



## COMMUNAL FARM DEVELOPMENT IN THE SOLOMON ISLANDS

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### Introduction

The Solomon Islands economy is predominantly agricultural with approximately 75 per cent of the population involved in some form of mixed subsistence or commercial agricultural activity.

The plantation subsector, comprising several commercial operations (often with the government as a shareholder), was the major contributor to growth in the agriculture sector in the 1970s. Limited access to land, however, has meant that growth rates have slowed in the 1980s, though investment in new crops is continuing.

While the largest subsector remains smallholder farming, the Solomon Islands also has an important third subsector comprising communal farms. These farms originated in the 1970s, when with imminent political independence, land became a major issue, especially the ownership of land previously alienated to expatriates and farmed as plantations. The 1977 Lands and Title Act established that only Solomon Islanders could own freehold

title, with other freeholds converted to leaseholds usually as fixed term estates of 75 years.

The government's policy, implemented through the Land Use Development section of the Ministry of Agriculture and Lands, was firstly to return alienated land to traditional owners ('land recovery') and, secondly, to maintain production and encourage development of the land.

### Land recovery

To participate in the Communal Farm Development Project persons with a common interest in the land are required to establish a group that can be recognized by the local and provincial governments as the true traditional owners. Once this is done, the group forms a legal entity to gain and hold title to the land, and in most cases this entity is a Land Purchase Cooperative.

The 'plantation lease' has to be purchased from the government which has the responsibility for compensating previous owners. Finance is provided by the Development Bank as a special 'purchase loan' on the basis of a production and development plan prepared by the Cooperative in conjunction with Land Use Development officers. Loans are usually for ten years, but

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interest rates have increased from 4 per cent at the inauguration of the scheme to current levels of 10 per cent per annum.

Cooperatives may later apply for perpetual estate - freehold title from the government - the criteria used usually being repayment of the plantation purchase loan and the development of a significant part of the plantation with new coconuts, plus cocoa and cattle where appropriate.

The extent of land recovery in respect of the twenty-five Cooperatives and one Development Company established under the scheme has been quite high. Nearly 8000 hectares of land has been returned to its traditional landowners, of which over 3700 hectares is tree area planted with coconuts. About 3000 people have participated in the program. Since membership is usually by head of household, the total population involved is probably 18-20,000 people.

An important feature of many projects within the scheme is the high rate of loan repayment. For the scheme as a whole, the average annual repayment rate has been 14.3 per cent of loan principal in addition to interest of between 4 and 10 per cent per annum. Many projects have kept wages and bonuses low in order to achieve this performance, while a few projects have pursued loan repayment at the expense of longer-term development potential. As of April 1987, ten of the twenty-five projects have fully repaid their loans with a value of SI\$110,000.

### Development

The strong motivation to repay the loan in the early years to ensure full recovery of the land may mean that insufficient investment is carried out during these years to generate growth in incomes. Unless incomes grow significantly, incentives from rising wages will not develop to re-

place the eventual loss of the incentives derived from loan repayment commitments. Development therefore needs to be given higher priority in the early years if a project is to be economically attractive to members beyond the loan repayment.<sup>1</sup>

The level of reinvestment varies between projects, but in 1985 averaged out to approximately 18 per cent of income. This development activity is over and above the usually extensive amount of bush clearing that is necessary to maintain existing coconut plantations. Previous owners had done very little maintenance on the plantations for many years before their transfer, and this has been a major constraint on production.

Development ideally should be phased, cattle may be introduced to 'clean' an area prior to replanting, coconuts may be replanted in an area before cocoa is introduced underneath. However, cocoa has a much higher economic return than coconuts or cattle, and some early cocoa planting will greatly assist a 'take-off' in income. Unfortunately some plantations have little or no areas of land suitable for cocoa and as such have much lower returns.

Annual production of copra in 1984 and 1985 was around 1200 metric tons. This was an average yield of 0.34 tonnes per hectare, which is thought to be low compared to similar plantations in the Pacific.<sup>2</sup> The low yield is largely due to the ageing trees, most of which are sixty years old or more, and the poor maintenance they had for many years before the time of the present owners.

<sup>1</sup> John Launder, *Prospects for Land Purchase Cooperatives in Solomon Islands*, Cooperative Union Ltd, Loughborough, UK, 1983.

<sup>2</sup> Figures quoted to the author in Western Samoa (WSTEC) and Vanuatu (Plantation Support Association) were for average yields on public and community owned plantations of 1.00 ton copra per hectare.

Of the areas replanted with new coconuts, approximately 500 hectares will, with good management, produce a further 750 tonnes of copra per year when mature. With about 40 good hectares of cocoa producing 40 plus tonnes per year when mature, these developments could add SI\$350,000 at current prices to annual gross farm incomes by 1990.

