



The Battle for Copra

The doomed mission of a decent colonial

Willem Peeters

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Preamble

From the end of 1947 Henk Peeters (1899-1959), the father of the author of this article, stayed for one year in the former Dutch East Indies. He held the post of Director-General of the so-called Copra fund that controlled the trade monopoly on copra. Copra is dried pulp of the coconut and an important raw material for the oil processing industry (margarine, frying fats and soap). This article is about the role of the Copra fund. Was this fund biased toward the copra processing industry, or did it above all keep the interests of the Indonesian people in mind?

At the time Henk Peeters wrote a number of letters to Albert Pierhagen (1907-1994), Secretary of the Trade Organization Margarine, Oils and Fats in The Hague. These letters are in my possession. In the text are excerpts from those letters that are indicated with (HP). In 1975 Pierhagen wrote his memories of the years 1946-1948. His son Wandert Pierhagen supplied these memories to me. Where in the text is drawn from these memories the initials (AP) are mentioned. In preparing this article, material from the collection of the National Archive in The Hague has gratefully been made use of. Quotes from this documentation are mentioned with (NA).

The italicized text represents the original text.

Willem Peeters, Amsterdam, January 2016

The International Emergency Food Council

In 1946, Sicco Mansholt, the then Minister of Agriculture, Fisheries and Food (AFF), calls in collaboration with the Dutch Margarine Fats and Oils (MFO) a commodity committee into life. This committee is to advise the Minister on the purchases of raw materials for the malnourished Netherlands. Mansholt then sends a delegation from this committee to London to attempt buying peanut oil from the Ministry of Food. At the time, England was the only Western European country that was not faced with a lack of such raw materials that were imported from their colonies in East and West Africa. Acting as the spokesman for the delegation Albert Pierhagen (MFO) is to swallow a bitter pill. It is made clear to Pierhagen that the British have no intention to award anything to the Dutch. Also Pierhagen's proposal to swap Dutch copra for British peanuts was overruled. The interests of their own country are more important. Pierhagen's plea in London to create an international system of commodity distribution was wasting one's breath (AP).

However, the Ministry of AFF embraced Pierhagen's idea by taking immediate action when it becomes known that the United States share the same idea. In view with the great food shortages the Americans are proposing to create an international organization: the International Emergency Food Council (IEFC). Despite UK's opposition, the IEFC is established as part of the Food and Agriculture Organization (FAO) of the United Nations. It is then necessary for the AFF to establish a most favourable commodity allocation for The Netherlands. The negotiations in Washington start in the autumn of 1946. A small delegation from the Dutch commodity committee is sent to the USA, consisting of Albert Pierhagen on behalf of the Government and Henk Peeters on behalf of Trade and Industry.

Peeters was an expert in the field of edible oils and fats. In 1923 he joined the N.V. Oliefabrieken T. Duyvis Jzn. at Koog aan de Zaan where he achieved prosperity in the Department of edible oils and fats in the 1930s. Unilever offered him top management tenure after the war, but Peeters, whose heart was with Duyvis, declined the offer (AP). The negotiations in the IEFC about the allocations are difficult, but in the end, not long before Christmas, the Dutch delegation returns home satisfied. With his thorough arguments Peeters has impressed the Americans at whose instigation he is appointed ad hoc Advisor to the IEFC regarding oil and fat matters (AP).

US criticizes The Netherlands

Towards the end of June 1947 a memorandum from the US Embassy reaches the Dutch Government offices (NA), in which the alleged slackness of the Dutch East Indies Government is criticized for bringing about the copra production again. During the Japanese occupation the production and export of copra almost completely collapsed. A quick recovery of the copra supplies after the war was of the utmost importance, given the global food shortages. In no uncertain terms the American Government state their displeasure about the issue at hand:

'The Government of the United States is perturbed at the apparent failure of the Netherlands Indies to recognize the responsibility which that Government has to all the peoples in the world to aid to the maximum extent the production of essential food stuffs and at the apparant intention of that Government to place the financial interests of certain shipping companies ahead of the world need for fats and oils.'

