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AGRICULTURE LAND USE AND DEVELOPMENT AND THE ALLIANCE FOR PROGRESS

I

Agriculture is by far the most important economic activity in Latin America today. It absorbs more than half of the labor force and accounts for a substantial part of the gross national product. Thus, at the heart of an expanding economy in Latin America is the need for better and more productive use of the land resources, and this thought is central to what I will cover in my remarks.

Land use and agricultural development has many aspects which might be grouped into the following major dimensions:

1. Natural Resource Surveys and Inventories - leading to land use classification, determination of areas most suitable for different types of agricultural development and to provide a basis for deciding on priorities of various project areas; including cadastral surveys.
2. Physical Improvement of Land - by clearing, flood control, drainage, irrigation, erosion control, fertilizers and other capital inputs.
3. Land Tenure Adjustments - to afford opportunities and incentives for increased food and fiber production and conservation of land resources. This involves such

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institution changes as establishment of owner-operated farms, good landlord-tenant relationships and land use regulations.

4. Economics of Land Utilization - that is primarily concerned with demonstrating the "economic feasibility" as well as the "social necessity" of various projects.
5. Institution Building - with public, semiautonomous and private agencies that affect the use and control of land resources. This involves question of policy, program formulation, financing and technical assistance.

Obviously, these dimensions cannot be independent of one another. They must be inter-related in carrying out the land use adjustment programs.

In the Alliance for Progress we are concerned with the overall land use and tenure situation in Latin America; with forces that are at work to bring about improved conditions in the relationship of people to land; with programs underway or measures being taken for the improvement of agriculture land resources; with elements in the whole process of land use changes, from planning through the implementation of projects. In short, we are concerned with activating a more rapid and effective readjustment of land uses in Latin America.

II

Interest of the United States in rural development in Latin America is not new. Starting in 1942, President Franklin D. Roosevelt's Good Neighbor Policy had as one of its aims, improving the welfare of rural

people. This led to establishment of the Institute of Inter-american Affairs and the assignment of agriculture field parties to various countries. The Marshall Plan for Europe and President Truman's Point Four Program extended the foreign aid effort throughout the world. Technical assistance in developing and using natural resources was the "cornerstone" of this undertaking. The MSA, TCA, FCA, and ICA preceded A.I.D. in a program that has had an enormous impact on many countries of the world.

In March, 1961, President Kennedy proposed the "Alliance for Progress", a broad and comprehensive ten-year plan for joint efforts in social and economic development throughout the hemisphere. The Alliance represents a concerted and dynamic effort to promote social and economic development in Latin America. Mr. Moscoso, the Alliance Coordinator, has said that this is more than a material development program--that it summons the intellectual and spiritual, as well as the material resources of all Latin American Republics.

The Alliance has been in operation a little more than a year. It is much too early to say that success is assured, but there is a solidarity and unity of purpose which has not existed before.

III

In considering land use patterns in Latin America, what is most striking is the concentration of land ownership and the underutilization of much of the land. While conditions vary among countries, the main types of land-to-people arrangements are: (1) the latifundios, or the excessively large holdings that are not yet fully improved or utilized; (2) the mini-fundios, or very small, subsistence farms, which are large in number and

uneconomic in size; (3) the community properties, such as the "ejidos" in Mexico or Indian holdings in the Altiplano of Peru and Bolivia; and (4) organizations of farm labor like the "inquilinos" in Chile, and similar systems in other countries.

Despite poor statistics, it is obvious that most of the good agricultural land is highly concentrated in large ownerships and that much of this land is either idle or used for extensive types of production. It is estimated that 90 per cent of the land belongs to 10 per cent of the farmers, and the degree of concentration may be even greater. Farms of over 2,500 acres comprise about 65 per cent of the total agricultural area in Latin America, yet represent only 1.5 per cent of the total number of farms.

This maldistribution of land holdings, called "latifundismo", obviously results in severe social, economic and political inequities and underlies much of the social unrest. Most of the large estates have tenant farmers with short-term leases and unfavorable financial arrangements. With an uncertain future, the tenant has little incentive to maintain fertility of the soil or to make capital improvements on the land.

The concentration of power resulting from this land ownership pattern extends through the whole social structure. It also creates a situation not conducive to the capital investments required to bring about a level of production to keep food supplies in line with population growth and to provide the additional food needed to sustain an expanding economy. The population of Latin America--now estimated at about 200 million--has

doubled during the past 40 years. It is growing at a greater rate than any other major world area--within the next 40 years it may total 500 million.

The "minifundio" land use pattern covers a majority of the Latin American farm population. Most of these people live in the cooler highlands on small plots, many of which are being destroyed by erosion or fragmented by inheritance into unmanageable units. Despite many efforts to do something about this exceedingly complex type of land area the problem persists. The real solution lies in siphoning off the excess population--by colonization, subdivision of latifundios, consolidation of minifundios into economic units, and industrial development.