The year 1986 was one of setback. The combination of a 50 per cent fall in the local price for copra, and the damage caused by Cyclone Namu in Malaita and Guadalcanal, meant an estimated drop in production of 40 per cent and an income fall of 60 per cent. In early 1987 the local copra price has risen back to two-thirds of the 1985 price, so that production should rise again; but most projects will need funds from other sources to finance further development.

Direct economic benefits to project members are through wages earned for work on the plantations. Although in early years many projects had voluntary labour from members, all are now paying wages for labour. Basic wage rates vary from \$1.00 to \$2.50 per day, compared to \$3.50 or more on the commercial plantations such as Lever Solomons Ltd. These rates reflect the ability of the communal farms to pay, the priority given to loan payments and/or development, and the supply and demand for wage labour in an area.

The communal farms as a whole employ around 600 workers at any one time, which is 14 per cent of employment in the plantation sector. The figure of 600 workers is just 20 per cent of the membership as the majority of members have not, so far, taken an active or economic interest in the projects beyond joining in the move to recover land.

Two studies of village economies close to communal farms showed that

the wages earned have a significant impact on cash incomes in the area, and that these wages have reduced income inequalities.<sup>3</sup> Most communal farms are distant from other wage earning opportunities, and their wages can be very important to households lacking cash crops or other income yielding assets.

Of the communal farms' gross incomes, usually the largest part is paid out in wages, up to 60 per cent or more when copra prices are high. In addition, when the Cooperatives have significant profits, 75 per cent of these can be distributed among working members as a bonus on days worked. In some cases, bonuses have doubled the annual income of workers.

#### Efficiency of resource-use

There are four aspects to the issue of resource efficiency:

- Would the land be more efficiently used under another farming system?
- Would labour be more efficiently engaged, and also have higher incomes, in other systems or other occupations?
- Would the finance used by the communal farms have earned a higher return elsewhere?
- Has the technical and capital assistance provided to the communal farms been an efficient use of such resources?

The term farming system is used here to encompass both cropping on the land and the management system. For example, one alternative to communal farming of cash tree crops

<sup>3</sup> S. Jones and F. Maeba, Working Notes prepared for South Pacific Smallholder Project Workshop in Honiara, November 1986. (SPSP is a joint project of the Solomon Islands Ministry of Agriculture and Lands, Australian Centre for International Agricultural Research, and the University of New England in Armidale, Australia.)

could be food crops grown on a smallholder basis.

A major difficulty in any analysis is to separate the economic elements from the socio-political issues of land recovery and control of land thereafter. The primary objective in the minds of the people is to recover the alienated land and to control and manage the land themselves. Hence alternatives such as transferring land ownership to a commercial plantation company controlled by outsiders is not a real option.

Realistic alternatives to the communal farms might include:

- Division of all or part of the plantation into family blocks with a mix of food and cash cropping on a smallholder basis.
- The cooperative contracting professional management, tied to loan capital, but retaining ownership of the land and production.
- For a limited number of cases, a joint venture with a commercial plantation company, with the land being released for a limited period.

**Land.** Comparisons of cash crop productivity with the smallholder sector are generally favourable to the communal farms. Although a Coconut Survey in 1985<sup>4</sup> found an average dry copra yield of approximately 0.55 tonnes per hectare among smallholders in 1984/85 compared to communal farm yields of 0.34 tonnes, the smallholder yield was from significantly younger trees and during a period of record high prices for copra.

However, figures for pre-1984 and for 1986 suggest a yield of approxi-

mately 0.38 tonnes per hectare from smallholdings. Since most communal farms have been more actively rehabilitating and replanting coconuts, some with hybrids, then yields should rise markedly within the next five years. (One plantation with 50 per cent of its coconuts replanted and many of these in production produced 1.08 tonnes per hectare in 1985.) The plantation nature of the communal farms means that production is more likely to be maintained when prices fall.

As more and more plantations rehabilitate and replant coconuts, make more use of cattle for brushing, and use more capital equipment such as tractors and better hot air driers, then productivity of both land and labour should continue to rise.

In many areas of the world, economists believe small farms to be more efficient than large farms. However, where smallholdings are extensively rather than intensively cultivated, as in the Solomon Islands, there is greater potential for technical and economic gains from scale. Use of cattle and capital equipment, division of labour, bulk crop processing and marketing, and access to credit and technical assistance are all areas in which the communal farms have advantages over smallholders.

A major constraint to land productivity is the availability of labour. This is a problem for projects in certain parts of the Solomon Islands where the local economy is more developed and there is more competition for labour from employers or from members' own family enterprises. Communal farms have higher land productivity and more rapid development: for instance, in Malaita province where there is a greater density of population, and in Isabel province where there are fewer other economic opportunities. In Guadalcanal and Western provinces there are fewer people and more competition for

<sup>4</sup> Survey by Coconut Development Project, Ministry of Agriculture and Lands, Government of the Solomon Islands, 1985.

labour from more developed local economies.

