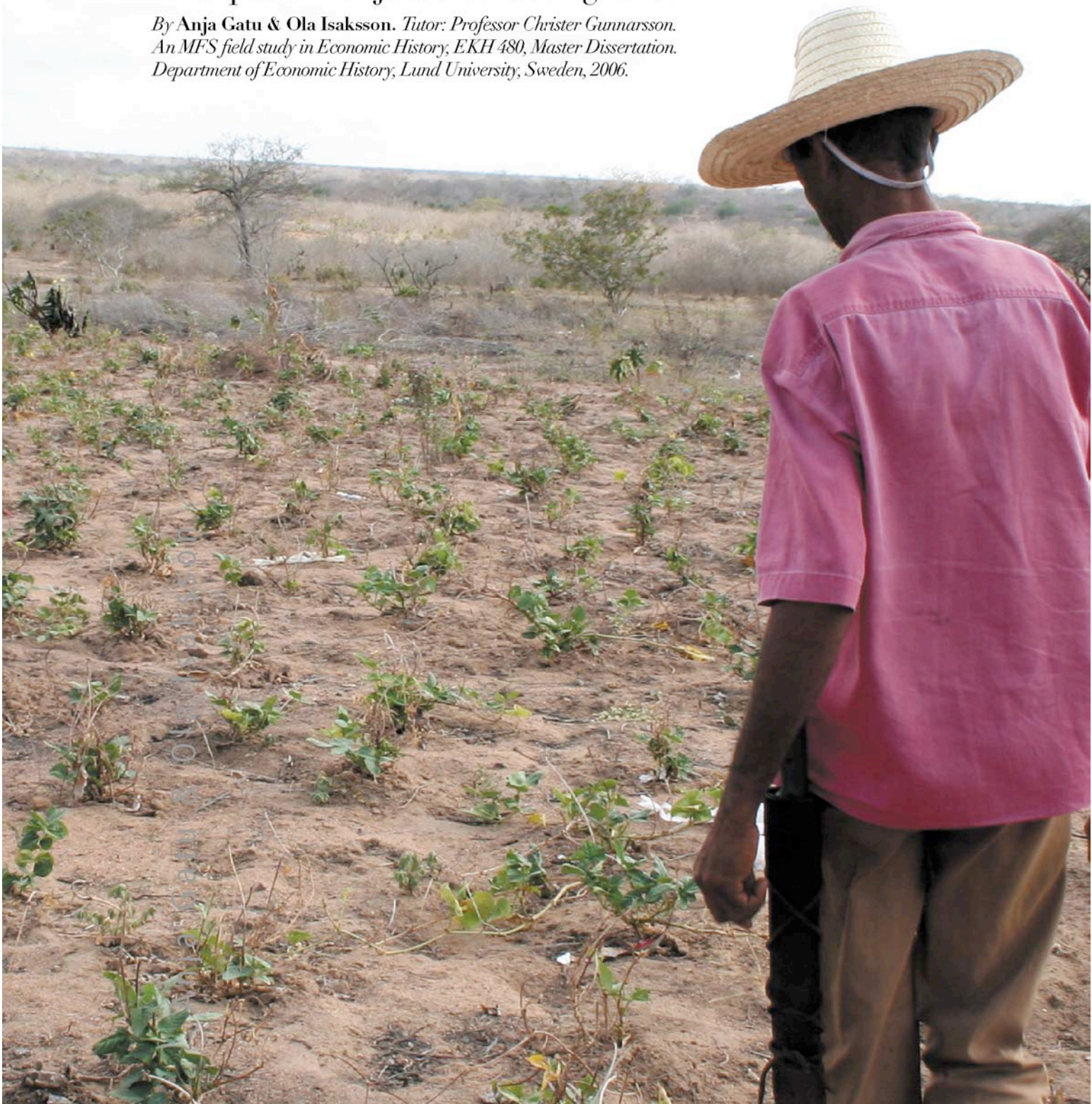


# Beyond dusty land

Obstacles and possibilities within the Brazilian land reform. Changing the rural pattern or just distributing land?

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An MFS field study in Economic History, EKH 480, Master Dissertation.  
Department of Economic History, Lund University, Sweden, 2006.*



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\* MFS, (Minor Field Studies) is a Sida\*\* funded scholarship programme for field studies in developing countries. It is intended for students at universities and university colleges with an international interest wishing to gather material for their Bachelor or Master dissertations for periods of between 8 to 10 weeks. ([www.sida.se](http://www.sida.se))

\*\* The Swedish Agency for International Development Cooperation, Sida, is a government agency under the Ministry for Foreign Affairs. Sida's goal is to contribute to making it possible for poor people to improve their living conditions. ([www.sida.se](http://www.sida.se))



# Chapter 1.

## Introduction to Brazil and our study.

### 1.1 Introduction

Brazil of today is an extremely divided country with modern industries and agribusinesses existing side by side with widespread urban and rural poverty. Greater parts of the population live in the cities and make their living within the informal sector lacking access to important services such as education and health care. Due to miserable living conditions and an uneven distribution of land in the rural economy there has been widespread migration into the urban areas since the 1960s. Large areas of land are in hands of big landowners and are not being cultivated while at the same time large groups are fighting for an own plot to secure their subsistence.

It may be argued that Brazil – one of the richest countries in Latin America – could get even richer if it used existing resources in a more efficient way. The combination of high unemployment and large areas of uncultivated land is not an efficient use of the production factors. Neither does inequality gain growth; rather the contrary. It has been argued that countries are more likely to develop with a reduction of inequality regarding property rights, income distribution and opportunities. Access to education, health care and political activity extend personal freedom and contribute to the development of a country. It is from this view, understanding and position that we have chosen to study the land reform process in Brazil.

Various attempts to carry through a land reform have been made in Brazil and elsewhere in less developed countries, but mistakes are frequent and the uneven land distribution often persists. The understanding of the importance of reducing inequality regarding also other things than the mere distribution of land is often low. A well implemented land reform should bring institutional reforms concerning credits, technical support, education and infrastructure. Otherwise land reforms tend to be powerless and involved families will probably feel forced to leave their land since they don't have the capability to use it. Reforming the rural economy is not only a question of handing out land – it is also a question of raising capabilities.

The land reform has been a top priority of the new government of Lula da Silva who seized power in 2003. His forerunner Cardoso was criticised not least by Lula for not sufficiently improving the rural economy. An interesting question is therefore if the government of Lula has been more successful. Is the present land reform different from the earlier one? Has it made any difference for the millions of Brazilian poor rural people? These are big questions for a study of this size. To be able to get at least an idea of how the reform is progressing and whether it is likely to succeed or not, we have to focus on a smaller part of the process.

The aim of our study is to see how well implemented the land reform has been and what possibilities the new settlers have to become independent producers and citizens and improve their living standard as well as their personal freedom. We have chosen to study what happens concretely after a distribution of land. What are the possibilities for the settled families to start cultivating their land, make the production efficient and reach the market? What obstacles do they encounter? Do they have access to fundamental institutions and the capability to use them, in order to derive an income from their new property and become integrated in the modern part of the economy resulting in a higher living standard and more personal freedom? Through examining five settlements by starting out from these questions, our purpose is to discuss the empirical material with the theory, in order to be able to discuss and criticise political interventions and policies.

## **1.2 Economic and social background of Brazil**

Brazil maintains one of the highest levels of income inequality in the world, only second to South Africa. Huge modern agribusiness and industries exist next to widespread poverty. One fifth of the 186 million people accounts for less than 2.5 percent of the national income and 20 percent are making their living with less than two dollars a day. The main part of the population is situated in urban areas where the informal sector employs larger numbers than the formal labour market. Therefore, many Brazilians lack fundamental social services as frequent health care, vacations and insurance.

There is a huge difference between rich and poor in the countryside as well as in the cities. Many people suffer from exclusion from means of production and access to land. Due to scarce opportunities in the rural economy migration into cities has

been enormous during the last few decades. Illiteracy, lacking education and an unequal distribution of land is seen as the most urgent problems to be solved in order to form a more just society.

Only a small part of the population was involved in the transformation into modern agriculture and industrialisation that took place in the 1960s and 1970s (see chapter 3). Therefore, huge and modern agribusiness exist next to the poor, sometimes landless and small undeveloped farms throughout the country. The transformation of some parts of the rural sector also led to a reduction in the number of work opportunities in the rural economy and the widespread migration into the cities began. Poverty and income differences are seen easily by visiting any city in the country with the *favelas*, street vendors and beggars everywhere present. The poorest region is the Northeast, where more than 50 percent of the poor live although the region itself only contains 35 percent of the total population. The inhabitants of the favelas of Brazil commonly originate from the Northeast since the migration from that region is the largest.

Brazil suffers from various kinds of crime. Corruption, encroachments, assaults, rules of exceptions from punishments, murders, tortures and sexual exploitations is common and part of everyday life.

In 2002 when president Lula da Silva was elected president expectations were high. The new government promised radical social reforms and not least to change the agrarian structure radically. Huge parts of the poor saw Lula as a saviour who would transform Brazil into a more equal society far more rapidly than his predecessors. Lula himself appeared to be something more than an ordinary politician. His background of poverty, participant in the labour union and founder of PT, the workers party, appealed to people dreaming of a better life. The government addressed a land reform as a primary aim and at the same time it dissociated itself from bribes and corruption, which for a long time had been plaguing Brazilian leadership and politics, although in 2005 a widespread scandal of corruption appeared and the legal consequences from this are still in process.

The fast transformation of small rural parts into a modernised agriculture (during the green revolution) has led to a reduced number of work opportunities in the rural economy which caused the flows of migration. Traditionally, the situation is difficult for



small farmers in Brazil. The infrastructure system is partly absent or dysfunctional and few but huge land owners control far more land than the small farmers together<sup>1</sup>. This perpetuates an unfair competition in the rural economy since the huge land owners often run their own network of infrastructure. The family farms in Brazil employ almost 80 percent of the labour force in the rural sector but they only have access to a minor part of the total agricultural land (one third of the total area).<sup>2</sup>

### 1.3 The history of slaves

The high inequality in Brazil and in other parts of Latin America are from a historical background often explained by the high use of slaves from colonial times until the beginning of the 20th century. As estimated by the historian Taunay<sup>3</sup>, at least 1.6 millions slaves from Africa arrived in Brazil between 1532 and 1888. Though a discussion considering how many slaves actually arrived exists and it is difficult to point out a precise number. The capital of Bahia, Salvador, became one of the most important ports where slaves were sold and the huge black population today in Bahia well illustrates the widespread history of slaves<sup>4</sup>. This history still has an impact on the development in the region since the elite never found any incitement to invest in for instance public school or health. As for instance professor Sokoloff points out the “extreme inequality” which arose in Brazilian colonies and is a determinant for the situation today can be explained by that soils and the climate was ideal to grow sugar and other lucrative crops that could be produced by very low cost in the large plantations where the slaves worked.

**“With the consequent importation of enormous numbers of slaves, small elites of European descent dominated a population consisting largely of black slaves, and later (after emancipation) non-white freedmen and their descendants. In contrast, the European colonies**

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<sup>1</sup> As late as in 1996 around 11 percent of rural property owners controlled 68 percent of the arable land in Brazil; Margolis, “A plot of their own”, Newsweek, January 21, 2002.

<sup>2</sup>The introduction to our study (ch.1.1) and the summary of the economic and social background of Brazil (ch.1.2) is a compilation from various sources listed below: World Bank, ([www.worldbank.org/br](http://www.worldbank.org/br)), CIA Factbook, ([www.cia.gov/cia/publications/factbook/geos/br.html](http://www.cia.gov/cia/publications/factbook/geos/br.html)); Roumani, *Brazil, reducing rural poverty through access to land*, World Bank group 2004, The economist, leader section (p. 12), jul 16, 2005. Latin Finance, leader section (p.1), Latin Finance, Sep 2005, Marió & Woolock, *Social exclusion and mobility in Brazil*, World Bank Group, 2004, *Mänskliga rättigheter i Brasilien*, Foreign Ministry, Sweden, 2006, *Brazil Inequality and economic development*, Vol. 1 of 2 / Policy report, World Bank Group, 2003.

<sup>3</sup> Unesco, *Slavery in Brazil*. ([http://portal.unesco.org/ci/en/ev.phpURL\\_ID=8161&URL\\_DO=DO\\_TOPIC&URL\\_SECTION=201.html](http://portal.unesco.org/ci/en/ev.phpURL_ID=8161&URL_DO=DO_TOPIC&URL_SECTION=201.html))

located in the Northern part of North America, which became the United States and Canada, developed with relative equality and population homogeneity, because there were relatively few Native Americans and the climates and soils favoured a regime of family farms centered on grains and livestock instead of one of large slave plantations”<sup>5</sup>.

