

Chapter 2

Land Grabbing and Potential Implications for World Food Security

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Land is not just a resource to be exploited, but a crucial vehicle for the achievement of improved socioeconomic, biological, and physical environments.

Food and Agriculture Organization (FAO), 1999

Abstract During 2008, the emergence of “land grabbing” (the purchase or long-term lease of vast tracts of land from mostly poor, developing countries by wealthier, food-insecure nations as well as private entities to produce food for export) has raised deep concern over food security and rural agricultural development. This paper investigates land grabbing within the context of the global food crisis and the ways in which foreign investment in developing country land markets impacts land reform agendas and other policies to promote food security. While many argue that the establishment of a conducive investment environment is necessary to stimulate agricultural production, there is a pressing need to study the implications of increased foreign private control over crucial food-producing lands. By critically analyzing the combination of factors motivating this trend and the potential effects of such investments on agricultural production, this chapter incites important discussion about the role of the private sector in promoting—or hindering—global food security.

Keywords Land grab • Food security • Agricultural development • Investment • Private sector

2.1 Introduction

In the midst of the 2008 food and financial crises the world began to witness a “global land grab,” a growing demand for land characterized by the purchase or long-term lease of vast tracts of land from mostly poor, developing countries by

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wealthier, food-insecure nations and private investors. Land with crop-producing potential is currently a valuable investment opportunity for nations who suffered from soaring prices of staple foods from 2006 to mid-2008 as well as for investors seeking new sources of financial gains amidst the economic downturn. So significant has this trend become that it has elicited widespread media coverage and concern from activists, researchers, and environmentalists that private land investments only increase monoculture-based, export-oriented agriculture, arguably jeopardizing international food security. Others, however, see these land investments as potential “win-win” situations in which food-insecure nations increase their access to food resources and “host” nations benefit from investments in the form of improved agricultural infrastructure and increased employment opportunities.

This paper examines the potential consequences of the global land grab, particularly highlighting how the land grab represents a major shift from public to private sector control over agricultural investment, and from domestic to foreign control over crucial food-producing lands. This discussion aims to contribute to the pressing need to study the ways such rapid land acquisitions by foreign entities will affect long-term food security as well as the implications of increased foreign private control over crucial food-producing lands.

2.2 Global Land Grab: Background

Land grabs—the purchase of vast tracts of land from poor, developing countries by wealthier, food-insecure nations and private investors—have become a widespread phenomenon, with foreign interests seeking or securing between 37 million and 49 million acres of farmland between 2006 and the middle of 2009 (Buying Farmland Abroad 2009). According to one international land development consultant, the current trend is “unprecedented in the context of arable land sales” (Rich Countries 2008).

The land grab phenomenon is the result of a complex combination of factors motivated by price volatility in global markets, the global food crisis, and high levels of speculative activity. However, there are three main trends driving the land grab movement: the rush to secure food supply by increasingly food-insecure nations, the surging demand for agrofuels and other energy and manufacturing demands, and the sharp rise in investment in both the land market and the soft commodities market. The following section takes a closer look at each issue.

2.2.1 Driving Forces Behind the Land Grab

The acquisition of foreign land for crop production is considered both politically and financially strategic. Both private firms and government entities are turning to foreign lands in hopes of turning a profit in an unstable market and averting poten-

tial domestic upheavals over food price and supply. This section describes three significant motivational factors behind the trend: securing food supply, acquiring energy and manufacturing resources, and generating profits from private investments.

2.2.1.1 Securing Food Supply

A number of factors threatening food security—including the 2008 food price crisis and consequent increasing import bills and inflation rates, harsh climatic conditions, poor soils and scarce land and water in many areas, combined with economic and demographic growth—have led many nations, particularly in the Middle East and Asia, to reexamine domestic food security policies. Many governments are looking to stabilize supplies by acquiring foreign lands for food production in the hopes of averting potential domestic upheavals over food price and supply. Fears of a global food shortage are still valid as food prices continue to remain high and food emergencies persist in 31 countries (FAO 2009).

The Gulf States, with scarce water and soil resources on which to grow food, but vast oil and cash reserves, have watched their dependence on food imports become increasingly uncertain and ever more expensive, their total food import bill ballooning from US\$ 8 billion to US\$ 20 billion from 2002 to 2007 (GRAIN 2008). These states have moved quickly to extend control over food-producing lands abroad. Qatar, with only 1% of its land suitable for farming, has purchased 40,000 ha in Kenya for crop production and recently acquired holdings in Vietnam and Cambodia for rice production, and in Sudan for oils, wheat, and corn production (Kenya 2009). The United Arab Emirates (UAE), which imports 85% of its food, purchased 324,000 ha of farmland in the Punjab and Sindh provinces of Pakistan in June 2008 (Kerr and Farhan 2008). Other emerging nations such as China, Japan, and South Korea are also seeking to acquire land as part of a long-term strategy for food security.

