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AGRICULTURAL LAND RENTAL MARKETS IN NAGAPATTINAM DISTRICT, TAMIL NADU

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Abstract: *The present paper analyses the land rental markets in Nagapattinam District, Cuddalore district. Traditionally, agricultural leases are divided into two general categories: the cash lease and the crop share lease. Both the methods have their own merits and demerits. The present paper addresses the same. These methods have influence over the yield, input use and management of land. From the study, the rental markets have created self employment, assured food security and social privilege. At the same time, tenants are unhappy with certain factors that affect the intention to lease-in lands. Short term lease have affected effective management of land, decision making and long term investment. Based on the conclusion, the study suggests that the local people can collectively initiate an informal administration for documentation of rental lands. The local institution can solve the problems by educating sustainable agriculture.*

Key words: *Tenancy, cash lease, crop share lease, input use, yield, sustainability*

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INTRODUCTION

Leases play an important role in many farming operations. Many farm operators do not own the land they farm or they own only a portion of it. The number of farm operators who lease land continues to rise. Yet many farm landlords and tenants are unfamiliar with the legal aspects of the landlord/tenant relationship. In addition, leasing farm machinery and equipment has become commonplace. Increasingly, anything one can borrow to acquire, one can also lease.

TYPES OF LAND LEASES

Agricultural leases traditionally are divided into two general categories: the cash lease and the crop share lease. The cash lease involves cash payment of a specified sum or an amount determined by a formula in exchange for the use of farmland. Under a typical crop share lease, however, the landlord provides part of the equipment and supplies such as seed, fertilizer, and chemicals. In exchange, the landlord receives a share of the crops as rent. The rent share usually ranges from one-third to one-half, depending on local custom and the farmer's and landlord's contributions toward production costs.

The landowner and farmer are free to establish the relationship that will govern their operation. The lease agreement between the parties is critical in determining what rights and duties exist between landlords and tenants. The following elements are necessary to create a landlord/tenant relationship:

1. Valid contract
2. Provisions for payment for the use of the land
3. The transfer of substantial rights to the tenant;
4. Possession and control of the property by the tenant; and
5. A reversionary interest in the property in favour of the landlord at the conclusion of the term of the lease.

RIGHTS AND DUTIES OF LANDLORD AND TENANT

Unless a lease provides otherwise, it is presumed that a tenant will conduct the farming business according to prevailing customs or usages of the community. He or she is not required to leave the land in the same condition it was in when he or she took possession, however. The tenant has the right to determine the cropping system and rotation to be applied on the leased property. He or she must not, however, commit "waste." What

constitutes waste must be determined on a case by case basis, but in general, the tenant must not allow the real estate to be permanently or substantially damaged. For example, the tenant may not remove valuable topsoil from the premises. Most courts, however, have held in favour of tenants who have used poor conservation practices such as permitting land to grow up in weeds and go uncultivated. As a result, it is in a landlord's best interest to include specific provisions in the lease detailing expectations of the tenant as part of the normal course of husbandry. Of increasing importance are concerns regarding ownership of growing crops. It is clear that in cases of cash rent lease, the crops belong to the tenant. In the case of a crop share lease, however, the answer is not so clear.

ISSUES IN EXERCISING TENANCY

Farm rental markets are boon to the landless and marginal farmers. In Tamil Nadu, the tenants follow three methods of renting: Sharecropping, Cash Payment and Mortgaging. These methods have their own merits and demerits in executing the agricultural activity. Sharecropping is mostly recognized by the owners-tenants since the yield alone is shared by the both. In the same time, sharecropping allows landowner’s to interference in execution of agriculture, which may affect the tenant’s decision. But, cash payment of renting avoids landowner’s interference as cash is paid well in-advance while the loss and gain have to be faced by the tenants alone. Mortgaging land for money avoids the owner’s problem as tenants can cultivate the land until the land owners returns the amount. Ultimately this affects the cost of cultivation and yield. That is, a tenant may spend more for the tenancy land that gives his long term security and vice-versa. Besides, the short term tenant may use more chemicals, which may affect the land quality and incur loss to the land owners. Thus, tenure of rental land parts a major role in managing the sustainability of the land quality. Since it is hypothesized that tenants misuse the land resources, the present study analyses the methods of renting lands and its input-output efficiency in agriculture. The study would find the appropriate method of renting lands by considering the welfare of poor tenants.

