



The Biofuel Boom and Indonesia's Oil Palm Industry: The Twin Processes of Peasant Dispossession and Adverse Incorporation in West Kalimantan

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Abstract

The sharp rise in global demand for biofuels and food has prompted widespread land grabbing in the Global South. In the case of Indonesia, it has prompted an unprecedented expansion of oil palm plantations that are expected to triple in land area over the next decade. The province of West Kalimantan has recently been targeted as the site of greatest expansion across the archipelago, giving rise to new social vulnerabilities and intensified conflicts over land. In the wake of large-scale enclosures of 'national forests' and 'idle land' by state actors allied with agribusiness and global capital, users of forest land under customary tenure are having to confront the pressures of neoliberal globalization and transnational circuits of accumulation and production linked to the oil palm sector. Field research conducted in Sanggau district has revealed highly uneven access to land and distinct labour regimes determined by on-going class differentiation within characteristic patterns of exclusion and various forms of inclusion, notably adverse incorporation. The oil palm expansion is enflaming outstanding and unresolved conflicts over land and labour which date back to earlier development schemes, and resistance is on the rise as the state, allied with domestic and transnational private interests, rely on deception, coercion, and violence to quell opposition and to allow for continued expansion at an unbridled pace. This thesis thus examines the political economy of Indonesia's current oil palm industry in the upland district of Sanggau, West Kalimantan, and it identifies the mechanisms and processes of agrarian transformation as they relate to the changing social relations of production where land and labour are being reconfigured to serve the interests of capital.

Biofuels and land grabbing / Oil palm and plantation expansion in West Kalimantan

A critical theme in contemporary international development is the recent convergence of the food, energy, environmental, and financial crises which has placed land at the centre stage of development discourse. The term 'global land grab,' first made popular by civil society groups and transnational movements, helped draw attention to the controversy surrounding land deals involving large tracts of agricultural land in the global South that were being leased out or sold in closed-door negotiations and which invited speculation as to the scope and nature of these transactions. The current wave of land grabbing, that is in part being driven by the biofuel boom that began in 2003, helped precipitate a global food crisis in 2008 which forced an additional 100 million people into chronic hunger and undernourishment in that year and brought the world total to over 1.03 billion (UN 2009, 9). As the 'food-versus-fuel battle' (Eide 2009, 12)¹ wages throughout rural and urban settings in developing countries, analyses vary regarding the effect exerted by the rise in demand for biofuels² with World Bank economist Donald Mitchell reporting that between 70 and 75 percent of the increase in food commodities prices was directly related to biofuels (Mitchell 2008, 16-17). The convergence of these forces has thus revived initiatives to purchase or secure long-term

¹ This is in reference to the redirection of agricultural products away from food markets and towards the production of biofuels, and also refers to land use changes that are oriented toward biofuel feedstocks crops instead of food.

² A 2008 publication by The International Food Policy Research Institute (IFPRI) estimated biofuels contributed to a 30 percent increase in food prices, while in the same year, the United States Department of Agriculture (USDA) determined that only a 3 percent rise in prices could be attributed to biofuels. (FAO, 2008, 101).

leases of agricultural land for purposes of off-shore farming to achieve greater food and energy security (Smaller and Mann 2009, 1), and it has created new opportunities for profitable capitalist investment in land at a time when the global economy finds itself in the throes of a severe crisis.

Since the late 1990s, there has been growing interest in commercially-produced liquid biofuels derived from a variety of agricultural crops. Ethanol, which is derived from such feedstocks as sugarcane and maize, and biodiesel, which is produced from such oil crops as rapeseed and oil palm, are being marketed as new forms of viable 'green energy' (OECD 2008). As such, biofuels are currently being promoted as an alternative energy source that can, not only lead to greater energy security and help mitigate climate change by reducing dependence on fossil fuels, but also help foster agricultural development in a sector that has been in a slump for decades (FAO 2008a). Though the positive net gain of biofuels on global warming is a subject of on-going debate in light of recent scientific studies,³ as is their ability to genuinely lead to sustainable energy security, their growth in demand has continued to expand with new alliances being formed between emerging economies in the South and multinational corporations (Dauvergne and Neville 2010). Food and non-food crops are being redirected to biofuel production, current and new agricultural lands are being used for food or biomass feedstock cultivation, and forests, wetlands, dry lands and areas deemed 'marginal' are increasingly being brought into agricultural production in the Global South. Aggressive US (OECD 2008) and EU (Reyes 2007) blending mandates, coupled with extensive government subsidies directed to agribusiness giants like Archer-Daniels-Mills, Bunge, Cargill, and others,⁴ are the main drivers behind the current global biofuel boom which is reshaping rural landscapes in developing countries.

It is against the backdrop of what is being termed an emerging global 'biofuel complex',⁵ that large-scale commercial land deals by private or state, and national or foreign investors, are intensifying long-standing debates on issues of access, use, and control over land, and the livelihoods of the rural poor that are impacted by changes in land use. For the estimated 86 percent of rural people that depend on agriculture for their livelihood, and with three out of every four of the world's two billion or more poor living in rural areas (WB 2007, 3), 'land grabbing,' and the agricultural 'development' that is expected to follow, is dramatically transforming rural landscapes and is resulting in uneven outcomes characteristic of development in highly differentiated settings. Large-scale investors in land are targeting areas classified as 'empty,' 'marginal,' or 'idle' land, which often overlook the existing reality that few areas can genuinely be deemed unoccupied or unclaimed. In truth, "virtually no large-scale allocations can take place without displacing or affecting local populations" (ILC 2009, 3). As foreign governments ally with the private sector, the financial investment community, and governments in the South, for the purpose of securing access to land for off-shore farming in developing countries, "the spectre of the 'bad old days' of colonialism and

³ See Scharlemann and Laurance (2008) and Searchinger *et al* (2008) in the publication *Science*.

⁴ The Geneva-based Global Subsidies Initiatives estimates that from 2006 to 2012, the US will allocate in excess of US\$ 92 billion in direct subsidies for corn-based ethanol production (See 'Biofuels – At What Cost?').

⁵ The 'biofuels complex' is in reference to the recent expansion of industrial biofuels that reflects important trends in global political economy, namely: the commodification of local energy supplement and the consolidation of corporate power in the energy and agribusiness sectors; the desire to achieve 'energy security' in light of the assumed 'energy crisis;' and a new profitability frontier for agribusiness and energy sectors. (Borras, McMichael and Scoones 2010d, 576).

exploitative plantations” (Cotula *et al.* 2009, 68) come to the forefront as competing views emerge regarding the impact of the phenomena on rural communities and rural poverty.

Mainstream neoliberal models place biofuels and land grabbing within a framework of “prospects, risks, and opportunities,” with emphasis on the benefits that can accrue from the current interest in agricultural land. Biofuel advocates point out that the use of agro-feedstocks for energy production offers an opportunity for rural development in that their demand “could reverse the declining trend in real commodity prices that has depressed agricultural growth in much of the developing world over recent decades” (FAO 2008a, 5). The International Federation of Agricultural Producers (IFAP), which represents commercially oriented farmers in 80 countries, notes that bioenergy “represents a good opportunity to boost rural economies and reduce poverty,” and that sustainable biofuel production by family farms “is an opportunity to achieve profitability and to revive rural communities” (Ibid, 97). This approach is in-step with the World Bank’s ‘new agriculture’ agenda outlined in the 2008 World Development Report that trumpets how ‘a strong link between agribusiness and smallholders can reduce rural poverty,’ and how agricultural growth can be spurred on by a ‘dynamic and efficient agribusiness’ (World Bank 2007, 135-7). The potential risks to the poor associated with an increase in investment in agriculture land can effectively be managed through a voluntary ‘Code of Conduct’ (CoC) according to the World Bank (2010c) that will ensure a ‘win-win’ situation for investors and rural communities alike (IFPRI 2009).

In contrast, critics of the mainstream model draw attention to issues of dispossession, food insecurity, the loss of livelihoods, and increased rural poverty. *Vía Campesina*, an international movement representing poor peasants and small farmers from countries in the global South and North, argues that the “social and ecological impacts of agrofuel development will be devastating” leading to the dispossession of millions of farmers from their land, the destruction of subsistence farmer livelihoods, and the undermining of food sovereignty⁶ (*Vía Campesina* 2008, 1). Opponents also highlight how biofuels and large-scale investments in agricultural land will only further entrench agribusiness and industrial farming practices, ultimately reinforcing ‘the path dependence of an exclusionary corporate agriculture’ (McMichael 2009c, 243). In addition, the emerging biofuel alliances are expected to also reinforce processes and structures that “further wrest control of resources from subsistence farmers, indigenous peoples, and people with insecure land rights” (Dauvergne and Neville 2010, 631). The UN Rapporteur for the Right to Food, Olivier de Schutter offers his criticism by stating that such an approach to agriculture is neither socially or environmentally sustainable and is, in essence, ‘accelerating the destruction of the global peasantry’ (De Schutter 2010). The increase in investments in agricultural production and farmland land worldwide is leading to new ‘opportunities’ and is giving rise to new social vulnerabilities in countries where the agricultural sector is rapidly expanding.

Indonesia is presently the site of a booming agricultural sector, and as the world’s largest producer of oil palm, its plantations are expected to triple in area over the next decade, as the country vows to become the world’s largest producer of biodiesel (McCarthy 2010, 823-4). With the demand for food and non-food products (including biodiesel) made from oil palm increasing, land grabbing is proceeding at a rapid pace through state-led enclosures of

⁶ Food sovereignty as defined by FoodFirst Information and Action Network (FIAN) is the right of people to define their own food and agriculture, and to protect and regulate domestic agricultural production and trade in order to achieve sustainable development objectives (Rosset 2006, 125-26).

forested and non-forested areas. National and regional governments are currently working in cooperation with domestic and transnational corporate agribusiness to develop this sector of the economy. In January 2007, 58 energy firms have made a commitment to invest US\$12.4 billion in biofuel development (Santosa 2008), which the Indonesian government describes as being “pro-jobs, pro-growth and pro-poverty-reduction.” In addition to having committed 6.5 million hectares of land to biofuel development, the government has established a national biofuel blending mandate of 10 percent by 2010 with a projected export target of 12 billions litres by the same year (Guerin 2007). Since the late 1960s, the Indonesian state has laid claim to the nation’s forested areas (the second largest in the world), which accounts for over 70 percent of the archipelago’s land mass (Peluso 1992, 5), and the ‘palm oil oligarchy’ established under the Suharto regime (1966-1998) (Aditjondro 2001) has since left a legacy of corruption, cronyism, and incompetence of governance (McCarthy 2006, 8). In support of plantation expansion policies, the Indonesian Department of Agriculture has also identified approximately 27 million hectares of ‘unproductive forestlands’ that could be offered to investors for conversion into plantations (Colchester *et al.*, 2006, 25). The terms ‘unproductive,’ ‘idle,’ or ‘under-utilized,’ land remain highly contested, however, given the ample evidence pointing to how such lands play an essential role in the livelihoods of the poor (Cotula *et al.* 2008). In Indonesia, it has long since been established that such ‘state’ or ‘public’ lands provide livelihoods to millions of cultivators and forest dwellers under a variety of tenurial relations, be they individual or collective, ‘customary,’ or otherwise (Peluso 1992).

