RURAL DEVELOPMENT IN MALAYSIA:

My Years with the Federal Land Consolidation and Rehabilitation Authority (FELCRA)
1981-1997

By
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INTRODUCTION:

1.1 Poverty In Rural Malaysia (circa 1960s)
1.2 FELCRA’s Formative Years and Philosophy
1.1 Poverty in Rural Malaysia (circa 1960s)

Prior to Independence, Malaysia’s rural development policy was embedded in the agricultural development policy designed to serve primarily the needs of British colonial rule with a purposive neglect of the rural sector.

While the British companies ventured into plantation agriculture, largely rubber and other commercial crop cultivation, the rural population remained largely in subsistence and smallholder agriculture.

The neglected rural economy in general became involutes: incomes were very low because output and prices were low, output was low because of poor traditional production techniques; and low income led to a lower standard of welfare (Ungku Aziz, 1964) – Thus, this scenario, considered as the legacy of the British colonial agricultural policy, became the basis that shaped Malaysia rural development policy after independence.

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### Peninsular Malaysia: Incidence of Poverty 1970-1980

<table>
<thead>
<tr>
<th>Sector</th>
<th>1970</th>
<th>1976</th>
<th>1984</th>
<th>1987</th>
<th>%</th>
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<tbody>
<tr>
<td></td>
<td>Total poor household</td>
<td>Incidence of Poverty (%)</td>
<td>Total poor household</td>
<td>Incidence of Poverty (%)</td>
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<td>Coconut</td>
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<tr>
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<td>12.4</td>
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<td>21.3</td>
<td>94.9</td>
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<td>81.3</td>
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</table>

Source: Government of Malaysia, Malaysia Development Plan, various issues.
1.1 Poverty in Rural Malaysia (circa 1960s)

- In the 1960’s, a significant change from benign colonial neglect to active intervention in the development of the agricultural and rural sectors - main effort is to emphasis at agricultural development devolved upon the traditional subsistence and smallholder subsectors to serve primarily the rural population.

- Two development plans were introduced: First Malaysia Plan (1956-60) and Second Malaysia Plan (1961-65).

- Under the two plans, agricultural development programmes were assigned to improve the economic and social well being of the farming communities in particular, and the rural populace in general (Malaya, 1961, Chee, 1979). To implement the programmes, Malaysia adopted a laissez faire economic system - the private sector was assigned the role of engine of growth in contrast to the government sector which undertook investment in social and physical capital apart from providing support to the private sector.

The Second Malaysia Plan also incorporated a National Rural Development Plan aimed at reorganizing and mobilizing institutions and efforts towards modernizing and developing the rural sector.

- Rural Economic Development (RED Book) Plan was launched - focused on building basic infrastructures and institutions - intended to provide linkages to the rural economy, provide rural employment and raise productivity and incomes of rural peasants (Stephen Chee, 1975).

- Despite the infrastructural programmes, the incidence of poverty remained at a serious level in the 1960s. To break through the vicious cycle of poverty, a more effective measure was needed in the form of a structurally oriented programme that could absorb the underemployed rural population in the over crowded rural agricultural sector.

- During this period, there was an abundance of agricultural land which could be developed into land development schemes.
1.2 FELCRA’s Formative Years and Philosophy

Parallel with the establishment of Federal Land Development Authority (FELDA), in the early 1960s, more than 500,000 acres of land was alienated by the States to groups of individuals under the Group Settlement Areas Act – Land schemes where 3-8 acres of land were allocated to each participant. Participants are local village folks who are either landless or having land holdings too small to yield an adequate income. Little assistance was provided to participants and many schemes were not successful, as it is not easy for the poor participants to raise capital.

Problems arising from limited holding size and fragmentation of holdings.

A Working Committee was established in 1964 to: "prepare the necessary legislation for the establishment of an autonomous agency to carry out the following functions:

(a) To rehabilitate and develop areas embracing fragmented land holdings, fringe alienation areas, controlled alienation areas and new block planting areas and/or areas contiguous to or near such areas where uneconomic sized land holdings predominate;

(b) To develop such holdings into efficient producing units taking into account the need to diversify agriculture, and at the same time, to give effect thereby to the provision of an adequate income for farmers;

(c) To ensure that the excess population in an area developed by the Authority is provided with suitable developable or developed land either through its own efforts in developing adjacent areas or through liaison and cooperation with FELDA; and

(d) To supervise, advise and assist the land holders after rehabilitation with a view to ensuring that efficient agricultural practices are followed.”
1.2 FELCRA’s Formative Years and Philosophy

In this formulation, the proposed new authority would have had land consolidation as one of its foremost functions - FELCRA was established under the National Land Rehabilitation and Consolidation Authority (Incorporation) Act of 1966 - A statutory authority under the Ministry of Land and Regional Development.

