

# A Historical Overview Of Poverty Eradication Through Agricultural In Sabah, Malaysia

Romzi Ationg, Rose Patsy Tibok, Madiyah Layapan,  
Andreas Totu, Jane Wong Kon Ling & Alvie Lo Sin Voi

Universiti Malaysia Sabah, Kota Kinabalu, Sabah, Malaysia  
Corresponding Author: [mratioing@ums.edu.my](mailto:mratioing@ums.edu.my)/[rose.tibok@ums.edu.my](mailto:rose.tibok@ums.edu.my)

## ABSTRACT

This paper presents a comprehensive overview of the rural poverty eradication efforts undertaken by the Sabah state government by way of various agricultural-based solutions. The discussion examines local attitudes, behaviour and acceptance towards the contract farming system as a tool for agricultural commercialisation and the improvement efforts targeted at effecting changes in rural society structures and uplifting the rural standard of living. Sabah's administrative history, its rural and agricultural sector economic development, and the social structures of rural society are deliberated upon extensively since these elements are found to be intricately interwoven in the incidence of rural poverty and the acceptance or willingness by rural communities to participate in poverty eradication programmes such as contract farming. Based on document reviews, participation in contract farming programmes is found to be static (neither increasing or declining) with the exception of rubber planting and paddy production which showed significant increase.

**Keywords:** Sabah; North Borneo; rural society; rural poverty eradication; contract farming; agriculture.

## Correspondence:

\*Corresponding author: [mratioing@ums.edu.my](mailto:mratioing@ums.edu.my)/[rose.tibok@ums.edu.my](mailto:rose.tibok@ums.edu.my)

## INTRODUCTION

Sabah, referred to for centuries by outsiders as North Borneo, is strategically located within the rapidly developing Southeast Asian region. With a land size of 73,620 square kilometres (Malaysia, 2001; Malhi, 2000; Ationg, Guinness, Ibrahim, Esa, A. Rahman, Hiew & Tung Moi, 2020; Ationg & Guinness, 2020), the state boundaries extend from the Mengalong River on the west coast to the eastern part of Sebatik Island on the east coast. Located between Latitude 3 52' to 7 25' north and Latitude 115 20' to 119 16' east (Malhi, 2000), Sabah's heavily indented coastline of approximately 1440 kilometres is surrounded on three sides by the South China Sea in the west and north, the Sulu Sea in the northeast and the Celebes Sea in the east. The state is also strategically located between Hong Kong, Manila and Singapore. Sabah, home to mountain ranges, rapid rivers and verdant rainforests, enjoys a tropical climate of year-long sunshine with temperatures averaging between 25°C to 28°C although the monsoon months of September, October, November, and December would usually bring in heavier than usual rainfall.

### Sabah's Administrative History in Brief

The history of Sabah could be traced back to the era when some regions or areas of the state were part of the Kingdom of the Brunei sultanate. This then Brunei territory in the north of the Borneo island was referred to as 'Saba' while the area south-west of Brunei bay was named 'Hulu' (present day Malaysian state of Sarawak). The Sultan of Brunei was purported to have ceded northern Borneo, from the Kimanis River up to the Sebuku River, to the Sultan of Sulu in return for the latter's help during a civil war in the Brunei sultanate in the 17<sup>th</sup> century. Although such 'gift' was soon denied by Brunei, the Sulu sultanate nevertheless staked its claims on northern Borneo and established control over its eastern coastal areas. Brunei claimed *de-jure* sovereignty over the entire portion of north Borneo extending from Brunei Bay on the west of the Sebuku in eastern Borneo though it was only along the coastal areas that it was able to exercise *de-facto* authority through the political-administrative river system, an effective mechanism

which allowed the Sultanate to exercise power over a vast area in northwest Borneo (roughly comprising present-day Brunei and the Malaysian states of Sabah and Sarawak) until the coming of the British.

Under this system, the region was sub-zoned into the Sungai Karajaan, Sungai Kuripan and Sungai Tulin districts for ease of administration. The Sungai Karajaan district served as the personal appendage of Sultan who however only controlled its revenue during his reign. Sungai Kuripan was placed under the jurisdiction of a non-hereditary 'Wazir' whereby, upon his demise, the control of the area would revert to the Sultan until a successor was appointed. Sungai Tulin district however was hereditary and passed down from one generation of 'Pengiran' to the next as a personal property (Kurus, 1994). For the purpose of administering justice and tax collection, agents sent from the capital by the Sultan, or the Wazir in charge of Sungai Kuripan would visit these districts periodically. This was similarly so with the Pengiran of the Sungai Tulin district whom the Sultan had bequeathed both the rights to administer as well as to tax the inhabitants in their respective areas. However, for the most part, successive Pengirans were absentee landlords residing at the capital.

