

## **FELDA'S MODEL : UPLIFTING SOCIO – ECONOMIC STATUS OF THE SETTLER'S COMMUNITY**

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By 7 July 2009, Federal Land Development Authority (FELDA) would have completed 53 years of existence. During this period, it has undergone important changes which have transformed the agency from a smallholders image to that of a leading plantation group. In the process of development, it has given special attention to sustainable palm oil production covering economic, social and environmental factors. Today, Felda has grown into a giant conglomerate that is committed to remaining competitive in agriculture, related downstream activities and further improving the quality of life of the settlers (farmers) totalling 112,635 into middle class community.

### **BACKGROUND**

Federal Land Development Authority (FELDA) is a government land development agency established in July 1956. It was the brainchild of The Late Prime Minister Tun Abdul Razak. Currently, this Agency is under the Prime Minister's Department.

FELDA's main objective was to carry out land development and settlement in new areas with the sole objective of creating, at the end of the development process, prosperous farming communities with economically viable agriculture developments.

The creation of FELDA was one of the most important landmarks in the history of Malaysia. In opening land and managing settlers (Farmers), it was guided by two basic principle, "giving opportunities to those who haven't" and "the best land for the best people". The philosophy behind this approach was to offer land to the landless and to optimize land utilisation.

In the execution of its objectives, FELDA originally devised strategy referred to as "The Package Deal", which comprises the development of forested areas, settling landless families, establishment of infrastructure and social services, provision of processing and marketing services.

## **FELDA DEVELOPMENT MODEL**

The economic success of oil palm rubber cultivation by settlers in Felda lies in its development model. Although each settler is given 4 hectares of oil palm, they are nevertheless managed systematically whereby 400 – 500 settlers are grouped and managed by management team comprising a manager, assistant manager, supervisors and clerical staff. In order to improve efficiency and productivity, the block system, comprising about 100 hectares per block with 24 settlers was established. This model has proven to be very successful not only in increasing the field productivity but also enhancing team spirit among the block members. Felda's role is to provide the agricultural inputs at very competitive rates and this cost is recovered through monthly paysheet deductions. Thus, from the onset, the settlers know that they can earn a decent income only through toiling their field. Because of this factor, the settlers are very much committed to increase their yield through implementing General Agricultural Practices (GAP).

Besides this, the settlers are provided a lot of 0.1 hectare with a basic house in the village area. The settlers are encouraged to plant vegetables and fruits trees for their own consumption as well as for sales.

## **LAND DEVELOPMENT POLICY**

Felda has played a significant role in land development from the First Malaysian Plan (1976 – 1980) to Fifth Malaysian Plan (1986 – 1990). By the end of 1985, Felda had developed 322 projects covering an area of 762,197 hectares and resettled 106,510 families. Thus, Felda has proved to be successful in capacity building and its capability of exceeding its land development targets set by the government. In the Sixth Malaysia Plan (1991 – 95), Felda's expansion of land was reduced due to land shortage, high resettling costs and government's privatisation drive. Thus, from 1990, there was no intake of new settlers. Thus, in the subsequent years, emphasis was placed on a settler-focused strategy to further uplift their socio-economic status of the settlers totaling 112,635 and at the same time Felda underwent consolidation and diversification process.

## **LAND SETTLEMENT POLICY**

The selection of settlers was based on certain criteria i.e. "suitability criteria" and "need criteria". The "need criteria" were larger family size and land to the landless or land with less than two acres. Under the "suitability criteria", age limit of between 18 to 35 years and skills in agricultural sector were considered. Other criteria include marital status, basic education, health, (physically) fit and absence of criminal records.

## LAND HOLDING POLICY

When the settlers have fully paid their loan after 15 years or more, the settlers are qualified to receive titles for their land. In 1985, the government made a decision to adopt the land share ownership “system, under which the settlers were to be allocated number of shares rather than the individual lots. For working on the land, they would be paid wages and at the end of the year, receive share of the profits.

Though well conceived and conceptually more advanced than the traditional ownership of land, the “share ownership” system was not well received by the settlers’ community. Accordingly, this system was abandoned and the Authority reverted to the more acceptable individual lot ownership system. This system has remained till today and by end of 2008, some 80% of settlers have received their land titles .

Subsequently, to protect the interest of the wife, the Group Settlement Act, 1960 (GSA) was amended to allow for joint ownership to include the names of the settler and his wife.

## ACHIEVEMENTS TODATE

In terms of land development, FELDA has developed 722,946 hectares of oil palm and 84,496 hectares for rubber by 2008. The balance of 3,698 hectares is under sugar cane and other crops. In the Felda context, the total planted area including village area is 811,140 hectares as shown in Table 1. We are the largest single producer of palm oil in the country and the biggest plantation company in the world.

Felda has also resettled 112,635 families equivalent to one million people. Felda has succeeded in creating a settler community that is enjoying a better quality of life.