2.2.1.2 Energy and Manufacturing

A surging demand for agrofuels (biofuel produced from ethanol and sugarcane as well as biodiesel) and access to new sources of raw materials for manufacturing goods is also driving land purchases. The demand for agrofuels has increased rapidly over the past several years as oil-dependent countries establish ambitious targets for agrofuel production and for incorporating biodiesel and bioethanol with traditional transport fuels. For example, the US Renewable Fuel Standard aims to increase ethanol use by 3.5 billion gallons between 2005 and 2012, and the European Union (EU) aims to increase the proportion of biofuels used in land transport to 10% by 2020 (Oxfam 2008). With these and other impetuses, the use and production of biofuels has skyrocketed in recent years such that the quantity of US corn used to produce ethanol increased by 53 million t between 2002 and 2007 (accounting for 30% of the total global growth in wheat and feed grains use) (Mitchell 2008).

Attracted by this big demand and market, investors—mainly from the private sector and OECD member countries—are targeting vast tracts of land to produce crops for agrofuels in developing countries, which generally have a comparative advantage in such production—for example, due to low labor and land costs and, in some cases, land availability (Haralambous et al. 2009). In Indonesia, PT Daewoo Logistics Indonesia, a subsidiary of South Korea's Daewoo Logistics Corporation, and Cheil Jedang Samsung recently announced a partnership to invest US\$ 50 million to grow and process energy crops on the Indonesian islands of Buru and Samba. The two companies will produce 30,000 t of corn grain a year on 24,000 ha and will export their entire production back to South Korea (South Korean Investors 2009). In early 2008, Sinopec and the Chinese National Overseas Oil Corporation, two state-owned oil giants, made investments of US\$ 5 billion and US\$ 5.5 billion respectively, also in Indonesia, to grow and process corn into biofuel to be exported to China (Sinopec 2008).

2.2.1.3 Private Investments

Also fueling the land grab is the hunger of investors who have identified farmland as an important investment posed to produce significant returns. Many Western investors including Wall Street banks and wealthy individuals have, since 2008, turned their attention to agricultural acquisitions. Morgan Stanley purchased 40,000 ha of farmland in the Ukraine, Goldman Sachs took over the rights of China's poultry and meat industries—including the rights to their farmland—in September 2008, and BlackRock, Inc., a New-York based money manager, set up a US\$ 200 million agricultural hedge fund, US\$ 30 million of which will be used specifically to acquire farmland (Montenegro 2009). Furthermore, the Swedish investment groups, Black Earth Farming and Alpcot-Agro, along with the British investment group Landkom collectively acquired nearly 600,000 ha in Russia and Ukraine, while Al Qudra, an Abu Dhabi-based investment company, bought large tracts of farmland in Morocco and Algeria, and is reportedly closing in on purchases in Pakistan, Syria, Vietnam, Thailand, Sudan, and India (Montenegro 2009).

This increased attention from investors can be partially explained by the recent shift of focus from the “hard” to the “soft” commodities market. Traditionally, land markets have not provided the most effective returns on investment as land presents myriad problems for investors whether related to access, security, use, or consistency. However, the recent private sector push into farmland acquisition has occurred at a dizzying speed as land markets and “soft commodities” have suddenly become attractive investments. There are several reasons for this shift: In 2007, “soft” commodities overtook their “hard” counterparts as the prime performers in the commodities investment market. Researchers have sited forces such as strong demand from emerging economies such as China, India, Central Europe, and South America, as well as new demands from bioenergy and other “bioproducts” from agricultural crops among the causes of this “bull run” on soft commodities (Bidwells

2007). It became apparent in late 2007 that investors were increasingly looking to gain direct exposure into soft commodities markets through investment in land, farming, and associated activities (Bidwells 2007). Throughout 2008, those hoping to capitalize on commodities fundamentals as well as on markets with fast-growing demand continued to invest in land and in operational farming around the world.

2.2.2 Land Acquisitions and Developing Countries: A Win-Win Situation?

In the context of this surging demand for fertile land, nation after nation has entered the land market, with Kenya, Sudan, Ethiopia, Zimbabwe, Tanzania, Cambodia, Philippines, the Ukraine, and others offering land for lease or purchase. In many underdeveloped countries, a lack of skills, infrastructure, and capital results in the underutilization of potential lands and resources for food production. African governments have been known to mismanage agricultural resources, and they additionally suffer from a lack of capital and technological expertise to effectively harness agricultural resources (Africa's Silver Lining 2008). With buyers now willing to invest millions to put farmland to productive use, these less-developed nations are hopeful that land deals will bring much needed investment in infrastructure and agricultural technology as well as increased employment.

Many African nations, especially in Sub-Saharan Africa, view this demand as an important, timely opportunity for the continent's economic development. For example, Awad al Karin, Minister of Investment in Sudan, has stated, "Sudan can feed the whole world thanks to our millions of hectares of fertile land" (Sudan's Rural 2009). Furthermore, Madagascar's Minister of Economy, Ivohasina Fizara Razafimahefa, has expressed the view that "Africa is offering one of the few opportunities in the world where return on investment is still high and where the risk of investment is relatively small. The message we want to convey is: Africa...can bring solutions to this current crisis instead of always being considered as a problem to the world economy" (Sudan's Rural 2009).

