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1974

THE SHORT-RUN ECONOMIC IMPACT
OF IRANIAN LAND REFORM (1962-1972)

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In Partial Fulfillment

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by

Nasser Sherafat

April, 1974

THE SHORT-RUN ECONOMIC IMPACT

OF IRANIAN LAND REFORM (1962-1972)

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THE SHORT-RUN ECONOMIC IMPACT OF IRANIAN LAND REFORM (1962-1972)

Nasser Sherafat April, 1974 69 pages

Directed by: Kenneth T. Cann, John C. Wassom, and S. Basheer Ahmed

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Under the traditional land system in Iran there was little possibility for an increase in the agricultural output or a raise in the standard of living for the rural population; the land reform of 1962 brought change in the land ownership and in water rights. A ten-year period of the land reform may be divided into two separate phases: the first, the land reform of 1962-68 and the second, land reform corelated with agrarian reform 1968-72. Phase one established some social and economic independency for Iranian farmers, but since the technology applied by farmers did not change, the agricultural output increased only slightly. In 1968, with the beginning of phase two and the establishment of the Farm Corporation, the government instigated large-scale production utilizing new technology. From 1968 to October 1972, forty-three farm corporations were established. It is too early to analyze the result of the farm corporations since the production potential will depend on the differences in location between them and in the availability of credit given to them. In general, however, production may be improved by placing more land under cultivation in some of the corporations and providing additional man-power to supplement the farmer share-holder in others.

The number of Farm Corporation members with respect to the total number of Iranian farmers is considerably small, thus it may be necessary for the government to supply facilities which would make the small landholder more efficient, such as supervised credit and technology that is more labor-intensive due to the availability of cheap labor. Therefore, with adequate supply of market facilities, Iranian agriculture has hope for a prosperous future.

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CHAPTER I

TRADITIONAL LAND TENURE

Iran has a total of 164.8 million hectares of land, about half of which is desert, wasteland, and mountainous area with no potential for cultivation. Of the remaining half, only nineteen million hectares are productive in the sense of being under cultivation. The rest consists of pasture, forest, and surface water. Of the nineteen million cultivated hectares, six million hectares are annually planted, one-third of which is irrigated and two-thirds of which is unirrigated. The remaining thirteen million hectares of cultivated land lie fallow.[1]

Landholding is based on the farming unit of the nation: the village. It must be understood that the term "village" in Iran represents a very tangible land unit--one village equals one land unit. Unless the village is divided in ownership, particulars of which will be subsequently discussed, it bears the Iranian rating of "six *dang*," regardless of its land area. The *dang* is an abstract quantity, since a single *dang* of a large village

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[1]W. B. Fisher, ed., The Cambridge History of Iran, Vol. I: *The Land of Iran* (London: Cambridge University Press, 1968), p. 566.

may very well exceed the land area of all six dang of a small village. It may perhaps be compared with the cutting of pies into six slices per pie. The slice of a larger pie will always be bigger than the counterparts of a smaller pie. In short, the Iranian village and dang, while very real land unit terms, have no set size.

Two additional terms relative to a village's land, however, do have definite meaning from the standpoint of size. The terms, juft and zouj each literally translate "a pair." The terms relate to the fact that most village land is divided into plough land sections which are within the capability of one pair of oxen to cultivate. This one-pair subsection ordinarily requires 2,000 pounds of wheat or barley seed per season.[2] Juft and zouj, alike in meaning, are individually used according to the dialect of the region involved.

Taking into account, then, that the term "village" itself has no fixed quantitative meaning, it is in order to explore just what factors determine village size throughout Iran. Very simply, size is most closely tied to availability of water and to the amount of cultivated land. Villages in the dryer, more rugged East and Southeast, are generally small, often containing no more than three or four families. In contrast, however, villages in the North,

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[2]Donald Newton Wilbur, Iran: Past and Present (Princeton, N. J.: Princeton University Press, 1967), p. 240.

West, and Southwest of the country are usually quite large, often containing several hundred families. Village size, therefore, hinges on land potential.

In addition to land unit size, however, is the matter of land ownership itself. Circumstances of ownership vary greatly from one village to the next. Before the land reform law of 1962, five types of landholding were in use: Arbabi, or Omda Malek, Khorda Malk, Khalisehjat Dulati, Vaqf, and Amlak Saltanati. Each of these five forms of land ownership will now be examined in detail.

A. ARBABI OR OMDA MALEK

This form of landholding was private ownership on a large scale, similar to the Latifundia system of Latin America. The owners were most often absentee landlords who lived either abroad or in Tehran, the capital. Administrators or intermediaries did the actual managing of the estates.

Generally speaking, Arbabi estates belonged to special groups within the society. One such group consisted of members of the ruling family and of the lesser nobility. It can safely be said that one hundred percent of these landholders were of the absentee variety. Another group consisted of the heads of nomadic tribes, who occupied their landholdings only on a seasonal basis at best. The third and last group consisted of town and city merchants who had acquired their holdings either through normal purchase or through seizure for a landlord's non-payment of debts. Prior to the land reform of 1962, all totaled, the three groups cited owned between them some 70 percent of Iran's fertile land.[3]

It is accordingly not surprising that, by government estimate in 1951, about 56 percent of the country's total valuable land was owned by 0.5 percent of the total population. Considering the village as a land unit, it is significant that the government appraisal at the onset of the land reform program (January, 1962) discovered that, of the 40,000 villages at that time existent in the country, 10,000 were owned by persons possessing five or six villages. It was also noted that some landlords possessed in excess of one hundred villages, and one landlord in the Fars Province owned no fewer than 168 villages.[4]

It must be emphasized that in spite of the prevalence of large-sized landholdings, large-scale agricultural production in the modern sense was not undertaken. Most cultivation was accomplished by animal teams on small, individually-worked parcels by crop-sharing peasants.

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[3]Julian Bharier, Economic Development of Iran 1900-70 (London: Oxford University Publications, 1971), p. 136.

[4]Harvey H. Smith, et al., Area Handbook for Iran, June 23, 1970 (Washington, D. C.: U. S. Government Printing Office, 1971), DA PAM No. 550-68, pp. 398-399.

B. KHORDH MALK

The second type of land ownership in the pre-reform period was the land owned jointly by several owners or by peasants themselves. This type of estate was called Khordh Malk. Peasant proprietorship could be found in different parts of the country, but was not wide-spread. Peasant-owned land was usually located in less fertile districts; therefore, the productivity and rate of agricultural return was very low.

In addition, however, to the soil quality limitations of peasant holdings--limitations which inhibited productivity, to say the least--peasant holdings were also limited as to size. They were ordinarily very small (one to two hectares was average). Government estimation at the time of the land reform law showed that 63 percent of the peasant owners held less than one hectare of land and 25 percent owned between one and three hectares. The remaining 12 percent had more than three hectares.[5] Peasant land ownership, therefore, was not an important or sizable type of landholding.

Between the categories of private large landholders (Omdah Malek) who were absentee landlords, and the peasant landowners, who formed and managed their own land, were the intermediate groups of landowners. They were either land-

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[5] Ibid., p. 399.

owners who owned part of a village and lived as an absentee landlord, or they were landowners who lived on the land but did not farm it themselves. The former was either a small merchant of a neighboring town who invested in the land because he felt it was a secure investment, or a person, living in any part of the country, who had inherited the land.

C. VAQF

The institution of this category of land is fundamentally Islamic. From the advent of Islam the practice of *vaqf* came into existence, but it was not until the sixteenth century, at the time of the Safavids dynasty, that it became very important.[6]

Before the land reform law there were two different forms of *vaqf*: public *vaqf* and private *vaqf*. A public *vaqf* was an endowment of the land or other properties, the revenue of which was used for religious or charitable purposes such as the care of the poor, the maintenance of shrines and mosques, or for theological schools and students. On the other hand, the private *vaqf* was an endowment of land or other properties for the personal gain of the founder's successor, which was sometimes limited to the male heir of the family but not to be confused with primogeniture.

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[6] A. K. S. Lambton, *Persian Land Reform 1962-66* (London: Oxford University Press, 1969), p. 27.

Under Islamic law, neither form of the vaqf could be rescinded, except under some exceptional condition with the permission of the religious leaders.

In 1962, the number of vaqf villages was estimated at 6,000 by the land reform organization.[7] The largest concentration was in the Khorasan province, where 430 of the 466 villages were owned by the Shrine of the Imam Riza (the eighth successor of the prophet Mohammad, according to Shii believers). About 15 percent of all cultivated land was either public or private endowment or a mixture of both.[8]

D. KHALISEH: PUBLIC DOMAIN

According to tradition, the origins of this type of land ownership go back to the advent of Islam when it was called Iqta. When a country was captured by Muslims, all of the state or crown lands which belonged to the defeated royal family, and those lands which had been held by those who had fled from wars, fell under Muslim control. This is precisely what occured throughout Iran.