METHODOLOGY

The present study is based on the primary data. For the study, the tenants are selected from three different types of renting viz., Sharecropping, Cash Rent and Mortgage. From each group, 15 tenants are selected and simple random sampling method is adopted to identify the tenants. Cross classification tables with average and percentage were calculated in

order to analyse the efficiency of sharecropping, cash payment and mortgaging. Statistical Package for Social Science was used for analysing the data. District and Village profile is collected from the Village Administrative Officer.

LEASE AGREEMENTS AND TENURE

Agreements and tenure are the major factors that assure tenants security in performing the agricultural activity. The details of the same is given in the below table 1. Tenants follow two types of lease agreements viz., formal and informal agreements. But formal agreements involve transaction cost while informal agreements are made at local level with the help of local leaders/elders. Thus, the tenants mostly register the lease agreements informally. The informal agreements are performed in two different methods viz., written and oral. The surveyed tenants mostly followed oral agreements (67%), while the rest have lease-in lands by written agreement. Even though all the tenants follow informal agreements, they have used oral agreements which confirms highly insecure. Since future is uncertain, oral agreements may fail to establish strong claims in future. At the same time, a tenant with written document can claim the rights in future. Thus, the tenants follow insecure agreements which do not support their agricultural activity. In particular, the mortgage landholders have used written agreements due to huge amounts that they transact. But sharecroppers and cash renters have lease-in lands with oral agreements. Thus, agreements for lease-in lands are determined by the amounts that are transacted for rental lands.

Table 1 Lease Agreements and Tenure of Lease-in Lands

Sl. No.	Details		Tenancy			
			Sharecropping	Cash Rent	Mortgage	Total
			(n=15)	(n=15)	(n=15)	(N=45)
1.	Agreement	Written	0 (0)	0 (0)	15 (100)	15 (33.3)
		Oral	15 (100)	15 (100)	0 (0)	30 (66.7)
2.	Lease Tenure	Three years	15 (100)	15 (100)	0 (0)	30 (66.7)
		More than three years	0 (0)	0 (0)	15 (100)	15 (33.3)
3.	Witness		15 (100)	15 (100)	15 (100)	45 (100)
4.	Land Use Instructions		11 (73.3)	14 (93.3)	10 (66.7)	35 (77.8)

Source: Computed Note: Figures in parentheses denotes percentages to the sample size

Tenure may be classified as short and long term tenure. Lease-in lands for three years are considered as short term lease tenure and more than three years are long term lease tenure. Lease-in lands for long term tenure may help the researchers in managing the lands effectively. But short term lease tenant may not have enough duration to claim his benefit. The tenants of the surveyed region have lease-in lands for three years (67%) and rest of them have lease-in for more than three years. This infers that majority of the respondents have leased for short term. Tenants make lease agreements in the purview of local leaders/elders. All the surveyed tenants lease-in lands with the witness of the local people. Thus, the tenants are aware about the future problems in lease-in lands.

Landowners may interfere in the tenant activity, which may affect the tenant's decision making in agriculture. Of the surveyed tenants, 78 per cent of the tenants have opined that the land owners have given instruction regard to land use pattern. Thus, this might affect the tenants input usage, which may affect the yield. At the same time, landowners may instruct in order to preserve the land quality, where tenants never bother about the same. From individual perspective, tenants and landowners have their own expectations, which is to be solved by the local institution without affecting the both.

COST OF PADDY CULTIVATION

It is hypothesized that cost of cultivation and yield varies according to the type of tenancy. That is, long term tenancy involves more cost and yield, while short term tenants do not have such provisions. The researcher has computed the cost of paddy cultivation and the yield to analyse the efficiency of each tenancy, thereby suggest policy measure in sustaining agricultural productivity. Given this backdrop, the researcher has computed the cost for each activity of paddy cultivation and the same is given in the below table 2. The total cost per acre of paddy cultivation is Rs.14,261 and the cost incurred are more for manure before transplantation (21%), seed / seedling (16%) and harvesting and thrashing (14%). For transplantation and ploughing, the tenants have spent 11 per cent respectively. Land levelling, weeding and pesticide involves lesser amounts as compared. Thus, the tenants have spent more for manure, which contributes more towards productivity.

Among the tenancy groups, the cost of cultivation involves higher amounts for mortgage landholders (Rs. 15,421), cash renters (Rs. 14,269) and lesser amounts for sharecroppers Rs. 13,092. Mortgage landholders have lease-in lands for long term and they have spent more

amounts to increase the productivity. At the same time, they can reap the investment benefits in the long run. Likewise, cash renters have also spent more amounts for aforementioned expectations. But the cost of cultivation for the sharecroppers is comparatively less due to the reason that the yield is shared with the landowners. That is, the tenant may have intention that his investment is going to be shared with the landowners and thus he may minimise the cost of cultivation.