FELCRA’s functions are described in its mandate (FELCRA act 1966 as amended) as:

(a) To rehabilitate or develop state land schemes on its own initiative and with the approval of the appropriate state authority, or at the request of the latter; and

(b) To rehabilitate or develop alienated lands, at the request of the owner(s) and on agreed terms.

FELCRA’S OPERATIONS:

2.1 Modus Operandi
2.2 The Land Development Models
2.3 The Profit Sharing System
2.4 The Delivery System
2.5 Case Study 1: In-Situ Teratak Batu
2.6 Case Study 2: Trans-Perak
2.1 Modus Operandi

- Act No. 22 of 1966 has conferred the authority to FELCRA to carry out the function of consolidation and rehabilitation of land.

- To develop the idle land in the rural area belonging to the people or state land under Group Settlement Act – the development either as a new project or for reorganizing with commodity crop such as rubber and oil palm including the upstream and downstream activities.

- FELCRA’s operations was fully funded by the Government in term of grants for the administration and management facilities expenditure and soft loan for the land development activities – no management fees were charged to the participants, as the administration costs were borne by the Government.

- The soft loan - given with a minimum interest rate between 0% to 6.75% for a period of 25 years – the loan is given for 5 years grace period followed by the next 5 years interest capitalized and another 15 years as the repayment period.

The participants will be charged an interest on the development cost at the same rate the government is charging on the respective loan and loan collection will be made from each project’s account according to the collection schedule.

FELCRA’s land development programme started in 1967 – seven (7) months after the incorporation in 1966 – started with four (4) areas covering a total of 1,726 ha owned by 547 rural participants in Rasau (Perak), Gong (Pahang), Air Hitam (Negeri Sembilan) and Simpang Renggam (Johor) – individual lot system was adopted in those schemes.
**FELCRA Operations**

**LAND CONSOLIDATION AND REHABILITATION**

### 2.2 Development Models

**STATE GOVERNMENT**
- Land Alienation
  - Blocks
  - Individual Lot
  - State Land (GSA)

**FELCRA’S Program of Rehabilitation**
- and consolidation;
  - Estatization
  - The Share System.

**Inherited fragmented land holdings**

**Consolidation**

**SOCIAL ECONOMIC BENEFITS**

FELCRA Promises extra income to the participants through;
- Dividends;
- Employment Wages

**FELCRA Operations**

**LAND CONSOLIDATION AND REHABILITATION**

### 2.2 Development Models

**SCHEME MODELS**

**REHABILITATION SCHEME**
- FELCRA’s raison d’être;
- Land alienated by state government to group of individual, left idle;
- Participants were given priority to work on the scheme;
- No settlement.

**INTEGRATED AGRIC DEV’T PROJECT (IADP)**
- Concept of Ministry of Agriculture – FELCRA as the main implementing agency;
- A contiguous rehabilitation – paddy, rubber, oil palm and cocoa;
- Provide settlement for the participants.

**FRINGE SCHEME**
- State land (500-1,000 ac) located within 10km of low income village;
- Participants are selected by the state government on the basis of insufficiency of their existing land resources; Formula: inversely proportionate.

**IN-SITU VILLAGE DEVELOPMENT**
- Features a land consolidation (2in1) – integration of government land and alienated land within the village and regrouping it.
- New housing area and infrastructure were provided.

**YOUTH SCHEME**
- A settlement scheme;
- Exclusively to cater single young male individuals selected by the state government.

**KESBAN (MALAYSIA-THAI BORDER)**

**RAJANG AREA SECURITY COMMAND (RASCOM)**
2.3 Profit Sharing System

- Through the years, FELCRA employs three kinds of Profit Sharing System to manage the land development programmes;
- **Lot system** – The landowners has the right on the revenue from their individual holding. Costs incurred shall be imposed to each landowner based on their land size.
- **20:80 system** – 80% of the monthly revenue goes to the participants and 20% goes to pay the land development cost i.e. loan repayment.
- **Share system** – treating all participant of the project as shareholder. All revenues and cost will be shared together. Net profit after deducting development cost will be distributed to the landowner according to their land size. This system has successfully raised the status of smallholders to the level of plantation/estate smallholders.