As Sokoloff puts it a mayor obstacle in creating equality is the fact that most of the governments in Latin America “did not invest heavily in public schools or attain even moderate levels of literacy into the 20th century”. In Brazil the problem with schooling still exists where the Northeast parts are the worst part. The illiteracy rate is highest among the afro-brazilians<sup>6</sup>.

This discussion concerning possibilities and capabilities for people within a society and the need of adaptable institutions will be more intensively discussed in our theoretical point of departure as well in chapter 5 and 6.

#### 1.4 Aim of the study

As we have seen, a land reform in Brazil is well-motivated in order to equalise the structure of land ownership. However, in a study of this size it is of course not possible to examine the whole land reform and conclude whether it has succeeded or not. We can only study a small part of the reform and through case studies get an idea of how the situation looks like and how the capability of the settlers actually is. This examination is not a sufficient basis for drawing any general conclusions. But this is not the purpose of our study. The purpose is to see how well implemented the land reform is on a local level and what possibilities the new settlers have to become independent producers and citizens and improve their living standard and personal freedom in five settlements we have analysed. This is done by studying the capability of the settlers and their access to important institutions such as credits, education and a well functioning market. Through examining five settlements we are able to discuss theory in relation to our case studies and assess of policy implementation.

Our main areas of investigation are:

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<sup>4</sup> Ibid.

<sup>5</sup> Sokoloff, Kenneth L, *Political Inequality in Latin America: A historical perspective*, Development Outreach, February, World Bank Group, 2006.

<sup>6</sup> Mänskliga rättigheter i Brasilien, Ministry of foreign affairs, Government of Sweden, 2005.



- What possibilities have the settled families to become independent producers and to raise their living standard, personal freedom and economic and social outcome of their lives? Do the settlers have the capability to use institutions in an appropriate way, gain profit from their property and interact with the surrounding society?
- How are the organisations (governmental as well as non governmental) working in order to provide support for the settled families? Are the organisations adapting to the new situation with a large number of smallholders?
- What are the main obstacles the settlers encounter while trying to improve production and reach the market, in order to both improve their own situation and contribute to the Brazilian economy?

## 1.5 Method

This study is largely based on interviews with people, who are in different ways concerned with the land reform in Brazil. It is a field study conducted in the Northeast of Brazil, in the state of Bahia, and in Brasilia and Rio de Janeiro during a period of two and a half months in autumn 2005.

The research has been done through focusing on four different topics. These are: (1) credits, technical support, education and other assistance; (2) organisation and leadership at the settlements; (3) market strategies, refinement, co-operation and small scaled industries and finally; (4) infrastructure and other physical conditions. Through these four topics we have been trying to examine the situation at the settlements to point out both the experience the settlers share and those dividing them, to see which strategies are most efficient and successful and how the institutions work in order to see whether the settlers have the capability and access to institutions fundamental for their possibility to develop. Hence, the four topics cover internal as well as external factors and give us a broad picture of the conditions at a settlements. These topics have also been focused on in the interviews with researchers and politicians.

As Lantz writes, the method to be used in an interview varies depending on the kind and amount of data which is being studied. In our study we have used a method mixing





them during the land reform of Cardoso and some during the land reform of Lula. They are all directed by MST, *Movimento dos Sem Terra*, (The Organisation of landless people). Almost all settlements are directed by a social movement and since it is difficult to reach the settlers without having contacts inside the settlements, we have established our contacts through MST, although the presence and influence of the movement differed between the settlements. This means that we are not able to make a comparison between how different social movements manage to direct the settlements, but as this is not our purpose and considering the size of this study we do not see this as a major problem.

One might raise the question whether it is appropriate to make a study like this on a micro basis. An answer and explanation to the choice of method is the difficulties in finding current statistics on the subject. Much research has been done by different research institutes, but since we are interested in the possible changes in the process which might have occurred during the last three years, it is harder to find that kind of material. As discussed in chapter 5 and 6, the five case studies might give us important answers to our questions, even though they are not able to describe the situation of all settlements. In order to make a qualitative study the lack of statistics is by other words not a problem, but to make a comparative study, comparing our cases to quantitative material, would be difficult.

To get a broad picture of the situation and the complexity of problems we have also interviewed people involved in the land reform process, such as agronomists, members of social movements, concerned authorities, research institutes, the university in Rio de Janeiro and an investigator at the World Bank Group in Brasilia. All interviews were made during the time for the field study.

The main material is complemented by articles from newspapers and magazines such as *The Economist*, *Newsweek* and *Economic Affairs* and reports from universities, INCRA, the World Bank and UN. The historical background of Brazil is mainly based on the book *Cutting the wire* and various articles<sup>8</sup>.

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<sup>8</sup> See note 2.

## 1.8 Acknowledgements

When we refer to settlers in this study we mean people who have received land within the land reform. In this study we will also discuss the terminology of institutions by meaning various establishments and formations people (in this study specifically the settlers) interact with. For instance credit systems, various market transactions, banks, governmental organisations such as INCRA and non-governmental organisations such as MST.

## 1.9 The interviews

The interviews were all based on the four topics outline above. They were all held in Portuguese, except the interview with Blanco, which was held in English, the one with Leite, which was held in Spanish, and the interviews with Gliemann and Kjörling, which were held in Swedish. No interpreters were used. All interviews have been recorded and transcribed before being analysed.

Here follows a short description of the persons we have chosen to interview and an explanation for those movements and institutes frequently mentioned in the study.

INCRA (*Instituto Nacional da Coordenação da Reforma Agrária, The Federal Land Reform Authority*) is an institute under MDA (*Ministério de Desenvolvimento Agrário, Ministry of Agrarian Development*) which is supposed to implement the land reform. At INCRA Bahia we interviewed Marcelino Galo, manager of INCRA Bahia since February 2003 when the new government seized power. Until then he had been working as a technician with natural resources within the land reform for 23 years. We also interviewed the agronomist Aruldo Andrade at the same office. This to get an idea on how the local authorities look at the situation. At INCRA Brasilia we interviewed four more people with different charges in order to get a more general picture. Geraldo Soares works with the administration of companies and external commerce. Maria Angélica Ribeiro da Cunha is a technician with focus on education. Cecilio Rogério Mariano Anastacio works with the question of credits. Claudio Rodrigues Braga is a researcher.

MST is the biggest social movement struggling for redistributing land to landless people in Brazil. It organises occupations of land, protest marches and one of its aims

is to be present at the settlements once they have become established and legal in order to build up education and social infrastructure. MST is a leftwing organisation with a clear socialistic point of view. The settlements examined in this study are all directed by MST and we have also interviewed some persons connected to the movement in different ways. Julio Cesar Campo is an agronomist employed at MST Bahia. Solange Brito is member of the management of MST Bahia and responsible for gender issues. She is also settled at a settlement in the South of Bahia. Valgir Lucas da Silva is a co-ordinator at MST in Itaberaba, Bahia. Morten Gliemann works as a journalist at the MST in Bahia on behalf of the Swedish aid organisation UBV. He has been working at MST for two years, before that he worked at CPT (Comissão Pastoral da Terra) in Salvador Bahia. All these persons are working inside the movement since many years and have good knowledge on how it works and what the situation looks like for the settled families. As they all have different tasks within the organisation, they can see the situation from different aspects.

Sergio Leite is working at Universidade Federal Rural do Rio de Janeiro (The federal rural university of Rio de Janeiro) with issues concerning poverty reduction, land reform and rural development. He has been involved in the research of several important reports on the subject the last years.

Fernando Blanco is an economist and investigator at the World Bank in Brasilia. As the World Bank is working with poverty reduction and rural development in Latin America, their perspective and capability of making comparisons with different countries are of great interest for a study like this.

Francesco Pierri is a researcher at the research institute NEAD (Núcleo de Estudos Agrários e Desenvolvimento Rural), which belongs to MDA and is contributing with an important and broad research on the question of agrarian development. Pierri has been working for many years with land reform in the developing process, in Brazil as well as in Zimbabwe.

Lennart Kjörling was working as an aid worker for UBV in Salvador, Bahia during five years (1997-2002) and he is still living part time in Bahia. In 2004 he released his first book about Brazil, *Så länge det finns hunger* (As long as hunger exists) and in 2005 the book *Lula* was released. In his work Kjörling is mainly concentrated on the landless organisations and the situation for landless, settlers and rural workers.

At the settlements we have interviewed the president and the vice president. This might seem questionable as the president might have an interest in describe his or her settlement in a special way. However, the president is the person most likely to give a general picture of how the settlement works. In most cases we have also been talking to other settlers and, above all, seen with our own eyes how the settlement seems to work, what it manages to produce et cetera.

The persons interviewed in this study all have very different occupations and perspectives. This is done on purpose. The question on land reform in Brazil is a very complex question and the interests are strong. The settlers and MST might be interested in giving a picture worse than it actually is, in order to put pressure on the government. In the same way, the personnel at INCRA might be interested in painting the picture more beautiful than it is to gain popularity and support for the government. Therefore, both sides are important, so are also the researchers studying the situation from outside, without any (visible) political interests.

### **1.10 Disposition**

Primarily we will discuss and brief our theoretical point of departure relevant in order to understand our aim and discussion further on in a clear and trustworthy way (ch.2). This will be followed by a closer brief on the agricultural situation in Brazil (ch.3). Thereafter our own results from the case studies in Bahia and interviews made in Brasilia and Rio de Janeiro will be presented in two chapters (ch.4 & 5). Finally our own results and the theoretical point of departure will be summarized and further analyzed (ch.6).



# Chapter 2.

## Theoretical point of departure

### 2.1 Theoretical introduction

In this study we approach development and growth from a viewpoint where growth and equality are closely linked to each other in the developing process of structural change towards a modern economic growth. The pattern of growth affects the level of equality, and the pattern of equality/inequality has an impact on, growth processes and structural change. Growth and equality thus affect and reinforce each other.

In the same way poverty reduction influences both the pace and the pattern of growth while the pattern of growth and structural changes influence whether poverty increases or declines. Long-term processes regarding migration streams and size of home market are all important factors for development. They are also heavily influenced by the changes in poverty. A reduction in poverty may therefore give important contributions to economic growth<sup>9</sup>.

In this chapter we present thoughts and theories of various economists with different viewpoints on the development process. A discussion concerning agriculture, land reform, property rights and institutions is as relevant in this study as to deliberate possibilities among individuals and socioeconomic groups to contribute to their own outcome of life.

Examples from Western Europe and East Asia (illustrated further on in this chapter) show that egalitarian systems with a widespread access to capital and resources among the population have been an efficient way to reach economic growth. A common functioning market for both smallholders and large landowners is crucial for development. Thus, the market often fails to contribute in the development process, as the institutions tend to work to disfavour smallholders. Generally, while property rights are vague this results in difficulties in receiving credits and low incentives to invest.

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<sup>9</sup> *The World Bank, World development report 2006*, Oxford University Press, New York, 2005. LAB, 2005 also Ferreira, Walton, *Inequality of opportunity and Economic Development*, World Bank Research Working Paper 3816, (<http://econ.worldbank.org>) January 2006.

Even when property rights are functioning bank systems often neglect smallholders. Thereby one could argue that smallholders and large landowners do not compete under equal conditions at the market. This will slow down economic growth since available resources are not used in an efficient way. As de Soto puts it:

*“What decides an economical system of a country is the way the institutions work.”*<sup>10</sup>

He discusses how inadaptable institutions in Latin America exclude people from running businesses. Thereby countries lose important parts of available talents and entrepreneurs<sup>11</sup>.

In this study we argue for and discuss the need of governmental intervention in order to improve the conditions of the poor and we see personal freedom and development as important factors for improving economic growth. Also governmental technical and financial support is necessary to make the development of the small holders possible. This argumentation is built upon a set of complementary approaches by various economists, who we will discuss more in detail in this chapter<sup>12</sup>.

First, we will discuss the concept of equity and the closely linked discussion about individual freedom and social opportunities inspired by Amartya Sen<sup>13</sup>. This will be followed by a brief presentation of relevant economists discussing the role of institutions, property rights and various thoughts of land reforms. This theoretical concentration is of importance in order to analyse and discuss our case studies at settlements in Bahia and the Brazilian land reform as a whole in a wider understandable and trustworthy manner.