With 'certain shipping companies' they meant the KPM (Koninklijke Pakketvaart Maatschappij). The Americans insist that the Dutch East Indies Government let the market do its work:

'In the light of the proven inadequ-eacies of the present measures taken [....] the Government of the United States feels that the production and export of copra would be increased bij a resumption of private trading [....].'

At the beginning of WW II the Western European copra markets disappeared and the product became pretty much worthless 1). The Dutch East Indies Government, fearing a total chaos among the countless small producers of copra, decided to buy up stocks and to store it on a large scale (a total of about 350.000 tons). The implementation of this policy was entrusted to the Copra fund that was established in September 1940. The Director of Economic Affairs (EA) in Batavia, who was authorized to appoint a Director and a supervisory Board, founded the fund. In its Board were representatives of the trade, the shipping, the industry, and banking and of the Department of EA. The staff consisted of a Director, an administrative staff and a number of inspectors in the copra areas 2). In the centuries bygone, long before any views existed on copra as an export article, coconut trees were planted on the courtyards of the dwellings.

By the end of the nineteenth century, when markets grew in Europe, coconut plantations were also planted apart from the domestic courtyards, whereas small enterprises originated on a small scale 3). In 1940 this was not different. There were many small producers who were not organized in cooperatives and who could not make ones presence felt and who were thus defenceless when the coconut trade crashed as a result of the outbreak of WW II. With the establishment of the Copra fund the Government tried to prevent a crisis, since apart from being buyers of copra, the fund also fulfilled an important role as protector of the socio-economic interests of the copra producers 4). It was this form of Government interference that the Americans did object to.

Research

The memo of the Americans caused controversy and outrage among the Dutch Government. The Minister of Overseas Territories, Mr J.A. Jonkman (PvdA), remarks in his letter dated the 8th of July 1947 to Lieutenant-Governor General, H.J.J. van Mook (NA):

'The fact that the American Government accuses [...] the Dutch East-Indies Government of not recognising their responsibility to the whole world regarding the supply of vegetable oils and fats, and that they apparently value the financial interests of shipping companies above that provision, should certainly be taken very seriously. [...] Since I do not have sufficient data available to refute the American complaints appropriately and in a detailed manner my answer had to be provisionally. May I, therefore, invoke His Excellency's cooperation as soon as possible to provide a final reply to the memorandum? Shortly before the receipt of the American statement, Mr H. Peeters, Advisor to the Oils and Fats Division of the I.E.F.C, being in command of this body, arrived in this city to familiarize himself with the Dutch East Indies copra-position. During the course of the discussions Mr Peeters had in this area [...], the desirability turned out that Mr Peeters was to leave for some time to the Netherlands East Indies on short notice, to gather information on the spot. The journey of Mr Peeters which has now been decided on [...] will in my opinion also help to achieve a better understanding with the I.E.F.C. about the objective difficulties that now confronts the rehabilitation of copra-export.'

Shortly before his appointment as an observer Peeters stayed in the United States. On the 7th of May 1947 Peeters writes to Pierhagen (HP):

'It is on purpose that I started wondering: should the allocations remain? I should reserve a definitive answer yet, but I do believe that we would make a grave mistake by merely contemplating abandoning it. Freedom would not be achieved by it anyhow. America will at least maintain the export restriction in order to close their areas to the other world. The UK is in its colonies going to abandon it in any case. So let me just say: continue allocations in any case.'

Before Peeters undertakes his mission in the Dutch East Indies he is indeed critical of leaving the food distribution to the free market. Although an entrepreneur at heart, he understands the need of the government to act at that time.

A remarkable report

Returned from his journey to the Dutch East Indies, Peeters writes a report about his findings (NA). It is a candid account, which he dispatches on the 11th of August 1947 directly to the man who in his view needs to know about the situation in the Dutch East Indies, being Mr F.J. Rossiter, head of the Oils, Fats & Rice Division of the U.S. Department of Agriculture. Copies thereof go to the departments of Economic Affairs in The Hague and Batavia. Peeters commences his account with:

'I do not like official reports. Their style does not suit me. So what I have to report [...], I will lay down in this personal letter to you.'