The community property, so common in the Altiplano of Peru and Bolivia, is a well established pattern used by Indian tribes. Living conditions among these groups are deplorable. One small scale effort, the Vicos project under Cornell University guidance in Peru, may provide a partial answer to this problem. The Vicos project revealed sincere desires for self improvement, and demonstrated what can be done at very small cost.

The colono system includes a sizeable group of families living on latifundios as day laborers, with the security of housing and various social services. This type of labor-tenancy combination has not been conducive to production incentives, but rather to a state of depression.

In addition to the above groups, a substantial part of the rural population is made up of squatters who are migratory and who hope to become property owners through exercise of squatters rights.

It is apparent that most of the rural population of Latin America lacks either security of tenure or an economic (land) base for commercial farming. They contribute little or nothing to the national economy and they are ineligible to receive credit.

IV

As this paper centers largely around land use and institutional changes, known generally as agrarian reform, I wish to point out significant relationships between land use changes and institutional changes, particularly in land tenure. The rights that individuals have in land determine to a large extent the way land is utilized. Besides security of tenure, other institutional arrangements--such as a farm credit system, marketing organizations and educational facilities--condition the use and occupancy of land.

Under prevailing conditions, the usual tenant or sharecropper has very little incentive to build up soil fertility and to spend more effort or money to get increased production. Most of the increased benefits would accrue to the landlord who probably resides in the city. To provide the operator only with tenure rights in the land, however, would not be enough. This would be a sort of share the wealth program, resulting in decreased production. Thus, a well directed rural improvement program must involve land tenure adjustment, establishing farms of adequate size, improved farming practices, ample credit at reasonable terms, and marketing services along with education, health and other public services--all as essential requirements.

Agrarian reform and rural development are closely related concepts, and both involve a similar complex of inter-related activities. Rural development comprises the doing of many things for the improvement of rural people. When tenure changes are among the elements, the total complex of activities is what has generally come to be known as agrarian reform.

During recent months the countries of Latin America have made progress in agrarian reforms. One of the most marked has been a change in the will to take action and a recognition by the Governments that land use and land tenure changes are problems to be faced; and that the economic development of the countries does rest upon the improved welfare of rural people

A number of countries have enacted reform legislation, and a few have underway substantial programs for rural improvement. Chile, Colombia, Costa Rica, Dominican Republic, Honduras, Peru, and Venezuela have enacted agrarian reform laws. In Venezuela, Colombia, and the Dominican Republic, notable progress is being made.

We should also recall that Mexico, many years ago, initiated a drastic land reform by breaking up her very large haciendas and substituting the ejidos--or a form of communal farming. Today, most of the land is farmed by "ejiditarios" and agriculture had advanced; but, strangely, some 85 per cent of the "ejiditarios" are still poverty stricken. Most of them do not yet have an acceptable title to their land for credit purposes and to instill a true spirit of self interest. A new supervised agricultural credit

system is being established through a large network of private banks, as a major Alliance effort; and interest is growing to provide more of the farmers with clear ownership to family farms. Bolivia, like Mexico, has had a drastic land reform but rural conditions are not good. Again, the top priority need of Bolivia appears to be credit--along with extension services and marketing cooperatives.

I presume that you are interested in some of the recent agrarian reform programs, types of activities underway, and some problems encountered. Thus, let us review briefly the programs of the Dominican Republic, Colombia, and Venezuela, for in these countries elements of programs are underway that portray several aspects of agrarian reform.

Dominican Republic

The Dominican Republic now has a government striving to prove the advantages of democracy after a long period of tough dictatorship. Rural development, with agrarian reform, has top priority in the Dominican Republic Program. It is proposed to establish 50,000 new, small, owner-operator farms during this decade--at an estimated investment of at least \$50 million. It is hoped that major U.S. Government assistance during the early years will induce much heavier private investments in later years.

Legislation for Agrarian Reform was passed last April. Thousands of families have already been helped. Major land reclamation projects are being planned. A supervised agricultural credit system is being established. Special emphasis is being placed on the development of cooperatives and marketing improvements. Progress is impressive and the outlook is bright.

Colombia

Over 20 years ago Colombia passed a law authorizing the Ministry of Agriculture to declare as public domain those large private properties that were proven to be unutilized. Several holdings were studied, but no properties were expropriated. Several years later a careful survey was made of certain areas, in preparation for another law which later died in Congress. More recently, another law required all private banks to invest 15 per cent of their savings funds in the National Agricultural Bank--this fund to be used for purchase and development of private properties for subdivision and settlement by small farmers. The program mired down essentially because the Bank was not adequately organized or financed to handle this novel assignment.

Under the Alliance for Progress, former President Lleras set up a committee to draft a comprehensive agrarian reform law. After a good deal of debate and delays in Congress, a Law was enacted in December, 1961, and a National Agrarian Reform Institute was established with authority and an adequate initial budget.

