivated lands. Once acquired by the state, these lands could be held and worked only through associative or group forms of farming, such as production cooperatives or state farms; they would not be redistributed as individual, private parcels.²⁰

Complementary agrarian reform measures such as land and water use controls, rent controls, credits for the private sector, and better wages and conditions for the rural workers would also be provided. Finally, these and other general policies and goals would be subsequently defined and operationalized through a comprehensive agrarian reform law.²¹

2) Implementing the Reform: Land Redistribution

While, as we have seen, some reform activity was carried out during the course of the war, the agrarian reform was not officially proclaimed until after the final victory. Decree no. 3, of July 20, 1979, authorized the Attorney General to "intervene, requisition and confiscate all the properties of the Somoza family, and of the military and government officials." Once so acquired, these properties were to be transferred to the agrarian reform authorities.²² Complementary Decree no. 38, of August 8, 1979, speeded up the process by giving the Attorney General power to suspend any transaction or

temporarily seize (intervene) any property or business belonging to persons or corporations affiliated with the Somoza regime.²³

Acting under these powers, the Attorney General, by November 23, 1979, barely five months after the victory, had confiscated without compensation 1,500 farms with a total area of approximately 800,000 hectares (2 million acres), representing over a fifth of Nicaragua's cultivable land.²⁴

Moreover, most of these lands were in large, modern, and highly productive farms situated along the populated Pacific coast, an area with excellent soils and access to both national and international markets.²⁵

This circumstance or dynamic to a large extent determined the course of the Nicaraguan agrarian reform and made the Nicaraguan experience almost unique among revolutionary processes. Few, if any, governments have been able to start an agrarian reform with an almost costless and instant nationalization of vast and productive landholdings. Even more unique, this was achieved without alienating the bulk of the landowning class, most of whom despised the Somoza clan. Moreover, the very fact that the government had to swallow such a large morsel all at once gave the large landowners a certain measure of security, at least for a while. The new government now had to face the problem of organizing these holdings and restoring their productivity. As we shall see, INRA, the Nicaraguan Institute of Agrarian Reform, did indeed concentrate on managing the confiscated estates, as well as servicing the small peasants, administering 4 million hectares (10 million acres) of public domain lands, most of it in virgin forests along the Atlantic coast, and other complementary measures.²⁶ Thus, as of mid-July 1980, INRA had acquired only an additional 200,000 hectares (500,000 acres)²⁷ of land, some through confiscation and the rest through expropriation with compensation of lands not subject to confiscation under Decree no. 3 but which had nevertheless been occupied by peasants or temporarily seized or intervened by the government.²⁸

To direct the agrarian reform, the Nicaraguan Agrarian Reform Institute (INRA) was formed in August 1979.²⁹ INRA initially used the resources of the old Nicaraguan Agrarian Institute, Somoza's ineffective agrarian reform agency, and INVIERNO, an integrated small farmer rural credit program which had been sponsored by the U.S. Agency for International Development. In addition, INRA counted on many dedicated agrarian technicians from the ranks of the Sandinista Front.

Although INRA was in charge of managing the reformed sector and providing services to the small peasant sector, there was also a Ministry of Agriculture which continued to exist separately. As INRA began to take on more and more general responsibilities for the agricultural sector, the two institutions were merged in January 1980 into a new Ministry of Agricultural Development (MIDA).³⁰ INRA continued to be the most dynamic element of the Ministry, and Comandante Jaime Wheelock, the original head of INRA and a member of the Sandinista National Front, became the new Minister.

3) The State Sector

Once the land was acquired, a decision had to be made about its disposition. Having decided not to divide the land into small parcels, the government opted instead for the development of state farms and production cooperatives. Most confiscated farms had been operated for years as large, capital-intensive enterprises. Their parcelization could have resulted in a major drop in production, besides representing a qualitative reversal in the limited modernization of Nicaragua's agriculture.

As can be seen in Table 1, the state or "people's sector" in 1980 accounted for a substantial percentage of the total agricultural production. In addition, INRA administered 5 of the 6 sugar mills, and an assortment of agricultural and input operations. Finally, more than 50,000 workers, or

Table 1
Production of Agricultural Products
by Form of Ownership in 1979/80

Crop	State Sector (INRA) (%)	Small Producers* (%)	Large Producers (%)
Cotton	20.0	18.0	62.0
Coffee	15.0	30.0	55.0
Livestock	15.0	73.0	12.0
Corn	8.7	87.2	4.4
Beans	17.0	79.1	3.8

Source: CIERA elaboration, 1980.

