Land Tenancy in Asia, Africa, and Latin America: A Look at the Past and a View to the Future

Susana Lastarria-Cornhiel and Jolyne Melmed-Sanjak
with assistance from Beverly R. Phillips
LAND TENANCY IN ASIA, AFRICA, AND LATIN AMERICA: A LOOK AT THE PAST AND A VIEW TO THE FUTURE

by

Susana Lastarria-Cornhiel

and

Jolyne Melmed-Sanjak

with assistance from

Beverly R. Phillips

Prepared for the

Food and Agriculture Organization of the United Nations

LAND TENURE CENTER
UNIVERSITY OF WISCONSIN–MADISON
USA

April 1999
Funding for this research was provided to Land Tenure Center by the Food and Agriculture Organization of the United Nations. All views, interpretations, recommendations, and conclusions expressed in this publication are those of the author and do not necessarily those of the supporting or cooperating organizations. The Land Tenure Center has formatted this paper to conform with others in the Working Paper Series but has not formally edited the contents.

Readers may make verbatim copies of this document for noncommercial purposes by any means, provided that this copyright notice appears on all such copies.

Copyright ©1999 by Susana Lastarria-Cornhiel and Jolyne Melmed-Sanjak. All rights reserved.

Susana Lastarria-Cornhiel is Associate Scientist at the Land Tenure Center of the University of Wisconsin, Madison, Wisconsin, USA. Jolyne Melmed-Sanjak is an economic consultant to the Land Tenure Center of the University of Wisconsin, Madison, Wisconsin, USA.
# CONTENTS

<table>
<thead>
<tr>
<th>Acknowledgments</th>
<th>iv</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 Introduction</td>
<td>1</td>
</tr>
<tr>
<td>2.0 Theoretical framework</td>
<td>2</td>
</tr>
<tr>
<td>2.1 Land tenure issues</td>
<td>2</td>
</tr>
<tr>
<td>2.2 Economic efficiency issues</td>
<td>5</td>
</tr>
<tr>
<td>2.3 Tenancy versus ownership</td>
<td>7</td>
</tr>
<tr>
<td>3.0 Tenancy in the Asian context</td>
<td>8</td>
</tr>
<tr>
<td>3.1 Trends in land tenancy in Asia</td>
<td>9</td>
</tr>
<tr>
<td>3.2 Rationales and consequences: aspects of the problem of leasing farmland</td>
<td>12</td>
</tr>
<tr>
<td>3.3 Some particular and interesting cases</td>
<td>18</td>
</tr>
<tr>
<td>4.0 Tenancy in Latin America</td>
<td>19</td>
</tr>
<tr>
<td>4.1 Tenancy trends</td>
<td>20</td>
</tr>
<tr>
<td>4.2 Rationale for tenancy arrangements</td>
<td>30</td>
</tr>
<tr>
<td>5.0 Tenancy in sub-Saharan Africa</td>
<td>35</td>
</tr>
<tr>
<td>5.1 Tenancy trends</td>
<td>36</td>
</tr>
<tr>
<td>5.2 Rationale for tenancy arrangements</td>
<td>46</td>
</tr>
<tr>
<td>6.0 Concluding remarks</td>
<td>50</td>
</tr>
<tr>
<td>7.0 Bibliographies</td>
<td>51</td>
</tr>
<tr>
<td>7.1 General bibliography</td>
<td>51</td>
</tr>
<tr>
<td>7.2 Bibliography by region and country</td>
<td>60</td>
</tr>
</tbody>
</table>
ACKNOWLEDGMENTS

The authors express their appreciation to Simon H. Keith (Land Tenure Service, FAO), who initiated this effort, and James Riddle (Land Tenure Service, FAO), who supported the initiative, and whose funding of this work allowed us to examine an interesting and important aspect of land tenure arrangements and to learn enormously from it. We also are grateful to Beverly Phillips (Land Tenure Center, Madison), who was invaluable in searching and locating literature for this review and in making sure that all our references were correct and complete as possible. Beverly also made regional bibliographies from the general one which our readers should find useful. Lastly, we thank all those who read and commented on earlier draft versions of this literature review.
LAND TENANCY IN ASIA, AFRICA, AND LATIN AMERICA: A LOOK AT THE PAST AND A VIEW TO THE FUTURE

by

Susana Lastarria-Cornhiel
and
Jolyne Melmed-Sanjak

1.0 INTRODUCTION

This literature review focuses on recent and contemporary tenancy structures in Asia, Africa, and Latin America. Tenancy for purposes of this review is broadly defined to include different leasing arrangements such as sharecropping, labor tenancy, fixed cash rentals, and reverse leasing. One should also note that we have limited our discussion to private leasing of agricultural land, thereby ignoring issues pertaining to leasing of public, forest, and other noncrop lands.

The distant past is marred by the lack of adequate implementation of and impact from land lease regulations instituted during processes of agrarian reform. As a result, the recent past is characterized by a zealous desire to remove all restrictions on new lease contracts. Gyanendra Mani and Pandey (1995) draw attention to the renewed call for freeing lease markets from legislative control citing several authors who argue for such a redirection of policy based on both equity and efficiency grounds. Today we ask whether there is a middle way. This literature review will not dwell on tenancy legislation itself but rather will focus on actual practices and the impacts of legislation. While there has been a shift in the 1990s in the policy orientation for tenancy legislation and regulations away from social concerns to market-oriented ones, the literature on this trend and its impacts is very thin and not yet widely available.

The terms of reference for this project are predicated on the suggestion that “…it is possible to devise correct arrangements that balance the interests of the landowner and the tenant and which can improve access to farms and lead to better agricultural production and improved stewardship of the land.” The purpose of this literature review, therefore, is to provide a basis for evaluation of the desirability, feasibility, and potential content of regulatory guidelines for lease agreements that might permit the land-lease market to operate effectively.

The works discussed herein are both theoretical and empirical. We have attempted to locate the most recent literature on tenancy for these three regions. If contemporary literature is scarce or if historical developments are useful to understanding current tenancy trends, references and inclusion of recent past experiences and dynamics are included. As can be expected, the availability of studies on tenancy in the three regions is quite different.
The literature review on Asia focuses on the vast number of studies on tenancy relations in India, Sri Lanka, Thailand, and the Philippines and highlights post-1990 literature. Only occasional mention is made to other Asian countries. These four countries provide a diverse context from which to draw illustrations of the main points of evaluation. Finally, the discussion is focused primarily on sharecrop tenancy contracts. This reflects the historical predominance of this form of land leasing in the region and a strong bias in the literature. Although sharecrop tenancy is often compared to other kinds of leases (e.g., fixed rent contracts), too little attention has been given to the nature of such contract alternatives when chosen.

In Latin America, much has been written on tenancy arrangements over the past seventy-plus years as social movements have pushed governments to restrict the economic power of owners of large estates and to eliminate highly exploitative tenancy arrangements. During the last few decades, there has also been much debate over the capitalist or noncapitalist nature of agricultural production in Latin America and why tenancy arrangements, particularly sharecropping, instead of wage labor are still so prevalent. Currently, no one questions the capitalist nature of agriculture in Latin America and studies are exploring the different and innovative land and labor arrangements being utilized by agricultural enterprises. Few studies, however, supply data on the financial-economic aspects of these tenancy arrangements; the majority focus on socio-political factors and the broader economic aspects of tenancy as production and labor systems.

African region is very scarce, necessitating reliance on available studies of practices over the past few decades in order to tease out current tendencies. In any case, referring to historical developments is useful for understanding contemporary practices. In addition, the literature is almost exclusively ethnographic and historical, giving us a very vivid and rich picture of the different tenancy practices that have been used. Much of the most recent literature focuses on the adaptability of customary tenure and its own tenancy arrangements to changing conditions in African agriculture and production demands. What is not available are “hard” data on the frequency of tenancy and its financial implications.

2.0 THEORETICAL FRAMEWORK

Tenancy is a complex production system combining labor and land rights in order to generate income and agricultural products. As such, theories on tenancy can focus on its many different aspects. In this section, we will review economic theories which focus on production efficiency issues and land tenure theories which focus on land rights, tenure systems, and tenure relations.

2.1 LAND TENURE ISSUES

There is an obvious relationship between tenancy as a labor-production system and the land tenure system as it determines access to land. Tenancy arrangements are utilized when land cannot be acquired (e.g., ownership concentration, customary law restricting land sales, land reform restrictions, lack of capital) or when producers prefer not to tie capital into long-term investments such as land purchase and/or want to avoid wage labor costs. Changes in land tenure

---

1 Balisacan (1994) does a very nice job of succinctly comparing across several of the countries in the region.
systems (e.g., customary vs. freehold tenure, ownership vs. usufruct rights, increased ownership concentration) are reflected in different tenancy arrangements and conditions.

Tenancy arrangements in Latin America, Asia, and Africa have not always followed a linear developmental pattern from labor tenancy to sharecropping to fixed cash rent, but rather have often ranged back and forth from one type of tenancy to another as conditions (such as factor and product markets, agrarian policies, technology, land distribution, demographics, off-farm employment) change. Nor is it uncommon for there to be several types of tenancy and other labor arrangements co-existing in a region, for example, reverse leasing and wage labor, contract farming and cash rentals, labor tenancy and direct production by landholder. What is common in different tenancy arrangements is that some farmers have labor and/or capital but do not have the land to fully utilize these resources, while others have land which they are not working because of reduced access to labor or capital, for example, or no interest in directly engaging in agricultural production.

2.1.1 Land tenure background in the three regions

Agrarian structure in Asia is typically characterized as unimodal recognizing the dominance of family and subfamily small farm units. Despite the devotion of so much attention to sharecropping, the dominant form of tenancy in Asia, the data clearly show the prevalence of owner cultivation. There are, however, some current and past exceptions. Plantation agriculture dominates with its typical bimodal distribution of land in some regions, for example, Central Luzon, Philippines. In India, prior to the tenancy reforms of the 1950s, the state was the owner of much of the land which was leased to cultivators via a chain of intermediaries with rights to collect rents for the use of land. Thus, a reading of the literature on land tenure in Asia highlights a wide diversity of scenarios varying in the extent of ownership versus tenancy and also in the presence of various types of tenancy contracts.

At the risk of overgeneralizing, land tenure systems in Latin America have historically been based on private ownership and concentration of agricultural land in the hands of a minority and a large sector of land-poor and landless peasant families. The resulting land tenure structure has been one of landowners sitting on large extensions of land (particularly the best arable land) and needing labor to work it, while the majority of the rural population farm very small parcels and are compelled to use their labor to gain access to more land.

In sub-Saharan Africa, in spite of extensive land appropriation during the colonial era and the existence of large estates, monopoly over land was not as comprehensive as in Latin America and control over labor was more tenuous. Customary land tenure systems have remained very vibrant, adapting to changing conditions as colonialists came and went, cash crops boomed and busted, and oppressive tax and labor regulations were enforced. Thus, while there are areas of land concentration and scarcity where colonial regimes appropriated large extensions of land and introduced private property, land tenure in Africa continues to be characterized by customary ownership and a relatively egalitarian distribution of land among rural households.

The implications of these land tenure systems for tenancy is not that one system breeds tenancy relations because of land concentration while the other obviates the need for tenancy, but rather that the conditions for and characteristics of tenancy relations will vary across regions

2 The one major exception is South Africa.
according to agronomic and socioeconomic conditions. As we will show later, in Asia there is growing evidence which questions the paradigm of large landowner exploiting the poor, landless (or land-poor) tenant. Often, small-farm owners lease land among their class members. In Latin America, tenancy tends to be characterized by unequal relations—one party has overwhelming control over land (and usually over other resources as well) and is able largely to determine tenancy conditions. But tenancy is also practiced among smallholders. In Africa, where the great majority of rural households have access to land and economic power is not concentrated among a minority of the local population, tenancy arises out of situations of resource imbalances (often temporary) among households or between communities. Tenancy offers an opportunity for households to share resources, particularly for the production of cash crops.

2.1.2 Recent changes in land tenure systems

While these generalized and brief descriptions of land tenure and tenancy systems in the three regions are still largely valid today, there have been major changes in these regions over the last few decades. For example, in Asia, recent data reveals new trends of capitalist tenancy (modern capitalist farms leasing in land) and of reverse leasing (land-poor household leasing out land). Also, with modernization there is a tendency to switch from sharecrop contracts to fixed rent or even fixed wage relations for production.

In Latin America, agrarian reform (or the threat of reform) has diminished land concentration; large estates have become medium-sized farms producing highly commercial agricultural products. Redistribution of land (through both land reform and the land market) has eased the pressure on land in some countries, but there are others (e.g., Guatemala and Brazil) where a highly dualistic land tenure structure still exists. In addition, commercial agriculture increasingly dominates production and agribusiness firms are becoming important players, able to determine the use of land and labor as well as the agricultural production system itself. The implications for tenancy is that the drive behind tenancy arrangements is shifting from landownership concentration and its corresponding land scarcity to the pursuit of high-quality and low-cost agricultural products.

Recent developments in Africa that affect land tenure and tenancy are the increasing commercialization of agricultural production and the privatization of landownership. As Africa becomes inexorably drawn into capitalist production and the global market, land becomes an asset and a scarce commodity and rights to land become private and more individualized. The tension between customary tenure with its relatively egalitarian practices and capitalist production based on profits and markets continues to be played out. Traditional tenancy that previously was based on resource imbalances among households and involved symbolic rents is becoming tenancy arrangements based land’s production potential for commercial crops and rents calculated on the asset value of land. Difficult conditions for market-oriented production, however, and the continued strength of customary tenure would seem to make any projections regarding tenancy very tentative. Some authors (e.g., Little and Watts 1994) maintain that contract farming is the path that capitalist production will take in Africa. The implications for tenancy are that it may become an insignificant land-labor arrangement for commercial agriculture but continue to be utilized for subsistence food crops.

---

3 Many African countries (e.g., Mozambique, Uganda, Guinea Bissau, Rwanda, Senegal, South Africa, Botswana) are currently considering and debating new land legislation that both reflects this tension and seeks to resolve it.
2.2 Economic Efficiency Issues

Economic theory on tenancy revolves around two key questions: What can we say about the relative efficiency (static and dynamic) of various forms of tenancy? And, if a certain form of tenancy, particularly sharecropping, is conceptually judged inefficient, why does it persist? There is a great deal of writing about these questions and there already exists very many reviews of this literature. The most comprehensive and current review of the literature, both theoretical and empirical, is that published by Otsuka, Chuma, and Hayami (1992). It is common for an author of an empirical investigation to begin his/her paper with a synopsis of the theoretical literature and sometimes of the relevant empirical work as well. Thus, excellent reviews can be found with each providing some variation in focus and in depth on any particular issue. Some of the best (comprehensive and easy for a layperson to understand) include the works of Sadoulet, de Janvry, and Fukui (1997), Ray (1998), Ghosh (1995), Teh (1991), Bhaumik (1991, 1994), Cheng (1993), Peach and Nowotny (1992), Skoufias (1995), and Carter and Kanel (1992).

For the sake of the reader who is new to this literature, we have extracted a synopsis of the key points (taken from Birthal and Singh 1994, p. 187):

The literature on tenancy suggests that the dominant form of contract may vary with the crop, natural conditions for crop production, prevailing technology, development of markets, distributional pattern of land and assets, development of human capital, development of agriculture vis-à-vis other sectors of the economy and other characteristics of socio-economic environment. Theoretical and empirical analysis of agrarian structure has offered three types of explanations for the co-existence of different forms of contracts: (i) trade-off between risk sharing and transactions costs, (ii) screening of workers of different qualities, and (iii) non-existent or imperfect factor markets.

Adam Smith (1776), Marshall (1920)...viewed share tenancy as an inefficient form of land tenure.... [Based on inadequate incentives for labor effort and land improvements] Cheung (1969) under the assumption of no uncertainty and equal transactions costs for all kinds of contracts showed that share contracts are as efficient in resource allocation as fixed rental or wage contracts provided that the landlord is able to stipulate the labor supply of the tenant.

The literature that followed these seminal works offers a huge discourse about who was right—the “Marshallian school” or the “Cheungian school.” While some authors support either one of these camps, a vast literature has evolved which views sharecrop tenure as efficient in a second-best world as per the three explanations given by Birthal and Singh in the quotation presented above. Carter and Kanel summarize appropriately: “Recent research identifies a multiplicity of economic rationale and a multiplicity of economic function fulfilled by share contracts in a world of missing and imperfect markets” (Carter and Kanel 1992, p.1).

In addition to this brief synopsis of the main elements of theory, we highlight some recent methodological contributions. We think these contributions are most useful in the context of the goal of establishing good practical guidelines (the empirical results of these studies are incorporated in the remaining sections of this paper):

---

4 The majority of the empirical research reviewed reports on studies conducted in Asian countries.
Sadoulet, de Janvry, and Fukui (1997), using data from a 1992 survey of three Philippine villages, test for efficiency differences across sharecrop contracts made among kin and impersonal sharecrop contracts rather than the typical comparison between sharecrop contracts and fixed rent contracts or owner-cultivators. This is relevant because it sheds light on the issue of the context in which sharecropping may prove inefficient.

Ghosh (1995) offers a theoretical model featuring a multiplicity and diversity of contracts which is a step in the direction of better matching of theory with empirical reality and hence improving the ability to draw policy-relevant conclusions from theoretical analysis.

Cheng (1993) includes a review of the discussion in the literature of the circumstances under which sharecropping is expected to decline in importance and also of the role of land reforms in this process.

Skoufias (1995) presents an econometric model of land leasing which explicitly assesses the importance of various types of transactions costs gaining more depth into the question of the conditions under which particular contract structures might prevail.

Otsuka, Chuma, and Hayami (1992) focus on the comparison of labor employment and land tenancy contracts (rather than among types of tenancy contracts). They point out that permanent labor contracts are scant in southeast Asia but fairly common in India and ask why this is so. In practice, this pattern appears to reflect the caste system and anti-tenancy legislation in India and the absence of such in southeast Asian countries, suggesting that the permanent labor contract is a substitute for tenancy. This empirical observation gave direction to their 1992 work in which they generalize the theoretical framework for analysis of share tenancy.

