

LAND REFORM IN PERU

The economic implications

by

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December 1991



R846-91/3
NY: 1991520539

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Preface

This paper analyzes the Peruvian land reform of 1969, a short but dramatic chapter in the country's agricultural history. It was short, because most of the action took place between 1968 and 1976, i.e. when a group of moreless socialist inspired military ruled the country; it was dramatic, because it substantially affected the life of a large part of the farming population, and had a lasting effect on the entire economy.

The analysis is limited to the economic effects of the programme: production, employment, income distribution, and government finance, all issues that in most of the literature are underrated in favour of the social and political aspects.

Public intervention aimed at reducing inequalities in access to land, be it the ownership or use of land, has been an acceptable policy for many centuries, and goes back as far as the Roman empire. Following the 1917 Revolution, the Soviet Union redistributed land to individuals and groups of people, before, a few years later, declaring all land public property. In the post World War II era, land reform received a renewed interest in many countries, not only inspired by the Soviet example (China, Eastern Europe, Cuba, Algeria, Ethiopia), but also encouraged by the United States (Greece, Taiwan, Egypt, Mexico); under the so-called Alliance for Progress, the Kennedy administration gave a strong but short-lived impetus to the Latin American countries to provide for a more equitable access to land, an impetus which in general received a lukewarm response.

Peru's landreform was particularly inspired by the yougoslav exemple, and aimed at the creation of large, self-governed co-operative production structures; on the one hand it refrained from nationalizing the land, on the other hand it did not allow a distribution to individual families. This choice was not inspired by pragmatic considerations, but rather by the then prevailing ideology of the authors of the reform.

If the reform turned out to be less successful than was hoped for, it was this ideological climate, and the measures surrounding the reform, rather than logistical or economic problems, that were to blame.

1 Sectoral background

1.1. Peru has a total land area of 1.3 m.Km², lies between the equator and latitude 18° south, and its Pacific coastline is nearly 3,000 km long. It is a country of extreme contrasts, ranging from the coastal desert strip (the Costa) intersected by some 50 river valleys, to the snow-covered peaks of the Andean chain (the Sierra) extending, like the coastal desert, the total length of the north-south axis, to the Amazonian rain forest (the Selva), which makes up the eastern frontier with Colombia and Brazil. As a result of the different combinations of soil, rainfall and temperature most of the ecological conditions in the world are represented in Peru; this in turn makes for a large variety of cultivation possibilities, many of which, however, are feasible only in limited areas.

1.2 Soil classifications show that only 3.5 million ha (i.e. less than 3% of the territory) is suitable for intensive crop farming, and that an additional 16 million ha (13% of the territory) can be used for extensive crop farming, pasture, some tree crops and silviculture. The remainder is not suitable for any form of agriculture or silviculture, or only very marginally so: some 90% of the Costa, nearly half of the Sierra, and virtually all of the largest region, the Selva. So, in relation to its population of 21 million (1989), Peru has a limited resource base for agriculture, more limited than most other South American countries. Crop land per inhabitant is 0.2 ha, compared with an average of 0.5 ha for South America and 0.3 ha for Western Europe.

1.3 Although the Costa makes up only one-third of the country's crop land and accounts for only one-quarter of the nation's farming population, it produces well over half of the country's gross value of agricultural production. This importance results from this region's moderate temperatures, availability of irrigation water, infrastructure, and proximity to domestic markets and ports. A wide variety of crops is grown, such as sugar, cotton, rice, beans, potatoes, and maize. Much of the country's development efforts in agriculture have taken place (and continue to do so) in this region, some economically justified (such as the rehabilitation of salinized valleys), others more of a prestige or political nature, such as the irrigation cum energy Majes Project, costing

over one US\$ billion, started in the early 1970's with short-term commercial credit and yielding benefits well below expectations.

1.4 The Selva has been of little agricultural importance so far. This is because of poor accessibility and, in the lower, largest part of the Selva, to adverse natural conditions. In the sloping part, the so-called Ceja de Selva, conditions are considerably better; and with recent improvements in accessibility (the Lima-Amazon corridor and the Carretera Marginal), and the economic activity caused by oil exploration, these higher parts of the Selva have gained considerable agricultural importance. Timber extraction as well as spontaneous and government-organized settlements are advancing rapidly, unfortunately without much consideration for the delicate ecological balance and erosion hazards. The region is attracting considerable domestic and foreign investment. The Ceja de Selva is a major producer of coca products (leaves and cocaine). Other products are maize, tobacco, beef, tropical fruits, tea and coffee.

1.5 The Sierra has always been relatively neglected in terms of public investment and other agricultural policies such as land reform, price policies, research and extension. In terms of area (about two-thirds of the country's agricultural land and over half of all crop land) and farming population (60% of the national total), the Sierra is by far the most important agricultural region. However, because of unfavourable topographical and climatic conditions (frost, erratic rainfall, hail, prolonged dry season), the Sierra produces only 40% of the country's agricultural product. Much of this consists of livestock products (beef, mutton, several types of wool, a much reduced quantity of milk) for which this region has a comparative advantage; that is to say that compared with the Costa it has fewer disadvantages for livestock than for crops. The major crops are potatoes, maize and some traditional Andean crops like the grain quinoa and the oilseed tarwi, virtually all for consumption by the producers.

1.6 The overall scope for bringing additional land into production is limited: some 150,000 ha of salinized land can be rehabilitated in the coastal valleys; the exploitation of some areas in the Ceja de Selva could become economically feasible if the transport infrastructure were extended;

however, there is no scope for area expansion in the Sierra. Future production growth depends mainly on further intensification; the Sierra in particular offers potential, by extending the limited irrigation infrastructure, by making better use of existing irrigation facilities, and by adopting improved cultural techniques such as improved pasture and better seed varieties. However, because of the high transport costs to coastal markets, any growth in output of crops in excess of effective local demand depresses prices; this would apply less to livestock products because of their more favourable value/volume ratio.

1.7 With an average per capita income of just over US\$ 1,000 (1989) Peru belongs to what is commonly called the lower middle-income group of Third World countries, and the low share of agriculture in its GDP (8% in 1989) bears this out. Yet, as many as 27% of its population lives from farming, many at no more than subsistence level. Both these percentages have continued to decline after 1969, the year in which the land reform that is the subject of this study, was started. Although these declining percentages do not in themselves necessarily reflect a poor performance by the sector, they are part of a wider picture of decline: rural under-employment has continued to rise, resulting in a rapid exodus to the coastal cities; per capita food production stagnated, leading to increasing imports of several basic foodstuffs; exports, particularly of sugar have dropped sharply, and, by the early 1980s, made place for imports. A positive note concerns livestock production, which has increased, thanks to a rapidly expanding poultry industry. Some trends in the sector's performance and its place in the economy are shown in Table 1.

