

CHAPTER V

TIME TRENDS IN THE BREAK-UP AND SUBDIVISION OF RUBBER ESTATES SINCE 1956

(1) Political Influences over Time

(i) The Achievement of Independence

There was a spate in the break-up of rubber estates in 1956 and 1957, because of political uncertainty in Malaya, due to the coming of Independence. Foreign investors were anxious about the security of their local investment under the change of government.¹ 30 to 35% of these are European companies based overseas.² With the rubber trees nearing economic age, the choice left to these foreign estate owners was either to replant or sell. Money in London and New York was not available to buy estates, new investment did not come in, and combines were not readily formed.³ The foreign estate owners also feared political dispossession with nationalisation;⁴ restriction on movement out of Malaya after the new government was established;⁵ and there was also some apprehension as to the future of the Malayan currency.⁶

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1. (i) Excerpts from the Annual General Meeting of the Anglo-Asiatic Rubber Plantations Ltd.; The London Financial Times, 26.11.1956.
(ii) Mr. R. Fletcher, Secretary to the United Planting Association of Malaya; Kuala Lumpur.
 2. Mr. Khoo, Chief Statistician to the United Planting Association of Malaya, Kuala Lumpur.
 3. Mr. Wilckinson, the Commissioner for Labour and Social Welfare, Kuala Lumpur.
 4. The Straits Times, 22nd June, 1956.
 5. (i) The Administrative Officer, Kuala Lumpur.
(ii) The District Officer, Seremban, Negri Sembilan.
 6. (i) Mr. Naidu, The Commissioner for Labour and Social Welfare, The State of Penang.
(ii) The Assistant District Officer, Bukit Mertajam, Province Wellesley South.

It was thus considered better and cheaper to acquire the equity of the First Class Clonal Rubber by the purchase of shares in companies with a large proportion of such rubber;¹ or, more directly, to move capital out of Malaya. As a result, there was a lot of foreign property on the market.

On the other hand, Malaysians were then keen to put money in land as a hedge against inflation.²

Such a coincidence of demand and supply, in land transactions, made the rate of break-up in the pre-Merdeka period particularly rapid.³

By 1958, with the establishment of a stable government, confidence among foreign investors increased; this has resulted in the slowing down of the rate at which capital outflow (through break-up and sale of rubber estates) was being conducted.⁴

(ii) The Japanese Occupation and the Emergency

The Japanese Occupation and the Emergency had the effect of increasing the costs of estate production - effects which were still felt in 1956.⁵ This was one of the reasons for the sale of European estates in Province Wellesley where at least 10,000 acres of rubber were cut down for the planting of other crops.⁶

1. Mr. J. P. Burgess, Chairman of the Malayan Rubber Company Ltd., The Straits Times, 31st May, 1957.

2. (i) The London Financial Times, 18th May, 1957.

(ii) The Assistant District Officer, Bukit Mertajam, Province Wellesley South.

Further reasons of demand for land (population pressure, land speculation, etc.) have already been discussed.

3. Other economic and social reasons, which also played a part are discussed later.

4. (i) Mr. Khoo, the Chief Statistician of U.P.A.M.

(ii) Anche Mushir bin Ariff, of A. Dennys and Co. (Lawyers and land brokers), Island of Penang.

5. "Malaya", The Singapore and Malaya Information Service.

6. The Singapore Standard, 4th January, 1958.

During the Emergency, managers could not get to work on the estates; lack of supervision led to slackness among labourers; there was a general scarcity of field workers;¹ crops and machinery were damaged by bandits; production was at times suspended for security measures.² Conditions on Chettiar owned estates also worsened.³ The net result of low productivity on the estates induced many foreign estate owners to dispose of parts or whole of their estates. By 1958, the Emergency Situation improved considerably, and resettled people left the new villages for outlying areas, thus, inducing a demand for rubber land. The satisfaction of such demand led to the subdivision of a number of estates.

(2) Economic Aspects

(1) Changes in the Price of Rubber

Variations in the price of rubber have had more influence on smallholders than on large estate owners, who make longer run considerations. The downward trend in the price of rubber since the Korean Boom,⁴ encouraged disinvestment among foreigners in 1956 and 1957.⁵ Since late 1958, the steady rise in the price has discouraged this process, but smallholders, who switch easily from one crop to another, have increased their demand for rubber land. During this period of rising prices

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1. Reports on Rubber Estates, Frazer and Co. (Sharebrokers), Singapore.
 2. Manual of the Rubber Planting Companies, compiled by Zorn and Leigh-Hunt, 3 and 4 Winchester Street, London E.C.2, 1952.
 3. The monthly Reports of the Department of Labour and Industrial Relations and of the Machinery Department, The Federation of Malaya, April 1956.
 4. The average price of rubber for 1956 was 96.76 £/lb.
" 1957 " 88.77 £/lb.
 5. Mr. S. E. MacFeydon at the Annual General Meeting of the Rubber Plantation Investment Trust, London Financial Times, 1958.

