Pro-poor policy has been the mantra for poverty eradication. However, “pro-smallholder development” policy may hold the key to equitable and sustainable growth in agriculture and rural sectors where the majority of the poor are.

In the era of biases towards large scale farming and agribusinesses, “small farms” are seen as not holding economic sense anymore. Big is perceived as strong, competitive and offers the advantages of economies of scale, all of which are lacking in “small farms.” Being big is the only way to survive in a highly globalized world according to the WTO.

However, the “multifunctionality” of small farms may demystify this perception. Its multiple functions benefit the society and biosphere, more than just producing food and commodities.

Malaysia started its agriculture rolling through estates involvement in industrial crops plantations particularly rubber and palm oil. Big farms or estates were proven to be the “right” business model for these industrial crops. In it’s hey days, Malaysia was once the world largest producer of these commodities particularly in the 1960s and 1970s. But now, this was history.

The structural change that took place in the economy, particularly industrialization, has increased the returns to factors in the non-agricultural sectors. Hence the outflow of resources, land, labour, capital out of agriculture to manufacturing, construction and services sector. Even the estates have diversified their investments into properties and non-agricultural services such as health, education, recreation and manufacturing. The share of estates in palm oil, rubber and cocoa has reduced significantly. Resource constraints particularly land, has limit further area extension.

As at 2013, the shares of smallholders were 95% for rubber and cocoa and oil palm (40%). Majority of the commodity and food crops are operated by the smallholders. In the case of fruits and vegetables, 97% of the farms are operated by the smallholders (i.e., less than 1 ha). A similar pattern applies in the case aquaculture and livestock sectors.

Clearly, the future of agriculture in this country lies in the hands of the smallholders. But the small farms sector is currently loaded with problems. They are lagging in
terms of productivity and efficiency, face many structural problems such as tenurial status, lack of R&D innovations, institutional supports and infrastructures and remain largely disconnected from the market information hub. There are however some small farms that are successful such as horticultural producers who are able to penetrate the export markets (papaya, guava, tomatoes, cut flowers are some examples). The majority of small farms however participate in the domestic market in small and irregular quantities.

Clearly, the small farms are entangled in a web of problems. They are vicious and systemic, an impasse situation, as some choose to believe. However, as proven in Thailand, Vietnam and Taiwan, smallness is not a barrier. It can exist collectively strong and competitive with the right policy environment and supports. Their predominance in the Malaysian agriculture, now and in the future, calls for a policy relook.

The government in the past has instituted a number of policies to support smallholders particularly the organized smallholders under FELDA, FELCRA, RISDA and others. Similarly, strategies have been formulated to help farmers organized through institutions such farmers association, cooperatives besides agricultural credits, subsidies and incentives. The impact has been mixed with the industrial crops smallholders are more or less secured and protected as they are monitored regularly by their centralized agencies. The good demand for palm oil and rubber provide adequate returns to agencies involved to pay administrative costs of managing the smallholders. Food commodities thus far show marginal improvement as proven by the growing import of produce such as vegetables, fruits, livestock and dairy product and other processed food. Even the highly subsidized paddy and rice sector shows little improvement in productivity compared to those achieved in other developing countries.

The premise for a relook at the policy on smallholders lie in its multidimensional role in the economy which is at times unheard of as “big” is perceived better in economic sense. This perception has its merits but the gaps that exist between large and small farms signify limited technologies are invented for small farmers and probably incorrect policy strategies taken. Under such a dichotomous situation, the Schumpeter’s idea of “smallness within bigness” deserves full attention. That entails a comprehensive “pro-smallholder development” policy framework.

In the long term, the advantages and potential of the small farms may outweigh its perceived “inefficiency”. For example, small farms embody a diversity of ownership of cropping systems, of landscapes, of biological organization, culture and traditions. A variety of farm structure contributes to biodiversity, diverse landscape and open space.
Secondly, with the right government support, small community is relatively efficient in managing their natural resource through a number of empowerment strategies to the locals such as co-management of resources such as fisheries and river. Their close contact with nature and their surroundings, make them a better custodian to resources.

Thirdly, family farms are the best premise to nurture children to grow up and to learn values. The skills of farming are passed on from one generation to another under family ownership structures. When farms children do not continue to farm, farming knowledge, skills and experience are lost.

Small farms are the bridge through which consumers are connected to the food that they eat from the local areas. This brings the consumers closer to the origin of the commodity and as well as encourages them to appreciate farming. Imported food does not relate the consumers to the nature under which the products or commodities are produced and hence less appreciation on agriculture and nature that produce food that sustain us.

There are evidences to show that small farms produce more output than big farms. Mono cropping is easier to manage with mechanization. Small farmers on the other hand are likely to practice multi-cropping or intercropping. For instance, they may combine or rotate crops and livestock, with manure serving to replenish soil fertility. Hence integrated farming systems produce far more per unit area than do monocultures. Though the yield per unit area of one crop – may be lower on small farm than on large monoculture, the total output per unit area, are higher. Besides, the small farmers tend to utilize space and time intensively. However, small farms apply far more labour per unit area than do larger farms which explain their relatively high cost of production per area. Since they use family labour – generally they are committed to the success of the farm compared to the hired labour of the large plantations. Observation shows that larger farmers and land owners tend to leave much of their land idle, while small farmers tend to use their area to maximize output.

Unlike big farms, small farms are labour intensive, hence they can absorb far more people into economic activity and reverse the outmigratio from rural areas. Mechanisation in big farms meant that fewer people are employed.

Small farms are sustainable in some ways in that they often use non-purchased inputs like manure and compost while large farms tend to use relatively more purchased agro-chemicals.

Through diversification of crops not only makes small farms nimble under uncertainties but also ensure food and nutrition security to their families.
In a dynamic small farms community, the income is circulated among local business establishment, generating jobs and community prosperity. Whereas as for corporate farms, the income earned is invested somewhere else.

The above arguments need further empirical support, which are not difficult to establish. Even without statistics, it is apparent to us that the small farms, unlike the estates, tend to practice multiple cropping, and utilize a broad array of resources and have a vested interest in their sustainability. Their multi-functionality activities help preserve biodiversity, reduce land degradation which are a valuable ecosystem service to the society at large.