Umare, the second Caliph after the prophet Mohammad, kept an official record of all these lands as public property. They were never assigned to any individual as personal estate but were leased to individuals with revenues returning to

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[7]Smith, Area Handbook for Iran, p. 399.

[8]Fisher, The Land of Iran, p. 688.

the Bait-Al-Mal (Treasury) for public use. This practice continued until 703 when, during the rebellion of Ibn al-Ash ath, all of existing formal records of deeds and incomes were burned and most of the land returned to private ownership. However, during the Umayyades and Abbacides dynasties, the amount of Iqta (public domain) land increased.[9]

Broadly speaking, from that time until the granting of the constitution in 1906, with the rise and fall of each dynasty, the extent of this form of landholding varied greatly. In 1906, when the constitution went into effect, four types of public domain (Khaliseh) were in existence: Khalisajati Bazri, Khalisajati Sabti, Khalisajati Inteqalli, or Vagozari and Khalisajati Tuyli.

1. Khalisajati Bazri

These lands had been converted into the public domain at the time of Qajar dynasty, when the country was under heavy pressure of famine. Some farmers received seed for cultivation from the government. Since the famine continued, the farmers were compelled to leave their lands and as a consequence the land fell into public domain.

[9]The Muslim Students Association of the United States and Canada. Proceedings of the Third East Coast Regional Conference (Pawling, N. Y.: Holiday Hills, April, 12-14, 1968), pp. 126-31.

2. Khalisajati Sabti

These lands were officially registered as public domain, such as Nadiri Land, which was registered at the time of Nadir Shah (1736-47) or Mohammad Shahi Land, which was registered at the time of Mohammad Shah (1834-48) or Nasseri Land, which was registered at the time of Nasser VD-Din Shah (1848-96).

Some of these lands had been converted to private ownership by powerful landlords. After the grant of the constitution in 1906, the central government reclaimed the land from the private owners.

3. Khalisajati Integulli or Vagozari

These lands were granted to individuals by the state for a specific period of time or for life, with the individual having the right of transfer to a second party.

4. Khalisajati Tuyli

This type of Khaliseh occurred mostly in the tribal areas. Portions of land were handed to the heads of the tribes in exchange for the performance of military services for the state. This form of landholding was established after 1906.[10]

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[10]Iran, Ministry of Land Reform and Rural Cooperative, A Definition of Land Reform. (Tehran: Ministry of Land Reform and Rural Cooperative, n.d.), p.31.

The government continued to collect revenue from the lands, however, even after the granting of the constitution; therefore, in 1931, a law was passed by parliament which allowed the government to sell the Khalisajati Intequlli. The amount paid for the land was equivalent to ten-years rent. In 1936, another law permitted the government to sell other types of public domain.

In addition to the policy of selling Khalisajat to individuals, another law allowed the government to exchange public domain in different parts of the country for property owned by big landlords, who had been exiled from their homes. This was the policy of Reza Shah and it was designed to reduce the power of large landowners and increase the power of the central government.[11]

As a result of the 1931 and 1934 laws, part of the public domain was sold. Still, in 1951, however, the state owned four to six million hectares of land, making it the largest single landowner. In the period immediately before the land reform of 1962, 1,444 villages were held by the state. This was 3.67 percent of all villages and 3 to 4 percent of total land in the country.[12]

E. CROWN LAND

These lands were in the personal estate of Reza Shah.

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[11] Lambton, Landlord and Peasant in Persia, p. 240.

[12] Fisher, The Land of Iran, p. 687.

In 1941, when he abdicated from the throne, his personal property included 2,167 villages with a combined population of approximately 300,000.[13] Table I shows the location of the villages and the number of the families in each area.

TABLE 1[14]

VILLAGES OWNED BY REZA SHAH BEFORE 1941

Province	Villages	Families
Fars	19	1,200
Kerman	191	4,250
West Azarbaijan	315	6,365
Tehran	428	4,424
Gilan and Mazandaran ...	1,214	32,878
Total	2,167	49,117

The annual income from these villages ranged from $4.5 to $5 million. When Mohammad Reza Shah acceded to the throne, he transferred all of these lands to the state.[15]

There were some individuals who claimed that they had been the original owners of these villages, and after investigations had been made by the government, those who could substantiate their claims were granted ownership. The remainder of the land continued under the control of

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[13] Ministry of Land Reform, Definition, p. 35.

[14] Marvin Zonis, The Political Elite of Iran (Princeton: Princeton University Press, 1971), p. 55.

[15] Smith, Area Handbook for Iran, p. 400.

the state until 1949, when control was transferred to the Shah by parliament. Subsequently, the Shah established the Pahlavi Foundation, a non-profit organization. It was established to receive and spend the revenue from this property to improve education and public health facilities. One year later, the Shah ordered that all land be sold to the peasants.[16] Between 1951 and 1957, it is estimated that 120,000 hectares of royal domain was divided among the occupying peasants. By 1957, then, there remained 812 crown villages representing roughly two percent of the total number villages in the country.[17]

There is no official data available showing the size of any of the different types of landholding, in terms of hectares.[18] Also, since the land was not surveyed, each landlord defined his landholding according to custom, which was in terms of a village or dang, wherein the size varied from place to place.

This chapter, in counterpart with the forth-coming chapter, will give a precise perspective of the Iranian agricultural sector and station of peasants prior to the land reform law of 1962.

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[16]Ministry of Land Reform, Definition, p. 34.

[17]Fisher, The Land of Iran, p. 688.

[18]One hectare is the metric system of measurement equivalent to 2.5 acres.

CHAPTER II

MANAGEMENT OF LANDS AND CROP-SHARING PATTERN

The previous chapter briefly reviewed the different types of pre-reform landholding. This chapter is concerned with basic methods of operating farm land and patterns of crop-sharing in the pre-reform period. The landowners usually operated their farm land by one of the following three methods: 1. Share-cropping under the supervision of the landowner himself or his administrator; 2. The renting or leasing of lands to other individuals in which the lessee had the position of landlord in relation to the share-cropping peasants; 3. The farming of the land as well as the managing of it by the peasant landowner.

The large landowners, who usually held a position in the government offices in Tehran or who lived abroad, were neither willing nor, in some cases, able to manage their properties. Therefore, they left the administration of large fertile areas to the care of administrators. The administrator usually was the Katkhoda [1] (village headman) who managed the land until 1930 [and who was paid by peasants and landlords according to the custom which was different in every area], when a law made him an agent of the

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[1] Smith, Area Handbook for Iran, p. 401.

government on behalf of the farmers in the village.[1] He also might remain in the village as a landlord's representative. Sometimes the landowner would choose another person, who was known as mobasher (conductor), to manage his estate. A mobasher could be one of the tenant peasants or a person from a neighboring town who did not have any attachment to the land. The mobasher received his salary from the landlord by mutual agreement.

Since administrators wanted to keep their jobs, they had more interest in landlords than peasants. They typically conducted operations in such a way as to get a high return from peasants and land for their master. Furthermore, since he was generally one of the villagers like the other peasants, he was ignorant of any opportunities for improvement of agricultural methods.

Some landlords preferred to rent their land to another individual and receive a lump-sum payment for the total period of the lease [generally between three and five years][2]--a payment which could be profitably invested in other places such as Tehran. Consequently, the peasants' situation was similar to their condition under the supervision of administrators--if not worse, because the rentor of the village wanted to get maximum profit from his investment.

The operation of the vaqf land was under the supervision of the administrator. According to the Islamic law,

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[2]Ibid.

a *vaqf* should have an administrator known as *motavaly*. Each settler usually appointed a person or persons to act as administrator of the *vaqf*. Also he could stipulate which *motavaly* would install the succeeding *motavaly*. The founder usually determined the share of the administrator from the products. If the share of the *motavaly* was not determined according to the Islamic law, he could receive ten percent of the output.[3]

After the granting of the constitution in 1906, a Ministry of Education and Owqaf[4] was established to supervise the affairs of *vaqf*. But, during the reign of Reza Shah (1924-40), a law was passed which made some changes in the administration of the *vaqf* lands. According to this law, those *vaqf* lands which had no administrator or whose *motavaly* was unknown came under the administration of the Ministry of Education and Owqaf. In the case of public endowments which had a *motavaly*, the Department of Owqaf discharged supervision with the exception of those *vaqf* of which the king of the period was the administrator[5]-- such as those lands that belonged to the shrine of Amam Reza.

It was also determined that the Department of Owqaf would receive a ten percent rental from those *vaqf* lands which had been placed under its control except if the founder laid down the share of the administrator. In the case of

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[3]Lambton, *Landlord and Peasant in Persia*, p. 232.