## 2.2 The concept of equity

Equity puts focus on different forms of individual and socioeconomic possibilities and obstacles. For instance life outcome of a person shall depend on his or her efforts and talents rather than socioeconomic backgrounds. It shall not be possible to judge if a newborn child will succeed economically or socially depending on gender, family

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<sup>10</sup> De soto, *The other path*, (Swedish edition; *Den andra vägen*), page 252, Perseus Books Group, 2002

<sup>11</sup> De Soto, 2002.

<sup>12</sup> For instance Sen, Martinussen and Griffin.

<sup>13</sup> Sen, *Development as freedom*, (Swedish edition; *Utveckling som frihet*), Daidalos AB, Göteborg, 2002.

origin, race or other similar preconditions. An important tool to use when determining inequality of opportunities is to encapsulate access to health, education and possibilities to participate in the society for different individuals and socioeconomic groups. Also the quality of accessible services and institutions is of importance for understanding the condition of the poor. If one specific group is treated differently by institutions than another it thereby suffers from various forms of discrimination and inclined possibilities to succeed socially and economically<sup>14</sup>.

“Two individuals may both live in areas where formal labour market exist, where courts are agile, and where the police force is present. But if these two people, because of their gender, race, religion, sexual orientation, political beliefs, residential address or any other morally irrelevant reason are differently rewarded for the same work in the labour market, are discriminated against by the court of law, or are treated with bias by the police force, then the rules are not being applied fairly. Therefore, these two people do not have the same opportunity sets. Equity also requires fairness in processes.”<sup>15</sup>

The quotation above can be applied to the incentives of investing in land or other properties. With few possibilities to maintain or receive property rights people will not invest. A state has to supply various types of public services to make the whole population a part of the economic and social life. As described in the *World Development Report 2006* talents and ideas are widely distributed within the whole population. A modern society is in need of the majority of the population to contribute economically and socially. Therefore various forms of public inputs and goods have to be available to make not only the well-to-do citizens a part of the economic process.<sup>16</sup>

Often the status of the institutions is a result of income and power distribution inside a society. As described in the *World Development Report*:

“Poor institutions will emerge and persist in societies when power is concentrated in the hands of a narrow group or an elite”.<sup>17</sup>

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<sup>14</sup> *World Development Report 2006, 2005 & Andersson & Gunnarsson, Egalitarianism in the process of Modern Economic Growth: The case of Sweden, 2005.*

<sup>15</sup> *World Development Report 2006*, page 19, 2005.

<sup>16</sup> *Ibid*, page 124.

<sup>17</sup> *Ibid*, page 107.

This group will probably create proper property rights for themselves but not for the majority of the population. As well the government will probably grant this group and their children will experience good education though the rest of the population will not gain from it.

Countries are in need of a set of underlying institutions to generate equality when it comes to possibilities for individuals. An egalitarian distribution of political power emphasizes institutions promoting wealth. Not functioning or “bad” institutions develop since the government benefits only a small group or the elite. Economic development within countries suffering from poor institutions is seen as unsustainable.<sup>18</sup>

Andersson & Gunnarsson<sup>19</sup> discuss how these processes work and point out two perspectives from which the discussion can be held. *Equality of opportunity* focusing on possibilities of individuals to improve their life conditions and *equality of rights*, which directs attention to institutional set-up<sup>20</sup>. They stress equality of opportunity;

“to be closely related to individual capabilities such as literacy or specific skills but also concerns access and distribution of property and the possibility to derive an income from property. Without this equality of opportunity it is not likely to expect economic actors to receive or respond to economic reforms in an equal way.”

Nor will the outcomes of the economic growth be spread equitably.<sup>21</sup>

## 2.3 Development as freedom

The equity concept is closely connected to the works of Sen. According to Sen increased human freedom is the main and most important tool in order to create development, no matter what the conditions are from the beginning. Sen describes and argues for a set of important conditions used to increase economic and social output in third world countries. Opportunities among individuals to form their own future are stressed as very important. People shall not just serve as receivers of programs of

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<sup>18</sup> Ibid.

<sup>19</sup> Andersson & Gunnarsson, 2005.

<sup>20</sup> Ibid.

<sup>21</sup> “Equality of rights is related to the protection by law of individual civil rights”, Andersson & Gunnarsson, (p. 7), 2005.

development<sup>22</sup>. We consider a closer presentation of Sen of importance since he is intensely referred to in many of reports discussed in our study.

According to Sen a decisive factor of freedom (an instrumental liberty) is economic possibility. Economic possibilities depend on which opportunities exist to use economic resources of consumption, production and exchange. These factors are due to what a person owns, have access to, prices at the market and the way the market is functioning. One decisive factor to achieve economic possibilities is the accessibility of credits for big producers and smallholders<sup>23</sup>. Different forms of social opportunities as education and health are also stressed as very important by Sen. This is not only important for individuals themselves but also since these opportunities make them more efficient in economic and political activities and thereby gain the whole society.

In *Development as freedom* Sen points out important differences among countries with high economic growth. South Korea and Taiwan with high life expectancy rates and life quality are compared to Brazil with no comparable successes in this area of investigation. Sen points to educational and health related efforts made by countries in South and Southeast Asia as explanations for their success. Development of social opportunities is stressed as an explanation for economic development and widely distributed employment. In Brazil the creation of social opportunities has been much slower which has inhibited economic development according to Sen<sup>24</sup>.

The importance of a functioning market mechanism does not only reflect the results. As Sen puts it, the market mechanism is also of importance in itself. The future for people depends on which institutions are available and how they are proceeding. The own personal responsibility is also important, although responsibility for ones own life and for the society in a wider perspective can't be held on a person who doesn't have freedom. An example stated by Sen is when a person who doesn't get healthcare for a disease not only lacks life quality but also possibilities to become a responsible citizen participating and taking responsibility in the surrounding society<sup>25</sup>. According to Sen third world countries need governmental interventions and action if the poor shall be "free". He refers to the developed countries of today:

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<sup>22</sup> Sen, (p. 74-75), 2002.

<sup>23</sup> Ibid, (explicit in chapter 2 and 5).

<sup>24</sup> Ibid, page 63-66.

<sup>25</sup> Ibid, page 191.

“The widespread social opportunities made it possible for the main part of the population to take an active part in the process of economic growth.”<sup>26</sup>

Even though Sen holds the market as an important factor when it comes to development he also points out problems and difficulties occurring when the market mechanism fails, for instance if not all participants share the same possibilities to handle market transactions. According to Sen the market mechanism works best when everyone can make use of it. This is only possible if the whole population has access to a well functioning school system, health care, resources and land. According to Sen human capital broadens economic growth<sup>27</sup>. This approach we find important to consider while studying for example land reforms. Thereby we see vital arguments for involving the whole society in order to create not only equity as an intrinsic value but also as a factor fostering economic growth.

## 2.4 Property rights and inadaptable institutions

As discussed earlier, property rights and well functioning institutions are important for involving the whole population in the national and international economy and society. With proper property rights and institutions people have some of the basic tools needed in order to make investments and begin production. One of the main proponents for the value of this belief is de Soto, who stresses that,

*“owning land can make the difference between being a serf and a citizen”<sup>28</sup>*

De Soto discusses the rising informal sector in for example Latin America as a result of an inadaptable state where many citizens are totally excluded from the formal society. In such situations people find their means of surviving in the informal market, to them more effective than the formal. The informal market contains forms of ownership rights and other safety net that the poor don't receive properly otherwise. According to de Soto the great challenge is for the society to create laws and institutions adopting the reality of the poor and he holds clear property rights for most important in order to improve development. He claims the importance for the state and society

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<sup>26</sup> Ibid, page 206.

<sup>27</sup> Ibid, (chapter 5).

<sup>28</sup> De Soto quoted in the article: *A plot of their own*, Margolis, Newsweek, januari 21, 2002.

to improve the institutions if they want the support back from the main part of the population<sup>29</sup>.

“The reserve of entrepreneurs and talent doesn’t work automatically, the institutions must give the reserve an occasion to work, [...], just look at all the people from Peru who from the beginning were doomed to poverty but succeeded when they migrated to another country because they finally could run a business with protection from the law”.<sup>30</sup>

Also Dahlman discusses property rights connected to economic and agricultural development. Property rights determine income and wealth distribution and also work as signals for behaviour such as guiding incentives. Although it is possible to see economic efficiency in the functioning of some economic institutions it is impossible to construct a theory on how the institutions should appear since various surrounding conditions hold a strong influence on the process of the single case<sup>31</sup>.

This is important to bear in mind while looking at different examples where a land reform has been carried through. As we discuss how egalitarian property structures contribute to growth we will make a brief comparison between Asia and Latin America further on in this chapter. This can be seen as two opposites when it comes to whether land reforms have succeeded or not. This comparison also points out the need of equity and how this not only creates better life opportunities for the poor but also generates economic growth for a whole country, even though Brazil has to find its own way. The specific conditions for the country to just copy the land reform of another country.

## 2.5 Land reform contributing to growth

When Griffin et al discuss how land reform may contribute to growth, the idea of equity is present, even though not explicitly. They show how five countries (Japan, Taiwan, South Korea, China and Vietnam) successfully transformed the agrarian structures into a system of individual peasant farming with a highly egalitarian access to land during the period after the Second World War. Before the transformation they were all characterised by extreme scarcity of land, a very large agricultural sector, high

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<sup>29</sup> De Soto, 2002.

<sup>30</sup> Ibid, page 252.



incidence of tenancy and an unequal distribution of landownership.<sup>32</sup> Through two different paths they managed to create a dynamic sector, much more efficient than earlier, by creating an egalitarian system of smallholders. The example of Taiwan shows how the land reform brought about great agricultural growth. Between 1952 and 1964 total production grew by five percent a year.<sup>33</sup> However, it is difficult to draw any general conclusions from this. The political circumstances which were special for this period and these countries.<sup>34</sup> The attempts done in Latin America to realise land reforms have not had the same success. Even though the continent has experienced land reforms in various countries (like Bolivia, Chile, Colombia, Ecuador and others) these have not had the effects as in Asia, much due to the fact that even though land was redistributed, farmers did not receive neither the technical nor the financial support they needed to develop; governments did not invest in human capital in the countryside and public investment in rural transport and communication was poor. Griffin et al argue this shows:

“land reforms are most likely to succeed when they are a part of a comprehensive strategy for rural development. /.../ Also required are price reforms, improved access to credit, greater emphasis on human capital formation and improved physical infrastructure”.<sup>35</sup>

Although Griffin et al do not use the concept *equity*, they are obviously influenced by the same ideas and take the discussion further than de Soto by claiming clear property rights are not enough; access to institutions and capability, is fundamental if the land reform is to bring about equalising effects.

According to Griffin et al unequal distribution of land and income are bad for many reasons, and therefore a land reform is important in those countries, mainly underdeveloped, which suffer from these conditions. As we have seen the land reforms in the five Asian countries contributed to rapid economic growth. Poverty declined both because of a more equal distribution of income and wealth and because economic

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<sup>31</sup> Dahlman, *The open field system and beyond. A property rights analysis of an economic institution*, Cambridge: Cambridge University Press, 1980.

<sup>32</sup> Griffin et al. *Poverty and distribution of land*, page 36, Mimeo, University of California Riverside, 2000.

<sup>33</sup> Ibid, page 40.

<sup>34</sup> Ibid, page 54.

<sup>35</sup> Ibid, page 26.

growth raised the average level of income.<sup>36</sup> Griffin et al show that, small farmers cultivate the land more intensively and generate more employment per unit of land. The productivity of labour tends to increase with farm size, labour is the most expensive factor for the large landowners and the less expensive for the small landowners. Large landowners tend to economise more on labour relative both to capital and land, but since labour is abundant and land and capital are scarce in most underdeveloped countries, small farms have a higher total factor productivity.<sup>37</sup>

Another important reason for creating job opportunities and raising the living standard in the countryside is the fact that it would reduce the number of poor people not only in the rural but also in the urban areas. Todaro argues that the main reason for people to leave the countryside and migrate to the cities in underdeveloped countries is the expected gap between urban and rural wages.<sup>38</sup> Therefore, rising wages in the rural area would make the incentives to leave the rural area for the urban decline. This would make the supply of labour in the cities smaller which could rise the wages even there. The conclusion is that all of the poor would benefit from a well implemented land reform, whether they are living in the countryside or in the cities.<sup>39</sup>

Griffin et al. argue that an equal land distribution gives faster growth and faster growth increases the possibility of reducing rural and urban poverty, which, in the long run, leads to economic growth. Just like the economists using the equity concept, they also stress the pattern of growth as being as important as the pace of growth. If economic growth is income disequalising or strongly favours a sector or is based on a natural resource like minerals or petroleum, then the income and wealth equalising effects of a land reform would be neutralised by the disequalising effects of the pattern of growth. But if growth is labour intensive and income equalising, land reform and economic growth will reinforce one another as described above, and poverty will decline.<sup>40</sup>

Martinussen agrees with the importance of land reform and gives examples of successful reforms which have had a positive impact on as well growth as an increase of

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<sup>36</sup> Ibid, page 56.

