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EL SALVADOR'S AGRARIAN REFORM: AN INTRODUCTION

John Strasma*

Summary: The 1980 agrarian reform affected all holdings over 500 hectares and many small tenant plots. Holdings between 100 and 500 ha. are in a legal limbo. Output is fairly stable, despite both reform and the guerilla war. About 30,000 farm families are in the coops that have taken over the large holdings, and 50,000 more have applied for title to land they once rented. The beneficiaries report their main problems as being marketing, and the timely arrival of credit and fertilizer. Some former owners have not yet been compensated, and reform beneficiaries and other farmers alike suffer from the guerilla war and poor world markets for exported coffee, sugar and cotton.

1. Origins. In 1979, Gen. Carlos Romero was ousted as El Salvador's dictator by younger army officers. After some reshuffling, the Christian Democratic Party joined the Junta Revolucionario de Gobierno, in exchange for enactment of 3 basic social reforms: agrarian reform, nationalization of the banks, and nationalization of the exporting of coffee and sugar. Meanwhile, some moderate left groups despaired of "reform from within" and joined with extremists, beginning a guerilla war for political power that continues today. The U. S. Government has supported the agrarian reform, and the U. S. Congress demands certification every 6 months on its progress, as a condition for further economic support.

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* Professor of Agricultural Economics, University of Wisconsin-Madison. The writer led a 4-man team in a two-month field evaluation of El Salvador's agrarian reform in late 1982, under a contract between USAID and Checchi & Company, a Washington-based development consulting firm. Other team members were Dr. Peter Gore (SUNY-Plattsburgh), Dr. Jeffrey Nash (then of Bogota, Colombia), and Dr. Refugio Rochin (University of California-Davis).

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2. Phase I and II. The "Basic Law of Agrarian Reform" affects all owners of property adding up to more than 100 hectares (250 acres), soil classes I-IV, or more than 150 hectares, soil classes V-VIII. In Phase I, which began in March 1980 and was substantially completed that year, the owners of holdings over 500 ha. were effectively relieved of all but 100 ha. The excess was turned over to production cooperatives formed by their former workers with others brought in by the reform agency (ISTA). Phase II, which is supposed to affect those who own more than 100 but less than 500 ha., has never been implemented. (See discussion under "Problems," below.)

3. Phase III. A separate Decree, #207, allows any campesino renting fewer than 10 manzanas (7 hectares, or 17 acres) in 1980, to buy that plot on long terms, at annual payments below the previous rent. Often erroneously called the "Land-to-the-Tiller Program," after other agrarian reforms the U.S. supported in Japan, Korea, Taiwan and - belatedly - Viet Nam, this program was strenuously advocated in El Salvador by Prof. Roy Prosterman, as a "counter-insurgency" program. It did not initially have the same broad support among Salvadoran intellectuals and the middle class as did the expropriation of holdings above 500 hectares, which was closer to the "classic" Latin American agrarian reforms.

4. Beneficiaries. By late February 1983, Phase I involved some 29,755 beneficiary families tilling some 205,804 hectares expropriated from 328 owners of holdings exceeding 500 ha. in one or more units. Phase III had received applications from 49,333 campesinos for 62,249 parcels, adding up to 76,500 hectares. In El Salvador, the usual rule-of-thumb is that each campesino beneficiary has 5 other family members or kin living with him, so it is estimated that there are approximately 79,000 beneficiaries and nearly 480,000

persons involved in the agrarian reform to date -- out of a national population of some 4 million. The reform is thus quite significant in the national economy and society.

5. Production. Agricultural production in El Salvador is relatively modern and sophisticated, with many campesinos having some experience with coffee, sugar and cotton, all produced mainly for export with fairly capital-intensive methods. The staples, corn, rice, frijoles and sorghum, are grown both on large units and in small precarious hillside parcels. Hybrid seeds, inter-cropping and double cropping are all widely known and practiced.

The 1979-80 crop year just preceding reform was a record year for crop production in El Salvador. Yields and output of coffee, corn, beans and rice were all well above the national averages for 1975-1980. In the two first years of reform, corn output remained well over the earlier 5-year-average, but beans, rice and coffee fell back to that level, as did corn in 1982. Sugar was lower than the 5-year average in 1979-80, and remained depressed, while cotton fell to about 1/2 of the earlier levels by 1982. The declines appear to be associated with lower world prices for the export crops, and with weather and domestic prices for the grains, as well as damage inflicted by the guerilla warfare, especially in cotton production.