When the British first arrived in Sabah, they wisely decided not to interfere in matters concerning the religion and cultural affairs of the natives (based perhaps on their earlier experience in Malaya). Instead, they sought to make an ally out of the native leaders by incorporating the local chieftain system in their administrative set-up. The British gave full recognition to the existing moral authority and power of the Native Courts as part of the state's judicial machinery with the first such court established in 1884 in Putatan district. To further improve administration at the local level, C.W.C. Parr, the then Governor of North Borneo, established the Native Chiefs' Advisory Council (NCAC) in 1915 to ensure the effective implementation of British policies towards the natives. This Council however was not a prominent institution and by 1917 had ceased to exist. It was later revived in 1935 but again became non-functional when the Japanese invaded Sabah.

Sabah became a crown colony in 1946 when the British North Borneo Chartered Company (BNBC) handed over the administration of the state to the British Government. Britain made use of the administration system to divide and rule the people. Indeed, as indicated by their practice of having Muslim leaders serving the Muslim community, the British astutely exploited the inter-personal and inter-ethnic rivalries in the state to minimise the emergence of a broad-based ethnic unity and ensure general order and cooperation from the locals (Kurus, 1994). In 1963, Sabah achieved independence and later became a founding member of Malaysia. The emergence of this new nation subsequently led to the conceptualisation of national development agendas aimed at enhancing and improving Sabah's overall status in the economic, political and social spheres.

Sabah after independence was divided into four residencies namely West Coast Residency, Interior Residency, Sandakan Residency and Tawau Residency. The thirty-one districts in the state comprised 63.7% Muslims, 27.8% Christians and 8.5% other religions (Malaysia, 2001). Five districts were listed as being below the poverty line based on the number of hardcore poor families in those areas - Kota Belud (1,428 families), Kota Marudu (1,343 families), Pitas (1,135 families), Kudat (1,032 families), and Nabawan (935 families) - with many of these small-landholding and low-income farmers faced with diverse agricultural and resource issues and challenges related to extreme environment variability, an adverse climate, and often unreliable water supply or resources (Rahmah, 2004).

#### **Rural and Agricultural Sector Economic Development**

Similar to Peninsular Malaysia and Sarawak, the development of the rural and agricultural sector has been a primary concern of the Sabah government and a focal point in the state's public policy. However, the government's commitment in rural and agricultural development indicates an apparent bias towards traditional agricultural sector and the subsistence rural economy. This is evident from the statements on development policies and strategies outlined in Sabah's five-year development plans and the appropriation of public development expenditure. The concern stems from the need to redress the underdevelopment features in agriculture and the rural economy, including that of the problem of poverty due the fragmented economy created in part by the BNBC. The concern further stems from the fact that since the traditional agricultural sector and subsistence rural economy provide the livelihood for about of 70% of the state's population, maintaining the economic strength of agriculture as the mainstay of Sabah's economy is and should be paramount (Zulkifly, 1992).

The development of the rural and agricultural sector in Sabah is viewed as a possible effective approach to facilitate the process of structural transformation and growth in agricultural economy and rural society, enhance the welfare of the rural populace in general and the farming community in particular, and promote changes in attitude and behaviour among rural communities (Kurus, 1988). Rural society transformation in this study is considered as a process of rural society structural change, a reflection of the eradication of the poverty cycle and addresses other inherent elements in the rural and agricultural sector. Taking the view that agricultural development is important to bring about development of the rural sector and initiate the

transformation process towards a new rural society, the main thrust of development needs to be concentrated on efforts towards expanded growth and development in the agricultural sector. Rural agricultural-based society transformation through diversification and intensification of agriculture and related rural activities has been among the significant strategies adopted elsewhere with the economic and social consequences observed as in-depth and far-reaching. Sustained development in the agricultural sector has the capability to transform rural society into an agrarian society with different social structures as compared to other rural communities with no new agricultural production method being implemented. Social structures in this context refer to social relationship, gender, economic, population and family structure (Macionis, 1997; Heer & Grigsby, 1992; Sarris & Shams, 1991).

