

CHAPTER VI

THE IMPACT OF CONTRACT FARMING ON LAND TENURE SECURITY

This chapter will examine the impact of contract farming on land tenure security, and asks whether contract farming is increasing land security amongst smallholders or leading to land consolidation by agribusiness. First, I discuss land ownership in Cambodia, and then about the sources of land and the nature of farmers' land holdings and describe the relationship between contract farming and land tenure, and why land tenure and land rights are important considerations in contract farming. In the final section, I will explain the impact of contract farming on land tenure based on field work in three villages, namely Kres Thon, Thum Phiem, and Chong Tnol in Samrornng Thong district, Kampong Speu province. To analyze land tenure change, I interviewed 16 contract farmers and 20 non-contract farmers.

6.1. Land Ownership in Cambodia

Many Cambodian farmers lack secure land rights, which makes them vulnerable to land grabbing, land encroachment, and other types of land conflict. According to CDRI (2007), land conflict is now increasing in rural areas as land use patterns evolve from subsistence to commercial farming systems, and as more diverse interests compete for increasingly scarce land resource. Land grabbing by powerful local and external actors is also increasing in rural areas in many provinces, including in Kampong Speu and Mondolkiri provinces. In urban areas, conflict over land is also occurring as people and businesses compete for commercially valuable land. Another source of conflict concerns private individuals, including migrants, who encroach upon private and public land (So, *et al*, 2001). The World Bank points out that many land disputes often involve competing claims for the same land and can be attributed to a lack of clearly demarcated boundaries between private individual owners and state entities, or between private individuals (World Bank, 2002).

Owning land rights will increase agricultural investment, and therefore productivity and land values (CDRI, 2007). Markussen (2008) identified three channels; (1) land right increases incentives to invest by increasing the confidence of the landowner that he will be able to reap the benefits from investment. By owning land title, people are more likely to invest resources in productive activities when they are confident that they are the owner of the land and will enjoy the benefits of such investment in the future. For example, farmers in agricultural sector may invest more in variable inputs, equipment, and machinery, and infrastructure improvement. (2) Land rights may also affect productivity by easing access to credit. This is happen because land titles are expected to increase people's access to formal credit institution and stimulate a more efficient financial services sector, which is a key macro economic growth in the long run; and (3) land right can increase agricultural productivity by facilitating trade in land. Yet, here also lies a risk, as some may be tricked out of their land. Moreover, land right also support efforts to govern land market more efficiently so that scarce resources are eventually allocated to their most productive use. Secure and predictable property rights help to reduce procedural uncertainties and provide more accurate information about land values.

6.2. Farmers' Source of Land and Landholding

Table 6.1 presents the sources of land in Cambodia. From interviews with contract farmers and non contract farmers, they received their land during the 1980s land distribution or *krom sameki*, were given land by relatives or family, or bought land. According to land distribution of 1989, household with more working members received additional plots of land. Many non-contract farmers received land from relatives or family, especially newly married couples; under Cambodian culture, parents must sub-divide their land into plots in order to meet the inheritance needs of their children.

Table 6.1. Source of land

Source	Contract Farmer		Non-contract Farmer	
	Yes	No	Yes	No
	1980s distribution/ <i>krom sameki</i>	13	3	9
Given by relatives/ family	6	10	11	9
Bought	15	1	11	9
Cleared land/ occupied free	13	3	9	11
Given by authorities	0	16	0	20

From the interview with respondents, it is found that a significantly higher proportion of contract farmers gained land by clearing it themselves (81 percent), mainly forest land, than non contract farmer (45 percent). This has occurred because non-contract farmers lack family labor and do not have much money to cover the cost of land clearance. Contract farmers who clear forest intend to use forest land to plant company rice because it has good soil, produces high yields, and does not need a lot of fertilizer, so they can minimize the cost of production and obey the company's requirement not to use chemical input, as well as meet the required output level. One contract farmer told me:⁴⁶

“When I agree to take rice seed from the company I wondered how to achieve the company's requirement. After discussing with my family, we decide to clear the forest and plant the company's rice seed there and sell it to them”