Finally, one last paper worth mentioning specifically is Patnaik (1994). This author takes an unusual twist on the subject by offering a very thorough comparison of the Marxian and the neoclassical approaches to the subject. For our purposes this is not particularly useful, but it does raise the following useful critiques of theory (note: these are points which one can observe when considering the empirical evidence). First, the neoclassical literature tends to treat the peasant/tenant as a homogeneous agent. Patnaik says “The very terms in which the discussion is carried on appear highly unrealistic as soon as it is recognized that large inter-unit variations exist in scale, objective function, organization and labor processes…” (Patnaik 1994, p. 160). Perhaps that is why there are so many variations on the two main modeling themes—Marshallian and Cheungian.

Along the same lines, Patnaik (1994) accurately notes that while the evidence points to multiple kinds of inter- and especially intra-class contracting, the literature tends to focus on interclass transactions in which the landlord is rich and the tenant is poor—thus, presuming exploitation. This is an important point, because the viewpoint of past policy has been similarly narrow. Carter and Kanel (1992) discuss this point also and refer to several papers that cite counter examples to the stereotype assumed so often in the theoretical modeling exercises, for example, they mention “dependent landlordism.”
2.3 TENANCY VERSUS OWNERSHIP

Landownership versus various tenancy arrangements is another topic of interest. Much of the criticism of tenancy relations and the impetus of reform movements to eliminate tenancy are based on the assumption that tenancy is inefficient (because of absolute land rent and agency factors) and unjust, and that agricultural production on owner-occupied farms is preferable. These same movements, however, failed to promote an environment for successful ownership of land. Some elements of such an environment include sufficient size of holding, positive attitude towards work and saving, freedom of management and availability of supporting institutions.

Is landownership necessary for efficient agricultural production? In other words, are there conditions under which tenancy production is as efficient as owner-occupied farming? Our reading of the literature seems to indicate that tenancy can be an efficient form of agricultural production under the following conditions:

- secure tenure for tenant with regard to number of rights (e.g., right to make and profit from improvements) and length of contract (e.g., no arbitrary eviction);
- secure tenure with regard to ownership rights for landowner; and
- rental rate reflects productivity potential of land and includes very low absolute land rent.

An interesting question related to this issue is why landowners engage in tenancy instead of direct production or even selling the land. Binswanger, Deininger, and Feder (1993, 1995), for example, examine why sharecropping is preferred to alternatives such as hiring wage labor, fixed rent contracts, and selling the land in the context of land ownership concentration. They point out that where there are imperfect credit markets and labor supervision problems, sharecropping is a feasible and attractive arrangement when compared to direct production with wage labor or to fixed cash rental, in spite of the incentive problem inherent in sharecropping.

Putting land on the sale market also has its drawbacks. Capital market constraints make it difficult for smallholder producers to purchase land. In addition, the lack of crop insurance makes it extremely risky for them to obtain mortgages. Owners of large landholdings are also able to profit from state subsidies and programs that increase their profits, decreasing motivation to sell land they are not directly farming. These subsidies increase the value of land beyond its production potential making land purchase unattainable by smallholders with no capital equity.

2.3.1 Tenancy and family-life cycle

An argument often advanced among proponents of tenancy is that such arrangements give landless and land-poor producers access to land and the opportunity to accumulate capital for the eventual acquisition of land. This thesis can be likened to Chayanov’s family life-cycle theory of the peasantry (Chayanov 1986). Briefly, Chayanov’s theory maintains that the peasant family goes through four different life-cycle stages, starting out as a small unit composed of a young couple, who then proceed to have a number of children who, in turn, grow up to be young adults and eventually set up their own households. In the last stage, the aging couple are once again alone. In each of these stages, resources, land, and family labor are acquired and allocated to agricultural production at different levels of quantity and intensity in order to cover the family’s changing consumption needs. This theory assumes that the land and resources for peasant agricultural production and the family’s reproduction are accessible as their needs change over time.
When adapted to tenancy and tenure structure, the family life-cycle thesis maintains that the young land-poor peasant family sharecrops or rents in land in order to gain access to land. As the peasant family matures, it is able to accumulate enough savings to purchase land and become a landowning family.\(^5\) This land is eventually distributed among the adult children when the parents die or stop farming. Since the amount of land each child receives is not enough to sustain a family, sharecropping or renting arrangements are sought, repeating the cycle of the parents.

This process in peasant agriculture has been, under certain circumstances (such as readily accessible land), found in all three regions during the life cycle of the family. An example is found in the abusa arrangements in Ghana where a sharecropper eventually becomes proprietor of the cocoa farm he has been developing and tending (Robertson 1982). However, in the context of contemporary capitalist agricultural production, land-poor peasant families are not likely to gain access to more productive land. The more common process within a peasant community is that a minority of peasants become capitalist farmers, purchasing land as well as renting or sharecropping with other families (Lehmann 1986). The larger proportion of peasant families are unable to accumulate capital and become land- and resource-poor or landless. This is increasingly the case as agricultural production becomes dependent on more outside factors:

- technology from outside the community and even outside the country,
- inputs that need to be purchased and may even be imported,
- product markets that are outside their region and are often export markets,
- prices that are determined outside of their community and area, often on the global market, and
- increasing dependency on capital and credit.

The capital and information (with regard to technology, markets, credit sources) needed to participate in this type of agricultural production is often out of the reach of most peasant families. Evidence of this development is revealed in the literature search.

Against this theoretical background, the rest of this paper presents a core of information in a way which sheds light on the question: Is there a middle ground between the excessive tenancy regulations that restrict the supply flow between landowners and potential tenants, on the one hand, and the complete deregulation of leasing that often leads to exploitative, and possibly inefficient, production systems? The discussion is organized around three main themes within each region. First, we present what the literature reveals about tenancy trends within the region, portraying the scenario with regard to the types and terms of contractual relations and with regard to the character of the principal parties to land-lease contracts. Next, we focus on the rationale that may explain these trends. Finally, within rationale, we include a subsection that specifically focuses on the small amount of commentary in the literature regarding policy choices.

### 3.0 Tenancy in the Asian Context

Otsuka, Chuma, and Hayami (1992) suggest the two basic stylized facts about land leasing are (a) that sharecropping has been pervasive through history and across many different places; and

---

\(^5\) Some authors such as R.L. Berry (n.d.) refer to a tenure ladder to describe the progression of a land-poor farmer from sharecroppers to renters to landowner.
(b) that there has been a recent decline in its presence in more developed areas. In this section, we will provide more detailed documentation of the scenario in Asia behind these two stylized facts.

3.1 TRENDS IN LAND TENANCY IN ASIA

In Asia, it is typical to observe a variety of contractual choices within a particular locality, although there is usually one form which dominates (Ghosh 1995; Gautam 1995; Sharma 1995; Taslim and Ahmed 1993). Overall, it seems that share tenancy is the predominant contractual choice in the majority of study cites. It is important, however, to stress that owner-cultivation is far more prevalent, and increasingly so, than any form of leasehold tenure. For example, Bhawan (1997) reports that, at the all-India level, in 1992, only 15 percent of households lease-in land. It is important to note that this small percentage is constituted by a very large number of households (Bhawan cites 27 million households from the 1972 census data for India but he does not provide the comparable 1992 figure). Wiradi and Shand (1986) document the same pattern for Indonesia. Tongroj Onchan (1990), writing about Thailand, says that 14 percent of households lease-in with regional pockets where the rate reaches up to 30 percent of the area. Somewhat exceptionally, Taslim and Ahmed (1993) report a figure of 40 percent for Bangladesh.

In India, the Green Revolution combined with land reform legislation induced a large-scale resumption of land by the owner for cultivation (Parthasarthy 1991, Sharma 1995). Bhawan (1997) more generally observes that tenancy is least common in areas of India with greater presence of commercial agricultural enterprises. Similarly, Wiradi and Shand (1986) make a casual observation that in the five years prior to their research in Indonesia (i.e., 1980–85) the introduction of high-yield varieties (HYV) of rice implied less willingness of owners to let out their land. Kasryno (1981) also observes that ownership is more prevalent in highly productive areas whereas leasing is more prevalent in less productive regions of Indonesia.

3.1.1 Types and terms of contracts for land leasing

The form of tenancy contract that will dominate seems to be predictable according to agroeconomic characteristics of the area. There appears to be a correlation between modernization (e.g., HYV and irrigation) and the presence of fixed-rent contracts (Fujimoto 1996; Khasnabis 1994; Chadha and Bhaumik 1992). Khasnabis (1994) reports fixed-rent tenancy as the only contractual form used for the new, modern crop production in his survey villages in West Bengal. Birthal and Singh (1994) also cite studies that observe the conversion from share tenancy to fixed-wage relations with technical progress.

Yokoyama (1995) presents yet another illustration. In his study area in West Java, traditionally share tenancy accounted for 43 percent of all tenancy contracts. This percentage dramatically decreased in the context of vegetable growing—0 percent share contracts, 72 percent fixed cash-rent contracts, and 28 percent fixed in-kind rent contracts. He attributes this pattern to the lack of a tradition defining a standard expectation of yields and by the greater variability of yields due to hard-to-observe factors like effort. Vegetables are labor-intensive and so the problem of effort monitoring is exaggerated.
Reduction of risk is a factor. For example, the incidence of fixed-rent contracts is greater in areas or seasons with less weather-related risk (Gautam 1995). Ray explains that “...fixed-rent tenancy requires that the tenant be willing and able to bear the risks of agricultural production” (Ray 1998, p. 419). On the other hand, Yokoyama (1995) points out that since vegetable crops are risky and require the purchase of chemical inputs, one might expect to find share tenancy. The puzzling observation of fixed rent tenancy in the presence of significant risk, he argues, is resolved by understanding the multiple roles of the middlemen who market the crops. They assume the role of lender in-kind for inputs and a sort of insurance in that they allow deferred payment when yields are very poor.

Two final points were found in the literature regarding the predominance of fixed-rent contracts. Skoufias (1995) observes that 76 percent of leased area is subject to fixed-rent arrangements in an area with a large number of absentee landlords. Additionally, some authors associate fixed-rent contracts with tight labor markets (Jazairy, Alamgir, and Panuccio 1992).

Converse to the observations about fixed-rent tenancy, sharecrop agreements are observed to be more prevalent in less developed regions (Birthal and Singh 1994). Yokoyama’s (1995) evidence indicates that within an area, the poorer farmers with less access to the formal sector tend to opt for traditional crop sharing arrangements. Parthasarthy (1991) indicates that, seemingly in contradiction to the above, in India during the period of 1960–1980, share tenancy significantly replaced - tenancies despite the nascent Green Revolution. However, he asserts that this observation can be argued to result as a reaction to regulation of tenancy. Share arrangements are easier to conceal, thereby allowing landlords and tenants to continue leasing in an unregulated fashion. Sawant (1991) deduces from discrepancies in official data sources that there is quite a substantial amount of concealed tenancy in India.

Parthasarthy (1991) also clearly identifies modernization as a causal factor in the appearance of “capitalist” tenancy and reverse leasing, trends which are not found in the poorer regions of the country. Capitalist tenancy refers to large- and medium-scale farm operations that use at least some leased-in land (as opposed to a small peasant farm). Reverse leasing refers to the leasing-out of land by the land-poor households to others with more means. Birthal and Singh (1994) indicate an increase in capitalist tenancy but suggest that reverse leasing is minimal. Bhawan (1997) also notes that reverse tenancy is an “important aspect” of the increasing commercialization of agriculture. He suggests, however, that reverse tenancy is not generally characteristic.

Thus, Cheng (1993), after reviewing the literature, concludes that there is much support for the observation that with progress comes with a switch away from sharecrop to other forms of leasehold tenures. Sharma (1995) notes the same. In addition, he attributes the rise in cases of reverse leasing to the spread of new technology and the associated increase in profitability of farming. Leasing allows the flexibility in the context of inability to expand via purchase given the ceiling on landholdings. The fact that agricultural income is tax-free may be the real stimulus for such expansion.

Regarding the terms of contracts, the 50/50 share agreement is most commonly cited (e.g., Birthal and Singh 1994) for crop-share arrangement. However, a wide variety of other splits have been observed. Whether or not and how costs are shared figures into the determination of the output share ratio. In instances of agrarian reform, terms are set more favorable to tenant, for example, landlord’s share not to exceed 25 percent. Fujimoto (1996) observes that in the villages
he studied in Malaysia and Taiwan up to 10 percent of all tenancy contracts were rent-free. Such intrafamily “land lending” arrangements are not a concern in the context of this report. In India, “rack-renting” (the process by which a chain of subleases causes the cultivator to pay extraordinarily high rents/shares) is an issue in the presence of concealed tenancy (e.g., see discussion in Parthasarthy 1991).

3.1.2 Data issues

The last subsection provides a rich description of the tenancy scenario in Asia. Despite the vast quantity of data and empirical analysis available, the conclusions are still not highly reliable. Before moving to a discussion of the logic driving the observed trends, it is important to note some substantial caveats to the extant empirical research. Here we briefly identify the set of issues that plague the empirical work that has been conducted to date. One should note that these problems persist despite the large number of papers written which purport to redress one or another of these issues.

First, there are very few longitudinal data sets that allow one to explore the dynamic aspects of contractual choice within a constant context. Fujimoto (1996) is a small exception. His work includes a panel data set for a few of the ten villages that he surveyed. Second, the data sets that are the basis for all of the analyses are very dated. Very few authors have data collected after mid-1980s. Even these papers published in the post-1990 era often rely on pre-1990 data and tend not to add substantially new evidence (or approach). An exception is Gautam (1995) who uses data for some villages in India collected over the period of 1991–1994. This means that the trends described easily refer to the scenario of more than a decade ago. In order to make currently relevant guidelines for land tenancy contracts, an appraisal of the direction that these trends are taking today is needed.\(^6\)

A third issue is the problem of underestimating the extent of leasing and the presence of certain forms of tenancy (share tenancy in particular). This problem arises because data sources often rely only on registration information—that is, registered lease contracts. Bansil (1992), speaking of Haryana, India, observes that most tenancies are oral and hence do not appear in revenue records. Guatam (1995) and Kasryno (1981) discuss the same issue in the context of southeast Asia. Bansil (1992) also points out the difficulty of using recorded data arising from the fact that the manner of registration makes it difficult to come up with total holdings of an individual who may rent parcels in multiple localities and from multiple persons. Parthasarthy (1991), Ray (1998), and Sharma (1995) also indicate likely underestimating in official data for India.

Furthermore, the interpretation of statistics on tenancy relations is complicated. For example, many tenants are tenants cum agricultural (or casual) laborers. People tend to report the more prestigious occupation, which in this context is tenant instead of laborer. This explains the existence of millions of holdings of 0.5 or 1 acre in the statistics, even in nonirrigated areas. The growth of nonagricultural jobs is also very important in a number of countries. Some people choose to retain the land as security in case of failure in their new job, for speculation, and to

\(^6\) Effort should also be made to incorporate the recent Vietnamese experience with the introduction of leases up to 40 years with right to renewal and heritable transferable contracts.
have land for home construction for the next generation of family. Typically, some of the land is cultivated part-time by relatives while the rest is leased.

Another issue is the problem of determining causality where a positive impact on productivity is indicated. Specifically, how can one assess the impact of tenancy reform versus the impact of multiple aspects of more broadly conceived agrarian reform such as irrigation and credit programs (see discussion in Chakrabarty 1996). Finally, there exist some definitional problems in analysis and in census data. For example, there is some ambiguity about “owner” versus “tenant” that arises in the presence of mixed forms of tenure (see discussion in Bhaumik 1991 and in Sawant 1991).

3.1.3 Characteristics of tenants

In many places, the typical tenant is not a pure-tenant but rather an owner-cultivator who expands his holdings via contracting (Fujimoto 1996; Khasnabis 1994; Chadha and Baumik 1992; Walker, Singh, and Ballabh 1990). In India, the vast majority of tenants are landless or land-poor (Parthasarthy 1991; Khasnabis 1994; Chadha and Bhaumik 1992; Sharma 1995). Wijaya (1981) and Kasryno (1981) indicate the same for Indonesia. However, Birthal and Singh (1994) point out that, at least in their study regions, the medium and large farmers, however few in number, account for more than 50 percent of the leased-in area. Patnaik says the same is true at all India level: “…about 55 percent of the total area under lease is with the top three quintiles of holdings ranked by operational size” (Patnaik 1994, p. 160). Chadha and Bhaumik (1992) note that the incidence of such reverse or capitalist tenancy tends to be more common in more developed regions. Sharma (1995) provides a regional portrayal of both tenants and landlords according to farm size. He observes pockets where the traditional large “exploiting the rich” pattern persists and pockets where the reverse is prevalent. The conclusion is that the overall pattern is of small-to-small lease transactions in many locations.

3.1.4 Characteristics of landlords

As is implicit in the characterization of tenants presented above, in many instances, particularly in India, the lessors are marginal farmers whose land is not sufficient for subsistence. Owners let the land and go to work as wage earners. Other small but not marginal farmers may lease out their land for lack of bullocks to work the land (Gyanendra Mani and Gandhi 1994; Parthasarthy 1991; Sharma 1995). Walker, Singh, and Ballabh (1990) suggest that such “reverse” tenancy is quite common. Balisacan (1994) attributes this to the growth of labor-intensive manufacture of exports which has generated nonfarm employment for landless and land-poor peasants. However, as noted in the last subsection, the pattern of who leases out land in India seems to vary a lot from area to area. For example, in the regions studied by Birthal and Singh (1994), up to 80 percent of the land suppliers are large landowners while Taslim and Ahmed (1993) highlights intraclass transactions among the small.