The Reform Sector (Phase I) accounted for about 4.5% of the total area sown to basic grains and 16% of the area planted to export crops in 1982; it produced about 6% and 28% respectively of the national totals. This does not necessarily indicate that the reform greatly increased output, since many of the farms expropriated were quite modern and well organized. On the other hand, confirmed with field observation by our team, it is consistent with the hypothesis that the reform did not significantly reduce agricultural production below what it would have been in the absence of reform.

El Salvador: Area Cultivated in Basic Grains and Export Crops
(Thousands of hectares)

Basic Grains	Averages 1975-1979	1979	1980	1981	1982 (3)
Corn	253.1	276.0	291.9	276.5	238.2
Beans	53.6	55.1	52.5	49.7	55.4
Rice	14.4	14.8	16.8	13.9	11.8
Sorghum	134.0	143.5	119.5	115.5	118.8
Total	455.1	489.4	480.7	455.6	424.2
Percent of Total (1)	31	33	33	32	30
Export Crops					
Coffee	165.0	185.0	186.0	186.7	185.6
Cotton	87.9	34.6	58.2	52.5	47.5
Sugar Cane	32.7	27.3	28.0	29.6	31.8
Total	285.6	296.9	272.2	268.8	264.9
Percent of Total (2)	20	20	19	19	19
Other Crops	40.0	46.3 (4)	50.2	36.8	56.4
Pasture	410.1	397.4 (4)	397.4	397.4	397.4 (4)
Forest	260.2	260.2 (4)	260.2	260.2	260.2 (4)
Total Land in Agricultural Uses	1,450.0	1,490.2 (4)	1,460.7	1,418.8	1,403.1 (4)

(1) % of total agricultural land in basic grain.
(2) % of total agricultural land in export crops.
(3) The crop year in El Salvador runs from May 1 of the year named, through April 30 of the following calendar year.
(4) This area is probably inflated because of the procedure used by MAG to make the yearly figures compatible. The total agricultural land for 1980 was estimated to be 1,460,700 hectares, of which 260,200 was identified as forest and 397,400 as pasture (Plan Agropecuario). These areas were considered as constant for 1979 through 1982 for lack of information with which to change it yearly.

Sources: MAG/DGEA, Anuario de Estadisticas Agropecuarias.
Coffe production area, PERA and World Bank No. 4054-1982 "El Salvador Updating Economic Memorandum."
1982 estimates from MAG/OSPA and PERA

Exhibit 5-3

El Salvador Basic Grains and Export Crops Production and Head of Cattle
(Thousands of Metric Tons)

Basic Grains	National Average 1975-1980	1979-1980	1980-1981	1981-1982	1982-1983
Corn	433.0	516.6	520.4	494.0	414.0
Beans	40.1	46.0	39.4	37.8	38.2
Rice	47.1	57.6	60.0	49.5	35.4
Sorghum	159.0	158.4	138.2	134.1	124.2
	679.2	778.6	758.0	715.4	611.8
Export Crops					
Coffee	155.1*	173.9*	143.3	139.4	169.7
Cotton	188.9	183.9	115.5	112.0	96.6
Sugar Cane	2,604.7	1,995.3	1,802.5	1,925.0	2,280.4
	2,948.7	2,353.1	2,061.3	2,176.4	2,546.7
Cattle (Thousands)**	---	1,440.2	1,210.7	1,105.7	N.A.

* Calculated from data on area cultivated and estimated average yield.
** Yearly surveys as of October 1.

Source: 1. MAG/DGEA "Anuario de Estadisticas Agropecuarias."
2. 1981/82 coffee production provided by PERA.
3. 1982/83 estimates as of January 1983, from MAG/OSPA.

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Exhibit 5-4

El Salvador: Basic Grains and Export Crops Yields
(Metric tons/Hectare)

Basic Grains	National Average 1975-1979	1979[1]	1980[1]	1981[1]	1982
Corn	1.71	1.87	1.78	1.79	1.74
Beans	0.75	0.83	0.75	0.76	0.69
Rice	3.27	3.90	3.57	3.57	3.17
Sorghum	1.19	1.10	1.16	1.16	1.05
Export Crops					
Coffee	0.94	0.94	0.77	0.75	0.91
Cotton	2.15	2.18	1.98	2.13	2.03
Sugar Cane	55.83	73.09	64.37	65.01	71.75

Notes: 1. The crop year in El Salvador runs from May 1 of the year named, through April 30 of the following calendar year. The land reform began approximately March 15, 1980.