Sabah's development plan rests on a solid foundation of development-oriented general policies. The economy of the state is driven by a wealth of natural resources with fruit production, vegetables, aquaculture, livestock, food crops (paddy), oil palm, rubber, corn, bee-rearing, modern manufacturing and the advent of new high-technology companies currently transforming the state into a more industry-based economy. This development agenda has brought about the transformation of rural society into a new agrarian society facilitated in part by the implementation of contract farming system, an important element in the development of rural communities.

#### **Social Structure of Rural Society in Sabah**

Sabah is predominantly a rural agricultural society where more than 60% of the population live in rural outskirts and are dependent on farming as their primary source of livelihood. Sabah, a multi-ethnic society characterised by its traditional culture and social patterns, practices a basic social unit in villages with the family usually consisting of an extended patrilineal household. Family separation generally occur in cases where the head of household is less assertive and domineering, when the father dies, or when all the sons and daughters marry. At the time of separation, the family property would be equally divided among sons and/or daughters. If parents were still living, they each would receive a share as well. Unmarried sons or daughters normally would not separate from their parents; however, in cases where the parents were deceased, the unmarried sons or daughters would stay with their older brother. Family separation always results in a division of family landholdings with these extremely fragmented both geographically and socially. Sometimes, family separation and resulting land fragmentation could turn into bitter feuds and lead to legal disputes. Village society in Sabah generally maintains strong ties to family and relatives whereby family life is valued more compared to individual accomplishments. Seniority (of age) is an important characteristic of Sabah rural society with the eldest male in the family greeted first and frequently given the best seats in the house. Family members, consisting children, parents, grandparents and other relatives, are addressed according to their traditional ranks/positions. The men assume the role of head of the household and the women take primary responsibility for the care of children and home although the extended family would help with childcare. Women upon marriage are expected to move into the home of her husband's family and in effect become a dependent on the male head for access to

resources (Fortmann, 1990). Females would also have no priority in land ownership due to the belief that women when married would leave their parents to serve their husbands who are entrusted with providing for their needs.

According to Mohd Yusoff Kadim and Berma (2003), rural society in Malaysia (including Sabah) actually has abundant land and water (physical capital) and strong social ties (social capital) but often lack education and skills (human capital) and organisation to mobilise their natural resources into economic resources. Although there is social capital (trust, social relation, and network) which is an important indicator in poverty alleviation objectives, larger kinship networks are important factors for meeting farm labour needs. Villagers regularly pool their resources and work together (*gotong royong* or mutual help) to implement village-level development projects such as building community halls (Mai, 1994). Wilson (1967) in his study on Malay rural society found that village life was best characterised by the interlocking of social relations among villagers. Firth (1966) opines that a village, although not an administrative unit or religious unit, functions as a social unit inculcating or nurturing some degree of solidarity and neighbourliness among its residents.

Although farming traditionally ranks among the most desirable occupations, villagers frequently encourage their children to leave in search of jobs in the civil service or other non-agricultural employment opportunities. Individual migration is often the result of a family decision and an important economic strategy; in most instances, it serves as a safety net to generate cash incomes or reserves in the event of economic crisis in the family. Village families would also push their children to civil service jobs as a means of climbing the bureaucratic ladder and developing valuable connections with the elite political structure.

The recent decade has witnessed major change in agricultural technologies as a consequence of international and national programmes for agricultural development in rural areas of Sabah. Villagers on the whole have always been receptive to new agricultural technologies that promise to improve their standard of living, and the present time is no exception with many in rural enclaves in Sabah now working alongside a mix of traditional methods and modern technologies. Along with the adoption of these technologies, there has been a rapid transformation to cash economy among rural areas in the state (Marten, 1990). However, the ordinary farmer or villager in Sabah would usually plan their farming almost entirely for self/home consumption although some would be destined for sale in small enterprises such as village sundry shops or the local weekly markets. The implication of this is this: meeting basic household food needs is still the priority of most farmers in Sabah and farming is not so much considered a cash venture but more as a means of putting food on the family table. Any surplus would be sold to generate the monies needed for necessities like children's school needs, rural electrification, modern communication (e.g. radio, television and mobile phone), and modern transport.

A modern-day anomaly however is that although Sabah rural society in most instances is involved in agricultural economy, the rural population especially the youth-age bracket has declined and with this the work force needed for the agricultural sector. Youths would leave their rural communities for bigger towns or cities for better education, job prospects and social opportunities.

According to Bryden (2000), villagers 'migrate' outwards more often when there is lower agriculture output being harvested or income being generated. This outbound migration in the long-term would negatively impact village-based economies especially agricultural production which would likely suffer from lack of able manpower. At the same time, when rural agriculture economies are hard-hit, the already high rural poverty profile might in all probability increase. Commercialisation of the agricultural sector in rural areas thus may be assumed as the best solution to improve the standard of living in rural communities and bring about the transformation from a traditional society to modern agrarian society.

