

How does Brazil's land rental market stack up with other countries?

Land rental markets in Brazil are underdeveloped, compared with other countries.

Only 3.3% of Brazilian agricultural land was under lease or sharecropping contracts in the latest World Census of Agriculture. In contrast, this figure is about 33% in Europe and almost 38% in the United States.

	Brazil	Latin America ¹	Asia ²	Europe ³	United States ⁴
Number of Holdings	4859865	7862035	143573823	7418126	2128982
Total area of holdings	353611246	452006653	228947283	157162778	379712151
Average farm size	72.8	57.5	1.6	21.2	178.4
Agricultural land (%)	64.4	65.7	92.2	58.0	88.4
Cropland (%)	22.0	22.0	92.8	65.4	52.3
Meadows and pastures (%)	78.0	78.0	1.9	34.2	47.7
Land tenure(area, %)					
Owner and owner-like	93.8	89.8	90.8	56.6	62.3
Rented from others	3.3	3.9	4.3	32.9	37.7
Under other forms	2.9	5.0	0.2	3.5	-
Below 10 hectares:					
Farms (%)	49.5	57.9	98.5	70.6	8.4
Area (%)	2.2	2.7	72.5	9.4	0.1

Source: World Census of Agriculture (2000)

Notes:

1) Latin America: Brazil, Puerto Rico, Panama, Chile, Venezuela, Ecuador, Uruguay, Nicaragua, and Guatemala.

2) Asia: India, Nepal, Qatar, Pakistan, Philippines, Thailand, and Turkey.

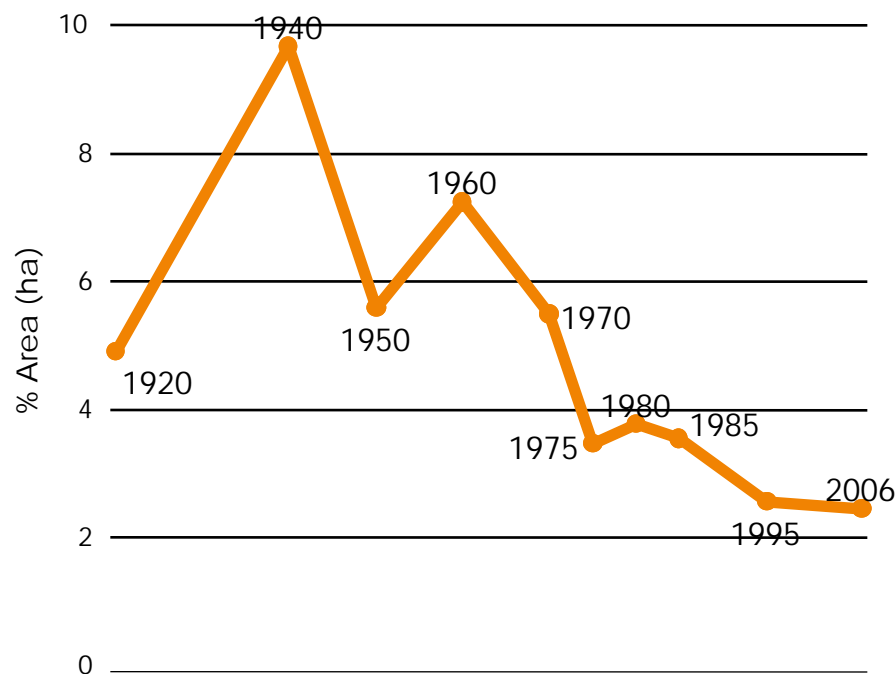
3) Europe: Cyprus, Germany, Austria, Belgium, France, Italy, Luxembourg, Portugal, Spain, United Kingdom, Greece, Finland, and Norway.

4) Farms (%) and Area (%) below 4 hectares

How has Brazil's land rental market evolved?

In 1964, Brazil adopted the Land Statute, which imposed several binding and non-renounceable clauses that aim to benefit the sharecroppers and lessees. Since then the share of rentals has decreased steadily, reaching its lowest levels in 2006. The Land Statute continues to regulate rental contracts to this day.

