

The Oil Palm Complex

Smallholders, Agribusiness and
the State in Indonesia and Malaysia

Edited by

Rob Cramb and John F. McCarthy



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THE OIL PALM COMPLEX

*For
Aedan, Joshua, and Nathan*

PREFACE

THE COLLABORATION THAT LED TO THIS volume began in 2005 at a meeting in Toronto of the “Challenges of the Agrarian Transition in Southeast Asia” (ChATSEA) Project, with which we were both loosely associated. We decided our common interest in the oil palm boom and its implications for agrarian change in Indonesia and Malaysia could form the basis for a fruitful partnership and contribute to the output of original research on agrarian change engendered by the ChATSEA Project. Further impetus was provided by a research grant from the Australian Research Council—“Oil Palm and Agrarian Transition on the Indonesian and Malaysian Frontiers” (DP0771475) which ran from 2006–07 to 2009–10. This project supported our own research and the PhD studies of Piers Gillespie in Indonesia and Sunny Sanderson in Malaysia.

As well as pursuing individual studies in specific locales (particularly the provinces of Jambi and West Kalimantan in Indonesia and the state of Sarawak in Malaysia), we sought to compare and integrate our findings in order to understand the patterns of oil palm development in the region as a whole. As part of this comparative perspective, we organised a two-day workshop at the Crawford School of Public Policy, Australian National University, in 2010. Most of the contributors to this volume were participants in that workshop and we thank them for sharing their insights. Our research has continued over subsequent years, giving rise to a range of publications and finally culminating in this book. This decade-long research collaboration has been a challenging and rewarding experience. We hope this book will add to the discussion of this critical transition.

We are grateful to our respective institutions, the School of Agriculture and Food Sciences at the University of Queensland and the Crawford School of Public Policy at the Australian National

University, for their support. The funding provided by the Australian Research Council was essential to the completion of much of the fieldwork on which the research is based.

Rob Cramb would like to thank the State Planning Unit and the Ministry of Land Development in Sarawak for approving and facilitating the research in that state, especially Tan Sri Datuk Amar Dr James Jemut Masing, Minister for Land Development, Datu Jaul Samion, Permanent Secretary, and Mr William Jitab, Special Administrative Officer in the Ministry of Land Development. Valuable assistance and insights were provided by Joseph Blandoi, William Chang, Jayl Langub, Lily Leong, Ose Murang, Dimbab Ngidang, Stephen Sani, Vasco Sabat Singkang, Hatta Solhee, Patrick S Sujang, and Simon Woon, among others. This, of course, does not necessarily imply their endorsement of the analyses arising from that research.

John F. McCarthy is grateful to Zahari Zen, Zulkifli Lubis, Henri Sitorius, and colleagues at the University of North Sumatra for their many insights and for sponsoring two workshops in Medan; the Indonesian State Ministry of Research and Technology; villagers, NGO workers, company executives, government friends and officials in Jakarta, Medan, Jambi, West Kalimantan, and Riau for their warm hospitality, candour, and assistance; the Roundtable on Sustainable Palm Oil; and the Forest Peoples Program in Indonesia.

We are especially grateful for the support and forbearance of our wives, Jacky and Henny. We dedicate this book to the rising generation, especially John's son Aedan and Rob's grandsons, Joshua and Nathan, who will have ever greater complexity to contend with in the decades to come, but we are confident they have the character, ingenuity, and commitment to make a positive contribution.

Rob Cramb and John F. McCarthy

15 December 2015

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CHAPTER 1

Introduction

ROB CRAMB AND JOHN F. MCCARTHY

Complex: Consisting of many different and connected parts...Not easy to analyse or understand; complicated or intricate...A group or system of different things that are linked in a close or complicated way; a network.¹

THE RAPID EXPANSION OF OIL PALM in Malaysia and Indonesia over the past 30–40 years has transformed the rural landscape in complex and highly contentious ways, generating a plethora of economic, social, and environmental issues that have been widely addressed in the literature (Boxes 1.1, 1.2, and 1.3). In this book, rather than focus on a particular issue or dimension of the oil palm boom, we attempt to follow Clifford Geertz's (1966) injunction to "seek complexity and order it." We contend that the oil palm industry in Indonesia and Malaysia needs to be understood as a complex whole in which land, labour, and capital, the various modes of production in which they are combined, and the value chains into which they are inserted are closely interconnected across the region, giving rise to a discernible pattern of economic, social, and environmental outcomes over time. This is not a simple matter of multinational capitalist enterprises imposing their profit-making plans on reluctant rural communities. Rather, political, bureaucratic, and agribusiness actors at various levels, village authorities, small and large landholders, migrant workers, contractors, consultants, and civil society groups, each pursuing their perceived individual and collective interests and ideals, have interacted

in diverse ways, resulting in a complex array of production and supply systems, with highly contingent consequences for rural livelihoods. Nevertheless, as we first attempted to highlight in McCarthy and Cramb (2009), there is a convergence across the region in the dominant policy narratives, business strategies, modes of land acquisition, and labour processes associated with oil palm, giving rise to the characteristic features and trajectories of the Indonesia-Malaysia oil palm complex that we now seek to describe and explain in this book, with the help of colleagues from a range of disciplines and perspectives. Figure 1.1 shows the region as a whole and the states (Malaysia) and provinces (Indonesia) referred to in the chapters that follow.

Byerlee (2013) reminds us that extensive market-driven investments in land development during commodity booms are nothing new. In particular, he reviews what he terms the “first era of globalisation” from the middle of the nineteenth century up to World War I. “Then, as now, rapid industrialisation (at that time in Europe, North America, and a bit later, Japan) produced growing consumer incomes and rising demand for food and industrial raw materials, in a context of sharply reduced transport costs and liberalisation of trade, foreign investment, and international migration” (Byerlee 2013: 21). The lessons Byerlee draw from this period are that farmland investments have always been very cyclical; investments have been largest in the four or five classic plantation crops, including oil palm, where economies of scale in processing encourage (if not necessitate) investment in large-scale production entities; failure rates have often been high, frequently resulting in subsequent rounds of corporate consolidation. The potential of smallholders to engage in commercial agriculture has also been consistently underestimated by both governments and investors.

BOX 1.1 – ECONOMIC ISSUES

The economic issues to which the oil palm boom gives rise include one of the key questions addressed in this book—specifying the conditions under which oil palm can provide the greatest contribution to sustainable rural livelihoods. These conditions relate to balancing the trade-offs between subsistence and commercial farming, between commodity specialisation