### **Eradication of Rural Poverty Through Agricultural in Sabah**

Any success in reducing the evidence of poverty is often attributed to the rapid economic growth enjoyed by a nation (Mohd Yaakub, 1991). This implies that there need not be any direct negative correlation between growth and incidence of poverty as long as there is concerted effort on the part of the government to eradicate poverty. According to Zulkifly (1989) and Yapp *et al.* (1988) the problem of poverty in Sabah is consistently viewed as a rural problem. Although its prevalence cuts across both ethnic and sectoral lines, the poverty incidence is found highest and more prominent in the backward rural areas of the state. The existence of poverty is widespread particularly in the traditional agriculture sector and subsistence rural economy since the BNBC era. The lack of effective exchange economy in this sector, polarised development with limited benefits trickling beyond the economic enclaves, and the slow take-off of traditional and subsistence agriculture and related rural activities in the first decade of Independence have done little to redress the poverty problem (Ishak, 1995). As of late 1960s and early 1970s, Sabah's rural population were generally poor and lived in poverty. Using a monthly household income of RM280.00 as the threshold poverty line, over 90% of poor households in Sabah were located in rural areas with over 70% engaged in agriculture, forestry and fishery work (Sabah, 1995). Zulkifly (1989) reported that although the incidence of poverty was widespread, this was concentrated mainly among paddy farmers, rubber and coconut smallholders, shifting cultivators and fishermen. Among the major ethnic groups in the traditional agricultural sector and subsistence rural economy in the state, Kadazan-Dusun households presented the highest occurrence of poverty, accounting for 64.2% of the rural poor with the majority in various rural production productivities. The incidence of poverty was also high among the Bajau and Malay rural communities.

However, over the last few decades, particularly since the late 1970s, there have been indications of improvement in the rural household income with significant decreases occurring in the incidence of rural poverty in Sabah as reflected in a decline from 36.8% in 1993 to 32.4% in 1995 and 27.7% in 2000 (Sabah, 2001) tied up in part to the development in the agricultural sector (Mohd Yaakub, 1991). The structural dimension that generally divides the agricultural and rural sector into estate and plantation and the traditional subsistence sectors, and the transformation of some sections of the traditional subsistence rural and agricultural sector into advanced and modern components such as large-scale land development portray, among others, existing differences

in production functions and factor endowments within agriculture and the other rural economy, including that of the traditional subsistence sector. The incidence of poverty in Sabah's rural areas, according to Gunting & Khoo (1991), is exacerbated by several factors including the following:

- Idle land is not being utilised in rural areas due to lack of awareness, technical know-how, market and capital. An estimated 1.4 million hectares of land with high agricultural potential remain undeveloped in Sabah;
- Adherence to traditional agricultural practices and customs contribute towards inhibiting progress; and
- Rapid logging activities adversely affect traditional rural lifestyles primarily supported by shifting cultivation, fishing and hunting.

Therefore, rural poverty, if left unchecked for a prolonged period, could well evolve into discontentment and socio-political instability. It would cause rapid rural-urban migration (as is what is already happening) which in turn then leads to overcrowding of major towns and increased demand for employment. A decreasing rural population may lead to further declines in productivity and underutilisation of resources in rural areas. In order to alleviate rural poverty, Sabah has to undertake various development programmes to increase rural productivity, open idle land for agriculture and impart technical skills to those farmers without the means and access to these.

#### **Agricultural Commercialisation in Sabah**

The emphasis given by the Sabah state government to agricultural and rural standard of living improvement has created considerable rural society structural modernisation. *In-situ* agricultural development, related rural activities, large-scale land development and the development of socio-economic infrastructure and institutions as well as agricultural support services have generally stimulated the process of reorganising the structure of the traditional agricultural sector and available physical and human resources and facilitating the gradual transition in production activities from subsistence to united, diversified and specialised farming. Improvement towards greater access with other development requisites, particularly social and public overall changes in the socio-economic environments in the rural areas, is also focused on as the most important element (Zulkifly, 1989).

