

BUSINESS STRATEGY AND LIFE-STYLE: OWNERS OF COMBINE-HARVESTERS IN NORTH MALAYSIA

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The construction of major infrastructural facilities -- dams, irrigation and drainage networks -- and the subsequent introduction of technological innovations and institutional changes have been of decisive significance for the recent transformation of agriculture in the Muda area of north Malaysia. Based on a long history of rice cultivation as a commercial crop, the introduction of high-yielding varieties and double-cropping in the early 1970s led to an enormous increase in productivity and to a transformation of husbandry practices in paddy production. In the operations of nursery preparation, transplanting and weeding, agriculture has become heavily dependent on chemical inputs such as fertilizers, pesticides and herbicides. The agricultural operations of land preparation and harvesting have become highly mechanized, while transplanting -- which requires intensive labour input -- has almost disappeared, being replaced by direct-seeding and broadcasting.¹

This recent agricultural transformation in the Muda area applies not only to developments in the forces of production but also to those in the relations of production. Over the last 20 years, a large number of studies have been conducted on the impact of agrarian modernization on the social structure of the Muda area. Most of these studies argue that with the increasing commercialisation in agriculture, differentiation within the peasantry accelerated. This resulted in a sharpening of socio-economic differences between a large class of small peasants and agricultural labourers at the lower end of the agrarian structure, and a small class of well-to-do rural capitalists, mostly middle and large farmers.²

Although references to the class of rural capitalists are found in almost all these studies, the upper end of the agrarian social structure seems to have received far less attention than has the lower end.³ Moreover, those few studies that explicitly focus on the class of rural capitalists in the Muda area mainly concentrate on socio-economic aspects of their behaviour, while references to the cultural aspects are rare and often viewed as 'mere'

consequences of business success. Most observations on the life-style of the rural capitalist class are related to the question of whether their pattern of conspicuous consumption interferes with the reinvestment of surplus for productive purposes. To the extent that remarks are made on other socio-cultural aspects of this class, they are usually related to ethnicity. The question of family structure, educational background or social contacts among the rural capitalists is often linked to the problem of the extent to which the Chinese or Muslim background of entrepreneurial families in the Muda area facilitates or hinders their success in business.⁴ Apart from this, focus on ethnicity, however, there has been no empirical research on the interconnections between the economic and socio-cultural behaviour of the rural capitalist class in the Muda area.

In this paper I attempt to partly fill this gap through an account of the interrelation between the business strategy and life-style of the owners of 40 enterprises of combine-harvesters in the Muda area, based on research conducted between April and September 1994.⁵ After an overview of the development of mechanized harvesting in the Muda area, I describe in section two the business strategy of the owners of the combine-harvester enterprises, including management practices, patterns of investment and forms of cooperation. This is followed by an analysis of the interrelation between the economic behaviour and life-style of this class in section three, including their ethnic background and leisure activities. Based on these findings, I argue in the final section that the life-style of the rural capitalist class in the Muda area is an important aspect of their business management and should not just be seen as a 'mere' consequence of their economic behaviour or viewed exclusively in terms of ethnicity.

THE DEVELOPMENT OF MECHANIZED HARVESTING

Harvesting of rice in the Muda area of north Malaysia today is highly mechanized activity. At the end of every season, big western-made combine-harvesters with 13- to 14-foot cutter bars and over 100 horsepower engines can be seen crawling across the plains of Kedah and Perlis states, reaping and threshing more than 10 acres of paddy a day each. What used to be a highly labour-intensive part of the agrarian cycle has become a period during which the large rice fields of the Muda area look almost deserted. Except for the

driver of the combine-harvester and his assistant, there is often no one in the field at the time of harvesting. Only occasionally there might be seen a few persons watching on the side. Sometimes a truck-driver is waiting for the rice to be unloaded, which he takes to one of the rice mills in the area. Then there is the broker, the local intermediary between the combine-harvester owner and the cultivator, who regularly pays a visit on his motorcycle, occasionally in the company of the owner or tenant of the land. It is his task to organize and check the harvesting activities, to arrange for transport to the rice mill, to bring fuel for the combine and food for the driver and assistant, and to determine the order of the fields to be harvested. Finally, and only every so often, the owner of the combine-harvester arrives in his car. He checks the work, brings required spare parts, discusses the harvesting activities with his driver and broker, and collects part of his fee for the work completed.

Mechanization of rice harvesting in the Muda area is a very recent phenomenon. The first combine-harvesters were brought in to work on a commercial basis by private contractors in 1975.⁶ They followed the introduction of double cropping in the early 1970s and stimulated the replacement of transplanting by broadcasting in the 1980s. Although at the initial stage there were cases of sabotage and resistance (Scott 1985: 248-55), within just five years mechanized harvesting had become a common phenomenon in the Muda area.⁷ Already in 1980, nearly 84 per cent of the area was mechanically harvested, and soon after that manual harvesting disappeared almost completely from the region (MADA 1981: 2). Although there are no exact data available on the number of combine-harvesters operating in the Muda area today, I have estimated their total number to be between 800 and 1,000 units in 1994.⁸

About one-fourth to one-fifth of this total number of combine-harvesters is owned by those 40 companies among which I conducted my fieldwork. In total, these 40 companies own 209 combine-harvesters: 16 companies own one to three combines, 14 companies own four to seven combines, while the remaining 10 companies own eight to 14 combines (Table 1).

TABLE 1: DISTRIBUTION OF COMPANIES BY NUMBER OF COMBINE-HARVESTERS OWNED

Number of combines	Number of companies	Total number of combines	Average number of combines
1-3	16	32	2.0
4-7	14	75	5.4
8-14	10	102	10.2
Total	40	209	5.2

Most of them started their businesses during the early years of the introduction of combine-harvesters in the Muda area. Out of the 40 companies, 28 were established before 1986 while more than half even started before 1981. A closer look reveals that the owners of nine companies were already owners of one or more combine-harvesters before they started their present companies. They left an earlier partnership without taking a combine-harvester and started a new company with the purchase of a new combine. If we take these earlier partnerships into consideration, it turns out that the owners of 32 of the 40 companies already started in business before 1986, while 26 even started before 1981 (Table 2).

TABLE 2: COMBINE-HARVESTER ENTERPRISE BY YEAR OF ESTABLISHMENT

Year of foundation	Number of enterprises	Year of purchase of first combine-harvester by the owner
1975-1980	21	26
1981-1985	7	6
1986-1990	10	7
1991-1994	2	1
Total	40	40

During these first years, mechanized harvesting turned out to be an extremely profitable business into which to venture. In his study of 20 owners of combine-harvesters in 1981-82, Mustafa Najimuddin calculated that between 1977 and the first season of 1981, the average profit per combine was RM37,000 per season. The most profitable season was the first season of 1979 when the average profit per combine was RM47,000. From that season

onwards, however, profits showed a steady decline to about RM22,000 in the first season of 1981 (1985: 32). According to Mustafa Najimuddin, this fall in profits was mainly due to a decline in the average area operated per machine, along with a rise in costs of production. As a result of increased competition -- the number of combine-harvesters rose from 88 in 1977 to about 350 in 1981 -- the amount of land harvested per combine per season declined from 1,100 *relong* (one *relong* equals 0.711 acre) in 1977 to about 850 *relong* in 1981, while the charges imposed on the farmers even dropped in terms of constant prices (1985: 23-4). This made him remark that although "...it was still profitable to operate combines in 1980 compared to the opportunity cost in terms of the return on capital if the amount expended on the purchase of combines is instead kept in the bank to earn interest... the situation changed in 1981 with the opportunity cost of capital exceeding the average amount of profit" (1985: 32). Therefore, with a total of about 350 combine-harvesters operating in the Muda area by the end of 1981, the business of mechanized contract harvesting seems to have already reached its economic saturation point by that time.