* The Ministry of Agricultural Development defines small producers as those with a family income of less than \$1,800 per year. These producers usually own less than 15 hectares of land.

13 percent of all agricultural laborers, worked full time in the reformed sector.³²

INRA's major responsibility was to manage the reformed sector. To meet this goal 18 regional offices were set up, one in each province plus two special offices on the Atlantic coast. The expropriated farms themselves were converted into "state production units" or UPEs. These UPEs were combined into 170 production complexes, which in turn formed 27 agricultural empresas, or enterprises.³³

In addition to the INRA division in charge of state farms, other INRA departments or sections administered important agrarian reform activities. The most important of these was AGROINRA, which managed all the vertically integrated agroindustrial operations, including the processing facilities for coffee, cotton, milk, sugar, fruits, and vegetables; the stockyards; the sugar, tobacco, and rice plantations; the pork and chicken farms; and the production of animal feed. The Service Department of INRA was put in charge of managing the tractors and other machinery for the state sector, as well as a number of irrigation and transportation projects operated by INRA. PROAGRO, another department of INRA, controlled the distribution of such agricultural inputs as seeds, fertilizers, and pesticides for the reformed sector.³⁴

A major effort was made to improve the living conditions of the state sector workers. Small health units, schools, and housing projects were established. Small stores were opened for selling basic necessities at controlled prices. In general, the emphasis was on increasing the supply of social goods rather than raising salaries, though these also were improved.³⁵

Production cooperatives called Sandinista Agricultural Communes or CAS were also organized. As of late 1980, there were about 1,327 of these cooperatives, of which a third were on land leased to the peasants by the

government and two-thirds on land rented or lent to the CAS by private farmers.³⁶

Originally formed on invaded lands in the León area, the CAS had become a semi-spontaneous form of organization created by the peasants to take advantage of the increased accessibility of credit and land. A group of 25 or 30 peasants would get together, rent land collectively, and request credit from the government for their living expenses and working capital during the growing season. At the end of the season the bulk of the CAS's income would go to paying back the loans while the remainder was divided up among the peasants.

The structure of the CAS tended to be relatively informal and flexible. The members met frequently and worked out production plans and problems with the government agencies and the ATC. Often a smaller coordinating committee was elected by the members to direct the day-to-day functioning of the farm. Most Sandinista Agricultural Communes were formed on farms which had previously been rented or sharecropped out to peasants. Few Sandinista Agricultural Communes exceeded 35 hectares (88 acres) in area.³⁷

A small number (50 or 15) of Sandinista Agricultural Communes were formed by peasants who pooled their own land to form the cooperative. Where this occurred it was usually the result of a long period of political work with the peasants concerned dating back to before the triumph of the revolution. These CAS were usually much better organized and had more formal structures. They were, however, the exception and not the rule.³⁸

4) Problems of the Reform

INRA had to face innumerable problems during its first year of operations. Many of the farms were in ruins and had been abandoned by owners and workers fleeing the war. The ministries were only beginning to reorganize

themselves and take charge of their functions, and there was a limited number of people with much experience in public administration or farm management. In addition, there was little experience in agricultural planning, as Nicaragua had never previously attempted to plan its agricultural development in a systematic way. The information system the government had inherited was incomplete and the available statistics often erroneous.³⁹

The first months of the agrarian reform were thus somewhat hectic and disorganized. The government tried to work quickly to plant cereal crops to take the place of the lost cotton crop and to feed the thousands of people left hungry from the war. But this was a difficult task with no regular supplies of seed or fertilizer and no organized management on the farms. In this initial period it was the peasants themselves who often took the initiative by identifying lands for confiscation and putting them into production.⁴⁰

The problems were not all technical. Many social institutions, such as worker discipline, which were often based on repression under the old regime, tended to collapse in its absence. In some places productivity declined because workers decided to cut their hours. With the increased availability of land, peasants had less need to work as agricultural laborers. This, combined with the death of many young workers during the war and the end of the traditional practice of using Salvadorean and Honduran labor in peak seasons, helped create sporadic labor shortages. Finally, during the first part of the year the government also had to contend with extremist groups who were urging agricultural workers to occupy lands not subject to confiscation or to strike for higher wages which were impossible to meet given the economic situation of the country.⁴¹

Table 2
Structure of the Reformed Sector

	No. of Units	Average Acreage (hectares)	No. of Rural Workers	Average No. of Permanent Workers per Unit
State Farms	1,200	644.2	35,358	29.5
Sandinista Agricultural Communes	<u>1,327</u>	42.0	<u>13,402</u>	10.1
	2,527		48,760	

Source: CIERA elaboration, August 1980.