[4]*Owqaf* is the plural of *vaqf*.

[5]Lambton, *Landlord and Peasant in Persia*, p. 233.

public _vaqf_, over which the Department of Owqaf had supervision, the department received five percent.[6]

Broadly speaking, the administrator of _vaqf_ land in many cases was the lessee and occasionally worked directly with the _motavaly_. In the case of leased land, the _motavaly_ of _vaqf_ was not different from the large landlord. In both cases, the lessee mediated between the peasant and _motavaly_ or landlord. Sometimes the _motavaly_ himself rented the land. In this case the administrator of the _vaqf_ simultaneously acted as _motavaly_ and lessee.

Since most of the public _vaqf_ had been leased for a short period of time, the lessee had no security of tenancy and no continuous concern for the land. Consequently, no long-term improvement on the land was undertaken and the land tended to fall into a poor state of productivity. The administration of the private _vaqf_ was different from the public _vaqf_. Usually one of the heirs administered it on behalf of the others.

The administration of _Khaliseh_ land was under the Bureau of Public Domain. Many of those lands were leased and occasionally operated by the government agency. The lessee usually belonged to the same categories of people as the big landlords. These lessees might sublease the land to the tenants or direct the cultivation themselves.

The small landowners, who held a part of a village

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[6] _Ibid_.

(approximately one dang) but did not live on it, usually made use of a system in which one of the beneficiaries administered the land on behalf of the others. But, those who lived on the land administered their land directly. It was only the peasant landowners who farmed their land with the help of their families as well as managed it. Some of them hired labor at the time of planting and harvesting.

As indicated before, the enormous bulk of the peasant population of Iran were share-croppers. Customarily, in most parts of the country, crops were distributed between landowner and peasant on the basis of five main contributions to production: water, land, seed, labor, and draft animals. The supplier of each of these factors received twenty percent of the crop at harvest time. In those areas which had adequate rainfall, and were thus independent of irrigation, the crops were divided according to the four remaining elements.

Since the annual rainfall for most parts of the country is not more than 400 milimeters,[7] water is more important in Iran's agriculture than any of the other elements of production, except in the North (around the Caspian Sea), the Northeast (Khorasa province) and the Northwest (east and west Azarbaijan) which receive adequate rainfall, usually more than 1,000 milimeters[8] a year. The rest of the country is deeply dependent on irrigation as the source of water.

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[7]Fisher, The Land of Iran, p. 234.

[8]Ibid.

There are five major sources of irrigation water: qanats (underground water channels), springs, rivers, wells, and dam reservoirs.[9] Qanats were much more significant than the others because about seventy percent of the irrigated land received water from qanats, only twenty percent from rivers and springs, and the remaining ten percent from wells.[10]

The idea of qanat is traceable back to between 500 and 800 B.C. This technique has gone from Iran to other Middle East and African countries.[11] The construction of a qanat is very technical. These underground water channels originated at the base of the mountain.[12] The length of the qanats varies from a few hundred yards to 200 miles.[13]

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[9]Julian Bharier, Economic Development in Iran 1900-70 (London: Oxford University Publications, 1971), p. 145.

[10]Richard Morgan Highsmith, Jr., Case Studies in World Geography: Occupance and Economy Types (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1961), p. 27.

[11]Ibid., p. 23.

[12]The first well, which is called Madar-e chah (mother well), is dug deep enough to reach below the summer water table. The depth of it is usually 30 meters to 100 meters or more. A line of shafts is dug from the first well at the distance of approximately 20 meters to 30 meters toward the village. These shafts will be used by qanat workers to clean and repair the qanat. An underground tunnel connects these shafts with the mother well. The tunnel is normally one meter wide and one and one half meters high, with a gentle slope to allow water to flow through it. The place in which water comes to the surface is called Mazhar-e qanat. See, C. B. Cressy, "Qanats, Karey, and Hoggaras," Geographical Review, XLVIII, No. 1 (1958), 27-44.

[13] Smith, Area Handbook for Iran, p. 393.

The average water flow of the qanats is about 470 gallons per minute.[14] A qanat can usually irrigate 20 to 40 hectares of land.[15] Most of the time a single village has more than one qanat.

The excavation of a qanat and its maintenance is quite costly. A qanat must be cleaned every year and kept in good repair in order that the supply of water not decrease. In 1956 it was estimated that construction of a new qanat in central Iran, which would have been 15 to 30 miles in length with mother well of 50 to 120 meters in depth, would cost about 10,000,000 rials (one rial was then about $0.135).[16]

Since the average life of a qanat is more than 100 years, if it is kept in good repair, and the amount of its evaporation is very low, in the long-run it is cheap and economical. But, since the water flows all year round, some water is wasted, especially during the winter when much of it is not needed for crop production.

Due to the great cost of constructing a new qanat or maintaining an old one, the peasants were unable to afford it. Consequently the construction and repair of the qanat was a duty for the landlords. Since the landlord was always the supplier of the water, as well as the land, his minimum share of the crop was 40 percent.

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[14] Highsmith, Jr., Case Studies in World Geography, p. 26.

[15] Ibid., p. 29.

[16] Cressey, "Qanats, Karey and Hoggaras," p. 36.

In addition to the labor force which was supplied by peasants, seed and draft animals might also be supplied them. But, since most of the villagers had a lack of storage space, a shortage of capital, and an inability to buy and store grain, seed was usually supplied by the landlords. In the case of supplying draft animals, only 40 percent of all peasant tenants had their own. The rest had to rent animals[17] from an independent operator or Gavband, who rented his oxen to the peasants and received a 20 percent share of the harvest.

In 1960 it was estimated that less than 10 percent of the landholders used any agricultural machinery; 4 percent of these lands were fully mechanized. Another 15 percent used human power only. The remaining 75 percent used animal power. Eighty-five percent of these draft animals were oxen, 10 percent asses, and the rest were mules, horses, and camels. Seventy-five percent of these animals were used on holdings of less than five hectares.[18]

The peasants' share of a crop, therefore, was from 20 percent for those that only supplied their labor, to 60 percent for those who had the ability to supply seed and draft animals in addition to their labor. In cases where the peasant could supply only his labor, he had to feed his family on 20 percent of the crop he had raised. Taking into account that first, most of the peasants worked on a small plot of land (usually less than 10 hectares), with only a part under cultivation at

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[17] Bharier, Economic Development of Iran 1900-70. p. 141.

[18] Ibid.

any time; and second, that wheat yields (the main agricultural product) on the average were under one metric ton per hectare (due to primitive production techniques), then it is obvious that the financial return to peasant labor was very low.[19] It was estimated in 1964 that, in Central Iran where wheat yields are less than average, the financial return to the peasant per day was less than 5 cents per hectare.[20]

In addition to their share of the crops, the peasants traditionally had some further rights, such as using the pasture of the village for grazing their animals and using the bushes of the pasture for their fuel. Also, peasant women could glean any grain which had been left on the farm after the harvest. This grain might be enough to provide three to four weeks of family bread.

Landowners also required certain services from the peasants. These services were known as Bigari (unpaid labor services), which required the peasant to work for the landlord several days free, either himself, his animal, or both.

Such peasant labor services were used for constructing or repairing the wall around the landlord's garden, digging ditches, repairing or constructing roads, or cultivating the landlord's private garden. It was also the peasant's obligation to prepare for the transportation of the landlord's crop from

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[19]Fisher, The Land of Iran, p. 568.

[20]Ibid., p. 569.

the threshing-floor to the granary. Bigari usually was levied on the peasant according to the size of his land holding.

In addition to Bigari, it was the custom that during the Iranian New Year, or when the absentee landlord was visiting his estate, or when a peasant was celebrating the marriage of his daughter or son, to bring the landlord a gift of chickens or eggs.

Before the land reform each peasant had to pay a 2 percent tax on his crop. This tax was collected by the Village Society. Part of it was taken by the Department of Improvement. The other part, under the supervision of the agent of Department of Improvement, could be used to reconstruct the village. The government also collected a tax from the landlords. From 1906, the time of the granting of the constitution, to 1961 when the land reform law came into effect, the tax rate was frequently changed.[21]

In 1961, before the land reform, the average annual income of an economically active family of four was $100 to $150.[22] One of the biggest disadvantages that existed was the fact that the farmer did not get an adequate price for his grain; because in order to provide money for daily expenses, he had to sell his grain before harvest time (sometimes before planting season) for very low prices. Those who could retain their grain until harvest time did not have the facilities to

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[21]Smith, Area Handbook for Iran, p. 400.