**TABLE 1 – AREA DEVELOPED BY FELDA  
(By end of 2008)**

Type of use	Area (ha)	As percentage of	
		Crop land	Total Land
<b>Crop :</b>			
<b>Oil Palm</b>	<b>722,946</b>	<b>89.1</b>	<b>84.7</b>
<b>Rubber</b>	<b>84,496</b>	<b>10.4</b>	<b>9.9</b>
<b>Sugar Cane</b>	<b>879</b>	<b>0.1</b>	<b>0.1</b>
<b>Others</b>	<b>2,819</b>	<b>0.3</b>	<b>0.3</b>
<b>Sub total</b>	<b>811,140</b>	<b>100.0</b>	<b>95.1</b>
<b>Village area</b>	<b>42,173</b>		<b>4.9</b>
<b>Total</b>	<b>853,313</b>		<b>100</b>

## **A MODERN FARM COMMUNITY WITH A BETTER QUALITY OF LIFE**

Felda has succeeded in creating a modern farming community and the settlers and new generation are enjoying a better quality of life. One of the success factors could be attributed to efficient management by Felda but more importantly, this is due to the stringent selection process, and the development of modern infrastructure and entrepreneurial facilities.

In 2005, Felda conducted a survey on “Settlers Quality Of Life” based on the Malaysian Quality Of Life Index (MQLI). The components of MQLI encompassed 10 areas i.e. : income and distribution, working life, transport and communications, education, housing, environment, family life, social participation and public safety. The settlers quality of life based on the survey registered an overall satisfactory status as shown in Table 2.

**Table 2 - Settler’s Level Quality Of Life**

<b>Area</b>	<b>Level</b>	<b>Mean</b>
Income and distribution	High	5.58
Working life	High	6.20
Transport and communication	Average	4.59
Health	High	5.28
Education	High	5.96
Housing	High	5.70
Environment	High	5.48
Family Life	High	6.21
Social participation	High	5.87
Public safety	Average	4.45

## **IMPACT OF FELDA’S DEVELOPMENT**

Over the 52 years, Felda has transformed the vast forested areas into land development and settlement schemes. It has changed the landscape of the country through its agricultural development and has also been successful in transforming the rural sector from subsistence based agriculture to commercial system of management. The government recorded a significant redistribution of population from population surplus states to those with surplus land for development.

One of the direct impacts of Felda’s land development activities is the creation of employment opportunities for the settlers, settler dependants, contractors, suppliers and other related parties. Felda’s activities account for 11% of the total national employment in the agriculture sector. Felda’s participation in downstream activities through its companies and joint ventures has created more job opportunities.

Moreover, the opening of interior lands also aided infrastructure, new townships and establishment of agro-based industries thereby contributing further employment opportunities and reduction in under employment in the rural farm sector.

Felda's land development was successful in the eradication of poverty in the rural sector and ensuring vast improvement in the quality of life of the settlers. As Felda has uplifted 112,635 families (equivalent to one million people) from the poverty group, we can say Felda has made a significant contribution to one of the main goals of Malaysia's New Economic Policy of poverty eradication. Settler's average net monthly income (2008) in oil palm schemes of RM2,929 (USD 791) and rubber RM3,056 (USD 825) is far above the national poverty line of RM720 (USD 194).

In addition, with the opening of hitherto inaccessible areas of the interior in Grik, Perak, Gua Musang, Kelantan, Raub and Triang, Pahang which were previously hotbeds of communist activities, the influence of subversive elements on the rural population was contained and a measure of stability and peace was achieved. Currently, all these places are thriving with social and business activities benefiting a significant section of the Malaysian population.

Felda's land development effects have also been instrumental in the development of townships like Serting, Jengka, Muadzam Shah and Sahabat in addition to stimulating the growth of many existing towns in the rural outback and hitherland areas.

There is an increasing awareness of the importance of the human capital as the key factor for sustainable economic development and successful social transformation. In this respect, Felda has drawn many programmes to expand the country's pool of educated and skilled workers. To date, Felda has trained settler dependents in various educational and technical field at certificate, diploma and degree levels.

Through the Felda Foundation (Yayasan Felda's) too, it has sponsored many Malaysians by providing educational grants and scholarship and adopting schools.

Felda's development has resulted in the creation of 49 companies to provide support services to Felda's smallholdings and ensure better returns for their produce.

## **NON FARM STRATEGY**

Since price of commodities fluctuates due to market conditions as experienced currently, the settlers cannot depend solely on farm income. As to cushion against such developments, Felda has introduced the non-farm activities to supplement settler's income, and also encourage savings in Felda Investment Co-operative (KPF). Under the Entrepreneur Development Programme (EDP), the main emphasis is on Entrepreneur Development, Agro-based Industries, One Region One Industry (SAWARI), Edible Garden and Modern Malaysian Project. Under

the EDP, financial assistance is given to the settlers in the form of soft loans up to RM150,000 (USD 40,540) per settler for building production infrastructures and also providing business training. The EDP's main aim is to increase the number of settlers in non-farm activities with an earning capacity of RM600 for workers and RM3,000 for the entrepreneur. Currently about 32% of the settlers are involved in these activities.