2.4 The Delivery System - HQ and State

**Diagram:**

- **Headquarters Level**
  - BOARD OF DIRECTORS
  - DIRECTOR GENERAL
  - DDG (OPERATION)
  - DDG (MGT SERVICES)
    - ESTATE MGT
    - TECH SERVICES
    - PLANNING
    - FINANCE
    - HR / ADMIN
    - SETTLERS DEV

- **State Level**
  - STATE DIRECTOR
    - ESTATE MGT
    - TECH SERVICES
    - PLANNING
    - FINANCE
    - HR / ADMIN
    - SETTLERS DEV

**Clusters:**
- CLUSTER 1
- CLUSTER 2
- CLUSTER 3
As a fully funded Government statutory body, FELCRA was operated under a 16-member Board of Directors, comprising a Chairman, one representative each of the Ministries Finance and of Rural Development, the Director General of FELCRA and up to 12 other members appointed by the Minister of Rural Development to represent various central and State government agencies.

The Board Chairman determines operational policy in line with the Agency’s objectives, while the Director General is responsible for policy implementation and administration.

FELCRA’s management structure has been very dynamic and modifications were made to suit the current needs in operations.

At management level, the Director General is assisted by two Deputy Director General, to whom three Divisional Directors report to each of them.

At the State level, FELCRA operations are managed in matrix structure by State Directors and Cluster Managers.

State Directors are assisted by functional divisions similar to headquarters – project planning, agricultural officers and engineers, social development, marketing and finance officers and administrative staff.

Each Cluster Manager manages a collective of 8 - 10 schemes with the size ranging from 50 ha to 1000 ha.
2.6 Case Study 1: In-Situ Teratak Batu

A pilot project of *in-situ* development model – a rehabilitation and consolidation, 2 in 1 model - a transformation from traditional village into a well structured scheme complete with housing, infrastructure and sustainable economic activity (rubber plantation).

**Location:**
FELCRA Teratak Batu, Pasir Putih District, State of Kelantan.

1. The Teratak Batu Traditional Village
2. The State Land

**BACKGROUND**

- Land was alienated by the state government;
- There were 40 poor families in the village - all are land owner/ farmers;
- Each family holds between 2 to 3 acres of land;

**REHABILITATION & CONSOLIDATION ISSUES**

<table>
<thead>
<tr>
<th>Action Plan</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>To surrender back the land to the Government</td>
</tr>
<tr>
<td>2</td>
<td>Re-alienation of land back to the land owner with equal acreage + new additional land area + house</td>
</tr>
<tr>
<td>3</td>
<td>Development Costs – the land, houses &amp; infra</td>
</tr>
</tbody>
</table>
2.6 Case Study 1: In-Situ Teratak Batu

**DEVELOPMENT PLAN**

- Land Plots and scattered houses before surrender
- State Land Developed by FELCRA and planted with Rubber i.e Top-up land to make the total Holding of 6 acres per family.
- Agriculture Activities
- New Settlement + Infra and other amenities

**SOLUTION, IMPLEMENTATION & CHALLENGES**

- Getting the land owners to agree to surrender back the land to the Government – a very sensitive issue – campaigns and dialogues were done continuously including using ‘be with them’ strategy, finally manage to coax them to agree to surrender their owned holdings;
- Together with the Land Office, surrendering the land was done accordingly to the land law provisions;
- Re-alienation was done with the new lay-out, ownership size still remain status-quo but in a form of shareholdings;
2.6 Case Study 1: In-Situ Teratak Batu

✓ An area for settlements complete with infrastructure – each family was provided with 1 bungalow type house on 0.25 ac (individual) lot;

✓ An area for agricultural activity – 1 ac (share) of Orchards, 1 ac (individual) of cash crop and 4 ac (share) of permanent crop.

❖ The land owner was promised to have 6 acres of shareholdings - a top-up shareholding size contributed from the state land using **inverse proportionate formula** – e.g, existing shareholding 1.25 acres + top-up 5 acres = 6.25 acres; or existing 2.25 ac + top-up 4.0 ac = 6.25 ac.