5) Planning and Participation

The state sector component of the agrarian reform process became more consolidated toward the end of 1979. By then the system of state production units and complexes was beginning to function. In January the government officially published its Plan for Economic Reconstruction for 1980.⁴² This was the first time the government had set out a clear program for the reconstruction of agriculture and the role to be played by its major components: the state sector; the small peasant sector; and the private commercial farm sector.

The most important objective for agriculture set out in the plan was to recover the overall levels of production of the years prior to 1979/80. The plan set out goals for each major crop and provided the resources for sufficient credit and agricultural inputs to meet the production goals. Plan 80 specifically acknowledged the great economic significance of the social changes in the countryside and laid out mechanisms for the participation of agricultural workers and their organizations in defining and implementing the plan.⁴³

Plan 80 exemplified the government's strong commitment to the active participation of agricultural workers in the agrarian reform process. Such participation, however, was conditioned on the existence of a strong workers' union or association. And in the past, any attempt to organize had been repressed by Somoza's National Guard. Only a few church groups had been semi-tolerated; they formed the nucleus of most of Nicaragua's original peasant associations and cooperatives.⁴⁴

The Sandinista Front had worked with peasants ever since its founding in the early 1960s. Still, it was not until 1976 that the Sandinistas formed the first Agricultural Workers Committees among the coffee workers in the

Department of Carazo. Their original demands were mostly economic: higher salaries and better living and working conditions.⁴⁵

In 1977 and 1978 the committees spread and began to take an active role in denouncing the repression. On March 25, 1978, the committees organized the Association of Rural Workers (ATC). During the war the ATC played an important role on a number of fronts, and many campesinos were killed fighting against Somoza.⁴⁶

When victory came on July 19, 1979, the ATC was organized in only four provinces: Managua; Carazo; Chinandega; and Masaya. It grew quickly from that point on, soon becoming the mass organization of the entire Nicaraguan peasantry. By July 19, 1980, the ATC had a paid membership of nearly 100,000.⁴⁷

Reflecting the four basic forms of production in the countryside, different types of union locals were established to represent the state farm workers, the private farm workers, the small independent peasants, and the peasant cooperative members. These local unions and base committees were in turn organized into municipal committees, with their own elected executive councils. Delegates from these councils belonged to the departmental assemblies which in turn elected the departmental executive councils. The highest level leadership unit in the ATC was the National Assembly, which gave the general orientation for the Association and selected its national executive committee. Prior to the first National Assembly in December 1979 there were over 600 local meetings to discuss the work to be accomplished at the assembly and to elect its delegates.⁴⁸

While maintaining a very close working relationship with the government, the ATC still managed to function as an independent organization representative of the peasants, which did not hesitate to criticize the

bureaucracy, policies with which it disagreed, or unreasonable working conditions. In February of 1980, for example, an ATC-organized demonstration of over 60,000 peasants demanded that the government not return any of the temporarily intervened lands, that small producers be pardoned of certain past debts, that agricultural workers be allowed greater participation in the running of state farms, and that the old Somoza labor code be replaced. The government responded by expropriating the lands in question and promising solutions to the other problems.⁴⁹

As of September 1980, three ATC delegates were members of the State Council, Nicaragua's new legislative assembly. In addition, the ATC was represented in the national council of the Ministry of Agricultural Development, in the National Agricultural Council, and in many advisory and technical councils of various ministries. It also maintained representatives in the administrative structure of each agricultural empresa, production complex, and state farm.⁵⁰

Within each state farm, meetings were regularly scheduled with the workers to discuss work schedules, production problems, or other concerns the workers might have. Other meetings were occasionally held to discuss the annual plan of the farm or major government campaigns. Special "Assemblies of Commitment" were also organized by the ATC to discuss the specific goals and progress of each individual farm on the eve of the first anniversary of the revolution. On the private farms, the ATC organized assemblies to monitor any decapitalization, violations of the labor code, or hoarding in which the owner of the farm might be engaged.⁵¹

6) The Small Farm Sector

The incorporation of the small producers and seasonal agricultural workers created a number of special problems for the agrarian reform. The

state sector alone could not be expected to incorporate the majority of these peasants. Yet the consolidation of the revolution depended on a strong political alliance between the small peasants, the other agricultural workers, and the urban workers. To win their political support and to raise their production and standards of living, a number of measures targeted at the small producers were undertaken.

