



# The puzzle of East and Southeast Asia's persistent smallholder



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## ABSTRACT

With economic progress, it was expected that smallholders would fade into history. This has been the experience in much of the global North and it was expected to occur as development proceeded in the global South. In East and Southeast Asia, however, smallholders have persisted in the face of rapid and profound social and economic transformation. This presents the core puzzle that the paper addresses: why has the farm-size transition not occurred in much of East and Southeast Asia? Why have smallholders stubbornly resisted the tide of economic history? The first half of the paper defines the smallholder and smallholding, sets out the historical evolution of smallholdings in the region, and explores the role of smallholders in national development. The second half of the paper explains the persistence of the smallholder through three explanatory lenses: the economics of smallholder farming; the role of farm policy; and the logics of smallholder-based livelihoods in a context of global integration. The paper concludes by setting out four possible rural futures for the wider East Asian countryside and smallholder.

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'The land is the only thing in the world worth working for, worth fighting for, worth dying for, because it's the only thing that lasts ...' Gerald O'Hara in *Gone with the Wind* (See <https://youtu.be/YSOYTFw0JaA?t=2m6s>).

"Why have smallholders been ignored or regularly stigmatized as old-fashioned, resistant of innovation, inefficient, and a barrier to modernization?" (Netting, 1993: 9).

## 1. Approaching the 'problem' of the smallholder in East Asia

This paper explores a puzzle evident across East Asia,<sup>1</sup> in many different national contexts and under varying agro-ecological, socio-cultural and developmental conditions. The puzzle is simply stated: farming is becoming progressively less important for

sustaining rural livelihoods yet a surprising proportion of households maintain ownership of their land.<sup>2</sup> On paper and at a general level, the smallholder seems to be remarkably resilient in the face of deep and rapid social and economic transformation. People are becoming less dependent on land and farming for their livelihoods, they are engaging more deeply and significantly with non-farm activities and non-rural spaces, they are often farming with less intensity and, seemingly, less enthusiasm, and they are spending longer away from their rural homes. And yet they appear stubbornly to cling to their small farms. Why are we not seeing more people leaving farming altogether with the subsequent amalgamation of smallholdings into larger units of production? Why, in other words, are we not seeing, in Kautsky's famous formulation, capital "seizing hold of agriculture, revolutionising it, making old forms of production and property untenable and creating the necessity for new ones"? (Kautsky, 1988 [1899]: 12). While 'deagrarianisation' (see Rigg and Vandergeest, 2012) may be underway in many areas – although there are important exceptions – this is occurring without widespread land disposal, dispossession, or

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<sup>1</sup> For simplicity, and following the World Bank, East Asia is used here to encompass the geographical regions of both Southeast and East Asia, unless stated otherwise.

<sup>2</sup> Some scholars (see Hart, 2002, 2006; Arrighi et al., 2010; Glassman, 2006: 615) have taken this to argue that in East Asia accumulation has not been by dispossession, but without dispossession.

abandonment. Indeed, Hazell et al. (2010: 1349) claim that a growing proportion of agricultural land across the global South, including in Asia, is being cultivated by smallholders.

Small farms not only continue to dominate the Asian rural landscape, but they are getting smaller by the decade. Smallholdings in Asia today are thought to be half the size they were in the 1960s and 1970s (Hazell and Rahman, 2014c: 3). Rather than disappearing, the role of the smallholder in rural spaces appears to be growing. As both a class and a unit of production, the smallholder in East Asia appears – on paper and at a general level – to be remarkably persistent and surprisingly resilient. This is all the more unexpected in East Asia where structural change has been so rapid, and where wage rates in the non-farm sector have out-stripped returns to farm work.

This puzzle of the persistence of smallholdings is rarely addressed directly; it sometimes seems to be assumed that Asia is a continent of smallholdings and smallholders and that this is somehow an invariant condition and inviolable cultural value across the region. As Falvey (2000: 17) writes with regard to Thailand, “agriculture has created Thailand and continues to shape the Thai identity, support Thai lifestyles, and portray the Kingdom to the world. ... the tenacity with which Thai farmers have clung to planting at least enough rice for their own family [testifies] ... to the deep association of wet rice culture and the peoples who are Thai”. A second background factor may be the view – dating back to the 1960s – that smallholder-based development has a disproportionate effect on poverty reduction (see Deininger and Byerlee, 2012: 701). Thus, for many development planners, policy-makers, practitioners and scholars, investment in and the sustaining of smallholder agriculture is taken as the best means to promote rural development, sustain rural livelihoods, and ameliorate rural poverty. As Hazell et al. state, “Asia’s green revolution demonstrated how agricultural growth that reaches large numbers of small farms could transform rural economies and raise enormous numbers of people out of poverty” (2010: 1351; and see Bullion, 2003: 12).

