DOES INDONESIA NEED CORPORATE FARMS? REFLECTIONS ON MODERNIZATION, EFFICIENCY, AND THE SOCIAL FUNCTION OF LAND

Ben White[1]*
[1]*Emeritus Professor of Rural Sociology, International Institute of Social Studies, The Hague.*
**Corresponding Author. E-mail: white@iss.nl*

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ABSTRACT

Indonesia faces serious problems in agricultural development and its relation to food security, employment, and sustainability. Today, Indonesia is importer country of rice and other commodities that can actually flourish in Indonesia. Meanwhile, currently Indonesia is becoming the world's biggest producer and exporter of palm-oil. Ironically, Indonesia has converted the most fertile agricultural land to other uses, and cut down its timber for the sake of planting oil palm. Indonesia also faces unemployment problem. Agricultural sector is unattractive to young people. Agricultural sector should keep growing to be able to assure food security and absorb labor force. However, there is no guarantee that modern, efficient, and innovative agriculture requires large scale farming (corporate farming).

Keywords: agricultural development, corporate farming, food security

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Introduction

In this paper I raise three related questions about directions of Indonesian agricultural development, specifically on food security and future paths of agricultural growth, employment and particularly youth employment, and sustainability.

Sometimes it is useful to take a look backward in history, to see more clearly what the history of the future may be like. So please allow me to begin by going back to April 1952, when President Soekarno laid the foundation stone of the new Faculty of Agriculture in Bogor (what would later, in 1963, become the Bogor Agricultural University IPB). He made a very long

speech, directed especially at Indonesian youth, on problems of food and agriculture. The speech was titled *A matter of life or death* and among other things, he said

> Food is a matter of life and death for a nation: if the people's food needs are not met this will lead to tragedy, and that's why we need an enormous effort, which must be radical and revolutionary.
> Why are we throwing away millions on foreign exchange, year after year, to buy rice from other countries, when there is the potential to double food production at home? (Soekarno, 1952)[2]

Indonesia: A Chronic Importer of Food, and Exporter of Low-Value Crops?

Twenty years later when I first went to Indonesia for research (in 1972), Indonesia was still a chronic food importer. In the late 1960s and early 1970s Indonesia was in many years the world's biggest rice importer, in some years buying one-third of all the rice available on the world market. Rice being Indonesia's most politically sensitive crop, this was a very dangerous position, and President Soeharto and his successive cabinets were aware of this. A goal of rice self-sufficiency by 1985 was set. Indonesia's 'green revolution' got off to a shaky start but by the end of the 1970s annual rice production growth was impressive, and in 1984 a state of more or less self-sufficiency was reached. For the next decade imports were either nil, or relatively insignificant; there were even occasional exports. Now however, from the late 1990s onwards Indonesia has once again become a major rice importer, with imports reaching a peak of over 5 million tons in 1998.[3] In 2012 imports were 1.8 million tons, making Indonesia the world's second biggest rice importer (after Nigeria).

How has it happened that Indonesia now (2012) imports close to 6 million tons of basic food staples every year: nearly 2 million tons of rice from countries like Vietnam and Thailand, 1.7 million tons of maize from India, Argentina and Pakistan, and almost 2 million tons of soybeans from the USA, Malaysia and South Africa[4] (all crops which can flourish in Indonesia's tropical climate)? And meanwhile, faced with all these expensive imports, why does Indonesia each year devote more and more of its land resources to becoming the world's biggest producer and exporter of palm-oil, producing 28 million tons, about four times as much as is needed for domestic consumption?

Every year something in the range of 100,000 – 200,000 ha of Indonesia's most fertile agricultural land for food production is lost (representing about 1 to 2 million tons of unhusked rice every year) as sawah gets converted to other uses, making it extremely difficult to meet self-sufficiency targets, not to speak of the current targets (set in 2009) to achieve a surplus of 10 million tons of milled rice *(beras)* by 2014, to increase maize production by more than 10 per cent each year and soybean production by more than 22 per cent each year (Nehru 2013, p. 156). Indonesia's Master Plan MP3EI for acceleration of economic growth[5] does not mention this problem, although the Minister of Agriculture has mentioned it several times in recent speeches.

