Agriculture in Crisis: People, Commodities and Natural Resources in Indonesia, 1996-2000

Edited by Françoise Gérard and François Ruf
AGRICULTURE IN CRISIS: PEOPLE, COMMODITIES AND NATURAL RESOURCES IN INDONESIA, 1996-2000
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Françoise Gérard and François Ruf

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Preface
Bernard Bachelier

Director-General of the Centre de coopération internationale en recherche agronomique pour le développement (CIRAD)

This book is the work of a team of Indonesian and European agricultural economists and agronomists. Its basic idea and themes were conceived by its scientific editors, Françoise Gérard and François Ruf, but all the book’s authors are committed to improving agriculture in developing countries. This they seek to do not only through their own research but also by drawing on the resources and dynamism inherent in resource-poor farming communities.

Indonesia’s crisis, which took economists largely by surprise, was at once environmental, economic and political. It affected a country with the world’s fifth largest human population, some 200 million people—a predominantly rural country still struggling to identify a workable model for its future development. The unprecedented scale, duration and severity of the crisis call into question many of the assumptions that underpin the development models of the 1990s.

Agriculture has contributed much to the, until recently, widely feted Asian model of economic growth and social progress. Although different subsectors have been affected to different degrees, Indonesia’s agriculture has been deeply hurt by the crisis. At the same time, the country looks to its agriculture to lead it out of crisis.

There is no doubt that Indonesia’s farmers are capable of the hard work needed to pull the economy into recovery. The increases in production achieved over the past 30 years testify to their impressive abilities. Over this period the production of rice and soya bean has risen fourfold. Similarly, the country has experienced a remarkable cocoa boom in which production has risen from zero to over 400 000 tonnes per year in less than a quarter of a century as some 200 000 migrant families have adopted the crop spontaneously.

Today, however, while mineral prices have been rising for the past 2 years, those of agricultural commodities have sunk to record lows. One by one, cocoa, coffee, rubber and palm oil have been affected. Even pepper—a crop that symbolises tropical and Indonesian agriculture and one of the last bastions to hold out against the slump—has now succumbed.
In early 1998, Indonesia’s export crops producers and exporters actually benefitted from the fall of the rupiah and international prices of cocoa, coffee, palm oil and coconut rose slightly. The incomes of the rural families producing these crops increased four- or fivefold. Their spending went up sharply, helping to offset the early impact of the crisis. But now those days are past, and just when new efforts are being demanded of them, Indonesia’s farmers find they have few, if any, options for improving their lot. They are trapped in a world remote from that of the international decision makers who determine the rise and fall of global markets. And their national representatives often have no alternative but to accept the dictates of the global economy.

This book does not argue against globalisation, nor even against economic liberalism. It is an empirical study of the experiences of Indonesia’s farmers and how these relate to macro-economic events, of the relationship between the local circumstances that shape agriculture and the global system of trade that determines its profitability. As such it should provoke much thought in its readers.

The French scientists responsible for the study have spent many years working with national Indonesian scientists and farming communities. Despite rising political tensions, they did not turn their backs on these partners during this time of crisis but instead remained strongly in sympathy with them. Their observations of the crisis are, then, based on a solid grasp of the situation on the ground, as revealed through surveys and interviews. By conveying this situation, and the results of their analysis, to decision makers in the developed world who influence global trends, the French team can perform a valuable service for its national colleagues.

The authors show how the environmental, economic and political strands of Indonesia’s crisis are interwoven, often to devastating effect. Their treatment is political, since they have decided to speak plainly about the factors that seem to them to have most influenced events. Indeed, it would have been impossible to discuss Indonesia’s development, both in the 30 years preceding the crisis and during the crisis itself, without taking the political context into account. This does not mean that the hypotheses of cause and effect advanced by the authors should be accepted without questioning. They should be questioned, and they will be. The methods of economic analysis used in this study also need further debate.