An important development programme accompanying the substantial government investment in agricultural has been the gradual transformation of considerable parts of the traditional agricultural sector and the subsistence rural economy. The orientation of agricultural sector and rural production has indicated a new scenario in the pattern of land-use and economic activities in Sabah's agricultural and rural economy. Following the development and enhancement of land resources with oil palm, rubber, livestock, and food crops (paddy), the rural population who were basically shifting cultivators and subsistence agriculturalists or fishermen has entered into the economic production of diversified and mixed as well as specialised agriculture. This development coincided with the reorganisation of the structure of traditional agricultural and rural economy through intensification and diversification of agricultural towards the procreation of crops of economic value.

These are complemented by improved infrastructure and services, accessibility to capital and technical inputs, and significant technological improvements (Sinajin & Uebelhor, 1996).

Another area of remarkable economic transformation and structured change in traditional agricultural and subsistence rural economy in Sabah has been large-scale land development. This involves the extensive opening up of contiguous areas for smallholder development of agriculture. These land development areas would usually be organised along the structure and production patterns of plantations concentrating on 'specialised production' primarily oil palm, rubber and cocoa. These development programmes put in place a new structural dimension in agricultural activities such as providing ownership of an 'economic size' farm holding to create productive employment and enhance capacity to earn a reasonable level of income among participating rural communities. As a large-scale production operation, land development creates an advantage in economics of scale, both in cultivation and post-harvest activities, which are not normally available to traditional subsistence farming communities. *In-situ* agricultural development also facilitates structural transformation and modernisation in the traditional agricultural sector and subsistence rural economy. Particularly through the development of irrigation and drainage, intensification of on-farm agricultural development, diversification of agricultural production activities, and the provision of essential agricultural services and facilities, *in-situ* agricultural development has made possible double-crop rice production activities and broadened the production base in agricultural and rural economy (Zulkifly, 1989).

Among the development agencies involved in developing Sabah are the Sabah Rubber Fund Board (SRFB), Federal Land Development Board (FELDA), Department of Agriculture (DOA), Department of Fisheries (DOF), Department of Veterinary Services and Animal Industry (DOVSAI), Department of Drainage and Irrigation (DID), Lembaga Padi Negara (LPN), Federal Agricultural Marketing Authority (FAMA), Rural Development Cooperation (RDC), Cocoa Malaysian Board (CMB), Sabah Marketing Authority (SAMA), Farmers' Association Board (FAB), Sabah Land Development Board (SLDB), Bank Pertanian (BP), and various private companies (Goling & Ismail, 1988). These development agencies have been incorporated by the both the Sabah state government and Federal government with the main objective in institutionalising these agencies being to steer sustainable development in the state.

Consequently, there has been a gradual reorganisation of production structures and practices towards modernisation of farming techniques and the transition from purely low-productivity subsistence production activities to a mixed, diversified and even specialised higher-productivity initiatives. Traditional production practices have been gradually replaced, while commercial and other economic-value agricultural activities have been greatly enhanced to provide for greater capacity and improved productivity and income.

These improvements aside, traditional agricultural practices are still however viewed as major economic activities in Sabah. Although the modernisation of agriculture practices is evident, they have yet to be sufficiently satisfactory to have a significant impact on poverty and efficient resource utilisation. Modernisation of the sector is yet to be widespread; while the existence of inherent socio-economic constraints has been



acknowledged, the continuing accelerated development is deemed essential and pertinent to facilitate the reorganisation of rural and agricultural economic structures, enhance utilisation and productivity of physical and human resources, and promote gradual transition in production activities. Continuous or sustained development efforts should be comprehensive to include not only physical, economic and social aspects, but also changes in attitude and behaviour of the general rural populace. All these aspects remain the most important elements that must be addressed and recalibrated.

### Contract Farming in Sabah

The use of contract farming is rapidly gaining interest as a vehicle for developing rural areas in Malaysia. It could be geared to local needs and provide certain benefits specific to the target community/locality (Mansur, Tola & Ationg, 2009). Moreover, the contract farming system has the potential to improve the welfare of family smallholders and subsequently transform rural society into a more developed and improved version. The promotion and implementation of contract farming programmes to eradicate the nation's rural poverty profile, especially in the rural areas of Sabah, is based on the conviction that participants would receive economic benefits, predominantly in the distribution of income (Gunting & Khoo, 1991). Sabah smallholders would benefit from this system and in the process improve their standard of living, measured in terms of income level, savings, property ownership, family employment, and entrepreneurship development. Direct benefits from contract farming are presented in the form of improved access to markets and technology, better management of risks, and opportunities of employment of family member whereas indirect benefits are obtained by means of empowerment of their womenfolk and increased commercial accrue on the part of the smallholders.