Leased or Sharecropped Land Area in Brazil

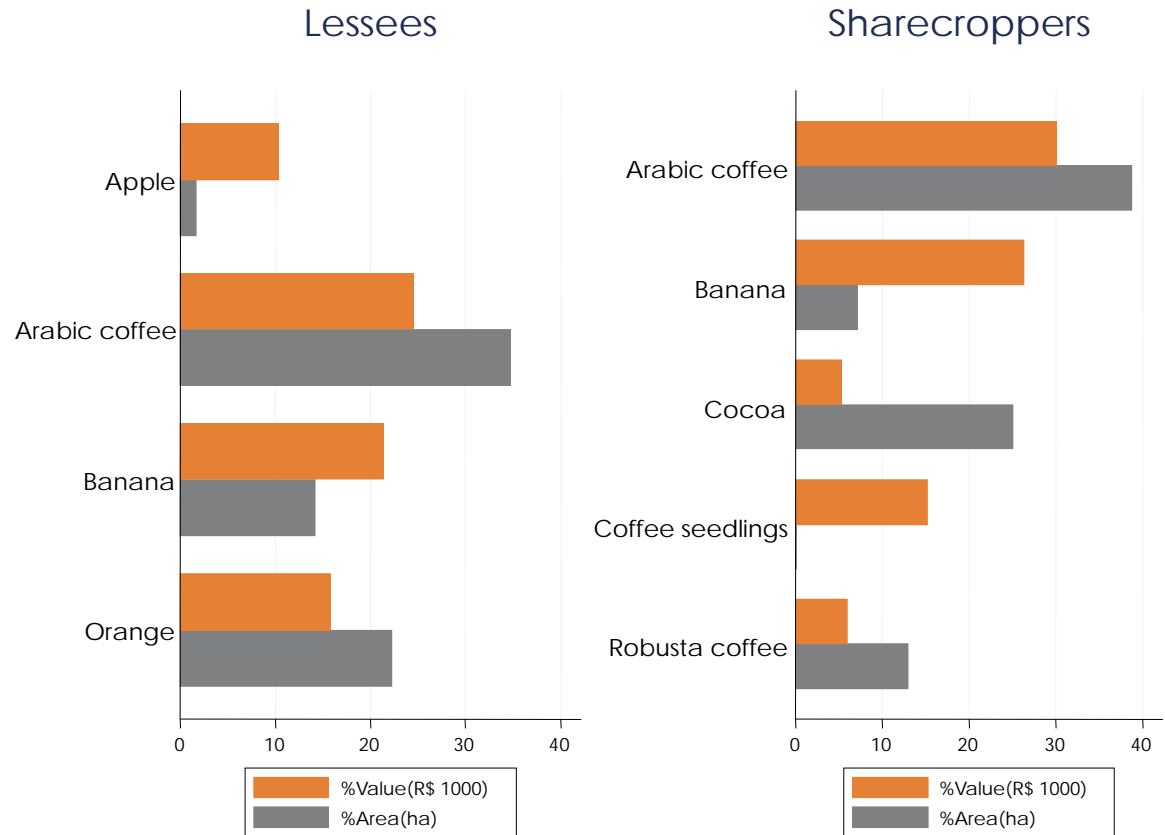


What's cultivated in Brazilian's land rental market?

Area and production value under rental

Permanent Crops

Arabica coffee is the permanent crop with the highest share of lessees and sharecroppers, both in area and in production value.