Since the early 1980s, however, the number of combine-harvesters operating in the Muda area has more than doubled, from 350 in 1981 to about 800-1,000 units in 1994. Although part of this increase was the result of new entrepreneurs entering the market, most of it took place within already existing companies or within companies set up by former partners. This is also shown in the history of the 40 selected companies. Although the majority of them were established before 1981, they bought most of their combine-harvesters after 1985. Out of the total of 238 combine-harvesters bought by these companies between 1976 and 1994, 151 were bought after 1985. Over the years, these companies lost 29 combine-harvesters, which were either sold off or were the result of a split-up of partners. If we deduct these 29 machines that disappeared from the ownership of the 40 companies, it turns out that the total number of combine-harvesters owned by these enterprises almost tripled over the last nine years, from 75 combines in 1985 to 209 in 1994. The overall result of this development in the 1980s is a substantial increase in the average size of the selected companies, from 1.9 combines in 1980 and 2.7 in 1985 to 5.2 combines in 1994 (Table 3).⁹

TABLE 3: DISTRIBUTION OF COMBINES PURCHASED AND 'LOST' BETWEEN 1976 AND 1994

Year	Number of Combines bought	Number of combines 'lost'	Cumulative total number of combines	Average number of combines
1975-1980	46	6	40	1.9 (21 companies)
1981-1985	41	6	75	2.7 (28 companies)
1986-1990	86	9	152	4.0 (38 companies)
1991-1994	65	8	209	5.2 (40 companies)
Total	238	29		

These 40 companies showed not only a substantial increase in the number of combine-harvesters after 1985, but also witnessed a change in the type and brand of the machines purchased. Almost all of the combine-harvesters that were purchased by the companies between 1975 and 1980 were new machines, directly imported from Europe. Between 1981 and 1985, half of the combines purchased were new machines, while the other half were second-hand machines from the Muda area that had come into the market when other companies went out of business. After 1985 hardly any of the 40 private contractors bought new combine-harvesters: 147 out of the 151 machines bought between 1986 and 1994 were second-hand combine-harvesters. A very large part of these (117 out of the 147) were second-hand imported combines, i.e., combines that had been used in western countries before, mainly for harvesting wheat and maize in Europe and Australia. As a result, more than half of the combine-harvesters owned by the 40 companies today are of the second-hand imported type (Table 4).

TABLE 4: DISTRIBUTION OF COMBINE-HARVESTERS BY TYPE/ORIGIN AND YEAR OF PURCHASE

Year of purchase	New combine	Second-hand from Malaysia	Second-hand imported	Total number of combines purchased
1975-1980	44	2	-	46
1981-1985	19	22	-	41
1986-1990	3	21	62	86

Year of purchase	New combine	Second-hand from Malaysia	Second-hand imported	Total number of combines purchased
1991-1994	1	9	55	65
Total	67	54	117	238

The first of these second-hand imported combines entered Malaysia in 1986, brought in by private traders. To make them suitable for rice harvesting in the Muda area, the companies have the threshing mechanism adjusted in local workshops. The combines are also raised in height by way of an extra under-carriage and have their four large tyres changed into two caterpillar tracks at the front and two smaller tyres at the back. Even after completing these major adjustments in a workshop, supplemented with smaller repairs by the companies themselves, the price of these second-hand imported combines is considerably lower than the price of a new combine-harvester. Around 1986 a second-hand imported combine cost around RM80,000, or about RM110,000 after adjustments and repairs. In 1994 a second-hand imported combine cost around RM35,000, or about RM80,000 after adjustments and repairs. This is substantially lower than the price of a new combine, which around 1986 was almost RM200,000 and which increased to more than RM 250,000 in 1994.

This decline in the purchasing costs is one of the reasons for the substantial increase in the number of combine-harvesters after 1985. Another reason is the increase in competition, although this sounds like a paradox. We have seen that the market for mechanized harvesting seemed to have reached its saturation point by the early 1980s, which resulted in a decline in the average area harvested per combine. Many entrepreneurs recalled with nostalgia how during the early years the brokers and farmers used to come to their house to ask for their fields to be harvested. Whenever there were technical or logistical problems, the farmers had no choice but to wait for a few days as there were no other combines available to harvest their fields. In the second half of the 1980s, however, this situation changed. The large increase in the number of combine-harvesters in the Muda area resulted in stiff competition among the entrepreneurs. Whenever a particular company could not harvest on time -- due to a breakdown of the machine or because harvesting of other fields had been delayed because of rain -- the broker and the farmers would search for other companies to harvest their fields. This made the owners of the

companies realize that they needed more combine-harvesters in order to overcome these logistical problems and thereby to keep control over the area harvested by them.

Only a very small part of the area harvested by the 40 companies is situated in the immediate vicinity of the owner's residence, which in almost all cases is a village or a small rural town. Mechanized harvesting in the Muda area is not a village-based activity but takes place on the regional level. Although the combine-harvesters of each company operate in a limited number of locations only, these locations are usually spread out all over the Muda area, as a result of which their field of operation covers an area of 46 by 14 miles. On top of that, the increased competition for work in the 1980s resulted in a tendency to take up harvesting work outside the Muda area. Already in 1981 a few of the present-day companies had sent their combines to Perak and Kelantan to harvest rice -- a distance of several hundred kilometers from the Muda area. At that time, however, this was a new and relatively difficult undertaking. There were no trailers, so the owners had to send their combines by train to Kelantan and drive them on the road to Perak, after changing the cater tracks to tyres, with the cutterbars and cater tracks being transported by truck. This turned out to be an unprofitable business, given the high costs of transport and relatively low earnings due to the unwillingness of farmers in Kelantan and Perak to have their rice mechanically harvested. Although these first entrepreneurs stopped harvesting outside the Muda area after one year, several of them did start again at the end of the 1980s. The availability of trailers made transport easier and cheaper, and mechanized harvesting quickly gained acceptance outside the Muda area as well. After these pioneering companies had re-widened their field of operations to include most of peninsular Malaysia, many others followed. As a result, today most of the companies with more than three combine-harvesters obtain a part of their income from harvesting rice outside the Muda area, especially in Perak, Penang, Kelantan and Selangor. Among the companies having more than seven combines, the proportion of earnings from outside the Muda area can even go up to 30 per cent of their total income in this line of business.

Extending their field of operation to most of peninsular Malaysia has enabled the larger companies to make better use of their combines. Harvesting in Kelantan, Perak and Selangor usually takes place during the slack periods of the agrarian cycle in the Muda area. Through this activity these companies

have been able to compensate for part of the decline in the average area harvested per combine in the Muda area. Although the owners are often unwilling to provide exact figures on the amount of *relong* harvested, my impression is that this is at present between 400 and 600 *relong* per combine per season in the Muda area. It is this decline in the average area harvested per combine -- from 1,100 *relong* in 1977 to 800 in 1981 and about 500 in 1994 -- that encouraged the larger companies to look for opportunities outside their region. This in turn stimulated the further growth of these companies, as they needed a larger number of combine-harvesters to be able to operate the whole year round and sometimes in several states of peninsular Malaysia at the same time.

A final factor that resulted in a further increase in the number of combines per company is the recent change in popularity of the different brands of combine-harvesters, particularly the shift from the Claas brand to the New Holland brand. From the time of the introduction of the first combine-harvesters in the Muda area, there have been six main brands of western-made combines operating in this part of Malaysia: Claas (Germany), New Holland (Belgium), Deutz Fahr (Germany), John Deere (USA/UK), Laverda (Italy) and Massey Ferguson (UK).¹⁰ From the information provided by Yamashita et.al. (1979: 44) on the 172 western type of combines operating in the Muda area at the end of 1979, the Claas brand seems to have been the most popular one (85 units), followed by John Deere (30 units) and New Holland (22 units). This was also the case among the 20 contractors studied by Mustafa in 1981, who found that the Claas brand accounted for 50 per cent of the total number of combines owned, followed by New Holland and John Deere (1985: 20). Over the years, however, the first position of Claas combine-harvesters has been overtaken by New Holland, which has become the most popular brand of combine-harvester in the Muda area today. This is also shown in the history of the 40 selected companies. While more than half of the combines purchased by these companies before 1986 were Claas combines, this brand makes up less than one-fourth of the combines bought thereafter. Over the years, the New Holland brand has become more popular: more than half of the combines purchased after 1985 were of this type, while this figure even increased to more than three-fourths of the combines purchased after 1990 (Table 5).