Table 1. Agriculture in the Peruvian economy

Agriculture's share in GDP, in %	15 (1970)	8 (1989)
Agricultural labour force (millions)	2.0 (1970)	2.4 (1980)
Agr.labour force, as % of total	48 (1970)	27 (1988)
Agricultural exports (US\$ million)	169 (1970)	251 (1980)
Agr. exports, as % of total	16 (1970)	7 (1980)
Sugar exports (1,000 MT)	403 (1970)	53 (1980)
Cotton exports (1,000 MT)	146 (1970)	70 (1980)
Food imports (US\$ million)	108 (1970)	404 (1989)
Food imports, as % of total	19 (1970)	22 (1989)
Cereal imports (1,000 MT)	560 (1970)	1,065(1989)
Annual growth rate total GDP, in %	3.9 (1965-80)	0.4 (1980-89)
Annual growth rate agric. GDP, in %	1.0 (1965-80)	3.6 (1980-89)
Annual growth rate total population	2.8 (1965-80)	2.3 (1980-89)

Sources: World Bank, Agricultural Sector Survey of Peru, 1975

World Bank, Major Development Policy Issues, 1981

World Bank, World Development Report, 1991

1.8 Land reform has dominated the Peruvian agricultural scene since the late 1960's. Yet, the stagnation in production referred to above can only partly be attributed to the inevitable disruptive effects of a massive change in ownership and type of enterprise. Factors that were at least as important were a) the excessive government intervention in price-setting and marketing of agricultural products, and b) the fact that public investments in agriculture were spent on large prestigious but economically unjustified projects. Price and marketing policies in the 1970s were largely a reaction to the previous role of the private sector, which, it was argued, had caused inefficiencies and abuse through monopolistic practices, this leading to high prices for consumers and low prices for

producers. Consequently, the Government took over all trade in a number of basic foodstuffs, set maximum consumer prices for many more products, regulated interregional trade through a system of licences, and introduced consumer subsidies on imports of wheat and beef, both luxury goods in Peru. Unfortunately, all this led to even more severe inefficiencies and abuses, to producer prices that discouraged production even further, and thus to growing import needs.

1.9 The civilian government that came to power in 1980 abandoned most of these controls, and re-activated some supporting services such as research and extension that had been neglected when most efforts were concentrated on the implementation of the land reform programme. For Peru's farmers this meant an improvement in their terms of trade, and redressed to some extent the strong urban bias of the previous decade. Farm output rose again in the early 1980s. But the most urgent problem remains, i.e. how to achieve some sustained economic growth for the large Indian population of the Sierra (which makes up one-third of the country's total population). As indicated earlier, natural and marketing conditions are adverse, while the pressure on the land is high, particularly in the Altiplano, Cuzco and Cajamarca areas. These conditions have led, and are still leading, to the socially disastrous population flow to the shanty towns of Lima (population 2 m. in 1960, 8 m. in 1988) and other coastal towns. All governments have left this challenge largely untouched so far, be it for political, ethnic or economic reasons. As noted later in this study, the land reform programme, maybe perforce, also skirted this problem.

2. Pre-reform situation

2.1 Because of the distinct features of the Costa, Sierra and Selva, not only in natural conditions, but also in the organization of agricultural production, a presentation of Peru's land tenure situation, however succinct, has to be in three parts.

Prior to 1969, about one thousand large plantations (with an average size of over 1,000 ha), dominated the scene in the Costa, covering some four-fifths of the cultivable land. Operating with permanent and seasonal labour they produced sugar, cotton and rice, largely for export. The remainder of the land was shared between some 8,000 small and middle-sized farms (3-50 ha) and nearly 50,000 farms of less than 3 ha, the latter producing either high value crops (fruits and vegetables) if located near market centres, or for subsistence. Various forms of sharecropping were a common though gradually disappearing phenomenon.

2.2 Until 1969 Sierra land tenure was characterized by two types of farming systems. Some three-quarters of the land was held in the form of vast (up to 50,000 ha) "haciendas", owned by corporations or individuals, on which most productive work was performed by "colonos"; the latter having a personal obligation to work a specified amount of time for the owner, the "haciendado", in return for the right to till a subsistence plot or graze their own animals on the hacienda, in addition to allocations of estate produce or cash. In comparison with a tenant farmer, a colono is much less prepared to function as an independent farmer if he is given that opportunity by redistribution of ownership. This explains, at least partly, why at the time of reform the haciendas were not split up into small units. The largest haciendas were ranches (mostly sheep), the smaller ones were mixed crop/livestock farms.

The other major tenure form in the Sierra was, and still is, the peasant community (comunidad campesino). Their pasture land is used collectively, and their crop land either collectively or individually. Because of increasing pressure on land, prior to 1969 there was already a tendency towards privatization. It has accelerated since then.

2.3 In the Selva, land tenure is based on private or government-sponsored settlement activities, most of recent date. Until the 1960s, most farming

was on a subsistence basis, with the family as the production unit, while only certain products with a favourable value/volume ratio (for example tobacco and beef) were flown out to the Costa; forest products for the domestic market were shipped down the Amazon through Brazil to the Atlantic Ocean, and then through the Panama Canal to Peru's Pacific ports.

The completion in the 1970s of two major road connections between the Ceja de Selva and the Costa, has resulted in an acceleration of settlement. The area also has a handful of government-operated plantations (oil palm) and ranches, but the principal crop is coca. A consequence of the colonizations is that the original Selva population, who subsist on fishing and hunting, are being pushed back.

2.4 A quantitative picture of the pre-1969 tenure situation can be derived from the 1961 agricultural census (Table 2).

Table 2. Landholding in 1961

Size of holding (ha)	Number of holdings ('000)	% of total	Area held ('000 ha)	% of total
1	293	34.8	129	0.7
1-3	295	34.8	491	2.8
3-10	189	22.5	894	5.0
10-20	31	3.7	410	2.3
20-50	18	2.1	520	2.9
50-100	7	0.8	434	2.5
100-500	8	0.9	1,551	8.8
500	4	0.4	13,295	75.0
Total	843	100.0	17,724	100.0

Gini-ratio= 0.9

Source: Primer Censo Nacional Agropecuario, 1961.

2.5 But these data are of little use, unless one takes into account the huge differences in soil productivity. A first attempt to do that was made in a 1966 study by the Comité Interamericano de Desarrollo Agrícola (CIDA). This study introduced four categories of economic farm size, related to their capacity to support one or more households, and distinguished three types of land for the Sierra, two for the Selva and one for the Costa (size

in ha):

	Sub-family farm	Family farm	Medium multi- family farm	Large multi- family farm
Costa, irr.crops	3	3-10	10-50	50+
Sierra, irr.crops	3	3-10	10-100	100+
Sierra, non-irr.	10	10-50	50-100	100+
Sierra, pasture	100	100-500	500-2500	2500+
Low Selva	20	20-100	100-200	200+
Ceja de Selva	10	10-20	20-100	100+

The results of applying these standards to the 1961 census figures are shown in Table 3. The merit of the exercise is, that it showed that as many as 85% of all farms were too small to provide a living, whereas previously it was thought that any farm with more than two ha of cropland, i.e. nearly half of the total number of farms, would provide an adequate living. But the standards applied (and therefore the outcome) are open to criticism:

- By recognizing only one category of land in the Costa, the substantial area of rainfed pasture in the northern part is ignored.
- The productivity of irrigated cropland in the Costa is significantly higher than in the Sierra; yields are lower in the Sierra and double cropping is less feasible.
- The range of what is a family farm seems wide, and the terms "medium" and "large" family farms are vague, giving no indications of how many households can make a living at what level.