❖ **Cost for land development shall be shared equally, but cost of the house is charged individually** and infra cost is borne by the Government.

❖ All loan repayments are deducted from the profit of the project.

► LESSON LEARNED

❖ The X-Factor of winning the land owners’ heart is **TRUST** – it develops through having a quality of – (a) Love them; (b) Sincerity, and (c) Their right not to be touched.

❖ They (participants) are like white cloth, is up to us to color it.

❖ Experience from the 2nd In-Situ project – in-situ Kg. Kok, Langkawi – We have failed to coax the land owner in 2 dialogue sessions – We brought the Teratak Batu Chief as our campaigner and talked to them, within a week we got the ‘yes’.
**BACKGROUND**

- An Integrated project previously under Ministry of Agriculture and later hand-over to FELCRA for the project development;
- Project component comprises of:
  - Beneficiaries = 4,000 settlers
  - Existing Rice Land = 4,370 ha
  - New Rice Land = 4,500 ha
  - Tree Crop = 7,600 ha
  - Infra, Township and Village Development and processing facilities.
- Total project costs - USD 252.30 mil.
  WB loan amount - USD30.65 mil.

**IMPLEMENTATION**

- 3 + 3 system was introduced for agriculture area, whereby each settler 3 ac (1.2 ha) of rice area to be farmed individually and 3 ac (1.2 ha) of tree crop area to be managed on estate basis. However, based on the success of share system or group farming style, FELCRA decided to implement the group farming system even in the new rice area.
- The new rice land was **operated as a fully mechanised** rice estate using contractors in all operations.
- 200% cropping intensity had been achieved consistently since the 1/86 season by the close adherence to the planting schedule.
- Average yield is 5.5 mT/ha. and refinement of agronomic practice and intervention of new technology the yield increases to the excess of 6 mT/ha.
2.7 Case Study 2: Trans-Perak

- The following factors have been applied for the achievement of high rice yield;
  - Micro-levelling of farm lots thereby facilitating good water depth control;
  - Improvements to field hygiene and effective control of rodents;
  - Improvements to weed control with chemicals augmenting agronomic measures.
  - Implementation of the “semakan padi” or rice-check technique to achieve agronomic objectives which will ensure high yields; and
  - Improvements to methods of seeding, seed-rate, seed-germination and manuring.

CONCLUSION

- FELCRA Seberang Perak or Trans-Perak, the first and largest rice estate in Malaysia has proven the sustainability and viability of commercial rice farming i.e. the key words to sustainable rice production are double yields, estate-formation and private corporate sector investment.

- Paddy is not at all a poverty crop;

- The project demonstrated that the estate form of management or Group Farming, usually associated with tree crops, can also be successfully used for large-scale mechanized rice cultivation.
3.1 Trans-Perak IADP

Trans-Perak IADP is the first World Bank assisted project involving participation of FELCRA as its Lead Implementing Agency - The Loan Agreement between The Government of Malaysia and IBRD was sign on May 6, 1981.

The main objectives of the project were to eradicate poverty by settling landless farmers or those cultivating uneconomic sized holdings on newly developed land and to assist existing farmers to increase productivity and incomes.

The project was also to assist in achieving rice self-sufficiency and increase foreign exchange earnings from tree crops and also to achieve a more balanced regional distribution of development.
The major implementing agencies were:
(a) **FELCRA** - responsible for land development and settler housing.
(b) **Drainage and Irrigation Department (DID)** - responsible for drainage, irrigation and flood control works.
(c) **Public Works Department (PWD)** - responsible for roads.

The project was completed on December 31, 1988 - The **sustainability** of the project are due to following factors:

- Production and profitability of tree crops will depend greatly on the provision of timely inputs (fertilizers and pesticides); timely weeding, pruning, harvesting, transport and processing; adequate maintenance of infrastructure (drains and roads); and good international commodity price;

- Harmonious relations with settlers for labour supplies are pre-conditions and this will to a great extent depend on their incomes from labour (daily rates as well as income from contracts and share in estate profits);

- Mechanized rice estate operations **demand an extremely high standard of management**, supported by continued research feedback, and with many seasonal and on-the-spot decisions necessary to retain high production levels;

- Management must be able to adhere to pre-set time tables for cultural operations to avoid slippage in the presently achieved exemplary 200% cropping intensity;
3.1 Trans-Perak IADP

✓ High rice yields demand good cropping densities and these can only be achieved by direct seeding on well levelled and well drained fields without pest damage. Once the cropping density has been obtained, adequate fertilizer has to be applied in a timely manner, while a high standard of water control, weeds, and pest management is a necessity;

✓ In a nut shell, the utmost importance for the project sustainability, that the high standard of management must be retained.