3.2 RATIONALES AND CONSEQUENCES: ASPECTS OF THE PROBLEM OF LEASING FARMLAND

In this subsection, we present relevant material from the literature on the rationale behind the choice of the type and terms of contracts and the outcomes of such choices. Specifically, we
report here the empirical analyses that attempt to validate the various arguments made in the theoretical literature. Robertson (1987) offers a most useful approach to organizing the discussion in a manner conducive to subsequent policy discourse. His unique approach is to frame his empirical work from the vantage point of asking what are the relevant decisions of each party to a contract: “The matrix represents the widest possible range of matters known to me on which sharecropping partners might have to agree.” With some change of order, the subheadings below are the elements of his matrix. We have also added a subheading on policy distortions because it is clear that the choices of landlords and tenants and the consequences are affected significantly by government interventions.

3.2.1 Inputs

3.2.1.1 Input use intensity

The theoretical literature suggests that the incentive structure of contracts implies that farmers will apply inputs less intensively under share tenancy than under owner cultivation. This is particularly so for the input “effort.” Shirking of effort could be even more pronounced under pure wage contracts if there is inadequate supervision. However, several authors report that there is no significant difference in levels of input use across tenancy types in the data they analyze (e.g., Sadoulet, de Janvry, and Fukui 1997; and Yokoyama 1995).

It is suggested that the lack of difference might indicate that the landlord has the ability to monitor the application of inputs.\(^7\) For example, this could occur when the landlord and tenant have personal relationships or the landlord has access to information due to proximity. The existence of these kinds of avenues for monitoring or ensuring adequate effort clearly affects contractual choice. Sharecrop contracts are typically chosen only when supervision is feasible (Birthal and Singh 1994).

On the other hand, Bhaumik (1991) reports (from data on several villages in India) that tenants with both owned and sharecropped lands tend to use more inputs (of all sorts) on their own plots. The difference is more pronounced for unrecorded tenants. The same result is not observed for owners who rent under fixed-rent contracts. Yet, Huang (1991) indicates, albeit with a very simple model and data analysis, that formal (recorded) tenants whose behavior is governed by regulated prices use inputs less intensively (and, therefore, are less productive). It is hard to discern the meaning of these results without knowing more about to whom the regulations are actually applied and who are the subjects of concealed tenancy.

3.2.1.2 Resource access, the extent of leasing and the nature of contracts

In the literature there is much discussion of land leasing as a means of resource adjustment. In other words, leasing is viewed as a mechanism by which persons match the amount of land they use to the amounts of other resources, including labor, water, and animal power, at their disposal. In this subsection, we present a panorama of such “resource adjustment” arguments. We also mention arguments about how availability of key resources may affect the choice among the various contractual forms.

---

\(^7\) It has also been suggested that in the context of subsistence farming, the plots assigned to share tenants are so small as to make shirking a nonviable option for the farmer since such behavior would put the family at risk of falling below subsistence.
First, the existence of off-farm employment opportunities seems to be a factor in determining the extent to which rural persons participate in the lease market. In the absence of wage-labor opportunities or where wage labor is disdained (due to social and cultural norms), the lease market is a means for adjusting the land base to an adequate land/man ratio for a family (Skoufias 1995; Lanjouw 1995; Taslim and Ahmed 1993). Also, some authors suggest that too few family workers available to work the land as a determinant of how much land to lease out. Along a similar vein, minor attention in the literature is given to leasing as a solution to the problem of fragmentation of holdings. For example, see the explanation of “reverse” leasing in Birthal and Singh (1994).

Second, access to irrigation appears to be a major factor in the choice among tenancy contracts. For example, Narayana and Nair (1994) indicate that in South Asia both the incidence and form of tenancy is affected by irrigation. Specifically, they observe that the incidence of tenancy is low when there is uncertainty regarding irrigation. Of the lease contracts arranged in such a scenario, share tenancy is the main form due to uncertainty. Share tenancy is an effective way of risk-sharing between landlord and tenant whereas in fixed-rent tenancy, the tenant bears all the risk. Wijaya (1981) and Kasryno (1981), on the other hand, observe the absence of share tenancy in his irrigated study villages in Indonesia. In that research, share tenancy was observed in villages without irrigation. Similarly, Walker, Singh, and Ballabh (1990) suggest that in India, in irrigated areas, the percentage of owner-cultivated land is even higher than in other areas. In drought-prone areas, sharecropping prevails. Basu (1994) reports the same logic and makes a parallel between sharecrop contract and limited liability clause in modern loan contracts. Ray (1998) discusses limited liability and sharecropping.

Soil quality is another important aspect of the analysis of land leasing. Ghosh (1995) presents a model that suggests a correlation between land quality and contract form. In particular, he expects a correlation of the continuum from best quality land to poorest and the continuum of tenurial arrangements from owner cultivation to share cropping to fixed-rent tenancy. Evidence in favor of this hypothesis comes from data found in Shaban (1987) regarding India (although it is unclear how the average per acre value of land is calculated to make the comparison). In Yokoyama (1995), it is observed that owner-cultivated land is also more common at the other end of the land quality distribution—marginal lands, since there is no economic basis for leasing it out.

Finally, but not least importantly, ownership of bullocks is a major factor in explaining the incidence of leasing, at least in India. Most authors explain that the market for bullock services is generally absent. This stems from the peculiarity of this resource which means that if leased out, such would conflict with the time needed on the owner’s farm and that the owners feel a need to go with the leased bullock for fear of their mistreatment. Thus, bullock services are not easily marketed. (Birthal and Singh 1991 and 1994; Skoufias 1995; Lanjouw 1995; and Walker, Singh and Ballabh 1990).

3.2.1.3 Technological change in the context of land leasing

Earlier in the paper, we discussed the impact of modernization on the choice among contractual types. In this subsection, we discuss the issue of how the different forms of contracting for land affect the decision about whether to adopt new technologies. Cheng (1993) presents a review of the literature on this subtheme. His review and a reading of additional literature show that the evidence on adoption patterns by different tenancy forms is mixed. In the extreme case, Fujimoto
(1996) indicates that tenure status is irrelevant to the adoption decision. Farm size is the variable that matters. Otsuka, Chuma, and Hayami (1992) identify (theoretically) decreased speed of innovation as a source of “dynamic inefficiency” of sharecropping. However, they note that this observation does not have much empirical support.

### 3.2.2 Nature of contractual relationships

In this subsection, we briefly discuss the logic behind the trends characterizing land leasing presented in subsection 3.1 of this paper. First, we ask about the nature of the contracting parties. Two key questions about the nature of the landlord/tenant relationship include the following: (a) Does exploitation exist? and, (b) Is there an advantage to familiarity (kin, friends, community)? The interested reader can find an organized and comprehensive discussion of these themes in Patnaik (1994). Patnaik creates a matrix according to the agrarian class of landlords and that of tenants. In this subsection, we also briefly report the explanations found regarding the terms of contracts.

With regard to exploitation, it should be apparent from the information presented thus far in this paper that in the context of Asia, while there is some incidence of the rich lord exploiting the labor of very poor tenants, there are far more examples of intraclass leasing (particularly in Southeast Asia and in East Asia). A gray area arises in the context of reverse leasing. In such cases, the landlord does not exploit the tenant. On the other hand, cases of “pawning” would seem to open the possibility of exploitative behavior of the tenant with regard to the credit side of the transaction. Little work is available which tries to compare rates of interest on such “loans.”

The subject of whether there is an advantage to familiarity is the focus of analysis of Sadoulet, de Janvry, and Fukui (1997). They assert that personal relations are “important to reduce moral hazards and provide a commitment device when intertemporal resource transfers are involved; among kin there is an incentive to cooperate rather than shirk because kin offer insurance in case of various eventualities” (Sadoulet, de Janvry, and Fukui 1997, p. 396). They offer empirical evidence that supports the view that sharecropping is efficient and mention that most of the contracts are made among family members within the sample being analyzed. Their data indicate that nonkin sharecroppers use less inputs on average and are significantly affected by the terms of the contract. In other words, the advantage to kin-based relations, and more generally relations among persons with personal ties, is greater productivity due to the ability to ensure that adequate effort is made. This is also discussed in Wijaya (1981). Based on a broad reading of the empirical literature, Balisacan (1994) very strongly suggests that such advantage is present.

Yokoyama (1995) presents some interesting data showing that there is an age factor in distinguishing the lessor (average age 52) and the lessee (average age of pure tenant is 31), while the owner-cum-tenant is in between. He uses this as evidence of the agricultural ladder. Along the same line, Otsuka, Chuma, and Hayami (1992) discuss sharecropping as a step in the inheritance process and plausibly a means to the agricultural ladder. They note that often, unfortunately, institutional barriers such as the caste system prevent one from climbing the ladder.
3.2.3 Transactions costs

Skoufias (1995) offers statistical evidence that “...there seem to be significant transaction costs associated with land leasing.” These include costs of obtaining information, negotiation and communications, searching for and evaluating tenants, and monitoring and enforcing contractual agreements. Robertson (1987), taking from Cheung, states that the “…costs of negotiation, management, supervision, or enforcement vary across contractual forms.” These transactions costs also vary significantly from locale to locale. Robertson provides several interesting anecdotes focusing on the costs of arriving at and terminating a contract.

In his discussion, Robertson (1987) makes the point that “trust” defrays some transactions costs. One might expect this from our discussion of kinship between contract parties. Robertson, however, notes that kinship relations often bring hidden transactions costs, at least from the eyes of the unaware scientist, such as the required hosting of extravagant feasts after the harvest. He suggests that formalizing contracts does not necessarily reduce transactions costs, rather just changes the nature of them. Otsuka, Chuma, and Hayami (1992) observes that the use of long-term contracts and/or interlinked contracts can, in theory, significantly reduce transactions costs.

3.2.4 Associated or interlinked contracts

Associated or interlinked contracts are those arrangements in which the parties agree to contractual terms regarding participation in more than one market, for example, land, credit, labor, output marketing. All of the papers mentioned in this short subsection include a review of prior conceptual and theoretical models of the key points that they make. Perhaps the most general and inclusive reviews of this subtheme are found in Cheng (1993) and in Taslim and Ahmed (1993). The review provided in Carter and Kanel (1992) explains participation in interlinked contracts very succinctly: “Those individuals who are locked into a system of multiple relations have market opportunities. Those who are not have no opportunity to make an isolated transaction in a single market.”

Among the more specific explanations of market interlinkage, the following three are most relevant in the context of this paper. First, interlinkage is explained as a response to risk and information asymmetry (Teh 1991). For example, the landlord might try to induce efficient labor effort by also being a lender to his tenants. Second, more generally, imperfections in capital markets explain this type of interlinkage. Both landlord-lenders (Birthal and Singh 1994; Gautam 1995; Khasnabis 1994) and tenant-lenders are observed (Wijaya 1981; Kasrnyo 1981; Taslim and Ahmed 1993; and Robertson 1987). The later group is more common in Southeast Asia and includes such arrangements as land pawning and mortgaging. Finally, several authors suggest that cost-sharing arrangements under sharecrop tenancy are a mechanism for obtaining working capital or a credit market substitute (see the review in Otsuka, Chuma, and Hayami 1992). Despite the theoretical appeal of these explanations, some authors suggest that such interlinked contracts are not particularly common in practice, for example, Walker, Singh, and Ballabh (1990) in their study of five villages in India.

---

8 One reviewer of this text suggests that the view articulated by Carter and Kanel might be a special case. More commonly, it is suggested, interlinked contracts lead to dependence. Multiple relations are highly disliked by tenants. While a single relationship can be terminated, several with the same person usually cannot. Ending one relationship, for instance, tenancy, requires ending all others as well (credit, labor, etc.). This is beyond the ability of a poor tenant.
3.2.5 Output

Output is the end to which the land-lease contract is a means. Thus, Robertson (1987) suggests that inquiry should be made about which crops are associated with which types of contracts (see previous discussion) and about how yields compare across contract forms. This short subsection summarizes the sizable literature on comparative yields. There are basically two camps: (1) those authors who find no significant yield disadvantage to sharecropping (e.g., Sadoulet, de Janvry, and Fukui 1997; Yokoyama 1995); and (2) those who find sharecropping less productive than owner-cultivation (e.g., Pal 1992; Walker, Singh, and Ballabh 1990).

Lieten (1996) lists many articles that support either of these views and indicates that today the debate remains intense. He sides clearly with the evidence that in some places, West Bengal, for example, tenancy reforms which give more security and less risk to the tenant are associated with a big increase in productivity. However, he warns against assuming causality because at the same time, irrigation was introduced and credit extended. We already mentioned the problem of sorting out the impact of tenure versus other aspects of agrarian reforms in subsection 3.1.1. Noting that the bulk of the empirical studies find no significant productivity gap, Otsuka, Chuma, and Hayami (1992) suggest that the authors fail to disprove efficiency differences either. Specifically, they point to methodological flaws that render comparative yield studies a poor basis to evaluate hypotheses regarding comparative efficiency of production under various types of contracts.

3.2.6 Policy distortions

As mentioned in the introduction to this part of the paper, a discussion of the rationale behind observed behaviors would not be complete without a discussion of the impacts of legislation regulating lease markets. In all of the nations discussed in this paper, government intervention in land markets was a prominent aspect of rural policy. Typically, the government enacted agrarian reform legislation that imposed a ceiling on landholdings (often both owned and leased) and the transfer of land above the ceiling to land-poor persons.

In Asia, agrarian reform legislation was often coupled with tenancy reform legislation. Tenancy reform typically encompassed statutory definition of quasi-permanent use-rights for tenants with limited right of resumption for the landlord; restrictions on the type of leasehold tenures (often banning share tenancy and, in some instances, banning leasing altogether); and government regulation of the terms of contracts.

These legal restrictions are meant to affect the behavior of the participants in the land rental market, but as many authors have observed, often the effect is other than that intended. In fact, Sadoulet, de Janvry, and Fukui (1997, p. 396) suggest that “...cases of inefficiency are usually related to policy interventions that constrain the choice of contract.” Similarly, Balisacan (1994) observes that studies that find yield and input use inefficiency under sharecropping tend to take data from areas where the contractual choices are legislatively restricted.

Taslim and Ahmed (1993) point out the problem of viewing markets in isolation when they occur in the presence of de facto interlinkage of markets. Teh (1991) similarly asks how interlinked transactions that are efficient in the context of imperfect markets will survive a major agrarian reform plan in the Philippines. In other words, the reforms focus on the land distribution question without redressing the problems of underdeveloped other markets (e.g., credit and
He also reports that “land pawning emerged as a surrogate for the land market” in the presence of legal restrictions of land sales and on land rental. A final point made by Teh is that these restrictions on land transference reduce the collateral value of land and, hence, exacerbate the credit access problems of the intended beneficiaries.

An even more harmful impact on intended beneficiaries occurred in India. Tenancy regulations induced massive evictions of fixed-rent tenants (Parthasarthy 1991; Birthal and Singh 1994; Bhawan 1997). Many of these same persons then became sharecrop tenants with mainly absentee landlords despite the fact that a pretext for eviction was a resumption of owner cultivation. According to Bhawan (1997), such landlords generally hold land for nonagricultural values (e.g., “store of value, a hedge against inflation, an instrument for appropriating... [the benefits] ...of huge public investments in irrigation...”). In this context, resumption and eviction are viewed as moves to keep the landlord free from litigation and imply that leasing is conducted in an extralegal framework. Thus, there is less security for the tenant, for example, informal, seasonal agreement rather than longer-term contract. Bhawan (1997) further argues that restrictions on leasing mean that small farmers who lease out land command a rent less than the real market value.

Hsiung (1992) describes what he considers to be long-term distortions that arose from the land reforms in Taiwan. Among the issues he raises are the following. First, the deadlock between landlords who wish to discontinue leases and the lessees who refuse to give them up (the law stipulates tight conditions under which a landlord may reclaim use of his land). Second, the unequal treatment of tenants results from the fact that not all were subject to all aspects of the reform legislation. Third, some land lies fallow or is in unproductive uses since landlords do not risk having to permanently cede the use-rights to their land. Finally, there is significant presence of illegal contracting at “market” terms. One can infer from the text that land value appreciation due to urbanization has brought the issue of landlord rights to the surface recently.

Along similar lines, Huang (1991) suggests that with urbanization of rural areas, the problem of landlords not wanting to lease out land for fear of the implication for permanent use rights is on the rise in Taiwan. This further constrains an already tight land market. He also mentions that in Taiwan the rent stipulated in the legislation is a percentage of the yield based on 1949 production patterns. This very rigid regulation, he says, causes free-market rents (of land not subject to the tenancy regulation) to be exaggerated. What might have been a “good” in the context of Taiwan in the 1950s and 1960s makes no sense in the context of a vastly improved level of development of present-day Taiwan.

Finally, a positive side effect of legislation which imposes rent control is that it has in some instances induced “windfall” profits for the beneficiaries. This occurs when such legislation is implemented just before a major modernization is adopted (e.g., HYV and irrigation) inducing vastly improved yields [e.g., Otsuka, Chuma, and Hayami (1992) describe such in Central Luzon, Philippines]. With rents fixed based on low yields, the profit margin is high.

### 3.3 Some particular and interesting cases

In this last subsection of this literature review, some particular and interesting cases are very briefly presented. These kinds of cases illustrate the problem of placing blanket restrictions on rental under the paternalistic assumption that poor, land-scarce farmers are ignorant and thus
subject to exploitation. For a clear example, Fujimoto (1996) notes the *pajak* contract in Malaysia in which the tenant advances the rent for up to ten seasons—a form of credit from rich tenant to poor land holder!

Yokoyama (1995) discusses a case study from West Java, Indonesia, in which the farm sector is free of legal restrictions to land tenure. While farm plots, in the majority (70%), are owner-cultivated, the evidence shows that land leasing functions as an equalizer of farm size. This is the case mentioned earlier in the paper in which a recent switch from traditional crops to vegetables occurred in the uplands via contract farming with middlemen. In this context, the lease market impact on expansion of current holdings in the uplands is limited because of the labor intensity of production limits the scale of production. However, the lease market seems to permit an increase in access to land suitable for vegetable cultivation. Prior to vegetables there was no leasing of land in the uplands areas. Also, the change spurred a seasonal demand for lease of paddy land during the time when it is idle often by the middlemen who pay rent in advance. The middlemen usually then sublease to farmers in smaller units on the condition that the vegetables are sold through the landlord/middleman. Yokoyama argues that this is beneficial to all parties. The farmer, for example, gains by having access to lands outside his village and the landlord by reduced transactions costs with only one negotiation.

