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PROBLEMS OF LAND REFORM AND LAND REFORM  
IMPLEMENTATION 1/

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INTRODUCTION

In no time in history has there been more interest among nations in economic development than at present. Unshackled from the colonial past, almost every developing country has chartered its course of development through short and long range economic plans. To wit are the existing four or five-year plans in India, Pakistan, Taiwan and other countries.

In the Philippines, we had during the post war period at least six "five-year plans", a "three-year plan", and two "four-year fiscal plans."<sup>3/</sup> Former President Diosdado Macapagal had his Five-year Socio-Economic Program. President Ferdinand E. Marcos announced recently that a four-year plan is being prepared by his administration.

An objective that runs through all these plans is social and economic upliftment of the country and its citizenry. Moreover, since the economy of these developing countries is largely agricultural, the development of the rural sector has always been an integral part of every program of reform. Invariably, the planners have always con-

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<sup>3/</sup>For discussion of some of these plans, see Frank H. Golay. "The Philippines: Public Policy and National Economic Development," Community University Press, Ithaca, N.Y. Chapter 15, pp. 346-375.

sidered the relation of the tillers of the soil and the landowners.

#### CONCEPT OF LAND REFORM

Land reform has been interpreted in various ways. It may mean distribution of land among the landless, security of tenure and fair rents, technological improvements, or provisions of credit and marketing facilities. It may involve consolidation of small landholdings as in West Germany.<sup>4/</sup> It may also take the form of collective farming as in Russia and other communist countries. Farm resettlement has been included also in land reform.

The more common terminologies used are land tenure reform, agrarian reform, agricultural development program, economic development program, or socio-economic program. These terminologies indicate points in a continuum starting from land tenure reform to socio-economic development programs.

According to Froelich the expression land tenure describes:

... All those arrangements by which 'farmers' or others hold or control land and which determines its occupancy and use. In this context, 'land tenure' covers not only right in the land, it encompasses agricultural institutions generally including land ownership and tenancy, land rents, taxation of agricultural land or income from land, and even rural credit facilities. The term 'land reform' usually covers the changes in these agricultural institutions which as a rule improve the economic, social and political change and/or general economic development. <sup>5/</sup>

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<sup>4/</sup>D. J. Alexander, "Some Features of West German Policy for Improving the Agricultural Structure," Journal of Farm Economics Vol. 46, No. 4, 1964, p. 791.

<sup>5/</sup>W. Froelich, "Economic Development, Land Tenure and Social Stability. Some Preliminary Remarks," in W. Froelich (ed.), Land Tenure, Industrialization and Social Stability, Experience and Prospects in Asia, The Marquette University Press, Wisconsin, 1961 p. 8.

NEED FOR LAND REFORM

It is claimed, that in developing countries existing land tenure system is a deterrent to increase agricultural production. There is uneven distribution of land. Large tracts of productive land are in the hands of a few. Sharing of the produce is inequitable. There is no security of tenure and the obligations of the contracting parties are not well defined. Tenurial arrangements are verbal. These conditions coupled with low level of technology, lack of managerial skills, small size farms as a consequence of deliberate desires of landowners or population pressure of land, etc. result in low productivity.

In the Philippines, it was conservatively estimated in 1955 that only 221 holdings exceeded 1,000 hectares in size, but almost 14,000 holdings of 50 hectares or more totaled 2.4 million hectares, or about 42 percent of all farmland in the country.<sup>6/</sup>

Out of the 2,166,216 farms in 1960, 39.9 percent were operated by tenants.<sup>7/</sup> The percentage ranged from a low of 4.1 per cent in Batanes to a high of 85.2 per cent in Pampanga. Palay farms far exceeded the other types of farms, 48.1 per cent. The usual rents on this type of farm range from 30 percent to 50 percent depending on the contribution of each party but rents as high as 75 percent have not been unknown.<sup>8/</sup>

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<sup>6/</sup>Arturo P. Sorongon, "A Study of Landlord Estates in the Philippines," USOM International Cooperative Administrative, published, Aug., 1955.

<sup>7/</sup>Census of the Philippines, (Agriculture, Summary Report), 1960, p. xv.

<sup>8/</sup>This results due to competition for the use of land. A tenant may sublet his farm to another. By just providing the work animal and implements he gets 25 percent of the produce leaving 25 percent to the actual tiller of the land. All these arrangements are of course verbal and would be illegal under the law but the landowner allows them because he does not lose anything; if at all he gains because of better management.