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subdivided pieces change hands several times.¹

(ii) Age of the Trees

Most of the estates broken-up and subdivided contain old seedling variety of rubber (30 to 40 years). As new strands produce as much as four times that produced by the old, small estates subdivide and apply for the smallholders Replanting grant. In Johore, 11 of the estates subdivided contain old rubber.² In the pre-Merdeka period, the trade union's frequent demands for increased wages and other concessions had the effect of putting out of production large areas of old low yielding rubber, and sales of such areas were frequently negotiated.³ Since 1958, however, greater economic stability has reduced the number of such sales, and the large estates have quickened their pace of replanting.

(iii) Replanting

The influence of replanting has been a relatively recent one - especially since 1958. This now provides one of the major reasons for subdivision. In 1956 and 1957, the urgent need for replanting was not realised. However, with the extensive propaganda of the Rubber Industry (Replanting) Board, (Fund "B" for Smallholders), in the rural areas, the people are becoming better acquainted with the conditions governing the

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1. (i) The Assistant District Officer, Bukit Mertajam, Province Wellesley South.
(ii) The Zorn and Leigh-Hunt Manual, op.cit. 1959.
(iii) The State Agricultural Officer, Penang.
(iv) The State Replanting Officer, Penang (such transactions are often followed by subdivision to take advantage of the replanting grants).
 2. Ref. Table I a.
 3. The Annual General Meeting of the Anglo-Asiatic Rubber Plantations Ltd., The London Financial Times, 27th November, 1956.

payment of grants. The number of small estate owners subdividing their estates among family members has increased.¹ This trend has been recently accelerated by the improvement of the Emergency situation, for smallholders owning rubber lands in Emergency areas (recently declared "white") are returning to their holdings and showing an interest in replanting. The tendency is now to replant quickly before the scheme expires in 1959.

This trend has been confined mainly to the more go ahead states of Johore, Malacca, Negri Sembilan, Selangor and Perak.² In Province Wellesley, replanting does not yet have great effect; if the smallholder on subdivided land has a Title, he may apply for the Replanting Grant - but, he does not subdivided to replant.³ Without a Title, the poor financial position of the smallholder prevents him from replanting on his own, and he therefore turns to other crop cultivation. Apparently, therefore, real smallholders have not taken advantage of the replanting scheme.⁴

A form of speculation in land has developed recently, as a result of the introduction of the smallholder's replanting scheme. The normal procedure is as follows. A Chinese syndicate buys up a part of a European estate at a low price (say, \$200/- to \$300/- an acre); they subdivide the land among themselves and replant with government aid. After two to three

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1. The Rubber Industry (Replanting) Board, Scheme No.2 for the administration of Fund B, Report for 1957, pp.11. Subdivision is necessary, because, the aid is given per Title of land ownership.
 2. (i) Ibid. pp.15.
 (ii) Mr. Fair-Weather, Chairman of the Rubber Industry Replanting Board, Fund B, Kuala Lumpur.
 (iii) Mr. Williams, Chairman of the Rubber Industry Replanting Board, Fund A, Kuala Lumpur.
 3. The Assistant District Officer, Bukit Mertajam, Province Wellesley South.
 4. Mr. J. Melford, The Commissioner for Lands and Mines, Malacca.

years, they resell the land at extremely high prices (say, \$1,000/- to \$1,500/- an acre). Such high prices are readily paid by the buyers as they would have to wait only three to four more years before the land starts to yield rubber, and hence have the land's value further increased. Such tendencies of break-up with subsequent subdivision have occurred in Negri Sembilan and Malacca.¹ The subdividers have no immediate interest in the development of the land itself.

Since 1958, a number of estates which had subdivided to obtain smallholders Replanting Aid, have amalgamated into estates again. By so doing, they had their total area replanted at \$600/- an acre; and, after amalgamation continued to replant on the same basis.

(iv) Competition with Synthetic

The synthetic does not as yet form a threat to natural rubber. The 1958 reduction in American buying of Malaya's rubber, was counter-balanced by greater demand from Russia and Europe. However, natural's main markets (America, Europe, Russia and Japan) are stepping up home production of synthetic.²

1. (i) The District Officer, Seremban, Negri Sembilan.
 (ii) The Replanting Office, Seremban, Negri Sembilan.
 (iii) Mr. Koh (lawyer) of Allen and Gledhill (Lawyers and landbrokers), Malacca Town, Malacca.
2. Synthetic rubber, of today, does not burn or smell; has ten times more permeability than natural rubber; is twice as tough; is available in any colour; has identical molecular and structural properties as the natural; the price of synthetic is coming closer into competition with natural rubber; and, synthetic plants are largely controlled by the leading users who can, within limit, adjust output to demand at relatively short notice.
 (i) Mr. Gerald de Cruz of "The Observer"; a Talk over Radio Malaya.
 (ii) The London Financial Times, June 1958.