As a result of Indonesia’s rapidly expanding oil palm sector, the forested upland areas are increasingly becoming sites of contestation (Li 2007), and the province of West Kalimantan, in particular, is a site targeted for major plantation expansion. At present, the island of Kalimantan has nearly 30 percent of the country’s area dedicated to oil palm plantations⁷, and its most western province is projected to increase concessions by 5 million more hectares over the next decade according to regional development plans (Sirait 2009, 8). The projected expansion is expected to not only intensify existing conflicts related to land disputes, but also to generate new sites of contestation. Much of the projected expansion is planned in areas that fall under the heading of ‘public’ or ‘state lands’ and are controlled by the state under constitutional and forestry laws. Historically, oil palm plantations have been sites of conflict between local villagers and the state working in support of government-owned or private agribusiness with the assistance of local elites. Currently, there are 513 sites of conflict between communities and oil palm companies in 17 provinces across the archipelago that are being monitored by the Indonesian-based NGO, Sawit Watch. According to the Director General of Sawit Watch, Abetnego Tarigan, West Kalimantan currently has the second highest level of conflict related to oil palm plantations after South Sumatra (Tarigan 2010). Under the present investment frenzy, the oil palm boom in West Kalimantan is occurring at an unprecedented rate and scale under the forces of domestic and global capital. As a result, processes of rural differentiation are leading to ‘cumulation of advantages and disadvantages’ in which different groups in rural society gain access to the products of their own or others’ labour (White 1989, 20). This paper thus seeks to examine the political economy of agrarian change in West Kalimantan in relation to its rapidly expanding oil palm sector.

⁷ The island of Sumatra is considered to be the centre of oil palm production in Indonesia and presently has more than 70 percent of the area dedicated to plantations (Colchester *et al.* 2006, 24).

Field Research in West Kalimantan and Analytical Framework

This paper is based on field research conducted West Kalimantan in the summer of 2010 under the joint supervision of Dr. Tania Li, from the University of Toronto, and Dr. Pujo Semedi from the University of Gadjah Mada in Yogyakarta, Indonesia. The project, which was funded under a three-year SSHRC grant, sought to examine the social relations through which rural people gain access to, or are excluded from, the benefits of high growth agriculture in Indonesia such as oil palm, in the province of West Kalimantan. An important aspect of the field research also involved determining the nature and forms of resistance that are taking place within oil palm production models such as the smallholder-estate *inti-plasma* schemes, in addition to contestations linked to the expansion of oil palm development onto land already ‘encumbered’ with existing use rights. Primary qualitative and quantitative data were collected from multiple case studies drawing upon a range of sources and methods for field research which included: interviews with key informants such as community leaders, local governments, forestry agencies, and NGO staff; interviews with local informants such as smallholder farmers, rural workers, and estate owners; and participant observations and participation in daily village activities. A non-random sampling method was used to identify and select interviewees both within civil society groups and social movements, as well as at the village level where semi-closed and open interview instruments were used to collect data.

Analytical Framework and Research Questions

This field research project examines the political economy of agrarian change associated with the expanding oil palm industry, and it seeks to identify and interpret the patterns, processes, and mechanisms of rural differentiation in West Kalimantan. Political economy, defined as an “investigation of the social relations and dynamics of production and reproduction, property, and power” (Bernstein 2007, 1), provides an analytical lens that is guided by key questions outlined by Henry Bernstein (2010): who owns what?, who does what?, who gets what?, and what do they do with it and how?. The focus of my research centers on how and to what extent are the oil palm expansion and land-grabbing affecting livelihoods and levels of poverty in rural Indonesia? Specifically, I sought to examine three key inter-related questions: how, to what extent, and under what terms is peasant dispossession taking place?; how, to what extent, and under what terms is the incorporation of peasants into the oil palm sector taking place?; and what are the implications of peasant dispossession and incorporation for rural social differentiation in particular, and for development more generally? An agrarian political economy analysis of the oil palm industry will then allow for a critique of the current mainstream development model. This approach is embodied within neoliberal land policies, the 2008 Commission of Legal Empowerment of the Poor (CLEP),⁸ the recently proposed ‘Code of Conduct’ (CoC) and the Principles of Responsible Agricultural Investments (RAI) published jointly by multilateral development agencies (FAO *et al.* 2010). This research will endeavour to critically engage both sides of the ‘opportunities versus threat’ debate linked to the biofuel boom and land grabbing phenomena within the context of the oil palm sector in West Kalimantan.

This analysis also draws upon two key concepts: ‘accumulation by dispossession’ as described by David Harvey (2006) and ‘adverse incorporation’ defined by Hickey and du Toit (2007). The concept of ‘accumulation by dispossession’ is being referred to as a more

⁸ CLEP was established by the UN in 2005 and concluded its work in 2008. The commission was co-chaired by Hernando de Soto and Madeleine Albright, involved several countries from North and South, and was hosted by the UNDP (CLEP 2008).

suitable term to describe 'primitive accumulation' in the context of neoliberal globalisation. Though Marx viewed the enclosure of the commons and the proletarianisation of the peasantry as processes of primitive accumulation inherent within pre-capitalist modes of production (Marx 1954, 668), Harvey has argued instead that 'accumulation by dispossession,' involving the exploitation of living labour and the appropriation of productive assets such as land through either force, fraud, or predation, represents two aspects of accumulation that have become internalized within neoliberal capitalism (2006, xvi-xvii). In his view, both facets of accumulation are organically linked and are fundamental elements of the current mode of capitalist production. The second analytical concept relates to the notion of 'adverse incorporation' as outlined by Hickey and du Toit (2007) that locates the causes of rural poverty beyond simple models of inclusion/exclusion and draws attention to the nature of incorporation into an industry as a key factor behind chronic rural poverty. Adverse incorporation is critical in understanding the processes that produce and reproduce poverty over time and become institutionalised within social relations, and it offers an important analytical tool when examining the incorporation of smallholders in the oil palm sector. Within political agrarian economy, the root causes of poverty are understood to be relational in nature and embedded within social relations of production and reproduction, or of property and power (Bernstein 1992, 24). This perspective contrasts with a residual approach to poverty held within mainstream development models that points to exclusion from the benefits of markets as being the cause of rural poverty (World Bank 2007). Adverse incorporation and accumulation by dispossession will both serve in the analysis of rural differentiation and the generation of poverty in Sanggau District, West Kalimantan.

Oil Palm Industry in Indonesia and in Sanggau District, West Kalimantan

Oil palm is considered to be the most significant boom crop in Southeast Asia, and since 2007, Indonesia has become the world's leading producer of palm oil (IPOB 2007). The industry is dominated by the private sector with controls 53 percent of all plantation area, followed by smallholders that own 35 percent, and the national government that owns and controls 12 percent of the oil palm concessions (see Table 1). In Indonesia, oil palm represents 13 per cent of national agricultural output (second only to rice) and it has over 3 million workers directly employed in the industry (WB 2010b, 8-9). In the current market conditions, investment in land for palm oil production is yielding the highest returns on agricultural land investment (Deininger 2010), and Indonesian oil palm has the lowest production costs worldwide as a result of its low labour and land costs (McCarthy 2010, 822). Moreover, as an oil crop, palm trees produce the greatest volume of oil per hectare in comparison to other oil crops (Teoh 2010, 7), which in turn makes it an ideal feedstock for the production of biodiesel (Worldwatch 2007). These factors are working together with international biofuel subsidies and policies to generate a plantation expansion frenzy that is further fuelled by national and domestic policies aimed at attracting investors in the oil palm sector. In Sanggau district, the oil palm expansion is occurring in already highly conflicted plantation areas whereby news sites of resistance are melding with existing points of conflict.

Since the inception of large-scale oil palm crops in Indonesia, the sector has developed along distinct, and at times, over-lapping periods of agrarian policy and practice, with smallholders being incorporated in shared various nucleus-estate schemes (NES) modeled after the former colonial Cultivation System (White 1999, 232). Following the implementation of various schemes through direct state investment in state-owned companies, Suharto's New Order regime introduced an 'estate-transmigration program' (PIR-TRANS) from 1986 to 1994 that "involved state-supported large-scale conglomerate firms typically led by Sino-Indonesians

Table 1: Land Area and Palm Oil Production in Indonesia 2000 to 2006 (1000 tons)

Year	Area (1000 Hectares)				Palm Oil Production (1000 Tonnes)			
	Public	Private	Small-holder	Total	Public	Private	Small-holder	Total
2000	588	2 403	1 167	4 158	1 461	2 403	1 905	5 770
2001	610	2 542	1 561	4 713	1 519	4 079	2 798	8 396
2002	632	2 627	1 808	5 067	1 607	4 588	3 427	9 622
2003	663	2 766	1 854	5 284	1 751	5 173	3 517	10 441
2004	665	2 781	2 120	5 567	1 988	6 359	3 847	12 194
2005	678	2 915	2 357	5 950	2 237	7 883	4 501	14 621
2006	679	3 022	2 549	6 250	2 328	8 541	5 612	16 841

Note. Adapted from *Indonesian palm oil in numbers*, Indonesian Palm Oil Board and Ministry of Agriculture, 2007, Jakarta: DHB Printing, p. 7.

close to the politico-bureaucrats at the regime's apex" (McCarthy 2010, 828). This model comprised of private-sector and state-owned companies charged with clearing the land and gaining access to forest land held under customary law by way of an estate-smallholder (*inti-plasma*) sharing scheme with 20 percent of the total land going to the estate and the remaining 80 percent granted to smallholders in parcels of two hectares (Kiddell-Monroe 1993, 253).⁹ A second generation of oil palm plantation development emerged in the mid-1990s, in part, to address some of the social issues associated with PIR-TRANS, but also in response to the World Bank's promotion of neoliberal 'free market' principles in the development of the oil palm sector and its criticism of on-going state support for smallholders (Larson 1996). During this phase of development, the government implemented a series of deregulation and privatisation policy changes to encourage private sector initiatives, facilitate FDI, and accelerate estate crop expansion (Colchester *et al.* 2006, 44). This model involved a direct private-community 'partnership' model whereby private companies established a Primary Cooperative Credit for Members (KKPA) that would 'partner' with existing smallholder cooperatives (KUD) and facilitate the provision of credit, provide training and extension services, and establish infrastructure without direct state engagement (McCarthy 2010, 830-1). The KKPA scheme involved incorporating indigenous people that had relinquished customary land in earlier PIR-TRANS models, yet had been excluded from smallholder production and which remained a major unresolved issue in the outer islands. As noted by John McCarthy (2010, 831), "the KKPA model represented a clever strategy to access land while creating more acquiescent land owners," with the state providing the company with concessionary rates supported by the Bank of Indonesia.