Felda has also established Felda Investment Co-operative (FIC) in 1980 as an avenue for settlers to save that earning. With more than RM 1 billion in members' fund, the FIC has proven to be an alternative investment for settlers. More than 90% of the FIC's capital is subscribed by the settlers and the rest by employees of the Felda Group. Since its inception, the FIC has been highly successful in supplementing the incomes of settlers by paying an annual dividends between 12-15%.

Thus, the New Income Model is envisaged to boost the settlers' monthly income to a middle class level comprising of farm, non-farm and investment.

### **CHALLENGES IN SETTLER SCHEMES**

Out of the 112,635 settlers, almost 60% are above the age of 60 years. Almost 70% of settlers will be above 65 years in the next 10 years. At issue, therefore, are problems relating to aging settlers and succession. As they age, it becomes necessary to engage outside and foreign labour to carry out the farming work, thereby reducing settlers' income. On the other hand, there is the problem of indentifying suitable successors as not many of the settlers' children are interested in taking over the holdings. Many of the educated youths have left the Felda schemes to towns/cities for better employment or green pastures. In certain cases, Felda manages these holdings when the settlers are no longer able to work.

Under such circumstances, it has become an increasingly challenging task for Felda to maintain the productivity of schemes. The implications of low productivity has a bearing on the settlers' income. When the settlers earn low income, it will be difficult to collect back loans and other deductions. Therefore, Felda has a major task to ensure that the land is utilised effectively to maintain productivity and generate stable income especially when the prices of commodities are low.

### **LESSONS LEARNT**

Felda's success, story could be attributed to many factors like the close cooperation between Federal Government, state government, settlers, contractors, staff and management. All the parties facilitated the work of Felda and contributed significantly to the success of Felda programmes. Issues raised by the various parties during implementation were handled delicately.

Special recognition must be given to the staff for their selflessness and willingness to make sacrifices in the early years of development. They braced the forces of nature and difficult terrain to fell the jungle and develop the land till it was ready for the produce.

In land development programmes, the people factor is critical. Therefore, social development programmes must be instituted from the beginning to ensure harmony and peace at the scheme level.

In the management of funds, prudence and frugality had been the hallmarks of its financial management. Source of funding from the various bodies like Federal Government and World Bank was crucial for the success of developing the schemes.

Felda's "Package Deal" strategy was successful in eliminating the middlemen and get best value for the settlers. As for the Land Development policy, it would be easier to undertake replanting work and other activities if it is under a share system compared with individual system. The element of aging settlers and limited land issues need to be addressed to sustain any development programme. Providing stable income during bad times too has to be addressed to avoid any social problems. Land development can be a costly affair (RM50,000 (USD 13,513) per family) and only benefit a small section of the population. Finally, creating a self sufficient society could be the ultimate test of time. A self-reliant society will ensure the needs of the second and third generation will be taken care by themselves without depending on Felda's assistance.

## **SHARING FELDA'S EXPERIENCES**

We had shared our land development and resettlement experiences with many developing countries and we have provided technical assistance to Sieria Leone as part of capacity building efforts. Many developing countries have emulated our role model to a certain degree in terms of concept and structure. We are prepared to share our knowledge and experiences with any developing countries in overcoming poverty.

## **FELDA'S FUTURE – FIVE THRUSTS**

FELDA's land development and resettlement strategy has proven to be very successful in not only eradicating poverty but has also elevated the quality of life of the settlers. However, it must be stressed that FELDA's objective is not over yet. It is still an on-going project to give a stable future and income for the settlers' community. Our challenge is to manage the success which we have achieved over the years from the time when Felda was created.

The Prime Minister of Malaysia has added challenges to the organisation by outlining Five Thrusts for the Felda Group. The First Thrust is to be a role model

for traditional villages equipped with modern infrastructure and new style of living..

The Second Thrust is to turn settlers' community into middle class group earning an average monthly income of RM2,500 (USD 676). The Third Thrust is to become a global leader in palm oil industry. The fourth thrust is to develop the second and third generation settlers into a progressive community. The Fifth Thrust is to mould Felda into a strong institution. Felda has drawn out various programmes and activities to achieve these Thrusts. Some of the programmes have been implemented and others are in the process of implementation.

What is more important now is to sustain the success and devise plans to transform the settlers' community into modern farmers and entrepreneurs. The next 50 years will see FELDA remaining committed to raising further the standard of living of the settler's community and transforming FELDA settlements into dynamic areas of growth.

FELDA's Model will be continuously reviewed to provide high and stable source of settlers income and increase upward social mobility. FELDA is preparing and changing the mindset of the staff and settlers to change with the times to face the challenges and revolution expected to sweep the agency in the next 50 years. This is to ensure Felda remains potent and relevant in the coming years and at the same strike a balance with development, environmental quality and the well being of the settlers.