Finally, Wijaya (1993) describes another odd kind of “leasing” arrangement in Indonesia called *Tebasan* in which the land is leased only for the harvest period. This is really a contract for the standing crop rather than the land per se. It seems that those who market the product prefer to control the harvest activities while the farmers gain a secure income. Typically, part is paid preharvest based on farmer’s calculation of its value, his need for cash, and negotiation with the “lessee” based on the lessee’s calculations of value. The rest is paid in various installment schemes. The farmer gains access to postharvest storage and access to informal credit.

### 4.0 Tenancy in Latin America

Tenancy has been a common practice in Latin America since the colonial period. Traditionally, tenancy arrangements were dominated by estate owners who had the political power and legal authority to impose terms and conditions, most often to the detriment of tenant families.

For most of this century, scholars have predicted the disappearance of tenancy practices as capitalist agriculture and wage labor would replace “old-fashioned” *latifundios* and *haciendas* based on tenant labor. With the agrarian reform movements of the 1960s and 1970s, large estates (which had stubbornly refused to give up their tenants) were to be replaced with peasant family farming. More recently, the literature has recognized that while capitalist production has become the prominent mode of production in Latin American agriculture—producing with high technology and for a more diversified market—it utilizes not only wage labor but also adapts tenancy arrangements to their needs and particular constraints.

Contemporary literature has also taken notice of the prevalence of tenancy among smallholders, typically motivated by changes in the family structure as it goes through different family life-cycle stages. In some cases, tenancy is a means for entrepreneurial or relatively wealthier smallholders to accumulate capital and become capitalist producers within a peasant community.
4.1 TENANCY TRENDS

Many different tenancy arrangements have been used over the last several centuries and continue to be used. This subsection will review these different arrangements and attempts to reveal current tendencies in tenancy itself and its different forms.

4.1.1 Sharecropping in Latin America

Historically, in Latin America sharecropping has been used by owners of large landholdings to put their land into production and generate income with minimal investment. As a means to access labor, however, sharecropping adapts to different production conditions (particularly labor costs and technology). The literature on sharecropping in Mexico, for example, shows that it still exists in spite of land reform and the establishment of *ejido* land tenure. Originally it was used by large landowners to produce on their land with little capital investment and little risk, have access to temporary labor, clear land for cultivation, ensure against encroachment, and expand their own landholding. Currently this type of sharecropping still occurs between small subsistence producers who use low levels of technology and large or medium landowners. In the large estate sector, sharecropping is also used between commercial producers who sharecrop fertile land from large landowners using machinery and high levels of technology to produce cash crops (Correa 1991).

Sharecropping arrangements in Latin America have been practiced between smallholder families when they lack one or another input or resource; these are typically temporary sharecropping agreements. And another novel sharecropping arrangement is that between agribusiness and small landowners. These trends will be described in the following subsections.

Sharecropping in its most basic form is an agreement to produce agricultural products whereby the landowner provides land and the tenant provides labor; at the end of the agricultural cycle both parties divide the harvest. Most sharecropping arrangements, however, have additional terms and conditions. These agreements differ greatly with regard to the level of responsibility each party assumes for management and inputs, how production is divided between the two parties, and the socioeconomic status of both parties. The discussion in the next few subsections will consider these sets of factors and provide examples of different sharecropping experiences.

4.1.1.1 Levels of participation by sharecropper and landowner

Considering the level of participation by each party, three general sharecropping arrangements can be distinguished: these are simply analytical types since in practice there are many variations and combinations along the continuum. At one extreme, the landowner gives minimal oversight or management and no inputs other than land, while the sharecropper assumes full management responsibility for farming and provides all inputs and labor. The tenant usually receives more than 50 percent of the harvest. Historically in Latin America, these cases generally involved an absentee landowner who was present at key times of production such as the harvest to supervise the division of the production. There is, however, a recent twist on this type of sharecropping (called reverse sharecropping) in which a capital-poor landowner, usually a smallholder, sharecrops with a commercial farmer or agribusiness firm that assumes full managerial responsibility.
The other extreme is a situation in which the landowner (or his administrator) provides most of the management, supervision, and inputs and the sharecropper provides little more than his/her labor and that of his/her family. Usually, production in this case is a high-value cash crop and landowners not only market their own shares of the harvest but also that of the sharecroppers. In this case, the landowner receives more than 50 percent of production.

An in-between sharecropping arrangement is one in which both parties, landowner and sharecropper, provide more or less equal amounts of inputs, share in the management, and divide the production in half. Both parties are business-type partners, even though they may know each other well and even be related. This type of sharecropping is particularly prevalent between smallholders, although owners of medium and large estates sometimes also enter into this type of sharecropping with wealthy peasants of family-sized holdings. In the former situation, labor input is usually carefully divided equally between both families, whereas in the second the landowner may provide some wage labor for peak periods.

### 4.1.1.2 Sharecropper and landowner relations

There are also three general types of sharecropper-landowner relationship reflecting socioeconomic status. One type involves owners of large or medium landholdings who parcel out their land to resource-poor sharecroppers. Landowners in this case are of a higher socioeconomic status than sharecroppers, giving them the power to determine sharecropping conditions such as what to grow, marketing, and division of inputs and of harvest.

Another type of relationship is that between owners of small pieces of land who are not able to fully work them (e.g., little family labor, no capital or credit) and agricultural enterprises that may or may not also own land. In this case, the firm provides most of the inputs and determines the conditions, and the small landowners are either engaged in off-farm work or work as wage laborers on their own land as well as receive a share of the harvest. In this type of reverse sharecropping, the conditions and terms are determined by the agricultural enterprise, not the landowner, which not only controls information and technology not available to smallholders but is represented by persons of higher socioeconomic status.

And the third landowner-sharecropper relationship is one of socioeconomic equals: both landowner and sharecropper are peasant families with small or family-sized holdings. They enter into a partnership with each providing inputs including labor, selling their crops on the market, and dividing up the harvest more or less equally. These circumstances often happen because of family life-cycle stages; for example, an older landowner with little family labor who sharecrops his land with a member of his/her community who has more family labor than land or has accumulated some capital. Sometimes these sharecropping arrangements between persons of the same social status mask economic inequality; for example, some households have access to more land and/or inputs and consequently are in better circumstances to engage in agricultural production than their neighbors.

### 4.1.1.3 Types of sharecropping arrangements

Using the two sets of factors described above, general types of sharecropping arrangements can be identified. One reflects that fact that one party has predominant access to and control of resources and socioeconomic power. The other occurs in the context of more or less equal access to land and other resources as well as power by both parties. The caveat must be made, however,
that there is much variation within these types reflecting the complex sets of conditions present in Latin American agriculture.

**Unequal sharecropping conditions**

In this type of sharecropping one party controls most of the resources, has a higher socioeconomic status, mostly determines the sharecropping conditions, and may even control production marketing for both parties (usually to the detriment of the other party). This type is the traditional sharecropping arrangement in Latin America, but has a new version, called reverse sharecropping in some of the literature, that has evolved in the past several decades. Historically, the dominant party has been the landowner of large or medium estates, but recently there is a new player, the agribusiness firm, which is strictly speaking the sharecropper.

The other party controls very few resources and is not able to significantly influence the terms and conditions of the sharecropping agreement and is of lower socioeconomic status. Once again, in the past this person has typically been a landless or land-poor sharecropper and his/her family who provide labor and perhaps some other inputs. In reverse sharecropping, the person with less control of conditions is the landowner of a small holding who is not able to work it and enters a sharecropping agreement with an agribusiness firm or commercial firm that provides all inputs including labor (although the smallholder and family may be hired as seasonal wage workers), markets all of the production, and gives the landowner a share of the net income.

An example of classic sharecropping is the introduction of yanaconaje for cotton production and other commercial crops on the coast of Peru after the abolition of slavery and of Chinese indentured workers. Initially sharecropping was convenient for owners of large estates because little capital outlay was needed, risks were borne mostly by sharecropper, and sharecropper’s family provided additional labor (contributing to low indirect labor costs, i.e., lower input costs and higher share of harvest for landowner). This reserve of labor is particularly important for cotton because of the high labor demand at cotton picking time. In these sharecropping arrangements, landowners provided land, seed, oxen, and tools in exchange for a percentage of the harvest and offered loans at high interest rates. Sharecroppers were obliged to sell their share of their cotton harvest to the landowner at below-market prices. The conditions of sharecropping changed over the decades of the 1900s as a result of world market demand fluctuations and prices, struggles between landowners and sharecroppers, legislation, and technology. Sharecropping as the dominant production practice started to decline as technology lowered production costs and made direct cultivation by landowners profitable. It was finally dealt a death blow when the agrarian reforms of 1962 and 1969 first gave yanaconas the opportunity to buy the land they were working and then simply outlawed indirect agricultural production (Matos Mar 1976; Gonzales 1991).

Traditional sharecropping (large estate owner and landless or land-poor tenant) is still practiced in Latin America. A case in point can be found in Colombia between a smallholder or landless family and a landowner or cash renter of an estate (Raymond 1986). These contracts were traditionally oral and while lately there is a tendency to have written contracts, there are complaints from sharecroppers that they are not observed. In the past, the sharecropper often had labor obligations on the hacienda and the obligation to sell their own share of the harvest (after the landowner’s share is paid) to the landowner or renter, often at below-market prices. The sharecropper was allowed to grow food crops, actually was encouraged to do so, as this lowered
the sharecropper’s living costs and allowed the landowner or renter to a larger share of the harvest.

Sharecroppers in Colombia today are usually smallholder peasants who grow cash crops on the sharecropped land and food crops (sometimes grown together with cash crops) on their own land or raise livestock on their own land and food crops on the sharecropped land. It is no longer common for sharecroppers to have labor obligations on the hacienda. Labor costs (reflected in how production is divided) are kept low particularly since the sharecropper’s family also works on the parcel and grows their own food. Sharecropping is also preferred for the growing of nontraditional cash crops (such as pineapple, fresh beans, and tomato), allowing the landowner to share the risks of growing new crops with the sharecropper.

Chile offers a different example of this type sharecropping (Durán 1985; Rivera 1987). The context is one in which (1) owners of medium and smallish estates do not have the sufficient capital or credit to purchase inputs, tools, and to pay for wage labor, (2) cash crops are high risk (high labor needs and low or fluctuating prices), and (3) minifundistas or landless peasants do not have enough land for their own subsistence but do have labor to sell. These landless and land-poor families do not have capital for renting in land (cash rents are normally paid in advance, whereas sharecropping “rents” are paid after harvest). The advantage for both landowner and sharecropper is that a minimum of cash (for either hiring wage labor or paying cash rent) is needed. Landowners supply some inputs in addition to the land and sharecroppers put up the balance of inputs, including wage labor in addition to their own family labor. In the Central Valley Chilean case, sharecropping is increasing as the result of decapitalization of traditional landowners, increase of small landowners but without capital, low prices for crops, and an increasing number of minifundios.

This type of traditional sharecropping has responded to changing conditions, including sociopolitical pressures. In Colombia, sharecroppers on coffee plantations (called tabloneros) cultivated, cared for, and harvested coffee trees. Sharecropping assured a labor force for harvest while providing supervision (exercised by the sharecroppers themselves). When sharecroppers threatened to exercise property rights over the land during the 1930s, landowners took over part of the coffee-tree maintenance on the sharecroppers’ parcels and eventually converted tabloneros into contract producers who were paid a weekly wage for their work on the parcel (where they also lived). The hacienda now buys the crop and pays the contratista according to a price fixed at the beginning of the agricultural cycle after deducting weekly wages. The hacienda provides all other inputs and services other than labor and exercises constant supervision (Anrup 1990). These contract producers appear to combine characteristics of both wage workers and sharecroppers.

We have seen up to now “unequal” sharecropping between owners of large and medium landholdings and landless or land-poor peasants. Another type of “unequal” sharecropping is that

---

9 In Santander, for example, 83% of bean production, 81% of sugarcane, and 68% of tobacco is grown by sharecroppers. For some crops in this area (such as sugarcane), landowners prefer sharecropping because it shifts part of the risks associated with these crops such as price fluctuations to the sharecropper and requires minimal investment on the part of the landowner.

10 In this Chilean case, these are usually food crops for regional and national markets, not export or industrial crops.

11 Where crops for agroindustry are grown, either the land is cash rented or the owner works the land directly using wage labor.
between landowners who have very restricted access to resources and enter contracts with sharecroppers who can provide these resources (called reverse sharecropping). Sharecropping between agrarian reform beneficiary groups and what appear to be agricultural wholesalers are found in Honduras. Cruz and Muñoz (1997) report groups of agrarian reform beneficiaries that put up land and labor and commercial firms providing capital and other inputs. In this particular study, 38 percent of beneficiary groups’ land was being sharecropped in this manner. In Brazil, where no agrarian reform occurred, smallholders who cannot obtain credit or afford to buy machinery themselves live and work on their own farm and share a percentage of the crop with a mechanized operator who prepares, cultivates, and harvests (Muller 1988). Reverse sharecropping is not very common as these types of reverse tenancy are more commonly cash rentals.

**Sharecropping between equals**

The other type of sharecropping arrangement is one in which both parties invest more or less equally in the production process and occupy the same socioeconomic status. This is typically the case of smallholder households who pool resources when one of them lacks sufficient household labor and capital to provide inputs for production on their land and the other smallholder household that has more inputs and capital than it is able to use on its own holding. In this type of sharecropping, production has usually been for subsistence food production, but has increasingly also been used for production of cash crops.

A number of studies undertaken in the Peruvian and Ecuadorian Andean region provide examples of sharecropping among peasant families for the production of cash crops (Glave Testino 1992; Urrutia 1996a, 1996b, 1997; Lehmann 1986). These peasant families are typically smallholders and the dominant commercial crop is high-yield variety potato sold on local and regional markets. These varieties need significant amounts of commercial inputs—high-yield seeds, fertilizer, and insecticides. They also need much labor. In addition, potato is a risky crop because of highly fluctuating prices and climate/pests/disease problems. Climate risk can be reduced if producers cultivate on different parcels at different altitudes and microclimates.

Not uncommonly, some families have access to some capital and need more land to cultivate while other families have land and labor but not the capital to produce commercial crops. Lehmann (1986) maintains that sharecropping under these conditions permits producers to diversify price risk in time and climate risk in space. The major characteristics of producers and production are: (1) smallholder peasant families within a community, (2) with more or less equal access to resources; (3) a commercial crop that has high input costs and high labor needs; (4) scarcity of credit for smallholders; and (5) high use of wage labor for peak periods. Both landowner and sharecropper contribute family labor calculated as an labor-input cost—but also hire landless and smallholder peasants for peak periods.

Sharecropping production in this case may be characterized as a capitalist enterprise—the landowner’s claim to land rent is forgone and both tenant and landowner are seen as business

---

12 Potato is difficult to store and is therefore usually marketed soon after harvest; an unusually good or bad harvest can therefore significantly affect prices.

13 In Peru many of the smallholders received land from the 1969 agrarian reform while in Ecuador smallholders more often purchased land when estate owners were divesting themselves of some of their holdings in anticipation fear of pending agrarian reform.
partners with each contributing inputs and sharing production output more or less equally. Also, contracts are usually for just one crop cycle or two—not long-term. However, there are differences among sharecropping arrangements, even among community members. The most egalitarian arrangements are among those with larger extensions of land, and the less egalitarian among families with relatively unequal landholdings. Extreme cases of the latter kind may actually be hybrid cases of sharecropping and reverse leasing: landowning but poor peasant families who have no capital and are net sellers of labor sharecrop with wealthier peasants who have access to capital and are net buyers of labor. The poorer peasant family contributes land, labor, and supervision of his/her family labor while the relatively wealthier peasant family contributes inputs (high-yield variety seeds, fertilizer, pesticides) and management.

This latter type of sharecropping among families of the same social status can sometimes result in differentiation within the community. Peasants (such as those with more access to resources, whether private or communal, and capital) are able to accumulate capital and resources while others, land-poor and minifundista families become increasingly poorer, remain relatively poor. In fact, landless families were found to seldom enter into sharecropping contracts with other peasant producers. This type of sharecropping among peasant households is seen by Lehmann (1986) as a transition to capitalist farming by allowing some peasant producers to buy the labor of other peasants under conditions where there is not a large wage-labor force, factor markets particularly for credit are imperfect, and producers are more or less equal (i.e., none are owners of large estates with political, social, and economic power).

“Equal” sharecropping can also occur between parties of high socioeconomic status. In Colombia, compañía is a form of sharecropping between more or less social equals. Until rather recently, the two parties consisted of the owner of a hacienda and a sharecropper with some economic means; written contracts are the norm. The sharecropper rents in the whole hacienda (or a significant part of it) with its house and buildings for a period of one to nine years, and both the tenant and the landowner share costs of production and harvesting and then split the harvest of the main cash crop (usually coffee and sugarcane). Any crops grown in between coffee trees, for example, belong entirely to the sharecropper. The sharecropper often hires subsharecroppers to farm the land. The frequency of this type of sharecropping has been declining and compañía is now more commonly between middle-sized landowners or wealthy peasant families and landless or minifundio peasants (Raymond 1986).

4.1.2 Fixed rent: cash and in-kind

Fixed cash or in-kind renting of land has typically taken place between absentee landlords who rent out their whole estate or a large portion of it to a commercial farmer. The latter in turn often inherits the labor practices of the hacienda—sharecropping, labor tenancy, small-scale rentals, or wage labor. Fixed rentals have also been common among smallholders. More recently, another kind of rental is coming into play: the renting out of land by smallholders to agribusiness enterprises. As we saw in the subsection on sharecropping, this is sometimes called reverse leasing.