The present model of plantation development that has emerged in the context of decentralisation is characterised by new pro-investor plantation policies under a framework of 'partnership' known as *kemitraan* schemes (Zen *et al.* 2008). These new policies represent

⁹ NES *inti-plasma* models are highly variable; for example, they can take the form of 30:70 or 2.5:7.5.

a deepening of neoliberal ‘free-market’ reforms that are propelling the industry into an expansionist phase of accumulation and growth led by domestic and TNC agribusiness working with local power elites. The *kemitraan* model entails a reversal of earlier *inti-plasma* schemes that allocated the majority of the plantation to smallholders: the new estate-smallholder formula allocates up to 80 percent of the concession to the company with the remaining 20 percent going to smallholders. A more recent variant of this scheme being implemented in Sanggau has the smallholder parcels also falling under the management and control of the company, while the KUD cooperative, that is financed by and answerable to the company, remains unaccountable to locals with no oversight of the processes for distributing benefits (Ibid, 3). Martua Sirait notes that “plantation companies had no interest in developing oil palm plantations for peasants or in renegotiating earlier oil palm schemes taken up by indigenous peoples,” therefore, this model of peasant ‘shareholdership’ was offered as a solution to existing land conflicts with participating households receiving passive income from the average production of plots” (2009, 46). As such, the commodification and sale of village common and private lands has resulted in an “irreversible shift in the ownership of agricultural assets” away from the poor and making the *kemitraan* model of “ideal for an absentee landlord-wage labour mode of production” (McCarthy 2010, 845). The field research undertaken in Meliau, West Kalimantan revealed how the *kemitraan* model was inciting a new phase of land grabbing and was being inserted in areas of existing conflict over earlier oil palm development initiatives.

As the westernmost province of the Indonesian Borneo, West Kalimantan covers an area of 14 million hectares of which 9 million hectares are classified as National Forest (Sirait 2009, 10). To date, the province has issued temporary oil palm location permits (*Ijin Lokasi*) covering an area of 4.2 million hectares¹⁰, and though only some 400,000 hectares have been cleared and are planted with oil palm, the province is expecting to expand its current plantation area by more than 5 million hectares over the next decade (Julia and White 2009, 2). The provincial government has targeted ‘non-productive’ or ‘bare’ lands for its oil palm plantation expansion which typically includes designated forest areas, as well as agricultural land presently occupied and used by peasants and indigenous people. Prior to the arrival of oil palm in the late 1970s, all upland groups farmed rice on a swidden basis and smallholding rubber gardens were the main source of cash, with the rubber system being prone to accumulation and monopoly by rubber traders (*tokay*) (Li 2010b). In the past, the western districts of West Kalimantan have witnessed acute racialised social tension and violence, be it the more recent communal violence between Dayaks and Madurese in 1996-97, or the state-sponsored violence against the Chinese by Dayaks, Madurese, and Melayu in 1967-8 that left tens of thousands of Chinese permanently evicted from their homes (Peluso 2008, 48).¹¹ Though somewhat muted today, the undercurrents of these earlier conflicts resonate to this day and add to the present tensions and conflicts linked to the expanding oil palm sector in Sanggau District.

As one of the eight districts in the province, Sanggau District is set to become the centre of agribusiness and agro-industry (see Tables 2 & 3) given its strategic location of having direct access to transportation networks linking it by road to Malaysia and wider international markets, or by water through the port capital city of Pontianak (Colchester et al, 2006, 93-94). The district has the largest extent of oil palm plantations in West Kalimantan, and since 2002, it has granted 12 new concessions of up to 20,000 hectares each under various

¹⁰ In the past, companies obtained land use permits solely for the purpose of extracting lucrative timber resources and had no intention of ever developing an oil palm plantation (Marti 2008, 36).

¹¹ See Peluso (2008) for an analysis of how ethnic categories are constructed through violence.

Table 2: Palm Oil Production and Land Use in Sanggau District (2008)

Ownership	Area (Hectares)			Production (1000 Tonnes)	
	Estate (<i>Inti</i>)	Smallholder (<i>Plasma</i>)	Total	Fresh Fruit Bunches (FFBs)	Crude Palm Oil (CPO)
Foreign	15 300	22 109	37 409	225	45
Domestic	19 466	33 833	53 299	246	49
State	26 429	21 312	47 741	596	122
Total	61 195	77 254	138 449	1 067	216

Note. Adapted from *Statistik Perkebunana Kapupaten Sanggau Menurut Kecamatan Tahun 2010: Daftar Luas Areal Dan Produksi Kelapa Sawit*, Biro Pusat Statistik, Sanggau 78512, 2010.

kemitraan schemes (Zen *et al.* 2008, 2). Through the decentralisation process initiated in 2000, the district retains authority over extensive land banks and now controls the process of land acquisition for oil palm plantation, which it aims to make ‘faster, cheaper, and easier’ in order to attract local, national, and international investors. As a result, local government officials, party elites, and entrepreneurial allies are able to take advantage of easily accessible plantation permits, can accrue large profits from selling the timber obtained through forest conversion, and finally sell the plantation permits to national or foreign oil palm conglomerates (Sirait 2009, 6-7). As of 2010, Sanggau has 41,688 hectares of oil palm plantation under foreign ownership (PMA), 38,688 hectares under domestic private control (PBSN), and 32,622 hectares classified as state-owned (PTP) for a total of 122,422 hectares of which 50,506 hectares are *plasma* smallholdings (BPS 2010). And, of the 15 subdistricts in Sanggau, Meliau has the most area dedicated to oil palm plantations, 41,862 hectares (BPS 2009a), and it is the site of the field research project.

Table 3: Oil Palm Land Use in Sanggau District, West Kalimantan (2006 to 2010)

Year	<i>Inti Plasma</i>	Foreign Private (Hectares)	Domestic Private (Hectares)	State (Hectares)	Total (Hectares)
2006	<i>Inti</i>	15 384	9 635	33 283	58 302
	<i>Plasma</i>	22 309	31 379	20 826	74 514
2007	<i>Inti</i>	n. a.	n. a.	n. a.	n. a.
	<i>Plasma</i>	n. a.	n. a.	n. a.	n. a.
2008	<i>Inti</i>	15 300	19 466	26 429	61 195
	<i>Plasma</i>	22 109	33 833	21 312	77 254
2009	<i>Inti</i>	13 813	15 850	n. a.	n. a.
	<i>Plasma</i>	18 562	11 030	n. a.	n. a.
2010	<i>Inti</i>	19 596	25 696	16 624	61 916
	<i>Plasma</i>	22 092	12 416	15 998	50 506

Note. Adapted from *Statistik Perkebunana Kapupaten Sanggau Menurut Kecamatan Tahun 2010: Daftar Luas Areal Dan Produksi Kelapa Sawit*, Biro Pusat Statistik, Sanggau 78512, 2010.

Field Research in Meliau

The subdistrict of Meliau covers an area of 149,574 hectares, has a total population of 41,793 inhabitants that make up its 11,384 families dispersed throughout the 18 villages (*desas*) located on either side of the Kapuas River (BPS 2009b). Under the 1979 Village Act, the New Order regime imposed a Javanese model of governance onto existing customary systems of organisation as a means of asserting centralised control over the area and to undermine *adat* claims over land and resources. Local governance laws have since been introduced during the *Reformasi* period that have made some allowances for village indigenous institutions to be re-instated (Sirait 2009, 39), though in practical terms, the existing model remains the seat of authority. The town of Meliau and its surrounding area has a total population of over 10,000 people, and the main oil palm processing plant for the state-owned plantation PTPN XIII is located on the outskirts of town in Meliau Hulu (see Table 4).

Field research was undertaken in twenty sites in the subdistrict of Meliau across five villages (*desas*) located on either side of the Kapuas River. Rural livelihoods ranged from complete dependence on oil palm, to mixed economies of oil palm and rubber, and in the more remote areas, excluded oil palm altogether with local economies based on rubber and rice. The *desas* in question are Melobok, Kuala Buayan, Bakhti Jaya, Sei Kembayau, and Pampang Dua which are located in enclaves within large state or private oil palm concessions. Desa Melobok was situated north of the Kapuas River where the large state-owned plantation PTPN XIII (*Perusahaan Terbatas Perkebunan Nusantara XIII*) has been in operation since 1979. The four other *desas* were located south of the Kapuas River in an oil palm concession issued to a domestic private company BHD (*Bintang Harapan Desa*) in 1990.

Table 4: Palm Oil Production, Area, and Farmer Households in Meliau (2006 to 2009)

Year	Area (Hectares)	Farmer Households	Fresh Fruit Bunches (Tonnes)
2006	40,762	7,123	429,099
2007	n. a.	n. a.	n. a.
2008	41,862	7,123	594,843
2009	41,862	7,123	670,139

Note: Adapted from *Statistik Perkebunana Kapupaten Sanggau Menurut Kecamatan Tahun 2010: Daftar Luas Areal Dan Produksi Kelapa Sawit*, Biro Pusat Statistik, Sanggau 78512, 2010.

PTPN XIII in Desa Melobok north of the Kapuas of River

PTPN XIII is one of the oldest plantations in the district and was one of the country's first NES models that implemented a transmigrant PIR-TRANS scheme. In 1979, the private rubber plantation that had been under Indonesian management since the nationalisation of the former Dutch Agris plantation in 1959 was developed as an oil palm plantation following a sharp decline in rubber prices. Much of the original rubber concession had not been planted, however, and local forest dwellers continued to use the land for various mixed agroforestry that also included local rubber gardens. The Sei Dekan site in Melobok was incorporated into the national plantation system, then known as PTPN VII, and it was later expanded to 5,626 hectares and renamed PTPN XIII, which now consists of 32,380 hectares in Sanggau alone

(BPS 2010).¹² Presently, the plantation has entered a replanting cycle now that the original palm trees have reached their peak after more than 25 years of producing fresh fruit bunches (FFBs), and this process involves injecting an herbicide into the palm trees to kill them, while new seedlings are planted alongside the dying ones.