All this means that the results do not enable valid conclusions to be drawn about how many farm families could make an adequate living if there were a more equitable distribution of the land. Yet, as the author was told in 1973 by the then Director General for Land Reform, the CIDA study gave the government that came to power in 1968 the inspiration and quantitative basis to launch its land reform programme the following year.

Table 3. Land distribution by region and farm type, 1961.

Region and type	Farms		Area		Average size (ha)
	('000)	%	('000 ha)	%	
<u>Costa</u>	54	100	1,295	100	24
Sub-family	45	83	129	10	3
Family	6	11	52	4	8
Medium multi-family	2	4	78	6	39
Large multi-family	1	2	1,036	80	1,126
<u>Sierra</u>	708	100	15,260	100	22
Sub-family	591	83	722	5	1
Family	88	13	724	5	8
Medium multi-family	19	3	760	5	40
Large multi-family	9	1	11,450	75	1,284
Peasant communities	1	-	1,604	10	1,985
<u>Selva</u>	90	100	2,050	100	23
Sub-family	83	93	273	13	3
Family	4	4	100	5	27
Medium multi-family	2	2	168	8	78
Large multi-family	1	1	1,509	74	2,406
<u>Total</u>	852 ¹⁾	100	18,605 ¹⁾	100	22
Sub-family	719	84	1,124	6	2
Family	98	12	876	5	9
Medium multi-family	23	3	1,006	5	43
Large multi-family	11	1	13,995	75	1,338
Peasant communities	1	-	1,604	9	1,985

1) Totals differ from those in Table 2. The above table is based on preliminary census results.

Source: Comité Interamericano de Desarrollo Agrícola, Tenencia de la Tierra y Desarrollo Socio-Económica del Sector Agrícola, Peru, 1966.

Figures rounded by author.

2.6 If one accepts the CIDA standard for what was considered to be the minimum for a family farm and apply it to the regional land inventory made on the basis of the 1972 census (comparable figures were not available from the 1961 census), it appears that the Costa could support a maximum of about 250,000 family farms, the Sierra a maximum of nearly 500,000 and the Selva nearly 100,000 families, thus giving a total of nearly 850,000 families. Yet, according to the 1972 census the total number of agriculture-dependent families was in the order of 1.0 m., of which about 150,000 were in the Costa, same 100,000 were in the Selva, but as many as 750,000 were in the Sierra. The lower overall pressure on land in the Costa may explain why the reform set the maximum area of individually owned irrigated land at 50 ha, but in the Sierra at only 15 ha.

2.7 Another, and more realistic attempt to make the different categories of agricultural land comparable, was published in 1980 (Caballero and Alvarez), shortly after the land reform programme had been officially declared terminated. This study, which intended to measure the effective scope of the redistribution of land, proposed the following weighting factors to standardize different categories of land:

Irrigated cropland:	Costa	1.0
	Sierra	0.53
	Selva	0.62
Rainfed cropland:	Costa	0.25
	Sierra	0.25
	Selva	0.30
Natural pastures	All regions	0.01
Marginal lands	All regions	0.0

2.8 Using data from the 1972 census, Tables 4.A and 4.B show the regional distribution of the three categories of land, with and without standardizing the data. The difference between these tables gives rise to the following observations:

- Standardizing the data results in the a priori vastness of Peru's agricultural land resources being reduced to one-tenth of what they seemingly are. While the need to take differences in land quality into account is obvious, this outcome may nevertheless be surprisingly low.
- Similarly, the limited area under irrigation represents over half of

land resources, whereas the vast, seemingly empty areas of Sierra pastures are reduced to an asset of marginal proportions. In this way the small agricultural area of the Costa is seen to be nearly as important as the Sierra. The weighting factors used may still be the conservative side, as the value of coastal farm production is estimated to be about half of the national total.

- The average area of land available per farm family works out as being the equivalent of 1.6 ha of irrigated cropland. In relation to the farm population this is a low figure, at least if one accepts that 3 ha is the acceptable minimum, as in the CIDA study. (The Government set an acceptable minimum of 3.5 ha for the Costa in the course of the reform process.) But it is not low compared with Egypt or South Asian countries. Anyway, to satisfy the minimum requirement for all farm families would have required nearly twice the available land resources or a much larger irrigated area (for which the potential exists, particularly in the Sierra); or, for that matter, a much smaller farm population.

- Using the regional population figures estimated in paragraph 2.6, the imbalance for the Sierra is most striking: this region would be able to properly accommodate only one-third of its farming population. On the other hand, in the Costa a strictly equitable land distribution would theoretically have been possible. The Selva occupies an intermediate position.

Table 4A. Unstandardized data on regional distribution of major categories of land (1972; in 1,000 ha)

	Costa		Sierra		Selva		Peru	
	ha	%	ha	%	ha	%	ha	%
Irr. cropland	744	4.0	491	2.6	38	0.2	1,273	6.8
Rainfed cropl.	62	0.3	1,789	9.5	567	3.0	2,418	12.8
<u>Natural pasture</u>	<u>496</u>	<u>2.6</u>	<u>14,301</u>	<u>76.0</u>	<u>332</u>	<u>1.8</u>	<u>15,129</u>	<u>80.4</u>
Total	1,302	6.9	16,581	88.1	937	5.0	18,820	100.0

Table 4B. Standardized data on regional distribution of major categories of land (1972; in 1,000 ha)

	Costa		Sierra		Selva		Peru	
	ha	%	ha	%	ha	%	ha	%
Irr. cropland	744	41.1	259	14.3	24	1.3	1,027	56.7
Rainfed cropl.	16	0.8	447	24.7	167	9.2	630	34.7
<u>Natural pasture</u>	<u>5</u>	<u>0.3</u>	<u>147</u>	<u>8.1</u>	<u>3</u>	<u>0.2</u>	<u>155</u>	<u>8.6</u>
Total	765	42.2	853	47.1	194	10.7	1,812	100.0

Source: J.M. Caballero and E. Alvarez, Aspectos Cuantitativos de la Reforma Agraria, Lima, 1980.

2.9 Earlier governments, pushed by the pressure of outbursts of unrest in parts of the country, had paid some lip-service to the agrarian question, but had not been aware of the magnitude of the problem in relation to the scope for a solution. On the eve of the 1969 reform it had become clear to the authorities that the available resources would fall short of what was needed. However, the picture was even gloomier than they thought. This may be one reason why the ensuing land reform fell short of expectations. Other, probably more important factors were that a) the reform precluded any movement of reform beneficiaries from one region to the other, or even within regions and b) the concepts underlying the production structures created under the reform turned out to cause more problems than they solved. The latter point will be elaborated upon in the following chapters.

