

Investing in farmers' welfare

The Jakarta Post , Jakarta | Wed, 02/16/2005 11:20 AM | Opinion

Agus Pakpahan , Jakarta

It was C. Geertz who in 1970 used the term involution to describe Indonesia's agricultural industry. One of the meanings of involution in *Webster's' New Collegiate Dictionary* is "'a shrinking or a return to a former size'". Geertz used involution in this way, to show that the increasing productivity of farms was, in the end, hurting the farmers' welfare.

This has certainly been the case for rice farmers here, particularly in Java.

In a broader context, economist J. S. Boeke described the structure of the Indonesian economy as a "'dualistic'" one. Rural communities face two economic cultures -- namely that represented by large plantations and traditional or local economies. Even though there are spillovers of commodities or technologies from large plantations, for example, this process has not been deliberate.

Over the past 30 years, for example, large plantation companies have shifted from major tree crops, except in palm oil plantations. But the expansion of oil palm plantations has been directed by government policy.

The steady decline in the real prices of agricultural commodities on the one hand, and the slow growth in the real capabilities of modern economic sectors -- such as manufacturing and trade to absorb laborers -- on the other hand, have made the farming community suffer. The continuing inequality of employment opportunities across rural-urban areas, and the lack of and inequality of access to capital resources, will endanger farmers' and rural people's welfare.

Therefore, an alternative strategy needs to be developed. In the past, such a strategy has basically been founded upon command and control or a top-down policy approach. Powerful parties -- such as the government or lending institutions -- control farmers' opportunities. In fact, the government or lending institutions have taken away their freedom of choice. As a result, everything has been designed on the basis of the mind-set of these powerful institutions.

Investment in physical infrastructure is necessary. However, without investment in "'what people or farmers can do'", following the terminology used by economist Amartya Sen for expressing capabilities, investment in physical infrastructure can be a boomerang, such as the impact identified by Geertz -- increasing productivity that only hurts farmers.

Lack of access to resources and power worsens the inequality, injustice and poverty experienced by the weakest part of communities such as farmers.

This is particularly obvious, for example, in land rent -- unearned income -- which lines the pockets of powerful landowners. The larger the portion of the community that become rent seekers, the weaker the whole economy will be.

We must be blind not to see that farmers are the real investors. They make fertile the land, plant it with crops and raise livestock. What they do is mostly independent of financial markets or banks. Unfortunately, the market is not friendly to them. Traders or processors or speculators have monopolized the market, to some extent.

That is why farmers are said to be price takers. The prices of primary agricultural products have been on the decline. On the other hand, the prices of the final products paid by consumers have been increasing. So, farmers as both producers and consumers have been put in a disadvantageous situation.

Bargaining is the main character of the basic functioning of the market. We use the term "market" but what actually happens is the exploitation of the weak by the strong. It is an unfair or unjust institution.

It is fortunate that now there is a growing global movement for new business ethics or values. The main issue here is how large companies or powerful institutions increase their benefits by increasing the benefits of their partners or consumers.

Farmers are both the partners and customers of companies. If some day poor farmers become rich, there will be opportunities for business expansion in the modern sector, such as manufacturing.

The world commitment, such as formulated in the Millennium Development Goals, will only be achieved if the new spiritual capital is implanted as the soul of new institutions.

According to Fred Bergsten, "the new Asia challenge will be political and especially institutional". We have learned from history that a significant change in a nation is the product of significant political and institutional changes.

Abraham Lincoln formulated the Homestead Act and the Morrill Act in 1862 to expand the agricultural capacity of the United States. Franklin D. Roosevelt formulated the Agricultural Adjustment Act in 1933, which is, up until now, viewed as the roots of the expansion of US agriculture. Likewise, Thailand produced the Bank for Agriculture and Agricultural Cooperative Act.

Good ideas can be internalized by farmers, as part of their mind-set, if they are backed by a capable institution. This may be a political decision and an institutional problem in this country. But, farmers in all developed countries are supported by labor unions or associations.

This gives farmers bargaining power and they are more able to benefit from technological advancements, including in communications technology.

Innovating and investing in such an institution is costly but good leadership is the real key to success. Weak leadership has been the main reason why past attempts to set up associations have failed. We lack Lincolnians or Rooseveltians at all levels of leadership.

The path may not be an easy one and we lack alternatives. For example, if Indonesia's economy grows by 5 percent a year from now on, by 2035 we will only reach the income level that Malaysia now enjoys.

So, our economic structure will still be dependent on our agriculture. Now, agriculture is lagging behind due to the lack of real attention from our leaders. Innovating and investing in setting up a real association of farmers would be very expensive for individuals or groups of farmers. Therefore, this must be made a priority of the country as it is the only way that farmers' livelihoods can be improved.

The writer is Chairman of the Union of Associations of Indonesian Estate Crops Farmers (GAPPERINDO). He can be reached at agusp1@cbn.net.id