When the PIR-TRANS plantation project was first introduced in the area in the late 1970s, government officials, parastatal companies, and the military relied on intimidation, coercion, and force in order to accelerate the appropriation of *adat* land from existing indigenous communities. The ‘socialisation’ process needed to obtain ‘consent’ from the local communities typically included threats from the military should the villagers consider resisting the plantation scheme. Village leaders who were coerced into signing ‘agreements’ were oftentimes illiterate, didn’t understand the terms of the scheme, and were led to believe that the land transfer was temporary in nature when in reality it was permanent. Pak Donatus Djaman, who was *Camat* of Meliau in 1978, admitted that it was difficult, and even dangerous, to resist transmigration initiatives related to oil palm development because false accusations could easily be made leading to arrests and even death.¹³ He noted that before oil palm *hak ulayat* was recognised, and government officials would meet with local people to get permission to build roads as was the case for the road from Bodok to Meliau that did not involve any compensation and was undertaken by mutual agreement. Once oil palm came to the district, however, the land now became ‘State’ land, and the local people started thinking more about compensation and about private land claims. The PIR-TRANS scheme did provide compensation for local rubber gardens and fruit trees, though initially there was no compensation given for the land itself. Pak Willem Amat, a customary chief of the Pompong Dayak, stated that when the company finally did put forward a settlement for land, the money did not end up with the local people but went to others instead.¹⁴ Processes linked to local power elites ensured that the benefits did not reach the entitled beneficiaries which remains an unresolved issue between the Dayak and the oil palm company.

The PTPN XIII plantation in Sei Dekan has been in a long-standing conflict with the local population for land acquisition and compensation that dates back to the initial PIR-TRANS scheme, and also includes the more recent KKPA schemes that were implemented in the late 1990s. The villagers, who had witnessed their rubber trees and fields bulldozed by the state-owned company while the army stood by to prevent any outbreaks of resistance, were forced to move off their land to make way for transmigrants who were given *plasma* parcels. Once the Suharto regime collapsed, protests erupted culminating in the November 3rd Declaration of 1999 that would include incorporating indigenous people in oil palm production under a new model (Ali 2010). In early 1999 more than 1,000 protesters had blockaded the main roads and had issued a list of demands under threat of violence. In response, the company offered a KKPA scheme that required each household releasing an additional two hectares of land to the company, and the company-funded cooperative would act as a credit broker for smallholders and supply the inputs and expertise needed to convert the plot into a productive parcel. *Plasma* holders would be responsible for the expenses associated with the plot, in addition to a share of infrastructure and transportation costs, and repayment would start in the fifth year once the trees had started to bear fruit. The KKPA scheme, however, has been a source of conflict from the beginning. Much of it centered on the fact that the cooperative’s

¹² PTPN XIII is a merged para-statal company that controls 149,429 hectares in Kalimantan with an estimated value of IDR 100 billion (approx. US \$ 11 billion) (Colchester *et al.* 2006, 161).

¹³ See ‘Dayak Leaders’ Memories and Dreams’ by Colchester (2005) on oil palm in West Kalimantan.

¹⁴ *Ibid.*

operating budget was funded directly by the company, which was viewed as a flagrant conflict of interest regarding the KKPA's ability to represent smallholder interests.

There were a number of problematic issues related to the KKPA scheme, and the local population was also critical of how promises initially made by company managers at the time of the November Declaration were not kept. To begin with, there were extensive delays in the development of *plasma* plots that eventually led some KKPA participants to sell their plot to third parties that came to accumulate considerable holdings. These sales were later rendered invalid by the *desa* authorities and the PTPN once the plots came into production which further complicated the local disputes related to land (Li 2010b). In addition, the list of entitled villagers had been altered by officials which resulted in a number of locals not receiving *plasma* plots, while others who were not entitled, including some government officials, received KKPA plots. In some cases, families in positions of authority, such as the *adat* village leader, received three or more *plasma* plots (*kaplings*).¹⁵ Social class and power also came into play when employment opportunities were granted along lines that left some 'connected' families having two or more sons employed on the estate, while others had none. A key point of conflict also centered on the KKPA repayment scheme that lacked transparency from the beginning, and smallholder farmers witnessed the percentage of their harvest allocated to debt repayment go from 10 percent in 2005, to 30 percent in 2009 without any documentation from the cooperative outlining account balances, itemized deductions, and outstanding balances (Ali 2010). This issue in particular has incited some smallholders to deliver an ultimatum to the company that threaten a blockade if no documentation is provided by the summer of 2011. The monopsonistic arrangement that forces producers to sell their FFBS exclusively to PTPN XIII also remains a source of conflict, and in particular when the company resorts to using the local police to enforce this rule to prevent smallholders from selling their fruit to third party buyers.

To date, there are a number of Sei Dekan households with KKPA claims that have yet to be settled, which is only adding to the tension linked to other outstanding issues as the company continues to expand into new areas. PTPN XIII is in the process of acquiring land in other villages to increase its KKPA holdings, in part to address unresolved *plasma* claims, but also in anticipation of greater demand for oil palm; the company is currently planning to double the processing capacity of its factory at PTPN Gunung Mas (Li 2010b). A critical point of contention between Sei Dekan and PTPN XIII involves the issuance of the HGU license back in 1979. According to the villagers, the 25 year-lease has now expired and the land should be returned to Sei Dekan. The company has countered that it only officially received its HGU in 1985 and that it was for a duration of 35 years. The villagers then claimed that the company owes the village the oil palm earnings that were acquired from 1979 and 1985 given that the land was not under the control of PTPN XIII during that time. Another source of conflict for villagers on both sides of the river is how company has extended its plantation area all the way down to the river bank contrary to erosion policies set forth by the government. For the residents living in Kuala Buayan across the river from PTPN XIII, there remain a number of land claims are also pending for the families that had their agricultural fields (*ladang*) taken over by PTPN XIII over 20 years ago. According to the village head (*kades*) for Kuala Buayan, of the 91 families that have a KKPA land claim, only 15 have settled to date. To this land dispute can also be added the outstanding *plasma* claims

¹⁵ A *kapling* is used to designate a two hectare parcel that has been planted with oil palm. Each *kapling* is required to have a minimum of 240 trees in order to meet the industry standard for capacity production.

involving the privately-owned BHD concession on the south side of the Kapuas River that is at the center of multiple disputes in the four other *desas* in the research site.

Privately-owned BHD Plantation south of the Kapuas River

In the late 1980s, BHD was granted a 20,000 hectare concession in Kuala Buayan through a PIR-BUN-TRANS scheme that adopted a 7.5:2.5 ratio resulting in a developed plantation estate of 2,000 hectares and smallholder *kaplings* occupying an area of 8,000 hectares.¹⁶ When the Agris rubber plantation was nationalized in 1959, the locals from Kuala Buayan and other neighbouring *desas* had repossessed the land and had planted new trees to expand the smallholder rubber production in the area. The processes by which many local villagers were alienated from their land through the PIR-TRANS scheme remains a divisive issue in the area that has yet to be fully resolved. Though in theory locals could accept or reject the oil palm scheme, in practice, many faced intimidation by BHD representatives and government and local officials, and they confronted a state machinery that was difficult to oppose. The locals who rejected the scheme claimed that much of the land was already planted with rubber and was managed by smallholders who did not consent to the oil palm plantation scheme as required by the ‘socialisation’ process, and many did not receive proper compensation for their trees (Pak Bimo* 2010).¹⁷ Moreover, deception was used to establish ‘consent’: villagers who had signed an attendance form at an information meeting held in the early 1990s discovered later that their signatures had been attached to a document attesting to their ‘consent’ to the BHD project. The villagers who refused to have their rubber gardens destroyed and who attempted to resist the oil palm plantation had to contend with the political power structure that worked against them. The local *kepala desa* (*kades*) and the *kepala dusun* (*kadus*) were in full support of the scheme. It was common knowledge that the *kades* was receiving IDR 500,000 per month from BHD, and witnesses reported seeing him riding at night on the company bulldozer to mark out the areas that were to be cleared (Ibid.). A suspicious fire that burned down much of the remaining rubber trees in 1990 added further controversy to the development of an oil palm plantation in the area. More than two decades later, there are still some 700 *kaplings* that have yet to be allocated by the BHD to local villagers as a result of processes and mechanisms linked to the scheme.

The PIR-BUN-TRANS process of land reallocation that involved removing land from a customary system of ownership and transferring it to transmigrants and others under an *inti-plasma* model was inherently prone to misallocation through several mechanisms. To begin with, BHD resorted to a “global system” of redistribution through the *dusun*, who was then responsible to allocate house lots and *kaplings* to respective households in accordance with the amount of land they had surrendered to the scheme. A major problem, however, was that some households gave up less than 7.5 hectares, while others gave up more, and as the sole keeper of records,¹⁸ the *dusun* is believed to have allocated land to family members who had not contributed to the scheme, and/or sold land to outsiders which left legitimate contributors without their entitlement (Li 2010b). For BHD, the allocation period is officially over, though many villagers are still waiting for their rightful *kaplings*. A second problem is related to the uneven quality, location, and stage of development of the *kaplings* themselves.

¹⁶ BHD’s subsidiary companies *Duta Surya Pratama* (DSP) and *Sawit Desa Kapuas* (SDK) were granted concessions of 22,500 hectares and 20,000 hectares respectively in the neighbouring area (Fitrianto, 2010).

¹⁷ Informants with an ‘*’ refer to a pseudonym that is used to keep their identity confidential. In this instance, Pak Bimo* estimated that only about ten percent of the villagers were compensated for their rubber trees.

¹⁸ The current *kades* in Kuala Buayan noted that these records have since been the former *kades*. He estimates that about 20 percent did not receive their *kaplings* and that 50 percent of the families are landless (Li 2010c).

Prime *plasma* plots are fully planted, have been properly fertilized, and are close to the main roads, while substandard ones have been poorly maintained, are far removed from the main transportation networks, and have less than the required number of palm trees (many have only 100 trees)¹⁹ to be fully productive (Li 2010c). Under the highly skewed system of land allocation, the prime plots have already accounted for with only substandard *kaplings* remaining. Local villagers refuse to accept these parcels as their allotment because they will be expected to assume the full debt associated with the *kapling*. The confusion created by the transmigration program itself also gave rise to opportunities for land accumulation and misallocations of land, which further complicated the development of the plantation.