The implementation of the contract farming system in Sabah is formalised in the National Agricultural Policy 1992-2010 (NAP) launched in February 1993. The 1992 NAP replaces the previous 1984 NAP: a significant difference between the two versions is that unlike the 1984 NAP, the 1992 version is not oriented towards rural-urban migration but instead focused on intensifying human resource development programmes for rural youths. Consistent with its objective of increasing efficiency in the agricultural sector, the 1992 NAP proposes that agricultural credit is only to be offered on commercial terms and subsidies (except those earmarked for rice farmers), should be gradually phased out. The government is also expected to gradually withdraw from providing processing and marketing services at subsidised rates while extension services would be expanded to train rural entrepreneurs. Under 1992 NAP, the government is also projected to withdraw from new land development and push this instead to the private sector to initiate and mobilise. To facilitate this greater role for the private sector, the government anticipates to gradually deregulate and liberalise the factor markets so that resources could be allocated to their most valued users (Sivalingam, 1993).

### Strategies for Implementation

The State Agricultural Policy (SAP 1992-2010) also has a significant role in the promotion and implementation of the contract farming system in Sabah. According to Yapp *et al.* (1999), with the objective focused on increasing

agricultural production to meet targets set in the SAP (the attainment of 100% self-sufficiency level), the Sabah government has put into motion the following strategies:

- Efficiency and maximum utilisation of existing agricultural activities;
- Improving and upgrading existing facilities such as irrigation and drainage;
- Providing agricultural facilities such as irrigation, drainage, roads and bridges (if these are not yet available);
- Improving and upgrading existing farm infrastructure such as farm roads and bridges (these will allow for the effective use of farm vehicles, tractors and other heavy-duty farm machinery);
- Strengthening and streamlining co-ordination between various agencies, departments and authorities;
- Upgrading production to a commercial level and ensuring farmers receive inputs such as tractors, combined harvesters, high-yielding seeds and fertilisers, training, advice and supervision pertaining to the various stages of farm activities;
- Improving efficiency and productivity;
- Educating, encouraging and assisting farmers in adopting modern methods;
- Continuing to subsidise the cost of production;
- Strengthening extension services to improve transfer of research findings and farm technology to farmers;
- Intensifying and expanding research and development to include high-yielding agricultural varieties, agronomic and cultural practices, and pest and disease control;
- Assisting farmers individually or jointly to own and operate farm machinery;
- Introducing and developing appropriate technologies and mechanisation to suit local agricultural production conditions;
- Educating farmers on the importance and appropriate way of farm resources management;
- Utilising land resources;
- Identifying areas suitable for selected commodity for large scale commercial cultivation;
- Seeking advice and assistance from the Federal government to upgrade selected areas;
- Promoting greater participation of the private sector;
- Encouraging and facilitating private sector participation in commercial agricultural activities;
- Creating a conducive environment that would encourage and facilitate the private sector to venture into the support services sector especially in the contractual services; and
- Encouraging Farmers' organisations to play a more active role in mobilising and organising farmers to venture into commercial cultivation through group farming or mini estate production system.

Under the contract-farming programme, the land/property right is retained by the individual(s) as allocated by law. According to the 1992 NAP, the task of transforming agriculture into viable agribusiness and commercial undertakings which are dynamic and competitive in both world and local markets would involve the predominant role of the private sector. Regulatory incentives and policy framework supportive

of the strategy should be in place aimed at building and steering the growth and development of the agricultural sector (Ministry of Agriculture, 1993). Warning and Wendy (2000) caution that the impact of contract farming on the standard of living is dependent on who participates in the scheme and the benefits accrued from

this participation. A contract farming system functions as a principal-agent game in which a firm (the principal) works with growers (the agent) to produce crop, and the firm chooses growers with whom it would like to contract and set the contract terms with (Warning & Wendy, 2000).

**Table 1: Participation Profile for Contract Farming in Sabah**

Commodity	Number of Participants		Agency	Location
	2002	2003		
Rubber	1630	2911	SRFB & FELDA	Kudat, Matunggong, Pitas, Kota Marudu, Tuaran, Kota Belud, Sipitang, Papar, Tamparuli, Beaufort, Moyog, Telupid, Ranau, Matunggong
Palm Oil	840	840	RDC, FELCRA & FELDA	Siantan, Beaufort, Matunggong, Pitas, Kudat, Kota Marudu
Bee rearing	292	101	RDC	Kudat, Matunggong, Kota Marudu, Pitas
Sweetcorn	198	134	RDC	Kudat, Kota Marudu, Pitas, Hilir Kinabatangan
Paddy/Rice	886	1490	RDC & FAB	Kota Marudu, Kota Belud, Papar, Beaufort, Tuaran, Kudat, Pitas, Keningau Penampang
Poultry	97	84	RDC	Pantai Barat, Beaufort
Mushroom	22	20	RDC	Kota Belud, Kundasang, Moyog
<b>Total</b>	<b>3855</b>	<b>5570</b>		