Peeters points out to the American that the Dutch East Indies was exhausted after the Japanese occupation and that many experienced Dutchmen had left the country straightaway. That slowed down the reconstruction. Also the weakness of the of the Dutch East Indies Government became apparent to him, vigorous action is needed:

'[...] in my way of thinking the whole thing should be reviewed thoroughly and organised with force and energy by a man who has something like dictatorial power. This had nothing to do with politics; it is purely administrative.'

Of course, such comment is not much appreciated by the Government, but with his refutation of the US complains about valuing the interests of the KPM above that of the needs of the world population, he made aments. According to him, the problems that were going on when the American observers stayed in Batavia belonged to the past, especially so since new coasters can be deployed. After a detailed explanation he decides:

'[....] it is essential to pay much attention to the relation between de Coprafund and shipping people, and that they keep the K.P.M. under [....] pressure [....]. K.P.M. has sworn me that they will do the impossible, and I am sure they will [....]'

But transportation is not the key problem, it's the production, which mainly depends on the price of rice, the most important food component of the population. The cost of rice should be decreased, whereas the purchase price of copra should be increased, so the production of it will become attractive once more. With the latter he criticizes the Copra fund that has decreased the purchase price of copra, thus following the drop in price on the world market:

'The real problem is the production and the key to this problem is the rice, or rather the riceprice. [....] riceprices have ever been rising. At first the copraprice went up as well. But later on copra fell and rice went still up. So, why produce copra? [....] under the circumstances the first thing to be done is to raise the purchasing price of the copra [....]. This will be done. The price will at once be raised by 5 guilders per 100 kilograms (so from 15 to 20 guilders [....]). Meanwhile, I have obtained from the authorities the assurance that at least some extra rice will be made available for the copra producing areas. [....] some 10.000 or 15.000 tons [....].'

The Government may claim this, but in the short term they cannot dispose of this amount of rice. Hence Peeters'

'[....] appeal which I am now going to make to the U.S. Government: Do your utmost to place a quantity of at least 10.000 tons of rice at the NEI Government's disposal [....].'

Then Peeters gives his opinion on the future role and status of the Copra fund. Based on the Government's belief that they wish to exercise a certain control on the stability of prices in order to guarantee a minimum price for the small producer, he states:

'My feeling is that commercially the Coprafund should act as a stabiliser, but as no more. Coprafund, in order to do this job, must be single buyer and single seller, but only in order to stabilise. The real purchasing in the country itself, the real exportbusiness, should be carried on by the trade. This should be achieved as early as possible, Coprafund must reduce itself [....], but with care [....].'

Finally, Peeters criticises the Copra fund management. He has no high opinion of Mr Sayers, the director at the time and therefore he appeals for the appointment of a person that has authority:

'[...] if the Coprafund at the top had had a man of sufficient tact and personal 'weight' that man would have found and paved his own way, I am quite sure.'

Director-General of the Copra fund

The Dutch- East Indies Government broadly endorses the conclusions and recommendations of Peeters. In a letter from EA to Lieutenant Governor General Van Mook, dated the 30th of September 1947 (NA), the Department shows its appreciation in sublime official style:

'I may well end my missive with the reminder of the important help and collaboration, which my Department and the Copra fund have experienced from Mr Peeters. I may therefore respectfully bid Your Excellency for his consideration to request the attention of this of his Excellency the Minister for the Overseas Territories, so that his Excellency may be enthused to thank him in a personal response to Mr Peeters for the services rendered by him.'

It is no longer possible to determine when the appointment of Peeters as Director of the Copra fund was 'put to soak in'. At some point, probably during his trip as an observer, he made himself available for the job and he enjoyed, in his own words, the full support of the Director EA in the Dutch East Indies, Mr J.E. van Hoogstraten. In a letter to Pierhagen dated the 13th of May 1948 (HP) he writes:

'[...] van Hoogstraten continuously gives proof of his appreciation for my assistance. Moreover, during his discussions in Washington at the Agriculture and the State Department he considerably exploited the fact that I have made myself available for this job. So he told me.'