[22]Ibid., p. 404.

market their product at competitive marketing prices. Consequently, the farmer did not make a sufficient profit and was eternally in debt to the moneylenders. The interest rate charged by the latter was enormous--usually 20 percent to 60 percent--mainly because the farmer could not offer security or collateral. The rich moneylenders contended that loans to farmers presented a big risk since there was no guarantee that the next year's crop would be adequate to pay the loan.

The farmer had no choice but to borrow from the moneylenders and landlords. There was a complete lack of private agricultural banks and the only institution that provided credit was the government-controlled Agricultural Bank, but it confined its loans to landlords and moneylenders, who in turn loaned these funds to sharecropping peasants at a high interest rate.

At the same time, the condition of peasant landowners was not much better. They usually farmed on small tracts of infertile land located in the poorest sections of the country. They had the same financial problems of their counterparts, were illiterate, and possessed no marketing facilities. Since they were located in extremely remote areas that had no transportation or communication advantages, they had to accept whatever price was offered to them at harvest time in the local market (village), providing they had not sold their product in advance.

It was the intent of this and the previous chapter to provide some background and perspective to the condition of the Iranian agricultural sector before the land reform. The discussion thus far has delved into the structure of the land tenure system and into the management of the lands and the crop-sharing patterns. The direction of discussion will now turn toward a description of the role of the agricultural sector in the economic structure of the nation. It will emphasize why improvement of this sector was important and a necessary development given the situation in Iran at that time.

The economy of Iran is primarily agrarian-based and the nation's finances rely heavily upon the agricultural sector. Despite the fact that Iran is one of the largest petroleum-producing countries in the world, the nation still, before the land reform, obtained 23-30 percent of her G.N.P. from farming. Iran's economic stability rests on oil and agriculture. Oil income is dependent on world market conditions, whereas agricultural income is dependent on domestic market conditions. In addition to government finance, it must be noted that prior to 1962 (the beginning of land reform) 75-80 percent of the total population's subsistence stemmed from farming. Furthermore, excepting several large cities, most urban residents are now involved directly with agriculture.[23]

As indicated before, Iranian agricultural output was at a minimal level. The situation had been largely maintained by the fact that the vast amount of most productive land was owned by only a few landowners--many absentee--who failed to reinvest

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[23]Fisher, The Land of Iran, pp. 565-66.

profits into land improvement and modernization of farming methods, thereby preventing the growth of agricultural output. Because of these factors, there was little or no growth in the agricultural sectors, and as a result the policy-makers recognized the necessity of a land reform and began its formation in 1962.

CHAPTER III

LAND REFORM LAW OF 1962 AND RURAL COOPERATIVES

Before the land reform law in 1962, some attempts were made to distribute land to the landless peasant. The first step was taken in 1932 and 1933 when Parliament approved distribution of the public domain (Khaliseh) lands in the provinces of Lurstan and Kermanshah (in the west) and in the region of Dasht-i-mughan (in the north), among the tenant peasants. In 1937 another law was passed which allowed distribution of public domain lands in the Sistan province. But since the government did not provide adequate credit and other facilities for the new farmer landowners, the land returned to the possession of the large landlords. Another law was passed in 1958, by which public domain lands were made available to the cultivating peasants, a maximum of ten hectares of irrigated land and 15 hectares of dry land.

The next action was taken by the king in 1951, when he decreed the distribution of the Crown lands.[1] During the years 1953-62 about 517 Crown villages were distributed among tenant peasants, totaling 42,203 farm families.[2] But none of these steps had any influence in bringing about an active

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[1]Fisher, The Land of Iran, p. 691.

[2]Ibid., p. 692.

participation and cooperation of the large landlords. Therefore, in 1960 a law was passed by Parliament which determined the maximum individual landholdings. According to this law each landlord could either have up to 400 hectares of irrigated land or 800 hectares of dry land, or a combination of both.[3] Unfortunately, in a country like Iran in which the large landowners themselves had no idea of the acreage of their properties and were only familiar with the boundaries, the land survey presented a considerable amount of expense to the government. In addition to the high cost of the survey, which had a direct effect on the government budget, it was also extremely time-consuming. Thus in 1962, in the absence of Majles, a law was signed by the Prime Minister and a few ministers of his cabinet which was called "Amending of the Land Reform Law of 1966." This bill actually was the real land reform law which in the following aspects differed from the law of 1960:

> 1. According to this law the amount of individual landholding changed from the previous fixed maximum area (400 hectares for irrigated land or 800 for dry land or a combination of both) to a maximum of one village (six dangs), or as many as six dangs from different villages, irrespective of the area of the villages. Thus those landlords who had more than six dangs were required to sell their extra land to the government for distribution among the tenant peasants.

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[3] Ibid., p. 690.

2. The purchase price of the land was based on the amount of land tax paid by the landlords to the government times an index which was based on the village's revenue, the type of crop, the way of dividing of crops between peasants and landlord, and the distance of the village from the cities.

3. The land was transferred to the tenant peasant without breaking the field lay-out of the village (unlike what they did in the distribution of Khaliseh and Crown lands).

4. Receipt of the land was subject to the recipient's membership in the cooperative society.[4]

The implementation of the land reform law of 1962 has been accomplished through three different phases.

Phase One:

The central idea of this phase was to break the political power of the large landowners. Even though there were not many large landlords, most of the country's political, economic and social powers were in their hands. Under this phase, which started January 16, 1962, those landlords who had more than one entire six-dang village had to sell their extra holdings to the Ministry of Agriculture. When the land was purchased by the Ministry of Agriculture it was sold to the tenant

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[4]Doreen Warriner, Land Reform in Principle and Practice (Oxford: Clarendon Press, 1969), pp. 114-16.

farmers. The price which farmers paid was equal to the purchase price from the landowners plus an additional 10 percent for the cost of transaction and interest rate. Initially the payment under this law was spread over a ten-year period, but it was later amended in 1963 and was extended to 15 years. The payment to the landlords was made by the agricultural bank.[5] The first installment for the purchased lands was paid at the time of the transaction and the balance was to be paid within a period of 14 years in equal installments.[6]

Since the purchase price of the land was based on the tax paid, the landlords received less than the land's actual value. This was due to the fact that the landlord, usually through his political and social power, succeeded in keeping tax assessments far below the market value of land.

This phase included the disposition of all of the land privately owned and the private vaqf landholdings of more than one village. In the case of the private vaqf, each beneficiary could receive revenue up to the maximum of one village. The rest was to be sold and the returns, under the supervision of the Department of Owqaf, could be invested in other properties. However, the bill allowed for the exemption of certain categories of estates. These exempted types were: tea plantations, orchards, tree plantations and the water rights for their irrigation. Also, the law did not apply to those lands which were

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[5]Warriner, Principle and Practice, pp. 115-16.

[6]Smith, Area Handbook for Iran, p. 69.

being worked as mechanized farms at the time of the passing of the bill, and on which the labor was employed for cash wages. Those lands which had been rented were also exempted until the lease expired or up to a maximum period of five years.[7]

The distribution of land under phase one was not undertaken throughout the country all at once. It was begun in the Maraghah region in the east Azarbaijan province at the border of Russia. In this province, by the end of September, 1962, 1047 villages totaling 257,609 hectares were purchased by the government and redistributed among the 23,783 former inhabitants of the villages. Forty-five cooperative farms with a capital of 16,853,350 rials (a dollar was then 75 rials) were established.[8] Therefore, the full effect of the law spread gradually from Azarbaijan to other parts of the country.

According to official statistics, by September, 1963, over the whole country 8,042 villages, wholly or in part, had been purchased and redistributed to the 243,000 peasant families. Two thousand eighty-one cooperative societies with a total capital of 250 rials had been established.[9] Most of these actions had been taken within a short time immediately after the law was passed, so that 7,500 villages were purchased and

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[7]Peter Avery, <u>Modern Iran</u> (New York: Frederick A. Praeger, Inc., 1965), p. 501

[8]<u>Ibid</u>.

[9]<u>Ibid</u>., p. 502.

transferred to the peasant in only seven month's time.[10]

On the whole, with the end of the first phase, there were 15,870 villages and 801 farms which had been distributed among 737,190 farm families. Under this phase 15,800 out of 48,000 villages (about 30 percent) were distributed.[11] The amount of 2,913 million rials had been paid to the landlords for their initial payment.[12]

Phase Two:

The first stage of the land reform law affected only the large landowners. In January, 1963, a decree for phase two was issued, which was basically an amendment to the law of 1962. This law was not put into effect until March, 1965, and was approved by Parliament.[13] The object of this phase was to transfer the land of the smaller landowners, who did not work on the land, to the peasant. Under this law the landlord had to manage his land in one of the following three ways: (1) He could lease his land to the occupying farmers for cash rent, on the basis of average revenue obtained by him during the preceeding three

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[10]Iran, Ministry of Land Reform and Rural Cooperative, The Law for the Formation of Farm Corporations, Vol. 49304 (Tehran: Ministry of Land Reform and Rural Cooperative, 1968), p. 39.