The most immediate change was a drastic increase in the amount of credit available to small producers. Under Somoza over 90 percent of all agricultural credit had gone for export crops, produced mostly by large farmers, while most agricultural producers received no credit at all.⁵² By contrast, in 1979/80 agricultural credit became available for practically anyone who requested it. INRA expanded the old INVIERNC program into a new department called PROCAMPO to provide services for small peasants. Together with the ATC and the National Development Bank, PROCAMPO organized national, provincial, and local credit committees to approve loans and assure their availability to peasants who were illiterate and without any form of collateral.⁵³

To promote the most efficient administration and use of this credit, PROCAMPO and ATC encouraged the organization of credit and service cooperatives.⁵⁴ Twelve hundred of these co-ops were organized in 1979/80, and they received over 50 percent of the agricultural credit distributed during that period.⁵⁵

This improved access to credit was not achieved without problems. Functionaries of the National Development Bank (BND) expressed concern about the prospects for recuperating monies lent to small producers for the 1980 crop season. This was especially true for the agricultural frontier, an area of rapid expansion where large numbers of peasants received credit to produce

basic grains in marginally accessible areas. MIDA/INRA, the BND, and ENABAS were thus faced with the twin problems of recuperating loans and providing adequate marketing, transportation, and storage services for the corn and bean harvests.⁵⁶

The government viewed production cooperatives such as the Sandinista Agricultural Communes as the best solution to the continuing problem of the subdivision of land into smaller and uneconomical plots. Cooperatives would make possible a more comprehensive planning of the agricultural sector.⁵⁷ This process of cooperativization, however, would be strictly voluntary and would proceed by stages, beginning with credit, marketing, and service cooperatives, and only later involving production cooperatives. The first production cooperatives would be mostly on rented lands, but eventually, it was hoped, small peasants would pool their own lands as well. Economic incentives, along with constant persuasion, were the mechanisms foreseen to stimulate these changes. In credit, for example, the government offered Sandinista Agricultural Communes a 7 percent interest rate; credit and services cooperatives paid 8 percent; and individual farmers had to pay 11 percent.⁵⁸

Other agricultural policies designed to favor small peasants were the nationalization of all marketing channels for agricultural exports, direct government purchase and sale of basic grains, and the control of rents. State-operated foreign trade companies were established for exporting coffee, cotton, sugar, meat, and fish, as well as for importing pesticides, fertilizers, and other agricultural inputs.⁵⁹ State control over foreign trade gave the government direct control over this strategic sector of the economy and made it possible to tax that sector directly. It displaced a whole set of intermediaries who in the past had taken advantage of the

peasants' lack of education and marketing power to make high profits at their expense. The Nicaraguan Basic Foods Company (ENABAS) was organized for similar reasons to purchase a portion of the basic food harvest from small peasants and market it in the towns and cities. The formation of ENABAS gave the government some control over consumer prices for basic foodstuffs and the ability to limit the effect of any artificially created food shortages. However, most of the internal marketing of basic foods remained in private hands.⁶⁰

Rent controls for agricultural lands were also established to benefit small producers. Maximum rents were set at \$21 per hectare for cotton land, which had formerly rented for more than \$140 per hectare, and \$7 per hectare for cereal-producing lands.⁶¹ Although the government attempted to prevent the eviction of peasants from lands they had previously rented and to allow peasants to rent land not put into production by the owners, these measures were not fully successful.⁶²

To coordinate the programs involving small producers and to develop guidelines for policy in this area, the government created the National Committee of Small Peasant Production. This committee included PROCAMPO, the National Development Bank, the ATC, the Ministry of Planning, and the Nicaraguan Basic Foods Company (ENABAS). The national committee developed working definitions of who was a small producer, studied crop production costs upon which state purchasing prices could be based, set credit guidelines, and worked toward smoother coordination of the different agencies involved with small producers.⁶³

7) The Private Sector

Despite the government's confiscation of Somoza properties, the private sector continued to play a predominant role in the agricultural sector.