3.2 FELCRA Package I, II and III

FELCRA PACKAGE I (1985-87)

✓ The main objectives of the 5 year project were to rehabilitate about 34,000 ha of smallholder lands by group farming systems, with rubber and oil palm in about 90 small schemes scattered throughout the Peninsula, for the benefit of about 12,000 rural households; provide these schemes with access roads and office infrastructure; construct two palm oil mills; and strengthen FELCRA's institutional capabilities.

✓ Total project cost was estimated at US$139.08 million. The Bank provided a loan of US$37.0 million.

✓ A most valuable and successful project feature was the implementation of a structured intensive and extensive staff training program which contributed significantly to upgrading of the agency's management and operational capabilities and staff morale. A very impressive quantity of training was achieved.
The Table above shows that the average incomes of scheme participants had shown a marked improvement with the implementation of the project and were generally above the poverty income level.

The average monthly incomes of farmers on similar smallholdings not participating in the project were in the order of MYR200.

FELCRA PACKAGE II (1988-90)

The Bank's objective is continuing support to the development program of the FELCRA on rehabilitating idle and low-yielding smallholdings, which were to be organized into group farming schemes based mainly on improved tree crop varieties and some diversified crops, using modern technology and management systems.

The project included:
(a) Planting of some 45,000 ha of idle and unproductive lands with oil palm, rubber and diversified crops;
(b) Crop maintenance during immaturity on an average 70,000 ha per annum, including areas rehabilitated prior to the project;
(c) Construction of about 160 km of access roads and other group farm infrastructure;
(d) Construction of four FELCRA State offices, two palm oil mills, and a Central Training Centre;
(e) Provision of vehicles and equipment; and
(f) Strengthening of FELCRA's institutional capacity through local and overseas training of staff and provision of computer and other support services.

At project completion in 1991, costs were estimated at MYR 612 million (US$226 million). The Bank loan of US$66.0 million was fully disbursed on May 11, 1992.

The project achieved most of its physical targets in group farm development - Some 45,400 ha were planted; The crop ratio was 71:26:3 for oil palm, rubber and other crops, target ratio was 60:30:10.

3.2 FELCRA Package I, II and III

FELCRA PACKAGE III (1992-97)

The four-year time slice project included two main components: agricultural development and strengthening of FELCRA's institutional capacity.

Agricultural Development activities consists of:
(a) Rehabilitation of idle lands by establishing about 48,000 ha of crops, at a rate of 12,000 ha/year;
(b) Maintenance of 83,900 ha planted prior to the project and 36,000 ha planted during 1992-94;
(c) Construction of associated infrastructure, including access roads, offices and staff quarters, utilities and harvesting facilities, and state offices and training facilities; and
(d) Promotion of improved crop production technology, including the introduction of labour saving exploitation methods in rubber and the use of sound nursery production systems for rubber and oil palm.
3.2 FELCRA Package I, II and III

- The institutional development programme consisted of:
  (a) Organizational changes;
  (b) Improvement in financial and agricultural management, human resource development; and
  (c) Disengagement from the management of mature operations and palm oil mills.

- Total project costs at MYR1,005.8 mil (US$386.8mil) – the share of agricultural development cost is MYR466 million (46%).

- Achievement of Objectives:
  **Impact on Rural Incomes**:
    - On newly planted areas, the net incremental income per beneficiary working on the scheme with an average 2.5 ha is estimated at full production to reach about MYR700/month for rubber and MYR1,400/month for oil palm. This compares **favourably with the official poverty threshold** of MYR425 per month per family.

- For absentee beneficiaries, comprising about 70% of beneficiaries, the net incremental income for an average 2.5 ha holding is estimated to reach about MYR350/month for rubber and MYR1,300/month for oil palm, because of the need to pay for tapping and harvesting.