Natural rubber has a good future for the next five to six years;¹ but, if the prevailing rate of dividends keeps to the average, and in the light of the considerably greater demand for land (due to population pressure), and the high price received for it, foreign estate companies sell off parts or the whole of their rubber holdings - before synthetic comes too close into competition.²

(v) Costs of Production

In 1956, estates complained of increasing costs of production; the main reason given by them being the steep wage increases since the Korean Boom, and the War and the Emergency which made the costs of rehabilitation of destroyed property loom high³, e.g. the Gula Kalumpang Rubber Estates sold off portions because of increasing costs of maintenance in the lowlying areas, where adequate embankments have to be built and maintained for soil conservation. These factors had the effect of putting out of production or for sale, large areas of old low yielding rubber of which there is a large proportion in Malaya.

Eastern buyers willingly paid high prices for such land, because they have tax advantages, lower costs of maintenance and save management fees as they run estates directly.⁴

Recently, however, with the greater confidence among foreign investors, such sales have been reduced. Rather, the tendency is to cut costs through replanting better high yielding strains; practice economics

1. The Straits Times, 22nd March, 1959.

2. Mr. Fair Weather, Chairman of the Rubber Industry Replanting Board, Fund "B".

3. The Straits Times, 28th December, 1956.

4. The Straits Times, 21st May, 1957. U.K. companies pay management fees to agents who run the plantations.

of scale through amalgamation with adjoining estates,¹ and maintain greater general efficiency.

(vi) Overseas Investment Opportunities

"Nigeria clearly has the potential to become an efficient low-cost producer."² It has cheap labour, low taxes, undeveloped land available for rubber cultivation; lacks skilled management, trained staff and finance. Thus attractive prospects are offered to foreign investors, especially in the Ilushiou and Calabar Provinces. In 1956 and 1957, uncertainty of the political future coupled with prospects of using the same form of physical capital and technical skills in Nigeria induced many planting companies to remove part of the capital from Malaya and establish estates overseas - to avoid having "all the eggs in one basket."³ (A list of estates in Malaya who have acquired interests elsewhere is given in Appendix D).

(vii) Investment in other Industries

With uncertainty in rubber's future in 1956 and 1957, estates often reduced their rubber holdings (broke-up on them) and invested in other projects.⁴

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1. In some instances the amalgamation of one estate means the break-up of another.
 2. "The Economic Development of Nigeria"; The International Bank of Reconstruction and Development; John Hopkins Press, 1955, pp.227.
 3. (i) The Straits Times, 21st June 1957.
(ii) Mr. Narayanan; General Secretary to the National Union of Plantation Workers.
(iii) The District Officer, Seremban, Negri Sembilan.
(iv) The State Agricultural Officer, Penang.
(v) Mr. Khoo, The Chief Statistician of U.P.A.M.
(vi) The Straits Times, 9th January, 1956.
(vii) The Straits Times, 20th January, 1956.
 4. (i) The National Union of Plantation Workers.
(ii) The Straits Times, 21st March, 1956.

TABLE 22

The following examples illustrate the case:-¹

No.	Year	Estate Name	Sold For	Future Investment	Source of Information
1	1956	Lee Kee Rubber Estates	n.a.*	now property ownership in Britain.	The Straits Times 18th December 1956.
2	1956	Sapari Rubber Ltd.	n.a.	- do -	- do -
3	1957	Sg. Batu Rubber Estates	932 ac. @ \$395.4/-	Proceeds utilized in steel stocks.	Zorn and Leigh Hunt Manual, 1958.
4	1957	The Third Mile Rubber Co. Ltd.	n.a.	Now the Third Mile Investment.	Zorn and Leigh Hunt Manual, 1958.
5	1958	The Bukit Tupah Rubber Estates	\$1740000	The company is to continue to participate in plantation industry by way of investment in other companies. Now known as Tupah Investment Co.	

n.a. = not available.

(viii) Population Pressure

(a) Pressure on the Land

Subdivision is extensive in regions where there is a fast rise in the population and a shortage of State land.² Table 23 shows that the density of population is greatest in Penang, followed by Malacca,

1. Summarised from Table IX.

2. (i) The Report of the Working Party set up to consider the Development of new areas for land settlement in the Federation of Malaya; The Government Press, Printer: Mr. Smith; Kuala Lumpur, 1958.
- (ii) The Annual Report, The Federation of Malaya; The Government Press; Printer: Mr. Smith, Kuala Lumpur, 1958.