The fundamental issue raised by the study concerns the measures that should be taken to support agriculture as it grapples with the effects of
the globalisation of markets, the liberalisation of trade and the currency fluctuations that, increasingly, accompany these trends. These measures should lie at the heart of the new international aid policies that are, we hope, now taking shape in donor countries and institutions. One could argue that the need for these measures is analogous to the need to apply the precautionary principle in the field of public health. The ethical dimension of the two cases is broadly similar, especially as regards the implications for relationships between rich and poor countries. But even without recourse to this argument, the need for greater coherence and effectiveness in agricultural policy making at the national level, including decisions as to which commodities a country should seek to specialise in, makes supportive measures highly desirable. On this and other issues, the authors—especially Françoise Gérard and François Ruf—advance several new ideas. In so doing they are playing their part, as scientists, in a debate that will shape society over the next century.

The authors believe that the Indonesian crisis was triggered by the sudden liberalisation of financial markets at a time when neither traders nor their institutions were ready for it. They raise the question of whether unregulated markets can ever achieve a stable equilibrium. That free markets are self-regulating is, of course, one of the basic tenets of economic theory. But the hypothetical conditions under which self-regulation is assumed to place—perfect market information, immediate production responses to price signals, matching supply and demand, independent decision making by entrepreneurs—are far from those of the real world, especially the world faced by poor countries and producers. Indeed, studies by economists have shown that the characteristics of real markets, in which information is difficult to obtain and production responses are delayed, are virtually bound to lead to large fluctuations in prices and in the volume of goods traded. Under these conditions, the hasty liberalisation of agricultural and food commodity markets can be highly damaging not only to producers but also to consumers, both nationally and internationally.

It is the authors’ hope that they have contributed usefully to the international debate on these issues. Their ideas, as researchers, will often contrast with those of politicians. Each side in the debate shares an awareness that the ultimate purpose of agricultural research, like that of development aid, is to bring about a lasting improvement in the lives of the world’s poorest producers and consumers.

30 October 2000
Acknowledgements

Our thanks go first to the CIRAD Director-General, Bernard Bachelier. Right from the start of the Asian crisis, he, like us, was convinced that Indonesian farmers’ entrepreneurship could help the country to recover. He also believed that 20 years of CIRAD cooperation with Indonesian Research and Development partners almost naturally commanded us to testify how Indonesian farmers reacted courageously to the crisis, and how agriculture can help the country, despite the potential negative impact of monetary depreciation on world prices of most agricultural commodities. His support and consequently that of the CIRAD publications service were decisive.

As this book was written and scientifically edited by non-English researchers, an enormous debt is owed to our English editors. It was a long process, with Mrs Wheale and Dr Sandy Williams doing a great job in carefully reading and improving the first drafts. We then benefited greatly from very creative editing by Simon Chater to achieve the current state of these 12 chapters.

Many thanks to all our co-authors for their prompt cooperation and for sharing their considerable expertise shared in the book. The debate between co-authors proved to be very useful for the whole book.

As often happens, editing the book proved a more arduous task than we bargained for, and we would like to thank our respective husband and wife, Thierry Seys and Anisha Ruf, not to mention our children, for their patience during the long weekends devoted to the book at the expense of family life.

Franoise Gérard and François Ruf
Contributors

Baslian K. Yoza is a researcher in the field of transmigration settlement techniques. He is currently carrying out studies on the development of a population and transmigration information system at the Agency for Population and Population Mobility. Between 1987 and 1999 he was actively involved in socio-economic studies at the Centre for Research and Development of the Ministry of Transmigration and Forest Squatter Resettlement of the Republic of Indonesia.

Robin Bourgeois is a French agro-economist currently based at the UN-ESCAP CGPRT Centre in Bogor, Indonesia, where he is working on methods to help define sound local agricultural development policies in Indonesia and Vietnam. He worked from 1988 to 1992 at ISNAR in the Netherlands as a researcher on linkages between agricultural research and technology transfer and also provided advisory services for agricultural research management. On assignment to IICA in Costa Rica from 1992 to 1996, he developed and published a participatory method based on research and stakeholder interaction for the development of agricultural commodity systems.