Meanwhile, each year about 0.3 million hectares of forest are cut down (representing timber worth about US $3 billion to those awarded the concessions) and converted to oil palm. While the area and production of other, higher-value export crops has been stagnant or declining in the last 10 years,[6] palm oil – a very low-value crop, relatively speaking - has come

to dominate the agricultural scene. Certainly, a few people have become extremely rich in the palm oil sector (Forbes magazine claims that 10 of Indonesia's 40 richest people are oil palm investors),[7] but it is not a crop which makes those who grow it, or the communities around them, wealthy, and compared to other crops it generates little employment and very few productive linkages on the upstream and downstream side.

This has made some experts worry. The agricultural economist Dr Agus Pakpahan is a former Director-General of Export Crops, and currently head of GAPPERINDO (a consortium of 12 Export crops farmers' associations)[8] - and therefore certainly no enemy of export crops - but on oil palm he comments in *Koran Tempo:*

> It's clear that Indonesia needs to increase the area of sawah and increase productivity in food agriculture, but in fact what is increasing is not sawah but the area of oil palm plantations. What history will we write about this in future, if this trend of the past 40 years repeats itself during the next 40 years? It's not hard to predict that in future […] Indonesia will face many problems due to food scarcity and the increasing inequality in control over land.
>
> Continuing the current push for palm oil exports not only will not generate welfare for Indonesians, but will place our exports at the mercy of the world market, maybe even leading to collapse as has happened in the past with coffee, sugar and rubber. What's more, dependence on imported rice, as Indonesian population reaches 300 million, will lead to unimaginable problems (Pakpahan 2012)

In other words, future generations of scholars, looking back at this period, may wonder whether this pattern of agricultural and land-use change was really a good idea. The recent acceleration of law-making on issues of food and agriculture suggests that there is also concern about these issues in policy circles: for example Law 41 (2009) on Protection of Land for Sustainable Agriculture; Law 18 (2012) on Food; and Law 19 (2013) on Protection and Empowerment of Farmers.

The second issue I would like to raise concerns employment and specifically the problem of 'jobless growth'.

Jobless Growth and the Future of Indonesia's 'Intermediate Classes'

Another cause for concern is the failure to meet employment targets and the resulting large-scale unemployment and under-employment, particularly of the younger generation. Many consider this to be Indonesia's most important policy challenge for the coming decade.

While overall unemployment rates have been going down in recent years, youth unemployment rates are about three times the adult rate. When conventional (UN) definitions of youth and conventional employment statistics are used, almost 20 per cent of all Indonesian young people aged 15-24 are openly unemployed. Youth unemployment rates among secondary school graduates are around 40 per cent. These estimates, while staggering in themselves, mask additional numbers of young people who have given up the search for work, or are under-employed in the sense of having not enough work, having accepted jobs far below their qualifications, and/or working long hours at unacceptably low returns below established minimum wage levels.

With the rapid spread of secondary and tertiary education – one hundred new universities opening their doors every year during the 1990s, according to Dhanani et al. (2009, p. 69) - the supply of high

school and college graduates in the 1980s, 1990s and 2000s increased far faster than the economy's demand for them. The economy – even when growing at rates of 6 per cent per year - fails to generate the new modern-sector jobs for which they are formally qualified and large numbers, after years of unsuccessful job searches, find a reluctant and frustrated existence in the urban informal sector, or reluctantly take over their parents' very small farms, while they had hoped for a future outside agriculture. The imbalance between supply of and demand for educated workers means that graduates at each level are compelled to take jobs that previously were filled by those with lower education levels.[9]

The absence of workable ideas on youth employment in the policy world is not surprising. The problems generating mass youth unemployment are structural ones, as every takeover of smaller by larger enterprises, and nearly every innovation in new technologies tends to destroy jobs and expel people rather than creating jobs and absorbing them (Bernstein 2004; Li 2009, 2010). In agrarian studies this is called the 'agrarian question of labour', as labour expelled from agriculture no longer is absorbed into labour-intensive manufacturing (as classical models of agrarian transition, and the World Bank's 2008 report on agriculture, assume). Nowadays it is not only agriculture, but also many other sectors whose 'development' through capital investment and technical change involves the shedding, rather than the absorption, of labour; as one example, many clerical and blue-collar occupations previously available to secondary or tertiary graduates are now disappearing with mechanization, automatization, digitalization, internet banking and so on.