As originally conceived, the PIR-BUN-TRANS model was intended to replace existing systems with new ones along the lines of new *desas* with mixed populations that were to be led by more professional leadership, though it fell short of achieving its goals as a major social transformation project for a host of reasons. The scheme called for the formation of nine newly constructed residential units, SP (*satuan pemukiman*), made up of 250 transmigrant households and 250 local participants (APTD), all engaged in smallholder oil palm production destined for the BHD mill in Kuala Buayan. Of the nine SPs, however, three rejected the scheme altogether, and of the remaining residential units, only a fraction of the transmigrants stayed on. The majority of the local APDT never took up residence in the new sites, or only remained for a short stay before returning to their original hamlets (Li 2010b). One important reason that led to the out-migration of transmigrants was that the *kaplings* had not yet been planted as promised, and they lacked the resources needed to wait out five years for the plots to come into production. Another factor related to the hostility directed to them from the local villagers who resented having their land allocated to outsiders, and they felt it unfair that they received the same allotment as the new arrivals. When transmigrants made the decision to leave the area, they were oftentimes prevented from selling their *kaplings* to other transmigrants, and sold them instead to locals. As transmigrants moved in and out of the area during the PIR-BUN-TRANS period, *plasma* plots were bought and sold contrary to the development scheme regulations that stipulated no name changes on land certificates could occur in the first 15 years. In some cases, locals simply resumed control over parcels that had been allocated to transmigrants who left the area (or never arrived), while in other cases, the transmigrants who stayed on bought or occupied 'vacant' parcels which played into the uneven accumulation of land that was associated with the scheme. The PIR-BUN-TRANS model gave rise to patterns of land accumulation that reflected the dynamic nature of land relations, rather than the development assumption that the scheme would create stable smallholders with equal land holdings.

The accumulation of land on the BHD concession took place amidst much confusion that continues to shape current patterns of land accumulation and the conflict and resistance that is linked to land. During the period of high mobility among transmigrants, and in particular before 1997 when oil palm prices were low, land holdings were in a high state of flux as transmigrants, local villagers, government officials, and plantation workers purchased *kaplings* for cheap (IDR 500,000 to IDR 1.5 million) and which at current market prices sell for IDR 60 million in the case of prime *plasma* parcels. Though in many cases the defacto land owners lack official title to the parcel, the *kapling* remains a productive parcel of land that generates important revenue to accumulate additional parcels, to increase consumption, or to simply sell on the market. Having access to official land titles does remain a valuable

¹⁹ Quality oil palm seedlings are worth between IDR 25,000 to 30,000, and a large number have been stolen from *kaplings* in the early stages of *inti-plasma* development.

asset, however, and unless the name on the land certificate matches the ‘owner’s’ name on the citizenship registration card (KTP), no credit is available through the bank. For the smallholders who are in possession of a legitimate title for their *kapling*, a particular feature of the oil palm scheme poses an important hurdle regarding the access to bank credit. The model organises smallholders into groups of about 30 producers in a single block (*amparan*), and until every farmer has paid his debt, the entire group is denied access to credit, meaning that credit for many can be delayed indefinitely. As the current blockades in Meliau Hulu (PTPN XIII) and in Singuan Daok (BHD)²⁰ attest, the pressures linked to plantation expansion and *plasma* entitlements are only adding to long-standing tensions between villagers and companies

A wealth ranking assessment based on *kapling* and land ownership revealed an uneven distribution of land in Cempaka, RT5, Kuala Buayan, with oil palm being a critical factor in the generation of local wealth. In the village of 240 people, more than half of the households do not own any *kaplings*, and 35 percent do not own any land at all (see Table 5). For the latter group that is landless, household members work either as day labourers on local *plasma* plots or as rubber tappers on local gardens. In the dry season, rubber tapping can be a steady source of work, and throughout the year, the oil palm sector opens up labour opportunities along monthly / bi-monthly harvest cycles, as well as for general weeding, fertilizing, and plot maintenance. The assessment also revealed that 13 households (20 percent) owned a single *kapling*, while 16 (25 percent) had two or more *kaplings* which placed them in the highest wealth ranking in Cempaka. At the top of this group is one household that has six *kaplings*, followed by another that has four *kaplings*, with subsets of four and five families which own three and two *kaplings* respectively. Pak Guntur,* who moved to Cempaka in 1994, now owns two *kaplings* within walking distance of his home, and he shared important information about his monthly harvest as recorded by the KUD (see Figure 1), in addition to a detailed breakdown of his average annual expenses and earnings (see Table 6). He was

Table 5: Wealth Ranking based on Land Ownership (64 families / population=240)

Category	Descriptor	Details	Families	%
Group 1	2 or more <i>kaplings</i> (ka)	<ul style="list-style-type: none"> ◦ 1 family has 6 ka, 1 family has 4 ka ◦ 4 families have 3 ka ◦ 5 families have 2 ka. ◦ ?? families also have rubber gardens ◦ ?? families also have cleared parcels 	16	25%
Group 2	1 <i>kapling</i>	<ul style="list-style-type: none"> ◦ 5 families also have rubber gardens ◦ 2 families also have cleared parcels 	13	20%
Group 3	No <i>kapling</i>	<ul style="list-style-type: none"> ◦ 4 families have rubber gardens ◦ 10 families also have cleared parcels 	13	20%
Group 4	No land	<ul style="list-style-type: none"> ◦ Many work as labourers in oil palm or rubber production ◦ Many are <i>pas pasan</i> (just getting by) 	22	35%

Note: Information derived from interviews with the *kapela dusun* of RT5, as well as with the *kapela dusun* of Kuala Buayan, 10 July, 2010.

²⁰ According to the *kades* of Kuala Buayan, the month-long blockade is currently at a standoff. The fifteen people who were taken to court and fined for the blockade have refused to pay the fine. When the police came to arrest them, the villagers prevented the arrest from taking place.

quite optimistic that the returns from oil palm would continue well into the foreseeable future, and he planned to acquire additional *kaplings* once he had cleared the debt on his second plasma parcel.

Dafta Gaji Petani Hamparan 17		
Mekar Sari Sawit		
Nama: Pak Guntur*		Tanggal: 13/6/2010
Kapling: ##		
	$3.337 \text{ kg} \times \text{Rp. } 1.301.73 = \underline{\text{Rp. } 4.343.873}$	
Potongan		
		<u>Rp.</u>
1. Kredit	(30%)	0
2. Angkutan	(Kamion)	67 / kg
3. FL KUD	(Fee KUD)	6.25 / kg
4. FL JL	(Fee Jalan)	15 / kg
5. FL KKTH	(Fee Ketua Hamparan 3 rd)	8 / kg
6. Konsumsi		0
7. D. Timbang		0
8. D. Royong		0
9. Lain	(Simjintin)	1000.00
(Simpanan Lajit)		
		Hasil Bersih <u>Rp. 4016.586</u>

Figure 8: KUD statement for FFBs harvest on a single *kapling* dated June 13, 2011.
Note. Reproduced from original statement provided at interview with Pak Guntur*, 2 July, 2010.

There are two additional major points of contestation between the oil palm companies and local communities that need to be considered: the first involves the maintenance of roads in *plasma* areas, and the second is related to the mandatory allocation of oil palm revenue to the *desas*. Within regular harvest cycles, smallholders need to have their FFBs reach the processing mill within 48 hours in order to extract quality crude palm oil (CPO). However, because of the poor conditions of the *plasma* roads, most notably on the BHD concession, there are protracted delays in the transport of the fruit to the mill, especially during the rainy season where as much as 50 percent or more of a harvest can be rejected due to spoiling (Pak Artin* 2010). Though smallholders make regular contributions to the maintenance budget for *plasma* roads under the control of the KUD and they engage in monthly *royong* projects to work on areas most in need of repair, more capital is required to ensure properly functioning roadways. Smallholders and the local government offices in Kuala Buayan say that the BHD is responsible for road maintenance, while the company insists that it has already committed the funds for roads as required by the development scheme. Smallholders acknowledge, on the one hand, that KUD funds are not necessarily being used properly for infrastructure maintenance due to corruption (Pak Guntur* 2010), yet they are adamant that BHD is shirking its responsibilities and needs to commit additional capital. The current *kades* in Kuala Buayan notes that BHD is only really interested in the *inti* area. He adds that the company deliberately ignores laws and regulations and sends its public relations people as go-betweens without ever responding directly to the local government (Li 2010c). In addition, as *kadus* Pak Maharani points out, the regional regulation PERDA 2004 stipulates that five percent of net company profits are to go directly to the *desa*, yet this funding never reaches the communities if it is paid at all. The lack of wealth redistribution back into local

communities is a critical issue involving both companies and it remains an important factor in how chronic poverty is maintained through processes of agrarian change linked to oil palm.

Table 6: Annual Expenses and Income for Oil Palm Smallholder with Two *Kaplings*^{ab}

Expenses (IDR)		
Type	Descriptor	Amount (millions)
Transportation	FFBs are transported first by <i>Hiline</i> (1-ton) to the river, then by <i>Kapal</i> (4-ton) to the BHD dock, and finally by <i>Truk</i> (5-ton) to the mill for processing into CPO.	21.768
Labour	Includes harvesters (<i>pemanen</i>), FFBs handlers (<i>pemuat</i>), <i>Hiline</i> driver (<i>supir</i>), weeders (<i>pembersih</i>), and fertilizers (<i>pembuat lobang</i>)	12.900
Inputs	Herbicides used twice a year (24 litres of Roundup) Fertilizers used every 3 months (1,000 kg)	8.640
Income (IDR)		
KUD Gross		109.368
KUD Net		92.710 ^c
Final Net Yearly Income (IDR)		
		49.402

a. Estimated yearly income based on average total harvest of 3.5 tons per month sold at the current price of IDR 1,302 per kg.

b. The smallholder's spouse and her sibling do not factor into labour costs. A *royong* (exchange) system of labour is used where they are part of the labour force for each husband's respective *kaplings* that do not receive payment in the form of wages.

c. The net amount is based on first *kapling* having the credit paid off and the second *kapling* having the monthly 30 percent deduction as is currently the case with Pak Guntur*. His net annual earnings will increase by an average of IDR 16.405 million once the second *kapling* is paid off in full.

Note: Information derived from an interview with smallholder Pak Guntur* , 2 July, 2010.