While there may have been a long-standing view among some sections of the rural development community that supporting smallholders has positive direct and indirect impacts on rural livelihoods and poverty, for others the ‘failure’ more latterly to modernise Asian farming, not least through land amalgamation, is of serious concern. Otsuka et al. (2014) in a recent review state that “this study strongly argues that unless drastic policy measures are taken to expand farm size, Asia as a whole is likely to lose comparative advantage in agriculture ...” (2014: 1; and see Otsuka, 2013), with significant negative consequences. The farm-size transition may have empirical traction in the guise of the experiences of many countries in the global North, but suffers from all such transition models in its implied teleology. The transition is simply stated:

“As per capita income rises, economies diversify and workers leave agriculture, rural wages go up, and capital becomes cheaper relative to land and labour. It then becomes more efficient to have progressively larger farms. Economies of scale in mechanized farming eventually kick in, accelerating this trend. The result is a natural economic transition towards larger farms over the development process, but one that depends critically on the rate of rural–urban migration, and hence on the growth of the non-agricultural sector” (Hazell and Rahman, 2014b: 3).

This need to push through the farm-size transition in the global South is a key theme of the World Bank’s *Agriculture for development* (2007) report. For the grouping of ‘transforming countries’, which includes many of the countries of East Asia, concerns are

focused on widening rural-urban disparities, persistent rural poverty, and declining farm sizes. As regards the latter, the World Bank is fearful that landholdings might become “so minute that they [will] compromise survival if off-farm income opportunities are not available” (World Bank, 2007: 21). While the report does see scope for increasing rural incomes and productivity through promoting high-value products (dairy and horticulture, for example), the key to rural development is “the transfer of labor to the dynamic sectors of the economy” (World Bank, 2007: 22). This would not just raise returns to labour for those ‘exiting’ farming but also permit the modernisation of agriculture, moderating political pressures to protect farming through subsidies and other means.<sup>3</sup> Modernising farming is thus assumed to be reliant on the re-organisation of farms and, particularly, the amalgamation of smallholdings into larger, and tacitly more efficient, units of production. The reallocation of rural labour to non-farm work is essential to this process.

Whether the persistence of the smallholder in East Asia can be viewed as a ‘good’ or a ‘bad’ thing – for national (and global) food security, for poverty reduction or, more broadly, for the sustaining of rural livelihoods – is self-evidently important. We, however, begin by approaching the puzzle of the persistence of the smallholder taking a rather different angle. Rather than asking ‘what are the effects of the persistence of the smallholder on food production/poverty/rural livelihoods?’ we instead pose the question: ‘why and how have smallholders persisted in the face of often deep and rapid social and economic transformation?’ Only by answering this second question, we suggest, is it possible to *understand* the persistence of the smallholder and therefore shed light on this apparently perverse and counterintuitive situation. It also permits us to speculate on the future direction(s) of the agrarian transition in the East Asian region and the texture of human development in the countryside.

The persistence of the smallholder is not peculiar to East Asia; it has been noted for South Asia and is also a feature of Sub-Saharan Africa (SSA) (see Table 5). World-wide, it has been estimated that there are 450 million farmers cultivating holdings of less than 2 ha, supporting a population of around 2 billion (Hazell and Rahman, 2014b: 2). Of these 450 million a large majority – some 87 percent – are to be found in Asia (Conway, 2014: 2) with China accounting for 193 million, Indonesia 17 million, and Vietnam 10 million. This paper’s focus on East Asia therefore captures more than half of the world’s smallholders. In addition to the significance of East Asia in terms of sheer smallholder numbers, an additional reason for focusing on East Asia is because of the coincidence of rapid social and economic transformation – typically encapsulated in notions of the East Asian ‘miracle’ – alongside smallholder persistence. It is in East Asia, in other words, where the survival of the smallholder appears on first reading to be most puzzling.

This paper covers a good deal of geographical and thematic ground and there are obvious hazards in casting our net so widely. While we make the claim that the paper addresses an issue that transcends countries and cases, we do realise that the devil often is in the detail. Four areas are particularly worthy of note. To begin with, East Asia, from Myanmar to Korea, presents hugely varied human and ecological environments. In particular there is the distinction between long-settled, lowland, wet rice growing areas and upland, frontier zones where estate crops predominate. This paper largely addresses the former. Second, there is an important distinction in terms of histories and patterns of land ownership between the transition economies of East Asia–China, the Lao PDR

<sup>3</sup> There have been numerous trenchant critiques of the World Bank’s report (see, for example: Hall, 2009; Murray Li, 2009; Veltmeyer, 2009).

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