3. Land reform

3.1 The first claims for land reform in Peru date from 1924, in the programme of the then newly established political party APRA. In the 1931 presidential campaign its leaders fulminated against "the sugar and cotton barons". This platform appealed to the workers of the agricultural enterprises in the Costa; but it took until the 1956 election, when the successful 1952 revolution in Bolivia threatened to spread to the Peruvian Sierra, for all major parties to advocate some form of land reform. After the election nothing happened, except for the installation of a commission to study the matter, followed in 1959 by the setting up of the Agrarian Reform and Settlement Agency. Pushed by continued unrest in the Sierra, the agency drafted an innocuous reform bill, which, however, was never considered by Parliament. It should be noted here that participation in elections was constitutionally restricted to those able to read and write; this excluded virtually all of the Sierra and Selva population.

3.2 In the meantime, events in the Sierra had followed each other at an accelerated pace: in the early 1950s the first labour unions of colonos appeared, to protest against the demands for free colono labour by the hacendados; the movement spread to several Sierra departments. In 1959, a since then famous (or notorious) labour organizer, Hugo Blanco, joined the movement, of which he soon became the leader. A general strike was called in several parts of the Sierra at the end of 1961, and early 1962 a decree was issued abolishing unpaid labour obligations. Successful in this area, the unions proceeded to occupy hacienda lands. Despite severe clashes with the police and army dozens of invasions followed, until in 1963 the newly elected president, Belaunde, accused of tolerating rural anarchy, undertook three actions: by condoning a few small invasions he took the first concrete land reform actions, albeit on an ad hoc basis; he took harsh measures against other invasions; and in 1964 he promulgated a land reform law, which, incidentally, excluded squatters as potential beneficiaries. This law, which was much weaker than the president's original proposal, was detailed and comprehensive, but the provisions were so complex, the exclusions so numerous, and the compensation to landowners so generous, that implementation was extremely cumbersome and costly. Other problems

were intra-government rivalry, and fierce opposition by APRA leaders who feared that an effective reform would rob them of the support of the coastal estate worker's unions. All in all, between 1964 and 1969, only 4% of eligible land was redistributed.

3.3 Despite the fact that little land was redistributed, the 1964 law had a significant impact, inasmuch as it not only raised expectations among the peasants but also convinced landowners that expropriation would sooner or later be inevitable. The latter's reaction was therefore to "extract the maximum possible surplus" (quotation from the records of a Cajamarca estate), to decapitalize their farms, and to transfer their assets out of agriculture. In some cases, haciendas were sold to surrounding communities, but more often landowners continued operations while trying to replace colonos by hired labour, in the hope of avoiding future conflicts over rights to cropland and pastures.

3.4 Concerned about falling agricultural production, continued peasant unrest, the unfulfilled promises of the Belaunde government (also in domains other than agriculture) and the prospect of APRA, who was now siding openly with the landowners, winning the next elections, the army took over power at the end of 1968. Among the structural reforms announced, land reform took a prominent place. In June 1969 a new law was issued (Decreto-Ley no. 17716).

3.5 The 1969 law was in all respects more radical than its predecessor, except for the maximum areas that could, in principle, be retained by individual owners. Table 5 shows its principal quantitative provisions. Some further aspects are worth mentioning:

- From the start the law was vigorously implemented by the Ministry of Agriculture, often at the expense of its regular tasks
- A special branch of the judiciary was created to deal with the legal issues
- All forms of land rental and absenteeism were prohibited; individual owners were to reside on and work their property directly
- The law required all workers (in practice only the permanent workers) to participate in the profits and management of the enterprise
- The country's 13 large sugar estates, exempted from the 1964 law, were

also included

- The central element of the law was to be the associative production structure, characterized by collective ownership and self-management, following the Yugoslav model
- The large-scale production cooperative was seen by the government as the ideal production unit, combining technical-economic efficiency with the social-political advantages of self-management; to this end, and possibly also to economize on scarce management expertise, neighbouring expropriated estates were grouped into a single associative enterprise; this also explains why virtually no expropriated land was allocated to individuals
- After heated discussions within the government, it was decided that the state was not to become involved in the management of the new enterprises, but was to limit itself to extending management training, credit, and other services.

3.6 Contrary to the previous law, which had numerous clauses exempting land, that was in principle expropriable, the new law cited some 30 conditions for land to be expropriated, even if the land did not a priori fall under the law. As these conditions, which related to such things as inadequate land use and improper labour practices, were not clearly defined, they caused great uncertainty among the owners.

3.7 The approaches outlined above were supported by slogans like "creating the new Peruvian" and "promoting a society that is neither capitalist nor communist", and by setting up a nationwide agency for "social mobilization". Obviously, the ideological base of this military government was quite different from that of most military governments in Latin America. Neither was it inspired by events in Cuba and Chile, but rather by admiration for what at that time was looked upon by many as the ideal production structures in Maoist China and Yugoslavia.

Table 5: Main quantitative provisions of the 1969 reform law

A Maximum area of land retainable	
a. Individually owned	
-Coastal cropland	150 ha
-Coastal non-irrigated pastures	3,000 ha
-Sierra and Selva irrigated land ¹⁾	15-55ha, according to province
-Sierra and Selva non-irr.land ¹⁾	sufficient to sustain 5,000 sheep, or equivalent
b. Owned by corporations	total area expropriable
B Causes for further expropriation	
	32 conditions, of which the principal ones related to inadequate land use, illegal labour conditions, social conflicts, pressing need for land.
C Valuation for compensation	
a. Land	based on self-assessed values of 1968 tax returns
b. Other fixed assets	book value
c. Livestock	market value
D Form of compensation	
a. Maximum cash payment for land	S/.25,000/farm ²⁾ , if cultivated by tenant; S/.50,000/farm, if inefficiently owner-operated S/.100,000/farm, if efficiently owner-operated
b. Maximum cash for other assets	up to S/.1m.
c. Bonds characteristics	20 year at 6%, 25 year at 5%, 30 year at 4%, according to efficiency of cultivation; non-negotiable, but may be redeemed if proceeds, accompanied by cash equivalent, are invested in specified industrial activities.

1) After a few years it was decided to stop applying the law to the Selva

2) US\$1 = Soles 39 (1969-74); US\$1 = S/.290 (1980); US\$1 = S/.2000 (mid 1984)

Source: Adapted from T. Carroll, in U.S.A.I.D. Spring Review, 1970.

3.8 The reform's objectives were twofold:

- to arrive at a more equitable distribution of agricultural resources
- to restore growth of agricultural production.

The quantitative targets initially caused some confusion: the Ministry of Agriculture had calculated an expropriable area of 9 m. ha (of which 2.1 m. ha was cropland, and 6.9 m. ha was pasture), while the Agrarian University, to whom part of the preparatory work was entrusted, arrived at a figure of 14.8 m. The disparity was because of uncertainty about the applicability of the 30-odd provisions referred to above. A compromise of 12 m. ha was officially accepted at the outset, to be redistributed by the end of 1976 among 342,000 beneficiaries. After a mid-term evaluation in 1973, the target was lowered to 10.2 m. ha, to be achieved by the end of 1978; after a change of government in 1976, it was lowered again, to 9.5 m. ha, i.e. about half of all agricultural land.