Structural problems require structural solutions, but in a neoliberal world governments are not inclined to spend money on these things. The young are then forced to improvise their own survival strategies, and this is reflected in current policy shifts away from genuine 'employment generation' to an increasing emphasis on promotion of 'entrepreneurial' skills in World Bank and ILO policy discourse and national youth policies, thus a new kind of 'do-it-yourself' employment strategy for the young. There is little evidence that these policies increase employment prospects or earnings. Young people generally do not have sufficient technical expertise to start a business and would do better to acquire several years of paid work experience, getting to know the ins and outs of their chosen branch of activity before identifying a niche for a new enterprise, and they are anyway generally more interested in a paid job in the formal sector (Dhanani et al., 2009, p. 80).

Here again it is useful first to take a look backwards. Just a year or two after President Soekarno made his speech in Bogor, the Polish economist Michał Kalecki (1899-1970) made field visits for the United Nations to Indonesia and two other large post-colonial countries (Egypt and India), and based on his observations wrote a pioneering essay on what he called 'intermediate regimes' and 'intermediate classes'. He noted the survival and apparent resilience of what he called the "intermediate classes" in agriculture and various urban sectors (by which he meant small- and medium-scale farms and other non-agricultural enterprises). They were the backbone of both food agriculture and the

urban economy, and the biggest employers (Kalecki 1972). This 'intermediate class' debate is actually about the future shape of rural and urban societies, and still very relevant to Indonesia today, where more than 60 per cent of the workforce still earn their living in agriculture and trade, with the overwhelming majority in the small-scale side of these sectors. Intermediate classes may be highly resilient, but the question that Kalecki raised more than forty years ago, that the possible outcome might be 'the final submission of the lower middle class to the interests of big business' (Kalecki 1972: 163), is still a valid question for today. In many parts of rural Indonesia we need to ask 'Who is will own the countryside?' as corporate capital (domestic or foreign) takes over large tracts of land for commercial cultivation of food or fuel, dispossessing small-scale cultivators and leaving them the choice of a life as wage worker or impoverished contract farmer, or leaving for the city. In urban Indonesia we need to ask 'who will own the city?' as informal economy yields to malls, supermarkets and hypermarkets, global brands, franchised food chains etc.

These issues have important implications, not only for income distribution (which has considerably worsened in the past 10 years),but also for employment. [10] Where and how are the needed jobs going to be created, for Indonesia's 3.3 million new (would-be) entrants to the job market each year ? Agriculture is Indonesia's single biggest employer (by far) and the agri-food sector will certainly grow in the foreseeable future – it has to grow, to fulfil both Indonesia's and the world's growing demand for food, feed, fuel and fibres (and other crops like tobacco, pharmaceuticals, and inputs for the perfume industry) – and if given appropriate support it has the potential to provide decent livelihoods for many more. But agriculture in its present state, in both the large-scale and the small-scale sector, appears to be so unattractive to young people that they are turning away from agricultural or rural futures.

What kinds of innovation in agriculture can promote (a) greater food security for Indonesia's growing population and freedom from import dependency in these times of volatile agricultural markets, and (b) decent and attractive jobs for new generations of relatively well-educated young men and women ? Can large-scale, corporate agriculture meet these demands ? Can it do this better than small-scale agriculture ?

Thinking of Agricultural Futures: Does Indonesia Need Corporate Farms?

In the rest of this paper I would like to explore the idea, common among policymakers, technocrats, agricultural economists and the business community generally, that modern, efficient, innovative agriculture requires a shift from smaller- to larger-scale farming, from family agriculture to corporate farming.

At the centre of justifications for large scale corporate land deals is a more general advocacy of a large farm model for agricultural growth, linked to the assumed comparative advantages of large-scale farming in a globalised economy (Collier 2008). The World Bank's much-cited, and much criticized, report on *Agriculture for Development* (World Bank 2008) [11] envisages a 'dualistic' agrarian economy, with large scale farms engaged in capitalist production for export or for domestic value

chains ending in supermarkets, hotels and restaurant chains, while smallholder farms gradually disappear or are incorporated as part of contract farming arrangements, while other former peasant farmers (or their children) provide cheap paid labour to the large farms practicing industrial agriculture and/or to other growing sectors in the economy. In the increasingly integrated value chains of global agricultural production, it is argued, only large farms or smallholder outgrowers hooked into large agribusiness nuclei can compete, and meet the kinds of standards required for successful entry into modern urban or export markets. This argument has been taken on by national governments, investors and donor agencies alike. The current policies for development of huge 'food estates' in Indonesia are an example of this.[12]

Underlying historical proposals for land enclosure and industrial farming on the one hand and counter-campaigns for the retention of smallholder farming on the other, is the broader issue of the relative superiority – the greater efficiency - of large-scale versus small-scale farming.