There has been progress to date, but mostly in the nature of setting the stage for future operations. Extensive studies are underway to appraise the land resources available for agricultural uses. Cadastral surveys are being expanded. Many areas are being studied and classified. Seventeen different areas have been singled out for land reclamation (flood control, drainage and irrigation), on which economic feasibility studies are being made.

As settlement proceeds, the Agrarian Reform Institute will be increasingly concerned with agricultural credit and with providing technical services to guide agricultural production and assure the wise use of credit funds. Without adequate credit the whole concept of land reform crumbles. Also, without tying technical assistance to this credit, the whole concept is unsound. It is highly essential that Colombia establish a special credit system, directly related to land reform, to provide adequate credit on reasonable terms that enables small farmers to carry out improved practices, to more effectively market their products and to build up an increasing equity in their farms.

Colombia is very short of technicians, fairly advanced in research but weak in extending research results to farmers. A new autonomous Government Institute--called ICA--has been established to exercise leadership and a coordinating function over this large field of endeavor. Rockefeller and other Foundations are helping but its chief sponsor is INCORA, the National Agrarian Institute.

A.I.D. has made several contracts which may make important contributions to this country. For example, the contracts for land reform research with the University of Wisconsin and the American Bar Foundation will include among other things establishment of a Research Center in Colombia. These contracts provide for research and training with respect to economic, social, legal and legislative aspects of land tenure and law in action. Another contract with the National Farmers Union proposes to help in developing farm leadership, with particular reference to agrarian reform project areas. An

arrangement with NRECA (National Rural Electric Cooperative Association) will help in the organization of rural electric cooperatives. Another contract with CUNA (Credit Union National Association) will assist in expansion of credit unions.

Whereas Colombia is prepared to finance a large part of this Program, the requirements for external financing are far from modest. It has been estimated that some \$200 million will be required in the next five or six years for investments related to agrarian reform. Whatever the volume of necessary financing may be, a crucial situation lies ahead in the ability of Colombia to plan, organize and carry out projects on such a scale. Technical assistance becomes a critical issue.

Colombia's rural development program holds much promise. It is, however, faced with difficulties, the most strategic of which may be the will and determination to carry out a bold program. Strong support is indicated. If the job can be done in a rational manner, it will have great significance to all of Latin America.

Venezuela

This important country, which also is struggling hard to establish democracy, has shown a remarkable advance in its land reform program. A comprehensive law was passed in March, 1960, and a substantial part of the Government's budget was allocated to implement it, through the National Agrarian Institute. Some 55,000 families have already been settled on about 5 million acres, with a goal of another 100,000 families to be resettled by 1964.

Venezuela enjoys a relatively favorable economic position. The

gross national product increased 8 per cent over last year, while Agriculture increased 10 per cent. Venezuela has become self-sufficient in 10 major crops. The Four Year Development Plan ('63 through '66) calls for investments totaling \$9 billion--of which only 10 per cent is earmarked for external financing.

As earlier indicated, one of the real obstacles in agrarian reform is the lack of trained men. Although in this regard Venezuela is in a far better position than most other Latin American countries, nevertheless, there remains a shortage of trained personnel in the implementation of the agrarian reform program. For example, the U.S. has made available \$10 million for a program of supervised agriculture credit for the benefit of new land owners and other small farmers, and the Inter-American Development Bank is making available some \$12.7 million for land development and public improvements in agrarian reform areas. The technical assistance that should accompany such large expenditures of funds is presently very inadequate, and, in this respect, a crash training program is a necessary element for success.

In Venezuela, as in all the countries engaged in agrarian reform, the key to success lies in the building of institutions in the field of credit, land tenure, public services and administration that are able to provide the new settlers with essential needs and guidance. A key factor in this task requires massive training programs for those who work on the farms, in the villages and administer action programs.

VI

In bringing this paper to a close, I wish to emphasize the importance of land use planning. Planning is necessary to direct capital and technical assistance into productive channels of high priority; and also so that within agriculture the development efforts are well selected. In the total task, a good administrative organization is a key factor for the formulation, programming and execution of agrarian reform programs. It is a continuing task.

In the process, four broad lines of work stand out:

1. Determination of the physical and human needs and the resources available to satisfy these needs;
2. Preparation of plans, programs and projects to channel available resources toward the needs;
3. The acquisition of land and developing it, generally for use by owner-operators of family farms;
4. Providing the new land owners with the goods and services necessary to become going concern farmers, an improved livelihood, and opportunities to hold a significant place in the national welfare.

In summary, as the countries of Latin America are essentially agrarian economies, it follows that in the agricultural development and in the economic development of the countries as a whole, a basic requirement is an increase in agricultural production. In many countries food production

is failing to keep pace with the rate of population growth. In the Alliance it is assumed that rural security, as brought about by increased production, higher incomes, and improved living, is a basic necessity requiring agrarian reform measures. The solution is very complex and difficult--with heavy requirements of capital and technical assistance. Whether or not this great task can be done during this decade is a formidable challenge to the peoples of the Americas.