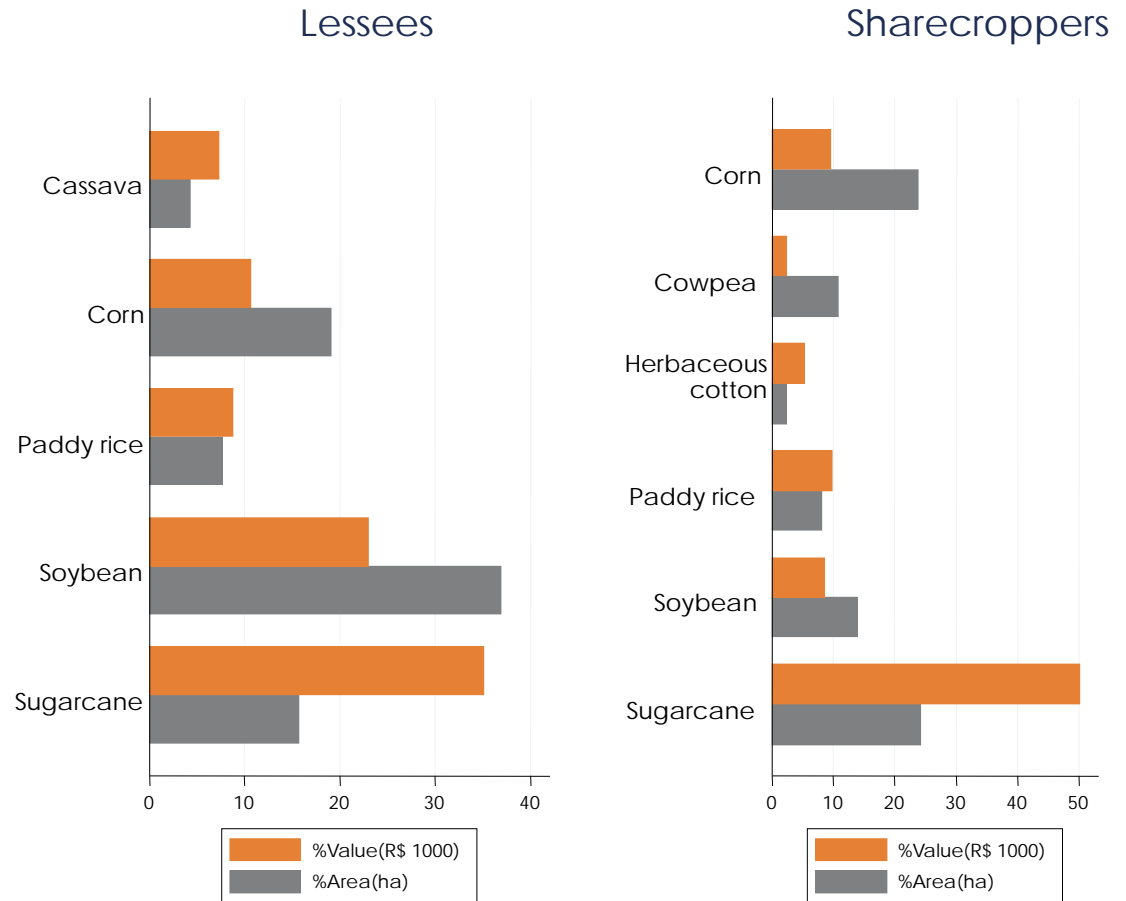


What's cultivated in Brazilian's land rental market?

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Temporary Crops

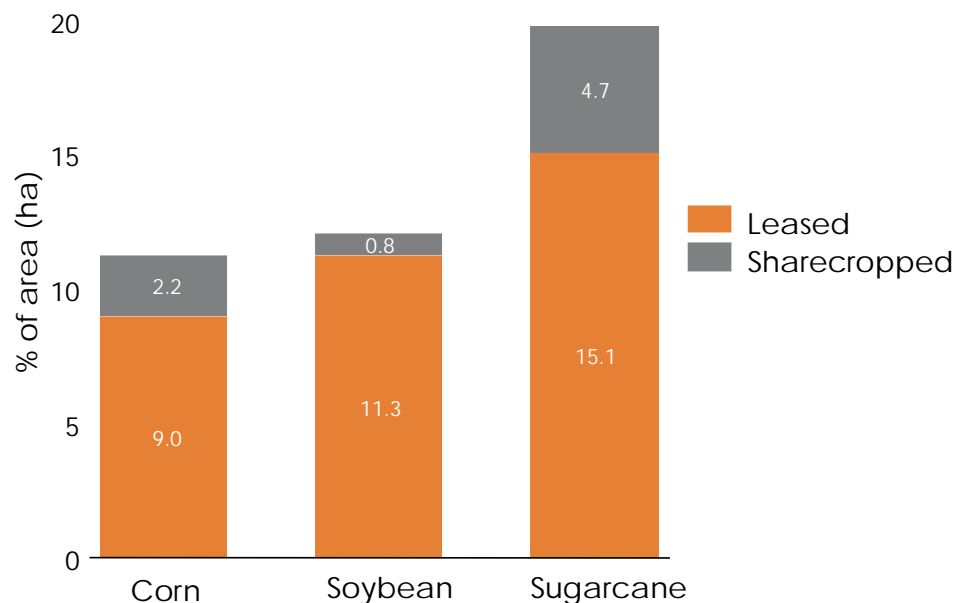
Sugarcane, soybean and corn are the temporary crops with highest shares of lessees and sharecroppers both in terms of harvested area and in terms of production value.