Raymond (1986) describes the course of fixed cash renting in Colombia since the early 1900s. Fixed rent contracts between landowners and commercial farmers became common after the 1910s and replaced direct production by landowners using wage labor when wages became too costly (because of a more stable monetary system and reduced inflation). Rental arrangements were first used in sugarcane, tobacco, and cotton. A commercial farmer rented an
entire hacienda (or large portion of) from the estate owner. A written contract was drawn up where the renter agreed to pay a certain cash amount and to give back the estate in good, or at least in the same, condition as when she/he took it over. These contracts were usually for one to nine years. Recently, cash renting of land for crop or tree cultivation has been declining (landowners prefer to run their own haciendas using salaried managers) and rental contracts generally involve pasturelands for livestock raising.

Fixed in-kind rentals have also been used, most often between landowners (or their administrators) and small tenants. In-kind renting was used in coastal Ecuador\textsuperscript{14} during the 1950s and 1960s for rice production (Redclift 1978) and on the Peruvian coast for cotton production (Gonzales 1991). Tenants provided all inputs (except land): seed, fertilizer, labor including wage labor for harvest, tools, draught animals, and paid a fixed amount per hectare rented (in Ecuador, normally 10\% of harvest). Often these inputs were financed by obtaining credit from commercial houses, the landlord, and rice-mill and cotton-gin owners at high interest rates. In Peru, the renter was also obliged to work on maintenance tasks of the hacienda (such as cleaning and repair of irrigation canals, repair and maintenance of roads and bridges). In both cases, tenants were obligated to sell their harvest to the landowner, often at below-market prices. Rice-mill owners and cotton-gin owners were also often landowners. Landlords, therefore, monopolized the commercialization of tenants’ crops. This type of rental was outlawed in Peru with the 1969 agrarian reform and in Ecuador in 1970.

In São Paulo, Brazil, fixed in-kind rentals are used by landowners who do not want to work the land themselves, in spite of low-interest rates for agricultural production. They rent out their land to trusted and well-knows persons from the area for production of agro-industrial crops such as cotton, soybeans, and corn (Dulley and Santos 1991).

The renting in and out of parcels among smallholders is also quite common. Pérez (1992) documents this type of rental among parceleros\textsuperscript{15} who produce cash or commercial crops on irrigated land on the coast of Peru. Typically, wealthier parceleros rent land from those who cannot farm their own land (e.g., not enough family labor or credit/capital). In this community, all landholders both contract in temporary wage labor and also work as wage laborers for other families.

Reverse leasing is a growing tenancy arrangement as smallholders find it more and more difficult to participate independently in commercial farming. The next subsection will focus on this recent trend.

4.1.3 Reverse leasing

Reverse leasing is becoming prevalent in Latin America as smallholders find that they cannot purchase the expensive inputs that cash cropping involves. This is particularly true in the case of high-yield variety crops that require not only the purchase of significant amounts of fertilizer, pesticides, and weed-control products, but also intensive labor and optimum conditions such as

\textsuperscript{14} In Ecuador, this particular type of tenancy arrangement was called precarismo.

\textsuperscript{15} Parceleros in the Peruvian context are ex-members of agricultural production cooperatives. These production cooperatives were formed in the early 1970s as a result of the agrarian reform in order to keep large commercial estates as large production units. When cooperative land was parcelized among the members in the mid-1980s, the parcelero families on the coast received, in most cases, viable agricultural parcels with irrigation.
abundant and controlled amounts of water (in other words, irrigation systems for most areas). Contributing factors are imperfect markets, particularly the capital market, and lack of crop insurance which make this type of cash crop production too risky for smallholders.

Mexican *ejidatarios* are smallholder families that have secure usufruct rights to land adjudicated to the *ejido* community under land reform legislation. Typically, they have no capital and little access to credit. While until recently renting *ejido* land was illegal, rentals have been occurring for decades. In fertile agricultural areas, *ejidatarios* have been renting out their parcels to agricultural firms that bring in capital, machinery, and other inputs to produce a cash crop. These agribusiness ventures are able to consolidate many *ejido* plots into one medium-sized parcel. Often, the *ejidatarios* work as wage laborers on the land they have rented out. For the *ejidatario* family there are distinct advantages: it receives cash rent (avoiding the risk of farming directly) and earns wage income. Less common is renting in by fellow *ejidatarios* who are able to accumulate capital and buy or rent machinery.

A number of studies in Michoacán (Barbosa and Maturana 1972; Restrepo and Sánchez Cortés 1970a, 1970b, 1972) found that cotton agricultural firms started renting both *ejido* land and privately owned land in the 1950s. Not only were these firms able to get around legal obstacle that prohibits renting of *ejido* land, they were also able to take advantage of state credit programs supposedly destined for *ejidatarios*. The cotton companies would consolidate small parcels into medium-sized extensions of land (30–50 hectares). The number of *ejidatarios* that rented out their land increased over the 1960s and 1970s as the amount of state credit for *ejido* land decreased. Reverse leasing was also found in the Bajío region located on the central plateau. Land is rented from *ejidatarios* on irrigated land to produce wheat and sorghum using machinery and other inputs (Roberts 1995). In both regions, the great majority of the renters of land are from outside the region; very few *ejidatarios* are among the renters. Written contracts are the norm and any improvements done on the *ejido* parcel by the renter is deducted from the rent paid to the *ejidatario*.

What is clear from these studies is that those who rent in land are persons with enough access to capital to invest in cash crops while those who rent out (the *ejidatarios*) do not have access to such capital for cash crops and are able to grow only subsistence crops such as maize and beans. Since a good *ejido* parcel (good soil, access to water, access to transport) can be rented out at a good price, more than the income *ejidatarios* can get working it themselves with no credit, it has been advantageous to rent out their land and find wage work for themselves, either on their own land or off the farm. Other expected benefits that were touted by advocates for these renting arrangements such as exposure to and adoption of new technology, agricultural practices, and capitalization of the land have not occurred. Barbosa and Maturana (1972) found that there has been increasing production and technological disparities between the *ejidatarios* and those who rented in their *ejido* land.

Cases of reverse leasing are also found in Central America among agrarian reform beneficiary groups that cannot work the land they have received because they lack capital to purchase inputs, machinery, and technical assistance. In almost all cases, renting of agrarian reform land is illegal. These family-sized parcels are rented out to mostly agro-industrial companies that grow cash crops (e.g., sugarcane, soybeans, rice, melons) and hire the

---

16 Redistribution land under the agrarian reform legislation that emerged from the 1910 Mexican revolution ended in 1992.
beneficiaries as wage workers. In one study in Honduras, 40 percent of the beneficiary groups’ land was rented out (Cruz and Muñoz 1997). Another study in Costa Rica found that fertile but flooded lands belonging to agrarian reform beneficiaries were rented out to owners of large estates who have access to capital and modern technological knowledge. In this particular case, these better-endowed farmers were able to use these flooded lands because of their access to credit, machinery, and technology for profitable cash crops such as sugarcane and rice, lands that the smallholders could not profitably farm. Another incentive for renting out is the fact that beneficiaries are reluctant to take on more debt for land improvement in addition to the debt of paying for the land they have received from agrarian reform programs (Edelman 1993).

4.1.4 Labor tenancy

Labor tenancy is often seen as the most retrograde of tenancy and labor arrangements, replaced in time with sharecropping, cash rentals, and wage labor. A look at historical trends, however, shows that development of agricultural production systems is not unilinear. Sadoulet (1992) describes labor tenancy as “simultaneously a tenancy contract aimed at overcoming problems of incentives, non-marketed factors, and insurance and a case of interlinkage of land and labor transactions that emerge in response to the risk of default on rent payment.” Thus, it is not unusual to find wage labor, sharecropping, and even cash renting being discarded by estate owners for labor tenancy arrangements, particularly when landowners prefer to directly work their land but do not want to pay cash wages.

While labor tenancy is no longer as prevalent as it once was on Latin American haciendas and fazendas, a consideration of how labor tenancy arrangements has come into and out of use is helpful for understanding how labor and land tenure conditions respond to changes in agriculture, markets, technology, and macroeconomic policies. Two examples of “reversion” to labor tenancy, one in Chile and another in Colombia, illustrate this point.

Anrup (1990) traces the use of different labor relations on Colombian estates as coffee production developed into a major export crop. Wage workers on estates were converted into labor tenants during the beginning of the coffee boom in the early 1900s. Coffee production is labor intensive at crucial times during coffee bean maturation; having labor tenants and their families on the estate created a reserve of labor that could be mobilized when needed without keeping a permanent wage labor force.

Labor tenants were also used for sugarcane production in Colombia (Raymond 1986). Vivientes were typically landless peasant families who lived on the hacienda and had a small plot to cultivate their own food crops. In return, the viviente and family worked on the hacienda land and house (domestic work) for a determined amount of days. In addition, the viviente and family were obliged to work for the landowner whenever asked and usually a token wage was paid. Often family members, particularly women, were not paid the same salary as other wage workers. Over the decades, vivientes often asked for sharecropping land from the landowner; for landless peasants, this was one way to gain access to land.

Today, the viviente system is in decline and labor obligations are seldom required. Replacing vivientes is a small wage labor force on the hacienda and smallholder peasants who live around the hacienda and work on it at peak labor periods. One reason for the decline of the
viviente system has been a series of legislation which gives the viviente certain rights such as a minimum size of cropland (more or less 0.5 hectare), unrestricted use of this land (e.g., planting of coffee trees, not just food crops), no obligation to give part of the harvest to the landowner, and compensation for improvements on the land. These rights have strengthened the vivientes’ rights over the little land they possess; as a result landowners have been reluctant to continue with this labor tenancy system and prefer to have sharecroppers since their contracts are more easily terminated.

Chile also experienced a transformation of sharecroppers and cash renters into labor tenants as wheat production replaced livestock production during the 1800s and became a major export crop (Sadoulet 1992). Estate owners saw their land increase in value but could not charge their tenants the high rents that this increased value implied. Landowners replaced sharecropping and cash rental arrangements with labor tenancy. This brought the land back under direct control of the landowner and assured them of a labor force when needed. Labor tenancy in Chile remained basically the same until the late 1960s when labor laws obliged estate owners to pay their labor tenants the full minimum wage in cash.

4.1.5 Contract farming

While contract farming is not strictly a tenancy arrangement, it often results from inability or unwillingness on the part of agribusiness and highly commercial farmers to access land directly by either purchase or leasing. It can be considered, therefore, an alternative to leasing (or purchasing) land under certain conditions. As has been implied, contract farming has many similarities to reverse leasing and also appears to be on the rise in Latin America as an agricultural production system. While contract farming is used for highly commercial crops, it is occurring under different conditions.

Briefly described, contract farming involves smallholder families (and sometimes owners of medium-sized estates) who enter into contracts with agricultural firms to produce a particular crop under very specific conditions. The landowner provides land, labor, and management; the agricultural firm provides cash advances and some inputs on credit. The firm purchases the crop from the landowner at a price fixed by the firm, discounting the advances and credit. The firm does not lease the land from the smallholder; it just contracts for a particular crop with specific qualities at a fixed price.

Collins (1991) encountered contract farming on irrigated land in northeastern Brazil in the production of high-quality and labor-intensive crops. This area of Brazil is a highly productive agricultural area with optimal climatic and water conditions. Processing firms and export companies prefer contract farming agreements with smallholder families in order to avoid wage labor problems and farming risks. The landowning family invests its own family labor but also needs to hire seasonal wage labor. In some cases, part of the land is sharecropped out to another family. In this particular Brazilian case, contractors specify the time period for planting and harvesting, the inputs to be used, and the dates for crop delivery and payment, and set quality standards with corresponding price differentials.

Contract farming on agrarian reform land is also occurring. In Honduras, Cruz and Muñoz (1997) found that beneficiaries lacking capital and credit enter into contracts with agro-industrial

---

17 Some of these laws are: Ley 200 of 1944, Decreto Ley No. 290 of 1957, and Ley Sexta of 1975.
and agricultural export firms that provide them with cash credit and inputs on credit. In this study area of Honduras, 50 percent of beneficiary group’s land was in contract farming.

Contract farming also occurs at smaller, less ambitious scales with wholesalers, for example. Urrutia (1996a, 1996b, 1997) found potato wholesalers contracting with smallholder families in the Peruvian highlands for commercial potato crops. Commercial potato requires large quantities of commercial inputs such as chemical fertilizer and insecticides and much labor; often smallholder families do not have the capital for these inputs. Wholesalers supply the inputs and some cash on credit and buy the entire crop at prices fixed by them.

The great advantage of contract farming for the contractor is that the firm obtains agricultural products with specific qualities without the risks of managing and paying wage labor and paying land rental. In other words, they are able to access land and labor at low administrative costs.

### 4.2 RATIONALE FOR TENANCY ARRANGEMENTS

An understanding of tenancy in Latin America depends on an examination of two issues: why landowners prefer tenancy arrangements to direct production, and why some forms of tenancy are preferred over others. Some explanations to these two queries are clearly evident in the literature while others are implied or hinted. This subsection will also look at the impact of past policies on tenancy practices.

#### 4.2.1 Tenancy versus direct production by landowner

In Latin America until recently, the debate on tenancy has been around the existence of tenancy itself and why it (particularly sharecropping) has not been replaced by wage labor, rather than on why more “modern” forms of tenancy such as fixed-cash rental have not replaced “backward” ones such as sharecropping. This debate has largely focused on tenancy labor on large and medium estates, but, as we saw in the discussion on tenancy trends, tenancy is also practiced among smallholders. First we will examine the rationale for tenancy on large estates and then tenancy as practiced by smallholders.

##### 4.2.1.1 Tenancy on estate holdings

Landowners have always employed workers on their estates, but the problems associated with wage labor have made tenancy a more attractive alternative. These problems include labor shortage (e.g., after slavery was abolished or where a landless rural population was scarce) and high labor costs. Some authors (Raymond 1986) maintain that market and technological conditions for wage labor were not present or were not cost-effective. These conditions include a developed wage labor market, such that wage labor costs are low, and a production system that requires minimal labor supervision.

A study of maize production on poor-quality and rain-fed land in Mexico in the late 1800s to early 1900s, when labor costs were high and harvesting machines for corn were not available,  

---

18 A developed wage-labor market implies a sizeable wage labor force and a consumer-goods market for wage workers. Landlords have sometime obviated the absence of these conditions by recruiting labor from other areas and by providing workers with consumer goods (often at admittedly exorbitant prices).
found that sharecropping increased production levels in general over direct cultivation by
landowners using wage labor. In addition, landowners received a significant share of maize at a
greatly reduced cost per unit, in large part because the sharecropper invested all labor, including
family labor, at low rates (Miller 1995).

Bettis (1979) found that landowners in northeast Brazil who use sharecroppers are allocative
efficient compared to owner-cultivators who use family and wage labor; share tenancy reduces
income-risk of landowners and alleviates seasonal shortages of temporary labor, particularly
during harvest. This study also revealed that the sharecropper contract includes working on the
landowners’ crops for a wage lower than hired labor wage rate. For these reasons, landowners
have preferred tenancy labor.

But not only have estate owners preferred tenancy, tenants themselves found tenancy
preferable to wage labor, and in the past estate owners who have attempted to introduce wage
labor have encountered resistance. Martínez-Alier (1974) cites such a case in highland livestock
production in Peru, when a progressive landowner attempting to replace tenancy with wage labor
was thwarted by tenants’ preference to retain their own herds and refusal to relinquish access to
hacienda pastureland.

Tenancy also provides a mechanism for sharing between landowner and producer the risks
of agricultural production such as poor weather, market changes, and infestations. This is
particularly important in the absence of crop insurance. These risks, however, are not always
shared evenly. Fixed-cash and in-kind rentals are the least risky for landowners while
sharecropping involves a more equal sharing of risk for both parties.

Biserra (1980) and Ferreira (1980) found that both landowners and sharecroppers in
northeast Brazil sought to maximize income and reduce risk. For landowners particularly,
sharecropping both reduced and diversified risk and increased their income. Sharecropping also
increased the amount of land cultivated. Their studies also found that variations in credit
availability and interest rates did not greatly affect landowners’ decision.

In the last few decades, in part because of agrarian reform and tenancy legislation, owners of
medium and large estates have increasingly been turning to extensive agriculture employing few
permanent workers, thus reducing labor and supervision costs. Other conditions that make wage
labor a viable labor option are technology for certain crops (particularly machinery), accessible
input markets, and a market for cash crops. For example, in southern Brazil the introduction of
extensive production (livestock instead of crops) and mechanized agriculture to produce cash
crops has replaced labor tenancy with direct owner production using a small wage-labor force
(Neal 1988). In this case, an accompanying phenomenon is increased landownership
concentration as small landowners are being bought out by large landowners.

The possibility of extensive agriculture with high capital input and a small wage labor force,
however, is circumscribed by conditions specific to agriculture itself (such as risk) and to
prevailing conditions (such as available technology and access to capital). Therefore, in spite of
(a) past legislation and reforms which have made tenancy less attractive for estate owners, and
(b) land redistribution programs that have decreased landownership concentration, tenancy is still
widely utilized by both large and small producers because of market imperfections that make
wages (among other inputs) too costly, volatile product market prices, and lack of capital or
credit.
Sharecropping is also preferred to wage labor for crops that need skilled and careful treatment such as tobacco in Colombia (Salazar 1982) and grapes in Brazil (Collins 1991)—the sharecropper not only puts in better quality of work but family members also work; these sharecroppers are peasants with very little land who sharecrop with larger landholders. Since there is only one buyer, the landowner markets the entire harvest and gives the sharecropper his/her share after deducting any credit and/or inputs advanced.

In addition, under certain conditions it appears that sharecropping is no less productive than direct production. One study that looked at use of technical assistance, biological and mechanized technology, and credit among both sharecroppers (who cultivate corn) and medium landowners (who cultivate coffee, milk, and pork) found that in spite of sharecroppers’ significantly reduced access to and use of these factors, their productivity was significantly higher than that of the landowners (Coutinho Filho et al. 1982).