Peeters accepts his appointment, but he mentions his reservations to Pierhagen. He fears official opposition and that they will let him muddle along without the support he so desperately is going to need (AP). On the 13th of November 1947 he is once more in Batavia. His family follows suit, early in 1948.

False image

What was it that made Peeters decide to make himself available for the 'job' of DG of the Copra fund? Was he someone in that capacity, who was trying to get the most out of it for the Netherlands? In his study on Indonesia the American historian George McTurnan Kahin writes:

'[...] the Copra Fund fixed the price at which the Indonesian producer could sell his copra to the Fund, the only legal purchaser. The price averaged far less than the price obtainable at the nearest world market outlet in the Philippines. [...] the Copra Fund was selling copra to Dutch processors at far below the world market price [...].' 5)

There is no doubt that the Copra fund was established as a monopolist on the Indonesian copra market with the intention to stabilize the price of copra. It then also happened the way as it was intended, but that it was systematically soaking the paws of the Indonesian producer - as McTurman Kahin suggests - is only partly true. That indeed happened just before and just after the Japanese occupation, but as can be seen from the above mentioned report of Peeters to the American Mr Rossiter, the policy changed at the end of 1947 and the Copra fund did everything in maintaining the purchase price of copra as high as possible. On the claim that the Dutch producers were selling copra for a price well below the world market price is also a lot to haggle about. On the 15th of January 1948 Peeters writes in a detailed letter (HP) to the governmental Commissariat for Foreign Agricultural Affairs in The Hague:

'Up to now, the principle of pricing has been the price of the Philippine copra, converted at the official dollar exchange rate [...]. In our opinion, this principle is no longer acceptable [...] the method of delivery by the Philippine's is a completely different one than ours. To begin with, everyone buying copra from the Philippine should not underestimate the risk that when the market goes upward, they simply will not deliver. [...] Secondly, when it's convenient for the gentlemen to deliver, they deliver very badly.'

Peeters relies on communications that have been done by Mr J.C.A Faure, Head of the Oils and Fats Buying Department of Unilever in London:

'Shipments of Philippine Copra during 1947 have caused severe disappointment and heavy losses to buyers. [...] I was interested to see an article in one of the Philippine newspapers headed 'The Copra Scandal'. In this article attention was drawn to the deplorable state that exists in the Philippine Copra trade [...].'

Peeters concludes:

'Based on this, we believe that we are entitled to increase our demand prices to The Netherlands with 10%, as of now.'

On the 2nd of February he throttled down in his response (HP) on data about the Philippine shipments that he received from Pierhagen of the MFO and he reduces the price a little bit:

'I think it's not an unreasonable point of view of The Netherlands. The information on the results of copra shipments from the Philippines speaks for itself. [...] Then I believe a Philippine price, plus 3% not that ludicrous.'

A concession to the oil processing industry, but nevertheless it's a negotiated price that is higher than that of the Philippines. On the 15th of June 1948, Peeters replies to a letter from Pierhagen (HP) saying:

'For you, I hope, of course, that the copra price will decrease, but not for me. That is not a matter of greed. We also need that higher price to achieve the production [...].'

This policy of pricing, incidentally, did not only relate to copra. The Copra fund also tries to achieve the manufacturing and export of peanuts, which is also an important raw material for the oil processing industry. The fund is keen to provide peanuts to The Netherlands, but the fund wants the Government to issue a price guarantee. However, the problem is that for this type of raw material no such thing existed as a world market price, such as for instance that of the Philippine copra price. The objective is that the Director EA in Batavia, Van Hoogstraten, is able to enforce the wanted price guarantee and that he will propose that it is possible that this price is personally determined by Peeters. Also from the letter to Pierhagen dated the 15th of June:

'You will not embrace the latter. I can certainly understand that, but it's the only way out. [...]. You're right when you say that it would be much better if we were to find a basis as exists with copra. But that base is non-existent. With copra we use the Philippines price, but a similar exit point is definitely not to be found with peanuts. If I were to suggest to take the price of the Br. Indian peanuts, then I would only play into the hands of our opponents here, for they would immediately gather from this that I wanted to deliver the peanuts way too cheap to The Netherlands.'