**Labour.** The major constraint is inadequate management control by the committees and managers of communal farms over the labour force. Melanesian rural societies do not include a managerial 'class' from whom others in the community will readily accept the kind of management supervision and control needed in an 'industrial' situation like a plantation. Hence labour on communal farms can be very inefficient in many tasks. Copra production is usually an exception since workers are paid piece rates and/or must complete a quota.

Although this suggests considerable underemployment of labour on the communal farms, the scheme is such that plantation workers usually have their own smallholdings as well. As work on smallholdings and other family enterprises also features underemployment, then the combination of a man or woman's work on both a smallholding and a communal farm reduces that underemployment and increases their income. For those with fewer assets or other opportunities to earn cash, their underemployment is relieved that much more.

Obviously labour could be more efficiently used on plantations with better management and more development capital. However, there are the socio-political constraints to actual transfers of land to commercial operators, including leasing to a joint venture company, and economic constraints in that private capital would only be interested in the limited number of communal farms with both good location and suitability to cocoa or other high value crops. For the rest, with the existing rates of return to copra, high levels of outside management and finance are not a real alternative.

**Finance.** The communal farms borrowed approximately SI\$500,000 from

the Development Bank (DBSI) over the period 1974-85 to purchase the plantations. A further SI\$172,000 has been borrowed in the same period for cattle (SI\$51,500), driers (SI\$5,600), tractors (SI\$103,600), and cocoa (SI\$11,300). The rate of repayment of these loans has been much better than DBSI's general experience. With the exception of one major problem project, the communal farms as a whole are not in arrears to the bank, and until the disasters of 1986, nearly all projects were ahead of schedule on their loan repayments.

A very limited number of grants have been used and personal capital of members has usually been limited to \$5-10 for an initial share. Virtually 100 per cent of the finance for investment in new crops, and a large part of the investment in cattle and tractors, has come from the projects' own earnings. This was over SI\$100,000 in 1985, or 18 per cent of gross earnings. A rough estimate of the total of these funds for the period 1974-86 is over SI\$500,000.

Investment in better managed large projects or in smallholder developments depends on the projects coming forward and the financial institutions having the resources to support them. Commercial banks do not lend to small rural projects and in 1985 DBSI approved just 240 new loans to agriculture for approximately SI\$1,000,000; this coverage would not fund many large projects, or many smallholders farming divisions of plantations.

**Technical assistance.** This has been principally provided through the staff of LUD section which has an annual local cost budget of some SI\$220,000, plus three aid personnel. The section maintains a small cadre of extension staff specializing in communal farm operations, who are advisers to the projects' own management.

Alternative uses of these resources could be as generalist extension officers assisting smallholders, or possibly as managers of commercial projects. LUD staff have better support than the extension services, and can be more effective with a small number of larger projects. If they were managers of communal farms, or other plantations, their technical expertise would be more directly effective. However, their skills and experience would not be available to new projects starting up.

If LUD was seen as being an additional cost to the Solomon Islands, then the returns on this investment may be counted as a large part of the extra income accruing from the developments on the communal farms. The 500 hectares of coconuts and 40 hectares of cocoa mentioned above could add over SI\$450,000 a year to GDP at current prices, on top of the approximate SI\$600,000 that the communal farms are now contributing to GDP.

## Conclusions

Any economic appraisal of the communal farm projects must take into account the socio-political elements in the scheme. The Land Purchase Cooperatives have been the means by which often quite large groups of people have acquired titles to the plantations, and communal operations have provided wage employment to their members. Whether some groups will decide to divide their plantations into smallholdings has yet to be seen, and members appear to be reluctant to consider this option as any division could breed a large number of land disputes. Many members are well aware of the shortcomings of their present management system and are open to the idea of contracting professional management tied to a larger capital input.

Current production from the partly rehabilitated land compares well with production from the smallholder sector, and as new developments come into bearing, relative productivity should increase markedly. Lack of labour is a problem to some communal farms, and in these cases the land is presently underutilized.

Technical and economic gains from scale are relevant to the communal farms, but management shortcomings, particularly control of labour, limit the potential benefits. The underemployment of labour and other resources must be taken together with underemployment in agriculture generally, and those 600-plus people who work both on the communal farms and on their own smallholdings are now markedly less underemployed.

The communal farms contribute to reducing income inequality by providing wage labour to people who have few other opportunities to earn cash incomes. The communal farms as a whole have a record of loan repayment, and of capital accumulation for development, which is better than most other farmers and small businesses. And the use of the limited resources of the main rural financial institution and of government agricultural officers can be more effective on these projects than spread over hundreds of smallholdings.

As the communal farms are now well established, and alternative structures are limited by real socio-political factors, then the main scope for improving resource use in this sector of agriculture lies in better management systems. These in turn will require acceptance by and support from the working members, whose decisions will ultimately control the destiny of these projects.