3.9 Land was to be transferred to a) Agrarian Production Cooperatives (Cooperativas Agrarias de Producción, CAP), b) Agrarian Social Interest Societies (Sociedades Agrícolas de Interés Social, SAIS), c) peasant communities (Comunidades Campesinos), and d) individuals. The CAPs and SAISs were to receive priority, as witnessed by the following figures representing the original target:

Beneficiary	% of redistributed area	% of beneficiaries
CAPs	42	52
SAISs	39	13
Communities	15	17
Individuals	<u>4</u>	<u>18</u>
Total	100	100
	(= 12 m. ha)	(= 342,000)

A CAP had as its principal characteristics that it was collectively owned by the full-time workers; although in most cases a professional manager was hired, final management decisions were taken by a general assembly. No individual production was permitted, and rules were set for profit distribution. The minimum size was to be 15 times the officially endorsed Agricultural Family Unit (3.5 ha in the Costa, 10 ha in the Sierra). However, the most common size became 400-800 ha, comprising 100-200 families, and much larger in the 15 sugar producing CAPs and the few CAPs

involved in livestock production. The larger size reduced the coherence of the membership, in particular when several smaller estates were grouped into a single CAP. This resulted in conflicts, refusal to engage any professional management, and, after a few years, to frequent cases of splitting up into smaller units, sometimes to the minimum allowable of 15 families.

3.10 Whereas virtually all CAPs were to be found in the Costa, (a notable exception was the huge CAP formed in Anta, near Guzco, consisting of 36,000 ha and 44 former estates), the SAISs were created in the Sierra. The SAIS is a complex cooperative-like enterprise, established where haciendas are surrounded by peasant communities. The idea was to preserve the efficiency of a large livestock operation, and to distribute its profits among the communities, in order to reduce threats of land invasions and to promote the communities' development. The SAIS is owned and managed by workers of the expropriated estate (the central production unit) and by a number of communities. Members of the communities participate in management and share in the profits of the central production unit, itself operating as a production cooperative, but do not share in the work. In the Delegate Assembly of the SAIS each community would have one vote, and the production unit would also have one vote. The workers of the production unit would not be keen to see possible profits be disbursed to the communities, whereas for the latter these profits would be the only possible advantage of belonging to a SAIS; consequently, there was a built-in conflict from the start. The first 30 SAISs in operation by the end of 1973 ranged from 3,000 ha, comprising 60 families, to 300,000 ha, with 4,000 families. In 1974, a new form of SAIS was introduced, the Social Property Enterprise (Empresa de Propriedad Social, EPS). EPSs were established in several sectors of the economy, including in the Sierra livestock sector. But they gained only minor importance in this sector.

3.11 Yet another type of entity established by the reform was the Peasant Community. In the sense of the law this was an association of families, collectively owning a specific area and bound together by communal labour and mutual aid; in other words the ideal, or rather idealistic, image the authorities had of the communities in the Sierra. In reality, privatization of land and work already existed in varying degrees in most communities. To

benefit from the land reform and qualify as a Peasant Community, a community had to adopt the cooperative production system. As there was strong opposition, there was not much land transferred to this type of beneficiary.

3.12 Another idea that met with mixed success was the Central Cooperative. These were to comprise a number of CAPs or SAISs, either on a regional or on a product basis. Among the few that were set up, the Central of Sugar Cooperatives operated well for some time, but others were still-born. The government saw these second level cooperatives (or, in the case of SAISs, third level) as potential vehicles for its agricultural policies.

3.13 As indicated earlier, the reform was rigorously implemented, in particular in the period 1970-73. Priority was given to the northern Costa and the Central and Southern Sierra where the largest estates and haciendas existed. By mid-1973 nearly half of the envisaged 9,700 properties had been expropriated, and nearly a quarter of expropriable livestock. Of the land acquired, three-quarters (or 4,0 m. ha) had been allotted, CAPs and SAISs each receiving nearly 40%.

Much slower was the issuance of declarations of exemption to small and medium-sized owners; declarations that gave some shelter against any of the 32 conditions for expropriation that could be (and were) arbitrarily interpreted. The continued uncertainty among this group, was reflected by sharply dropping production, and from mid-1973 the issuance was speeded up to several thousand per month.

3.14 After a change in military government in 1975 the attitude towards the reform changed. By that time nearly 80% of the in 1972 adjusted target of 10.2 m. ha had changed hands (70% if one deducts the 1.1 m. ha of "marginal lands", a category that was not originally envisaged). From there on, the process of expropriation and assignation slowed down: there was more sympathy for individual owners, court appeals by expropriated owners were more often than not decided in their favour, and in a few cases original decisions were reversed. In 1979 the reform was officially declared terminated. Since then the land tenure situation has not significantly changed.

3.15 Tables 6A and 6B show the redistributed areas as per September 1979 according to type of land and region. Table 6A presents the actual areas, while in Table 6B these areas have been standardized using the conversion factors presented in paragraph 2.7. A comparison between the two tables shows what could be expected, i.e. that in sheer area the reform was most spectacular in the Sierra; but if one takes into account land productivity, the greatest effect was in the Costa.

Table 6A. Unstandardized data on redistributed area, by region and major category of land (1979; in 1,000 ha)

	Costa		Sierra		Selva		Peru	
	ha	%	ha	%	ha	%	ha	%
Irrigated cropland	398	4.8	113	1.4	1	0.0	512	6.2
Rainfed cropland	36	0.4	539	6.5	132	1.6	707	8.2
Natural pastures	406	4.9	5,429	65.4	155	1.9	5,990	72.2
Marginal lands	<u>219</u>	<u>2.6</u>	<u>828</u>	<u>10.0</u>	<u>40</u>	<u>0.5</u>	<u>1,087</u>	<u>13.1</u>
Total	1,059	12.8	6,909	83.3	328	4.0	8,296	100.0

Table 6B. Standardized data on redistributed area, by region and major category of land (1979; in 1,000 ha)

	Costa		Sierra		Selva		Peru	
	ha	%	ha	%	ha	%	ha	%
Irrigated cropland	398	56.7	59	8.5	1	0.1	458	65.2
Rainfed cropland	9	1.3	135	19.2	39	5.5	183	26.0
Natural pastures	4	0.6	56	7.9	2	0.2	62	8.8
Marginal lands	-	-	-	-	-	-	-	-
Total	411	58.5	250	35.6	41	5.9	702	100.0

Source: J.M. Caballero and E. Alvarez, op.cit.

3.16 To measure the relative importance of the reform in the three regions, a comparison between Tables 4A and 6A, and between Tables 4B and 6B is called for. In Table 7 the areas affected by the reform are expressed in percentages of available land, again per region and major category of land. It appears then that the proportion of land affected by the reform was nearly twice as high in the Costa as in the Sierra, and more than twice as high as in the agriculturally less important Selva; this can be explained by the higher concentration of land in large holdings in the Costa. It is also clear that, in standardized terms, the scope of the reform is considerably lower in the individual regions than the unstandardized data suggest: this is because per region relatively more of the land of poorer quality was redistributed. This does not apply to the data for the country as a whole: both in unstandardized and in standardized terms the reform affected nearly 40% of all agricultural land, ranging from nearly 30% of

rainfed cropland to 40% of irrigated cropland and natural pastures.