TABLE 5: DISTRIBUTION OF COMBINE-HARVESTERS BY BRAND AND YEAR OF PURCHASE

Brand	1976-1980	1981-1985	1986-1990	1991-1994	Total number of combines purchased
Class	27	23	32	4	86
New Holland	3	3	35	52	93
John Deere	8	7	14	3	32
Deutz Fahr	4	7	1	5	17
Laverda	-	1	2	-	3
Gillian	-	-	2	1	3
Massey Ferguson	4	-	-	-	4
Total	46	41	86	65	238

As a result New Holland has now replaced Claas as the most owned brand among the 40 companies (Table 6).

TABLE 6: DISTRIBUTION OF COMBINE-HARVESTERS BY BRAND OWNED BY THE 40 ENTERPRISES IN 1994

Brand	Number of combines
Class	72
New Holland	89
John Deere	28
Deutz Fahr	15
Laverda	2
Gillian	3
Total	209

This change in popularity from Class to New Holland combine-harvesters among the contractors has resulted from a change in preference among brokers and farmers. Since about the end of the 1980s, farmers and brokers are of the opinion that New Holland combines harvest better because they use five instead of four transporters and are therefore thought to waste less paddy during threshing. An additional advantage is that they are lighter and so are said to cause less damage to the soil. Most of the owners of the combines,

however, stated that this recent change in preference among the farmers and brokers is not based on facts, and according to them there are no real differences in the quality of harvesting among the different types of combines. They emphasize that provided the combine is in good condition, it is the ability of the driver that affects the quality of the harvesting to a far greater extent. However, being confronted with this change in preference among the farmers and brokers, who were now in a position to force their will upon the owners of combine-harvesters, several companies have been more or less compelled to acquire at least one or even a few New Holland combines in order to keep control over the area harvested.

BUSINESS STRATEGY

One of the consequences of the developments described above has been a concentration in the ownership of machines. Those entrepreneurs who had the financial means reacted to the increasingly stiff competition by making a leap forward and becoming owners of relatively large combine enterprises. The most remarkable aspect of this tendency towards concentration of ownership is the emergence of a category of so-called fleet owners. For the present I put the lower limit of this category at eight combines, although one could also argue that this category starts with the ownership of four combines, especially when there are not many partners involved. Among the 40 companies, there are 10 that own between eight and 14 machines, with an average of 10.2 combines per company. These 10 fleet owners have almost as many combines as the other 30 companies together. There is one company that owns 14 combine-harvesters, making it the largest enterprise of its kind in the Muda area. Although to my knowledge, the 10 fleet owners almost make up the total population of this category in the Muda area, there are certainly many more companies that have an ownership of four to eight combines.

Together the 40 companies employ 442 workers with an average of two per combine-harvester: one operator or driver (*derebar*) and one attendant or assistant (*kolek*). In the larger companies -- owning more than four combines - there are often one or two extra workers employed to supervise and help the drivers and attendants with repair work and to assist them at the time of harvesting. More than 90 per cent of these 442 workers are Malays, while the remaining 10 per cent are Chinese and Malaysian-Thai workers. Repair and

maintenance of the machines is carried out in front of the owner's house by the drivers and assistants themselves. For this work most owners have constructed a special roof, while some of the companies owning eight or more combines have built their own workshop at a separate location. In all cases, the tools and machines, including welding sets, boring-machines, cutting-machines and oxy-acetylene cutters, are kept in a separate tool-shed, while two companies even have their own lathe-machines.

Although various types of payment exist, in all the enterprises the major share of the income of the driver and assistant depends on the size of the area harvested (or the number of tons or bags of rice harvested outside the Muda area). Usually the driver receives about RM6 to RM7 per *relong* (or 10 per cent outside the Muda area), while the assistant receives RM2 per *relong* (or just over three per cent outside the Muda area), both of them being supplied with food and drink three times a day. For repair and maintenance work, most drivers and assistants are paid about RM10 per day, although there are companies that differentiate between both categories of workers. A few companies pay their workers one lump sum per season for this type of work, while some do not pay them at all but give them a higher wage for harvesting. In most cases, food and drink are provided once a day, being brought in from outside shops, although some of the Malay owners provide their workers with home-made food when the combines are under repair.

The price of harvesting within the Muda area ranges from RM60 to RM65 per *relong*. The harvesting contract with the owner or tenant of the land is always established through a commission agent or broker. These brokers are usually larger farmers who have ready access to and control over other farmers in their village, due to their economic position and social status in the community. Almost all of them are Malays, and only in those villages where there is a high concentration of Chinese farmers do we find Chinese brokers. On average a broker has between 300 and 600 *relong* under his control, although there are some brokers who have substantially more land to be harvested. Their job is to inform the owner of the combine-harvester about the time of harvesting; to decide the order of the fields to be harvested; to direct the drivers and assistants to the fields; to arrange for permission to pass through other fields; to provide fuel for the machine and food and drink for the driver and his assistant, and lodging if so required; to collect the contract charges from the farmers; and to help the driver and the assistant in case the

machine breaks down. They are, in short, the local intermediaries for the owners of the combine-harvesters, who often operate in regions relatively unknown to them -- all over the Muda area and in other states of peninsular Malaysia as well. For this work they receive between 10 to 15 per cent of the harvesting fee, which comes to about RM6 to RM10 per *relong*.

Together, the 40 companies have 98 owner-managers, which comes to an average of 2.5 per enterprise. It is common to find that within one company one of the entrepreneurs takes care of the external side of the management while the others share responsibility for the internal running of the enterprise. When the combines are not in the fields the 'internal managers' spend their working days supervising the repair and maintenance of the machines. To have the combines in good condition is of vital importance in this line of business. An 'internal manager' therefore often lends a helping hand with the repairs, having been a driver himself on one of his own combine-harvesters during his first years in business. Whenever one of the combines is sent to one of the specialized workshops in the area for major adjustments, these 'internal managers' usually visit the workshop once a day to check on the work and give instructions. At the time of harvesting, they are the ones who are constantly in the vicinity of the combines, bringing spare parts, assisting the workers with repairs, and staying with them for several weeks when the combines are harvesting in other states of Malaysia.

Most of the activities related to the external and financial side of the enterprise are handled by one of the other owner-managers, which in the case of brothers and close relatives is often the eldest member of the family. An important part of the day's work of these 'external managers' consists of visiting colleagues, relatives and friends, many of whom also own combines or workshops, or have contacts in the farming community. These owner-managers regularly pay visits to their brokers within and outside the Muda area to inform themselves about the coming season, to collect overdue accounts, to give advances, and to entertain them with meals (and, if the owner is Chinese, occasionally with beer, gambling opportunities and a visit to a massage parlour). Most of the day's work of the 'external managers' is therefore spent outside their homes and workshops, driving more than 50,000 kilometers a year in their cars. As almost all companies have one or more mobile telephones at their disposal, they regularly maintain contact with their partners, brokers and suppliers and keep themselves informed about recent

developments, especially with an eye to increasing their area of harvesting for the next season. When their combines are in the fields, they occasionally pay short visits to discuss the work with their partners, drivers and brokers, to bring the required spare parts, and to collect part of the harvesting charges. Based on the information provided by their brokers and partners, these 'external managers' decide if and when an extra combine-harvester is to be transferred from one location to another, within the Muda area or across peninsular Malaysia. In short, they are the ones who survey the entire business and take care of the external dealings of the company.