First I would like to consider the meanings of 'modern' and 'efficient', the difference between private and social efficiency in land use, and the reasons why technocrats find it so hard to believe that smallholdings are generally more productive than large-scale farms. Finally I will discuss different models of smallholder – agribusiness relations which do not require the dispossession of local communities from their land, and therefore keep the options open for future generations.

Private vs Social Efficiency in Land Use

What is 'modern' agriculture? What is 'efficient' agriculture?

The idea that large-scale, capital intensive, corporate agriculture is more 'modern' in my view is a misunderstanding of the meaning (and importance) of the idea of 'modernisation'. It is good to recall the wise words of the late Professor Koentjaraningrat, founding father of Indonesian anthropology, in an article which originally appeared in Kompas in the early 1970s. Observing the behaviour of the newly-emerging elites and technocrats of the early Suharto years - who claimed to be the 'modernising elite' but seemed to equate 'modern' with the adoption of Western lifestyles, technologies, and ways of doing things - he wrote surprisingly that people with those attitudes were in fact more feudal than modern. Real modernisation in his view was 'the attempt to live in a way that fits the current era and global constellation' (Koentjaraningrat 1974: 133).[13]

Modernisation thus means: bringing our lives in tune with the demands of the present era. In the current context of Indonesia, and many other countries where un- and underemployment are major problems, modernisation requires us to promote ways of doing things which continue to provide employment and livelihoods on a large scale, and which counter the trends towards growing inequalities in wealth and income. This means bearing in mind the serious problems of 'jobless growth', [14] the huge role smallholder agriculture still plays in employment, and the relatively poor record of corporate farming in generating jobs. It also demands a serious commitment to the

promotion of sustainable agricultural futures. A 'modern' agriculture, in this Koentjaraningratian sense, will strive to do these things, in tune with the key developmental imperatives of the current age.

Of course besides promoting employment and livelihoods, there are other imperatives including the need to ensure food security and food sovereignty in times of increasingly unpredictable swings in global food prices and climate change. For many technocrats, this also implies the need to bring food production into the orbit of large-scale 'modern' farming, which is seen to be more efficient. What do they mean by 'efficient', and why do they think that large-scale is more 'efficient' than small-scale?

If we want to go further into these questions we need to be clear about the concept of 'efficiency'. In pro-large-scale arguments, 'efficiency' is frequently equated with labour productivity, and/or private profitability of the farm enterprise. Professors Michael Lipton and Albert Berry (both well-respected economists) argue that this is quite wrong. The more appropriate concept of efficiency for development policy purposes (rather than business accounting) is 'social efficiency', i.e., efficiency in meeting a society's key developmental imperatives and goals. In this way of thinking, questions of which type of farming makes best use of excess resources (such as labour), and how much of the income generated goes to the pockets of the relatively poor, become relevant for policy purposes (Berry 2011: 641). This idea is reflected in Indonesian law-making – for example in in Indonesia's Basic Agrarian Law (1960) , article 6 which states that 'all rights to land should have a social function' -- but not always in agricultural development policy and practice.

The appropriate criteria for assessing 'social efficiency' (and the relative weight we give to each of them) can also be adapted to suit the conditions, problems and requirements of particular societies and particular periods in development. For example, if we look at current Indonesian conditions (where rice and other food crops are now imported on a large scale, food prices are unstable and unpredictable, income distribution very skewed, un- and underemployment high, and environmental issues becoming serious) we might reasonably say that the types of farming judged most efficient in social and economic terms would fulfil the following conditions:

> They promote enhanced production (yields per hectare)
> They maximise labour absorption and provision of livelihoods (per hectare)
> They promote better income distribution
> They are environmentally sustainable

Given the poor record of corporate farming on most if not all of these dimensions, the question whether we need large-scale corporate farms at all (while not as simple as it may sound) is not a silly question.

When technocrats look at Indonesian small-holder agriculture they express concern that average farm sizes are only about three-quarters of a hectare, and more than half of all farm households (and three-quarters of all farm households in Java) have farms of less than half a hectare. These are officially defined as *petani gurem* (or 'marginal' farmers) by the Central Bureau of Statistics. These more than 13 million households (in 2003) [15] represent

almost a quarter of all Indonesia's population.