Table 7. Relative importance of the reform (in % of total available area in each category)

	Costa	Sierra	Selva	Peru
Irrigated cropland	54	23	3	40
Rainfed cropland	58	30	23	29
Natural pastures	82	38	47	40
Total unstandardized	65	37	31	38
Total standardized	54	29	21	39

1) Excluding marginal lands; availability as indicated by 1972 census.

Sources: Tables 4A and B, and Tables 6A and B

3.17 Even though the lion's share of the 8.3 m. ha of redistributed land has been allocated to the various newly created types of associative production units, the amount is less than was initially intended. The CAPs and the Peasant Communities in particular received much less in sheer areal terms, than originally proposed (see paragraph 3.9). Although only 4% was intended to be allocated to individuals, their share ended up being a quarter of the total, probably as a result of the attention they received in the last years of the reform. Caballero and Alvarez, from whose study these data are drawn, distinguish between two types of individual beneficiaries: "individuales", being small coastal market-oriented producers, and "campesinos", subsistence peasants in the Sierra, formerly "colonos" on haciendas. Table 8 shows the distribution by type of beneficiary both in unstandardized and standardized terms. Obviously, when expressed in standardized hectares, the share of the typical coastal beneficiaries, the CAPs and the individual commercial producers, becomes much larger, and that of the typical Sierra beneficiaries, the SAISs (including EPSs), Peasant Communities and "campesinos" much smaller.

Table 8. Allocation of redistributed land by category of beneficiary
(in percentages)

	Unstandardized	Standardized
CAP (600)	26.1	51.8
SAIS (60)	34.7	11.9
EPS (13)	3.1	1.5
Peasant Community	<u>10.5</u>	<u>7.7</u>
Sub-total	74.4	72.9
Campeños	21.0	14.5
Individuals	4.3	12.6
Others	<u>0.3</u>	<u>0.0</u>
Sub-total	25.6	27.1
Total	100.0	100.0
	(= 8.3 m. ha)	(= 0.7 m. ha)

Source: Caballero and Alvarez, op.cit.

3.18 The number of families that would benefit from the reform was initially estimated at 340,000 (cf. paragraph 3.9). The ex-post estimate is somewhat higher: 360,000. However, the definition of who is a beneficiary, and who is not, is important. At some stage the authorities considered even the recipients of exemption certificates as being beneficiaries too, but this notion was later abandoned. In the 360,000 families mentioned, five categories should be distinguished:

- a) the former permanent workers from the expropriated estates: if they belong to a CAP they are co-owners of the land and other assets; if they belong to a SAIS they are also co-owners, but officially share their newly acquired property with the surrounding communities.
- b) the members of the officially recognized Peasant Communities: they are also co-owners of the land, although they mostly work it individually.
- c) the "individuals", mostly people who were previously renting their land, largely in the Costa and the Selva.
- d) the "campeños", former "colonos" who worked on the haciendas in

exchange for the use of a subsistence plot; they became individual owners of that plot.

e) members of communities surrounding a SAIS: as explained earlier, they did not acquire land, but only the benefit of possible profits, distributed by the SAIS in the form of a productive investment; hardly any profits were ever distributed.

3.19 Table 8 shows the importance of each category and the average area attributed per beneficiary family. Unfortunately the data do not permit a distinction to be made between categories b) and e), as they are both termed "Comuneros", i.e. members of peasant communities. Most observers (Matos Mar, Kay, Caballero) indicate that the vast majority of "Comunero" beneficiaries belong to our category e), and did not receive any land; hence, the average area obtained by those "Comuneros" who did receive land (category b) is well above 0.4 ha, possibly 2-3 ha, when standardized.

Table 9. Families who benefitted from the reform, by category and region (x 1000), average area allocated.

	Costa	Sierra + Selva	Peru		Stand.ha/ family
			number	%	
Permanent workers	80.3	16.8	97.1	27.0	3.8
"Individuales"	16.4	17.3	33.7	9.4	2.6
"Colonos"	6.0	84.9	90.9	25.3	2.1
"Comuneros"	14.4	123.5	137.9	38.3	0.4
Total	117.1	242.5	359.6	100.0	2.0

3.20 If one excludes beneficiaries of category e), estimating that they number about 100,000, the number of real beneficiaries is in the order of 260,000 families, i.e. 26% of the total number of agriculture-dependent families. In the Costa this proportion may have reached 60-70%, but in the Sierra not more than 20%; the number and share of Selva beneficiaries was negligible.

4. Economic effects

a) Production

4.1 One of the objectives of the reform was to bring agricultural production out of the stagnation of the previous period. In the first few years of the reform the authorities claimed substantial success on this score, a claim that subsequent production statistics did not bear out. On the other hand, the sharp drop that critics of the reform had predicted did not occur either. According to figures of the Ministry of Agriculture for the period 1970-1979, production grew by 0.5% p.a., roughly as in the preceding five years, when there was much restiveness about the anticipated reform. In the previous 20 years, up to 1964, production had grown on average by 3.5% p.a. Can this near-stagnation be attributed to the reform?

4.2 It is more likely that the main culprit was the cheap-food policy that was introduced in the early 1960s, and that became even more adverse to production at the time of the reform, when private trade was supplanted by state trade organizations for major products and there was a pervasive control system in several spheres, including cultivation. A typical example was the decree, issued in 1972, that every farm had to devote 40% of its area to food crops; one of the results was that cotton production in the northern Costa was reduced, and that the nearby Sierra region of Cajamarea, which had hitherto supplied the northern Costa with food, lost its market.

4.3 In addition, the early years of the reform era were characterized by policies that conflicted with the social objectives the government claimed to pursue: prices of the few commodities produced for the market by small Sierra producers (wheat, milk, beef), mainly destined to the high income urban population, were kept artificially low by food aid (wheat), low-priced EEC dairy products, and import subsidization (beef). At the same time, staple foods (beans, maize) for the low-income consumers, produced by middle-income coastal producers, were subject to relative price increases.

4.4 Production performance on the redistributed lands was mixed. In the collective sector (accounting for nearly one-quarter of total production in 1977) as a whole, production remained initially at pre-reform levels, possibly thanks to the attention the authorities devoted to this sector in the form of credit (higher subsidy on interest rates), input supply, management training. Within the collective sector two types of farms fared well in the early years:

- The country's 15 sugar estates had not suffered from any pre-reform decapitalization, because they were specifically excluded under the 1964 law; they were expropriated overnight when the 1969 law was issued, and turned into CAPs. Despite occasional shifts in management, production values showed initially increases thanks to a favourable price development on the export market.

- Those SAISs involved in sheep rearing were able to quickly restore their flocks to the pre-decapitalization levels of the early 1960s.