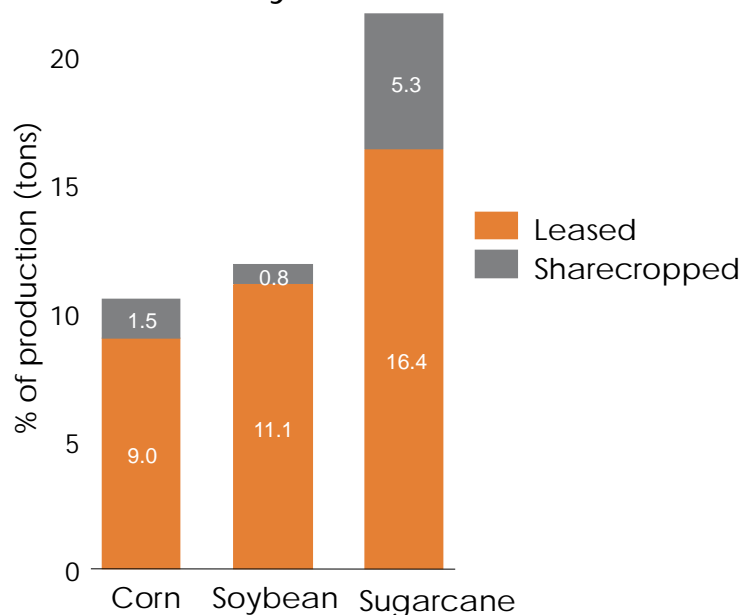
How much does Brazil's rented land currently contribute to major crop output?

Given that only 3.3% of Brazil's land is rented, the share of major crop output operated by lessees or sharecroppers is striking. Among the key crops that make up for over half of total cropland in Brazil – soybean, maize, and sugarcane – over 10% of both area and output are operated by lessees or sharecroppers. For sugarcane, lessees and sharecroppers are responsible for nearly 22% of the production and 20% of area.

Major Crops by % Area Leased, Sharecropped, or Cultivated by Owner



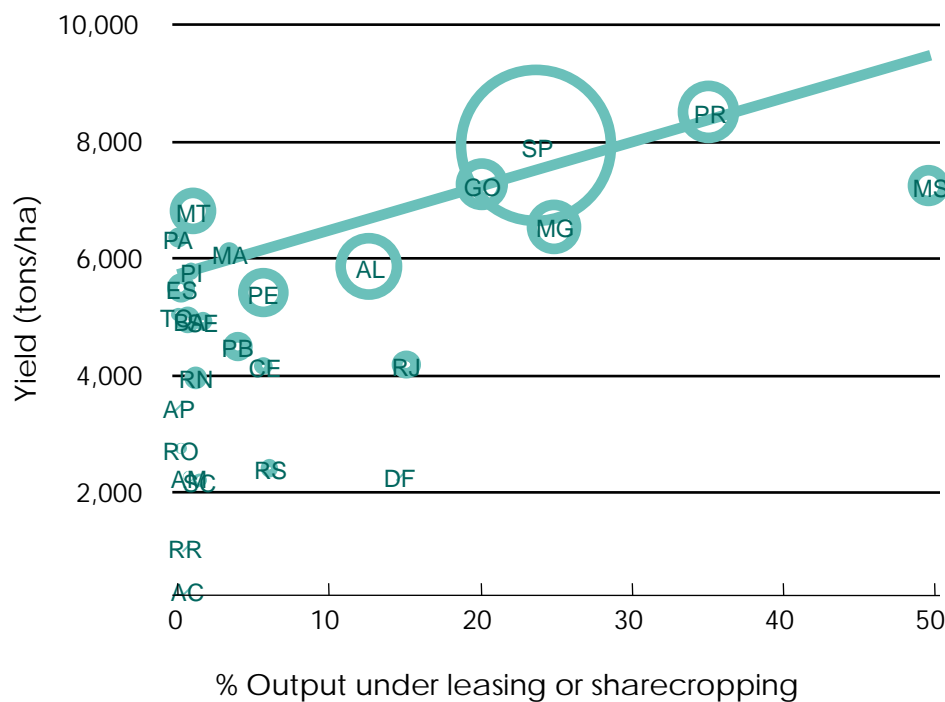
Major Crops by % Production Leased, Sharecropped, or Cultivated by Owner