<sup>37</sup> Ibid, page 12.

<sup>38</sup> Todaro, *Economic development*, (page 310), USA: Addison-Wesley, 2000.

<sup>39</sup> Griffin et al, (page 20), 2000.

<sup>40</sup> Griffin et al, page 56, 2000.

equity.<sup>41</sup> He claims a land reform can be seen from two perspectives: a growth perspective and distribution perspective, where the latter is seen as a goal in itself to make the access to and control over land and other means of production more equal, and argues a land reform which includes a redistribution of land from large to small farmers could be positive from both perspectives. Large farmers normally don't have strong incentives to increase productivity or production. They could rather be interested in keeping the productivity and through this the supply of goods down, as a larger supply would result in lower prices. These incentive structures have been seen in for example Latin America. Martinussen also stresses the relationship between the size of the farm and the output per area unit, where the smaller holdings are the most productive.<sup>42</sup>

## 2.6 Institutional reforms

As discussed above, Griffin et al point out the fact Latin America has not managed to reform its institutions when realising land reforms as the main difference to the successful land reforms in Asia. The capability of the settlers has been low since they have not had access to fundamental institutions. One of the crucial institutions to reform in order to increase equity is the credit system, which enables the farmers, who in most cases totally lack capital, to make their first important investments in order to start up a production. Small landowners are normally disfavoured by the system of credits. The cost of financial capital is in general lower for large landowners than for small peasants since they have access to commercial banks and other formal sector lending institutions. Small peasant farmers in many cases lack this access because they are illiterate, lack collateral, have insecure titles for land et cetera.<sup>43</sup>

Martinussen joins Griffin et al and stresses the importance of institutional reforms in agriculture. A redistribution of land is not enough; it has to be

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<sup>41</sup> Martinussen, *Society, State and Market: A guide to competing theories of development*, page 139, Zed Books Ltd, 1997.

<sup>42</sup> Ibid, page 138.

<sup>43</sup> Griffin et al, page 9, 2000.

“supplemented with more direct support to small farmers in the shape of agricultural extension services, expansion of the credit system, and generally better access to services and inputs.”<sup>44</sup>

According to Martinussen the main reason why these services have not been implemented in for example Latin America is that the small farmers have not been able to comprise a powerful lobby which could work for their interests and put pressure on the governments.<sup>45</sup> Access to political instruments is thus an important condition which would raise the equality of opportunities.

Also Blomqvist & Lundahl concur with these thoughts and claims land reforms tend to be ineffective if they are not completed with credits, education, infrastructure et cetera. The market is often considered to solve these problems, but Blomqvist & Lundahl stress the fact the market in most cases doesn't manage to provide the settlers with the services they need, even though there is a great demand.<sup>46</sup>

According to Smith there exists demands on some basic conditions in order to succeed with a land reform. Smith refers for example to the capability of the government to support family-scaled farms with secure titles, credits and technical input and knowledge. It is important, that the government promotes the market strength of small farmers internationally as well as locally. According to Smith it is also important that the international agribusinesses lose their subsidies to avoid unfair competition, for example their control over prices along the chain of production will be regulated.

The conclusion Griffin et al draw is that land reform is difficult. As we have seen, partly because there is no role model or blue print which would work in all societies, and partly because a land reform has to be so much more than just redistributing land.<sup>47</sup>

## 2.7 Other perspectives on land reform

Gerbach and Siemers discuss the land reform as a possibility of ”inducing the transition of a society caught in a poverty trap to a higher developed, skill-based economy where

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<sup>44</sup> Martinussen, page 139, 1997.

<sup>45</sup> Ibid, page 139.

<sup>46</sup> Blomqvist, H.C. & Lundahl, Mats, *Ekonomisk utveckling*, page 128, SNS Förlag, 1992.

<sup>47</sup> Griffin et al, page 59, 2000.

agriculture plays a minor role”<sup>48</sup>. However, they argue that land markets must be restricted to a certain degree, otherwise settlers may prefer to sell land and switch sectors before they have accumulated human capital. If this happens the settlers will stay in or return to the poverty trap. Therefore, Gerbach and Siemers argue for a prohibition of land sales (though land purchases shall not be restricted) to benefitate the reform. They find that it is important to determine to what extent property rights shall play within a land reform. They illustrate a model where;

“beneficiaries of the land reform should be given property rights as part of the transferred land while the remaining part is only given on a temporary basis. Hence, the incentive effect of property rights can be at work, but not to the full extent, and a collateral is at hand”<sup>49</sup>.

Gerbach and Siemers mean that land enables households to improve their outcome but parents will only invest in education for their children if their income exceeds a certain given level. They mean that a successful land reform must be implemented gradually and that only small parts of the population shall receive land at the same time in order to accumulate human capital. This since they claim that small land transfers won't bring about any long-term effects. Therefore, they also argue that it is impossible to avoid a temporary state of inequality.

## 2.8 Entrance to our own study

As we have seen it exists no role model for a land reform. Not least since a land reform has to include a set of roles besides just a redistribution of land. As Griffin puts it:

“The thrust of a programme to reduce rural poverty should be to undermine the system of labour control, by reducing the concentration in the ownership of the land, by eliminating landlord bias, by correcting urban bias and by weakening the social, environmental and institutional controls that obstruct the material and human development of the poor. A successful redistributive land reform is thus likely to be only one part of a comprehensive effort to reduce both income and human poverty. Land reform in this broader context is extraordinarily difficult; it is inevitably confrontational and the outcome of struggle; and it is a

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<sup>48</sup> Gersbach & Siemers, *Land reforms and economic development*, p.28, Centre for Economic Policy Research, 2005.

rare event, occurring only when the balance of political forces is propitious. Land reform is not a technocratic exercise; it is a transforming political event."<sup>50</sup>

Thus, the arguments for realising land reforms in unequal and underdeveloped countries in order to increase as well equality and growth are clear. Implementing a land reform is not only handing out land; to make it successful it requires a conscious strategy with the aim to not only secure the property rights, but also to raise the capability of the settlers to make them independent producers and citizens. Earlier land reforms in Brazil and Latin America have not been able to carry through the required institutional reforms. To see if the current land reform in Brazil manages better has been the aim of our study, and we will now see in which way the Brazilian institutions are adaptable to make the settlers capable of make a living from their new property.

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<sup>49</sup> Gersbach & Siemers, page 29.

<sup>50</sup> Ibid, page 59.  
Beyond Dusty Land  
Page 28

# Chapter 3.

## Agricultural development in Brazil

### 3.1 Transformation of Brazilian agriculture

During the “Brazilian miracle” or the “green revolution” in the 1960s and 1970s parts of the rural drastically changed into industrialised fractions. In the beginning of the 1980s the industrial output of Brazil was the seventh largest in the western world.<sup>51</sup> Despite the success for a few, Brazil of today second to only South Africa contains the world highest rankings of income inequality<sup>52</sup>. The Brazilian landscape is in our time characterised by large modern agricultures situated side by side to poor rural farmers fighting for their subsistence.

At the beginning the “green revolution” was meant to support the growing urban population and to increase exports which was part of a governmental strategy to transform Brazil into an important actor at the international market. During the military regime, which seized power in 1964, the modernising agriculture definitely began. The government draw new political guidelines in co-operation with large landowners. The modernisation of the agriculture was now seen as most important and urgent. The discussion about land reform was pushed aside. By few huge and effective farms owned by a very small part of the population Brazil succeeded in producing huge harvests resulting in a remarkable increasing export.<sup>53</sup>

Soya became one of the most important elements in the new Brazilian agriculture. In post war Europe soybeans became an important substitution for the lack of meat. The cultivation of soya rose in Brazil from 432 000 acres in 1964 to 11 million acres in 1992. Bean, flour, oil and soya became Brazils most important export products. As well the export of coffee, orange juice and poultry rose quickly.

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<sup>51</sup> Marió and Woolcock, page 70, 2004.

<sup>52</sup> Illustrating examples: One fifth of the 182 million inhabitants live on less than two dollar a day and 8 percent lives on less than one dollar a day. One percent of the population earns more than the poorest 50 percent, source: [www.worldbank.org/br](http://www.worldbank.org/br) (Overview - Country brief) and Marió and Woolcock, page 5, 2004.

<sup>53</sup> Branford & Rocha, *Cutting the Wire*, (chapter 9), Latin America Bureau, LAB, 2002.



Small rural societies in Brazil were generally inclined in a negative way by the new agricultural direction. Normally they had no possibilities to be a part of the rapid change. Many small farmers were forced to cultivate only one crop and lost the possibility to be self-supporting. Since they are more vulnerable to bad weather, diseases and market turns than large farmers their new way of life became very unpredictable. Some were forced to expand their bank loans if they even had the possibility to get bank loans since smallholders were strongly disfavoured by the bank system. Some were forced to bankruptcy and the government made few attempts to help them<sup>54</sup>.

As the number of small farms sank notably the government supplied only the large cultivators with different forms of suspensions and their productivity rose. More land resources were needed due to a rising food import<sup>55</sup>. Due to better and cheaper conditions of import the former important cotton exportation went down<sup>56</sup>. This was also bad for the small farmers and resulted in fewer work possibilities in the industrial sector which made the informal sector grow considerably<sup>57</sup>.

### 3.2 Land reform of Cardoso

When general elections were reintroduced after the military regime in 1985 the debate concerning a land reform rose again. But it was not until 1995 and president Fernando Henrique Cardoso a Brazilian government for the first time put real political effort in reforming the rural.

Cardoso brought out the first land reform of modern day in Brazil. Between 1995 and 2002 18 million hectares of land was parcelled out to more than 500 000 families, almost two million people. This number exceeded the amount of land handed out during the last 500 years. The purpose of Cardoso was to help the new settlers to become “full socio-economic citizens”.<sup>58</sup>

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<sup>54</sup> Ibid, (explicit page 172 and wider discussed in chapter 9).

<sup>55</sup> 7.5 billion dollar was imported and 5 billions exported 1999, Source: Branford & Rocha, page 173, 2002.

<sup>56</sup> Between 1985 and 1997 Brazil was transformed into the worlds second largest importer of cotton (650 million dollar a year) from being one of the largest exporters (360 million dollar). Source: Branford & Rocha, page 174, 2002.

<sup>57</sup> Branford & Rocha, page 174, 2002. The migration flows and the informal sector is also intesively discussed in for example Marió and Woolcock, 2004.

<sup>58</sup> Margolis, *A plot of their own*, Newsweek page 22-26, January 21<sup>st</sup>, 2002.

But even though more land than ever was handed out through the Cardoso government the impeachment was strong and the land reform was heavily criticised. The MST was one of the antagonists. Gilmar Mauro, the leader of MST, found the land reform incomplete.

*“The government just want to ease social tensions by handing out land. We have been left orphans.”*<sup>59</sup>

It is obvious that Cardoso could not totally dismiss the critics. Thousands of poor abandoned their new lands after a short period and the conditions concerning health, water and electricity were poor in many settlements. 95 percent of the settlements didn't have access to running potable water, diseases were spread and less than 5 percent were financially independent in 2002. The land given to the landless was generally poor and was often to be found in the Amazon<sup>60</sup>.

To compensate the poor results in the first reform the government introduced the New Rural World (Novo mundo rural) strongly devoted to market mechanisms. Through New Rural World the land was supposed to be bought by the landless instead of just handed out to them. The settlers moving to the land were forced to confirm they gradually would pay for the land. The family had three years to pay for the land and if they did not succeed the loan was supposed to be cut back and the settlers would lose their land. The settlers themselves were also forced to consult private companies to create the infrastructure needed. Until then Incra had been responsible for this part of the reform, now was Incra more or less excluded from the land reform. The minister of agriculture Raul Jungmann established Banco Da Terra (The land bank) which supplied the families with loans. The aim was to create small rural entrepreneurs. NGOs in the country criticised the government and claimed they misled the population by calling New Rural World a land reform. They meant it was just a form of land and loan distribution without further guarantees of assistance and claimed the cost was too high for poor families. Since many people were illiterates they didn't have the possibilities to adopt their lives to microeconomics. Osvaldo Russo, former

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<sup>59</sup> Quotation from Margolis, 2002.