[11]Reza Moghaddam, "Land Reform and Rural Development in Iran," Land Economics, XLVII (May, 1972), 160-8.

[12]Ibid., p. 161.

[13]Ministry of Land Reform, Law for Formation of Farm Corporations, p. 39.

years,[14] on March 22, 1962, 1963, and 1964.[15] The lease was to be for a thirty-year period and the rent was revisable every five years.[16] (2) He could sell his arable land to the peasant based on a mutually agreeable price. (3) He could divide irrigated lands with the accompanying water rights and dry land between himself and the farmers according to the customary ratio pattern of landlord-peasant share cropping.[17] That is to say, for example, if the peasant provided two elements of production and his share was two-fifths of the products, the landlord had to grant him two-fifths of the land which he cultivated. The landlords had the right to cultivate the rest of the land, hiring the farm workers on a cash basis.

In the case of public endowment, which had remained untouched under the first stage, this law required that it be leased for a period of 99 years to the occupying farmers.[18] This law was in effect until April, 1971, when a law was passed making this land available for sale to rentors.[19]

Under this law no landowner had the right to oust for any

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[14]Ali Hekmat, Hasan ("Bekhrad"), "The Bill on the Fourth Phase Land Reform Still Defective," November 30-December 1, 1968, p. 8.

[15]Ministry of Land Reform, Definition, p. 39.

[16]Iran, Imperial Inspection Organization, Collection No. 7, Collected by Ahmad Kamangar (Tehran: Atahad Press, 1972), p. 29.

[17]Warriner, Principle and Practice, p. 122.

[18]Ibid., p. 123.

[19]Kamangar, Collection No. 7, p. 6.

reason a peasant from the village or to prevent him from cultivating.[20] But this law allowed landlords a maximum holding according to the characteristics and fertility of the soil, if the land was being cultivated by machinery at the time when the law came into effect. This maximum landholding varied from 20 hectares to 150 hectares for different parts of the country. Also, it allowed landlords who could retain a village under phase one to keep the land under mechanized cultivation in an amount up to a maximum of 500 hectares.[21]

In addition to the three ways listed above, an amendment to the law of 1963 (the law of 1964) presented the landlords with two other new possible ways to manage their land.

The first was the formation of a farm company with the agreement of the majority of the peasants and landlords. The company was managed by a committee consisting of three persons, a peasant representative, a representative for the landlord and a third representative chosen by mutual agreement of both sides. The total revenue of the agricultural unit was to be divided among the suppliers of each element of production. Hence, the farm company, except in its management, did not differ from the traditional sharecropping pattern.

The second route allowed landowners to purchase the peasant's "root rights" if he was ready to sell. Although this course had been anticipated under the law of 1962, it was not

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[20]Ministry of Land Reform, Definition, p. 40.

[21]Smith, Area Handbook for Iran, p. 409.

put into practice in the first stage of land reform. The law only permitted those landlords who had less than the allowable regional maximum landholding to buy the peasant's "root rights."[22] Compared to phase one it was simple and quick, but this stage was very complex as a result of different legislation.

On the whole, in this phase, 9,492 of the public endowment villages were rented to 131,641 farm families and 2,845 private vaqf were rented by 983 farmers. In addition to these, 210,177 small landowners rented their land to the 115,334 occupying farmers, and 3,480 landowners sold their estates to 56,835 peasants. Also, 16,882 peasant families sold their root rights to 7,821 small landowners.[23]

The lands which were sold to the farmers under these two phases remained mortgaged to the state until all of their installments had been paid.[24]

Phase Three:

As indicated above, in phase two, one of the three ways open to the landowner was renting his land to the cultivating peasant. The annual rent was based on the average annual income of the three years preceeding the implementation of the law of 1963. Therefore, more than two hundred thousand small landowners, who did not work

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[22]Warriner, Principle and Practice, pp. 123-24.

[23]Ministry of Land Reform, Definition, p. 38.

[24]Lambton, Persian Land Reform, p. 294.

on the land, rented their land to the 1,153,346 farm families. The lease was for a 30-year period, during which the landlords received cash payment and did not have any rights to the crop. This action was effective until October, 1969, when a law required all of the landowners who had rented their lands under the law of 1963 to sell the lands to the tenant farmers. In the event that the tenant peasants did not want to buy the land, the landowner had to sell to the others. Priority was given to the local applicants. However, if there were no prospective buyers, the landowner could solicit outsiders.[25]

The price of the land was set at twelve times the annual rent, which farmers were to pay in twelve equal annual installments. According to one of the land reform authorities, in this phase the price of the land was based on the traditional formula of cultivated lands in the country. Traditionally, the price of farm land was equal to ten times the annual revenue of the land. Two extra annual installments were added to the price of the land to cover interest charged in the case of delayed installment payments.[26] If the farmer failed to meet his payment, the land would then be sold to other persons only for the outstanding amount.[27]

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[25] Smith, Area Handbook for Iran, p. 410.

[26] Hekmat, "Reform Still Defective," p. 8.

[27] Smith, Area Handbook for Iran, p. 410.

Rural Cooperatives

As was indicated before, according to the land reform law of 1962, receipt of the land was subject to membership in rural cooperatives. The government established the cooperatives to replace the landlords and their administrators. The main activities of these cooperatives were to provide credit and technical assistance for the new farm owners. Their finances and their activities were supervised by a central organization for rural cooperatives.[28] The cooperative organizations have always consisted of three different types:

1)--Primary Cooperative: This is organized for a village or a group of villages (if the villages are small). All of the peasants and persons engaged in agriculture who live in the village or villages in which the cooperative is established are eligible to become members. Table 2 "shows the members of rural cooperatives and their capital investment."

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[28] Moghaddam, "Land Reform and Rural Development," pp. 162-63.

Table 2

NUMBER OF COOPERATIVES, CAPITAL INVESTMENT AND GOVERNMENT CREDITS, 1965, 1966, 1967, 1969

Items	1965	1966	1967	1969
Number	5,677	7,383	8,236	8,298
Membership	769,203	903,625	1,087,286	1,606,083
Capital investment (million rials)	624	824	1,270	2,370
Government credit advanced (million rials)	1,309	1,823	10,924	21,716

2)--Regional Federation of Cooperative. All of the primary cooperatives operating in the area of the federation are eligible to become members with purchase of its shares. Each federation coordinates the economic, financial and social activities of the primary cooperatives, its members in the area of operation. In 1969, there were 118 Regional Federations in the country, with a capital of 5,985 million rials.

3)--Central Organization for Rural Cooperatives. This is a joint stock company whose stock is purchased by the federation. This organization comes directly under the Ministry of Land Reform. Its activities include the preparation of credit, supervision of the rural cooperatives and technical assistance for better cultivation.[29]

[29] *Ibid.*, p. 163.

In summary, the first land reform law was passed in 1962 which allowed each landlord to keep only one village (six dang), leaving the rest to be sold to the farmers. The Iranian land reform law has been fulfilled through three different phases. Phase one started in 1962 when the law was passed which required that each landlord could not keep more than one village (six dang). Under this phase about 60,000 villages were distributed between the occupying peasants. Phase two started in 1965 with the objective of transferring the land of the small landowner, who did not work on the land, to the peasant. This law opened three different alternatives to the landlord: to lease, to sell, or to divide the land. Phase three, which started in 1969, required those landlords who rented their land to the tenant farmers to sell their land to the farmers. Under the land reform law of 1962, the farmers who received land titles had to accept membership in rural cooperatives which consisted of three different types: Primary Cooperatives, Regional Federation of Cooperatives, and Central Organization for Rural Cooperatives. The main activity of all these cooperatives was to provide credit and technical assistance to the new farmer-landowners.

CHAPTER IV

FARM CORPORATION

In the previous chapter, the different phases of land reform were briefly explained. According to the law, the land was transferred to occupying farmers without dividing up the field lay-out of the village. Therefore, the peasants received the same amount of land which they had been cultivating before the law was passed. This plot, as indicated before, was not more than ten hectares.

The new farm-owners did not have the ability to purchase modern agricultural equipment to increase their productivity, nor did they have the technical know-how to utilize effectively agricultural machinery on small plots of land. Therefore, agricultural output by individual farm owners of small tracts did not increase sufficiently to meet the rising national demand for farm products. In other words, the land reform did not result in the kind of agricultural output increases that would result from large-scale farming. The sharp rate of increase in demand for food products due to population growth was not matched by a similar increase in agricultural output; and, consequently, the agricultural sector did not contribute to raising the standard of living.