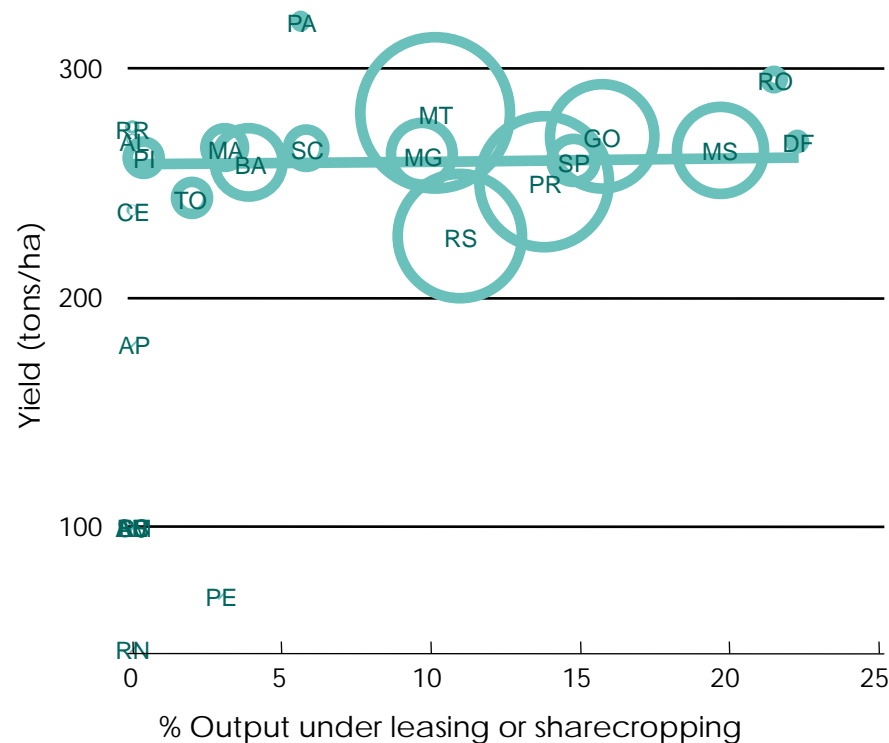
Can improving the land rental market improve agricultural productivity?

The potential of land rentals to improve agricultural productivity in Brazil is huge. However, for crop farming, productivity gains associated with land rentals seem to vary across crops. Based on evidence from the 2006 Brazilian Agricultural Census, sugarcane production may be especially sensitive to land rental markets. In contrast, soybean productivity appears to be fairly constant, regardless of the contractual arrangement.

Sugarcane Productivity vs. Output Rented



Soybean Productivity vs. Output Rented



Does the 1964 land rental regulation make sense for Brazil's reality in 2014?

The motivation behind the current regulation may no longer make sense for Brazil's reality, which today is a more complex and varied agricultural system, with more capitalized, educated, and experienced renters participating in the market. This seems to be especially relevant for sugarcane. We find that land rental arrangements are more widely adopted in larger farms, operating on typical business basis.



Our Recommendations

The deregulation of land rental markets can contribute to efficient land use. The current regulation is out dated and could be updated to meet Brazil's current reality.

Overall, there is a clear role for public policy in incorporating land rental market improvements into a national set of policies that target agricultural development and environmental protection.