4.5 Production in the non-sugar CAPs and the mixed crop/livestock SAISs initially showed a less favourable picture.

As most of the non-sugar CAPs were created by grouping a number of smaller enterprises, there was no tradition of central management, as there was in the sugar estates. The lack of coherence, moreover, caused frequent conflicts between the various groups of owners/workers. The problems in the mixed SAISs were several. Firstly, pre-reform decapitalization had taken on greater proportions than in the generally larger and better managed livestock estates. In addition, there were internal pressures caused by the desire of former "colonos" to keep or enlarge their individual plots; and external pressures from the surrounding communities in the form of encroachment on the land of the central production unit, disappointed as they were by the meagre surpluses generated by the central unit.

4.6 By the mid 1970s the above picture tends to be reversed. The sugar CAPs are confronted by sharply dropping prices, and in addition they become the scene of two types of conflict, one between owners/workers and outside labour, the other between the State and the CAPs. Initial claims for membership by seasonal workers (mainly cane-cutters from the Sierra) had been successfully refuted by making them redundant, for example through investment in cane-cutting machines; but over time, as owners/workers tended to reduce their working hours and to acquire an individual plot on the estate, outside labour was recruited again, but at lower remuneration than previously. Eventually, this outside labour worked more hours than the CAP-members, but received less salary. This development and the accompanying absence of further investments in expansion and replacement, brought along intervention by the State, in the form of a gradual taking over of management.

4.7 In the non-sugar CAPs, the forces of disintegration into smaller units had first met with strong government resistance; only a limited number of CAPs had been allowed to split up into smaller cooperatives, in a few cases down to the legal minimum of 15 members, but never into individual holdings. With the change of government in 1976 these desires were no longer frowned upon, and this had a beneficial effect on production. A similar trend could be observed in the smaller SAISs. The large livestock SAISs in general maintained the production levels they had reached shortly after the reform.

4.8 A comparison made in 1980 by Bolhuis between crop yields in the collective farms and in individually-owned farms showed that, on average, the coastal collective farms obtained yields that were 7% lower than those obtained by small individual farms, and as much as 23% lower than those of middle-sized farms. For only 38% of the more than 100 different crops studied, the associative enterprises came out highest. A similar comparison for the Sierra showed no significant differences. As indicated earlier, at the time of the survey part of the initially collective sector had already been privatized; so the yield differences observed cannot strictly speaking be interpreted as differences between redistributed and untouched lands. Further, it is conceivable that in the pre-reform situation the enterprises that were now collective also experienced lower yields. Most observers agree, however, that there has been a relative decline in performance by the coastal CAPs, which may explain partly the long-term stagnation in agricultural output. How much?

On the basis of a) the yield differences observed above, and b) the share of coastal CAPs in the country's agricultural production (15-20%), and assuming that the enterprises now incorporated in these CAPs would otherwise have experienced yields similar to those of the middle-sized individually-owned farms, the reform in the Costa would only have depressed the country's total production by some 4%. Part of this "damage" was probably neutralized in the Sierra, where low-yielding pastures were turned into cropland (see paragraph 4.10).

b) Employment

4.9 Creating employment was not explicitly stated as an objective at the outset of the reform. But implicitly it was expected that employment

possibilities would be generated, at least in the SAISs, through a process of intensification and the resulting need for additional labour to be recruited in the surrounding communities. But the opposite happened. Like the new owners of the sugar CAPs, the permanent workers of the central production units, in an attempt to raise their remuneration, reduced the number of non-permanent workers. As mentioned earlier, this tendency was later reversed in the sugar CAPs, when the owners/workers hired outside labour to perform their tasks in the CAPs. It is not known to what extent this latter tendency off-set the earlier one, or if a similar phenomenon took place in the SAISs.

4.10 Most observers (for example Kay and Caballero) believe that the overall impact on employment has been nil. I believe, however, that it has been positive, viz. on lands that were previously used as pasture and then assigned to, or forcibly acquired by, communities and turned into cropland. To be sure, not all land in this category of about 800,000 ha (unstandardized), or 50,000 ha (standardized) could be turned into cropland; but wherever possible, this was done, because of the great pressure on land in the communities. I observed an example of this change in use in the huge CAP Tupac Amaru II near Cuzco. This CAP (a misnomer because it had the structure of a SAIS) was invaded and absorbed by the surrounding communities as from 1976, and as a result at least half of the former pasture land was turned into cropland; labour input on this land was 10-15 times as high as before. Change of land use has also been reported in other cases of land acquired by communities. The overall effect of this reform-induced intensification is not known; but it may well explain the statistic that between 1969 and 1978 agricultural employment rose by 0.9% p.a., as against only 0.3% p.a. in the previous period.

4.11 In the later years of the reform the authorities showed some concern for the employment aspect, and a decree-law issued in 1975 required every farm of 9 ha or more to hire one permanent labourer for each 5 ha of irrigated land. According to Figueroa (1976), this could have meant some 120,000 additional permanent labourers, but in my opinion at the expense of an equal number of seasonal labourers. However, the law was not put into effect by the new military government that came to power in 1976.

c) Income distribution

4.12 The change in ownership of land entailed a redistribution of national wealth and income. Most of the compensation for expropriated land (which was well below its productive value) was in bonds that rapidly lost their value because of high and accelerating inflation. Between 1975 and 1985 the free market dollar exchange rate moved from 43 Soles to 16,000 Soles! On the other hand, payments by the beneficiaries were only a small fraction of what was due, until in 1975 the agrarian debt was officially cancelled. As the former owners invariably belonged to higher income groups than the beneficiaries this redistribution had an equalizing effect. How large was it?

4.13 Prior to the reform overall distribution of personal income in the country was as follows (1961):

Lowest	10%	1.0%
Second	10%	1.5%
Third	10%	2.2%
Fourth	10%	3.3%
Fifth	10%	4.3%
Sixth	10%	5.9%
Seventh	10%	7.6%
Eighth	10%	9.8%
Ninth	10%	15.2%
Highest	10%	49.2%

Gini-ratio: 0.6

Source: R.Webb et al., 1975

From additional data on regional and rural/urban distribution can be inferred what from simple observation was obvious, viz. that the rural population of the Sierra was at the bottom end of the scale. The ratio between rural and urban incomes was 1:4.2 (in 1971; World Bank 1981), while that between average incomes in the Costa and Selva on the one hand, and those in the Sierra on the other was 1:1.9 (1961; R.Webb).

4.14 No data are available on income distribution within the farm sector. But from the regional data in chapter 2 on land availability (in standardized terms) and numbers of farm families, the approximate ratios of

average farm income in the Sierra, Selva and Costa respectively, would be 1.0:1.8:6.3.

Further differentiation within each region would give a still clearer picture. Suffice it to say that according to all observers (including the author) the lowest income groups in the Costa (the estate workers) lived under far better conditions than the vast majority of the Sierra farm families (colonos and comuneros).

4.15 The magnitude of the reform-induced income distribution is estimated by Caballero and Alvarez (1978) at about one per cent of national income. They arrive at this estimate by assuming that one-third of agricultural GDP consists of return on fixed assets; by applying this to the proportion of redistributed land and other assets (29%, which is lower than my estimate), they arrive at 9.5% of agricultural GDP; in 1979, when the reform was terminated, agricultural GDP was 10.1% of total GDP and 13.3% of national income (World Bank, 1981). Using my own estimate of redistributed land (38%, in standardized hectares, cf. Table 7), and following the same procedure, we would arrive at a redistribution of 1.7% of 1979 national income.