Rural Differentiation, Accumulation by Dispossession and Adverse Incorporation

Processes and Mechanisms of Rural Differentiation

A critical mechanism that has helped determine the nature and scope of agrarian change linked to oil palm in the subdistrict of Meliau is the system of forest classification, as defined under the Basic Forestry Law of 1967, that is used by the state as a means of asserting control over upland territories and resources. The 'official' maps and documentation produced by the state armed with a self-appointed mandate of eminent domain over 'forested' areas has

resulted in competing and overlapping claims, the drawing up of inaccurate village boundaries, the omission of long-established forest settlement, and the appropriation of large areas of land from peasants and indigenous people. These mechanisms, and the processes inherent in their production through oil palm schemes, are linked to a central problem of statecraft, whereby state simplifications are employed to render society legible in such a way as to facilitate state functions and the transformation of peripheral areas into ‘developed’ state spaces (Scott 1998). The cadastral map, as an instrument of control that both reflects and consolidates the power of those who commission it (Kain and Baigent 1992), is a mechanism that facilitates the process of rural differentiation, with its real value lying in its abstraction and universality (Scott 1998, 44). These state mechanisms can also be viewed within larger processes of state territorialisation through which modern states exert their power in an attempt to order and control upland resources and populations (Li 1999a, xviii). Territorialisation is the process through which “all modern states divide their territories into complex and overlapping political and economic zones...and create regulations delineating how and by whom these areas can be used” (Vandergeest and Peluso 1995, 387). These mechanisms have served colonial and post-colonial regimes in pursuit of profit favourable to elites. The territorialisation of forest land in West Kalimantan has played a key role in the agrarian changes that have occurred on the oil palm concessions in Meliau.

A second mechanism that is central to the agrarian changes connected to the oil palm sector is the use of *inti-plasma* schemes introduced as a model for agricultural development, which resulted in dispossession and uneven access to land. The PIR-TRANS scheme in particular was designed as a means to appropriate land from locals for oil palm concessions through various estate-smallholder models, while at the same time providing an imported work force that could supply the labour needs of the estate plantation, the processing mill, and the *plasma* holdings awarded to individual households. As the field research in the PTPN XII and BHD concessions revealed, rural differentiation occurred along distinct trajectories determined by who received one or more *kaplings*, the quality and location of the *plasma* plots, and the ability of smallholders to wait out the five or more years needed before the parcels became productive. In part, as a result of this delay in productivity, a large number of transmigrants on the BHD plantation abandoned the site early on which resulted in the ‘unofficial’ transacting of local land that has yet to be resolved to this day. In addition, this particular mechanism of agrarian change was marked by numerous irregularities in the implementation process as noted earlier, whereby in many cases, entitled recipients failed to obtain *kaplings*, while others who were not entitled to parcels acquired land as result of personal ties to local government, or as in the case of *adat* heads, who benefitted disproportionately from the oil palm scheme. Existing large landholders who had acquired land in the past through a variety of means that were at times difficult to track, could lay claim to multiple *kaplings*, which in time, provided a means of sizeable accumulation either through the production of oil palm or as a result of the increasing value of *plasma* plots that grew more than ten-fold over the past decade. Rural differentiation through the *inti-plasma* mechanism has allowed some smallholders to successfully accumulate capital and expand their production and holdings, while others have experienced dispossession without compensation and continue to press for their *plasma* allotment.

A third key mechanism driving rural differentiation in the oil palm industry is the use of contract farming out-grower schemes that are an integral element of the Nucleus and Smallholder Estates (NES) model. Transmigrant smallholders, as well as local peasants, farmers, and indigenous people who received *kaplings* according to the PIR-TRANS or KKPA schemes, were subsequently locked into a long-term relationship with an oil palm

company that could take anywhere from eight to eighteen years to repay depending on host of factors. One feature that is most striking about the *inti-plasma* model is that smallholders rarely, if ever, have in their possession a detailed contract outlining the responsibilities and obligations of both parties. They also rarely receive an updated summary of their outstanding debt with the company, nor regarding the credits that have been paid out to date. In addition smallholders are subjected to multiple deductions from their regular harvests without understanding the reason or legitimacy of the expenses they are required to pay under a system that lacks transparency or accountability. Under this version of ‘partnership’ between corporate agribusiness and smallholders producers, the latter are essentially subjected to institutionalised monopoly and monopsony relations (Mackintosh 1990). They are also left vulnerable to surplus accumulation by companies that regulate the upstream of the production industry, help set the FFB purchasing price, and are able to accumulate surplus capital through the farmer cooperatives which they fund. As noted by Henry Bernstein (1996), the setting of prices at various points along food commodity chains is not a matter of ‘real’ value or supply and demand interactions, but rather reflects the social and political bargaining strengths of parties involved.

In addition to these mechanisms driving agrarian change in the oil palm sector, there are a number of external and internal causes that underlie the rural differentiation that is occurring in Meliau. The current fiscal, food, and environmental crises are critical external causes spurring on agrarian change in the Indonesian uplands through the sharp rise in demand for palm oil. The present oil palm expansion is directly linked to the recent biofuel boom that is increasing the demand for food and non-food agricultural products, and EU and OECD policies and subsidies are helping incite domestic and transnational investment in the sector, resulting in a rapid and extensive transformation of rural landscapes in the area. The ‘palm oil industrial complex’, that is part of an emerging global ‘biofuel complex’ (Borras *et al* 2010d) that brings together TNCs, state capital, and government agencies allied along new North-South, South-South capitalist relations (Dauvergne and Neville, 2010), is at the centre of dynamic processes of agrarian differentiation. These processes are thus dominated by TNCs located within the conglomerate corporate food regime (McMichael 2009a) operating within national policies and local power relations that are yielding distinct distributional outcomes and changing social relations of production in the local rural economy (Pye 2010). Another important external cause that is closely associated with the expansion of a corporate agricultural model is the World Bank’s ‘emerging vision of agriculture for development’ founded on new public-private partnerships involving the state and the agribusiness sector that includes greater support and inclusion of smallholders and rural workers (WB 2007, 8). At the national level, the Indonesian government is requiring that companies pay a three percent export tax on CPO as a way to further encourage corporate investment in the sector, and there is little enforcement of the PERDA 2004 requiring that five percent of profits be returned to local communities. To these internal causes can be added regional plantation policies in Sanggau district that are creating favourable conditions for investment, such as the current *kemitraan* profit-sharing model that completely reverses the original estate-smallholder ratio and has the entire area managed by the company. The combined effect of these external and internal causes is driving a proliferation of new, local companies with no background in the industry and who promise prosperity to local communities, yet in reality yield highly uneven outcomes (Sirait 2009, 7).

An analysis of rural differentiation in Meliau must also include an understanding of the context within which the oil palm industry is being developed. Plantation development schemes are being introduced into already highly differentiated rural settings on either side of

the Kapuas River. Large landowners and those with close ties to political and economic centres of local power stood to the gain the most from oil palm schemes, both in terms of acquiring *kaplings* through the *inti-plasma* model, but also with respect to accessing employment opportunities on the plantations and in the processing plants. On both concessions there are a large number of outstanding land claims and requests for compensation for lost rubber and fruits gardens that have yet to be resolved, and the poorer segments of rural society remain the most vulnerable when dealing with local power structures. Decentralisation has also further empowered regional actors who are allying themselves with local elites and agribusiness investors working together to facilitate and accelerate plantation expansion in the area. Though the Net Present Value (NVP) of large scale oil palm plantations is currently set at US\$ 72.62 million per 10,000 hectares (Sirait 2009, 9)²¹ surprisingly little of this wealth actually trickles down to the local communities where the wealth is actually produced. Permissive laws and the discretionary enforcement of regulations allow for surplus capital to circulate within designated circles that tend to exclude the majority of the population. Another important feature of the oil palm industry is that alongside a class of poor and highly indebted smallholders are emerging classes of successful smallholders, middle farmers, and wealthy ‘armchair’ NES farmers (Pye 2010) who are able to engage in surplus accumulation and go on to acquire more productive resources over time. This leads the next segment of analysis that examines ways in which neoliberal land policies and mainstream approaches to development facilitate agrarian change along distinct patterns of accumulation and marginalisation where issues of poverty, powerless, and exclusion from valuable resources remain integrally related (Li 1999b, 30).

Neoliberal Land Policies, Mainstream Development, and Accumulation by dispossession

Neoliberal land policies trumpet land privatisation and the securing of individualised property rights as the means to increase agricultural productivity and reduce rural poverty by providing the poor with greater tenure security that enables them to access credit needed to make productivity-enhancing investments in land. These policies have been a part of neoliberal and mainstream development initiatives for decades, and they provide the ideological foundation upon which the Commission on the Legal Empowerment of the Poor (CLEP 2008) is established which identifies the formalisation of property rights as one of its four pillars that are essential to the reduction of poverty in developing countries. In its more recent publication on Indonesia, the World Bank (2010a, 3) states that in order to move ahead, the country needs to “substantially accelerate the titling of agricultural parcels to increase land security and help farmers participate in land markets.” The Bank adds that by accelerating titling of agricultural land, farmers will be able to access credit, make productive investments in technology, and engage in the production of high-value commodities attractive to domestic and export markets (Ibid., 1). Since 1994, the World Bank has been actively supporting land privatisation in Indonesia through two main initiatives: the first, known as the Land Administration Program (LAP) and administered through BPN, was funded from 1994 to 2000, and the second, LNVPDP coordinated through BAPPENAS, was funded from 2000-2009 (Arsyad 2010). In response to the recent outcry over large-scale investments in land (land grabbing), proponents of mainstream development have proposed a Code of Conduct (CoC) that could effectively mitigate the risks to the poor and the environment, while ensuring a favourable climate for investment in agricultural land. Though this CoC has yet to be formalised or implemented, it is possible to gauge its potential impact within the context of the field research undertaken in Meliau.

²¹ This value is based on an average CPO price of US\$ 531 per tonne (Sirait 2009, 9).

With the Indonesian government acting as proprietor of all forest land through the jurisdiction of the Ministry of Forests, it is able to claim the right to develop ‘public land’ through oil palm development schemes that overrides customary rights to *ulayat* land and the encumbered rights attributed to communities that have been making productive use of the land for decades, if not generations. PTPN XII’s initial PIR-TRANS scheme resulted in the dispossession of the local Dayak population and led to the privatisation of land through an *inti-plasma* model that granted ownership of *kaplings* to transmigrants and other beneficiaries of oil palm development. Through a superficially implemented socialisation process, private and communal Dayak land was appropriated with the support of the state machinery that was able to selectively invoke legal authority over the ‘public’ forest land, while at the same time disregarding its legal obligation to obtain proper consent from the occupants and users of the land. The principles of Responsible Agricultural Investment (RAI) promoted by the World Bank and mainstream development agencies state that the “existing use or ownership rights to land, whether statutory or customary, primary, or secondary, formal or informal, group or individual, should be respected” (FAO *et al.* 2010, 2). In practice, however, this principle was not adhered to in the past, and there is little indication that it will be respected in the present or future given the current frenzy over oil palm expansion in West Kalimantan. It was only after mounting protests that PTPN XIII agreed to offer *plasma* land to the local Dayak through the KKPA scheme that involved a further surrendering of *adat* land that was then included in the concession area. As noted earlier, the privatisation of communal land through *inti-plasma* schemes led to land grabbing that was further compounded when a number of recipients of substandard ‘failed’ *plasma* lots eventually sold their holdings under the weight of non-serviceable debts. In the context where highly uneven class structures abound, the privatisation of land does not necessarily provide greater security for smallholders, and oftentimes it is more likely to further incite accumulation of land through permanent land transfers that work against the poorer segments of rural society.