Farmers also believe that the forest land is common land, so they can take as much as they want if they have money to clear the forest. Many farmers also cut down the trees to earn additional income by selling fire woods and charcoal and to expand their agricultural land. One interviewed farmer said that⁴⁷ farmers spend between US\$ 500 to 600 to clear 1 hectare of forest. This money is big enough for non-contract farmers to clear the forest. This situation illustrates that unequal opportunity to access forest land is occurred in this village where villager who has capital and power gain

⁴⁶ Interview with contract farmer 5, Kres Thom village, July 12, 2010

⁴⁷ Interview with contract farmer 5, Kres Thom village, July 12, 2010

more advantage to access forest land than poor farmer. For instance, the village head⁴⁸ has more than 10 ha of forest land compare to other villagers who owned 2 ha of forest land.

On average, contract farmers own 2.21 ha of forest land per household, while non-contract farmer own 0.87 ha of forest land per households. The farmers also said that most of the forest land does not have land certificates and is prone to land conflict among the villagers as a result of overlapping land claims and unclear demarcation. Some farmers also worried about the long term land security of their forest land because it does not have land certificate, and decide to sell it with cheap price. One villager told me:⁴⁹

“I worry about my forest land because it does not have a land certificate, but I do not worry my rice fields even though it does not have land certificate since my parents gave it to me and everybody in the village knows that”.

Table 6.2. Agricultural land access between contract and non contract farmer

Landholding	No. of Household			
	Contract farmer	Percentage (%)	Non-contract farmer	Percentage (%)
Less than 1.0 hectare (0.01 - < 1.0 ha)	0	0	8	40
1.0 – 2.9 ha	4	25	5	25
3.0 – 4.9 ha	6	37.5	7	35
5.0 – 6.9 ha	4	25	0	0
7.0 – 8.9 ha	0	0	0	0
9.0 – 10.9 ha	1	6.25	0	0
>= 11 ha	1	6.25	0	0

Table 6.2 contrasts land ownership between contract and non-contract farmer. The majority of contract farmers have land more than 3 ha of land, while the most

⁴⁸ Interview with village head, Chong Tnol village, July 15, 2010

⁴⁹ Interview with contract farmer 9, Kres Thom village, July 12, 2010

non-contract farmers have less than 1 hectare. The Kres Thom village head said that the village's population has been growing in recent years (an increase of seven families in five years, or 2 percent per year), but the land area has stayed the same and there is no more land available to farm apart from forest land.

The changing of land use from forest land to agricultural land and other livelihood purposes is increasing in this area because a lot of villagers tend to clearing forest land and then recognize it as private ownership.⁵⁰ The implication of land transfer from state land to private land will increase inequality to access to forest and livelihood conflicts with surrounding communities. Conflicts are typically based upon a loss of access to customary resources and increase a competition over forest land among the villagers in the same village or competition between villages in the community.

Moreover, land inequality and landlessness have risen as some smaller-scale farmers have sold their land to larger-scale farmers. The reasons for this included that some households owned small plots of land that were uneconomic, some had no means to cultivate them, and some were indebted and in need of cash. Some villagers had sold land that is located very far from the village because they the transportation cost is expensive, and some sold land that didn't have a land certificate because they feel insecure with the land.

6.3. The Impact of Contract Farming on Land Tenure Security

Security of tenure exists when a person's right to land is recognized by others and protected in the case of specific challenges (FAO, 2002). People with insecure tenure face the risk that their rights to land will be threatened by competing claims,

⁵⁰ Under current forest law, all "forest" in Cambodia is the property of the State and it can not be transferred into private ownership.

and even lost as a result of eviction. Without security of tenure, households are significantly impaired in their ability to secure sufficient food and to enjoy sustainable rural livelihoods. Table 6.3 presents the impact of contract farming on land tenure security based the interviews with 16 contract farmers and 20 non-contract farmers.