4.16 An alternative calculation would go as follows: from a 1973 interim survey of the reform (Horton, 1974) it appears that the compensation paid for expropriated assets was, on average, Soles 20,000 (or US \$ 500 in 1973) per hectare of irrigated land. The productive value was about four times as high. So, if one uses the conversion factors of para. 2.7, the reform redistributed some Soles 56 billion (US \$ 1.4 billion at the 1973 exchange rate) of national wealth. If one further assumes a reasonable return on this redistributed value of, say, 5%, one arrives at a yearly income of Soles 2.8 billion, which represented just over one per cent of national income in the mid-1970s.

4.17 While a global one per cent may be considered a low impact for a measure that stirred so much hope, emotion and foreign interest, it may well have been a substantial income increase for the individual beneficiaries. Indeed, it was. The redistributed Soles 2.8 billion was transferred to about 260,000 real beneficiaries, i.e. on average Soles 11,000 (or US \$ 270). Compared with an estimated average income per farm

family of Soles 36,000 or US \$ 900 (author's estimate for the average of 1970-75), this is an increment of some 30%.

4.18 This average conceals wide variations: from 1973 figures on the official value of transferred land and other assets (as reported by Horton, 1974) it can be estimated that a typical coastal beneficiary would have received a value, and thus presumably an additional income, eight times as high as a typical beneficiary in the Sierra. There is no reason to suppose that these proportions were different in the later years of the reform. As this ratio roughly corresponds with that between Costa and Sierra farm incomes (cf. paragraph 4.14), the redistribution maintained the relative income positions within the group of beneficiaries, while increasing the gaps in absolute income.

4.19 Could the redistribution have been more equitable? In theory, yes. A more evenly spread result could have been obtained by allowing Sierra farm families to share in the redistribution of coastal farm land. This would have required a much more radical reform, in the sense of a much lower ceiling for ownership of coastal land, or at least by packing the cooperatives with additional labour (as happened in Tunisia when expropriated farms were turned into production cooperatives). The underlying idea of the reform was, however, to distribute land to those already on it (the hired workers, tenants and "colonos"), or near it (the communities). To our knowledge, organized migration was never even considered. It would have been politically unacceptable, in particular to the trade unions of coastal farm workers, whose support the authorities were wooing. Obviously, by doing things the way they did, the authorities did not prevent the rural Sierra population from migrating; but instead of going to coastal farm land, the migrants settled in coastal cities.

d) Government finances

4.20 The impact of the reform on the Treasury was three-fold: firstly the compensation to be paid to expropriated owners, secondly the payments to be received from beneficiaries, and thirdly the administrative expenses of the reform. As reported in Chapter 3, the financial compensation landowners received was limited in two ways:

- Total compensation for land was based on self-assessed values in the 1968

returns of a newly established land tax, and these values were on average well below the productive value of the land.

- Of that compensation only a small part was paid in cash, and the remainder in low-yielding and long-maturing bonds that were not protected against inflation.

In addition there were cash payments for livestock and other assets; in total, cash payments were about 20% of total nominal compensation.

4.21 The beneficiaries incurred a debt (at 2-4% interest on land and 7% on other assets) to the amount of the expropriated value. This debt, which had a 3-year period of grace, had to be repaid in 20 annual instalments. When in the mid-1970s the biggest debtors, the sugar CAPs, came into financial straits, all outstanding debts were suspended; in 1979 the total agrarian debt was cancelled. By that time some Soles 2.4 billion had been repaid, less than 20% of the total amount due.

4.22 No records of the full administrative costs of the reform exist. The few available figures refer to direct costs incurred by the Ministry of Agriculture but not to those spent by other institutions especially set up for the reform: the National Training Centre for Land Reform (CENCIRA), and the Social Mobilization System (SINAMOS). Both organizations employed hundreds of staff during the several years of their existence.

4.23 At the end of the first four years of the reform, when roughly half of the land eventually to be transferred had been expropriated, the official costs of the reform were estimated at nearly Soles 12 billion, at that time US \$ 300 m. But over two-thirds of this was in bonds, which, because of accelerating inflation, had little consequence for the Treasury in the following years. Of the remaining Soles 4 billion or US \$ 100 m., 30% were interest payments on bonds, 45% were cash payments for cattle and other assets, and 25% administrative costs of the Ministry of Agriculture (estimates by author). All in all, total outlay by the Government for the entire programme, minus repayments by beneficiaries, has not exceeded US \$ 200 m. or 1973 Soles 8 billion during the eight-year period 1969-1976. This would correspond to about 2% of total government expenditure in that period.

5. Concluding remarks

5.1 Land reform dominated the Peruvian agricultural scene in the period 1969-1976. After a period characterized by land invasions, peasant revolts, stagnating production and a lukewarm attempt to introduce a reform, a military government - with, for Latin America, unusual political features - conceived and carried out a radical and massive transfer of land ownership. Nearly 40% of land, cattle and other assets, belonging to some 6,000 private and corporate estates, were transferred to about 260,000 beneficiaries, i.e. a quarter of Peru's agriculture-dependent families. Virtually all of the new owners were people already working on the land they received, be it as permanent labourer, "colonos", tenant or sharecropper. Three quarters of the transferred land was to be farmed collectively, in newly established enterprises of various types; the remainder was allotted to individuals.

5.2 The reform did not cause a significant drop in output, though the initial tensions in and around the collective enterprises certainly did not help to give a new impetus to production. However, pervasive state intervention in marketing and an urban-biased price policy were the principal causes of continued stagnation. Against temporary losses in employment on the coastal sugar estates stand some gains in the Sierra, when transferred pastures could be put to use as cropland. In the period after 1969 total agricultural employment rose by an average of 0.6% p.a.

5.3 The nationwide effect on income distribution, which, as in most Latin American countries is extremely uneven, was minor: it took away one to two per cent of national income from the highest income group, and shifted most of it to income groups that by no means belonged to the bottom category, the coastal estate workers. Only a small part of the benefits of the reform went to a minority of the poorest category of the population, the Sierra subsistence farmers.

5.4 Compensation to owners was based on values well below productive values of expropriated assets. And only 20% was paid in cash, with the remainder in bonds that rapidly became worthless. Even though payments by beneficiaries were soon suspended, the reform's financial consequences for

the state were small and were much smaller than the funds spent on some prestigious but low-yielding coastal irrigation projects.

5.5 Finally, the reform was not -and did not mean to be- egalitarian in the sense of reducing the inequality in living standards between the farm population of the Costa and the Sierra, because it did not, or could not, allow any migration of beneficiaries from the Sierra to the Costa. It became, therefore, principally an intra-coastal affair, affecting 60-70% of farmers and over half of farm land. As for the Sierra, the discrepancy between the limited resources conceivably available for redistribution and the huge number of farm families living at or near subsistence level was too large for the reform to be even a temporary and partial palliative for a continued exodus to coastal cities. More, but not sufficient, could have been expected from a concentrated effort to intensify production.

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