Source: Rural Development Corporation (RDC) (2004) & Farmers' Association Board (FAB) (2003)

The growers, in turn, have the option of participating or otherwise. The benefits participants accrue would depend on the terms of their contract and their own attitudes, characteristics and determination. Table 1 provides a summary of contract farming participation among Sabah's rural farming community in 2003-2004 with the majority of contractual farming programmes focused on rubber planting and rice production. Participation also showed a marked increase in 2004 although this was demonstrated only in the two cash crops mentioned earlier. The number of contract farming participation for palm oil, sweetcorn, poultry and mushroom cultivation remained somewhat static with the exception of bee rearing which decreased by almost 65%.

**CONCLUSION**

The contract farming system, structured as a pathway for farmers to gain access to support, expertise and end-line buyers, has the potential to help address the issues and challenges facing rural landholders in Sabah and could alleviate and eventually eradicate the incidence of poverty among the rural poor in the state. Such a programme, when well implemented, supported and accepted by the target audience, would essentially bring about the transformation of rural society into new more progressive version that is based predominantly on agricultural activities and an uplifted standard of living. Minimising or eradication of abject poverty among the village populace could also mean that large-scale outward migrations of youths and able-bodied members of the community could be avoided thus helping to preserve and sustain the social structures of the community.

**Acknowledgements:** We would like to acknowledge that this paper is the result of long debates on the importance of Agricultural Development in Sabah, and specifically in Universiti Malaysia Sabah (UMS). Also, we gratefully acknowledge that this paper wouldn't be produced and publishable without the research grant provided by the UMS.

**REFERENCES**

- Ationg, R. Guinness, P., Ibrahim, M.A., Esa, M.S., Rahman, S.A., Hiew, W. & Tung Moi, C. (2020). Federal Politicians and the Expansion of Ethnic Politics through Demographic Character Change in Sabah. *TEST: Engineering and Management*, 83, 12726 – 12740.
- Ationg, R. & Guinness, P. (2020). The Transferability of Ethnic Politics: A Theoretical Perspective. *TEST: Engineering and Management*, 83, 12741 – 12755.
- Bryden, J.M. (2000). *Structural Changes in Rural Europe*. University of Aberdeen, Scotland: The Arkelton Centre for Rural Development Research.
- Firth, R. (1966). *Malay Fisherman: Their Peasant Economy*. London: Routledge and Kegan Paul.
- Farmer's Association Board. (2003). *Laporan Hasil Projek Kelompok Padi Komersil*. Kota Kinabalu: Lembaga Pertubuhan Peladang
- Fortmann, C. (1990). Women's Role in Small Farm Agriculture. In Altieri, M.A. & Hecht, S.B. (eds.). *AgroEcology and Small Farm Development*. California: CRC Press.
- Golingi, F. & Ismail, D. (1988). Opportunities for Smallholders to Participate in the Modern Agricultural Sector. In Chuan, T. T. & Yee, W. (eds.) *Towards Modernizing Smallholding Agriculture in Sabah*, Proceedings of a Symposium held at Keningau, Sabah on January 16-17, 1986.