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hat is quite different from the claims made by McTurnan Kahin. From the reports and letters of Peeters, only one thing is to conclude: the Copra fund tried to serve the interests of the Indonesian producers as good as possible, keeping in mind the interests of the world food supply and thus the processing industries.

Copra-production and inducement

The leaning of the Copra fund to increase the price that was paid to Indonesian producers had a multiple purpose. It was an incentive for the Indonesian people to produce more. This would increase prosperity and at the same time it would help the copra processing industry to get more raw materials. Whatever way you wish to look at it, there's nothing wrong with that, but there were quite a few pitfalls to it. You can increase the price to producers, but more money is of little use if there is almost nothing for sale in the country. Peeters was quite aware of that. He not only strove to pay the producers in guilders, but also in goods, the so-called 'inducement goods' In addition to rice there was a particular need for textiles and those were the goods that the Copra fund 'exchanged' for copra. In a note of the Copra fund (HP), published on the 9th of December 1947, this problem is analysed in detail, resulting in a plea for:

'[...] an increase of the price-in-goods, so of the inducement, coupled to an increase of the cash price. We can say, that the additional money is needed for the purchase of multiple goods, because we only give an assignment for the goods.'

So in effect this is not real barter. The Copra fund allows goods available that can be purchased. A good distribution of goods is essential and it needs to be judged locally, whether besides rice and other textile goods ('cheap Jack goods' according to Peeters) can be qualified as inducement. The combination of a price increase to producers and the provision of inducement goods appear to be working:

'Moreover, practice shows that we are following the right path. From the moment the cash price rose to fl. 20.-, and the Copra fund changed to the provision of rice and textiles, the production increases.'

The export figures for copra speak volumes. In 1946 54.000 tonnes were shipped; the year thereafter the export almost tripled and in 1948 they achieved a total amount of 242.000 tons 6).

Plans and confidences

As noted above, the production of copra was mainly in the hands of the population who took the coconuts out of their shells and dried the flesh in primitive smoking shacks. In a detailed memorandum to the Director of Economic Affairs in Batavia dated the 24th of January 1948 (HP), Peeters explains his idea of the mechanization of copra production. It seems to him:

'that the copra-production [...] is taking place in a very irrational manner. It is not copra making, but copra spoiling. It is my belief that we will have to transfer the copra-production to small, standardized factories we need to implement. Consequently, the population will no longer deliver copra, but coconuts.'

Something very similar comes to his mind regarding peanuts, in order to be able to respond to the glaring shortage of raw materials by the oil industry. And of course he wonders who is to take care of the implementation of the mechanical copra and peanut cultivation and how all this is to be financed. There is no simple answer to this question because, according to Peeters, there is a huge lack of entrepreneurial spirit among the native population. He combines this question, which in his opinion is the important role that The Netherlands is yet to fulfil in the Dutch East Indies:

'We want to lead these regions to independence and self-reliance and democracy. If all this work is to succeed certain conditions have to be met with. Prerequisites are that they know how to transfer the society factors that goes hand in hand with independence, self-reliance and democracy. One of these factors is entrepreneurship, irresistible incentives to produce, to increase the standard of living of all, forming power with regard to character, pluck and general competence. [...] I therefore conclude that it is necessary to educate the indigenous community to entrepreneurship [...].'

It should be mentioned that such a remarkable vision is posited just after the first 'police action' - that was globally frowned upon - and that it is obvious that the Dutch in fact have no further business in the colony. Being an orthodox protestant, he lacks that vision and in that respect he doesn't differ from the Dutch Government. Therefore it is with some reluctance that the author of this article looks back to his stay in Java as an infant, while fierce fighting was going on there, But for his father the mission is not yet accomplished. He comes with a concrete proposal:

'What I now propose is for us to establish a company, whose first objective is social efficiency, namely the increase of the production level of the indigenous people and their education to entrepreneurship. [...] I would suggest it to be a parent company, able to take the initiative, respectively, to help with the foundation of all kinds of subsidiary companies, which can serve the objective. [...] In my opinion it should be a Dutch East Indies company, not Dutch, whereas the start-up capital should be furnished by the Dutch East Indies Government.'