Increasingly, the owner-managers of combine-harvesters have become regional entrepreneurs whose field of operation covers the whole Muda area and often includes the territory of other states as well. At the same time however, they remain strongly based in rural society and closely linked to agriculture. In the case of almost all of the 40 selected companies, the main partner-family lives in a village (23 families) or in a small rural town (13 families), and only a very few of the main partner-families (four) reside in the state's capital Alor Setar.¹¹ In terms of sources of income, farming is the most common activity these owners of combine-harvesters are engaged in along with their combine businesses. Out of the 40 main partner-families, 26 operate agricultural land. These 26 families cultivate a total of 1,129.5 *relong* of agricultural land, which comes to an average of 43.4 *relong* per family.¹² Out of this, 844.5 *relong* is situated within the Muda area, while the remaining 285 *relong* is located in Penang and Perak states. With an average of 32.5 *relong* of agricultural land within the Muda area, these 26 families are among the largest farmers within the peasant community.¹³

This strong link to agriculture is visible not only in the current economic activities of these families but also in their occupational backgrounds. Almost all of the entrepreneurs belong to the first generation in their families to be owners of combine-harvesters, and the large majority of them had experience only in agriculture before they started their combine company. Three entrepreneurs had no work experience whatsoever but joined their father's company or that of a close relative immediately after completing their education. Out of the remaining 37 main partners, 30 had previous experience in farming or activities closely related to the agricultural sector. Fourteen entrepreneurs only had experience in agriculture, while 16 had experience in farming along with other agriculturally-related activities, such as the hiring

out of tractors or the running of a rice trading company, a rice mill or a transport company. Among them, eight entrepreneurs also had some experience in the combine business, either as a broker (three), a driver (four) or both (one). The remaining seven entrepreneurs had previous experience in non-farming activities only, although often indirectly related to the agricultural sector.

Notwithstanding their lack of experience in mechanized harvesting, the bigger companies are able to make substantial profits in their business, although there are large variations among them. Part of these profits are reinvested in the combine enterprise by purchasing more machines or making improvements in the workshop facilities. More significant than these forms of capital deepening is the fact that part of the surplus appropriated is invested in other economic activities. A characteristic feature of these families today is that they have, along with their ownership of combine-harvesters, other economic interests. Part ownership of a combine enterprise represents the sole independent business venture for only eight of the 40 families. The remaining 32 families are simultaneously active in business ventures of various kinds (Table 7), including farming (26 families); hiring out of tractors (nine); rice trade, including the ownership of trucks to transport the rice (three); rice mill (one); transport concerns (three); workshops for agricultural machinery (three); and trading companies in agricultural and non-agricultural spare parts (two).

TABLE 7: ECONOMIC DIVERSIFICATION BY THE MAIN PARTNER-FAMILIES OF THE COMBINE ENTERPRISES

Type of Activity	Number of families	Amount of land/ Number of units
Farming	26	1290.5 (<i>relong</i>)
Contracting of tractors	9	25
Agricultural trade	3	3
Rice mill	1	1
Transport	4	8
Workshop	3	3
Trading company	2	1
Service	2	2

In terms of ownership, these entrepreneurs usually operate in cooperation with others, primarily with family members. The extended family household is the predominant form of family structure among the 40 main-partners (Table 8).

TABLE 8: TYPE OF HOUSEHOLD ORGANISATION AND NUMBER OF FAMILY MEMBERS AMONG MAIN PARTNERS

Type of household	Number of families	Number of households	Number of family-members	Average number of members
Nuclear family	17	17	97	5.7
Extended family				
a. One residence-kitchen	10	10	91	9.1
b. More than one residence-kitchen	13	36	211	16.2
Total	40	63	399	10.0

Only 17 live in a nuclear family, which consists of not more than two generations, usually the father, mother and their unmarried offspring. The remaining 23 families have a joint type of family organization. These families consist either of members of three or more generations or of two or more married brothers or cousins and their unmarried children. These 23 extended family households share common property and pool together their resources for common consumption. A large number of them, however, do not share a common residence. Out of the 23 extended family households, 13 families do not live together under one roof but in separate houses. These 13 families have set up 36 separate households to deal with the daily domestic affairs such as cooking food, washing clothes, etc. At the same time, however, the members have agreed to continue sharing the responsibility for their incomes as well as their expenditure. Although most of the adult males live separately with their own families, they still operate as a single family as far as their economic interests in combine harvesters, agriculture, trade and other activities are concerned.

Although this type of family arrangement is not based on economic considerations alone, it does enable these businessmen to increase their rate of surplus accumulation and to follow a strategy of economic diversification, or at least facilitates them in doing so. Because they are part of an extended family household they are often able to mobilize the financial and managerial resources needed for their various business dealings in agriculture, agriculture-related activities such as mechanized harvesting, trade and transport, and in industry. It is therefore not uncommon to find that within one family, one member manages the combine-harvesters while another takes care of the family land or the trading activities. By systematically diversifying their interests, these families create additional employment for their members with the aim of slowing down the partition of the family's property. Although in the end these joint type of families are bound to break up, delaying this process gives them time to enlarge their present undertakings and to set up economic activities in other fields. On the one hand it creates scope for amassing and transferring capital - by delaying the moment at which it is split up - and on the other hand it enables different business activities to be distributed among the adult male members of the family. Where several business ventures are conducted simultaneously it is therefore frequently carried out in the context of an extended family household.

The establishment of business activities on unfamiliar ground is not usually undertaken by one family on its own, but in partnership with one or more other entrepreneurial families. In terms of ownership, 27 companies are owned by members of one family who share common property and pool together their resources for common consumption. The remaining 13 enterprises operate on a partnership basis. In the case of five of them, the partnership consists exclusively of relatives, usually brothers or cousins who operate together in their combine business but form separate families with regard to other economic activities and expenditure. Four enterprises consist of a partnership with non-relatives, while the remaining four companies have a mixed partnership involving relatives as well as non-relatives (Table 9).

TABLE 9: DISTRIBUTION OF COMBINE ENTERPRISES BY TYPE OF OWNERSHIP

Type of ownership	Number of enterprises	Number of families
Family enterprise	27	27
Partnership with relatives	5	11
Partnership with non-relatives	4	01
Partnership with relatives and non-relatives	4	23
Total	40	71

Characteristics of almost all these partnerships is their informal nature. They are seldom registered officially but exist as oral agreements among the partners.

The number of existing partnerships at present does not in itself provide an adequate indication of the importance of this form of cooperation for the rise of these entrepreneurs. Looking at the business histories of the 40 companies, there have been many changes in partnership over the years. Out of the 13 companies that operate in partnership, six experienced one or more changes in their partnerships in the past. In some cases partners left, in other cases new partners joined the company, while two companies experienced both types of change. Although most of the 13 present-day partnerships relate to all the combines owned by the company, several partnerships relate only to some of the combines owned, with the remaining combines being the property of one family only. The importance of partnership as a form of economic cooperation is further shown by the fact that out of the 27 present-day family enterprises, 18 operated with partners in the past. This means that out of the 40 companies, 31 have at one time or another operated in partnership.

While the pooling of capital is one of the reasons why these businessmen form partnerships, it is not the only one. One of the other reasons why most entrepreneurs have entered partnerships at one time or another is to counteract the uncertainty they face when operating on relatively unknown territory. By doing so they can take advantage of the experience, knowledge and contacts of other families. Problems encountered in managing two or more different

economic activities simultaneously has been another reason for these entrepreneurs to enter into partnerships. This aspect is particularly important for those families who do not have enough male members in relation to the number and size of economic activities engaged in by the family. Someone who is running several businesses at the same time, frequently in different sectors, will not be able to work full-time on a newly established concern and will generally need a trusted business associate. Simultaneous involvement in diverse business ventures is thus another reason that many of these families have elected to form partnerships.