<sup>60</sup> Margolis, 2002.

president of INCRA condemned the project but said it would probably work for better “well-off” Brazilians.

The criticism led to the establishment of a system called *Credito Fundiario* aimed to increase the financial opportunities for poor farmers. Through *Credito Fundiario* the land still had to be bought by the settlers but Incra once again became responsible for creating assistance and infrastructure.<sup>61</sup>

### 3.3 Land reform of Lula

At the time Lula da Silva was elected president he made it clear a land reform would be of top priority:

“It is absolutely essential for the country to implement the National Land Reform Plan, since it will create jobs in rural areas, advance policies aimed at ensuring food sovereignty, fighting poverty and consolidating family farming”.<sup>62</sup>

The words of Lula were nothing in particularly new in Brazil, the debate had as we have seen been going on for decades. Though Lula was seen as the saviour among many who were longing for a fast and radical change. In the National land reform plan “Living with Dignity in the Country” new guidelines for land reform were released. The need of a widespread land reform was motivated in a wide perspective. The land reform was presented as urgent when it came to transforming the whole Brazilian society.

“It promotes job creation, income generation, and a sovereign and balanced occupation of our territory, while also ensuring food security, fostering and preserving traditional cultures and the environment, and stimulating local economies and regional development.”<sup>63</sup>

The land reform of Lula included a set of goals. 400 000 families would be settled during the first four years, 130 000 families would be provided land through

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<sup>61</sup> Branford & Rocha, (chapter 10), 2002.

<sup>62</sup> *Living with Dignity in the Country (Vida digna no Campo)*, Government Country Program of Presidential Candidate Luiz Inácio Lula da Silva, 2002, in this study quotation from *National land reform plan, Peace, Production and Quality of Life in the Rural*, Department of Agriculture, Brasilia, 2005.

<sup>63</sup> *National land reform plan, Peace, Production and Quality of Life in the Rural*, page 7, 2005.

land credit and for another 500 000 families land should be regularised. The ambition was to advantage more than one million families and generate 2 million jobs. Through governmental interventions like access to credit, agricultural insurance, technical assistance, rural extension and implementing policies to ensure market access, agro-industrialisation, environmental restoration and preservation the settlements themselves would be formed in the of Lula desirable way.<sup>64</sup> The government also encouraged the settlers to organise themselves collectively.

**“A joint production and marketing strategy will open up new economic avenues for settlements so that they are tightly knit within the dynamics of territorial development.”<sup>65</sup>**

MST who supported Lula during the election campaign today exposes the government with heavy criticism. Some huge and noticed demonstrations have been arranged (for example 13 000 landless marched into Brasilia in May 2005) and the process of land occupation yet is present. Through Lula 59 000 families have been settled a year which is far lower than promised. This is one of the main reasons to disappointment within MST.<sup>66</sup>

### **3.4 The equity concept in the land reforms?**

The differences in the two last Brazilian attempts on realising land reform have been huge. Cardoso has been focused on directing the settlers towards a market adaptation and Lula is trying to reform the surrounding institutions. Has the concept of equity been present at all when formulating strategies and goals for the land reforms?

The main focus of Cardoso was on distributing land. Cardoso relied on the belief the market would solve the rest of the situation and put little effort on reforming institutions. When his land reform was about to fail his first measure was to introduce the program New Rural World and *Banco da Terra* which was strongly devoted to market mechanisms. His attempt has been to strengthen the equality of rights but the equality of opportunities has been neglected.

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<sup>64</sup> Ibid, page 38, 2005.

<sup>65</sup> Ibid, page 5, 2005.

<sup>66</sup> *A thin red line*, The Economist, page 39-39, May, 2005.

Even Lula has been focusing on a fast distribution of land to reach as many families as possible. However, his perspective has been a bit wider than Cardoso's; the document "Living with dignity in the countryside" stresses the importance of governmental intervention and reformation of institutions and infrastructure which can be seen as an understanding of the idea of equity. The question still remains: is this working in the reality? After a short presentation of the visited settlements we will discuss whether the presence of these ideas are making any practical difference for the settlers or not.

# Chapter 4.

## The settlements

Bahia and the rest of Northeast Brazil has the highest concentration of poor people in the whole of Latin America<sup>67</sup>. The region suffers from Brazils lowest wages and more than 500 000 square kilometre landmass is unevenly distributed among the almost 14 million inhabitants.

In this chapter we briefly describe the settlements visited during our field study. They vary significantly with regard to age, physical situation and amount of settlers as seen in the short following presentation. However, many similarities exist concerning development of cultivation, social and economic conditions and the (lacking) adaptation to the market. In chapter five these differences and similarities will be discussed further.

### 4.1 Panema

Panema was established in 1999 and contains 58 families. The land is divided into individual and collective plots. Main crops are manioc, cashew, passion fruit, banana, beans and corn. Some cashew is sold to purchasers visiting the settlement and the rest of the crops is for the subsistence of the families. Among the settled in Panema there is a will to produce a surplus, not least since they have to pay back loans to the bank.

The work at the settlement is done manually. One tractor exists but is shared between seven settlements and fifteen camps<sup>68</sup> and therefore the access is insufficient. The soil is described as weak and the settlement is in need of better fertilisers. This makes it difficult to cultivate for example manioc but the settlers still continue this cultivation. The settlement received its first credits two years after its establishment. There has been no further distribution of credits since then.

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<sup>67</sup> Marió and Woolcock, 2004.

<sup>68</sup> Areas occupied by landless are called acampamentos. The landless build a camp where they live until they get legal access to the land.

To develop the production and start new projects the settlers demand technical assistance, at the time visited this had only been available for short periods of time. The property rights are not clearly defined which inhibits the settlers to invest in their plots. According to the settlers they do not have any guarantees of ownership and the president at the settlement blames MST as well as INCRA for slowing down the process on purpose.

Commonly farmers work on closely situated *fazendas* to earn money in order to buy the goods they do not produce by themselves<sup>69</sup>.

#### 4.2 Eldorado (Pitinga)

Established in 1996 fifty families today live at the settlement of Eldorado. The former owner produced cacao and the cacao trees are still giving fruit. Besides cacao, okra, corn, beans, banana and manioc are cultivated. Main part of the production is for subsistence but a small part is sold in the small town of Santo Amaro, about 20 kilometres away. Also sweets of cacao and fruit are sold together with MST-souvenirs in a small store at the settlement.

The land is divided between collective and small individual parcels. At the collective parcel cows, horses, donkeys and hens are grazing, the horses and donkeys are used in the agricultural work. The soil is decent for production of okra though the manioc and banana are difficult to cultivate. The farmers consider ending the manioc production since the crop easily turn rotten in the rainy climate and clayey soil. They do not cultivate any manioc collectively.

The initial credit was partly delivered after struggle and occupations at the INCRA office.

Settlers at Eldorado were forced to rearrange the cultivation and produce crops in not suitable seasons due to delayed credits. They have received some technical assistance, mostly in the phase of establishment, but the settlers demand more help from the government, especially if they are to make long term investments<sup>70</sup>.

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<sup>69</sup> Damião Ferreira, J.V. Bizerra Ferreira, Brito de Souza, C Bizerra Ferreira & Santana Ramos, Assentamento de Panema, Panema, 11<sup>th</sup> of November 2005



### 4.3 Primeiro de Abril (Vila, Itaberaba)

Founded in 2005, after being a camp for almost five years, 94 families today are settled at Primeiro de Abril. The settlement is divided between both individual and collective parcels with very dry soil and a climate characterised by an absence of rain. The settlers have been trying to cultivate corn, beans and spring greens collectively. They also plan cultivation of water melon, potatoes, manioc and a joint provide of hens. At the time visited some hens and donkeys were shared at the settlement. During daytime the men work at the surrounding *fazendas* and earn 12 *reais* a day. This brings a salary below the minimum wage.

The settlement has not received any technical assistance yet. The settlers are waiting for the examination of the soil. They had finished their *plano de aplicação* and were waiting for the credits and hoping the *credito de apoio* to come in January, a year after the establishment. With support from MST and through the money earned at the surrounding *fazendas* they had bought an old machine to facilitate the irrigation. They had also bought kitchen utensils to every family. All work is done by hand.

In August 2005 a sewing project was established in the *Oficina de Artesanato*. The women are making towels, clothes, bags and dolls which they plan to sell outside the settlement, for example in Salvador.

There is a river floating through the settlement where the farmers are planning the establishment of an amusement park to run beside the agriculture. They also want to plant more flowers to make the place more attractive and tempt people to visit<sup>71</sup>.

### 4.4 Pedrinhas

The settlement was established in 1997 and has 80 resident families. The land is divided into individual and collective parcels. No work is done at the collective parcels. The settlement has recently got a new president and direction and the settlers hope to collectivise more of the work a task that the last president did not manage to organise. The leadership had until the time of our visit not been working satisfying. Huge part of

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<sup>70</sup> Célia & Dagoria, Assentamento do Eldorado, Pitinga, 21<sup>st</sup> of November 2005

<sup>71</sup> Lucas da Silva, MST, Itaberaba, 2<sup>nd</sup> of November 2005, Rodrigues Santos, Fernandes dos Santos, Gomes Santana de Jesus & Barosantos, Assentamento Primeiro de Abril, Itaberaba, 2<sup>nd</sup> of November 2005

the land is pasture and many of the settlers are therefore trying to raise cattle, for instance black sheep and lamb, but the cattle has died easily (the settlers didn't know the reason for this). The individual areas for cattle tend to be too small in order to make this productive. Other farmers cultivate passion fruit, coconut, manioc or cashew even though they have had problems with the coconut and the manioc. Others are setting up small industries and produce *farinha* or *azeite de dendê*, they are the only ones who manage to produce a surplus. The rest of the families are producing volumes that are scarcely sufficient for their own subsistence.

It is common to work outside the settlement to secure the basic needs of the families. The individual parcels do not seem to be sufficient for some of the families. All work is done by hand and no machines exist. Earlier the families shared an old tractor but they felt forced to sell it since the costs were considered to high.

Some technical assistance from INCRA has been received, for example the initial validation of the settlement. Credits are released but often delayed.

The settlers often pay their projects with their own money and buy for example animals without having received the credits<sup>72</sup>.

#### **4.5 Bento**

The settlement of Bento was established in 2000 and today it has 72 resident families. The land is divided into both individual and collective parcels. Bento is aligned in a "green" region with much rain. The main crop is manioc since this was the crop most people had some knowledge about in the establishment phase. The settlers are waiting to start cultivating other crops as well, for instance they are considering cultivation of three different crops in three different seasons of the year.

The settlers have not received any technical assistance from INCRA. The main focus is on the individual parcels, even though a lot of work is done collectively. The settlers discuss what to cultivate and help each other at their individual parcels. They are about to start a vegetable garden to be able to cultivate things they need and which so far have been bought in São Sebastião (nearest town), such as vegetables like tomatoes and vegetables and herbs functioning as medication. This would be vegetables for the single families but produced collectively. Some of the production is

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<sup>72</sup> Perreira de Almeida, Assentamento de Pedrinhas, Pedrinhas, 11<sup>th</sup> of November 2005  
Beyond Dusty Land  
Page 38

maintained at the settlement and some is brought to São Sebastião and sold in the open market, the *feira livre*.

The settlement is able to produce above the level of subsistence. The production is to a certain degree adjusted to the demand at the market.

There are no machines at the settlement, all work is done by hand. No credits have been received since they still don't have received the *emissão de posse*, the proof of their ownership of land<sup>73</sup>.

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<sup>73</sup> da Silva de Jesus, Assentamento de Bento, Bento, 11<sup>th</sup> of November 2005  
Beyond Dusty Land  
Page 39

# Chapter 5.

## Urgent rural obstacles, challenges and possibilities.

### 5.1 Introduction to our results

Among the visited settlements (presented in chapter 4) some general obstacles, challenges and possibilities are found when it comes to issues such as social possibilities, market advance, integration in the surrounding society and other topics related to the improvement of living standard among the settlers. Our purpose in this chapter is to discuss them on a micro basis but also in a wider spectrum since many of our observations are to be seen as interesting while discussing development questions and agricultural and socioeconomic improvement at a macro level.

Hence in order to create a better presentation of these observations we will discuss them in four subchapters: (1) **Credits, technical support and assistance**; (2) **Leadership and management**; (3) **Market strategies, refinement and cooperation** and (4) **Infrastructure and other physical conditions**. Although they are separated and divided into different subchapters we shall not see them as independent or isolated from each other, the reality is rather the opposite and the division is only made in order to structure our discussion.