The Filipino farmer is generally shorthanded on capital. He depends on the landholders and usurious money lenders for production capital and subsistence. Credit through commercial banks is relatively unheard of in many barrios because farmers cannot put up the necessary collateral mostly in the form of land titles. The Agricultural Credit and Cooperative Financing Administration (now Agricultural Credit Administration) provides easy credit to members of the Farmers Cooperative Marketing Association (FaCoMa) but the inherent red tape discourages many farmers from borrowing. The few who borrowed never repaid their loans. The Rural Banks are filling the gap for credit requirements in the rural areas but still few farmers can meet the requirements. As a result, farmers pay exorbitant rates of interest to money lenders, landowners included, although in some instances through no fault of their own. Absentee landowners stay in the cities and run the farm through an overseer. The overseer often charges high interest rates without the knowledge of the landowner. Depending on the system followed, computed rates of interest range from 50 to 400 per cent.

Due to smallness of the farms (usually about 2-5 hectares) and low productivity (average yield of 27 cavans of palay per hectare) the farmer's share could barely meet subsistence requirements from harvest to harvest. Thus, the farmer is perennially in debt. Unlike their counterparts in the more advanced countries like the United States where farmers go up the agricultural ladder, the Filipino farmer does not. The children inherit the debts and they too remain tenants.

These factors are considered inimical to increase production and political stability. Thus land reforms of varying degrees have been carried out.

#### HISTORICAL PERSPECTIVE

Land reform is not of recent interest in the Philippines. It actually started in 1903 when some friar lands were purchased by the Philippine government and then resold in small parcels to the people who occupied or desired to buy land.

The emphases of land reform in the country are mainly in the area of land resettlement and land tenure. Land resettlement was embodied principally in the land reform legislations, e.g., second objective of Magsaysay land reform, fifth objective of the present Land Reform Code. The resettlement programs were carried out by the creation of various government agencies. In 1937 the Land Settlement Administration and the Rural Progress Administration were created. In 1954 the National Resettlement and Rehabilitation Administration (NARRA) was created to speed up the resettlement of tenants from heavily tenanted areas of Central Luzon to sparsely settled regions of Palawan and Mindanao. The NARRA succeeded the previous resettlement agencies such as the National Land Settlement Administration (NLSA), the Land Settlement and Development Corporation (LASEDECO), the Economic Development Corporation (EDCOR) of the Armed Forces of the Philippines which was initiated to rehabilitate captured or surrendered Huks.

The land tenure emphasis is embodied in various legislations that began with the expropriation of the friar lands. Then in 1936 the Tenancy Act (Commonwealth Act 176) was enacted. This provided a basis for regulating relations between landlords and tenants. The Rice Share Tenancy Act of 1946 (Rep. Act 34) envisioned a way for a 70-30 crop sharing arrangement based on input contributions. This was improved on by the Tenancy Act of 1954 (Rep. Act 1199) and the subsequent amendment in 1959 (Rep. Act 2263). The present Land Reform Code (Rep. Act 3844) was enacted to institute land reforms including the abolition of tenancy in the Philippines.

The impact of the latest legislation has yet to be seen, but it is important to reflect on the experiences with the previous statutes. The University of Chicago Philippine Studies Program<sup>9/</sup> reported:

Attempts to regulate agreement between landlord and share rent tenant are not new nor are the violation. The rice share tenancy law which preceded the new law of 1954 and which in substance contained many of the same regulation, was honored more in the breach than in observance. (Underscoring provided)

John A. Carroll<sup>10/</sup> expressed the same view in summarizing the effects of the various land reform laws when he wrote:

Although several agrarian reform laws — which have provided for a redistribution of the land, a more equitable sharing of the produce and means through which the share tenant could shift to a leasehold system — have been enacted, the end results have not been promising.

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<sup>9/</sup> University of Chicago Philippine Studies Program, Area Handbook on the Philippines, (Mimeograph), 1956.

<sup>10/</sup> John J. Carroll, Changing Patterns of Social Structure in the Philippines 1896-1963, UNESCO Research Center, 1963.

On the same programs, the Bell Mission<sup>11/</sup> stated in their reports:

Crop yields are to be increased through experiment stations and extension services, rural credit facilities are to be set up to reduce the excessive interest rates charged by landlords and usurers, new lands are to be opened for homesteading, and large estates are to be purchased and resold to the tenants. But all these have been tried before and the necessary laws are orderly mainly on the books.