Due to these factors, in January 1968, a bill was passed for the consolidation of farm land into larger and more optimal sized units. This consolidation of the land brought the Farm Corporation into being.[1] This corporation collectively owned the farming units and provided professional management. The purpose of this chapter is to discuss this subject briefly.

The main purpose and objectives for the formation of a corporation of this type are summarized in article twenty-one of the law: (1) To increase the per capita income of the new landowner. (2) To increase conditions suitable for the mechanization of farms. (3) To familiarize the farmers with new methods of agricultural production. (4) To prevent the fragmentation of the land into less economical units (minifundia) following the death of the farmers. (5) To increase the area under cultivation. (6) To establish a handicraft industry to absorb the unemployed in the area.[2]

THE CONSTITUTION OF A FARM CORPORATION

The process of the formation of a Farm Corporation starts when the farmers of one village or group of villages send an application to the Ministry of Land Reform and Rural Cooperation. The Ministry then sends its agents to the area to explain the concept of the Farm Corporation to the new

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[1] Inspection Organization, Collection No. 7, p. 53.

[2] Ministry of Land Reform, Formation of Farm Corporations, pp. 23-24.

landowning-farmers.[3] If at least 51 percent of the landowners, regardless of their share of land, vote for the establishment of the corporation, the rest are bound by the decision of the majority.[4] A committee consisting of three members is chosen to evaluate the individual landholdings and other agricultural elements. One of the members of the committee is appointed by the Ministry of Land Reform and Rural Cooperation, and the other two are elected by the majority vote of the farmers.[5]

This committee is given full power to choose land surveyors, to determine how many plots of land should be included, and to evaluate the land and other agricultural factors, such as agricultural equipment, oxen, and water rights.[6] However, the farmers have the right to keep their farm machinery and their oxen if they wish to do so. After the evaluation, the committee has to forward its report to the Ministry of Land Reform and Rural Cooperation. According to the report of the evaluation committee, the share of each owner is determined by the Ministry and the Ministry invites all of the shareholders to elect directors. The share of each landowner is dependent upon the value of his land and other elements of production,

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[3]John Freivalds, "Farm Corporations in Iran: An Alternative to Traditional Agriculture," Middle East Journal, XXVI (September, 1972), 187.

[4]Inspection Organization, Collection No. 7, p. 55.

[5]Ministry of Land Reform, Formation of Farm Corporations, p. 15.

[6]Ibid., p. 16.

which he puts under the control of the corporation.[7] Usually each share represents 1,000 rials worth of land.[8]

Each Farm Corporation organization consists of a general assembly of shareholders, Board of Directors, and inspectors. The Board of Directors consists of three shareholders who are elected by the general assembly. The Board elects its chairman and secretary from the three members. The manager is elected by the Board from three persons recommended by the Ministry. The manager, who receives his salary from the Ministry of Land Reform and Rural Cooperation, is usually a graduate from an agricultural college.[9]

With the formation of a farm corporation, all of the shareholders lose their right to make any managerial decisions concerning the land. Thus, it is the manager who, with assent of the Board of Directors, decides what should be produced, and where and when. He also assigns the shareholders different types of work and determines their wages, which are paid according to their tasks.

DIVIDEND DISTRIBUTION

The manager and Board of Directors have to prepare annual financial statements, with copies sent to the Ministry of Land Reform and Rural Cooperation and also to the inspector. According to the financial statement, the net profits may be distributed as follows: (1) At least 15 percent of the net profit should be assigned to the reserve account of the

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[8] Freivalds, "Farm Corporations," p. 187.

[9] *Ibid.*, p. 187.

corporation. (2) Part of the profit may be paid to the manager, directors, employees, and inspectors with the approval of the general assembly. (3) A portion of the profit may be allocated for the next year's operating costs. (4) A portion may be appropriated to cover claims which are questionable. (5) The remainder may be divided among the shareholders according to their shares.[10]

According to the law, those farm corporations with a membership of farmers are exempt from income taxes and registration fees and other expenses--which the private companies have to pay--for a period of ten years. Each shareholder can sell his share only to the other shareholders of the corporation. However, the main objective is to increase the share of each shareholder to a minimum of 20 hectares of irrigated land or 40 hectares of dry land.[11]

The first farm corporation was established in May, 1968 at Ali Abad near Sheraze.[12] The number of farm corporations increased to 43 in October, 1972 encompassing 171,000 hectares of land and with a total membership of 15,000 persons.[13]

The organization of farm corporations in Iran is

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[10]Ministry of Land Reform, Formation of Farm Corporations, p. 40.

[11]Ibid., p. 5.

[12]Smith, Area Handbook for Iran, p. 413.

[13]"Oil Income Up 77%: Co-operative Societies," Kayhan International Airmail Weekly (Tehran, Iran), V, No. 235, Oct. 14, 1972, p. 2.

different from the other rural institutions. In contrast to collective farms where the state owns the land and the workers receive a share of product or wages, the land of a farm corporation is owned by every individual farmer who is a member of the corporation. Although in neither of these rural institutions do farmers have any managerial rights--since the management of the collective farm is by the state and the farm corporation is managed by a Board of Directors and a manager--the farm corporation cannot be considered a collective farm.

The farm corporation in Iran is also different from the Israeli Kibbutz. A Kibbutz is a farm institution with a common ownership which requires all of the members to work on the land without any wages. Here the members share expenses and live as a community. Therefore, a Kibbutz is operated as a large single farm on which all members have equal rights. Common ownership does exist in a farm corporation, but the share of each member depends on the extent of his holdings of land. The farm corporation does require its shareholders to work on the land and receive wages in addition to their dividends, or they may work elsewhere and receive their dividends according to their land ownership.[14]

In addition to the formation of the farm corporation, a law in 1968, "Law Governing Establishment of Companies for the Development of Lands Downstream of Dams," allowed the government to grant long-term, 30-year leases of lands

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[14]Freivalds, "Farm Corporations," pp. 194-95.

downstream of dams to any domestic or foreign agri-business company. The purpose of the law was to maximize the utility of the water resources and land irrigable from the dams. Due to this policy, several private companies from the United States and England leased land and invested in capital. One of the largest government agricultural projects was the Dez Irrigation Project in the south of Iran at Khuzestan Province under the Dez Dam. Seventy-five percent of 83,000 irrigable hectares of land in this project have been leased to several agri-business companies such as H & N Agro-Industry of Iran and America, Iran-California Company, and Persian-American Company. These companies are rapidly leveling and capitalizing the lands for cultivation. According to this law, the government has the right to buy the farms from the farmers and lease them to the companies if it is necessary.[15]

Another step was taken by the government in April, 1971 when a law was passed for the consolidation of the farm land owned by the members of each rural society. The government attempted to increase the agricultural output through mechanization and more rational use of the water resources with the establishment of the new irrigation system. The purpose of this law, establishing the unionization of each cooperative society, was similar to the intention of the formation of the Farm Corporation.

After the unionization of the rural society, all of

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[15]Ibid., pp. 190-91.

the activities and services pooled, and each individual farmer receives his share according to his land ownership and relative to his partnership in the agricultural activities.[16] During the short period from April, 1971 to October, 1972, 124 cooperative societies with a membership of 8,000 farmers and a total capital of 1,431 million rials were unionized.[17]

In summary, it will again be noted that the law for the formation of the first Farm Corporation was passed in 1968 with the purpose being to increase the agricultural output which would result in an increase of the per capita income of the new landowner. Each Farm Corporation has a general assembly of share-holders, a Board of Directors, and inspectors. The profit gained by it is distributed between the share-holders according to their share. (This Farm Corporation was different from Kibbutz in Israel and from collective farms.) In order to increase total production, the government allowed foreign and local investors to establish agri-business. Another step toward increasing agricultural output took place in 1971 when the government passed a law for consolidation of the farmland owned by the members of each rural society.

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[16]Inspection Organization, Collection No. 7, pp. 224-

[17]Kayhan, "Oil Income," p. 2.

CHAPTER V

THE STANDARD OF LIVING IN RURAL IRAN BEFORE AND AFTER THE LAND REFORM

A Case Study

The experience of an individual farmer in terms of a case study may be used for an understanding of the economic condition of Iranian peasants before and after the land reform. What follows is a brief description and analysis of a field study made during 1970 in the village of Mamazan, which is located thirty kilometers from Tehran, the capital. Before the land distribution, the ownership of this village was under the catagory of private *vaqf*.

The peasant who was the object of study was Mr. Hosain Qomi, who lived with his wife and nine children (six sons and three daughters). His children were students in the elementary and high schools; therefore, they were not economically productive.

The Economic Status of Hosain in 1961 Before the Land Reform

Before the land distribution Hosain cultivated one-half of the village *juft*, or a land area of ten hectares.