The choice of what obstacles, challenges and possibilities to discuss is based on frequent opinions claimed by the settlers and the political discussion and aim at the authorities, movements and other institutes. This chapter is going to focus on aspects of development from a viewpoint of equity (as discussed mostly in chapter 2). The chapter is based exclusively on our own interviews at five settlements in Bahia (see chapter 4) and at related authorities as INCRA in Brasilia and Salvador, NEAD in Brasilia, UBV in Bahia, The World Bank in Brasilia and researchers at the University of Rio de Janeiro.

## 5.2 Credits, technical support and assistance

To receive initial credits is crucial for further development of settlements. This is a claim in all our informants. Considering the equity concept the importance of credit is vital in order to create fair possibilities for the whole population. The system of credits and other forms of public goods as technical support, education and proper institutions is discussed by for instance Sen and Griffin as vital in order to reach and involve the poor in the surrounding society and economy. A functioning system of credits facilitates and is necessary for the poor to be able to participate in market transactions and have the possibility to form their own future. As discussed earlier, improvement in social and economic living conditions among the poor gain the whole society.

At the first phase of the establishment process the settlers generally lack capital in order to invest and begin a production beyond subsistence. They are dependent on credits and loans to buy fundamental things as seed, simple tools, material for construction of houses and internal infrastructure. The first credits should arrive within the first four months after being settled.<sup>74</sup> However, all settlements examined in our study received credits much later and some had not received them at all at the time of our visit. The delivery often has to be preceded by struggles such as occupations of the INCRA office or a long waiting time. For instance, Panema and Pedrinhas received their first credits two years after their establishment. Itaberaba had existed for ten months at the time visited and were still waiting for their first credits. The settlers at Bento had not even received their ownership proof (*emissão de posse*) and therefore no credits had been delivered, although the settlement was established in 2000. With lacking proper proofs of ownership the bank has no certain guarantee and will not hand out loans. The problem with delayed credits is described as a cultural and institutional matter at INCRA where the time schedule hardly ever is followed which is related to insufficient resources at the institute<sup>75</sup>. The problem is admitted among employees at INCRA who are experiencing difficulties and frustration of improving the situation.<sup>76</sup> Also difficulties in reaching isolated settlements and different climate in the

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<sup>74</sup> Mariano Anastacio, INCRA, Brasilia, 21<sup>st</sup> of November 2005

<sup>75</sup> Soares, INCRA, Brasilia, 22<sup>nd</sup> of November 2005

<sup>76</sup> Andrade, INCRA, Salvador, 25<sup>th</sup> of October 2005 & Soares, INCRA, Brasilia, 22<sup>nd</sup> of November 2005

various parts of the country is mentioned as an explanation to the frequent delays.<sup>77</sup> As discussed in chapter 2 a non-functioning system of credits and other lacking governmental assistance prevents the development of the poor, in this case the settlers. As Sen puts it, the social and economic possibilities have to be secured for the whole population in order to improve sustainable economic growth. The settlers of Bahia are in many ways excluded from the surrounding society and have no or very limited possibilities of improving or forming their own situation and future.

In order to release the initial credits the settlers have to compile an application plan (*plano de aplicação*) to describe their production arrangement at the settlement. This tends to be difficult since many of the settlers have no experience of agricultural planning. Even though many have been employed as day workers at huge farms (*fazendas*) they never had been a part of the agricultural organisation and, consequently, they lack fundamental knowledge on how to deal with their plots. They are not versed in what seeds, crops or soils to cultivate or of climate affections of the cultivation.<sup>78</sup> The high illiteracy rate also makes the situation worse.<sup>79</sup> Hence, at the moment the settlers arrive to their land they become owners and producers without sufficient possibilities to use it in a productive or long-termed manner.

**“It is a new life for someone who doesn’t have all this knowledge and always have been making a living of underpaid jobs. When they arrive to the land they become masters and owners of the land and may control their own future for the first time ever. Of course, this is a very radical change.”<sup>80</sup>**

To examine the soil and find out what is most lucrative to produce the settlers are in need of an agronomist. Otherwise the settlers tend to choose a cultivation due to cultural and historical habits instead of reflecting on their own needs, what the soil is suited for and what the market demands.<sup>81</sup> Moreover, the settlers frequently strive after a cultivation generating fast returns, like corn, potatoes, beans, manioc and rice which is to be seen as a short-term planning of the production.<sup>82</sup> For instance settlers of Bento,

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<sup>77</sup> Mariano Anastacio

<sup>78</sup> Campo, MST, Salvador, 7<sup>th</sup> of November 2005 & Andrade, INCRA, Salvador, 25<sup>th</sup> of October 2005

<sup>79</sup> 80 percent according to Andrade

<sup>80</sup> Andrade

<sup>81</sup> Kjörling, Salvador, 7<sup>th</sup> of November 2005 & Brito, MST, Salvador, 7<sup>th</sup> of November 2005

<sup>82</sup> Rodrigues Braga, INCRA, Brasilia 18<sup>th</sup> of November 2005

Panema and Pitinga continued cultivating manioc even though it repeatedly turned rotten since the soil was too clayey. Therefore, a relevant and prompt technical assistance is elementary for the commence of an appropriate production at the settlement.

The awareness of the workings of credits is to be seen as low among the settlers. Rather than as means for agricultural production the settlers understand the credits as a means for reproduction of the families<sup>83</sup>. The agricultural production also depends on the seasons and if the credits don't arrive in the adequate time they tend to be useless<sup>84</sup>.

**"The families need the credits in the right time according to the organic cycle of the agricultural production. The organic logic of the agricultural production is not compatible with the bank's logic. In many cases a delay exists in the release of the resources which risks its obligation in the production at the right moment."**<sup>85</sup>

Also the delay of credits creates situations where the settlers are in desperate need of health care or food and therefore will use the credits to provide these immediate demands. In such cases the credits will not be used for their intendeds purpose something that the settlers might probably avoid if the credits were delivered at the appointed time. To organise and plan a production is difficult when the settlers are not sure when or even if the credits will arrive<sup>86</sup>.

**"If the right time to prepare the land is during the summer, why do they release the means during the winter?"**<sup>87</sup>

In order to survive the settlers often have to work at the surrounding huge farms (*fazendas*) to get a monetary income. This money will both provide the families and be used as investments in the settlement. The salaries are low, at the minimum wage or below.<sup>88</sup> The work opportunities are concentrated at daytime and leave behind no time for working or progressing the settlement. This creates a vicious circle where the settlement never develops or creates monetary income.

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<sup>83</sup> Leite, Universidade Federal Rural do Rio de Janeiro, Rio de Janeiro, 30<sup>th</sup> of November 2005 & Célia

<sup>84</sup> Leite

<sup>85</sup> Ibid.

<sup>86</sup> Ibid.

<sup>87</sup> Célia

The monitoring system used to evaluate the land reform identifies problems and difficulties at the settlements and give INCRA some understanding of current needs<sup>89</sup>. Thus, the monitoring system has to be expanded and broadened. The operational capacity of INCRA is low which seems to be a difficulty due to lacking resources.<sup>90</sup> The number of employees at INCRA does not correspond to the demand among the settlers.<sup>91</sup> From this point of view the social movements are important since they are often more present at the settlements and better versed in difficulties and needs among the settled. INCRA tends to find their contribution in the process to be important and want to improve the knowledge exchange with the social movements.<sup>92</sup>

However, the number of agronomists and technicians at MST and other social movements is low as well due to the fact only a few in this workforce are specialized in small-scale farming in Brazil. Agronomists familiar with agribusiness don't know how to handle the settlements. This problem could only be solved through further and a different education of agronomists, responding to the actual situation in Brazil today.<sup>93</sup>

The settlers often ask for a better monitoring as they are experiencing great difficulties once they have received their plot of land. At settlements visited in this study only a few had received some form of technical assistance and among them the assistance was only accessible during the establishing phase. No follow-up had been done and the settlers often feel abandoned by INCRA. The settlers demand an extended and permanent monitoring in order to achieve appropriate assistance for making a settlement progression possible. They also demand INCRA to achieve a broader understanding for their situation and find the monitoring system as a way to reach this.<sup>94</sup> Another reason for INCRA to be present at the settlements is to make sure the assistance and credits actually reach the settlers.<sup>95</sup>

As many settlers feel abandoned by INCRA also MST seems to lose confidence among the settlers. The settlers express a wish for organisational guidelines and want MST to be a permanent participant at the settlements<sup>96</sup>. Both INCRA and MST seem

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<sup>88</sup> As was the case at Pedrinhas and Primeiro de Abril.

<sup>89</sup> Ribeiro da Cunha, INCRA, Brasilia, 22<sup>nd</sup> of November 2005 & Leite

<sup>90</sup> Soares

<sup>91</sup> Ibid.

<sup>92</sup> Ibid.

<sup>93</sup> Campo

<sup>94</sup> Brito, MST, Salvador, 7<sup>th</sup> of November 2005

<sup>95</sup> Mariano Anastacio

<sup>96</sup> Kjörling



to put more effort in releasing land than in delivering assistance to existing settlements.

Lacking permanent technical support and presence from INCRA the settlements don't develop continuously<sup>97</sup>. The need for technical assistance varies depending on choice of production, geographical localisation and climate. Different crops need different knowledge and assistance.<sup>98</sup> Therefore a widespread monitoring is necessary since a single model is not possible to use. Only through a well functioning monitoring system INCRA could examine how the land reform is actually working after land is being released. Only through this kind of monitoring and examination would they be able to avoid and prevent the problems the settlers experience today<sup>99</sup>.

While handling topics related to the bank system settlers often come across several difficulties. Normally the settlers never had any previous contact with the bank and they lack knowledge of the workings of loans.<sup>100</sup> Many settlers understand the credit as a gift from the state. According to Leite a "symbolic dimension" exists where the state has a social debt towards the former landless.<sup>101</sup>

**"It is very difficult to work with a population still very isolated from the financial process and who is entering it in a very abrupt way. Situations exist when the settlers think 'I don't pay for the loans since I don't understand it as loans.'**"<sup>102</sup>

For instance at the settlement Pitinga settlers didn't see why they had to pay back the loans regardless of how the cultivation turned out.<sup>103</sup>

However, the explanation of the scarce relationship between the settlers and the bank is also to be found inside the bank system itself. Bank employees have only limited experiences of handling and negotiating with smallholders and single families due to lacking experience and the landlord bias. As Blanco at the World Bank puts it, the original principle of the agricultural credits was to benefit the poor but today it is concentrated to the rich and large farmers.<sup>104</sup> Historically the systems of credit have been

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<sup>97</sup> Leite

<sup>98</sup> Brito

<sup>99</sup> Leite

<sup>100</sup> 93% of the families interviewed in the study of Leite et al had never had access to credits before. Hereida, Medeiros, Palmeira, Cintrão & Leite *"An analysis of the regional impacts of land reform in Brazil"* (page 28) NEAD Debate, Agrarian and Rural Development Centre, Brasilia, 2004

<sup>101</sup> Leite

<sup>102</sup> Ibid.

<sup>103</sup> Célia

<sup>104</sup> Blanco, World Bank, Brasilia, 24<sup>th</sup> of November 2005

concentrated on medium and big producers of export commodities. This is a problem since the administrative cost of the bank gets very high while the settlers lack economical guarantees.<sup>105</sup> Therefore it is of importance to organise the settlement in a proper manner, something that will be further discussed in chapter 5.3. If a well functioning co-operation exists it is easier for a settlement to negotiate with the bank tending to be sceptical handing out loans to single families.<sup>106</sup> INCRA also tries to stimulate co-operation through not releasing their credits to single families.<sup>107</sup>

Once a settlement has received its credits and succeeded in improving the production it is not possible to get a second loan as the governmental system of credits only permits a certain amount of money. Since the system of credits is not correlated to the existing rural situation Leite suggests a complementary system of micro-credits to be used not only in the agricultural production but for other kinds of production as well.<sup>108</sup>

As we have seen, the Brazilian system of credits has low flexibility. As a result of not giving settlers access to technical assistance both time and monetary resources are wasted. Hence the costs for the absence of technical assistance are high. At the settlement visited the delay or non-payment of credits hinder the settlers to begin a production above the level of subsistence. This excludes them from the surrounding society since they will not be able to participate in market transactions or other social or economic activities. The settlers wont contribute to or gain from the Brazilian economy and are to be seen as holding no economic possibilities at all<sup>109</sup>. Their opportunity to invest in their crops and create a long-termed production is extremely narrowed and their prospects of forming an own future are to be seen as non-existing.