Table 2 Per Acre Cost of Paddy Cultivation (in Rs.)

Sl. No.	Details	Tenancy			
		Sharecropping	Cash Rent	Mortgage	Total
		(n=15)	(n=15)	(n=15)	(N=45)
1.	Irrigation	657.5 (5.0)	688.1 (4.8)	721.8 (4.7)	1629.1 (4.8)
2.	Plough	1332.8 (10.2)	1552.7 (10.9)	1622.7 (10.5)	3619.7 (10.6)
3.	Land Levelling	1002.7 (7.7)	1025.2 (7.2)	1077.2 (7.0)	2436.6 (7.2)
4.	Seed / Seedling	1892.0 (14.5)	2201.0 (15.4)	2455.0 (15.9)	5286.7 (15.5)
5.	Manure before Transplantation	2588.0 (19.8)	2891.0 (20.3)	3219.0 (20.9)	6972.7 (20.5)
6.	Transplanting	1586.5 (12.1)	1630.8 (11.4)	1693.9 (11.0)	3853.5 (11.3)
7.	Manure after Transplantation	481.3 (3.7)	486.0 (3.4)	502.7 (3.3)	1149.1 (3.4)
8.	Pesticide	752.5 (5.2)	781.4 (5.5)	866.8 (5.6)	1899.0 (5.6)
9.	Weeding	855.0 (6.5)	954.0 (6.7)	1107.0 (7.2)	2346.0 (6.9)
10.	Harvesting and Thrashing	1944.0 (14.8)	2059.0 (14.4)	2155.0 (14.0)	4862.0 (14.3)
11.	Total Cost	13092.3 (100)	14269.2 (100)	15421.1 (100)	14260.9 (100)

Source: Computed Note: Figures in parentheses denotes percentages to the column total

For various agricultural operations, the mortgage landholders have spent more amounts for manure before transplantation, seed / seedling, pesticide and weeding, while cash renters and sharecroppers have spent lesser amounts comparatively. The sharecroppers have spent higher amounts for harvesting and thrashing, transplantation and land levelling, whereas the cash renters and mortgage landholders have spent lesser amounts for the same. That is, the sharecroppers have used labour for the above operations and the cost registered is high

but the cash renters and mortgage landholders have mostly used machines that involve lesser amounts.

Thus, overall cost of cultivation is high for mortgage landholders, where the cash renters and sharecroppers constitute next. For various agricultural activities, the cost incurred varies between the input use and labour use operations. As a result, mortgage landholders have spent more for input use of manure, seed / seedling and pesticide, while sharecroppers have spent for labour use work of land levelling, harvesting and thrashing. It is imperative to analyse the effect of cost of cultivation over the yield. Thus, the yield of paddy cultivation is analysed in the next part.

YIELD FROM PADDY CULTIVATION

The yield of paddy cultivation is computed for an acre and the details are given in the below table 3. The yield is calculated in terms of rupees, where per acre yield is Rs. 21,705, total cost at Rs. 14,261 and the revenue of Rs. 7,445. Among the tenancy groups, the yield, cost and revenue (Rs. 8,796) is high as compared to other tenant cultivators cash renters (Rs.7, 076) and sharecroppers (Rs. 6462). Long term tenants spent more amounts and harvest more crops, whereas short term tenants could not make so. That is, the mortgage landholders have spent more amounts and harvested more crops, while cash renters and sharecroppers cost of cultivation and yield have positive effects. Thus, the cost of cultivation and the yield vary according to the different types of rental lands (Sharecropping, Cash Payment and Mortgaging).

Table 3 Per Acre Yield (in Rs.)

Sl. No.	Details	Tenancy			
		Sharecropping (n=15)	Cash Rent (n=15)	Mortgage (n=15)	Total (N=45)
1.	Yield (in Rs.)	19554	21345	24217	21705
2.	Total Cost	13092	14269	15421	14261
3.	Revenue	6462	7076	8796	7445

Source: Computed

MERITS OF CULTIVATING LEASE-IN LANDS

As mentioned in the introductory part, tenants are marginal farmers and they lease-in lands for their livelihood. But the intention of the tenants is not fulfilled due to ill-defined rental markets. By keeping this, the researcher has framed the merits and demerits of lease-in lands.

The below table 4 examines the merits of cultivating lease-in lands. The merits of lease-in lands are income earnings, self-employment, food security, asset generation and social privilege. The tenants opine that lease-in lands leads to income earnings (78%), asset generation (56%) and self-employment (40%). Lease-in lands fulfil the tenants need in food security (33%) and gains social privilege (31%). Irrespective of tenancy groups, all the tenants opine similar views for lease-in lands. Thus, it is to be appreciated that the rental lands help the tenants in achieving economic and social development.