### 4.2.1.2 Tenancy between smallholders

Tenancy among smallholder households typically occurs when one of them lacks sufficient family labor and capital to provide inputs for production on their land and the other smallholder household has more inputs and capital than it is able to use on its own holding. Tenancy, particularly sharecropping, permits these households to pool resources. Traditionally, sharecropping was used for subsistence food production, but increasingly smallholders are using both sharecropping and cash rental for production of commercial crops.

Typically, these smallholders engage in both direct production and tenancy, providing family labor, hiring in labor during peak periods, and often even hiring themselves out as seasonal labor. Lehmann (1986) maintains that sharecropping, for example, under these conditions permits producers to diversify price risk in time and climate risk in space.

For smallholders, sharecropping may also generate more income than off-farm wage labor. A study in southern Brazil (Alvarenga and Oliveira 1991) found that productivity of sharecroppers and owner-sharecroppers, in terms of production value per person/day of labor, is higher than wage rates. Major crops among these smallholders are rice, corn, and beans; smaller producers cultivated mainly for subsistence. While production values per planted hectare were not significantly different among producer categories (sharecropper, owner, owner-sharecropper), sharecroppers tended to have higher productivity than small landowners.

### 4.2.1.3 Reverse tenancy

As we already discussed, smallholders who have very restricted access to resources also enter into contracts with “tenants” who can provide these resources. Reverse leasing is becoming prevalent in Latin America as smallholders find that they cannot purchase the expensive inputs that cash cropping involves and turn to agribusiness enterprises or wholesalers. Müller (1988), for example, found that in southern Brazil mechanization led to reverse sharecropping.

Reverse tenancy among smallholders is particularly true in the case of high-yield variety crops that require not only the purchase of significant amounts of fertilizer, pesticides, and weed-control products, but also intensive labor and optimum conditions such as abundant and controlled amounts of water (in other words, irrigation systems for most areas). Contributing factors are imperfect markets, particularly the capital market, and lack of crop insurance which make this type of cash crop production too risky for smallholders.
It appears from the literature that reverse tenancy is particularly prevalent among agrarian reform beneficiaries. Explanations for the apparent high frequency of reverse tenancy among beneficiaries include agrarian reform debts that many beneficiaries assume when they receive the land and their low level of savings and constrained access to credit and capital.

4.2.2 Sharecropping versus fixed rental

Certain tenancy arrangements such as sharecropping and labor tenancy have been attractive to landowners because inherent labor costs are kept below subsistence levels: not only does the tenant and family work on the landowner’s land, the tenant family also produces most of its own food and other subsistence needs. Sharecropping is also preferred by tenants to cash rental and by landowners to direct production for the growing of nontraditional cash crops, allowing both landowner and tenant to share the risks of growing new crops. The advantage for both landowner and sharecropper is that a minimum of cash (for either hiring wage labor or paying cash rent) is needed. Landowners supply some inputs in addition to the land and sharecroppers put up the balance of inputs, including wage labor in addition to their own family labor.

From the literature, it appears the fixed-cash rental is preferred when risk, particularly for the tenant, is not great (in other words, crop price does not fluctuate widely, demand is steady, and climate/pests/disease problems are minimal), when the cash crop brings in good prices, and when the landowner has no interest in direct cultivation. A study of three peasant areas (representing three levels of technology use: traditional, intermediate, and modern) in the Peruvian Andes revealed that cash renting among smallholder families was prevalent in the modern communities while sharecropping was the dominant form of tenancy in the traditional one. One explanatory factor may be that in the modern area, since the technological level is higher and more improved inputs are used, production risks are lower; in addition, this area has better access to markets, thus reducing price risks (Cotlear 1989).

Sharecropping has been used and continues to be used under very different agricultural production systems in Latin America: it has proved to be a very adaptable arrangement for compensating for less-than-perfect production conditions. Sharecropping has been considered less risky for landowners than wage labor production since the sharecropper assumes most of the risk. Sharecropper families also provide seasonal wage labor for that part of the estate cultivated directly by the owner.

But “non-capitalist” tenancy appears to be not a phenomenon of just underdeveloped market economies (whether local or national). While labor tenancy is no longer prevalent in most of Latin America, sharecropping as a contemporary labor arrangement is used under highly modern commercial production conditions. In Brazil, for example, landowners on irrigated land producing export and industrial crops prefer sharecropping to wage labor because of lower labor supervision costs and high-risk crops, or because crop production needs high-quality and artisan-type labor (Silva et al. 1989). Sharecropping continues to be used throughout Latin America, providing a flexible form of labor that disappears and is recreated according to production conditions.

4.2.3 Impact of past policies

A significant and historically recent development in Latin American agricultural policy has been the recognition of tenants’ rights and the passing of legislation to protect those rights since the
1930s. A mid-1960s FAO study on tenancy (Abensour and Moral-López 1966) focused on legislation in many countries including a large number in the Latin American region. This publication discussed trends in tenancy legislation pointing out that legislation in Latin America was guided by social concerns rather than strictly contractual ones. In fact, a distinction was made in some legislation between commercial leases and “social” leases, the latter usually involving family- or subfamily-sized tenancies while commercial leases are usually for highly capitalized enterprises. Tenancy legislation was often included in agrarian reforms, eliminating the more onerous practices for tenants and some types of share tenancy.

In general, legislative reform was intended to protect tenants, provide them continuity and stability in farming, increase tenure security for tenants, and prohibit some practices (e.g., obligations to work for landowner, arbitrary evictions, moving tenants from parcel to parcel). Provisions included tenancy conditions, termination and renewal of leases, rents (cash and in-kind), and options to purchase land. Legislation sometimes also recognized de facto tenancy where there were no written contracts, particularly in areas of high illiteracy.

Our reading of the literature has shown that tenancy legislation and land reforms of the 1970s and 1980s in Latin America have continued this trend of improving tenancy conditions by increasing tenure security and stability for tenants, controlling rents, prohibiting eviction, facilitating the ownership of land on the part of tenants, and improving terms such as interest rates charged by landowners and crop prices paid to sharecroppers. Some agrarian reforms (e.g., the Peruvian 1969 agrarian reform) simply outlawed indirect tenancy completely in an attempt to create a significant sector of family owner-occupied farms.

These well-intentioned objectives were not always achieved and, in some cases, actually decreased tenant security and stability. Landowners were often able to preempt legislation by evicting tenants, particularly sharecroppers and labor tenants, from the land to avoid complying with new work conditions or losing their land. Examples of these can be found in Peru with Ley 10885 of 1947 (Matos Mar 1976) and in Colombia with Ley Primera of 1968 (Salazar 1982; Machado 1984). Tenancy legislation in Ecuador (for example, Decreto 373 and Decreto 1001 in 1970) was intended to improve tenancy conditions and allow tenants to buy the land in the coastal rice-producing areas. The ultimate objective was to improve rice yields which were low because landowners were not investing in increasing yields or in improving the land. The enactment of the legislation, however, resulted in landowners evicting tenants from their land (Redclift 1978).

An example of mixed results from protective tenancy legislation can be found in Argentina. Tenancy laws and regulations in Argentina, particularly since mid-1940s until late 1950s, gave renters and sharecroppers stability on the land (written contracts were enforced, contracts were extended indefinitely for years), prohibited servile conditions (such as work obligations on landowner’s land and forced sale of harvest to owner), and enforced better rent conditions (rents were frozen or reduced, initially because of great reductions in crop prices). This legislation resulted in increased income for these tenants. Tenants who were generally contracted verbally for one year or one crop (e.g., contratistas por una sola cosecha, tamberos medieros) were not included in legislation. Landowners’ reaction was to increase these types of tenancies as other tenant contracts were cancelled or bought out. Landowners also reverted to either administering their properties directly with salaried workers (e.g., the extensive livestock ranches) or using contratistas. Tenancy between 1947 and 1960 fell to 25 percent fewer tenants and 30 percent fewer hectares. With regard to production levels between owners and tenants, they were the same...
or higher for tenants, partly due to the fact that tenants, since they had tenure security and higher incomes, invested in the land (Inter-American Committee for Agricultural Development 1964).

Since the late 1980s, there has been a policy shift away from social concerns and tenants’ protection to policies dictated by production goals, efficiency, and market-driven economy concerns.

5.0 **Tenancy in Sub-Saharan Africa**

Most agricultural land in sub-Saharan Africa is held under customary tenure that provides access to land to all recognized members of the community. While land distribution may not be equitable among households, land concentration found in other regions such as Latin America is not common. Limited access to land, therefore, generally occurs at the community level rather than within the community. If a household does not have access to sufficient land and communal land is not available for allocation, it generally looks for more land outside of its community. Consequently, tenant farmers in Africa have typically been migrants. In addition, customary tenure systems generally do not permit land sales, particularly to persons outside the community; therefore, tenancy is one of the few means to access land. Since customary tenure emphasizes the use of land for food production rather than land as an asset, tenancy arrangements are generally not based on market values.

Another common feature in African tenancy arrangements involving migrants is the provision not only of production inputs by landholder to tenant, but also of many consumption goods such as food and housing. This is particularly the case in short-term (i.e., year-to-year) tenant arrangements, when tenants are newly arrived to an area, or where tenants are not allowed to grow food crops.

Tenancy does occur not only because land shortages exist in some areas, but also because some farmers have access to more production resources than they can use on their land. Typically tenancy arrangements under this set of circumstances are between households in the same or neighboring communities.

Tenancy in Africa is often just one production relation that coexists with direct production by landholders and wage labor production; several tenancy arrangements are often also used together, such as sharecropping and fixed cash rentals. Nor is it restricted to private property landholdings; it is used under different property relations (communal, private, and state-leased land).

While most of the literature suggests that the availability of land for sharecropping, cash renting, and other tenancy arrangements is adequate even under customary tenure (see, for example, Kevane 1997), some authors conclude that certain aspects of customary tenure pose constraints on land leasing. In a paper on land rental markets in sub-Saharan Africa (Lyne, Roth, and Troutt 1997), the authors found that in spite of unutilized land and high income levels per

---

19 In Latin America, tenants are more commonly residents of the community where they farm. The inequality or concentration of landownership is among families within a community rather than between communities, creating a dualistic tenure structure of large estates surrounded by land-poor or landless peasant households.

20 Labor tenancy appears to be unusual in contemporary Africa except in South Africa where land concentration is high.
hectare, the market for rental contracts were constrained: many more farmers wanted to rent in land than actually did. It would appear that tenure insecurity for both parties raises transactions costs and rental rates to unattractive levels.

5.1 TENANCY TRENDS

Tenancy arrangements with migrants in the past were typically negotiated with the authorities in charge of administering communal land because land was owned by a community, clan, or extended family. Some if not most tenants would join together to negotiate tenancy conditions with communal land authorities. More recently, with increasing privatization of land, there is a trend toward tenancy arrangements negotiated directly between tenant and landholder, although most tenancy contracts are still on land held under customary tenure (Gyasi 1994).

Intracommunity tenancy arrangements are also becoming more common as accessible arable land becomes scarce and agricultural production increasingly involves the use of commercial inputs and machinery. Since farmers generally do not have access to credit, those households in the community that are able to acquire commercial inputs seek to rent in or sharecrop land from their neighbors.

5.1.1 Sharecropping in sub-Saharan Africa

Sharecropping in Africa has been used by tenants as a means of gaining rights to land, by landholders to secure rights to land, and by both tenants and landholders to access more land. As land becomes scarce and “individual” rights to land become stronger and the norm, the use of sharecropping by tenants to gain secure rights to land becomes more difficult; however; development of land and cash-crop markets increases the use of sharecropping for production, at least in the medium run (the long-term trend appears to be toward fixed cash rentals and use of wage labor).

Robertson (1982) argues that sharecropping is not disappearing under increased capitalist agricultural production; rather the sharecropper is one stage between wage laborer and cash renter: the sharecropper becomes a cash renter, paying a fixed rent, in turn hiring in wage labor. This process is possible in those areas where sharecroppers and renters acquire some permanent land-use rights that can be sold or passed on to heirs (Berry 1987).

The following sections will describe three general sharecropping patterns: between smallholder households that hold land under customary tenure, between owners of large estates and land-poor or landless households, and on agricultural project areas promoted by the state.

5.1.1.1 Sharecropping as a combining of resources

Our reading of the African literature indicates that most sharecropping occurs between smallholder farmers, although there are cases involving agricultural enterprises or agricultural commodity traders that enter into sharecropping contracts with smallholders for production of cash crops. In most cases, access to land is not the principal constraint that leads to sharecropping arrangements; rather it is the short supply of labor and/or movable capital such as machinery or draught animals, particularly for certain key agricultural periods such as plowing or harvest. Most rural families that enter into sharecropping agreements usually do have access to sufficient land for their subsistence, but also want to produce cash crops such as cotton, cocoa, or
groundnuts. Sharecropping patterns over time often follow the family cycle of both parties; families sharecrop as they increase or decrease in size, as their access to land changes, and as family labor migrates out and then returns.

In these rural areas, the wage labor supply is very low or practically nonexistent and often unreliable. Farmers enter into sharecropping arrangements, often with migrant newcomers (called “strangers” in a number of countries) who work for a specified period of time producing cash crops. These sharecroppers are seldom landless workers; they usually have land in their home community. These sharecropping arrangements are considered as mutually beneficial for both parties, a mechanism for combining the different resources available to households in order to produce cash crops without either party needing to take on all the risk or obtaining cash for wage labor or cash rents.

While cash crop production is usually the motivating reason for smallholders to enter into sharecropping, the production of food for subsistence is also of prime importance. Robertson (1987) argues that the high risk (largely because of agroclimatic factors that are not compensated by inputs or capital investment), the price fluctuation, and the subsistence character of noncapitalized agricultural production in Africa, as well as the fragility of rural household reproduction, are significant and important reasons for entering into sharecropping: the sharing of risks and the collaboration in producing both food and cash income for both parties makes sharecropping arrangements attractive. The unlikelihood that these conditions will change significantly in the near future may mean that sharecropping will remain a vibrant way of producing cash crops.

The role of gender becomes apparent in this need/tension to produce both food and cash crops and to provide both sharecropper and landholder families with food. This is related to undeveloped markets for consumer goods, including food, and particularly food that has been processed and cooked. Consumable food implies considerable labor to process food crops, collect fuel and water for cooking, obtain cooking condiments, and actually cook the meal. Women both produce food and process it for human consumption and men produce cash crops. Without women and their labor, however, men could not be sharecroppers (women are seldom sharecroppers) nor could they produce cash crops.

In the northern highland area of Ethiopia, Bruce (1974) describes sharecropping arrangements on a communal land tenure system prior to the 1975 agrarian reform. Land distribution was more egalitarian (though hardly equal) because the customary tenure system had not been destroyed during colonialism and landholdings were much smaller than in southern Ethiopia where large estates were formed. Most families owned land and were actively engaged in farming; however, all arable land was being cultivated and there was no unclaimed agricultural land for allocation. Sharecropping would typically occur between two landholding families, one of which had more land than it could cultivate and the other more labor than it could use on its own land. In this type of sharecropping, called tetebani, the tenant assumed full managerial responsibility for farming the leased land. Sometimes the family that put up the land

---

21 In some cases, it is the tenant supplying inputs, movable capital, and/or labor who has as much control, if not more, over the sharecropping conditions than the landholder, and who benefits most from the arrangement.

22 Since colonial rule until the mid-1970s, Ethiopia had two general land tenure situations (roughly north and south) that included tenancy arrangements such as sharecropping, albeit under different conditions. In the south, absentee landowners had large estates which were divided into small parcels worked by sharecroppers (Ellis 1980).
could not work it because they did not have plow oxen—thus, they were compelled to let it out to a family with oxen. The tenant paid between one-fourth and one-half of the harvest as rent. These agreements were not seen as permanent or long term (though in some cases they did become long-standing contracts), but rather temporary arrangements to “redistribute” land and labor.

The other type of sharecropping, *haresti riba’e*, involved a landowning family and a landless family or person. The tenant supplied only labor and the landowner put up land, seeds, and plow oxen. In this arrangement, the landowner took three-fourths of the harvest and could oblige the sharecropper to provide labor on other parcels of land. This type of landowner usually had more land and capital (plow oxen) than the family labor could work and preferred using sharecropping because of lack of cash for wage payments.

**Tree sharecropping**

Sharecropping in tree-crop production is practiced in much of Africa. Cocoa trees in Ghana and palm trees in Nigeria are tended by sharecroppers who then harvest the trees and share the output with the owner of the tree plantation. A review of several studies done in Ghana offers an excellent example of different tree sharecropping arrangements.

Tree sharecropping in Ghana is very old and previously was used for production of palm oil and kernels; it is still the most common type of tenancy arrangement. According to Ollennu (1985), *abusa* as a sharecropping arrangement evolved out of a labor tenancy arrangement where the tenant worked two days out of a six-day week on the owner’s land in return for usufruct rights to a piece of land.

Boadu (1992) describes two types of sharecropping arrangements used on cocoa plantations; the tenancy conditions are based on risk and transactions cost factors rather than on age of trees which determines potential yield. In the *abusa* system, the sharecropper receives one-third of the crop because of high risk factors (pests and disease can destroy up to 30% of a crop) and low transactions costs for the landholder (tenancy conditions are standard and well understood, and typically there is a stable, trusting, and long-term relationship between sharecropper and landowner). In addition, inputs other than labor are minimal. These land-use rights acquired by *abusa* sharecroppers can be sold or passed on to heirs (Berry 1987).

In the other sharecropping system, *nkotokuano*, the sharecropper is paid a fixed amount for each load of cocoa produced—this amount is always less than one-third the value of the harvest. In this case, production risks are much lower than in areas where *abusa* is practiced, but transactions costs are high: work conditions are not standard thus negotiable, the fee paid to sharecroppers is negotiated since it is a cash payment not a fixed share of crop, and the relationship between both parties is not stable or trusting leading to frequent renegotiations of conditions and fees and the need to monitor labor efforts of the sharecropper. In addition, the landowner sometimes has to pay the sharecropper for some tasks because of the latter’s tendency to allocate work time to other employment opportunities.