Kees Burger graduated in econometrics at the University of Amsterdam. In 1984 he joined the Economic and Social Institute, Free University, Amsterdam, where he is now head of the Division for Economic Research, which he combines with a teaching assignment in the Faculty of Economics. From 1977 to 1984, he was with the Agricultural Economics Research Institute in The Hague. Main fields of research are commodity markets, with emphasis on jute, natural rubber, cocoa and pepper, and the micro-economic analysis of rural households. Among his publications are The Natural Rubber Market (1997), International Commodity Policy (1993) and, as co-editor, Agricultural Economics and Policy: International Challenges for the Nineties (1991). From 1981 to 1989 he was the Editor of the European Review of Agricultural Economics.
Etty Diana is a researcher in the field of transmigration, particularly in socio-economic and environmental studies. She was with the Ministry of Transmigration and Forest Squatter Resettlement of the Republic of Indonesia between 1991 to 1999, and is currently carrying out studies in the field of population administration at the Agency for Population and Population Mobility.

Erwidodo has a doctorate in Economics from the University of Michigan (USA). He joined the Centre for Socio-Economic Research (CASER) in 1990, and was appointed its Deputy Director in 1994. He has worked on numerous topics related to Indonesian agriculture and forests, and has contributed to international research on the liberalization of the Indonesian agricultural sector. Since 1998, he has been Director of the Centre for Socio-Economic Research on Forestry and Estate Crops in Indonesia.

Françoise Gérard has a doctorate in Economics from the University of Paris I Panthéon-Sorbonne, and primarily works on issues associated with agricultural market regulation. She has been a researcher with CIRAD-AMIS (ECOPOL programme) since 1992, and from 1994 to 1997, led a programme covering food crops in Indonesia, Vietnam and Thailand, based at the CGPRT CENTRE, a UN centre in Bogor (Indonesia). She has published Measuring the Effects of Trade Liberalization: Multilevel Analysis Tool for Agriculture (1998, CGPRT Centre), and is currently heading a CIRAD research project aimed at shedding a new light on international negotiations on trade liberalization, based on an original calculable model of global equilibrium. She is also supervisor of a research seminar at the University of Paris I.

Anne Gouyon is an independent consultant specializing in socio-economics applied to agricultural development. After graduating from the main French school for agricultural science, INA-PG (Paris), she worked for CIRAD for nine years, mostly in Southeast Asia. She spent three consecutive years in Sumatra, Indonesia, analysing smallholder systems from a socio-economic point of view, and used the results of this fieldwork to write her PhD thesis, again at INA-PG. She is now an independent consultant, doing socio-economic and institutional analyses
for agricultural development projects in Asia with her firm Idé-Force, which has worked with CIRAD on many projects in Indonesia.

**Haryati** is a researcher in the field of agricultural development. Between 1991 and 1999, she was actively involved in socio-economic studies at the Centre for Research and Development of the Ministry of Transmigration and Forest Squatter Resettlement of the Republic of Indonesia. She is currently carrying out studies in the field of population administration at the Agency for Population and Population Mobility.

**Alain Karsenty**, an economist, is a researcher with CIRAD's Forestry Department. He is a land tenure specialist, and has also led several projects on forest policies in developing countries and the international tropical timber market. He studied the economic implications of reduced-impact logging in a pilot project in East Kalimantan in 1993. His last book, *Economic Instruments for Tropical Forests*, published in early 2000 by CIFOR, CIRAD and IIED, addresses issues such as taxation regimes, log export bans, forest-based industrialization and path dependence, and carbon crediting through forest activities.

**Patrice Levang** is senior agronomist at the Institut de Recherche pour le Développement (IRD, ex-ORSTOM), and currently IRD Representative for Indonesia. Since 1980 he has been involved in numerous studies on the conversion of tropical forests into new agricultural land in Indonesia. His studies focus not only on technical but also on socio-economic matters, on policy impacts and on the cultural differences between local populations and migrants (spontaneous and government-sponsored). He is the author of La Terre d'en Face (The Land Beyond), an original insight into the Indonesian transmigration programme.