These failures in land tenure legislation hold through also with some of the organized land settlement programs. Sandoval<sup>12/</sup> found that after a few years in the Kidapawan settlement, tenancy existed even if each settler was given a piece of land together with farm implements and money for subsistence to begin with. Hence, the very purpose for setting up the settlement was defeated.

#### OBJECTIVES OF LAND REFORM

A cursory review of land reform programs revealed three dominant objectives, namely: a) political, 2) equity or social justice, and c) productivity.

Political consideration in a land reform program revolves around political ideologies. Jefferson, for instance, believed that the owner-operated family farm is the only sound foundation of social equality and political stability in a democracy.<sup>13/</sup> In the Philippines, farm ownership as the ultimate land tenure policy is firmly established.

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<sup>11/</sup> U.S. Economic Survey Mission to the Philippines, The Bell Mission.

<sup>12/</sup> Pedro R. Sandoval, "Socio-Economic Conditions of Settlers in Kidapawan, Mindanao," The Philippine Agriculturist, Vol. XL, No. 9 (Feb.) 1957, pp. 502-504.

<sup>13/</sup> Vernon W. Ruttan, "Equity and Productivity Objectives in Agrarian Reform Legislation. Perspective on the New Philippine Land Reform Code," Indian Journal of Agricultural Economics, Vol. 19, No. 3 and 4 (July - December) 1964.

The tie-up of land reform objective to any program of government is so intimate so much so that the content and implementation of agrarian reforms reflect internal political struggle and power exigencies. Wolf Ladejinsky commenting on agrarian reforms in Asia said, "the politicians make or unmake agrarian reforms. It is they who provide the impetus or lack of impetus, who decide between reforms and 'reforms'".<sup>14/</sup>

Another pervading objective of land reform is social justice. This is referred to by Kuttan as equity objective. In the Philippines, the promotion of social justice has been the underlying view of land tenure legislation. It was made the political slogan of the late President Magsaysay's administration. It has become the principal tone of development plans proposed by all presidents who succeeded him to date.

The concern for social justice is reflected in the Magsaysay land reform program<sup>15/</sup> which attempted:

1. To reduce the area of large landholding and at the same time through the family farm principle, to reduce the number of holdings of uneconomically small size.
2. To resettle tenants from heavily populated areas to vacant public land in other areas.
3. To provide an adequate production credit system for small farmers.

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<sup>14/</sup> Wolf Ladejinsky, "Agrarian Reform in Asia", Foreign Affairs An American Quarterly Review, Vol, 42, No. 3, Council on Foreign Relations, Inc.

<sup>15/</sup> Joe R. Motheral, "Land Tenure in the Philippines", Journal of Farm Economics, Vol, XXXVIII, No. 2, (May) 1956, p. 468.

4. To lower rental rates, provide security of tenure, otherwise, place landlord-tenant relation on a tolerable basis.
5. To achieve security of land titles, and
6. To reform the property tax structure.

In recent years the productivity objective has been incorporated in land reform programs. This reflects a recognition of the potential of agriculture to contribute to economic development. In a developing economy, the government looks to the rural sector to provide adequate supply of food and raw materials to meet the requirements of an increasing population and new industries and to generate necessary internal capital for industrial development.

The low productivity in the agricultural sector of developing nations is usually associated with the land tenure system. The prevailing crop sharing arrangement provides no incentive for the tenants to produce more because any increment in output is equally shared with the landowner who usually provides nothing but the land.

The Agricultural Land Reform Code of 1963 places more emphasis on the productivity objective over the political and equity objectives. The land reform was instituted to increase the production of food and commercial crops by modifying the manner in which we have been utilizing our land resources. <sup>6/</sup> The specific objectives are: <sup>7/</sup>

1. To establish owner-cultivatorship and the family size farm as the basis of Philippine agriculture and, as a consequence, divert landlord capital in agricultural to industrial development;

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<sup>6/</sup>O. J. Sacay, "The Philippine Land Reform Program." The Philippine Economic Journal, Vol. II, No. 2, p. 170.

<sup>7/</sup>Agricultural Land Reform Code (Republic Act No. 3844), Manila Bureau of Printing, 1963.

2. To achieve a dignified existence for the small farmers free from pernicious institutional restraints and practices;
3. To create a freely viable social and economic structure in agriculture conducive to greater productivity and higher farm incomes;
4. To apply all labor laws equally and without discrimination to both industrial and agricultural wage earners;
5. To provide a more vigorous and systematic land resettlement program and public land distribution; and
6. To make the small farmers more independent, self-reliant, and responsible citizens, and a source of genuine strength in our democratic society.