ECONOMIC BEHAVIOUR AND LIFE-STYLE

The foregoing analysis indicates that cooperation both within and outside of the family is an important aspect of the business strategy of the owners of combine-harvesters in the Muda area: many of them live in joint type of families, and almost all have made use of partnerships. Although cooperation is characteristic of the majority, there are differences within the group that partly coincide with ethnic background. In total, the 40 companies are owned by 71 families, of which 51 are Chinese who own 76 per cent of the total property, while the remaining 20 families are Malays who have a total share of 24 per cent.¹⁵ Of the most actively involved family in each of the companies, 28 are ethnic Chinese while the remaining 12 are Malay. The predominance of the extended family households, as discussed above, is stronger among the Chinese than among the Malay families, although this form of family organization is certainly not absent in the last category. Out of the 23 families which are of the joint type, 18 are ethnic Chinese while the remaining five are Malay. Twelve of these 18 Chinese families do not live together under one roof, but still operate as one family in terms of income and expenditure, while only one of the five Malay families lives in this type of extended family household. of the business strategy of the owners of combine-harvesters in the Muda area: many of them live in joint type of families, and almost all have made use of partnerships. Although cooperation is characteristic of the majority, there are differences within the group that partly coincide with ethnic background. In total, the 40 companies are owned by 71 families, of which 51 are Chinese who own 76 per cent of the total property, while the remaining 20 families are Malays who have a total share of 24 per cent.¹⁵ Of the most actively involved family in each of the companies, 28 are

ethnic Chinese while the remaining 12 are Malay. The predominance of the extended family households, as discussed above, is stronger among the Chinese than among the Malay families, although this form of family organization is certainly not absent in the last category. Out of the 23 families which are of the joint type, 18 are ethnic Chinese while the remaining five are Malay. Twelve of these 18 Chinese families do not live together under one roof, but still operate as one family in terms of income and expenditure, while only one of the five Malay families lives in this type of extended family household.

The importance of this difference in family structure between Malay and Chinese entrepreneurial families has been extensively analyzed by Muhammad Ikmal Said in his study of large farmers in the Muda area (1988). He explains the superior economic position of Chinese large farming families compared to their Malay counterparts in terms of their family structure and developmental cycle. Staying together as one family for a greater number of years - until the point when the father dies, or, more usually, when the grandchildren mature - and dividing the property among a relatively small number of children (between sons only) gives the Chinese large farming families the chance to increase their scale of farm operations, despite the usual disruption caused by fission of the household. On top of that, it gives these families a better opportunity than their Malay counterparts to diversify their economic interests by using part of their capital accumulated in agriculture to establish non-farm activities such as rice trading companies, shops or combine-harvester contracting (1988: 138).

Although of great importance, cooperation within the family is only one form of economic cooperation. As indicated above, the large majority of the owners of combine-harvesters have at one time or another entered into partnerships. In such arrangements, cooperation between families of different ethnic backgrounds is not uncommon. Out of the 13 companies that operate in partnership at present, six are owned by Malay and Chinese families together. Four of the exclusively Chinese companies and four of the exclusively Malay companies had a mixed Malay-Chinese composition in the past. If we take these previous partnerships into account, it turns out that 14 out of the 31 companies that at one time or another operated in partnership, had a mixed Malay-Chinese ownership. In addition, economic cooperation between Malay and Chinese families in the combine business extends to temporary

partnerships for harvesting rice outside the Muda area. Especially with regard to tenders for harvesting on a large scale -- for example, for semi-government corporations -- Chinese and Malay owners often pool together their combine-harvesters in a joint application. Although in some cases the Malay owners are used as front-men in order to meet the government condition of Malay participation, in many other cases economic cooperation between Malay and Chinese owners of combine-harvesters is on an equal footing.

Notwithstanding these various forms of economic cooperation between combine-harvesters owners, there are clear divisions in terms of economic behaviour between different groups within the entrepreneurial community. These divisions partly coincide with the distinction between Malay and Chinese entrepreneurs, but they also coincide with differences in life-style within the Chinese community. At the risk of greatly exaggerating the differences, one could distinguish three ideal-types of owners of combine-harvesters -- one Malay and two Chinese types.

A characteristic feature of the Malay entrepreneurs is that they usually operate through their contacts within the Malay peasant community in their own home areas. All the Malay owners of combine-harvesters reside in their home villages and their evenings are usually spent at home, often in the company of local friends and relatives who are mostly small or middle peasants. Through these friends and relatives the Malay entrepreneurs establish and extend their contacts with brokers in the Muda area and in other states of Malaysia. In Perak, for example, the larger Malay owners were able to establish first contacts with local Malay brokers through Malay farmers from their home villages who had moved to Perak some years ago in search of agricultural land. Starting with these, they were able to extend their contacts to other regions in Perak and beyond. Some of them stated that in these first contacts with local brokers in unknown regions they deliberately use their ethnic background to get orders for harvesting.

Most of the surplus of these Malay owners of combine-harvesters is reinvested in agriculture -- through purchasing land -- or used to further develop their companies - through the purchase of additional combine-harvesters, tools or machinery. Economic diversification outside farming is limited among these entrepreneurs and is always very closely related to the agricultural sector, such as a rice transport business or a rice trading

company. In sum, they are rural entrepreneurs who have become economically and geographically mobile by making extensive use of their local agricultural base.

It's eight o'clock in the morning when Rashid Moktar (age 39) enters his workshop compound. Together with his younger brother Ghani (age 34), Rashid is the owner of 10 combine-harvesters. Their workshop, which they constructed in 1992, is located a few hundred metres from Rashid's house in their native village, situated in the northern part of the Muda area. Six of their combine-harvesters are in the workshop for repair and maintenance. The remaining four are in Perak where they have been harvesting rice over the past four weeks. Rashid's brother Ghani stays there to supervise the work and to maintain the contacts with the local brokers. Yesterday evening he phoned from Perak to inform Rashid that they needed an extra combine-harvester; work had been slowed down due to rains, and on top of that, one of the combines was having problems with its engine. Rashid had immediately contacted one the Chinese owners of a trailer and was lucky to get transport at such a short notice. This evening, one of their combines will leave for Perak.

Following Ghani's phone call, Rashid has decided to go to Perak this morning. In the workshop, he first informs his workers of his decision and instructs them about the work to be done today and tomorrow. He tells the driver and assistant who will go to Perak tonight to take a handphone with them and to put one of the motorcycles on the trailer. Rashid and I then leave for Perak, but first we make a short stop in Alor Setar where we buy some spare parts that Ghani had asked for last night. Driving on the north-south highway to Perak, Rashid keeps himself regularly informed by car phone about the progress in the workshop at home and about the situation in Perak. When we reach the area where their combines are harvesting, it starts to rain again. Ghani gives directions, by phone, on how to get to the fields and informs us that one of the combines has got stuck in the mud. For more than an hour, they are busy trying to get it out again with the help of one of their other combine-harvesters. After they finally succeed, it turns out that the combine has suffered some damage. While Ghani and the workers start welding some broken parts, Rashid and I leave the fields in the company of their broker who had joined us in the meantime.

Drinking tea at one of the foodstalls in a nearby village, Rashid discusses the remaining harvesting work with his broker and collects part of the payment after deducting the costs of fuel and of food for the workers, and the rent of the house in which Ghani and the workers have been living over the past few weeks. After half an hour we leave to pay a visit to a friend of Rashid's who comes from a village near Rashid's village but moved to Perak in search of agricultural land about fifteen years ago. 'Through this friend and some other Malay friends from the Muda area, I was able to make my first contacts with local Malay brokers in Perak', Rashid told me on the way to his friend's house. 'He informs me whenever there is any possibility of extra harvesting work, either here or in other parts of Perak'. During dinner at his friend's place, Rashid discusses the harvesting business in the area exhaustively and tries to find out information about specific brokers. At about ten o'clock we return to the rented house where Ghani and the workers are just preparing for the night. Before going to bed, Rashid discusses the work with Ghani and on the basis of this information, he decides that on our way back to Kedah tomorrow we will first visit two of their brokers to collect overdue accounts.

The next morning we are on our way early, taking breakfast in one of the nearby rural towns. After paying a short visit to the first broker, where Rashid collects part of his money, we spend a large part of the morning at the house of the second. This broker brings Rashid into contact with another local broker who might be interested in giving harvesting work to Rashid next season. After Rashid has accompanied his broker to the village mosque for the Friday prayer, we leave for Kedah. Once we are in the car, Rashid explains that in his first contacts with brokers he deliberately makes use of his Malay background and the fact that he is a farmer in Kedah himself. 'Although I wanted to leave earlier, I thought it would be better to join them in the Friday prayer, because I know that both of them are very religious persons. Whenever I make first contacts with a potential broker, I also emphasize the fact that I am farmer myself and have once been a broker and therefore understand their problems much better than most other owners of combine-harvesters, especially those of Chinese origin. I have many friends among the Chinese businessmen in Kedah, with whom I sometimes collaborate, but when I am with these Malay brokers I try to emphasize that I am one of them, a Malay farmer and a religious Muslim. I think that's

important and over the past few years, I have been able to get a fair amount of harvesting work here in Perak'.