Large, private, commercial farms concentrating on such export crops as cotton, coffee, cattle, and sugar still accounted for 64.5 percent of Nicaragua's cultivable land.⁶⁴ And, as could be expected, a tense and sometimes contradictory relationship developed between this private sector and the new revolutionary government.

The government repeatedly expressed its desire for a mixed economy with an active private sector. But the rules of the game were now different: the private sector could no longer exploit and mistreat its workers, and it was expected to bear its share in the reconstruction of the economy.

The commercial farmers, for their part, had been unhappy with Somoza's personal monopolization of the economy and repressive government. Most looked forward to a government in which "non-Somoza" businessmen would have a leading role. But they looked with apprehension at a government whose basic commitment was now to the poor and dispossessed. Consequently, they often supported opposition parties, such as the Nicaraguan Democratic Movement or the Conservative Democratic Party, even though they were reluctant to be publicly identified as opponents of the government. Some large farmers tried to avoid complying the government reform legislation. They refused to rent out their lands for the prices dictated under the rent control law or to provide their workers the benefits required by law. For the most part, however, the private sector complied with the agrarian reform laws and tried to adjust to the new framework.⁶⁵

The commercial farmers and cattle ranchers belonged to their own associations, such as the Coffee Producers Union and the Livestock Owners Federation, which were grouped together as the Nicaraguan Agricultural Producers Union (UPANIC). UPANIC in turn was one of a number of business organizations belonging to the Superior Council of the Private Sector (COSEP),

which coordinated private sector negotiations with the government. Conscious of the government's need for private sector investment and production, commercial farmers often drove a hard bargain in their negotiations with the ministries. While many small farmers were members of UPANIC affiliates, its leadership and political position were in the hands of the large producers.⁶⁶

The government used various mechanisms to respond to private sector demands and to orient this sector toward its new role. UPANIC, for instance, was assigned one seat in the State Council, Nicaragua's new legislative assembly, and also allowed to participate in various government technical commissions.⁶⁷ Economic incentives were among the government's most important policy instruments toward the private sector. Low interest credits were made available, and a coffee stabilization fund was established to shelter coffee producers against the instability of the world market.⁶⁸ Many of the large commercial farmers, particularly in cotton, actually benefited from the rent control law, since over 40 percent of the cotton was grown on rented lands. Indeed, even personal income and company profits were taxed at low levels during the first year in an attempt to stimulate private investment.⁶⁹

At the same time, certain limits and controls were placed on the private sector. Salaries increased substantially. The average agricultural wage went from \$1.70 to \$2.70 per day soon after the triumph of the revolution and then went up again to about \$3.20 per day at the end of the first year.⁷⁰ Agricultural workers obtained the right to decent food at the workplace. Serious measures were taken to eliminate occupational health hazards, such as pesticide poisoning, that were common on the private farms. In general, social legislation was enforced for the first time in Nicaragua's history.

The government took the initiative in planning private sector activity. Acreage quotas were established for cotton crops and various stimuli used to assure their fulfillment. The government also began to rehabilitate Nicaragua's coffee plantations, long plagued with low yields and a fungus disease that ran rampant when control measures broke down during the war. The Ministry of Agricultural Development began to take infested farms out of production and to promote new, higher-yield coffee plants.⁷¹

Conclusions

The Nicaraguan agrarian reform accomplished more during its first year of operation than most agrarian reforms achieve over much longer periods. Approximately one-fourth of the agricultural sector was socialized through the organization of state farms and production cooperatives. Credit and technical assistance to the small and medium producer were substantially improved and state marketing channels established to secure more stable and fairer prices to both producer and consumer. At the same time, large commercial farmers maintained their access to credit and other government services. Rural workers were organized into a strong national union, and began to receive better wages and to participate in government policy formulation and implementation. The necessary institutional framework for effective agricultural research, planning, and administration began to be developed. Finally, production levels by the end of 1980 were, with the exception of cotton, nearly those of pre-war levels for export crops, and at a par or higher for basic grains for the internal market.⁷² These accomplishments were all the more impressive given the widespread destruction and crop failures facing Nicaragua at the end of the war.