It is an attractive plan, but given the situation not realistic and what finally happened with the plan can no longer be ascertained from the available documentation. However, it becomes gradually clear that Peeters has had enough with, in his eyes, struggling with ignorant politicians and civil servants. After a journey to The Netherlands to defend his peanuts plan at the Ministry of Agriculture, Fisheries and Food, he writes on the 14th of September 1948 (HP) to Pierhagen:

'Since my return here in Batavia I have nothing else to do but fight. And it will remain so until the 4th November 1948 (then his tenure ends). It is the usual fight against the incompetence and the backwardness. How thankful will I be, when I'm on-board of the ship to take me home.'

In the original text the word 'backwardness' is crossed out with a pen and in the margin replaced by 'officialdom' with the addition: 'strange error by the typist!'

At the onset of 1949, the IEFC end their efforts with oils and fats (the IEFC is a half year later defunct). On February the 24th, Peeters remarks in a letter to Pierhagen (HP)

'You know of course already [...] (that) the tampering with oils and fats of the I.E.F.C. have ended, just like that, suddenly. The Americans didn't feel like it anymore, for they wanted to have an incentive for their domestic market for a change, which frightfully tumbled down. What do you do in that cases, you suddenly throw overboard all international cooperation, about which you've had such high opinions.'

Of course, Peeters knew that the interest of the Americans for an Institute like the IEFC who preferred government intervention, would be temporary. They did so solely with a view to the chaotic situation shortly after WW II. From the moment that the population began to grow significantly, the Americans concentrated on domestic politics. On the 18th of March, 1949 another letter follows (HP), in which Peeters voiced his frustrations in no uncertain terms:

'[...] I clearly expressed my bitterness about the international cooperation, which means nothing else than the dominance of a number of big ones over small ones. It's one big hypocritical clique.'

Aftermath

For Peeters it was clear from the beginning that the role of the Copra fund had to be a modest one. In his view, during the turbulent times after WW II, it should function as protector of the interests of the poor copra-producing population and as booster of the much-needed production of raw materials for the world food supply. Nothing more, and nothing less. On the 14th of January 1948 he writes to Pierhagen (HP):

'But we always have to be aware of self-liquidation, respectively self-reduction. A public body loves to see itself as indispensable with.'

Of the pursuit of a champion of the free company production and free trade nothing remains after the transfer of sovereignty. In December 1954 the Copra fund is nationalized and renamed Yayasan Kopra. The Executive Board consists of two representatives of the Government and three local delegates. Expertise or entrepreneurs quality do not count. Many employees of the Copra fund, not loyal to the Republic of Indonesia, are sacked. Yayasan Kopra loses its grip on local trade that is soon dominated by the military. They pay the farmers half the market price by way of barter. Smuggling takes place on a large scale. The copra-export declines drastically. In 1956, Yayasa Kopra is closed down 7).

Notes

- 1) Burger, D.H., *Sociologisch-Economische Geschiedenis van Indonesia deel II* pg. 133, Royal Tropical Institute, Amsterdam 1975.
- 2) Tammes, Dr. P.M.L., *De bevolkingscultuur van Klapper*, pg. 63, Department of Economic Affairs in the East Indies, Makassar 1947.
- 3) Tammes op.cit., pg. 11.
- 4) Dol, J., *Copra en Coprafonds in Oost-Indonesië*, pg. 87, reprint from *Landbouw XXI*, Archipel Drukkerij, Buitenzorg 1949.
- 5) McTurnan Kahin, G., *Nationalism and Revolution in Indonesia*, pg. 360-361, Cornell University, Ithaca, New York 2003.
- 6) Dol, op. cit., pg. 97.
- 7) Asba, A.R, *Makassar Copra as a Trigger of Struggling for Power between Central and Local Government*, *Tawarikh International Journal for Historical Studies*, 6(2), pg. 197-212, April 2015.