#### PROBLEMS OF LAND REFORM

The problems of land reform are either organic or operational. The organic problems are the intrinsic flaws inherent with the whole subject of reform. The operational problems are procedural flaws emanating not from the nature of the reform but in the "rules and instruments" of implementing its objectives.

The following discussion on the problems of land reform is quite specific for the Philippine Agricultural Land Reform Code of 1963. However, they may have the same implications for similar legislative land reform programs.

Organic Problems. The first organic problem refers to retention limit of landholding. The code provides that agricultural lands in excess of 75 hectares can be expropriated and distributed to farmers in the following order of priority:

1. to members of the immediate family of the farmer owner of the land .....
2. to the actual occupants who personally cultivate the land .....
3. to farmers falling under the preceding category who are cultivating uneconomic-size farms .....

The retention limit is intended to have a more equitable distribution of agricultural lands. The law, however, does not provide restriction on subdivision of estate among family members and others. This in effect will shift ownership but management and control will also be under one person. The failure of the Code to indicate the effective date **for the** determination of the size of landholding will sharply reduce the land area to be expropriated.

In the consideration of the rental for the use of land, the Code provides that the lease should not be more than 25 per cent of the average normal harvest during the three agricultural years preceding the date the leasehold was established after deducting the cost of harvesting, threshing, loading, hauling and processing.

What is a normal harvest? Who determines whether the harvest is normal or not? The tenant would naturally want to pay a lower lease whereas the landowner would like to get the highest lease possible. Experience has shown that in areas which are potential land reform districts, tenant under report actual production to field workers. The production reflects the amount shared with the landowner which is much less than actual production because a portion of it has been carted away.

Using three agricultural years (planting to harvest or harvest to harvest) as a basis for determining the rental can result in higher or lower lease. This is especially true in areas where two crops of rice are raised in a year. In general, yields are affected by seasons and in the case of rice it has been firmly established that yields are high during the dry season provided water is adequate. Therefore, three agricultural years with two dry season and one wet season will provide a higher base than a period of two wet seasons and one dry season. Landowners would prefer the former while the tenants would prefer the latter.

In Taiwan, the basis is the total annual yield of the principal product of the main crop. The standard amount of the total annual yield of one main crop is appraised with reference to the grade to which it belongs.

The Code provides that upon declaration of a land reform district, share tenancy is considered null and void and in its place will be instituted a leasehold arrangement. However, there is no parallel provision for expropriation. The requirement that tenants have to petition for expropriation proceedings will further restrict or delay expropriation.

Operation Problems. The first operational problem refers to the inadequacy of agencies to carry out reform. The administration of land reform programs requires a large complement of well trained people. In Japan, a total of 400,000 persons at all governmental levels were required to purchase and transfer nearly two million hectares of cultivated land and make over four million lease contracts.

In Taiwan, nearly 33,000 persons were used to purchase and transfer 200,000 hectares.

In the Philippines there is a need for a well established administrative machinery to carry out the program. This is the reason why the Code specified the integration into a single, unified administration the different government agencies to be known as the Land Reform Project Administration. These agencies include 1) Land Authority whose main responsibility is land administration, 2) Agricultural Productivity Commission which is responsible for farm management as well as the promotion and development of cooperatives, 3) Agricultural Credit Administration which carries the responsibilities of providing financial assistance to the farmers and also of administering and servicing cooperators, 4) Office of Agrarian Counsel which provides legal services required by the program and serves as counsel to farmers in cases of litigation, and 5) Land Bank whose main responsibility is financing the acquisition of privately owned as well as public lands.

It should be pointed out that the highly centralized administration and lack of local participation have inherent disadvantages. It is inconceivable that all decisions regarding the enforcement of the program should be made at the national level. Enforcement should be the responsibility of the local representatives of the different agencies with the support of duly elected representatives of the landowners and the tenants. This is one of the reasons for the success of the program in Taiwan and Japan.

The concept of a single, unified program of action through a national Land Reform Council composed of heads of different agencies is new. It is expected that the head of a member agency will not subjugate his power over his men to the chairman who by the way has his counterpart at all levels of the hierarchy. This has created severe problems. As one team leader who resigned remarked, "It was agreed that I will be responsible for the operation of the team now somebody is giving orders to members of my team."