Boadu (1992) also describes a hybrid arrangement of sharecropping and wage labor. On plantations with young cocoa trees (low yields), wage workers are used to tend and care for the trees. It is common, however, to pay the laborer, in addition to the wage, one-third of the harvest so that laborers are motivated to exercise greater care and invest more effort during the first few
years of plantation formation. These wage laborers are then likely to become *abusa* sharecroppers on the plantation once the trees have matured and yields have reached high levels.

Another type of contemporary sharecropping in Ghana uses various sharing formulas depending on amount of input provided by tenant and landowner and on age of trees (i.e., yield potential) from equal sharing of production between tenant and landowner to three-fourths for tenant and one-fourth for landowner. Payments by the sharecropper are made to communal land authorities or to the customary landholder. There is also an arrangement that combines leasing and sharecropping on palm-oil tree plantations where the tenant pays a fee for use of the land for a set period of time, but farms it on a sharecropping basis (Gyasi 1994).

### 5.1.1.2 Landlord and sharecropper

Sharecropping between estate owners and smallholders in Malawi has been practiced in the production of export crops such as tea, tobacco, cotton, and coffee. Tenancy production for these crops began under colonial rule and initially involved compulsory labor tenancy (*thangata*) imposed on African smallholders or evolved out of contract labor agreements with smallholders. In addition to their usual tenancy obligations, sharecroppers were often obliged to work for the estate as wage laborers during peak labor periods. These large estates, held by mainly British landholders who had alienated large tracts of communal and uninhabited land, remained estates after independence and are currently held by mainly Malawians. Land concentration, therefore, is still a characteristic of the land tenure structure in Malawi.

Sharecropping arrangements and conditions have remained basically unchanged since the colonial period with the exception that crop prices are set by government and most contracts are oral (during colonial times, most contracts were written). Several studies on tenant farming in Malawi (Nankumba 1991; McCraken 1985) reveal that the typical sharecropper is generally a married man with some land who produces tobacco, for example, on an estate parcel with his family for part of the year (about six months) and food crops on the family parcel for the rest of the year. This type of sharecropping in Malawi is called visiting tenant system because of the temporary nature of the tenancy (normally only six months of the year) and the migrant status of the sharecropper and his family (Vaughan and Chipande 1986).

This arrangement appears to have advantages for both parties: the sharecropper obtains access to land, cash credit, and production inputs and services (such as tractor) on credit from the estate; and the estate owner obtains a tobacco crop without paying cash wages and with minimal risk—if crops fail, the sharecropper is burdened with debt to the estate. In addition, since estates accept only married men for sharecropping, they gain the labor of the whole family. On some estates, food rations are given or a small piece of land is made available to the sharecropper and family for subsistence food production.

The sharecropper’s responsibilities are to provide manual labor, repay all advances (both cash and in-kind), and sell all production to the estate. Disadvantages are borne mainly by the sharecropper who typically has only an oral contract, often with conditions not clearly and completely determined and with no assurance that the contract will be renewed; the sharecropper also carries most of the risk if weather or prices are not favorable since all costs are accrued to him. Sharecroppers have usually worked previously as wage laborers on an estate for some years or have had farming experience on their own farms before being accepted as a tenant.
There is evidence that estate owners and managers attempt to underpay sharecroppers for the harvest and overcharge them for advances and services. Nevertheless, sharecropping tenants are able to increase their household income by growing tobacco. Income data (Jaffee, Mkandawire, and Bertoli 1991) show that the majority of sharecroppers do obtain moderately higher incomes than either smallholders who only farm their own land or estate wage workers. Sharecroppers use this income to supplement income from the family holding and to invest in small livestock; a small proportion of sharecroppers are able to earn enough to accumulate some capital which is invested in other activities such as off-farm businesses or even setting up their own modest estate. There is, however, a substantial minority of sharecroppers that obtain no cash income from sharecropping, being barely able to pay their production and consumption debts to the estate. It would appear that a tenant has to have some resources, other than labor, to be a sharecropper—such as food for subsistence produced by the family while working as a sharecropper. Tenants are seldom landless or very poor peasants.

5.1.1.3 Sharecropping on state-sponsored agricultural projects

Large projects to increase agricultural production have been implemented under both colonial and independent states. Work relations on these projects have often been problematic since households and individuals do not always respond to policies, incentives, and coercion as administrators and policymakers expect. An example of official work and tenure relations evolving into informal sharecropping is exemplified by the Gezira Scheme in the Sudan.

On the Gezira Scheme (a major irrigation project started in 1920s), the colonial government took over large areas of land along the north-central Nile Valley in the Sudan for the commercial production of cotton. After putting in irrigation infrastructure, the colonial agency administrating the scheme initially gave out tenancies to farmers on a sharecropping basis. As recounted in Barnett and Abdelkarim (1991) and Abdelkarim (1985), sharecropping was replaced with a type of cash rental in the early 1980s: tenants pay fixed fees for land and water and sell their cotton production to the state trading board. All other crops besides cotton (groundnuts, wheat, and vegetables) are marketed by the tenant.

Initially, tenants hired wage labor to supplement household labor on the farm. When these tenant households found it difficult to finance their farming operation because of reduced availability of household labor and little access to cash or inexpensive credit (the payment of wages became particularly difficult), they began to give parts of their rented land to workers on a sharecropping basis. Many tenants now find themselves resorting to sharecroppers to keep their state-leased parcels in production as dictated by Gezira Scheme regulations. Usually these sharecroppers are migrants who have settled in the area and have accumulated some cash through wage employment. They utilize their own household labor (including female labor which typically is not in the wage labor market in Sudan) supplemented by wage labor during peak labor periods (particularly weeding and harvesting). During periods of low labor demand, many of these sharecroppers also work off the farm to supplement farm income.

Sharecropping in this case is an example of wage labor being replaced by tenancy. The Gezira Scheme illustrates how labor and tenure relations evolve over time, and not necessarily in unilinear fashion, as conditions (in this case, production system, state policy, migration) change. It also shows how complex and convoluted land-labor relations can become as market development, customary tenure, and state intervention combine and create unexpected structures and practices.
5.1.2 Fixed-cash and in-kind rental

Cash rental of land in Africa is generally practiced under two tenure conditions: (1) between estate landowners and smallholders, and (2) between smallholder households, typically within a customary tenure system. Where land is not an asset and agriculture is a means of subsistence and reproduction rather than a source of cash income or capital accumulation, rents are “symbolic” in the sense that the renter pays a fee as a symbol that he/she does not own the land, not as a reflection of the commercial value of the land and its production potential.

5.1.2.1 Fixed rentals within customary tenure

In Iboland (Nigeria), for example, renting of customary land was used in the past for growing subsistence crops, not cash crops, and was not considered a commercial or economic arrangement or activity. The renter was given permission by the proper community authority who “showed” him/her the land. Agreements were oral and rent (or tribute) was paid in kind to show proof of ownership and was given within a religious-cultural ceremony. The land rented out was communal land, belonging to a village, family, or clan, and proceeds from this tribute/rent were usually utilized for the community. Relations between renter and community landowner were highly personal, with gifts given at different times of the year. Permanent structures and perennial crops, particularly trees, were prohibited in Nigeria; only renters with long-term lease agreements were allowed to plant trees.23

As agricultural production and land acquired commercial value in Nigeria, rents have become cash payments and have approached a market/commercial value (rather than being symbolic), and written agreements have become more common. Rents are also calculated differently: in traditional rentals, rents were a fixed, symbolic payment and the renter could use as much as land as he/she and his/her family could farm; in other words, rent was not based on the amount of land rented. As production and rental agreements became more commercial, the amount of land or the amount of harvest became a consideration in fixing the rent (Grossman 1968).

When fixed renting is on land that has tree crops (i.e., permanent crops), it is quite clear that what is being rented out by the landowner is the care and harvest of the trees (e.g., palm oil, rubber, kola, cocoa), not the land itself. Fixed renting is directly or indirectly related to cash-crop production: tenants either engage directly in cash-crop production or grow food crops for those areas where so much land is in cash or industrial crops that there is a shortage of food for the local population. These renters produce highly marketable food crops for urban markets such as rice, yams, and cassava (Udo 1975).

As we saw in sharecropping, the transformation of temporal and/or unstable labor and land relations into a more stable and permanent status is not uncommon; some migrants become part of the community, trusted by landholders, and either acquire quasi-permanent tenancy rights or move up from being labor tenants, wage laborers, or sharecroppers into fixed-cash renters.24 One

---

23 Kola tenancy in Nigeria has been a permanent right to occupy the land by a stranger after a single payment of some money and subject to continued good behavior on the part of the stranger. In Ghana, renters of land on palm-oil farms would pay a fee and acquire the land for extended periods of time, from 25 to 50 years (Gyasi 1994).

24 Another example, in addition to the Nigerian one cited above, is saffer dingoo in The Gambia for groundnut (peanut) production (Sallah 1987).
pattern is for a migrant farmer to start as a wage laborer on someone’s land and eventually to become a tenant farmer once he/she has some savings and gains the confidence of the farm owner. Depending on his/her relations with the owner of the land (he/she may marry into the family, for example) or the community, he/she may become a more-or-less permanent tenant, with permanent use-rights to the land (the land is not his/hers, just the products of the land). In some areas, tenants are allowed to use land permanently and have the right to pass on the land to heirs provided a yearly rent is paid (Adegboye 1966).

As land in Nigeria becomes more privatized and individually owned, these tenants on what was customary land become squatters on individual owners’ land and must come to a new agreement with the owner or leave the land. Increasing concentration of landownership may make rental conditions for tenants more stringent (Grossman 1968).

Western Sudan is a case where there are very active wage labor and rental land markets. Land is owned by families either as communal land or in private ownership. Most households engage in both farming and off-farm wage labor and agricultural practices are mostly homogeneous. There are few modern inputs, no animal traction, and little tractor use; the major inputs are land and labor. In addition, harsh climate makes farming very risky for all.

Kevane (1997) maintains that the land tenure system permits cash-rental arrangements and that the traditional labor and land markets are functioning well, considering local conditions such as lack of credit and crop insurance. Communal land is administered by the village authority who allocates usufruct rights to uncleared land to villagers or new residents, who in turn pay a 10 percent harvest share. The village authority, by collecting the annual share, retains ownership rights to the land in the name of the village. Usufructuaries, however, have secure and permanent rights to the land because they cleared the land. If the village authority stops collecting the annual share, ownership rights to the land pass to the user and his/her descendants.

Rented land is usually cleared land and is rented out by either the village authority or the landholder; rental transfers temporary land rights to the renter, not usufructuary rights, which are held by the landholder and are considered permanent. In other words, rented land can be taken back at any time. Kevane (1997) found that while there is some concern on the part of landholders of being able to reclaim land that has been rented out for a long period of time, and in spite of the existence of a very active and flexible wage labor market, they prefer renting out unused land rather than working it themselves with wage labor because of the lack of cash for paying wages. Renters tend to be wealthy, but land-poor households.

5.1.2.2 Fixed rentals between estate owner and smallholder

Rental tenancy in Uganda is a curious mixture of customary and private property rights with aspects of both fixed-cash renting and sharecropping. Recent developments also offer an insight into what appears to be the tendency toward land rentals in Africa as land becomes an asset value, urban areas expand, and commercial agricultural production becomes dominant.

Many scholars have studied the historical changes in land tenure and tenancy in Uganda; the following paragraphs are based on several representative studies (Mugerwa 1973; Fortt 1973; West 1965, 1971; Mukwaya 1953). In the early 1900s, the land tenure system in the Buganda area of colonial Uganda was formally transformed from a customary system based on a chief’s domain over land and community members’ rights to agricultural land, to a system approaching freehold tenure with one legislative decree, the Uganda Agreement of March 1990. The colonial
government conferred to chiefs and other notable personages individual ownership rights to large extensions of land called mailo estates. These estates were already settled by smallholders under customary tenure; however, their usufructuary rights were not legally recognized. Mailo owners permitted “their peasants” to retain possession of the land (called kibanja land) they were occupying. Mailo tenure in effect converted them from customary usufructuary holders into tenants on private property. Other persons who wanted to settle on mailo land had to approach the mailo owner and get permission to occupy a specific piece of land. Initially, most tenants paid little or no rent and labor services, particularly on large estates. Mailo owners were considered lords of their area and their tenants were their servants.

With the commercialization of agriculture and growth of a market economy, the value of land as an asset motivated some landowners to begin charging high cash rents to their tenants. In the late 1920s, legislation was passed to protect these tenants from arbitrary eviction and specified the type and amounts of rent to be paid. It also laid out the rights and conditions of both tenant and landowner. Rent consisted of two types: busulu and envujjo (in the literature, these are often called taxes). Busuulu was rent on the land itself and was a set amount for each kibanja held regardless of size; envujjo was paid on the production of cash crops (cotton, coffee, and maize) and certain other economic activities (such as beer production for sale). Envujjo consisted of a set cash payment per unit of production. With regard to tenants’ rights, legislation allowed eviction for a minimum of causes (such as failure to pay rent for three years) and only by court order, giving tenants permanent and secure usufructuary rights to the land they held. These rights have been heritable; however, tenants could not transfer the tenancy nor sell the land to another person without consent of the landowner. Thus, while tenants were legally operating on private property, actual practice was based on customary norms, and “rents” did not actually reflect the asset value of land.

Since the amounts of both these rental payments were established by law in the 1920s, over time their value eroded, eventually becoming quite small in real terms. Some landowners did not even bother to collect rents, particularly from poor farmers. Other landowners began to circumvent these limitations by not accepting new busuulu tenants, by granting short-term (several years) tenancies on a strictly sharecropping basis, by charging high initial premiums from new tenants, and by charging extra fees for cash cropping.

The Land Reform Decree of 1975 declared that all land belonged to the state, abolishing all other ownership rights, including mailo, and repealing previous legislation, including legislation that protected kibanja tenants. A tenure structure to codify the rights that persons had to land under the new ownership model has not been fully implemented, and mailo owners and tenants have continued to operate in the semi-customary arrangements they were practicing previous to 1975. Some major changes are that there are no restrictions on rents, and landowners have much greater flexibility to evict tenants. Some tenants have banded together and successfully resisted the most abusive practices on the part of landowners (Opyene 1993). Rental arrangements in other parts of Uganda, such as in Bunyoro and Lango, are similar to the arrangements on mailo land in that tenants pay rents or have sharecropping arrangements with owners of relatively large estates (Beattie 195-?; Opyene 1993).

5.1.3 Labor tenancy

From the literature, it appears that labor tenancy was common in the past, both under customary tenure and with estate agriculture during colonialism. Under customary tenure, labor tenancy
typically involved community residents who were considered of a different and inferior ethnic status or clan. Two very different contemporary labor tenancy situations will be presented, reflecting the diversity of land-labor relations in Africa.

In The Gambia, labor tenancy, called sama manilla, is used for groundnut (peanut) production, Gambia’s biggest cash crop and export earner. Labor tenancy is preferred over sharecropping, wage labor, and fixed rent under conditions of climate risks (risk of inadequate rainfall) and labor shortages (Sallah 1987). Wage labor requires large cash outlays by the landowner who also assumes all the production risks; in addition, the wage laborer can easily leave the farm at any time, leaving the landowner scrambling to obtain labor at peak labor periods. Fixed rentals are not attractive to migrant farmers as they must assume all the risks of production. And sharecropping requires the landowner to closely monitor production output, prices, and share agreements. Migrant workers are in high demand and sharecropping might be seen by landowners as giving them too much freedom—labor tenancy is perhaps a happy medium for both migrant, who gains access to land and obtains consumption and input goods to grow a cash crop with no long-term obligations, and host farmer, who obtains labor that is committed for the entire growing season without large cash outlays and minimal monitoring.

In return for usufruct rights to a parcel of land, migrant laborers are obliged to work between two to four days on the landholder’s own fields. The labor tenant cultivates both groundnuts and food crops on his usufruct fields and disposes of all the production. Groundnut production in The Gambia is done on rain-fed agricultural land (thus running the risk of inadequate water) and requires much labor at peak periods, particularly harvest. Labor tenancy brings in labor from other parts of the country and region at minimal cash outlay for landowners and ensures that the labor will be available during peak periods. Reflecting undeveloped market conditions and the migrants’ lack of easy access to goods, the landowner, in addition to land, provides labor tenants with food, tools, housing, and some inputs such as seeds. Some of these goods (food, seeds, and other nondurable goods) are loans to be repaid in kind or by some other good or service, such as gathering firewood (Sallah 1987).

Tenancy in South Africa has had a torturous history. More than in other African countries, South African governments over the last century have stripped black South Africans of their lands and granted them to white owners. At the same time, they have restricted the mobility of blacks by relocating them to areas called homelands and denying them the right to travel or live outside those areas without permission. While these policies have given white farmers access to and ownership of vast areas of agricultural land, including some of the most fertile land in South Africa, they have also, ironically, complicated their access to labor.

Initially, white farmers were able to obtain farm labor through cash rent and sharecropping arrangements: typically tenant families (called squatters) had lived on the land before the arrival of the white farmers, and these tenancy arrangements gave these disenfranchised families access to land and some control over production and use of the land. These practices were outlawed in the 1913 Land Act in an attempt to give white farmers more control over their land. Cash

25 Labor tenancy, paradoxically, appears to be used in cases where migrant tenants are in high demand and able to control labor conditions.

26 Later called national states or self-governing territories.

27 Earlier attempts (in the late 1800s) to impose restrictions were not effective because the vast number of squatters (tenants) made it very difficult to enforce the provisions restricting, and later abolishing, labor tenancy.
rentals and sharecropping were replaced with labor tenancy: in return for use rights to a piece of land and the right to graze a specific number of cattle, the tenant and his family worked on the landowner’s agricultural fields. No wages or rents were paid.