After having been a driver of a combine-harvester owned by a Chinese businessman, and one of the larger brokers of his village, Rashid and his brother joined together in the purchase of their first combine-harvester in 1980. Over the years, they have slowly increased the number of combines they own. In 1990, they owned five combine-harvesters, all of them of the Claas brand. Over the next two years they bought five, second-hand, imported combines of the more popular New Holland brand. At the same time, they invested part of their profits in the construction of the new workshop and Rashid himself purchased two tractors and one truck for rental purposes.

Although the two brothers have made substantial progress in their combine business over the past fifteen years -- supporting a luxurious life-style for them and their families -- Rashid seems to use every opportunity to stress that he can hardly make ends meet in this line of business in which competition is increasing, costs are rising, and profits declining. 'Farming is still the easiest way of making good profits', he told me when we reached his house that evening, 'and the buying of land is still the best investment one can make'. Over the years, Rashid has been able to increase his operational holding from 12 *relong* in 1978 -- his private share of the family inheritance -- to 37 *relong* in 1994, of which 30 *relong* are his own personal property. Only a few months ago, he bought 3.5 *relong* of agricultural land for which he paid RM45,000. 'I am always interested in buying land', he said, after we had eaten dinner at his home and were visiting one of his farmer neighbours who not only informed him about the water supply in the fields, but also about the fact that his cousin, from whom Rashid has been renting some land over the past few seasons -- paid for in advance in a lump sum -- is in need of more money and might be willing to sell off his property.

A characteristic feature of the Chinese owners of combine-harvesters is that they usually operate through their contacts within the Chinese community. A 'homely' life-style is typical of one category among them. These Chinese entrepreneurs usually spend their evenings in their home villages or neighbourhoods in the company of local Chinese friends and relatives, several of whom are also combine-harvesters owners. Although they sometimes drink

a glass of beer, imbibing alcohol is not a major part of their leisure activities. Through these friends and relatives, who usually have a similar 'homely' life-style, these Chinese entrepreneurs establish and extend their contacts with Malay brokers in the Muda area and in other states of Malaysia. Although these Chinese entrepreneurs also meet with Chinese owners of combine-harvesters who have a more 'conspicuous' life-style, this is mainly confined to working hours.

Most of the surplus of these Chinese entrepreneurs is reinvested in their companies through the purchase of combine-harvesters or tools and machinery. Government policy to restrict the ownership of agricultural land by ethnic Chinese makes it very difficult for them to purchase land, although they use part of their surplus to give loans to Malay farmers in exchange for the right to cultivate their land. These Chinese entrepreneurs are therefore still interested in expanding their scale of operation in agriculture, and if they diversify into economic activities outside farming they are always very closely related to the agricultural sector, such as rice transport, milling or trading. In sum, they are rural entrepreneurs who have become economically and geographically mobile by making extensive use of their local agricultural base.

Lee Bai Chai (age 38) is the eldest of five brothers who live in a small rural town in the southern part of the Muda area. Four of them live together in the parental house in the main street, along with their father, mother, and youngest sister. The fourth brother lives separately with his family, but as far as the economic interests of the brothers are concerned, they still operate as a single family. Jointly they own 14 combine-harvesters, three trailers, four tractors, one truck and lease in 50 relong of agricultural land. In 1977, the family was among the first owners of a combine-harvester in the region. At that time, their father was a rice trader alongside his farming activities. Being the eldest son, Chai took care of the combine-harvester, which he drove himself during the first two seasons. Profits were high and they quickly expanded by buying more combine-harvesters. By 1980, they already owned four combine-harvesters, which increased to seven in 1985 and fourteen in 1993. During those last five years, they also bought their three trailers -- in partnership with relatives -- constructed their large workshop, purchased two of their four tractors, and expanded their farming

activities by leasing land on a long-term basis from small peasants in the surrounding villages.

It is the youngest brother who supervises the farming activities and the hiring out of the tractors, while the second and third brothers take care of the internal running of the family's combine-harvesters enterprise. They are the ones who are constantly in the vicinity of the combines, lending a helping hand with the repairs in the workshop and supervising the harvesting operations on a day-to-day basis, both in the Muda area and in areas outside it. The fourth brother and Chai, being the eldest, take care of the external and financial side of the combine enterprise and of the hiring out of the three trailers. Most of their day's work is spent outside their home and workshop, visiting colleagues, relatives, and friends who own combine-harvesters or specialized workshops, or have contacts in the farming community.

Several times I accompanied Chai for a few days on his trips through the Muda area and beyond. On one of those occasions we paid a visit to his eldest brother-in-law, whose family owns six combine-harvesters, in a nearby town. Chai went to see him to discuss the possibility of collaborating in their attempt to get one of the government tenders for harvesting rice in Perak this coming season. As they had done last year, Chai's family would put in six combines, his brother-in-law three, and one of Chai's cousins would bring in four machines in conjunction with his Malay partner, whose name they would use in the application. During their talk, Chai's brother-in-law indicated that he might be able to help Chai in finding new harvesting work in Selangor. He had recently met a shopkeeper whose brother had moved to Selangor some years back and might be able to help Chai to establish new contacts with both Malay and Chinese brokers there. Along with his brother-in-law, we went to see the shopkeeper who told us that his brother might return from Selangor for a short visit later that month. He promised to contact Chai's brother-in-law when his brother arrived, so that they could meet and get the information about the harvesting work from him personally.

After dropping Chai's brother-in-law at his house, we also went home. On our way back, we paid a visit to one of the specialized workshops in the region. One of Chai's combine-harvesters was being repaired there and he

wanted to find out what progress had been made so far. When we entered the office, there were four other customers present, all of them Chinese owners of combine-harvesters. Judging from the number of empty beer cans on the table, they must have already been there for some time. After Chai had inspected and discussed the condition of his combine with his workers, we joined the others, who had started to play cards for money, in the office. By now it was past six o'clock and after another few beers one of them suggested having dinner in Alor Setar with some other friends they had already contacted by phone. Chai and I were invited to join them, but I could see that he was uncomfortable with the situation. 'You can go with them if you like', he told me, 'but I cannot come with you because I have other things to do tonight'. I quickly cooked up an excuse for not being able to join them this time, and after I had promised that I would certainly accept their invitation at a later stage, Chai and I returned home.

On the way back, Chai told me that he hardly ever joins this group in their outings. 'It was because of your presence that they also invited me, because they know that I will not join them. They drink too much and usually stay in a nightclub or karaoke bar until the early morning. If I go with them I am supposed to join them in everything, otherwise they do not enjoy my company. I don't like to spend my evenings that way, I think it's a waste of money and also quite dangerous to drive home with so much alcohol in your body. I prefer to stay at home and spend the evening in one of the shops in our main street, having a few beers, talking to friends and playing cards or a game of mahjong'. And that's exactly what Chai did that evening after we had had our dinner in his house.

The economically most dominant and socially most visible group among the Chinese owners of combine-harvesters show a clear tendency to widen their economic activities and social networks away from their local agricultural base. Most of these entrepreneurs have recently moved from their home villages to one of the small rural towns in the Muda area, while some families have even moved to the capital Alor Setar. On the whole, their life-style can be characterized as conspicuous and outgoing. They often spend their evenings outside their homes, usually in the company of Chinese friends from all over the Muda region. During these outings they regularly have dinner together, occasionally followed by a visit to a night club or karaoke bar (sometimes accompanied by their wives), where they consume large quantities

of alcohol. Many of these friends are entrepreneurs themselves, either owners of combine-harvesters or of workshops for agricultural machinery, small-scale factories or private trading companies. Through these Chinese friends they establish and extend their contacts within the business community in the Muda area and in other states of Malaysia. They often make trips outside the Muda area in each other's company, combining business and pleasure. Some of them stated that they deliberately use their life-style to entertain Malay brokers who are interested in occasionally gambling, drinking and womanizing. Although they often work together with the Chinese owners of combine-harvesters with a more homely life-style, this is mainly confined to the day-time.