But Nicaragua still had a long way to go. No matter how efficient its government operation, it might take Nicaragua 10 to 20 years to consolidate

its revolution in the countryside and provide a satisfactory level of living for all. Recurrent problems still facing Nicaragua by late 1980, such as seasonal unemployment, dependence on world markets, and low productivity, were deeply rooted in a social and economic structure developed over Nicaragua's history. Restructuring society is no easy task, particularly for a small, poor country.

Indeed, the very effort to change this structure produced its own tensions and problems that may find only partial solution in this generation. By December 1980, for example, INRA still faced the challenges of developing proper forms for organizing worker participation in the new state enterprises, finding the correct mix of work incentives and noncoercive means of worker discipline, and creating mechanisms for preventing or adjudicating conflicts between permanent and seasonal laborers.

The success of the agrarian reform during its first year to a large extent depended on INRA's ability to impose an orderly and controlled process and to maintain a delicate balance between the state sector, the rural workers and peasants, and the large commercial farmers and ranchers. How long could this balance be maintained? If the state incorporated too many permanent workers into its state farms and through its services increased the profits to the small producer, the commercial farmer might face serious labor shortages during the peak harvest periods. On the other hand, some large landowners were reluctant during 1979/80 to enter into sharecropping or rental agreements with small producers, and in certain cases even evicted tenants and sharecroppers. This created increased pressure for land from landless peasants and workers, and resulted in some land invasions. The Minister of Agriculture responded to these pressures by proposing the expropriation with compensation of unused or abandoned lands.⁷³ But such ad hoc measures did

not go to the root problems, and by year's end the government had not yet enacted a comprehensive agrarian reform law to clearly establish the rules of the game.

Aside from land invasions, other tensions between the government and peasants and rural workers surfaced during the first year of agrarian reform. These included demands for higher wages which strained the government's anti-inflationary and non-deficit spending policies. Finally, ATC, the Rural Workers Association, was at year's end still trying to determine how far it could support the revolutionary government without losing its independence and representativeness.

These and other problems are inherent in any dynamic process of social change. Still, Nicaragua faced the decade of the 1980s with justifiable optimism. Relatively underpopulated but well endowed with natural resources, it had a high potential for agricultural development. Moreover, the ATC and the Government of National Reconstruction enjoyed massive popular support and shared a common outlook on the basic policies and programs for Nicaragua's unique process of social change. The rural workers and peasantry could thus look forward to the future with the hope of eventually overcoming the many difficulties it faced.

Footnotes

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5. FAO, Nicaragua: Misión de Identificación, p. 10.
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8. Charles-Andre Udry, "Nicaragua after the Overthrow of Somoza," Intercontinental Press, October 9, 1979, p. 947.
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17. Roger Burbach and Tim Drainin, "Nicaragua's Revolution," NACLA, 19:3 (May-June 1980), p. 5.
18. Orlando Nuñez, "Formamos 400 Brigadas," in Nicaragua; Un País Propio, by Pablo González Casanova et al. (Mexico: UNAM, 1979), p. 112.
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20. Gobierno de Reconstrucción Nacional, "Primer Programa de Gobierno," in 1979, Año de la Liberación (Managua: República de Nicaragua, Difusión y Prensa, 1979), pp. 11-12.
21. INRA, "El Programa de Gobierno y Nuestra Reforma Agraria" (Managua, n.d.), pp. 1 and 2.
22. La Gaceta--Diario Oficial (Managua), año 83, no. 1, August 22, 1980, p. 5. The whole decree consists of 2 articles contained in 17 lines.
23. Ibid., no. 6, September 3, 1979, p. 42. Due to several abuses in its implementation, this decree was revoked by Decree no. 172 on November 21, 1979. Barricada (Managua), November 22, 1979.
24. Comandante Jaime Wheelock, Minister of Agriculture, interview of November 23, 1979.
25. Salvador Mayorga, Vice-Minister of INRA, lecture of February 10, 1980.
26. Ibid.
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36. Peter Marchetti, "Participación e Implementación de las Políticas de Reforma Agraria; Los Casos de Chile y Nicaragua" (trabajo presentado en la V Conferencia de Sociología Rural, México, 1980), p. 24.
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