There is a standard formula frm 'Bogor' (developed by agronomists in the 1950s in preparation for the 1960 Basic Agrarian Law, but still widely cited) which states that the minimal size of a rice farm, on irrigated land, should be 2.0 hectares. This formula is actually based on a number of assumptions which are not valid, or which are no longer valid. Otherwise, how can we explain how so many Indonesian rice farmers with only half a hectare, and some with even one-fifth of a hectare, have good permanent houses, televisions and motorbikes, and send their children to university? In many parts of Java nowadays, a rice farm of only 0.1 hectare produces enough rice to feed a family of four persons.

There are thus two issues about size and scale of farming:

(a) small-scale versus industrial agriculture ('small-scale'/family farms) versus (very) large-scale corporate/plantation farming), and
(b) within the 'small-scale sector', larger vs smaller and very-small farms.

Which of these types of farming are likely to fulfil the developmental goals of productivity, food security, food sovereignty, employment provision and sustainability?

In agrarian studies, the much-debated 'inverse relationship' (IR) refers to the commonly-observed negative relationship between farm size and output her hectare: the smaller the size of the farm, the greater its productivity per hectare. In the 1970s the World Bank and FAO used evidence on the IR from Asia and Latin America to support policies to break up large landholdings and convert them into smallholder farms, through classic land reform policies. This idea was promoted in Indonesia from the 1970s onwards, in relation to the problem of underproductive former colonial plantations, and also new initiatives in commercial agriculture and livestock farming. This debate remains relevant today, in view of the large numbers of agricultural economists, technocrats, and policy makers – together with many members of the middle classes and elites – who believe firmly that large-scale agriculture must be more 'efficient' than small-scale.[16]

Why is the idea of the relative efficiency of small-scale farming so difficult for economists and technocrats to accept? Following Lipton (2010: Ch. 2) and Berry (2011) we may mention a few reasons. First, peasants in the view of elites are culturally, economically and mentally backward, [17] and the idea of an IR is 'counter-intuitive to people not close to the issue (the idea that small, ill-clothed and uneducated farmers can be more efficient than large, modern, well-dressed and well-educated ones' (Berry 2011, p. 642). Linked to this is the common (but incorrect) assumption that agriculture is characterised by economies of scale (while for nearly all crops, economies of scale where they exist are to be found in the upstream and downstream activities, not on the farm itself). Also relevant here is the influence of powerful pro-large-scale lobbies of (potential) investors and their political cronies.

Who needs corporate farms? Alternative small-holder based 'business models'

Here it is useful to adopt Bernstein's distinction between *farming* – "what farmers do", production on the land and

"their social and ecological conditions and practices, labour processes and so on" – and *agriculture*, a much broader notion embracing "farming together with all those economic interests, and their specialised institutions and activities, 'upstream' and 'downstream' of farming that affect the activities and reproduction of farmers" (Bernstein, 2010: 65, 124, 2013b: 22).

Large-scale industrial monocrop farming, it may be argued, is out of tune with the conditions and imperatives of 21st century agricultural and rural development. It is earth-warming, fossil fuel dependent, and in the long run unsustainable and by taking over land for monocrop cultivation it means the loss of food security / food sovereignty for local people(on this point see IAASTD 2009). Compared to smallholder farming it is relatively inefficient in land utilization; it engages in relatively low productivity / low value crop production; it has very limited potential for employment generation, and low quality employment in the jobs that it does provide.

Then do we need large-scale farms at all? There is actually no crop which for agronomic or economic reasons requires a large-scale farming unit for its successful and efficient production. This applies to all food crops, but also to the major export crops including oil palm. Economies of scale are needed, and realised, not on the farm itself but in some of the activities upstream and downstream from farms in domestic or global agricultural commodity chains: the production and provision of the necessary physical and non-physical inputs (including not only equipment but also some kinds of knowledge), and the processing, storage and marketing of the crop.

If we accept this, it follows that agribusiness (whether privately, corporately or cooperatively owned) does not need to make land deals to engage productively in the agricultural sector.