**Isabelle Marty** is an agronomist who has been working with CIRAD since 1992. She has published *Prospective des déséquilibres environnementaux liés à l'agriculture* (CIRAD, 1993). In 1994, she became an associate of the CGPRT Centre, a UN centre in Bogor (Indonesia), and is currently writing a thesis in conjunction with CIRAD-AMIS (ECOPOL programme), on Thai agriculture and trade with Europe.
Eric Penot is an agro-economist who has worked in Indonesia (Bogor), on secondment to ICRAF, for six years. He created and implemented the Smallholder Rubber Agroforestry Project. Its main activities were farm characterization through socio-economic surveys, implementation of an on-farm trial network and monitoring of farmer strategies between 1992 and 2000. He organized a seminar on rubber agroforestry systems in Bogor in 1997. He is currently completing a PhD in Economics in Montpellier and is considered a world expert in rubber farming systems.

Marie-Gabrielle Piketty, who initially trained as an agronomist, was awarded a doctorate in Economic Sciences from the University of Paris I Panthéon-Sorbonne in 1999. Part of her work concerns the analysis of the determining factors of regional development and their environmental consequences. This issue, applied to the case of development of the outer islands of Indonesia and its impact on deforestation, led her to conduct several study missions in Indonesia between 1995 and 1998. Having been recruited by CIRAD, she is now working more specifically on the same issue in the Amazon basin, and on the consequences of trade liberalization for agricultural markets.

François Ruf is an economist with CIRAD, graduated from the University of Paris X-Nanterre, and has been working on the cocoa and coffee economies for 20 years. He was first based in Côte d’Ivoire from 1979 to 1985 and then travelled throughout the major cocoa producing countries from 1986 to 1988. He launched a programme in Indonesia on cocoa farmers’ investment, and lived in Jakarta from 1990 to 1997. He is now back in Côte d’Ivoire and West Africa, and has extended his comparative research to other major tree crops. He is the author of numerous articles on cocoa, co-editor of *Cocoa Cycles. The Economics of Cocoa Supply* (1995) and author of *Booms et crises du cacao. Les vertiges de l’or brun* (1995). He is co-editor of the forthcoming *From Slash-and-Burn to replanting. Green Revolutions in the Indonesian Uplands?*, produced by CIRAD for the World Bank (2001). Since 1999, he has been supervising a multi-institutional research programme involving around a dozen researchers and students, looking at tree crop diversification in Côte d’Ivoire.
Hidde P. Smit is Managing Director of the Economic and Social Institute, Free University, Amsterdam, which he joined in 1979. From 1970 until 1986 he also held an associate professorship at the Faculty of Economics. From 1976 to 1978, he interrupted his university career to work as an expert with ESCAP in Bangkok, where he started his work on natural rubber. Since then he worked on many commodities, and on macro-models of developing countries. Major publications include The Natural Rubber Market (1997), International Commodity Policy (1993), International Commodity Development Strategies (1993) and Economic Modelling and Policy Analysis (1991).

Tancrède Voituriez, who has a doctorate in Economics, is currently working for CIRAD-AMIS (ECOPOL programme) on modelling the effects of free trade on the economy of developing countries, and particularly on the rural sector. His doctorate thesis, which he defended in 1999, concerned the modelling of changes in price volatility on agricultural commodity markets, with particular emphasis on palm oil, of which Indonesia is currently the world’s second largest producer.

Yoddang is an agronomist who graduated from Hasanuddin University (Ujung Pandang, Indonesia). Since 1990, he has been working as a research assistant on the joint CIRAD/ASKINDO (Indonesian Cocoa Association) programme on the cocoa economy in Indonesia. He is co-author of several papers and chapters of books, including Smallholder cocoa in Indonesia: why a cocoa boom in Sulawesi? in Clarence-Smith (ed.), Cocoa pioneer fronts since 1800 (1996) and Price and non-price factors in a green revolution in F. Ruf and F. Lanzon (eds.), From Slash-and-Burn to Replanting. Green Revolutions in the Indonesian Uplands? (2001).

Waris Ardhy graduated in English from the University of Hasanuddin and participated for several years in the joint CIRAD/ASKINDO (Indonesian Cocoa Association) programme on the cocoa economy in Indonesia. He is currently a specialist in pod counting, working for a private company. He is co-author of The Spectacular Efficiency of Bugis Smallholders; Why? Until when? in F. Ruf and P.S. Siswoputranro (eds.), Cocoa Cycles. The Economics of Cocoa Supply (1995).
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