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# **Land Markets and Alternative Production Models**

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**Best Practices for Land Tenure and  
Natural Resource Governance in Africa  
Monrovia, Liberia  
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# Policy Domain—Land Reform to Consolidation

Problem	Examples
Break-up of Large Scale Holdings	<ul style="list-style-type: none"><li>• Land and agrarian reform in Southern Africa</li><li>• Privatization and farm restructuring in Eastern Europe and Former Soviet Union</li><li>• Break up of State farms/landholdings</li></ul>
Management of Common Pool Resources	<ul style="list-style-type: none"><li>• Management of fauna and wildlife in Kenya, Namibia and South Africa</li><li>• Certain farm worker equity share schemes in South Africa</li></ul>
Consolidation/ Management of Small Fragmented Landholdings	<ul style="list-style-type: none"><li>• Small holders leasing out land to private investors, Ethiopia</li><li>• Land use consolidation, Rwanda</li><li>• Linking small holders with investors, Mozambique, Angola</li></ul>

# Alternative Tenure Forms

Ownership	Tenure Models
Individual	<ul style="list-style-type: none"><li>• Freehold property</li><li>• Leasehold property</li><li>• Rental/sharecropping</li><li>• Customary Land Tenure</li><li>• Contract Farming</li><li>• Trusts/Conservancies</li></ul>
Group	<ul style="list-style-type: none"><li>• Common Property Associations/Community Demarcations</li><li>• Community Based NRM</li><li>• Agricultural Production Cooperative (APC)</li><li>• Conservancies/Trusts</li><li>• Company</li><li>• Equity Sharing Model</li></ul>
State	<ul style="list-style-type: none"><li>• Co-management</li></ul>

# Model Challenges

1. **Incentivized Owners/Workers** – Incentives to work the land; ability to monitor and supervise labor
2. **Capital Intensity** – Capital is mobile; voting rights and dividends are proportional to investment; land and assets serviceable as collateral; credit available
3. **Economies of Scale** – Ability to manage lumpy inputs; net income/ha increases with landholding size
4. **Market Coordination** – horizontal, upstream, downstream

# Models and Property Rights

1. Property rights not mentioned as a challenge:
  - Property rights typically range from poor to good within each type of model complicating performance assessment
  - Organization features (governance, management) of corporate models are also highly variable
  - Long learning curve for corporate models – time is required for new beneficiaries to gain capacity
2. Having strong property rights and organizational features is essential for achieving high performance across all models

# Tenure Model: Individualization

## Performance Challenges

	Incentivized Owners/ Workers	Capital Intensity (D=S)	Economies of Scale	Market Coordination
Freehold/Leasehold				
• Small Scale	++	–	–	– –
• Large Scale	–	++	+	++

## Complementary Policies to Improve Performance:

<p>Small Scale:</p> <ul style="list-style-type: none"> <li>• Microfinance</li> <li>• Producer associations</li> <li>• Registration and Title</li> <li>• Agricultural extension</li> </ul>	<p>Large Scale:</p> <ul style="list-style-type: none"> <li>• Farm worker rights legislation</li> <li>• Worker empowerment</li> <li>• Worker ownership</li> </ul>
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# Tenure Model: Community Demarcation

## Performance Challenges

	Incentivized Owners/ Workers	Capital Intensity (D=S)	Economies of Scale	Market Coordination
Community Demarcation	--	--	-	--
Common Property Association	+ -	--	-	--

## Complementary Policies to Improve Performance:

<ul style="list-style-type: none"><li>• Inside boundary registration</li><li>• Promote ease of entry and exit in transferring capital invested</li><li>• Community mobilization</li></ul>	<ul style="list-style-type: none"><li>• Producer associations</li><li>• Agricultural research &amp; extension</li><li>• Leasing contracts and enforcement to facilitate outside investment</li></ul>
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# Tenure Model: Enabling Land Rental Markets

## Performance Challenges

	Incentivized Owners/ Workers	Capital Intensity (D=S)	Economies of Scale	Market Coordination
Land Rental	+	- +	+ -	+ -
Sharecropping	+	- +	+ -	+
Contract Farming	+ +	+	+ -	+

## Complementary Policies to Improve Performance:

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Registration and Title</li><li>• Leasing contract and enforcement</li><li>• Market contract and enforcement</li></ul> | <ul style="list-style-type: none"><li>• Producer associations</li><li>• Agricultural research &amp; extension</li><li>• Microfinance</li></ul> |
|---|--|



# Institutional Arrangements for Successful Group Farming: Objectives

1. Encourage ownership & empower decision making
2. Increase (sometimes redistribute) wealth and future benefit streams
3. Empower farmworkers
4. Retain or attract quality management
5. Source capital from the private sector
6. Improve worker productivity & labor relations
7. Grow wealth and create wages, profit and dividends

# Tenure Model: Cooperatives

## Performance Challenges

	Incentivized Owners/ Workers	Capital Intensity (D=S)	Economies of Scale	Market Coordination
Agricultural Production Coop	--	+ -	+ -	+
Agricultural Marketing Coop	+	+	-	+

## Complementary Policies to Improve Performance:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Discourage APC and locking member's land into the coop</li> <li>• Make voting and benefit rights proportional to investment</li> </ul> | <ul style="list-style-type: none"> <li>• Establish land holding company that leases land to the coop</li> <li>• Promote accountability, transparency, and good governance</li> </ul> |
|---|--|

# Tenure Model: Company or FWES Model

## Performance Challenges

	Incentivized Owners/ Workers	Capital Intensity (D=S)	Economies of Scale	Market Coordination
Company (FWES) type models	+ +	+ -	+	+

## Complementary Policies to Improve Performance:

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• Workers aid in design and participate in decision making</li><li>• Make voting/benefit rights proportional to investment</li><li>• Develop/observe LT business plan</li><li>• Dispute resolution procedures</li></ul> | <ul style="list-style-type: none"><li>• Impose ST moratorium on sale of shares to avoid sudden outflows of equity; preserve credit worthiness</li><li>• Work on accountability, transparency (external audits), and good governance</li></ul> |
|---|---|

# Take Aways

1. No single best alternative model. Property rights range from poor to good within each
2. All models can achieve good performance in the right context especially if property rights and organizational features are provided
3. Certain models (APCs) consistently have poor performance
4. Focus on first things first: individualization and land markets
5. Corporate models require considerable facilitation of communities to build capacity and involve outside investors
6. Promote a diversified agrarian structure. Aim public support at encouraging evolution, and providing complementary policy support. Be gradual
7. Be wary of recurrent public costs