- **Institutional Development**:
  - The establishment of a strong focus for human resource development and the completion of two new training facilities at Seberang Perak and Tebing Tinggi, FELCRA was able to turn its attention to human resource management and obtain maximum effectiveness from its large investment in training and staff development, which from 1992 to 1997 included training for a cumulative 12,732 staff participants (of which 15% were females), and a cumulative 44,223 settlers and dependents (37% females).
3.2 FELCRA Package I, II and III

Divestiture of Scheme Management:

- FELCRA’s program of withdrawal from the management of mature agricultural schemes, which had repaid their land development loans - in January 1992 first batch of 16 schemes was transferred to KPFB Holdings, a company formed by the settlers’ cooperatives with FELCRA's assistance, and the satisfactory review of their first year performance under new management.

- The palm oil mills, FELCRA disengaged itself from their management in November 1991 in favour of KPFB Holdings - after the transfer of management responsibilities, the financial results of the mills showed increased turnover and an improved level of profitability.

3.3 Partnership Lessons FELCRA and World Bank

- Management principle and practice - the excellent working relationship between FELCRA management and the Bank, which was enhanced by Bank staff continuity; and FELCRA’s familiarity with Bank procedures (procurement and disbursement).

- Right thing at the right time and Discipline;

- Technology - expand the pilot program of demonstration of the labour saving, reduced frequency tapping (RFT) technology for rubber exploitation - consists of the use of tapping systems combining a reduction of the tapping frequency with chemical yield stimulation to compensate for the lower number of tapping days.

- Benefit driven and Cost consciousness;

- Monitoring and Evaluation with KPI as tools for the “early warning system”
## Project Benefits

### LAND CONSOLIDATION AND REHABILITATION

#### 4.1 Physical Achievements

**Fecora’s Land Development (1967 - 1990)**

<table>
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<th>Plan</th>
<th>Rehabilitation (Hectares)</th>
<th>%</th>
<th>Consolidation (Hectares)</th>
<th>%</th>
<th>Youth (Hectares)</th>
<th>%</th>
<th>Total (Hectares)</th>
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<td>Second MP</td>
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<td>58</td>
<td>8,275</td>
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<td>Third MP</td>
<td>6,633</td>
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<td>45</td>
<td>11,580</td>
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<tr>
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<td>48</td>
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<td>-</td>
<td>21,283</td>
<td>21</td>
<td>267,689</td>
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<td>21</td>
<td>21,283</td>
<td>21</td>
<td>267,689</td>
</tr>
</tbody>
</table>

- Under the three packages of World Bank Financing, concentrations are on opening new agricultural areas under the consolidation development model.
4.1 Physical Achievements

**LAND REHABILITATION AND CONSOLIDATION**

### Project Benefits

#### Area Developed by Crop Up to End of 1995 (Hectares)

<table>
<thead>
<tr>
<th>Type of Crop Project</th>
<th>Rubber</th>
<th>Oil Palm</th>
<th>Paddy</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>rehabilitation</td>
<td>24,057</td>
<td>70,644</td>
<td>1,145</td>
<td>2,900</td>
<td>90,692</td>
</tr>
<tr>
<td>consolidation</td>
<td>61,120</td>
<td>91,865</td>
<td>5,588</td>
<td>2,253</td>
<td>157,826</td>
</tr>
<tr>
<td>total</td>
<td>85,177</td>
<td>162,509</td>
<td>6,733</td>
<td>5,153</td>
<td>258,588</td>
</tr>
</tbody>
</table>

Source: FELCRA’s Annual Report 1995

### Average Productivity Per Hectare By Crops as of 1996

<table>
<thead>
<tr>
<th>Crop Type</th>
<th>1993</th>
<th>1994</th>
<th>1995</th>
<th>1996</th>
<th>FELCRA's Highest</th>
<th>National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubber (kg/ha/yr)</td>
<td>1,058</td>
<td>955</td>
<td>994</td>
<td>1,070</td>
<td>1,332.3</td>
<td>1,240.0</td>
</tr>
<tr>
<td>Oil Palm (m3/ha/yr)</td>
<td>14.5</td>
<td>13.5</td>
<td>16.0</td>
<td>15.4</td>
<td>21.0</td>
<td>17.8</td>
</tr>
<tr>
<td>Paddy (m3/ha/yr)</td>
<td>6.0</td>
<td>8.0</td>
<td>7.6</td>
<td>8.3</td>
<td>8.6</td>
<td>4.1</td>
</tr>
</tbody>
</table>