### 5.3 Leadership and management at the settlements

Due to low organisational experience among former landless, leadership at the settlements often is drastically faulty. For instance, while the settlers have to arrange their application plan (*plano de aplicação*, decisive in order to receive credits as discussed in 5.2) different forms of difficulties emerge. Settlements managing to develop effective leadership and a well functioning group dynamic, receive credits

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<sup>105</sup> Leite

<sup>106</sup> Ibid.

<sup>107</sup> Soares

<sup>108</sup> Leite

<sup>109</sup> Referred to the discussion by Sen in chapter 2.

faster and achieve better opportunities to develop an efficient production.<sup>110</sup> Therefore, we find it important to analyse leadership since it is clearly related to the release of credits, different forms of governmental assistance and through this also to the concept of equity as discussed in chapter 2.

The settlements examined in this study were all directed by MST and therefore constituted a division with both individual and collective parcels. At settlements influenced by other social movements the land is divided differently. Even among settlements visited in this study huge differences exist. For example, in Pedrinhas no work was done collectively even though the settlement had existed for eight years with the land meant to be cultivated collectively. Bearing in mind natural resources and conditions to be favourable this settlement seemed quite underdeveloped, probably due to ill-considered leadership and poor awareness of joint production. The settlers also demanded improved leadership and management focusing on collective work.<sup>111</sup>

In Bento the settlers were both cultivating individually on their own parcels and collectively at the common parcel. Even the individual cultivation was discussed jointly and the settlers used to help each other also at the individual parcels. The leadership was understood as clear among the settlers and they seemed to rely on the direction.

*“We help each other, we are a union. That is the recipe I would give to the other settlements. It is important to not focus too much on the power. Focus rather on the equality, you have to respect everybody.”<sup>112</sup>*

The settlers in Bento also organise sales of their products through sending a person representing the settlement to the open market in Sao Sebastião (a nearby town a few hours away) every week. This seems to be a rather efficient form of management as the families are able to focus on the work at the settlement and do not have to bother about going into the town<sup>113</sup>. The settlement in Bento is also one of the few studied settlements managing to produce a leftover (see chapter 5.4).

The various kinds of leadership and management existing at the settlements

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<sup>110</sup> Galo, INCRA, Salvador, 24<sup>th</sup> of November 2005

<sup>111</sup> Perreira de Almeida

<sup>112</sup> da Silva de Jesus

<sup>113</sup> Ibid.

depend on earlier experiences among the settlers.<sup>114</sup> Also the influence from social movements (helping the settlements in the land occupation process) seems to be of great importance. According to Leite the settled deriving from MST is characterized by a better understanding for collective or semi-collective work.<sup>115</sup>

The weak human capital and poor management skill often results in a chaotic and amateurish leadership, in itself creating various internal problems. This will delay the development and transformation towards better living conditions.

Even though the land reform is supposed to facilitate the conditions for the small farmers no systematic work for making them creating effective leaderships in the same direction exists<sup>116</sup>. This problem is emphasised in the land reform plan brought out by the Lula government. The plan also states that the settlers will receive governmental achievement to advance their management. In the meantime it is common for the settlers not to receive this form of assistance (as we have seen in chapter 5.2). Instead the social movements often do the instructing and teaching, where MST probably is the most influential.

MST provides different forms of education, often connected to leadership and group dynamic. This is of importance once the settlements are about to be established. It might however be important to remember that MST is an movement with deep left wing ideology tending to be dogmatic and neglectful when it comes to market based solutions. Therefore the importance of MST and other social movements is widely reduced when the landless become settlers and smallholders and want to participate at the market. Unfortunately nor does INCRA tends to be able to assist the settled, this is often described as a problem related to insufficient funds.

As we can see leadership, management and group dynamic is of great importance for many reasons. It is a fundamental problem that the settlers don't manage to create an application plan and thereby become able to receive credits. It is also crucial for the settlers finally receiving credits to understand how to improve the cultivation within a more efficient management. Lacking this knowledge the settlers don't tend to succeed in improving their living standards. This dilemma illustrates well the importance of governmental assistance as education and other public inputs as discussed in chapter 2.

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<sup>114</sup> Galo & Leite

<sup>115</sup> Leite

<sup>116</sup> Gliemann, MST, Salvador 11<sup>th</sup> of November 2005 & Kjörling, Salvador, 7<sup>th</sup> of November 2005

#### 5.4 Market strategies, refinement and cooperation

The importance of involving the settlers in the market and improve their changes of producing food not only for subsistence is pointed out by authorities and researchers in this study<sup>117</sup>. Through commercialisation and co-operation the settlements are supposed to create surplus in order to improve living standard. However, among settlements visited in our study no or very limited forms of advanced market strategies, co-operation and refinement of goods exist. The production of food above the level of subsistence is scarce<sup>118</sup>.

Various factors limit the possibilities of commercialisation. Scarce planning of the cultivation, no obvious concentration towards the market and low understanding of natural conditions are a few urgent examples. The cultivation is often planned according to cultural and historical habits<sup>119</sup>. The land is generally not examined before the cultivation begins. As Braga at the federal Incra office states;

**“The settlers often decide what to produce after what is easy and gives fast results, this is a short term planning of the production.”<sup>120</sup>**

The settlers often seem to choose crops like manioc, corn and beans, without analysing the market demands or natural conditions<sup>121</sup>. An illustrating example is Pitinga where the settlers observed the manioc turning rotten year after year but they still continued the cultivation. Another example is the South of Bahia which traditionally was strongly influenced by cacao plantations since this cultivation once stimulated the region to grow economically. Settlers in the region decided to cultivate coconut but the land was too damp and the results therefore were poor. Commonly settlers appear to want to produce crops not adequate for the physical conditions, which is basically due to lacking knowledge<sup>122</sup>.

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<sup>117</sup> Leite & Blanco & Soares

<sup>118</sup> Andrade, further confirmed during the visits at the settlements

<sup>119</sup> Kjörling

<sup>120</sup> Rodrigues Braga

<sup>121</sup> Brito & Rodrigues Braga

<sup>122</sup> Brito

The planning of the production also seems to be a mayor problem due to the high illiteracy rate<sup>123</sup>. The government therefore wants agronomists from Incra to help the settlers adopting their settlements to the surrounding economy. In a more long-termed view the government wants the settlers to take part in the local, national and international market. This participation is supposed to be gradually achieved within a governmental guarantee of subsistence. At INCRA this is not seen as realistic since they are experiencing insufficient resources<sup>124</sup> (see chapter 2.2). Soares at federal INCRA claims the land reform does not have a strict business shaping even though the will of contributing to citizenship and democratisation is highly valued<sup>125</sup>. According to the idea of equity there would be no contradiction in a land reform supporting as well citizenship as entrepreneurship. These factors would reinforce one another and make growth even faster.

Settlements succeeding to create small-scale industry or other forms of refinement of goods tend to be best equipped for market activity. For instance refined manioc (*farinha*) is possible to sell at a higher price than the raw crop itself. The possibility of refinement and establishment of small-scaled industry is closely linked to the access to credits since the settlers normally lack economic possibilities to make necessary investments (see chapter 5.2). Once the credit is released the pay back time of equipment cost would be rather short since the settlers can sell refined products at a higher price than they would be able to by just selling the primary products. Even though there exists a system of credits, the settlers do not have access to it as they lack the capability of using it, as further discussed in chapter 5.2.

A joint production cheapens the costs and creates possibilities to make the commercialisation more efficient through a division of production and sale<sup>126</sup>. When the product sold by the settlement is refined their income increases<sup>127</sup>. Campo demands some form of credits adjusted for this purpose (see chapter 5.2).

Lacking entrepreneurship at the settlements due to a lacking cooperation is common<sup>128</sup>. When no or limited forms of co-operation exists a small-scaled industry is too expensive to build since the cost is far too high for a single farmer at this level in the

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<sup>123</sup> Andrade

<sup>124</sup> Mariano Anastacio & Andrade & Galo

<sup>125</sup> Soares

<sup>126</sup> Mariano Anastacio & Campo

<sup>127</sup> Campo

land reform process<sup>129</sup>. It could by other words not be claimed that the smallholders are competing at the same conditions as the large landowners. Their possibility to initiate an efficient production is far more limited than for someone with access to the capital required.

Distribution costs also tend to fall within co-operation since the settlers no longer have to sell their goods to a purchaser or a middleman. The middlemen and purchasers generally offer very low prices since they are using their position of being the only way for the settlers to reach a distant market<sup>130</sup>. Normally the supermarkets buy their products from the agribusiness and the small farmers and settlers are experiencing problems to compete with them on the market<sup>131</sup>. This is a clear example of how settlers do not have access to existing markets. Even if they would manage to produce the same goods as the large landowners, they are not able to compete with them due to advantages the large farmers achieved a long time ago. The large farmers are thus being biased by as well the credit system as by the market. This is a good example of inequality in opportunities. It is not always the quality of a product deciding whether it will succeed at the market or not. The market mechanisms are not solving this by themselves. According to Pierri this problem could easily be solved with more governmental initiatives to help the settlers. But he stresses the two different departments of agriculture as a problem in achieving this.

**“In the same agenda (as the land reform – our annotation ) they also give support to agribusiness which is the opposite side in this development. We have two ministries of agrarian development with two different points of view.”<sup>132</sup>**

Thus, lacking efficient means of distribution the settlers don't consider selling their crops or products at the market. By joint distribution and a common brand better conditions tend to be created<sup>133</sup>. According to various studies regions with a strong

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<sup>128</sup> Soares

<sup>129</sup> Leite

<sup>130</sup> Ibid.

<sup>131</sup> Pierri, NEAD, Brasilia, 23<sup>rd</sup> of November 2005

<sup>132</sup> Ibid.

<sup>133</sup> The role model of collectivisation and small scaled industries at the settlements are found in the Southern parts of Brazil, normally referred to as more successful. Well functioning collective settlements exist, often run by a strong group with good social conditions. Some even manage to reach international market. Source: World Bank.org.

density of settled families provide better possibilities in creating successful settlements. However, many settlers tend to have an individualistic view at their situation and have a will to organise the settlement with their own production at their own plot<sup>134</sup>. It is considered of great importance to make the settlement work collectively even though it is difficult to unite families who used to live separately<sup>135</sup>.

**“This is a very slow and difficult process where you have to unite various tastes of all dreams. Many times the settlers are very individualistic and you have to change this.”<sup>136</sup>**

Good social conditions and a strong group affiliation tend to be very important factors in order to succeed in collectivism<sup>137</sup>. There exists problems due to varying possibilities among the settlers to contribute with incomes but also the individualistic way of organising the settlement brings several difficulties. The settlers always come to some point when it is necessary to negotiate as a bigger group. For example with contacts with the bank (see chapter 5.2)<sup>138</sup>.

In Bahia settlers normally only reach the markets with raw products resulting in a low profit. This creates dissatisfaction among the settlers. They tend to consider their part of the work as the hardest but do not gain from it as the refiner gets the greatest part of the profit<sup>139</sup>. The standardisation of the products is another problem, the settlers do not answer good enough to the demands of the consumers<sup>140</sup>.

Other primitive forms of market adaptation are seen at for example Itaberaba where a sewing workshop is established. Towels, clothes, bags and dolls are supposed to be sold in Salvador – the nearest city connected with 200 kilometres of poor roads. According to Gomes Santana de Jesus the prospect is strictly limited;

**“We are making this to make sure the people won’t be totally paralysed. We want to cultivate land but look at it, it is too dry.”<sup>141</sup>**

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<sup>134</sup> Soares

<sup>135</sup> Campo

<sup>136</sup> Ibid.

<sup>137</sup> Leite

<sup>138</sup> Ibid.

<sup>139</sup> Brito

<sup>140</sup> Leite

<sup>141</sup> Gomes Santana de Jesus



At Pedrinhas a small-scale industry of *farinha* production exists. But no efficient co-operation exists and therefore most of the farmers at the settlement only produce food hardly sufficient for their own subsistence. The best example of collectivisation and co-operation is to be seen in Bento where production for the market is frequent and relatively successful. A joint distribution and a more efficient organisation seems to be the most important differences compared to other settlements in our study (see chapter 5.3).