There are plenty of opportunities for national and regional government, international agencies and even corporate capital to invest in support of smallholder-based agricultural development, to promote both domestic self-sufficiency and agricultural exports. These do not require the financing of corporate acquisition of land but rather investment in public goods, in rural infrastructure and various forms of support to small-scale agriculture. Farmers themselves still provide the vast bulk of investment in agriculture, dwarfing the expenditures of private foreign investors, governments and international donors.In recent decades, though, national and regional governments and the international community have been withdrawing more and more from their role of supporting small farmers and rural development more generally (FAO 2012).[18]

What, then, are the alternative models? By 'alternative' we mean those business models or labour regimes[19] that involve different and hopefully better relations or rural populations with agri-business, and that do not require, or allow, agri-business corporations to own or lease land on a large scale.

Lorenzo Cotula and his colleagues have studied and compared several of these alternative 'collaborative business models' which do not require or involve corporate investment in land (Cotula and Leonard 2010;Vermeulen and Cotula 2010). Their case studies explore how value is shared between the business partners, in four closely interlinked aspects: *ownership* (of

the business and of key assets [land, processing facilities]); *voice* (who takes/influences business decisions and how); *risk* (how supply, production, market and other risks are shared between the parties), and *reward* (the sharing of economic costs and benefits, including market access, price setting, finance arrangements). They examine both conventional contract-farming models (in which smallholders are not owners or shareholders in the agribusiness core, but 'farmers [converted] into a labour force working withn other peoples' means of production', Chayanov 1966, p. 22, cf. White, 1999) and also joint-ventured and farmer-owned upstream/downstream agribusiness, in which smallholder farmers also share in agribusiness profits and agribusiness decisions. Smallholder-agribusiness partnerships work best for smallholders and local communities and also for productivity when smallholders have a genuine share (not just as a CSR public relations exercise) in ownership of the business and assets (including up- and downstream activities), voice in business decisions, risks and rewards. One key ingredient is 'the negotiating power of smallholders in their relations with government and agribusiness' (Vermeulen and Cotula 2010: 7).

A recent international conference on 'the future of small farms' concluded:

> …small farm development is not just desirable for poverty reduction, but also feasible, even in changing circumstances and particularly those of more concentrated supply chains with more demanding buyers. […]
> Broad policies to support smallholder development are clear in outline: provide public goods to rural areas including roads, health services, clean water, and schools; invest in agricultural research and extension. Public goods are particularly important for small farmers since they are unlikelyto provide these themselves in the absence of public investment (Wiggins et al., 2010, pp. 1341, 1346).

A small farmer focus of course is not without its own problems; agrarian structures based on small-scale ('peasant') farming are inherently unstable under conditions of commodity economy, due to the in-built mechanisms of land concentration and agrarian differentiation, which many authors, from Lenin onwards, have described.[20] There are many possible counter-tendencies, some of them demographic/generational (for example, the splitting up of larger holdings among many children), some of them due to inherent resilience of 'peasant' farming (as recently expounded by van de Ploeg 2013), some even due to public intervention through progressive land taxation and/or land reforms.These problems are not impossible to overcome, once we move away from fixations on private ownership titling to other forms of secure individual tenure, subject to maximum holdings and periodic redistribution.

Having said that, I would also like to suggest that the real problem may not lie in the size of large farms as such, but more in their industrial and capitalist nature. 'Large versus small' in fact may not be the most crucial point in envisaging farming futures. It is at least possible to imagine a large-*size* farm production unit which is based the characteristic features of small-*scale* farming:[21] low-input and mixed cropping rather than high-input monocrop cultivation, using artisanal and employment-enhancing rather than capital-intensive and labour-shedding techniques, which is water-saving, earth-cooling and sustainable and maintains the dignity, food security and labour incomes of those who

work in it, which supports a vibrant and engaged local community, and which is based on principles of agrarian and environmental justice rather than corporate profit maximization. Only it is rather hard to imagine that socially responsible large farm units of this type would be based on corporate capital rather than collective or cooperative ownership.

One interesting but rare example of this is the Wangunwatie rubber plantation in Tasikmalaya, which exports class A smoked rubber sheets to Singapore. By an accident of history this plantation became a cooperative in 1952 and is still collectively owned and managed by its members, who also have their own smallholder plots for food and market production.[22]

Corporate land deals as 'last and least desirable option'

> What is really surprising, certainly an injustice, and potentially violating Article 33 of our constitution, is that the state allocates newly-available land (former state land that is privatised, whether as ownership rights or leasehold concessions [HGU] to large-scale investors (Pakpahan 2011)[23]

The arguments of Oliver de Schutter, UN Rapporteur on the Right to Food, on why corporate takeovers of land are both dangerous and unnecessary, are an appropriate place to come to a close.