Source: MAG/DGEA, *Anuario de Estadísticas Agropecuarias*."
Coffee average yields are for only 4 years; source, MAG.

6. Compensation. Only 131 of the 328 Phase I owners received compensation by February 1983,in the amount of $6.2 million in cash and $79.9 million in bonds. Another 100 or so had agreed on the price, but were waiting for the Government to find the needed cash for the down payment. The rest, about 100, were still disputing their compensation (about $125 million), were unable to prove that they had in fact owned the expropriated farms, or were simply refusing even to negotiate in hopes of recovering their lands after a future change of government.

In Phase III, some 160 ex-landlords have been compensated so far, with $2.3 million in cash and a like amount in bonds. (In Phase III, owners get 50% in cash.)

In both Phases, the basic value for compensation is the value the owner declared for property tax purposes, in 1976 and 1977, for land, equipment, cattle and improvements, with adjustments for subsequent changes. It is this latter item which must be negotiated, and owners are frequently unable to provide receipts to prove the value of cattle, machinery or structures acquired after the date of the sworn tax declaration.

The bonds are negotiable, and traded at 40-75% of nominal value in early 1983, mainly for use in paying inheritance taxes. The smaller bonds had the higher quotations, as did those closest to maturity. Their value may rise more if the Government implements a proposal to sell off deficit-ridden state enterprises to the highest bidder, taking bonds at their nominal value.

7. Violence. The level of violence in El Salvador, long startlingly higher than in most countries and reflecting, among other things, the lack of effective investigation, trial and punishment of homicide in city and country alike, affects the agrarian reform as well. Someone, believed to be a nearby landowner, hired gunmen and murdered the management committee of a cooperative near Santa Ana in 1980. That coop still exists, but few members are willing to

accept election to its management. Most of the land is tilled individually by members, at lower yields than the coop had achieved earlier. More recently, in February 1983, another landowner -- angry because a neighboring coop refused to allow him to move cattle across its land, told the local army unit commander that the coop leaders were "extremists." Soldiers moved in and murdered 18 campesinos without charges, trial or sentence of any kind. Despite investigations by the U. S. Embassy and the Salvadoran Human Rights Commission, neither the landowner nor the Army commander has been tried or punished, nor do campesinos expect that they will be.

While these instances are the most dramatic, a routine ISTA report of October 1982 reported that in just 11 coops in the Central Region, 23 members of Coop Boards have been assassinated since March 1980, when the reform began. Even if some of these were murdered for other reasons, campesinos have good reason to fear to take leadership positions.

Various reform farms sit squarely in the areas over which the guerillas and army units fight; the campesinos frequently flee to other reform farms or the city or refugee camps when fighting breaks out. We estimate that some 28 farms were abandoned in late 1982, with a loss of about 5% of what would otherwise have been total crop production of the reform sector. Along with the violence, cattle theft goes unpunished and livestock production is way down.

8. Guerillas. The guerillas have not opposed land reform, though they argue that the Salvadoran Army supports it mainly as a counter - insurgency tactic rather than as good public policy. Nonetheless, some actions by guerillas have hurt some reform beneficiaries They have hit cotton production especially hard, on reform units as well as on other farms, in their campaign to destroy the economy. Cotton production in El Salvador requires the timely application of pesticides, by light planes, and in 1982 the guerillas

destroyed 13 planes, wounding 5 pilots and killing one. This effectively halted all spraying.

Guerillas have also burned cotton on land reform farms as well as elsewhere, to deprive the government of export earnings. Unfortunately, it also deprives the campesinos of their incomes.

Even where guerillas are not active, reform beneficiaries report that they are forced to pay local units of the civil defense or para-military organizations. This is the equivalent of the "quartering" that made Americans so angry when King George required it, and it costs many of the reform units we visited around 3% of their gross receipts. We were told that a "war tax" is demanded of reform beneficiaries in guerilla-held areas. We have no independent means of verifying this, but it seems likely that the cost and intimidation felt by campesinos is considerable. It is unlikely that any other agrarian reform in this century was carried out under such conditions.