Market adaptation is not given priority at MST. An observed fear of letting people from outside the movement take an active part in education and production strategies at the settlements could be a consequence of the scepticism towards the market and capitalism existing within the movement. According to the political beliefs in MST countries shall be self-sufficient with regard to food supply, a belief which of course limits their efforts to help the settlers into the market, especially the international. The result of different visions between INCRA and MST is a confusing situation for the settlers. As Gliemann puts it;

“People are supposed to listen for years about socialism, MST backbites the market and large scaled productions. They arrange protests against Bush but when you finally receive your own plot MST doesn’t contribute anything. It’s normal people get confused because they don’t know what to think about the market. It really exists dreams among the settlers to sell their own products but many get a form of headache once settled. On one hand you have to be loyal towards MST and on the other hand you want to develop and are suddenly looking in other directions.”<sup>142</sup>

To create a surplus may not be a primary achievement for the settlers since their own plot now gives them the opportunity of being self-supporting. For many this is a totally new situation. Simultaneously at the settlement Panema which is a relatively old settlement, a wish of creating a surplus exists in order to be able to repay the loans<sup>143</sup>.

The absence of market strategies is not the only reason to unsuccessful commercialisation. The socio-economic surroundings are of great importance as well,

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<sup>142</sup> Gliemann

<sup>143</sup> Damião Ferreira  
Beyond Dusty Land  
Page 53

stresses the INCRA study<sup>144</sup>. Settlements located far from cities who suffer from bad roads and transportation have limited possibilities for bringing products to a market. (see chapter 5.5).

As we have shown here, it is not possible to point out isolated factors to explain the low degree of commercialisation within the settlements. Through being smallholders and recent owners of land, the settlers are suffering from inequality of opportunities and their low capability of using the existing institutions in an efficient way which the market mechanisms do not solve without intervention.

### 5.5 Infrastructure and other physical conditions.

The level of accessible infrastructure, physical situation and natural conditions at the settlement can all be decisive for whether it develops successfully or not. The process of market advance of a settlement is complicated when it suffers from for example bad roads<sup>145</sup>. Also the receiving of the initial credits (see chapter 5.2) may sometimes be delayed due to bad infrastructure as INCRA states difficulties for them in reaching isolated settlements<sup>146</sup>.

When a new settlement is established normally both internal and external roads are poor or don't exist. Often the settlers have to build the roads by themselves. They also need to construct a place to store goods, a school and a health care centre. If roads do exist many times the bus doesn't pass by the settlement. Access to electricity and supply of water is normally scarce. These are all examples of preparations in need of financial resources in the initial phase<sup>147</sup> (see chapter 5.2). According to the World Bank Group in Brasilia the most urgent and direct problem of the land reform is the lack of water supplies and watering systems. As Blanco states it is impossible to start a successful cultivation without a well functioning water irrigation system<sup>148</sup>.

Commonly large farmers and producers in Brazil have their own road and rail network. This is contributing to and maintaining the unfair competition at the market<sup>149</sup>,

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<sup>144</sup> Alceu Bittencourt et al, *Principais fatores que afetam o desenvolvimento dos assentamentos de reforma agrária no Brasil*, Projeto de Cooperação Técnica INCRA/FAO, 1998, p. 22

<sup>145</sup> Leite

<sup>146</sup> Rodrigues Braga

<sup>147</sup> Ribeiro da Cunha

<sup>148</sup> Blanco

<sup>149</sup> Ibid.

and can be seen as an example on unequal opportunities. The far distance from the market increases the logistic costs Blanco states;

**“You can be very productive in the place of production and then you go to the market and the prices increase because you have very high logistical costs.”<sup>150</sup>**

Conditions at the settlements throughout Brazil vary significantly and are depending on different factors (as discussed in chapter 5.2, 5.3 & 5.4). Less successful settlements often tend to be located in places where the climatic conditions are poor according to a study of INCRA<sup>151</sup>.

**“Therefore to develop an agricultural production sometimes is a miracle.”<sup>152</sup>**

An illustrating example of this is the difference between for example the Amazon which is partly lacking roads and the more well to do South of Brazil.

**“In the South you have a more historically consolidated structure of access to the market, facility from this point of view. So it is always important to take into account when you talk about family agriculture that it is very differentiated.”<sup>153</sup>**

There is also a distinction between areas where there is a widespread concentration of settlements and areas where it only exists few. This also tends to be a decisive factor for the possibilities of the settlements to develop and for the degree of impact they have on the region in which situated. Not only the number of settlements is of importance, also the density of families. Regions of high density also provide better possibilities of structural changes in the surrounding society. According to Leite a successful policy for the land reform must be to create reformed regions<sup>154</sup>. This is brought out in the new land reform but the result seems to be weak. The concentrated areas are often results from a deliberate struggle among social movements rather than a conscious

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<sup>150</sup> Ibid.

<sup>151</sup> Alceu Bittencourt et al

<sup>152</sup> Leite

<sup>153</sup> Pierri

<sup>154</sup> Leite

governmental policy. It seems difficult for a settlement to be absorbed by the surrounding local society. Locals in areas of new settlements tend to isolate the settlers at the beginning even though the perception changes when the settlers start selling and buying products at the local market<sup>155</sup>. Settlements managing to become integrated in the regional market, like Bento, benefit from it and get possibilities to expand and develop their production.

The difficulty in having a common policy for whole Brazil is stressed since the physical conditions differentiate throughout the country and the interventions have to be different depending on the specific needs of each region<sup>156</sup>.

A correlation between successful settlements and the access to health care and education exists. Whether it is the success generating good health care and education or vice versa is not clear. Access to health care and education is favourable for a settlement in the long run, as well socially as economically. In the same way the social and the sanitary situation improves with better access to water and electricity<sup>157</sup>. This is in line with the idea of equity, where access to social services of this kind are claimed as of great importance to create individuals with the possibility to develop and become fully integrated and independent citizens. It is also being claimed access to social service and economic growth would reinforce each other. Therefore, it is difficult to say which of the factors is generating the other.

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<sup>155</sup> Ibid.

<sup>156</sup> Pierri

<sup>157</sup> Alceu Bittencourt et al, page 25

# Chapter 6.

## Discussion and conclusion.

### 6.1 The problem revisited

The purpose of this study has been to analyse various settlements in order to illustrate obstacles and possibilities occurring within the Brazilian land reform. The aim of this study has been to point out the possibilities former landless people achieve while being settled. Referring to the discussion about equity, a land reform should be able to improve living conditions, personal freedom and social and economic outcome among the poor at the same time as the whole society in a wider perspective benefit from economic growth. Thereby the importance of institutions and various forms of governmental assistance has been discussed widely in this study as well as the need of a fair market with proper possibilities for smallholders.

We have discussed the conditions at five settlements in the Northeast (the poorest part of Brazil, containing the highest poverty rate in whole Latin America) and analysed them in the context of equity. Through this we have seen some general obstacles existing at every settlement visited, where delayed credits, poor technical assistance, lacking leadership skills, poor market awareness, bad infrastructure and unfair market conditions are to be seen as most fundamental and urgent. These areas of investigation are also discussed and highlighted in several works made by economists and researchers, some presented in this study (mainly in chapter 1 & 2).

### 6.2 Brazilian land reform in comparison with land reforms in South Asia

In this concluding chapter we will further point out the importance of involving and improving the situation of the poor by increasing their economic and social possibilities and thereby the potential for economic growth. As we have seen and discussed earlier, Brazil suffers from a huge deprived part of the population unable to form their own future or contribute to the society. This form of division between rich and poor will not generate long-termed economic growth. The comparison between East Asia and Brazil

illustrates well the need of spreading for instance education and health care in order to create a path towards better economic and social conditions for the majority.

As discussed in Chapter 2 egalitarian societies (such as discussed in this study) in South Asia, characterised by a widespread access to capital and resources, equal market possibilities for as well smallholders as agribusiness and formal property rights are more efficient in reaching economic growth than countries with the opposite conditions. As Sen puts it, various social possibilities as public access to education and health care in South Asian countries are vital factors in order to explain their advantage in economic development compared to Brazil, where creation of social opportunities for the majority has been historically neglected. Also Griffin et al point out how South Asian countries have been transformed from being characterised by a large and unequal agricultural sector into more efficient and dynamic societies. According to Griffin et al this was possible through creating an egalitarian system of smallholders.

In chapter 2 we illustrated a comparison between land reform attempts in Latin America and the ones succeeded in South Asia. As Griffin et al stress main reasons used to explain less successful reforms in Latin America are that the governmental interventions after the establishment of the settlements have been scarce; financial and technical support has not been delivered to the settlers, the land reforms are to be seen mostly as a distribution of land without further governmental assistance. Griffin et al also claim another huge difference to be that countries in Latin America have been incapable of reforming their institutions. For example the credit systems and other bank related matters are not adjusted for smallholders.

If we compare the specific case of Malaysia with Brazil we can see many of the thoughts of Griffin et al and Sen hold truth.

When Malaysia became independent in 1957 the government decided to embark a program directed by The Federal Land Development Authority (FELDA) in order to restructure and modernise the society. Through governmental investments and by providing land and social services to the landless, FELDA managed to create a rural landholding middle-class. The former rural poor were resettled and employed, and FELDA created the infrastructure needed. All together it helped the families raise their living standard and transformed the Malaysian economy from traditional

agriculture to modern industry<sup>158</sup>. Just like Brazil, Malaysia before the structural change was characterised by a dual economy where the modern sector was integrated in international trade and the traditional agriculture was isolated from the surrounding society<sup>159</sup>.

Malaysia is a clear example of a society changed in its fundamental structures in the way claimed by Griffin et al and Sen, with an interventionist and comprehensive state providing the reformed areas with as well financial as infrastructural support. A decisive factor for the successful reform was the flexibility of FELDA in making organisational changes which enabled a diversification of services, an expansion of commercial functions and the creation of new institutions as demands and objectives have changed over time<sup>160</sup>. FELDA has also always been closely linked to the federal government<sup>161</sup>.

### 6.3 Analysis and prospects of land reform in Brazil

In order to correct unfair situations where inequality prevents modern economic growth the equity concept focuses on solutions beyond the market mechanism. From the empirical material exhibited in this study, consisting in visits and examinations of settlements in Bahia, we argue this holds truth.

In order to start up a production the settlers are in need of financial support as they normally lack necessary capital to make initial investments. However, the settlers are disfavoured by the credit system in different ways. The bank system is biased towards large landowners and the credits available for the settlers are in many cases not being released, due either to lacking resources at INCRA or to the low capability of using them among the settlers. As Griffin et al, Martinussen and Lundahl stress, access to credits is fundamental if a land reform will bring a structural change and not only redistribution of land. It is clear the smallholders in this case suffer from unequal rights. They do have their land, but lack the capability of using it and derive an income from their new property. The property rights may increase the will of investment among the settlers, but since they won't be able to make any investments until they get

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<sup>158</sup> Stanfors, "*Demographic Transition and Socioeconomic Change in Post-independence Malaysia*", Lund Papers in Economic History, 1995, page 43

<sup>159</sup> Ibid, page 10

<sup>160</sup> Ibid, page 37

<sup>161</sup> Ibid, page 44

access to financial capital, formal property rights are not enough to change the situation. The important role played by access to credits is also to be seen in other, successful examples of land reforms, like for instance Malaysia. The access to financial capital and the support provided in order to raise the capability was of great importance for the development of the Malaysian rural areas.

If credits are released, they rarely arrive at the appropriate time. This makes the whole process of settlement development delayed. The system of credits is not adapted to a situation where a large group of smallholders exists. It has been argued the market mechanisms would solve this situation and force the system and institutions to adapt themselves as the conditions change. However, we have seen this does not happen. Governmental interventions seem to be the only solution to correct a situation where smallholders are being neglected and large farmers are being biased. The smallholders in Brazil are obviously discriminated by the credit system. As Andersson & Gunnarsson state, these individuals will not respond to economic reforms if they have no real possibility to utilise them. Not only the market mechanisms and credit institutions have to adapt, Stanfors claims the flexibility of FELDA as an explanation to their success in realising land reform. Thus, also INCRA and the government have to be sensitive to changes and show their ability to develop as the rural area develops and new situations occur.

The delay or non-existence of credits also prevent the settlers from developing and starting a production with a surplus above the level of subsistence as they can't make investments in order to improve production. This will in a longer run exclude them from the surrounding society, as they will not be able to participate in market transactions or other social or economic activities. Nor will they have the opportunity to form their own future if they lack the prospect to make independent choices.

Without credits it is not possible to get any technical support such as valuation of the soil or help by an agronomist with the planning of the production. As the settlers lack the skills necessary for planning the production they tend to rely on cultural and traditional habits when they choose what to cultivate and how to do it. As in the case with the credit system, the agronomists are not prepared to work with smallholders. Most of them are educated to work with large landowners and their knowledge is not suited for this new kind of agriculture. This is thus another example on how

