Table 4 Merits of Lease-in Lands

Sl. No.	Details	Tenancy			
		Sharecropping	Cash Rent	Mortgage	Total
		(n=15)	(n=15)	(n=15)	(N=45)
1.	Income Earnings	14 (93.3)	10 (66.7)	11 (73.3)	35 (77.8)
2.	Self-Employment	8 (53.3)	5 (33.3)	5 (33.3)	18 (40.0)
3.	Food Security	8 (53.3)	2 (13.3)	5 (33.3)	15 (33.3)
4.	Asset Generation	11 (73.3)	7 (46.7)	7 (46.7)	25 (55.6)
5.	Social Privilege	4 (26.7)	6 (40.0)	4 (26.7)	14 (31.1)

Source: Computed Note: Figures in parentheses denotes percentages to the sample size

DEMERITS OF CULTIVATING LEASE-IN LANDS

The previous section examined the merits of cultivating lease-in lands. At the same time, lease-in lands leads some inconsistency to the tenants and those details are given in the below table 5.

Table 5 Demerits of Lease-in Lands

Sl. No.	Details	Tenancy			
		Sharecropping	Cash Rent	Mortgage	Total
		(n=15)	(n=15)	(n=15)	(N=45)
1.	Unable to Manage Effectively	14 (93.3)	15 (100)	7 (46.7)	36 (80.0)
2.	Unable to Use Environment Friendly Technologies	8 (53.3)	5 (33.3)	4 (26.7)	17 (37.8)
3.	Short Duration Affects Long Term Investment	11 (73.3)	13 (86.7)	4 (26.7)	28 (62.2)
4.	Insecurity Affects the Decision Making	15 (100)	15 (100)	4 (26.7)	34 (75.6)
5.	Interference of Land Owner	12 (80.0)	5 (33.3)	2 (13.3)	19 (42.2)

Source: Computed Note: Figures in parentheses denotes percentages to the sample size

The tenants have pointed out the demerits of lease-in lands that they are unable to manage effectively, unable to use environment friendly technologies, short duration affects long term investment, insecurity and interference of land owner affects decision making of the tenants. Majority of the tenants report that they are unable to manage the rental lands effectively (80%), insecure rental land affects the decision making (76%) and long term investment (62%). Besides, interference of land owners has affected the tenant's freedom. Due to short term lease, the tenants are unable to adopt environment friendly technologies. As a whole, short term lease affect the agricultural activity of the tenants in respect to management, adoption of technologies and decision making.

CONCLUSION

The tenants follow informal agreements viz., written and oral for lease-in lands. In particular, they mostly follow oral agreements and few register by written and that too by the mortgage landholders. Since they transact huge amounts, they document by written agreements. Majority of the respondents have lease-in lands for short duration that is for three years. But, short term tenure may not give enough time periods for long term objective of managing lands. Thus, irrespective of tenancy groups, clear documentation and duration of lease may confirm security to tenants and sustainability to land resources, which has to be encouraged among the farmers. Cost of cultivation incurred is high for manure, seed / seedling and harvesting and thrashing. Mortgage landholders have spent more for cultivation and harvested more yield as compared to cash renters and sharecroppers. As a whole, the mortgage landholders have spent for inputs while sharecroppers for labour use. Due to mechanisation, the cost of labour is comparatively lesser for long term tenants that are mortgagers. Thus, long term tenants invest more and harvest the same, while short term tenant's investment and yield is comparatively less. As a result, "the cost of cultivation and the yield vary according to the different types of rental lands (Sharecropping, Cash Payment and Mortgaging)".

Lease-in lands have generated income and asset to the tenants. Besides, it has created self employment, assured food security and social privilege. At the same time, tenants are unhappy with certain factors that affect the intention to lease-in lands. Short term lease have affected effective management of land, decision making and long term investment.

The above conclusion brings some suggestions to the policy makers to strengthen the agricultural rental markets.

POLICY SUGGESTIONS

Based on the conclusion, few policy suggestions are framed to shape the rental markets and those are given below.

1. Tenants mostly follow oral agreements for lease-in lands by considering the transactions cost, which is insecure to both landowners and tenants. The local people can collectively initiate an informal administration for documentation of rental lands. The local institution can solve the problems of landowners and tenants in leasing lands.
2. Short term lease affects the cost of cultivation, yield and management of rental lands. The local institution can educate the importance of long term lease to the landowners and tenants for maximising the yield without affecting the sustainability of land resources.

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