The ten hectares were divided between 6.5 hectares under annual cultuvation and 3.5 hectares of fallow land. Hosain operated the land himself with occasional help from his children when they were not in school. He also hired agricultural workers during harvest and planting. They were paid cash wages. The crops which he annually produced were wheat, cantaloupes, cotton, and beans. Contrary to the common method under which the supplier of each element of production received 20 percent of the crop, in this case the landlord only had ownership of the land and water, but he received 50 percent of the total crop after the deduction of total expenses. Table 3 shows Hosain's revenue from the different branches of his agricultural products.

TABLE 3

GROSS AGRICULTURAL INCOME OF HOSAIN
BEFORE THE LAND REFORM

Items of Products	Area Cultivated Hectares	Annual Total Output Kilograms	Value per Kilogram Rials	Value of Total Output Rials
Wheat	5.0	6,480	7.00	45,360
Cantaloupes	0.5	900	3.33	3,000
Beans	0.5	150	12.00	1,750
Cotton	0.5	600	15.00	9,000
Total	6.5			59,110

To determine the net agricultural income, the amount of agricultural expenses should be deducted from gross income. Table 4 shows the total agricultural expenses before the land reform.

TABLE 4

HOSAIN'S AGRICULTURAL EXPENSES
BEFORE THE LAND REFORM

Items of Expense	Amount of Expenses Rials
Seeds	6,885
Renting tractor to plough the land	4,550
Agricultural labor	2,770
Insecticide	300
Total	14,435

A deduction of total expenses (Table 4) from gross income shows the net agricultural income.

$$59{,}110-14{,}435 = 44{,}675 \text{ Rials}$$

The amount of 44,675 rials was the net agricultural income from the land on which Hosain cultivated. As indicated above, the landlord's share was 50 percent of the net revenue. Therefore, Hosain's revenue was half of the net total income of the land which amounted to 22,337.5 rials.

In addition to the revenue which Hosain received from cultivation, he had other income from his animal husbandry which increased his total annual income.

Table 5 shows Hosain's revenue from animal husbandry.

TABLE 5

HOSAIN'S NET REVENUE FROM ANIMAL HUSBANDRY BEFORE THE LAND REFORM

Items of Domesticated Animals	The Net Revenue of Each Animal	The Number of Animals	Total Net Revenue Rials
Cow	2,620	2	5,240
Calf	1,000	2	2,000
Total		4	7,240

The total revenue of Hosain's family can be determined by adding their income from the agricultural products plus their revenue from the animal husbandry.

Table 6 shows their total income.

TABLE 6

HOSAIN'S NET TOTAL REVENUE FROM DIFFERENT AGRICULTURAL SECTORS

Items	Rials
Agricultural Products	22,337.5
Animal Husbandry	7,240.0
Total	29,577.5

His total income in terms of dollars is equal to $394.36 (one dollar was then 75 rials). The per capita income of Hosain's family could be shown by this formula:

$$\text{Per capita income} = \frac{\text{Net annual income of the family}}{\text{Members of the family}}$$

$$\text{Per capita income} = \frac{29{,}577.5}{11} = 2{,}688.8 \text{ Rials}$$

The per capita income of the family in terms of dollars is shown by the following equation:

$$\text{Per capita income} = \frac{2{,}688.8}{75} = \$35.85$$

The Economic Status of Mr. Hosain Qomi After the Land Reform

At the time of land distribution, Hosain was sold the same amount of land which he had been cultivating before the land reform with annual installments of 14,000 rials for 15 years. Therefore, after the land reform he was still working on the same 10 hectares of land as before the land distribution. However, he was able to increase the annual area cultivated from 6.5 hectares to 8.8 hectares and decrease the area of fallow land from 3.5 to 1.2 hectares, due to the use of chemical fertilizer and the increased availability of water. The crops which he produced were the same as before (wheat, cotton, beans, and cantaloupes). Hosain was still living with his wife and his children and working on his land with them, when they were not at school. He also hired agricultural labor at the time of harvest and planting. Table 7 shows Hosain's gross agricultural income from different products.

TABLE 7

HOSAIN'S GROSS AGRICULTURAL INCOME
AFTER THE LAND REFORM

Items of Products	Area Cultivated Hectares	Total Annual Output Kilograms	Value of Output per Kilogram Rials	Total Value of Output Rials
Wheat	5.0	7,020	6	42,120
Cotton	1.6	2,400	16	38,400
Beans	1.2	360	9	3,240
Cantaloupes	1.0	4,400	5	22,000
Total	8.8			105,760

The annual agricultural expenses have been calculated in Table 8.

TABLE 8

HOSAIN'S TOTAL AGRICULTURAL EXPENSES
AFTER THE LAND REFORM

Items	Expense in Rials
Water	5,000
Ploughing the land	5,200
Agricultural workers	11,664
Seed	5,580
Fertilizer	10,000
Water distributor	100
Insecticide	500
Annual installment payments on land	14,000
Total	52,044

To determine Hosain's net income from agricultural products, the amount of agricultural expenses (Table 8) should be deducted from the gross agricultural income (Table 7). Table 9 shows the net annual income from agricultural products.

TABLE 9

HOSAIN'S NET ANNUAL INCOME FROM THE AGRICULTURAL PRODUCTS AFTER THE LAND REFORM

Items	Rials
Gross Agricultural Income	105,760
Agricultural Expenses	52,044
Net Agricultural Income	53,726

In addition to his income from agricultural products, he also received income from his animal husbandry. Table 10 shows Hosain's net income from animal husbandry.

TABLE 10

HOSAIN'S ANNUAL INCOME FROM HIS ANIMAL HUSBANDRY AFTER THE LAND REFORM

Kind of Animal	Number of Animals	Net Income from Each Animal Rials	Total Annual Income Rials
Cow	1	2,620	2,620
Calf	1	1,000	1,000
Total	2		3,620

To calculate Hosain's net annual income, his net income of agricultural products (from Table 9) should be added to his net income of animal husbandry (from Table 10). Table 11 shows Hosain's total net annual income.

TABLE 11

HOSAIN'S TOTAL NET INCOME FROM AGRICULTURAL PRODUCTS AND ANIMAL HUSBANDRY AFTER THE LAND REFORM

Items	Rials
Net Income from Agricultural Output	53,726
Net Income from Animal Husbandry	3,620
Net Annual Income	57,346

His annual income in terms of dollars would be $763.28 (a dollar then was 75 rials). To calculate the per capita income of each member of Hosain's family, the total income should be divided by the members of the family (Table 11).

The per capita income of each member of the family = $\frac{763.28}{11}$ = $69.39.

A Comparison of the Economic Status of Mr. Hosain Qomi Before and After the Land Reform

As shown above, Hosain's total annual net income from agricultural activities before the land reform was $394.76

and after the land reform it was $763.28. The difference between these two incomes showed a $368.12 increase of the farmer's revenue after the land distribution. The percentage increase of his income was 93.3 percent; that is, almost double. The change in his economic status was caused by the following elements:

1. An amount of 8,337.5 rials ($111.16) increase in the farmer's income was due to the different payment to the landlord and agricultural bank. Before the land reform, the farmer paid the landlord 22,337.5 rials because of his land ownership, whereas, after the reform his annual installment for the price of the land to the agricultural bank was 14,000 rials. This difference accounts for 37 percent of the increase in his income.

2. Another factor which caused an increase of the farmer's revenue was related to the increase of the area under cultivation. Before the land reform there were 6.5 hectares of land under cultivation in wheat, cantaloupes, beans and cotton, whereas after the reform the area under cultivation increased to 8.8 hectares. Therefore, the area under cultivation increased by 2.3 hectares which caused a 35.4 percent increase of total land under annual cultivation. This extra area has been used only for the production of beans,

cantaloupes and cotton. The increase in the output and a rise in the market price of two of these products brought extra income for the farmer.

3. The productivity of the land, due to the use of chemical fertilizers and other agricultural procedures, was also increased. This can be seen from Table 7 which shows the increase of the total output, especially in the case of products such as cantaloupes and cotton. Although fertilizing and other agricultural procedures used on the land brought some extra expense to the farmer, the increase of the output could amortize the amount of the expenses and bring extra income for him.

4. Since the return of all of agricultural products belonged to Hosain, he discovered it was rational for him to decrease his investment in animal husbandry, as can be seen from Table 10, and increase his activities on the land, which brought further benefit for him.

5. The Rural Cooperative and Agricultural Bank had a very important role in the increase of the farmer's revenue. On one hand, the Rural Cooperative, with its activities such as digging deep wells, allowed the farmer to bring more land under cultivation, and with the availability of chemical fertilizers at a reasonable price

for him, caused further productivity of the land. On the other hand, the agricultural bank made available credit to the farmer at times when he needed cash for hiring agricultural workers and buying agricultural equipment.