Table 6.3. Land Tenure Analysis

Question	Contract Farmer		Non-contract Farmer	
	Yes	No	Yes	No
Do you have less than 1 hectare of land?	1	15	8	12
Do you have a land certificate?	0	16	5	15
Do you feel secure with your land tenure	4	12	15	5
Have you sold your land for contract farming?	1	15	1	19
Have you sold land since 2000?	10	6	3	17
Are you involved in a land dispute?	2	14	1	19
Is contract farming increasing landlessness?	6	10	4	16
Are there an increasing number of “landlords” in your community	0	16	16	4
Does the company ask you to provide a land certificate	0	16	0	20
Do you think contract farming promotes land tenure security	0	16	0	20

Based on the interview with respondents, large numbers of non-contract farmer have less than 1 hectare of land compared to contract farmers. Some of them are newly-wed couples, newcomers to the village, distressed sales, and or poor people who have never owned land. All 16 contract farmers do not have land certificate and 12 of contract farmers feel insecure with their land, while 15 non-contract farmers do not have land certificate and 15 of them feel secure with their land. It seems that, without a land certificate, contract farmer feels more land insecure because they own larger plots of land compared to non-contract farmer.

Non-contract farmer who have a land certificate state that they received “land paper” from the commune chief (*mae khum*) and village head (*mae phum*) and that

this paper is enough to show that they possess the land. Other non-contract farmers who do not have a land certificate simply think that it is not necessary to have a land certificate. They feel secure with their land tenure because they think that almost all of the villagers also do not have a land certificate and they were born and live in the same village for a long time, so they know and trust each other.

Contract farmer who do not have land certificates feel insecure with their land because they've heard about "economic land concessions" from villagers in other villages. The villager expects that if they possess land certificate, they can fight or argue with the government to prevent their land to be evicted. Yet, possessing land title in Cambodia does not mean have land security since a lot of cases show that people are forced to leave their land despite they have land certificate. Moreover, some of them are worry about their land when they are involved in land conflicts and they do not have evidence of their land ownership. One villager said:⁵¹

"The land certificate is important as evidence. Since I do not have a land certificate, I worry about my land because I received information about economic land concessions in other village when a lot of people were forced to leave their land"

From this situation, we can conclude that land titles or land registration is actually important to farmers who feel that they need to have proof that they are the owners of the land. According to FAO (2002), if farmers have tenure security they will be more likely to make long-term land improvements because they feel more certain that they will benefit from the investment. Moreover, there are fewer land disputes freeing up resources that might otherwise have been used for litigation. Similarly, Markussen (2008) concludes that land right documents have a positive effect on investment and productivity. Their study show that "plots with paper" have a higher value of output per hectare, a higher reported sales value, and are more likely

⁵¹ Interview with contract farmer 10, Kres Thom village, July 13, 2010

to be irrigated. Plots with paper are also likely to have been exposed to land conflicts in the past.

Tenure security is one of the factors that affect the way that households utilize assets. In general, if tenure is secure, the standard of living is *relatively* high given available household resources and an environment conducive to production. If tenure becomes insecure, the household becomes less productive and the standard of living declines (FAO, 2002).

From table 6.3, that the majority of farmers have not sold their land due to contract farming. The availability of forest land to clear agriculture reduces the farmers' motivation to buy land from other villagers. Since contract farmers have a larger number of family members and the capital available to them to clear forest land, they prefer to maximize their family labor to expand agricultural land by clearing forest rather than buying land from other farmers.

However, some contract farmers did sell their land to other villagers for several reasons, including needing cash, poor soil quality, and that they did not have a land certificate. For instance, a 53 year old villager from Kres Thom village sold 3 ha of land in 2005 to urban people from Kampong Speu city at a price of US\$100 per ha because he did not a land certificate and felt insecure in its ownership. The land price now in 2010 in total is US\$ 30,000.⁵² Land prices are rising rapidly in Cambodia, in particular in urban areas like Phnom Penh, because many investors are seeking land in Cambodia, for example from South Korea, and wealthy Cambodians are buying land for speculative purposes.⁵³ As a consequence, when it is seen that the value of land is increasing in the context of expanding land markets, people now assume that even small plots of land are potentially valuable, and as a result cases of land disputes are

⁵² Interview with contract farmer 11, Kres Thom village, July 13, 2010

⁵³ Interview with NGO Forum, July 6, 2010

increasing. Land speculation is also taking a lot of land out of productive use in Cambodia.