## A Historical Overview Of Poverty Eradication Through Agricultural In Sabah, Malaysia

8. Gunting, R. & Khoo, A. (1991) Koperasi Pembanguna Desa's Experience in Rural Development. In Mohd. Yaaku J. (eds.). *Issues and Strategies in Rural Development*, Sabah Institute for Development Studies.
9. Heer, M.D. & Grigsby, J.S. (1992). *Society and Population* Englewood Cliffs, New Jersey: Prentice Hall Inc.
10. Ishak, S. (1995). *Pembasmian Kemiskinan Di Sabah Kemajuan Hingga Kini dan Prospek Masa Depan*, Bengke Pembasmian Kemiskinan di Sabah (4-5 April), Kot Kinabalu: Pusat Kajian Borneo, Yayasan Sabah.
11. Kurup, J. (1988). Rural Development in Sabah: The Need for a New Direction. In Chuan, T. T. & Yee, W. (eds.) *Towards Modernizing Smallholding Agriculture in Sabah* Proceedings of a Symposium held at Keningau, Sabah on January 16-17, 1986.
12. Kurus, Bilson (1994). Review on the role and functions of the local chieftain system in Sabah. *Borneo Review* 5(1) 1-21.
13. Macionis, J.J. (1997). *Sociology*. Upper Sadle River, New Jersey: Prentice Hall Inc.
14. Mai, U. (1994). The Local Association as a Modern Institution of Socialization. In Bucholt, H. & Mai, U. (eds.) *Continuity, Change and Aspirations: Social and Cultural Life in Minahasa, Indonesia*. Singapore: Institute of Southeast Asian Studies.
15. Malaysia. (2001). *Population and Housing Census of Malaysia, 2000*. Department of Statistics Malaysia.
16. Malhi, R.S. (2000). *The Making of Sabah 1865-1941: The Dynamics of Indigenous Society*, Kuala Lumpur: Universiti Malaya.
17. Mansur, Tola & Ationg (2009). Contract Farming System: A Tool to Transforming Rural Society in Sabah. MPRP Munich Personal RePEc Archive, Paper No. 13271.
18. Marten, G.G. (1990). Small-Scale Agriculture in Southeast Asia. In Altieri, M.A. & Hecht, S.B. (eds.) *AgroEcology and Small Farm Development*. California: CRC Press.
19. Ministry of Agriculture, Malaysia. (1993). *National Agricultural Policy, 1992 -2010*. Kuala Lumpur Government Printers.
20. Mohd Yaakub, J. (1991). *Issues and Strategies in Rural Development Planning*. Kota Kinabalu: Institute for Development Studies.
21. Mohd Yusof Kadim & Berma, M. (2003). *Social Capital and Poverty Eradication in Malaysia*. Bangi: Universiti Kebangsaan Malaysia.
22. Rahmah, A.K. (2004). *Malaysia towards Developed Country Status*. Paper Presented at The National Economic Action Council (MTEN) Forum in Kota Kinabalu, Sabah.
23. Rural Development Corporation. (2004). *Koperasi Pembangunan Desa (KPD): Increasing Agriculture Production via Contract Farming With Smallholders*. Kota Kinabalu: Kompleks Ibu Pejabat KPD.
24. Sabah. (1995). *Outline Perspective Plan Sabah 1995 - 2010* Kota Kinabalu: Jabatan Cetak Kerajaan.
25. Sarris, A. & Shams, H. (1991). *Ghana under Structural Adjustment: The Impact on Agricultural and the Rural Poor* New York: New York University Press.
26. Sinajin, J.S. & Uebelhor, K. (1996). Local Communities and Sustainable Forest Management in Sabah: A Preliminary Concept for Integration, *Borneo Review* 7 (1) pp. 1-22.
27. Sivalingam, G. (1993). *Malaysia's Agricultural Transformation*. Selangor: Pelanduk Publication.
28. Warning, M. & Wendy, S.H. (2000). *The Impact of Contract Farming on Income Distribution: Theory and Evidence* Paper Presented at the Western Economics Association International Annual Meeting, 2000, June 30.
29. Wilson, P.J. (1967). *A Malay Village and Malaysia: Social Values and Rural Development*. New Haven: Human Relations area Files Press.
30. Yapp, W. Ooi, S.T., & Gill, S.S. (1988). Approach to Rural Development in Sabah. In Chuan, T.T. & Yee, W. (eds.) *Towards Modernizing Smallholding Agriculture in Sabah*, proceeding of a Symposium held at Keningau, Sabah on January 16-17, 1986.
31. Yapp, W., Abd. Rahman, A.W., Shim, Y.L., & Yeo, B.K. (1999). An Overview of the Food Industry in Sabah: In The Way Ahead. In Fung, S., Johnia, F., & Simia, Z. (1999). *The Food Sector in Sabah: Prospects and Opportunities*. Working Paper Presented at the Workshop and Seminar on the Food Industry in Sabah (11 - 12, August 1998) and Seminar on Investment in the Food Industries in Sabah (15 October 1998). Kota Kinabalu: Institute for Development Studies (Sabah).
32. Zulkifly, M. (1989). Agricultural Transformation and Rural Development in Sabah: aspects of Structural Change and Poverty among Rural Communities. *Sumber* 5: 43-67.
33. Zulkifly, M. (1992). In Situ Rural Development in Sabah. In King, V. & Nazaruddin M.J. (eds.) *Issues in Rural Development in Malaysia*. Kuala Lumpur: Dewan Bahasa dan Pustaka - Kementerian Pendidikan Malaysia. pp 68-81.