6. The most important element which caused the farmer to work more than ever was ownership of the land. Title to the land on one hand gave secure tenancy to the farmer, and on the other hand it made the products of his labor available to him and his family alone. These factors caused an increase in the farmer's revenue after the land reform.

In conclusion, and for the sake of clarity, the purpose of this chapter is not to conclude that the results of this study could be applied generally to all Iranian farmers, since the economic record of any individual farmer cannot be representative of the records of all farmers. The purpose is only to illustrate that land reform tended to redistribute income in the rural areas to those who received land ownership under the first phase of the land reform.

As expressed elsewhere--under the land reform law of 1962--the purchasing price of the land was equal to the tax which the landlord had paid on his land. It has been said that the landlords, through political and social power, had managed to pay small amounts of tax. Consequently, the

the government bought the lands for very low prices; and, since the lands were sold to the tenant farmers at the tax-based price plus 10 percent, the benefit was transferred to the farmers. Hosain's record shows this benefit very clearly.

An examination of the farmer before land reform expenses reveals that he paid the landlord 22,337.5 rials, or over 50 percent of the value of total production. But, after land reform, his annual installment to the agricultural bank on the price of the land was only 14,000 rials. If it is assumed that after land reform all the factors of production (land, labor, and capital) were constant, then Hosain could get the same amount from his output, assuming that the price of his product did not change. Still, the difference between the two payments could result in 8337.5 rials in extra income. This extra income accounted for a 37 percent increase of Hosain's total income.

Hosain was not the only farmer who received the land at low prices. Although the price of land varied from area to area, generally speaking, low prices existed at least for those involved in the first phase of land reform. Therefore, it can be concluded that the difference between the payment to the bank and the landlord's total share of the product brought some benefit to the farmers.

CONCLUSION

Undoubtedly, under the traditional land system there was little possibility for increasing agricultural output, or for raising the standard of living of the rural population; therefore, government interest in increasing agricultural output required a change in the traditional and semi-feudal system. That change began in 1962 with the initiation of land reform.

Iranian land reform of the past ten years may be divided into two separate phases. Phase one, merely land reform, began in 1962 when the land reform law was passed; and, phase two, land reform corelated with agrarian reform, began in 1968 when the first farm corporation was formed.

Phase I

Phase one provided for the redistribution of land ownership and water rights, but did not alter production methods employed by the farmers. But, since a change in land ownership resulted in some social independency and in some redistribution of income this, in turn, brought a slight increase in agricultural output. Table 12 shows the change in production of some of the major agricultural products during the period, 1963-71.

TABLE 12[1]

ANNUAL PRODUCTION OF MAJOR CROPS 1961-1971
(in thousand metric tons)

Crop	1961-62	1963	1964	1965	1966	1967	1968	1969	1970	1971	Net Change	% Change
Wheat	2,873	2,468	2,623	3,648	4,381	4,618	4,672	4,200	3,800	3,700	887	31
Barley	792	740	718	935	1,080	1,035	1,075	1,141	880	850	58	7.3
Rice	851	860	923	1,022	1,050	1,083	1,020	1,058	1,046	1,100	249	29.2
Cotton	121	125	121	162	115	117	167	170	160	147	26	21.5
Tobacco	18.7	12.3	19.5	2.47	19.5	22.6	18.6	17.9	17.0	19.7	1	5.2
Average												18.84

[1]Source: United Nations, Statistical Yearbook, 1972.

This increase could not fulfill the demand which had increased due to the population growth which between 1963 and 1971, had risen 27 percent in total (or 3 percent annually).[2] Furthermore, without sufficient supervised credit and management, alteration of land ownership could not result in any significant production increase.

One of the chronic problems of agricultural sectors of developing countries is that farmers are always in debt because of inadequate production methods, inadequate acreage, lack of management and marketing systems, lack of roads and transportation, and lack of capitol. This was the characteristic of the agricultural sectors of Iran before the land reform of 1962 and it remains, only in less degree, the characteristic today.

After land reform, new farmer-landowners needed money not only for production purposes and debts, but for daily needs. Two major sources from which farmers could borrow money with low interest rates were the Agricultural Bank and cooperative farms. Between 1963 and 1969 cooperative farming provided only 21.7 billion rials in cash ($289,346,666.00)--approximately ten to twelve thousand rials ($135.60) per member. The Agricultural Bank from 1962 to 1969 provided an average loan of 12,345 rials ($165) to the farmers.[3] Since, prior to land reform farmers had been in debt, the monies they received from the Agricultural Bank and cooperative farms were allocated for debt payment to the money-lender and for personal

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[2] Ibid.

[3] Moghaddam, "Land Reform and Rural Development in Iran," pp. 163, 165.

needs rather than for investment on the land.

During Phase one, only 40 to 50 percent of the credit needed by farmers had been provided by the government,[4] so the farmers had to either borrow the remaining 50 to 60 percent from outside sources with high interest rates, or sell their crops in advance as they had been doing before land reform.

Phase II

During the first six years of the land reform (1962 to 1968) agricultural progress was sluggish, therefore, output increased only slightly. This was due to the fact that land reform was not accompanied by technological change. A technological change may be achieved by the usage of improved seeds, fertilizers, and pesticides; improved mechanization; more efficient methods of cultivation; and, a more productive synthesis of already existing inputs, etc., and technological change usually occurs in corollation with an increased quantity of inputs used, i.e. particularly capital and management.

It was clear that no farmer had the ability to invest in capital and technology without government assistance; thus, the policy-makers decided to undertake a broad agrarian reform by establishing Farm Corporations with the view to realizing economies of scale through extensive agriculture. However,

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[4] *Ibid.*, p. 165.

the rate at which they were established has proven too slow during the allotted time. From 1968 to July 1973, only 52 farm corporations, including 401 small villages with 18,160 farm families, had been established. Realizing that at present, there are 65,000 villages in the country,[5] and only 1.6 percent of them are classified as farm corporations, agrarian reform in Iran is evidently still in the initial stages. These farm corporations differ as to the number of share-holders and in size. It is too early to analyze the results of the farm corporation since their production potential will depend on differences in locations and the availability of credit. In general, however, by 1970, the first 20 Farm Corporations had 21,984 hectares under cultivation whereas only 17,650 hectares were cultivated before. This increase in cultivated hectares was derived from more efficient management, availability of credit, and machinery use. Only a few of the twenty Corporations needed extra labor in addition to the farmers in spite of the added work which the Corporations brought. Though land cultivation is largely mechanized, some work, such as thinning and harvesting, is done by hand. In some cases, some larger Corporations produced a demand for added manpower.[6]

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[5]"P M Lauds Revolutionary Role of Farm Corporations," Kayhan International Airmail Weekly (Tehran, Iran), V, No. 271, July 7, 1973, p. 3.

[6]Freivalds, "Farm Corporations in Iran: An Alternative to Traditional Agriculture," p. 188.

As a result of this situation, the following recommendations may be helpful to policy-makers in the management of areas under land reform:

1. To increase the agricultural product of Iran, the government should, foremostly, pay the farmers' debts and eradicate the presence of the money-lender. This would remove the need for farmers to accept low prices from advance crop sales. As long as the money-lenders are in the villages, improvement of the rural standard of living and progress in agrarian reform are merely dreams.

2. The government should provide adequate supervised credit for the farmers which would be used for agricultural purposes only. This service should be available at the closest distance to the farmer preferably within his area. At present, there are only two institutions which prepare small loans for farmers: the cooperative farms and the Agricultural Bank. The cooperative farms are already located within the rural areas but the Agricultural Bank is located in the cities. Therefore, the government should locate branches of the Agricultural Bank in rural areas so as to alleviate the problems and extra costs to the farmers (transportation, lodging expenditures, etc.) incurred in order to travel to the present locations of the Bank.

3. The government should build roads and provide transportation facilities that would enable farmers to transport their marketable products at reduced costs.

4. Due to the abundance of labor in the agricultural sector,[7] the government should encourage both large and small farms to use those inputs (such as fertilizer, seed varieties, etc.) which are yield-increasing, with a limited amount of mechanization; because, any large-scale mechanization on the one hand may increase the cost of production. On the other hand, it may cause unemployment since the other economic sectors would not be able to absorb them, at least in the short-run.

5. Finally, a handicraft industry should be established in the rural areas which should be labor-intensive and capitol-saving to absorb the surplus village labor--resulting from agricultural machinery usage--in order to prevent labor migration from rural to urban areas.

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[7]Bharier, Economic Development in Iran 1900-1970, p. 131 (46 percent of the total Iranian labor force).

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