This brings us to the next operational problem which refers to the lack of coordinated efforts of related agencies in the pursuit of the objectives of the reform. The Code assumes that coordination exists. It might be too early to make any reasonable guess but the experience does not point to a very optimistic direction.

The next major operation problem is the lack of education and participation of the persons assigned to "reform" and the persons to be "reformed" in the implementation of the whole program. It was observed in one of the land reform districts that the technician is a young man fresh from college without any ~~ex~~ experience in farming. In addition eighty per cent of the technicians assigned to the area do not even speak the dialect. <sup>g/</sup> The technicians were also expected to perform functions in which they were not trained. However, they underwent a month orientation.

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<sup>g/</sup>Benigno Aquino, Jr. "A Critique of Land Reform Program", Solidarity (April - June) 1966, Solidaridad Publishing House, Manila, p. 74.

The technicians should not be the only people to be educated and trained in the implementation of the whole program. The farmers who are the target of the whole reform should be made aware of the essence of the main provisions. This is very important because they and only they have to be the true "implementors" of the reform if it is to succeed.

The shift from share tenancy to leasehold and the transfer of land ownership to the cultivator presuppose that more benefits would accrue to the lessee or owner cultivator. He would get all the increments in production due to his added input. This idea, however, assumes too much, for ample evidence shows that majority of the farmers do not have the means to finance the new inputs. It is then the task of the government to take over the role of the landowner who used to provide the seeds, fertilizer, insecticides and other production inputs. It is, therefore, incumbent on the part of the government not only to make enough money available but also to release them on time. Furthermore, it should not be overlooked that the landowner provides money both for production and subsistence of the family. Land reform laws do not provide funds for subsistence. This would be a problem at the initial stages of implementation.

The success or failure of a land reform program depends on the attitude of the tenants to the landowner and the people implementing the program. Unless the tenants break their loyalties with the landowner and support the representatives of the different agencies, the program is bound to fail. A farmer in one of the land reform districts remarked, "We have two kinds of leasehold arrangements in this district,

namely: buwisan and buwisitan. He explained that buwisan is true leasehold but buwisitan is share cropping but leasehold on paper. This is so because the tenants fear severing relationship with the landowner who is the traditional source of credit for production and subsistence which the program cannot assure. The tenants have no desire to assume the risk in case of crop failure.

Land reform is not a panacea to solve all agricultural problems. The managerial ability of the farmers would count much in the implementation of the program. Whereas before they were merely laborers, now they have to make their own decisions. For those who used to rely so much on the landowners, it is not so easy to stock the seeds for next planting, to repair large flood control structures, and to hire big pieces of machinery for major construction on the farm. Whereas they used to be managed by experienced overseers, now they have to depend on the government employed technician. These are but some of the problems likely to come up and will continue to come up unless a program of farmer education is vigorously implemented.

Another point that merits consideration is the fact that land reform per se cannot increase productivity without the necessary infrastructure facilities such as roads, irrigation systems, flood control, and market facilities. Sufficient well-trained and dedicated personnel are needed if land reform is to achieve its objectives. Since effective communication of the philosophy and mechanism of operation of the program is highly desirable, training in both technical

fields of agriculture and related fields and also in extension approaches are needed. Given the required infrastructure facilities, the right number of personnel, and sufficient coordinated agencies to implement the law, without innovations to introduce to the farmer the program will not work either. Continuous research on the technical and the socio-economic problems met in the field are vital. In all operations regarding the implementation of the program, the budgetary requirement will be exceedingly high. The problem will be aggravated if sufficient funds are not provided. Up to the present, the Land Bank has not been operational because of lack of funds. Above all, the government must have the will to implement the program.

#### DECISION TO UNDERTAKE AGRARIAN REFORM

The decision to undertake agrarian reform is not a delegated decision. It is a national and an individual decision. It is a decision that encompasses the welfare of any individual or group for the national goals of well-being politically, socially and economically.

It was hard for the landlord-legislator to make the decision against his own selfish interests. (And we do not doubt some misgivings.) But it should be equally hard for the small farmers to break away from traditions and economic subservience.

It would be equally hard for the "educator" to face the greater task of educating the small farmers to become efficient producers and responsive citizens. But this is the "nation's biggest business".<sup>19/</sup>

These are some of the prices that have to be paid for making reforms. They are also the prides for having decided to make those reforms.

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<sup>19/</sup> Carnegie Corporation of New York, Any Nation Biggest Business Quarterly, Vol. XII, No. 2, (April), 1964.