6.3.1. Land Disputes

A couple of land disputes are also occurring in this commune and most of them are forest land dispute. Two interviewees said that they were involved in forest land disputes arising because of unclear demarcation and land claim overlaps. Land titles are not available for forest land as it actually belongs to the State. Unfortunately, it was not possible to hear the reaction from the local government, Ministry of Agriculture (MAFF) and Ministry of Environment regarding this deforestation issue. Nor was it possible to hear a reaction from the company, despite the fact that it is the contract farmers that are expanding their land into the forest for AKR contract farming.

However, in other cases, it has been found that land conflicts are generated by contract farming when it involves large-scale farming (Oxfam, 2008). Contract farming will promote land insecurity if contract farmers have economic expectations for a higher yield and increasing income. As a result, they will expand their production by buying more land. On the other hand, poor farmers will sell their land since the price of land increases as a result of contract farming that is generating high incomes and secure returns. Land transfer occurs when there is supply and demand, namely when poor people need money immediately and large farmer wants to expand their business.

According to the NGO Forum on Cambodia (2010), if contract farming is expanded to a wide-scale it may increase the consolidation of land by agro-business, which may lead to increase threats, intimidation or land grabbing of farmers in order to consolidate the land. Key and Runsten (1999) also state that in the context of

liberalized land markets, contract farming that excludes small holders can lead to more concentrated land ownership and displacement of the rural poor.

6.3.2. Landlessness

From the interviews with farmers, 62 percent of contract farmers and 80 percent of non-contract farmers stated that contract farming does not increase landlessness in their village. The villagers who owned less than 1 ha of land is widespread among non-contract farmers. Some of them become landless because they have never owned much land, they are newly-weds, they are new migrants, or they have given the land to their children. The commune chief said that the entire commune, around 80 percent is poor because they only have a small plot of land (less than 1 hectare), widower, and sometimes do not have rice full in a year. Family members of families who do not have much land to cultivate look for work in the city as garment workers or work as hired labor in the village.

16 non-contract farming interviewees also said that there were an increasing number of “landlords”⁵⁴ in their community, while all contract farmers disagreed and said that this is not the case. In Kres Thom village, for instance, 10 families out of a total of 70 households have more than 10 hectares of rice fields.⁵⁵ Almost all of the respondents said that AKR contract farming does not promote land tenure security and that company’s contract scheme does not require land certificate for farmers to participate in contract farming.

From their study on suitable land tenure arrangements for contract farming, Commonwealth Development Corporation (CDC) recommends that to secure land tenure during the lifetime of the smallholder there should be: an acceptable method

⁵⁴ Landlord defines as the villager who has land more than the average in the village

⁵⁵ Interview with contract farmer 10, Kres Thom village, July 13, 2010

for inheritance or sale of land; a mechanism to prevent the misuse of the land; and an acceptable collateral for loans as essential (Baumann, 2000). AKR's contract farming could be used to promote land tenure security for farmers and to encourage the government to accelerate land titling programs, because land titles would also secure the company's operation and build confidence with their contract farmers. It would also enable contract farmers to access formal credit institutions, such as commercial banks; currently, the farmers are required to keep their rice in the company's warehouse if they want to take credit from the company, and credit constraints are the most significant obstacle faced by farmers to improving their productivity.

6.4. Summary

The AKR contract farming does not increase land tenure security for farmers because the company does not require farmers to provide a land certificate. Some contract schemes required a land title from farmers to guarantee their operation, but in the AKR contract scheme does not involve a land certificate since a majority of the villagers do not have it. The company required a contract farmer to have at least 1 ha of land to plant the company's rice seed. However, contract farming increases unequal opportunities for farmers to access forest land. Contract farmers who have capital and power gain more advantage to access forest land than poor farmers. The changing of land use from forest land to agricultural land and other livelihood purposes is increasing in this area because a lot of villagers tend to clear forest land and then recognize it as private ownership. Moreover, land conflicts, particularly forest land as a result of contract farming, are reported in this area due to unclear demarcation and overlapping ownership.

Buying and selling agricultural land from small farmers to large farmers due to contract farming does not happen because contract farmers prefer to clear forest land than buy land from other villagers. Some villagers had sold land that is located very far from the village because the transportation cost is expensive, and some sold land that didn't have a land certificate because they feel insecure with the land.