A large part of the surplus of these Chinese entrepreneurs is reinvested in their companies through the purchase of combine-harvesters or tools and machinery. A characteristic feature of the economic behaviour of these businessmen, however, is their tendency to set up activities outside the agricultural sector. This tendency towards economic diversification indicates a transition from local, agricultural entrepreneurship to regional, commercial and industrial entrepreneurship. However, notwithstanding their urban life-style and their national or sometimes even international level of economic operation, these entrepreneurs still remain strongly based in their own region in terms of social life.

It's about nine o'clock in the morning when Ong Yen Hock (age 43) joins his friends for breakfast in one of the foodstalls in Alor Setar. Together with two brothers and one Malay partner, Hock owns 8 combine-harvesters. Before he started in this line of business in 1979 he had a small transport company, owning two trucks to transport construction materials. After expanding his combine enterprise, Hock started to diversify his interests. In 1992, with three Chinese friends he established a trading company in combine-harvesters. One of these friends owns a specialized workshop, the family of the second owns a trading company in agricultural machinery, while the third one is the main partner in a large shop in spare parts for agricultural machinery in Alor Setar. The establishment of their trading company in 1992 followed a trip by three of them to Thailand to explore the possibility of exporting second-hand combine-harvesters. Since then they sold fifteen combine-harvesters in 1993 -- also providing on the spot

training for local workers -- and are planning to send a second batch of about ten machines in the second half of 1994.

This same group of friends, joined by one more Chinese owner of combine-harvesters, established another company at the beginning of 1994. This company produces simple spare parts for agricultural machinery, in particular components for tracks and conveyers of combine-harvesters. The idea for this came from the owner of the shop and a mutual friend of the partners whose family owns a medium-scale industrial enterprise that manufactures all kinds of machinery spareparts. The owner of the shop saw the market potential and the mutual friend provided the company with technical advice in the early stages and still continues to assist them whenever needed. The company is located at the same location as their trading company. In total, they invested more than RM150,000 in machinery. Working capital, including that of the trading company, is about RM1.5 million. Land and office building are rented from the owner of the spare parts shop and the products are sold mostly via this shop in Alor Setar.

At least once a week, these partners and other members of their circle of friends have breakfast together, sharing business and personal information. Hock's three partners in the trading company are all present at the breakfast table this morning and so is their mutual friend from the medium-scale factory, along with two other businessmen and three owners of combine-harvesters. Several members of this group occasionally go to Singapore, Japan, China, Taiwan, Sri Lanka, and Europe to buy or sell goods for their various companies. Most of the time they go together, although there is not always a need for them to do so. 'We feel more at ease and it's more fun to go abroad with friends', Hock told me once when I asked him about it. Only a few months back, five of them went to Vietnam for the first time to explore business opportunities, but also to have a short holiday. This morning the partners of the trading company are discussing the trip to Thailand of one of their supervisors and five of their workers. This group will accompany the second shipment of combine-harvesters and undertake repair and maintaince work on some of the combine-harvesters that were sent in 1993.

Just when they are about to decide on the date of departure for this group of workers, Hock gets a phone call from one of his brothers. There are problems with one of their combines in the northern part of the Muda area and they are in need of some spare parts from Alor Setar. After a few minutes, we therefore leave the group and, after having picked up the spare parts from Hock's partner's shop, we drive up north. It turns out that the broker has complained to Hock's brother about the delay caused, especially now that rains are expected any day. Because Hock does not want to risk losing this broker, who provides him with about 900 relong of harvesting work each season and has helped him to get established in this part of the Muda area, he decides to bring in an extra combine-harvester. To do so, he makes a phone call to his other brother who is in their workshop supervising repair and maintenance work of two of their machines. After that, Hock takes his broker out for lunch. Having eaten we leave at about one o'clock.

During the rest of the day, I accompany Hock to some of his other combine-harvesters operating in the area and to the houses of several of his brokers where he collects overdue accounts and explores possibilities for new harvesting work. At the end of the afternoon, we return to Alor Setar and pay a visit to the office-cum-workshop of the trading company of Hock and his friends. When we enter the office at six o'clock five other Chinese businessmen are present, among whom are two of Hock's partners. They are playing cards for money, having a few beers, and all the while exchanging business information. Hock joins them immediately, staying until about seven-thirty when they decide to have dinner in Alor Setar. Several phone calls are made to other partner-friends who will meet us in the restaurant. We go home first to take a shower and to pick up Hock's wife who will join us tonight.

When we arrive at the restaurant the others are already there, some of them also accompanied by their wives. The owner of the spare parts shop has just returned from Penang where he was engaged in some business. When I accompanied him on one of his previous trips to Penang he was also keen to return to Alor Setar in the evening. 'I have many friends in Penang and like to go out there sometimes', he said, 'but I feel more at ease with my own friends here in Alor Setar. My friends in Penang like to play golf and go to big clubs drinking whiskey and brandy, but I prefer to play cards in our

office, to have food at a pavement restaurant and to drink beer in a karaoke bar where they know us'. It must have been about ten o'clock when we leave the restaurant to go to one of the Karaoke bars. There, several other friends join us in the private room that they have rented for the evening, singing Chinese songs (and some English ones for me) and drinking large quantities of beer. As time passes, some friends leave and when the bar closes at about 2.00 a.m., there are ten of us. We end the evening by having some food at a nearby foodstall on the street, after which I accompany Hock and his wife to their house where I will stay for a few days. It is already three-thirty in the morning when we go to bed, but not before Hock has turned on the television to check the prices of his shares on the stockmarket in which he recently invested about RM75,000.

CONCLUSION

Studies on the recent transformation of agriculture in the Muda area have been revealing the rise of a class of rural capitalists, consisting of large farmers, rural traders, and owners of agricultural machinery. Most of these studies indicate that there is a division along ethnic lines within this new capitalist class. The economic behaviour of rural capitalists of Chinese origin is reputed to be characterized by a tendency towards economic diversification, whereas the activities of the Malay entrepreneurs are confined almost exclusively to the agricultural sector. This difference in business strategy between Chinese and Malay entrepreneurs in the countryside of the Muda area is usually explained in terms of the implications of ethnic differences in family structure and ethnic policies with regard to the agricultural sector. It is argued that, compared to the Malay rural entrepreneurs, the predominance of extended family households and the division of property among a limited number of heirs only has provided the rural capitalists of Chinese origin better opportunities to accumulate capital, to increase their enterprises, and to diversify into economic activities outside agriculture (Muhammad 1988). This tendency towards economic diversification is stimulated even more by the present Malay Reservation legislation with regard to rice-growing land, which restricts the property rights of Chinese and more or less forces them to divert their economic interests, while it provides ample opportunities to the rural capitalists of Malay origin to reinvest their agrarian surplus in the purchase of additional agricultural land (Hart 1989).

The findings on the Malay and Chinese owners of combine-harvesters as presented in this paper show that ethnic differences in family structure and ethnic policies with regard to agriculture only partly explain the differences among the rural capitalist class in the Muda area. It is the close interconnection between economic behaviour, ethnicity, and life-style that is important for understanding the differences in business strategy, not only between Malay and Chinese entrepreneurs, but also within each community itself. Reinvestment of surplus in the purchase of agricultural land by the Malay owners of combine-harvesters is undeniably facilitated by the Malay Reservation legislation, but is also the result of the fact that these Malay entrepreneurs are usually rural-based, both in terms of residence, social contacts, and leisure time. This rural-based social life provides them with various opportunities to invest their surplus in agricultural and agricultural-related activities, but limits their scope for investments outside the agricultural sector.