Selangor and Perlis respectively. To the small investor, land is a secure asset.¹ With the end of the Emergency resettled people seek new land to farm.² Similar demand for land is rampant in squatter areas, where farmers try to acquire land of their own.³ Because of these reasons, subdivision is particularly widespread in Province Wellesley today.⁴ Besides, artificial shortage in State land is caused by delays in meeting applications for subdivision. Malay Reservations make for shortages of new land for non-Malays.

TABLE 23
ESTIMATED POPULATION DENSITY IN THE STATES AND SETTLEMENTS OF THE FEDERATION OF MALAYA
AS ON 30TH JUNE 1956⁵

Territory	Density/Sq. Mile
Johore	131.83
Kedah	191.97
Kelantan	140.50
Malacca	493.98
Negri Sembilan	140.73
Perlis	282.36
Perak	155.16
Penang	1,396.72
Pahang	21.85
Selangor	297.71
Trengganu	53.41

1. The State Agricultural Officer, Penang.
2. Mr. H. F. C. Gray, Borneo Co., Singapore (Mr. Gray is an estate owner).
3. Mr. Naidu, The Commissioner for Labour and Social Welfare, State of Penang.
4. The Straits Times, 23rd January, 1958.
5. Report of the Land Administration Commission, Kuala Lumpur.

(b) Subdivision for Building Purposes

The town's population is increasing very rapidly with the influx of people attracted by business opportunities,¹ in rapidly developing centres. When an estate is placed close to a town, the development of towns leads to their break-up and subsequent subdivision.²

(3) Social Aspects

It is a sign of prestige among the Chinese and Malays to own land. Such a prejudice has accentuated the demand for land among squatters and town folks, especially with population increase and the improvement of the financial position of the small investor.³

(4) Government Taxation Policy

Taxes on rubber in Malaya are thought to be "too high" (among foreign investors), in that they remove 61% of their profits before tax.⁴ The "heavy burden" on the costs, they say, prevents them from carrying out the much needed replanting. This, together with the unfavourable political and economic situation in Malaya in 1956, made a number of estates to be put on sale for investment in Nigeria where taxes are low.⁵

Local buyers are relatively "better off" in that they pay a lower company tax and the U.K. company profit taxes do not apply to them.⁶

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1. The Assistant District Officer, Bukit Mertajam, Province Wellesley South.
 2. Cf. Chapter IV, Section (1).
 3. (i) The Assistant District Officer, Bukit Mertajam, Province Wellesley South.
(ii) The District Officer, Sibong Tebal, Province Wellesley Central.
(iii) The Land Administration Report, *opp.cit.*
 4. (i) Sir Eric Miller, in The Natural Rubber News, January 1957.
(ii) The Singapore Standard, 17th August, 1956.
 5. Taxes paid in Malaya are (1) export duties (20% ad valorem at all price levels above 60¢/lb.); (2) replanting cess of 4.5¢/lb. (refundable); (3) anti-inflationary cess (applies when the price of rubber is above \$1.00/lb.); (4) U.K. profit tax, (5) company tax.
 6. (i) The London Financial Times, 26th November, 1956.
(ii) " " " " 18th May, 1957.
(iii) The Straits Times, 9th January, 1956.
(iv) The Zorn and Leigh-Hunt Manual, *op. cit.* 1952 and 1956.

(5) Land Administration

The pressure of work in most Land Offices, and the general procedure of official subdivision,¹ considerably slows down the process of subdivision. Arrears in work stand for as much as five years. As a result, smallholders cannot apply for replanting grants, and have to depend on other less remunerative crops while waiting for their Land Title. In Province Wellesley, there is a tendency for land speculators to "sell" pieces of land to smallholders, who are given the impression that all land transactions have been completed. However, the seller still remains the registered owner, until official subdivision is completed. In the meanwhile, the smallholder is made to pay the legal annual rent on land and the Drainage Rate (if any) to the authorities.

These problems are being accentuated, as more applications for subdivision come in, and arrears accumulate in the Land Office.²

1. Frequent correspondence has to be made between the District Officer, Collector of Land Revenue, the Commissioner of Lands and Mines and other government departments.

2. The informants on land speculation of this form do not wish their names to be disclosed.

Material on Land Office procedures, was provided by:-

- (i) The District Officers of Kluang (Johore), Butterworth, Nibong Tebal and Bukit Mertajam (Penang).
- (ii) The Survey Offices of Penang and Malacca.
- (iii) The Commissioners of Lands and Mines, Malacca, and Penang.
- (iv) The State Agricultural Officer, Penang.