4.2 Farmer’s Benefits – Dividend & Wages

**Project Benefits**

**LAND REHABILITATION AND CONSOLIDATION**

### Participant Dividend and Wage Incomes on Rubber and Oil Palm Prince Forever, By Phase of Development

<table>
<thead>
<tr>
<th>Development period</th>
<th>Rubber (128 participants)</th>
<th>Oil Palm (123 participants)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average participant</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Dividend</td>
<td>334</td>
<td>444</td>
</tr>
<tr>
<td>Wages</td>
<td>1,649</td>
<td>444</td>
</tr>
<tr>
<td>Total</td>
<td>2,081</td>
<td>1,667</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan repayment period</th>
<th>Rubber Average participant</th>
<th>Oil Palm Average participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>1,154</td>
<td>296</td>
</tr>
<tr>
<td>Wages</td>
<td>1,132</td>
<td>392</td>
</tr>
<tr>
<td>Total</td>
<td>2,286</td>
<td>688</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rest Loan repayment period</th>
<th>Rubber Average participant</th>
<th>Oil Palm Average participant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>1,050</td>
<td>1,077</td>
</tr>
<tr>
<td>Wages</td>
<td>1,045</td>
<td>936</td>
</tr>
<tr>
<td>Total</td>
<td>2,095</td>
<td>2,013</td>
</tr>
</tbody>
</table>

Notes:
- Development period: 8 months.
- Loan repayment period: 8 months.
- Rest Loan repayment period: 8 months.
- Based on a typical 2,000-acre scheme.
- Assuming settlers or their dependents supply only 6% of wage labor hired by scheme.
- Household members hired for 200 days work per year.
- Rubber years 1-4, Oil palm years 5-7.
- Rubber years 8-10, Oil palm years 8-10.
- Rubber years 20-26, Oil palm years 11-30.
4.3 Economic & Social Benefits

AVERAGE WAGES + DIVIDENDS PER MONTH

Pre Production Rubber Schemes Oil Palm Schemes
MYR200 MYR474 MYR474
Govt. Poverty Benchmark MYR360/month

Members 13,700 participants
Paid-Up Capital MYR 9.38 million
Asset Value MYR 1.9 million
Total Turnover MYR 35.0 million
Net Profit MYR 2.0 million

COOPERATIVES

4.3 Economic & Social Benefits - Social Engineering

Land development programme:
- Rehabilitation;
- Consolidation;
Landowner & Family

Characteristics:
- Traditional paradigm;
- Hardcore poor;
- Resistance to change;
- Wait & see.

Physical-Economic Transformation

Worldview Transformation

Through:
- Religious Education;
- Technology application;
- Cooperative system;
- Woman activities;
- Introduction of small scale industries.

Poverty Alleviation
Dynamic Paradigm In-tandem With National vision
### Project Benefits

#### LAND REHABILITATION AND CONSOLIDATION

#### 4.4 Towards Corporatization

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity Revenue</td>
<td>1,837</td>
<td>1,914</td>
<td>1,460</td>
<td>1,530</td>
<td>1,440</td>
</tr>
<tr>
<td>Oil Palm (million m.t)</td>
<td>60</td>
<td>65</td>
<td>58</td>
<td>54</td>
<td>45</td>
</tr>
<tr>
<td>Rubber (million m.t)</td>
<td>30</td>
<td>30</td>
<td>32</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>Turnover (MYR million)</td>
<td>903</td>
<td>1,196</td>
<td>1,213</td>
<td>1,079</td>
<td>960</td>
</tr>
<tr>
<td>Profit Before Tax (MYR million)</td>
<td>22</td>
<td>53</td>
<td>54</td>
<td>5*</td>
<td>n.a</td>
</tr>
<tr>
<td>Dividend To Settlers (MYR million)</td>
<td>108</td>
<td>323</td>
<td>334</td>
<td>140</td>
<td>129</td>
</tr>
</tbody>
</table>

( * ) Profit Before Tax After Corporatisation (23-5-1997 – 31-12-1997)

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### Project Benefits

#### LAND REHABILITATION AND CONSOLIDATION

#### 4.4 Towards Corporatization – FELCRA’s Charted Course...

- Management of Profitable Scheme (Withdrawal Program);
- Management of Palm Oil Mills;
- Supply Technical services to Felcra.
- Partial Privatization to Cooperative
- Land Consolidation and Rehabilitation Program Full Government Agency

Corporatization of FELCRA
1st September 1997
Transfers of Assets and Liabilities
Lock Stock and Barrel
NTA MYR 682 million
5.1 Participants’ perception towards FELCRA programme

- The Study on the Reorganization of Agricultural Production Through FELCRA: Participants’ Perception Towards Group Farming Programmes in Peninsular Malaysia, was done by Ma’rof Redzuan and Fariborz Aref from the Department of Social and Development Sciences, Faculty of Human Ecology, Putra University, Malaysia, published in 2009.