Beginning in the 1960s, attempts to prohibit labor tenancy and replace it with wage labor resulted in illegal tenancy practices, new hybrid tenancy arrangements, and the mass eviction of tenants. Finally in 1980, labor tenancy was formally abolished in all South Africa. An arrangement that has evolved is one in which producers are paid a very low wage (rural wages did not increase during the 1970s and 1980s) and given access to much smaller parcels of land than before. Although income for these families has been very low, access to land, even a small parcel, is important for them as a home base for the extended family and as security in times of wage labor contraction. Until recently, another important factor is that access to land also secured permission to live and work outside the homeland areas for family members (van Onselen 1993; A Toehold on the Land, 1988; Clacey 1989; “Cheaper than slaves” 1993).

5.1.4 Reverse tenancy

Reverse tenancy can be found in Africa but, in contrast to Latin America, the cases we encountered are mostly tenancy arrangements between community households rather than smallholders with agribusiness firms, large commercial farms, or wholesalers. Typically, the landholder lacks resources (other than land) to farm while the tenant (who may also own some land) has capital and inputs, particularly traction, and is looking for more land to farm. Two examples of reverse sharecropping, one in Lesotho and the other in Ethiopia, and one of reverse cash renting in South Africa are offered below.

The context in Lesotho is that land is held under customary tenure—freehold ownership in Lesotho is not legally recognized—and sale of land is prohibited. In addition, there is little agricultural land left to allocate to households creating a situation of land shortage. But many households lack the resources to cultivate the land they have, leaving it underutilized. Sharecropping typically involves a landholder who cannot cultivate because of lack of labor, inputs, capital, or traction and a landless or land-poor farmer who has these resources. The sharecropper may have been a migrant worker in South Africa, for example, and has been able to acquire inputs from wage savings. The landholder may be an elderly widow who does not have sufficient labor and inputs or households with no oxen for plowing. Both parties usually provide equal shares of labor and divide the harvest equally (Lawry 1993).

In Ethiopia, before proposed tenancy reform legislation could be passed to regulate land tenancy, a redistributive land reform law was passed in 1975 which prohibited land leasing. Land is property of the state and “owners” hold long-term leases. Land reform distributed land to farmers supposedly obviating the need for tenancy arrangements, and certainly land distribution among farmers is more egalitarian. Sharecropping, however, continues to be practiced because some farm households experience imbalances in production factors: land, labor particularly for plowing, oxen, or seeds. In Ethiopia, these arrangements are not between large landholder and resource-poor tenant, but often are between a poor landowners and relatively wealthy tenants

---

28 Influx control was abolished in 1986 and inhabitants of the national states and self-governing territories could live and work freely.
who have the capital and/or labor to cultivate more land than they have. Since imbalances among production factors are often temporary, sharecropping contracts tend to be temporary (Ege 1994).

Reverse cash rentals of customary land by outsider commercial farmers occur in the sugarcane-producing area of KwaZulu, South Africa. These rentals, called CSAs (Contract Service Agreements), are quite common. In this area, local chiefs recognize the CSAs, thus approving these rentals. This approval gives both parties, community members and commercial farmers, the perception that their land rights are recognized and secure. Commercial farmers with access to production resources rent in land from customary landholder households whose members are often engaged in nonagricultural work. The renter assumes all production costs and pays the landowner between 10 to 15 percent of gross income as rent (Lyne, Thomson, and Ortmann 1996; Thomson and Lyne 1993).

5.2 RATIONALE FOR TENANCY ARRANGEMENTS

Several factors most determine the decision by both parties, landholder and tenant, to enter into tenancy: labor, access to resources and inputs, and risk. While these are important factors in other regions, in Africa they are particularly acute problems. Constrained access to land generally is not, at least until now, a major motivation for tenancy arrangements. Another factor that has affected tenancy arrangements are state policies, legislation, and regulations.

5.2.1 Access to labor

Landholders prefer tenants to wage labor as they are relatively more stable labor arrangements, an important consideration in scarce wage-labor conditions common in many parts of rural Africa. Tenancy offers landholders a means to both attract workers and encourage stable working relations and it motivates high work efforts. In addition, tenants provide a labor pool for the landholder’s own production at peak labor periods. Tenancy is also preferred by workers since it gives them higher status and better working conditions than wage labor. Many sharecropping arrangements, such as abusa in Ghana (see subsection 5.1.1.1), give producers the opportunity for long-term, stable, and independent farming. One of the most attractive advantages to being an abusa tenant is the right to grow food crops, increasing the sharecropper’s ability to settle on the farm with his family. Robertson (1982) argues that sharecropping, particularly of the abusa type, is not disappearing under increased capitalist agricultural production, rather the sharecropper is one stage between wage laborer and cash renter with permanent and secure access rights to land. In some areas, land-use rights acquired by sharecroppers (and later renters) can be sold or passed on to heirs (Berry 1987).

5.2.2 Access to resources

Constrained access to resources and inputs, particularly in the absence of cash and/or credit, features strongly in the decision by both landholder and worker to enter into tenancy. What is evident from the different tenancy arrangements throughout the region is the prime role the pooling of resources between landholder and tenant plays in tenancy. While landholder and tenant are not always on equal footing, tenancy is an option for both of them to combine the resources they have for increasing production, particularly of cash crops. Although tenants may also have land, it is the lack of other resources that drives the need for tenancy: both tenant and
landholder combine their labor, inputs, work animals (particularly for plowing), and machinery to produce crops. Sharecrop tenancy also obviates the need for large cash outlays by both parties. What is interesting in Africa, as we saw in cases of reverse tenancy (subsection 5.1.4), is that it is not necessarily the tenant who is lacking in resources but often the landholding party.

5.2.3 Risk factor

Agriculture is a risky business: the investment cycle is long, weather is often uncooperative, and supply is generally unpredictable making product prices volatile. In the African context, these risks are compounded by difficulty in obtaining inputs, low technological levels, lack of crop insurance, lack of infrastructure, and scarce market outlets. Poor weather or pest infestations, for example, cannot be alleviated because of lack of inputs (such as pesticides), low technology levels, and infrastructure (such as irrigation). Commercial cropping, which typically requires some cash outlay, becomes a particularly risky endeavor for producers close to subsistence levels. Tenancy, especially sharecropping, offers both landholder and tenant a means to share these risks and minimize their negative impacts.

5.2.4 Impact of past policies

State policies in the Africa region have affected tenancy in diverse ways. On the one hand, policies to regulate or eliminate tenancy have sometimes affected tenants negatively or have led to complicated arrangements or outright circumvention of legislation. Some policies have simply ignored the role of tenancy in customary tenure systems. A caveat to any discussion about state policy and its effect on tenancy arrangements is the weakness of state and governmental institutions; attempts to regulate or outlaw tenancy practices have often met with little success and with either outright evasion or distorted tenure systems.

5.2.4.1 Tenancy regulation

As we saw in the discussion on trends, tenancy is an old practice, often resorted to in communities with customary tenure for the production of cash crops. Tenancy is often used because both landholder and tenant lack resources, and it offers them an opportunity to pool their resources. In addition, we saw that customary tenure has often adapted to the demands of commercial agricultural production and commercial leasing of land. Attempts to regulate these tenancy relations may lead to reduced production levels and tenure insecurity. For example, Kevane (1997) maintains that in The Sudan indigenous labor and land markets are able to adapt and function well considering local conditions such as lack of credit and crop insurance, and that government intervention is not likely to increase tenure security for tenants, in part because of weak government institutions.

While tenancy can be exploitative, particularly in areas where large estates have been established, some governments have considered all tenancy as oppressive and have outlawed it completely. In Ethiopia, for example, the Derg government implemented a land reform in 1975 that outlawed tenancy. While this aspect of the legislation was directed mainly at absentee landowner-tenant relations in the south, it was also applied in the north where customary tenancy between community households was practiced. As a result, labor and land arrangements evolved in the north that evaded outright tenancy but which obtained some of the same results. In 1990, the legislation against tenancy was repealed, allowing farmers to openly resume previous
tenancy practices. Since one effect of the land reform redistribution in many northern areas was the allocation of very small parcels of land, a number of households have resorted to renting them out to other farmers and finding supplemental income from off-farm sources.

Robertson (1987), in his study of sharecropping in Ghana, The Sudan, Lesotho, and Senegambia, maintains that state reform of sharecropping conditions and arrangements often leads to significantly reducing sharecropping in general, usually to the detriment of the tenant (who loses access to land) and to levels of agricultural production. Robertson points out that this is particularly true if conditions in the agricultural sector or macroeconomic level offer constraints, such as imperfect markets (for credit, inputs, and products) and lack of crop failure insurance.

5.2.4.2 Nonrecognition of customary tenure relations

The other type of state action is to not recognize customary tenure structures, including tenancy. As we saw in Nigeria, the privatization and titling of land turned customary tenants into squatters. Their rights as tenants were negated and they had to arrive at new agreements with the landowner or leave the land. Grossman (1968) also felt that land privatization and concentration would make rental conditions for tenants more stringent.

In Uganda, when land was given as private property to local chiefs and other authorities in 1900, the customary rights of households living and farming on the land were not recognized. The law turned usufructuary customary rights into cash-rent tenancy. Households, however, continued to feel that they held customary rights to land; although they paid rent to the landowner, they considered themselves permanent holders of their land. Subsequent legislation in effect acknowledged these rights by making it very difficult to evict tenants. The result is a confusion of who holds what rights. Formally, landowners have legal private ownership rights to the land, but their “tenants” feel they have permanent usufructuary rights to the land they hold even though they pay rent. When land is sold, for example, it is understood that its tenants remain on the land.

5.2.4.3 Legislating customary tenure

Some legislative efforts to protect customary tenure by putting constraints on leasing have led to unforeseen results. In Lesotho, for example, the 1979 Land Act enacted administrative constraints on leasing customary land and transferring land rights. These difficulties have resulted in reverse sharecropping and in some cases illegal leasing and sales of land. Commercial farmers who want to invest in land improvements such as fertilizers, insecticides, and even irrigation seek more control over farming management and security to long-term access to land. For them, sharecropping is too risky and they prefer long-term lease arrangements. Since both parties find the legal requirements for leasing land too complicated and time-consuming, they enter into written agreements that are approved and witnessed by the local chief (Lawry 1993). Both parties feel that these arrangements are sufficiently secure and commercial farmers have not felt the need to purchase land as these leasing agreements give them the flexibility they need.

5.2.4.4 Customary tenure and commercial leasing

While some of the literature suggests that the availability of land for sharecropping, cash renting, and other tenancy arrangements is adequate, even under customary tenure, some authors conclude that certain aspects of customary tenure pose constraints on land leasing. In a paper on
the land rental market in sub-Saharan Africa (Lyne, Roth, and Troutt 1997), the authors found that in spite of unutilized land (idle land), the market for land tenancy contracts appeared constrained: many more farmers wanted to rent in land than actually did. Although income per hectare (net income data were not available) was higher for tenants than for owner-cultivators (increasingly so in areas where renting is less frequent), it would appear that tenure insecurity for both parties raises transactions costs and rental rates to unattractive levels.

Recent studies (Lyne, Thomson, and Ortmann 1996; Thomson and Lyne 1993) on fixed-cash rentals in communal areas of South Africa also suggest constraints on renting customary land. In KwaZulu, for example, most rural households have secure customary rights to land, but many households engage in off-farm work leaving their land underutilized. Other households which would want to rent in unused land find rental agreements risky and transactions costs high. Authors of these two studies conclude that customary tenure produces tenure insecurity for the renter because (1) property rights are not held by one person but by a number of persons (present occupier of land, other family members, chief) who are not all readily known, and (2) conflict of South African laws with regard to customary land. This situation leads to high transactions costs when the renter attempts to obtain secure access rights to the rented land. The conflict of laws means that risks are felt by both the landholder and the renter: the landholder fears that the tenant may claim ownership rights to the land because she/he is working it, and the tenant fears that the landholder can lay claim to the crops. Another risk for landholders comes from the power of chiefs who insist on allegiance from their subjects; households renting out land which incurs the chief’s displeasure may find themselves stripped of their rights to that land.

These same authors also found successful cases of reverse cash rentals on customary land by outsider commercial farmers in the sugarcane-producing area of KwaZulu, South Africa. Local chiefs approve of these rentals and both landholders and commercial farmers feel that their respective land rights are secure (Lyne, Thomson, and Ortmann 1996; Thomson and Lyne 1993). This case seems to demonstrate that commercial rentals of customary land are feasible and a means of redistributing land access if customary authorities openly approve and recognize them.

5.2.4.5 Informal tenancy on state land

Tenancy regulations on state-owned land are often not flexible enough to adapt to changing conditions, resulting in complex and possibly inefficient land-labor relations. On the Gezira Scheme irrigation project in The Sudan, state tenants initially hired wage labor to supplement household labor on the farm. When these tenant households found it difficult to finance their farming operation due to reduced availability of household labor (because of out-migration) and little access to cash for the payment of wages, they began to give parts of their rented land to workers on a sharecropping basis. Many state tenants now find themselves resorting to sharecroppers to keep their tenant parcels in production as dictated by Gezira Scheme regulations. Usually these sharecroppers are migrants who have settled in the area and have accumulated some cash through wage employment. They utilize their own household labor (including female labor which typically is not in the wage labor market in The Sudan) supplemented by wage labor during peak labor periods. During periods of low labor demand, many of these sharecroppers also work off the farm to supplement farm income. This case shows how complex and convoluted land-labor relations can become as market development, customary tenure, and state intervention combine and create unexpected structures and practices.
6.0 CONCLUDING REMARKS

In reading the literature, we sought to identify the issues that influence the decisions of both landlords and tenants in forming contracts. At a most basic level, there are only a few principal issues. The vast and complicated literature yields this core of basic points and provides a rich discussion of very many innuendoes and tangents that apply to the wide variety of experience with land lease contracts.

In reaching an agreement, landlord and tenant consider those factors that impact on income. The landlord attempts to maximize income from entering into a contract with one or more persons who will farm the land. From his/her perspective, finding the means to resolve the agency problem—shirking in work effort, incentive to invest in good stewardship of the land—is a key issue. From the perspective of the tenant, who attempts to maximize income from entering into a contract to make use of someone else’s land, the principal issues appear to be the minimization of income variability—risk management—and the achievement of the ability to access other, nonland factor markets.

The structure of land distribution and labor supply conditions this decision-making process for both landlord and tenant and the outcome of the bargaining will depend on the relative power of each party. For example, in cases where landlords face a tight labor market, tenants can obtain better terms and sometimes even determine the type of tenancy arrangement they have with landlords (e.g., sharecropping instead of fixed rent). These conditions highlight the importance of taking into consideration other factor markets and the nature of the agrarian structure when looking at how lease markets function.

Sharecrop tenancy seems to offer a package of incentives, insurance, and interlinkage to other markets which is often best for both parties when compared to the relevant alternatives. Both formal and informal mechanisms are observed that appear to reduce/resolve the agency problem. This observation is consistent with the conclusion that cultivation under share tenancy is not less efficient or less productive than other forms of tenancy. However, because the ability to screen prospective tenants and assure adequate labor effort varies and because of methodological problems in empirical research, there is still no consensus regarding the relative efficiency of various forms of tenancy.

We now have an abundance of research which demonstrates, both in theory and in practice, that while a particular form of tenancy may not be efficient in an economically perfect world, in many instances the type of contract which prevails is optimal in the real world.
7.0 BIBLIOGRAPHIES

Two bibliographies for this literature review have been generated. The first bibliography lists all references by alphabetical order of author. The second one is divided into four sections: one for each of the three regions (listed by country), and one for those references that do not have a focus in these three regions.

7.1 GENERAL BIBLIOGRAPHY


Bruce, John W. 1974. Modes of agricultural tenancy in the communal highland tenure areas of Tigray Governorate-General and their implications for the programming of tenancy regulations. [S.l.: s.n.]. 36 p.


Walker, T.S., R.P. Singh, and Vishwa Ballabh. 1990. “Agrarian change, farm size, tenancy and land fragmentation in India’s semi-arid tropics.” In International Conference of Agricultural


### 7.2 BIBLIOGRAPHY BY REGION AND COUNTRY

#### 7.2.1 General


Berry, R.L. N.d. *Achieving more freedom by farm tenancy improvement*, Bulletin C218. Brookings: Agricultural Experiment Station, South Dakota State University.


7.2.2 Africa

Region


Ethiopia


Gambia


Ghana


Lesotho


Malawi
tenant and laborer participation, remuneration, and social welfare within Malawi’s
expanding estate sub-sector. Working paper, no. 73. Binghamton, N.Y.: Institute for
Development Anthropology. 67 p.

McCracken, John. 1985. “Share-cropping in Malawi: the visiting tenant system in the Central
Edinburgh: Centre of African Studies, University of Edinburgh.

and Carol Olson, p. 64–83. Arlington, Va.: Winrock International Institute for Agricultural
Development.

Vaughan, Megan, and Graham H.R. Chipande. 1986. Women in the estate sector of Malawi: the
tea and tobacco industries. World Employment Programme research, Working paper / Rural
Organization. 58 p.

Nigeria
Adegboye, Rufus Oladokun. 1966. “Farm tenancy in Western Nigeria.” Nigerian Journal of
Economic and Social Studies, v. 8, no. 3 (Nov.), p. 441–453.


Senegal
Robertson, A.F. 1987. The dynamics of productive relationships: African share contracts in

South Africa
“Cheaper than slaves: the conditions of labour tenants in South Africa.” 1993. Special issue of
Land Update, no. 20 (Mar.), p. 1–19.

Rural Advancement. 20 p.


**Sudan**


**Uganda**


### 7.2.3 Asia

#### Region


#### Bangladesh


#### India


Chakrabarty, Sengupta. 1996. “Agrarian policies and patterns of rural change in South Bengal.” In *Economy of West Bengal: problems and prospects*, edited by Ajitava Raychaudhuri and


**Indonesia**


**Malaysia**


**Philippines**


**Taiwan**


**Thailand**


**7.2.4 Latin America**

**Region**


**Argentina**

Brazil


Chile


Colombia


**Costa Rica**


**Cuba**


**Ecuador**


**Honduras**


**Mexico**


**Perú**


