The Oil Palm Question: Agribusiness and Smallholder Poverty in Sumatra.

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Introduction

• Agribusiness
  → ‘dynamic and efficient agribusiness spurs agricultural growth’,
  → ‘can reduce rural poverty’ (World Bank 2007 135-137).

• NGOs and social movements
Introduction (2)

Biofuels

- vast market
- links remote, degraded areas where the poorest live to global markets’ (Siregar and Sugino 2008 p2).

- new social vulnerabilities,
- increasing pressure and competition for land
- food security of the most vulnerable (Mol 2008).
Oil palm replacing rubber
This paper

– What are the characteristic paths to agrarian change?
– What casual processes lead to the key distributional outcomes?
– how is this related to particular processes of differentiation?
This paper
twofold strategy

1. Temporal:
shifting policy
settings & schemes
→ outcomes
Policy Models
Kemitraan: social-private partnerships

70:30 model
- Smallholder plasma 70%
- Nucleus estate 30%

20:80 Kemitraan model
- Nucleus estate <80%
- Smallholder plasma <20%

Pre reformasi
- PIR: direct state involvement
- KKPA: subsidized cooperative schemes

Post reformasi
- Swadaya Independent (lassiez faire)
- Kemitraan Partnership (private-social)
2. Spatial variation: investigate the high variability in outcomes
   - how similar underlying processes led to contrasting outcomes in neighbouring locations.
PIR/NES scheme

1. Enclosure of Melayu land
2. Inclusion of small nos of Melayu
3. Maturation period:
   • 50% of Javanese $\rightarrow$ returned to Java
4. Most now prosperous farmers $\rightarrow$
   • expanding
KKPA: Same scheme, different outcomes

- retain plasma entitlements
  - Village 1: 80%
  - Village 2: 60%; 10% landless
  - Village 3: 5% retain; 30% landless
1. KKPA - inserted into differentiated social landscape.
2. Land sales: under conditions of abundance, crisis, manipulation
3. Village control over the institutions and processes that affect their capacity to participate
   » village teams & cooperative.
   » Control over the circuits through which farmers obtain legal certification & access inputs, market outputs, benefits
   » Village leadership
4. Impact of economic, geographical and social isolation → structural disadvantages
Laissez faire period
The Swadaya village (1)

- 50% landless since the advent of oil palm
Laissez faire period
The Swadaya village (1)

1. Collapse of rubber prices → oil palm

2. Melayu villagers:
   - sell off unproductive rubber land
   - elite → enlarge landholdings
   - Sales of ‘village commons’

3. Unable to cross ‘thresholds of inclusion’
   - Seedlings, fertilizer etc

4. Independent factories:
   - integrated into different value chains
Stratified survey

- **Prosperous farmers:**
  - more than 6 ha sawit

- **Progressive farmers:**
  - 2-4 ha sawit

- **Poor farmers:**
  - no sawit unggul

- **Labourers and ‘waiting farmers’**
average land holding by farmer classification (hectare)
Comparison of Incomes by village (Rp.)

- Rubber
- Unselected OP
- Unggul
- Off farm Income
- Total Keseluruhan
- Saving

- Dusun Mudo (KKPA)
- SP (PIR Trans)
- Rantau Benar (Swadaya)
average income by farmer classification
Policy Models
Kemitraan: social-private partnerships

70:30 model

- Smallholder plasma 70%
- Nucleus estate 30%

Jambi: (KKPA)
- 70% land
- 50 percent of yield (after credit & production costs)

Sanggau (Kalbar)
- 20% land
- 30:70 production sharing arrangement
- further deductions for plantation costs and credit repayments.
Discussion (1)

• state intervention and withdrawal
  → generate the conditions for prosperity for some
  → differentiation
  → two waves
WDR: unpalatable message

→ ‘a small segment of dynamic market-orientated smallholders while letting the rest find alternative pathways out of poverty, through wage labour or migration’

→ Critique of agribusiness

→ village processes: without intervention
Discussion (3)

• **agricultural intensification & integration into global markets**
  – Dualism: inclusion/exclusion
  – inclusion on disadvantageous terms’ (du Toit p2).
    • depend on the terms under which smallholders engage with oil palm
Main findings

1. The pathways of agrarian change are highly variable
   » how livelihood strategies enabled/constrained by economic, social and political relations
   » vary over time and space.

2. The effect of oil palm
   » depend upon the terms under which smallholders are included
Main Findings (2)

3. Need to distinguish
   » Exogenous agribusiness expansion
   » Endogenous market expansion
   → each: advantages & risks for smallholders, leading to distinct pathways of change.

4. oil palm: particular character as commodity
   » Without significant support → poor terms
   » lure to become rich → trap.
Main findings (3)

5. vulnerable landowners
   – even more exposed to the risk of adverse incorporation under the later ‘laissez faire’ & Kemitraan scenario