This interconnection between economic behaviour and life-style is also visible among the Chinese owners of combine-harvesters. The family structure and inheritance practices common within the Chinese community have indeed facilitated capital accumulation by the Chinese owners of combine-harvesters. Although the Malay Reservation legislation with regard to rice-growing land has restricted the reinvestment of this surplus through the purchase of agricultural land, and thereby facilitated diversion of capital, the extent and nature of this tendency towards economic diversification among the Chinese owners of combine-harvesters depends to a large extent on their specific life-style. It is this life-style which provides them with contacts and opportunities to invest part of their surplus in activities outside farming. The rural-based social life of some Chinese entrepreneurs provides them with various opportunities to invest their surplus in agricultural-related activities, but limits their scope for investments outside the agricultural sector. The more urban-based social life of the other Chinese owners of combine-harvesters has given them the contacts and opportunities to divert part of their capital to the non-agricultural sector by establishing workshops and small-scale industries. Most of these companies are located in the Muda area, as a result of which there are again reasons to consider the question of whether or not agricultural development in the Muda area has generated self-sustained regional growth and rural diversification (see e.g. Hart 1989).

To recapitulate, the findings about the owners of combine-harvesters in the Muda area show that the economic behaviour and life-style of the rural capitalist class are closely interrelated, and that differences in business strategy only partly coincide with differences between Malay and Chinese entrepreneurs, but are as much related to differences within the Chinese community. Life-style is therefore an important aspect of the business management of this class, which should not be viewed exclusively in terms of ethnicity. It is the interconnection between economic behaviour, life-style, and ethnicity that is essential to understanding the business strategy of the rural capitalist class in the Muda area today, both with regard to their specific forms of cooperation and their patterns of investment.

NOTES

1. Although almost every study on the Muda area starts with a description of the process of agricultural transformation, there has been no recent study that gives a complete overview of these changes over the past 25 years. For an earlier description see Afifuddin (1978), for a more recent one, Scott (1985). These studies show that mechanization of land preparation preceded rather than followed the introduction of double-cropping in the Muda area. At the same time, however, they emphasize that agriculture also became more dependent on mechanization as speed in ploughing became a vital element in the success of double-cropping.
2. See, for example, the studies by Afifuddin (1978), Lim et.al. (1982), Scott (1985) and Wong (1987).
3. To my knowledge there have been three studies that explicitly focus on the rural capitalist class in the Muda area: Mansor (1978), Muhammad (1985, 1988) and Mustafa (1985).
4. An example of this are the sociological studies by Muhammad (1985, 1988) on large farmers in the Muda area, in which he explicitly focusses on the interconnection between the economic and social aspects of their behaviour. He explains the superior economic position of Chinese large farming families as compared to their Malay counterparts in terms of their

family structure and developmental cycle. I return to his argument in section three.

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6. Prior to that, the Muda Agricultural Development Authority (MADA) was given six western-made combine-harvesters under the Colombo Plan to test the feasibility of these machines in the environment of Malaysian paddy agriculture. These combines were made available to the farmers through farmers' associations. A few years after their introduction, however, the operations had to be stopped and the machines went out of circulation due to problems of management and technical expertise (Yamashita, Wong and Jegatheesan 1980:43). In 1975, MADA decided to revive its contracting service with the purchase (with a World Bank loan) of 30 small harvesters of Japanese make. These smaller machines were again made available to the farmers through the farmers' associations. At the same time, however, large western-type of combine-harvesters were being brought in by private contractors to work on a commercial basis. Due to their greater technical efficiency and suitability to the soil conditions prevailing in the Muda region, these larger combines quickly became widely used by the farmers, pushing the smaller harvesters of Japanese make out of the market (Jegatheesan 1980 and personal communication).
7. Ever since the introduction of combine-harvesters in the Muda region, there has been extensive discussion of the reasons behind the introduction of mechanized harvesting and its consequences in terms of labour replacement. For an overview of the claims and counterclaims within this

debate, among both scholars and the actual winners and losers in the villages, see Scott (1985: 154-64).

8. Data from the Department of Statistics, Division of Trade, Kuala Lumpur on the number and country of origin of combine-harvesters imported into Malaysia from 1978 to April 1994 show that 1,584 combines were imported, of which approximately 1,257 were of the larger western type. Especially during the first 10 years, nearly all of these were operating in the Muda area. Although some of the earlier combine-harvesters are no longer in circulation, their number is probably not very high because the repair of combines has reached a high state of perfection in the Muda area, something to which I return in section two. Even if I deduct, to be on the conservative side, 10 per cent for those combines that went out of circulation and 15 per cent for those that do not operate in the Muda area, I still end up with more than 900 western type combine-harvesters in the Muda area in 1994.
9. With 5.2 combines per company, the average size of the selected 40 companies is relatively large as compared to the total group of private contractors in this region. This is partly due to the fact that I purposely selected companies of all sizes. The average size of the owners of combine-harvesters in the study by Rayarappan and Taylor in 1978 was 1.2 machines (1980: 8), while the 20 contractors researched by Mustafa Najimuddin in 1981 owned on average 1.7 machines (1985: 17). This made the last one remark that "it is therefore possible that there is a slight trend towards concentration of ownership" (1985: 17). Based on data on 160 regular customers of one of the two largest shops supplying spare parts for combine-harvesters in Alor Setar in 1994, I calculated an average of 2.7 combines per company. With 5.2 combine-harvesters per company, the average size of the selected enterprises is therefore relatively large, but indicates at the same time a tendency towards concentration of ownership in this line of business.
10. The seventh brand of combine-harvester operating in the Muda area is Gillian, manufactured in China under license of John Deere.
11. In total, the 40 companies are owned by 71 families. The 40 so-called main partner-families are those families who are the most actively involved partners in each of the companies. Among the different partners

in each enterprise, the main partner-families have the largest share in ownership and its members are usually responsible for the external dealing of the company.

12. A large part of the land operated by the 26 families is rented in rather than self-owned, usually from small peasants. Out of the total amount of 1,129.5 *relong* of operated land, the 26 families own 616.5 *relong* of which 455.5 *relong* is rice land and 161 *relong* is land cultivated with rubber or fruit trees. On average, these 26 families own 23.7 *relong* of agricultural land per family, out of which 17.5 *relong* is rice land.
13. These finding are in line with those of the two earlier studies on private business in combine-harvesters during the first years of operation. Rayarappan and Taylor conducted a survey in 1978 among 21 owners of combine harvesters. They found that during these early years, many of the owners were paddy farmers with large farms, while a smaller percentage operated sundry businesses or were rice traders (Rayarappan 1979; referred to in Ahmad 1980: 193). A similar finding was reported by Mustafa Najimuddin, whose sample of 20 contractors in 1981/82 was drawn from a list of big farmers who owned more than 25 *relong* of agricultural land (1985: 2). The relationship between large-scale farming and ownership of combines in the early 1980s is also confirmed by the findings of Muhammad Ikmal Said who conducted a study in 1981 of 28 farms in the Muda region of more than 25 *relong*. Out of these 28 farms, the owners of 10 farms had made investments in combine-harvesters between 1975 and 1981, owning 21 combines altogether (1985: 51, 59).
14. In 38 of the 40 cases, the father of the main partner was or still is a farmer, often cultivating a substantial amount of land. Three of these farmers are rice traders along with their agricultural interests, while one is also a partner in a rice mill.
15. This proportion of ownership in terms of ethnic background corresponds with the findings of the two earlier studies on the combine harvesting business in the Muda area. According to Rayarrapan and Taylor (1980: 5), 76 per cent of the private contractors in 1978 were ethnic Chinese, while the rest were Malays. Based on an interview with a sales agent in Alor Setar, Mustafa Najimuddin estimated that by 1981 the Malay contractors had outnumbered their Chinese counterparts, with the latter constituting

only about 40 per cent of the total. He remarks that this might be due to the fact that "a lot of Malay 'brokers' had become contractors themselves. Their familiarity of the area and with the farmers facilitated their efforts in getting clients. Access to capital was no problem because the finance companies were willing to give out loans without demanding any collateral in return" (1985: 17). This increasing participation by Malay owners in the early 1980s, as noted by Mustafa Najimuddin, has probably been only a temporary phenomenon. Out of the 160 regular customers of one of the two largest shops supplying spare parts for combine-harvesters in Alor Setar in 1994, only 30 were exclusively Malay companies, and these owned only 76 out of the 429 combine-harvesters owned by these 160 customers. The earlier proportion of three to one of Chinese and Malay ownership therefore seems to be still applicable today.

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