The BHD concession proved to be even more problematic regarding the privatisation of land through the PIR-TRANS scheme that included a largely failed transmigrant program that precipitated multiple illegal land transfers, in addition to the misallocation of *kaplings* through a flawed mechanism and self-interested village leaders. Similar to the development of the PTPN XIII plantation, the process of socialisation was only superficially applied to obtain ‘consent’ from the local communities, which was supplemented by the use of intimidation, coercion, deception, and force to ensure that the BHD concession would be developed in top-down fashion. Land that was held either privately or communally was transformed into *inti-plasma* land, and the accumulation of privatised *kaplings* produced uneven outcomes: some individuals were in possession of multiple parcels that had been sold illegitimately by transmigrants who left the area, some received *kaplings* without entitlement, and others obtained one or more parcels in accordance with the land they had surrendered to the scheme. The end result remains that some 700 *kaplings* have yet to be distributed for the reasons cited earlier, and this land currently sits unproductive and idle as undeveloped or partially developed *plasma* parcels. The assertion by promoters of a CoC (Deininger 2010) that transactions channelled through local government are more transparent in that they bypass corrupt national governments²² overlooks the reality that local officials and their capitalised allies have more to gain personally from such ventures, which leaves the rural poor just as vulnerable, if not more, through local social structures that keep them

²² A study conducted by the World Bank determined that companies spend the equivalent of 40 percent or more of their paid taxes in bribes (Marti 2008, 21).

marginalised. Moreover, the assumption that transactions among ‘multi-stakeholders’ is a solution to land grabbing through a voluntary CoC evades the issue of genuine representation and political power as revealed by the field data. Ultimately, the concept of ‘partnerships’ between agribusiness and smallholders embodied within a CoC that remains depoliticised ignores the fact that the poor generally lose out and the processes work in favour of TNCs and their local allies (Borras and Franco 2010b, 519-20).

When considering the issue of clearly defined property rights allowing rural landholders to transform ‘dead’ capital into productive land through access to credit, the findings in Meliau subdistrict are mixed and reveal uneven outcomes that point to the need for a more textualised analysis than the individualisation thesis advanced by neoliberal land policies (Fortin 2005). Certainly, there were a number of oil palm smallholders that accessed credit through formal institutions, which in turn enabled them to purchase additional *kaplings*, to invest in productive inputs, and to accumulate greater surplus. Many peasant farmers, however, had yet to receive their titles, and because of the *amparan* system that tied farmers into a *plasma* block that prevented access to credit until *all* the farmers had cleared their debts, many are likely to wait indefinitely for their titles. Given that a large number of parcels fall below industry standards, farmers are subsequently caught in a debt cycle that they are unable to break. There is also the complex issue of land titles on the BHD concession where the actual ‘owners’ of the land have titles issued in the names of transmigrants who were originally issued the parcels, but have since left, sold, or traded their land. The actual holders and users of these *kaplings* are unable to access credit due to the mismatched names on the titles and do not fit the neat and tidy neoliberal land model. Another important point to consider is that women are generally denied the opportunities that come with access to credit through titling schemes because land is typically only registered in the name of the male head of the household. In this regard, the mainstream neoliberal model undermines women’s livelihoods on two counts in that they are denied access to credit and they no longer have access to land for mixed farming practices now that palm oil has overtaken the area. At a fundamental level, the greatest shortcoming of a model that views land and property rights strictly in terms of commodity and land markets is that it overlooks that landed property rights are not things, but are in fact social relations that are linked to dynamic processes of wealth creation that sustain diversified rural livelihoods (Borras and Franco 2010a, 9). Neoliberal land policies thus fail to capture this vital feature of rural communities.

Proponents of neoliberal land policies point to the CLEP model for poverty reduction strategies, hail a voluntary CoC as a means of managing governance issues associated with land grabbing, and offer principles of RAI as a guideline for investments, yet all fail to genuinely protect the interests of the poor for a host of reasons. CLEP represents neoliberal ideology that celebrates markets, entrepreneurs, private property rights, and the rule of law, while ignoring existing power relations that maintain rural poverty and the capacity of those who wield power to by-pass the rule of law or selectively implement judicial outcomes that favour the interests of the ruling class (Banik 2009). In Sanggau, the *Bupati* regularly issues illegal HGUs and without following the legally required socialisation process, and in a recent case, has authorised a concession to SJAL in an area neighbouring our research site, which the *Camat* in Meliau had refused to authorise. The company has nonetheless cleared the land, has started plantation development, and has dispossessed the local villagers of their land without proper consultation or negotiations (Li 2010c). In a similar vein, the CoC is being promoted in tandem with the notion of developing ‘reserve agricultural land’ that is expected to lead to more dispossession in the name of transforming ‘marginal land.’ As noted by

Borras and Franco, even if FPIC is obtained on paper, it is rarely observed in practice, and the privatisation of land in no way guarantees protection against dispossession (2010b, 519-20). The privatisation of land on the BHD concession is a case in point where two decades later, villagers are still waiting for their *kapling* entitlements. What is perplexing about the recently published World Bank document on rising interests in farmland, is that on the one hand, it acknowledges that “the failure to recognize local land rights is a major social issue” and that “the risks associated with large-scale investments are immense”, yet, on the other, it emphasises how these risks correspond with equally large opportunities and call upon investors to proactively engage in adequate farming arrangements that recognise local land rights (2010c, 102-103). Herein resides a fundamental aberration within the mainstream neoliberal development model: capital interests, in pursuit of profit in investment climates where weak governance prevails, will somehow *voluntarily* and *proactively* consider the interests of the rural poor that may in fact compromise year-end profit margins. The principles in RAI rightfully point out that “increases in company and shareholder value will always be the main concern in any for-profit endeavour,” (FAO *et al.* 2010, 13), meaning that the poor will continue to lose out in a capitalist system of production and trade that single-mindedly attends to ever-growing accumulation, and which includes, as a sideshow, an inadequate trickle-down approach to address the needs of the rural poor.

The current oil palm boom that is driving the plantation expansion in West Kalimantan and in other parts of Indonesia is essentially serving to rescue capitalism from its inherent bust and boom cycles linked to the deeper problem of over accumulation (Harvey 2006), and is following a path of development along the lines of accumulation by dispossession. Though Marx argued that primitive accumulation, which involved a violent process of enclosing the commons and expropriating agrarian producers from the soil as a pre-cursor to capitalist modes of production, David Harvey (2005, 2006) has argued that the twin processes of exploitation and dispossession have in essence become internalised within the present-day predatory variant of neoliberal capitalism that continues to rely on force, fraud, or predation in pursuit of new sources of wealth and capital accumulation. This process includes the commodification and privatisation of land, the forceful expulsion of peasant populations, the conversion of various property rights into exclusive property rights, the suppression of rights, and through the “sheer exhaustion of possibilities”, the seeking out of fresh sources of labour power (Harvey 2006, 437-38). In the subdistrict of Meliau, local peasants and indigenous people formerly engaged in mixed farming practices that included producing rubber for commodity markets have subsequently been transformed, oftentimes by force and without informed consent, into smallholders and wage labourers that have largely serve the interests of state-owned or private capital. The development of the plantations has in the past, and continues to do so today in the context of regional policies aimed at attracting domestic and foreign investors, invoke the elements outlined by Harvey under the framework of a neoliberal model of capitalist development that claims to be centered on smallholders and the reduction of rural poverty. In a glaring contradiction to the principles outlined in the World Bank’s recent five pillar ‘Action Plan’ for investment in the oil palm sector that places smallholder farmers at the centre of each pillar (WB 2010b), the current *kemitraan* 80:20 *inti-plasma* model that is being promoted in Sanggau at the request of the industry, has all the land managed by the estate with local peasants, who have surrendered their land to the scheme, working as wage labourers exclusively. In this regard, resistance to neoliberal capitalism remains dual in nature in that involves struggles against dispossession and classic class struggles characteristic of the labour process (Harvey 2006).

The Differentiation of the Peasantry and Adverse Incorporation

The expansion of oil palm plantations in Meliau is taking place in ‘frontier’ regions that include logged, degraded forest areas, and agricultural land, which is having a differential impact on the local peasantry shaped by national policies, local power relations, and transnational influences that are determining the nature of this expansion (Pye 2010, 854-55). Peasants and indigenous people in this region have for generations been involved in a combination of market- and subsistence-oriented agricultural practices (Dove 1996) and have managed forest gardens and community forests to sustain diversified rural livelihoods (Peluso and Padoch 1996). The current oil palm expansion is occurring in areas where tens of millions of people are estimated to be living in and around forests and who are witnessing the rapid erosion of customary land and agro-forestry systems which amount to “shifts in patterns of control over the means of production” (White 1989, 26). According to Marxist theory, capitalist agricultural production would progressively transform subsistence modes of production into commodity producers, eventually leading to the full subordination of the peasantry to commodity markets, and resulting in the elimination of the peasantry over time through processes of industrialisation (Marx 1954). As Ben White has noted, however, the proletarianisation of the peasantry did not necessitate the complete dispossession from land, but rather required

a sufficient degree of inequality in access to land and other productive resources to leave large numbers of ‘peasant’ households in possession of farms incapable of providing a livelihood and therefore propelling one or more household members partly or completely into the agricultural or wage-labour markets.

(1989, 18-19).

The field research undertaken in the subdistrict of Meliau revealed a continuum of dispossession and proletarianisation along these lines that also included a complete loss of control over productive resources and the full subordination of the peasantry in areas that were overridden by oil palm plantation concessions.