> Land investments implying an important shift in land rights should represent *the last and least desirable option*, acceptable only if no other investment model can achieve a similar contribution to local development and improve the livelihoods within the local communities concerned.
> (Oliver De Schutter, UN Rapporteur on the Right to Food, in UN General Assembly 2010: 20)

Large-scale land deals (whether for purchase or long lease) should be seen as the 'last and least desirable option' because they close off the smallholder option, not only for today's farmers but also for their children and future generations.[24]

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[1]Emeritus Professor of Rural Sociology, International Institute of Social Studies, The Hague. white@iss.nl. An earlier version of this paper was presented at the International Conference on Indonesian Development, International Institute of Social Studies, The Hague, 12-14 September 2013

[2] *'Panganmerupakansoalmati-hidupnyasuatubangsa; apabilakebutuhanpanganrakyattidakdipenuhimaka "malapetaka"; olehkarenaituperluusahasecarabesar-besaran, radikal, danrevolusioner'*
'Buatapakitamembuangdeviezenbermilyun-milyuntiap-tiaptahununtukmembeliberasdarinegara lain, kalauadakemungkinanuntukmemperlipatgandaproduksimakanansendiri?' (Ir. Soekarno, 1952)

[3] Information on rice imports 1949-1980 (Mears, 1981), 1979-1993 (Tabor), 1994 – 2013 (Mulyo Sidik 2004 and USDA 2013)

[4]http://beranda.miti.or.id/10-bahan-pangan-indonesia-masih-impor/ (27 Aug 2013)

[5]Masterplan Acceleration and Expansion of Indonesian Economic Development 2011-2025. Jakarta: Coordinating Ministry for Economic Affairs.

[6]Areas planted to rubber, cacao, coffee, tea and tobacco all declined during 2000-2009 (BPS Statistik Tanaman Perkebunan)

[7] http://www.forbes.com/indonesia-billionaires

[8] GAPPERINDO: Gabungan Asosiasi Petani Perkebunan Indonesia

[9] This is called the "pushdown effect" - see for Indonesia (Keyfitz 1989).

[10]Between 2000 and 2012 Indonesia's Gini index of income inequality rose by 25 per cent, from 3.2 to 4.0 (Cornwell and Anas 2013, p. 28)

[11] Among many critical views on the World Bank Report, see particularly Akram-Lodhi 2008 and Li (ed.) 2009.

[12]See for example, in (Masterplan 2011), the ambitious plans for the 1.2 million hectare MIFEE food estate in Merauke, which is claimed will play a major role in increasing domestic production of rice, soybeans, sorghum, and wheat as well as livestock, sugar, rubber and palm oil.

[13] *'usaha untuk hidup sesuai dengan zaman dan konstelasi dunia sekarang'*

[14]For jobless growth in Indonesia, see (Papanek 2011),

[15]Results of the 2013 Agricultural Census – which will no doubt show an increase in these numbers – are not yet available at the time of writing.

[16] In Indonesia these ideas have underpinned a long history of previous attempts to establish large-scale 'rice estates' (in the late colonial period, in the Sukarno and Suharto periods and the current *reformasi*era) – all of them, to date, resounding failures.

[17]See Dove (1999) for a rare study of Indonesian agribusiness managers' views of peasants.

[18]At the time of the last Agricultural Census (2003) more than 85 per cent of Indonesia's small-scale farmers used their own resources for purchasing inputs, and less than 3 percent received credit from government agencies (Booth 2012, p. 76).

[19]Labour regimes ('different ways of recruiting/mobilizing labour and organizing it in production' Bernstein 2010, p. 127) are political economy's way of referring to what MBA textbooks call 'business models'.

[20]Summarised in Bernstein 2010, Ch. 7.

[21]For the distinction between 'size' and 'scale' see van der Ploeg 2013.

[22] See Novrian (2013)

[23] '*Yang sangatmengherankandantentunyatidakadildanberpotensimelanggar Pasal 33 UUD 1945 adalahapabila Negara memberikanlahan-lahanbaru (lahannegara yang dikonversimenjadilahanprivatbaikdalambentukhakmilikmaupun HGU atauhaklainnya) kepadapengusahabesar'* (Pakpahan 2011).

[24]In Indonesia, when land held in customary tenure is leased to corporations by governments on long-term leases (of e.g. 35 years), when the lease expires the land reverts, not to the local community but to the state.

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