- This socio-psychological study attempted to assess the participants’ response towards group farming as a concept and to identify factors related to their perception.

- Participants’ Perception Towards Felcra’s Programme;

  Perception Towards Programme Implementation
  a. 80% The respondents felt that scheme participants should be given financial assistance in the form of loan until their holdings began production.
5.1 Participants’ perception towards Felcra programme

b. 40% agreed that the method of repayment was complex and not easily understood;
c. 89% agreed that strongly agreed the crop in their scheme are suitable;
d. 73% agreed the work on group farm efficiently done;
e. 71% agreed Felcra succeeded in modernizing farmers;

Perception Towards Management and Administration;
a. 77% had positive views who should comprised the Scheme Committee;
b. 70% agreed manager and supervisor were efficient;
c. 72% felt that management was fast in overcoming problems;
d. 66% agreed management was trustworthy;
e. 73% agreed the management is sincere in their effort to make the scheme success;
f. 72% of the opinion that FELCRA’s programme was satisfactory.

Perception Towards Economic Returns;
a. Generally most participant perceived FELCRA Schemes as promising;
b. More than 95% were of the opinion that the scheme had successfully revive formerly uncultivated land;
c. 82% agreed that the group farming had become an important source of income even for the non-participant of the scheme;
d. 80% agreed that the yield of the Group Farm had increased;
e. However, about 41% of the participants disagree with the statement “Farm income from group farming is not satisfactory” and statement “I would not expect the future will bring more profit” is 36% - This indicates as far as real economic reward is concerned the participants were not too pleased yet.
5.1 Participants’ perception towards Felcra programme

Perception Towards Social Relationship;
(a) More than 80% expressed that under the group farming programme not only encourage cooperation but also foster a closer relationship among themselves and develop good relationship participants committee-management;

(b) 31% agreed that the programme succeeded in retracting those villagers that had left the villages;

(c) More than 73% had shown positive perception towards group farming – therefore, the high score for economic returns demonstrated the participants’ confidence on FELCRA’s group farming programme.

6.1 Fragmentation of Land Holdings
6.2 Challenges Faced
6.3 FELCRA’s Key Success Factors
5.1 For Developing Countries – Fragmentation of Land Holdings

Transform into Group Farming

Fragmented Land Holdings

Group Farming
Key to Economics of Scale

5.2 Challenges Faced

External
- Unwarranted Interferences;
- Budget Cuts;
- Government Contract Policies;

Internal
- Development of Security Projects;
- Resistance from hardcore participants
- Little Napoleons
5.3 FELCRA’S Key Success Factors

- **Strength and capability of Management to interpret and translate** the philosophy of FELCRA formation and the continuous directives from the Government;

- **Comprehensive project planning** – employing professional and technical methods in project planning and project management;

- **Authority given to FELCRA** to develop, manage and supervise the field operation including marketing and financial management – able to synergize with other agencies strength to make it happen and successful;

- **Ability to convince** the landowners to participate in FELCRA’s programmes through open minded **dialogue sessions**. Three (3) principles were the key to the underlying trust and understanding:
  - Love them;
  - Sincere in the game;
  - Never touch or take what they owned.

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5.3 FELCRA’S Key Success Factors

- **Adopted the right management system**;
  - Situational management approach;
    - Serving the needs of the nation;
    - Ministries – MRRD, Treasury, EPU, State Governments
    - To the target group (different state demands different approach)
  - Effective Monitoring system – Key Result Areas (KRA) and its Key Performance Indicators (KPI) as monitoring tools;
  - Prudent financial management.
  - Continuous skill training among staff and participants – exposed to latest technology, management knowledge.
  - Effective agricultural technology applications e.g Low Frequency Tapping (rubber); Direct seedling (Paddy); Mechanization (O/Palm).