The differentiation of the peasantry on the state-led PTPN XIII plantation in Melobok has resulted in outcomes that are similar, yet distinct from those which occurred on the south side of the Kapuas River in a number of important ways. The area is now entirely dominated by *inti-plasma* oil palm production and no longer includes land dedicated to subsistence agriculture or mixed agro-forestry production. The original Dayak villages have been fully absorbed into the oil palm concession, with the exception of a few enclaved hamlets, while the transmigrant population living in dispersed settlements provide the labour force for the estate and/or are engaged in smallholder production. For the Dayak, agrarian changes linked to oil palm involved the complete elimination of pre-existing forms of mixed subsistence and commodity (rubber) production and has permanently severed them from access to and control over *adat* land. Those who have undertaken smallholder production under the KKPA scheme regained, in part, retain control over a parcel of land, though via a contract farming model of production that offers varying degrees of control over the production process, yet largely subordinates producers to the dictates of agribusiness and international markets. In this regard, the Dayak experienced first complete dispossession, followed by varying degrees of proletarianisation in the form of *plasma* production under a contract farming, in addition to the wage labour provided on *inti* land to pursue rural livelihoods that now exclude subsistence farming in any appreciable way. The transmigrants who came to the area gained access to a *plasma* parcel that gave them partial control over land and varying degrees of

control over the production processes, though, also left them subordinated to markets and unable to partake in subsistence farming and diversified forms of livelihoods.

In the case of the privately-held BHD concession, the differentiation of the peasantry has unfolded along a number of trajectories depending on the degree of insertion into the industry. Some areas are completely overtaken by oil palm, others involve combined oil palm production with traditional mixed agroforestry practices, while in a third frontier area, subsistence farming and rubber tapping continue. In the areas of Kuala Buayan leading from the river's edge and extending beyond the transmigrant settlement of Bhakti Jaya, the majority of peasant farmers and indigenous people have been absorbed into oil palm production and no longer engage in subsistence agricultural production or rubber tapping to any significant degree. The BHD concession has led to the transformation of local villagers, formerly engaged in mixed-farming and rubber production, into either smallholder *plasma* producers, land holding or landless labourers linked to the *inti-plasma* work force, or landless villagers earning meagre wages as *pas pasan* (getting by) through rubber tapping and minor wage labour opportunities. With over 700 *kaplings* yet to be distributed to locals entitled to *plasma* plots, an important number the villagers find themselves dispossessed with little means of securing a sustainable livelihood now that most of the land is under oil palm production. For the *desas* that have undertaken some oil palm production, while maintaining mixed agro-forestry practices and rubber tapping, this diversification of livelihoods has meant that peasant farmers still retain some degree of autonomy over their means of production and are able to benefit from currently high CPO and rubber prices. And in the case of the hamlets located in the frontier areas that have rejected oil palm, peasants continue to engage in a subsistence economy that also includes earnings from rubber gardens.

In both oil palm concessions, a significant number of *plasma* producers have faced a form of 'reproduction squeeze' that has allowed for the further accumulation of land by successful oil palm farmers and local owners, but has also resulted in the loss of land by others. As noted earlier, many peasants and indigenous people had been given substandard smallholder plots, had to contend with lower quality parcels, and lost significant earnings due to poor *plasma* infrastructure such as roads, for example. As debt loads became difficult to service, and in particular during the extended slump in CPO prices that only started turning around from 2000 onward, many of these smallholders sold their *kaplings* and resorted to becoming wage labourers on *inti-plasma* land. Their *kaplings* were purchased by plantation managers, mill workers, and successful oil palm farmers (small, medium, and large) that either had productive parcels from the beginning or were had sufficient capital/credit to make the necessary investments in order to transform failed *kaplings* into productive parcels. In this scenario, the differentiation of the peasantry first involved partial or complete dispossession by the industry, followed by incorporation into oil palm modes of production through *inti-plasma* schemes, and ending with the selling of smallholder plots under adverse terms as a final stage of proletarianisation, where land held under contract farming was lost and wage labour became the only means of securing a livelihood. Within the context of peasant differentiation and agrarian changes associated with oil palm in Meliau, rural livelihood strategies can be viewed as being either enabled or constrained by economic, social, and political relations (Hickey and du Toit 2007). The emergence of oil palm as a leading commodity is transforming agrarian structures and has given rise to patterns of inclusion, exclusion, and adverse incorporation characterised by "an irreversible shift in ownership of agricultural assets away from [the] poor" and "a distribution of social power in the countryside that is likely to be long enduring" (McCarthy 2010, 845). The concept of adverse incorporation thus offers an important analytical lens through which social relations

that have led to distinct forms of interactions that produce wealth and prosperity for some, and chronic poverty for others can be examined.

With the understanding that “poverty and disadvantages can flow, not from exclusion, but from inclusion on disadvantageous terms” (du Toit 2007), adverse incorporation examines how poverty is derived from processes of integration into broader economic and social networks with emphasis on power relations, social dynamics and political economy. One of the key aspects of adverse incorporation in relation to *plasma* smallholders is that the latter often lack a clear understanding of the obligations, risks, and opportunities when they entered into contract farming with oil palm companies where relations of production were monopolistic and monopsonistic in nature. Moreover, through the KUD and KKPA cooperatives, smallholders were further subjected to surplus extractions through means that lacked transparency. An analysis of the relationship between poverty and adverse incorporation also requires an exploration of “not only the relational basis of poverty, but also how such relations become institutionalized in ways that ensure their effects are reproduced over time” (Hickey and du Toit 2007, 19). The overt use of social and political power to implement plantation development that was characteristic of the New Order era has now become entrenched within regional and local political systems that seek to maintain control over resources. The economic, political, and social relations that support the interests of private capital and state-led agribusiness ensure that smallholders and workers continue to be adversely incorporated into the industry, while outstanding land claims remain largely unresolved, and only minimal taxation is paid by the industry with little direct benefit to local communities. These same institutionalised relations are clearly at work in Sanggau where present *kemitraan* schemes seek to transform peasant farmers into a wage labourers that are slated to lose control over private and communal land. When considering that more than half of all Indonesians confront poverty in its multidimensional forms (ADB 2006), it is possible to see how rural chronic poverty is perpetuated in Meliau in light of how dispossession and adverse incorporation are fundamental features of an expanding oil palm sector.

Implications for Development

Field research in Meliau has pointed to a number of key implications for development in reference to policies aimed at reducing rural poverty in the context of the current oil palm boom and the land grabbing led by the Indonesian state. A first point to consider is that even though large-scale investments are being directed to increasing agricultural production under the rubric of ‘rural development and poverty reduction,’ it is necessary to examine the processes and mechanisms underlying these initiatives from a perspective of agrarian political economy in order to understand the class-based social, political, and economic dynamics that are transforming rural landscapes in developing countries. The assumption cannot be made that high capital investments in agriculture and in agricultural land will necessarily lead to favourable outcomes for the rural communities that depend on access to land for their livelihoods, and in particular the more marginalised and poorer classes of rural society. The steadfastly linear ‘modernisation’ narrative held by advocates of the mainstream neoliberal approach rests on “a narrow economic conceptualisation” (Scoones 2010) of agricultural development and fails to acknowledge that the transformation of agriculture along capitalist lines systematically produces poverty alongside the wealth that it generates (Li and Semedi 2009). By adopting a purely economic frame of reference, neoliberal policies ignore the existing power differentials and social dynamics through which development initiatives articulate and which lead to dispossession and the exploitation of labour. Ample evidence emerged in field research undertaken in Meliau that social elites working in support

of domestic and transnational capital were able to circumvent the law and force through the development of oil palm plantations without the consent of local communities that resulted in highly uneven outcomes and undermined the livelihoods of marginalised segments of rural society. This approach to development constitutes a rationalisation of how right of ownership changes into the appropriation of other people's property and how commodity exchange turns into exploitation (Luxemburg 2003). A critical shortcoming of the neoliberal model is that it not only fails to recognise how such approaches to development can result in elite capture at the local level, it also justifies this process by pointing to the importance of supporting successful and productive farmers who stood to gain the most from capital ventures, yet who ultimately 'squeezed out' peasant producers and forced them into greater poverty.

A second implication for development relates to the root causes of poverty that are relational in nature and extend beyond simplistic models of inclusion and exclusion (McCarthy 2010). There are a number of fault lines that can be traced in the neoliberal approach to poverty, the first being that it categorically ignores how capitalist models of production eject large segments of the population as a natural course of development and that results in a reserve army of labour that serves the needs of capital. The residual model to poverty reduction fails to acknowledge the scope and magnitude of this by-product of capitalist production modes, and it relies on strategic policies to contain some of the fallout by incorporating a fraction of the 'double free' labour force that it helped create. Data obtained in Meliau pointed to the generation of rural poverty that fits patterns of inclusion and exclusion, yet they remained firmly rooted in interactions between social classes and the power embedded within those interactions defined by imbalances characteristic of rural societies. The relational nature of poverty on the plantation concessions was abundantly evident: village leaders allotted *kaplings* to family members and friends, while villagers continue to wait for their entitlements; district appointed task forces made up of local elites charged with resolving existing land conflicts, yet are themselves beneficiaries of oftentimes illegitimately acquired parcels; and oil palm companies being exempt from returning a percentage of their earnings to the local communities where they are based that perpetuates conditions of chronic poverty for the larger population. In addition, development policies often overlook how poverty is created through adverse incorporation into relations of production that can become institutionalised over time and become an important cause of chronic poverty.

Finally, central to the current debates surrounding the issue of large-scale investments in agriculture and present-day land grabbing are neoliberal land policies, a voluntary Code of Conduct (CoC), and the Principles for Responsible Agricultural Investment (RAI), which have important implications for development. As Ian Scoones (2010, 6) points out, the World Bank's recent publication (2010c) shows clearly why such a CoC is unlikely to work, namely due to the lack of capacity, failures of institutional authorities, and corrupt practices in a number of developing countries. And yet the World Bank offers no analysis on how these shortcomings can effectively be addressed and insists that a voluntary CoC will effectively safeguard the interests of the poor. In the case of Indonesia, the World Bank need not look any further than its own institution to determine why a CoC would not work to protect the poorer segments of rural society against the risks of land grabbing. In August of 2009, the Bank's own IFC branch was found guilty by the Compliance Advisory Ombudsman of having manipulated internal procedures relating to the social and environmental risks associated with a Wilmar Group oil palm development project in Sumatra which the IFC helped fund in clear violation of IFC principles (Colchester *et al.* 2009). Though the World Bank later announced that it would not issue any new funding for oil palm development until it had formulated a comprehensive strategy to deal with the issue,

it has failed to internalise the larger lesson of why its most recent CoC proposal is likely not to work. And when the RAI (FAO *et al.* 2010, 1) states that investments in agriculture must “do no harm to the environment,” it is clear that ‘double-speak’ abounds in mainstream approaches to development when considering that the oil palm industry in Indonesia involves widespread deforestation and the implementation of high-input monocrop industrial agriculture. Such platitudes join a long list of development jargon such as sustainability and ‘green energy’ biofuels that seek to create public consent for development initiatives that serve to advance the interests of agribusiness TNCs set on extending neoliberal capitalist production ever deeper into the rural heartland of the Global South.

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