9. Evictions. In Phase III, the election victory of the Far Right ARENA Party in March 1982 led some landlords to announce that "Land reform is over," and to summarily evict their former tenants who had applied for title to the plots they used to rent. Some 4,000 families were evicted. However, under strong encouragement from the U. S. Embassy, the Salvadoran Army High Command announced in late May 1982 that it was standing behind the reform, and would protect campesinos who were evicted. About 2,500 were reinstated on their plots, often with army units standing by, and new evictions stopped. Many of the evictees, however, appear to have gone into refugee camps or to the city, and did not appear to reclaim their holding. There are continuing reports of local army commanders who give only lip service to orders from the top to support all phases of the reform, and it seems likely that at least some landlords were successful in evicting tenant beneficiaries.

In the face of this, the reform agency for Phase III (FINATA) has ruled that an application is irrevocable. If a tenant comes in, intimidated, and asks to withdraw it, he is supposed to be told that he may do so, but that the plot will be expropriated anyhow, and will be assigned to someone else who wants land but was not a tenant as of March 1980.

10. Problems. El Salvador's land reform is far from the economic failure that traditional landowners predicted it would be, but it does have administrative and political problems. Most of these will be analyzed by other speakers on this panel, but I want to speak to the "Phase II" problem as typical of the difficulty faced by those who want to promote a peaceful, dynamic, productive agricultural society in El Salvador today.

Under the original law, the owners of holdings over 100 hectares were to be expropriated, though an implementing law has never been issued except for the initial one, affecting holdings over 500 hectares. Naturally, persons who own land adding up to 101 to 499 hectares are unhappy. They tell visitors such as us that they cannot borrow against this land, they cannot sell it except to the government, and they hesitate to invest in it because they fear that Phase II will be implemented suddenly, before they get a return from that capital.

Our team attempted to find empirical verification of the importance of this factor in production, investment and yields, and we were unsuccessful. In each specific instance of which we heard, it turned out that something else was the dominant factor. In several cases, the expected low price for coffee was the real reason for low spending on pruning and fertilizing. In another case, after stating that his fear of Phase II had kept him from sowing sugar cane in several fields, the owner decided that the price of cane this year was likely to be pretty good so he went ahead and planted it after all.

When we persisted in discussing Phase II with persons who actually owned coffee holdings in that range, they often told us that even if the Phase II problem were solved, they would not invest. Several blamed poor price expectations. One, however, said that he simply assumed that the Christian Democrats would win some future election, and that would be as bad as the Communists, so he simply was not going to invest in improving his coffee plantation no matter what happend with Phase II.

In spite of this empirical doubt as to the importance of the problem, our team recommended that owners in this size range be authorized to sell excess lands privately, to bona fide campesinos, in plots of 10-20 hectares, on land contracts. The object would be to get the land into the hands of persons who would not fear losing it in the future, and who would therefore concentrate on making it produce and not on the political power struggle. Quite a few private sector spokesmen advocate such a solution, and political leaders of both the Christian Democrats and parties further to the Right said they like it, but nothing has yet been done to authorize such private land sales.

10. Marketing. Both reform beneficiaries and other farm operators suffer from inadequate marketing channels and policies. For example, the nationalized sugar mills still pay the same price for a ton of cane, regardless of how high or low the sugar content is, as they did under private sector ownership. There is no incentive to cut the cane in a way or at a time that maximizes sugar.

In the first year of reform, some Salvadorans urged that export crop production be reduced and the area sown to basic grains be expanded, to resolve problems of nutrition, poverty, etc. The price of corn fell sharply, and by now most of the Phase I coops have returned to a policy of small plots for each member family to raise their own grain requirements, but all other land goes into cash crops such as sugar.

Coffee exporting has also been as unsatisfactory from the producer viewpoint as it was under private ownership; coffee is stockpiled for a year or more hoping for better prices, while the growers continue to pay interst on the credit for inputs with which they grew and picked the coffee.

At this point, we turn to my colleagues, who will discuss beneficiary attitudes toward the reform, problems of organization, credit and titling, as well as other subjects they have investigated in depth.

NOTE: The full Checchi report by Strasma, Gore, Nash and Rochin, Agrarian Reform in El Salvador, was published in early 1983. Copies may be ordered for the cost of copying, from the Office of Development and Utilization, Room 215, State Annex 18, Agency for International Development, Washington, D. C. 20523, tel. (703) 235-9037. The present update is based on that report, except that figures on the numbers of beneficiaries, compensation paid, and production for 1982 have been updated to incorporate more recent information.