Indeed, a great deal of discussion has surrounded the land grab phenomenon suggesting that the trend could be a win-win situation both for "host" or recipient nations as well as foreign investors. In describing the land grab, Paul Mathieu of the United Nations Food and Agriculture Organization (FAO) says that the buying up of arable land "is a phenomenon of huge magnitude" which has undergone "a sudden acceleration." He acknowledges, "more investment capital in agriculture, when well-managed, can contribute to real rural development." "There may be very positive practices in the negotiations between outside investors and the local community, in which both are looking for a win-win situation" (Zamora 2008).

In the same way, FAO Director-General Jacques Diouf, while having clearly expressed his concern about the potential consequences of swift land grabbing on political stability, has said he supports the proposed Gulf food deals as a means of economic development for poor countries. If the deals are constructed properly, he

said, they have the potential to transform developing economies by providing jobs both in agriculture and other supporting industries like transportation and warehousing (Coker 2008). The president of the International Fund for Agricultural Development (IFAD) has also expressed hope for possible development opportunities through land purchases. “When such deals take into account interests of both parties they help increase agricultural production in developing countries, provide jobs, boost export and bring in new technologies to improve farm efficiency there” (Kovalyova 2009).

While the rhetoric surrounding the possibility of win-win scenarios for investors as well as developing nations has grown in recent months, the dissenting voices from other actors often go unheard. Despite calls from several organizations (including the United Nations and IFPRI) for an international code of conduct for land acquisitions,¹ most of the land deals to date lack transparency and offer little or no concession to small farmers. In general, there is little evidence that rural economies and livelihoods are being factored in to whether or not these situations will, in fact, be win-win. The following sections attempt to clarify such impacts and to draw the important connection between the well-being of the rural poor and overall world food security.

2.2.3 The Land Grab and Increasing Global Food Security

There is no denying that food security remains a dire problem: rapidly rising prices for staple foods from 2006 to 2008 culminated in a worldwide food crisis, and while commodity prices have somewhat stabilized, millions are still suffering from hunger. FAO reports indicate that another 40 million people were pushed into hunger in 2008, primarily due to higher food prices, bringing the overall number of undernourished people in the world to 963 million (compared to 923 million in 2007). While supply shortfalls are a normal part of agriculture, and historically, a supply shortfall triggers increased production through higher prices, the current crisis is comprised of unique elements including uncontrolled financial speculation, new demand on agricultural commodities from the agrofuels sector, mounting stress on the quantity and quality of soil and water available, and the uncertainty of how climate change will affect growing conditions (Murphy 2008).

World leaders gathered at the FAO in Rome in June 2008 to address the crisis and seek consensus on solutions. The Conference Declaration put forward a two-track response to the crisis: (1) boost production by investing in the agricultural sector and rural development, and (2) ensure immediate access to food for the poor and

¹ IFPRI's April 2009 publication, “Land grabbing by foreign investors in developing countries: risks and opportunities,” calls for a code of conduct both for foreign investors and the host countries in order to protect the interests of small farmers, as well as address environmental concerns on biodiversity and water and land resources stemming from the impact of large-scale farmland investments.

vulnerable in both rural and urban areas by providing social safety nets and protection measures. The first component—increasing investment in agriculture and figuring out the most appropriate way to do so given the urgency and fragility of the situation—must be analyzed within the context of increasing commercial pressure on land markets. Is the land grab an effective response to the need to increase investment in agriculture or is it diverting decision-makers from more effective solutions?

2.3 Implications and Potential Consequences

The land grab trend has come under heavy scrutiny since mid-2008. On the one hand, investment in agricultural land is thought to be an answer for boosting food production in a world plagued by food shortages; on the other hand, many claim that this large-scale, private-sector-led approach conflicts with the urgency of increasing domestic food supplies in the world's poorest and most vulnerable countries. While there is talk of both the risks and opportunities of foreign land acquisitions for the poor, this paper considers whether the most important questions remain at the forefront of the debate; most importantly, *where does the urgent and critical task of increasing food security fall within the accelerating trend of commercial investment in farmland?*

2.3.1 Displacement of Small Farmers

No matter how convincing the claim that the global land grab will bring much-needed agricultural investment to poor countries, evidence shows there is simply no place for the small farmer in the vast majority of these land grab situations. Most land deals consider the local population only to the extent that large-scale agriculture will create employment for subsistence farmers and rural land-dwellers. However, the extension of employment to local farmers to work on industrial, plantation-style farms effectively implies the forcing of subsistence farmers off their land to make room for large-scale farms producing food for other countries. Not only does land grabbing mean that farmers will lose their land, but these lands will be transformed from smallholdings or communal lands into large industrial estates connected to far-off markets (GRAIN 2008). The chairperson of the United Nations Permanent Forum on Indigenous Issues estimates that the land rights of 60 million indigenous people worldwide may be at risk as a result of large-scale agro-fuel expansion (Haralambous 2009).

Drawing great attention to this issue was the proposed land deal in Madagascar, where Daewoo Logistics planned to lease half of all the arable land in the country; 70% of the Malagasy people live in rural areas—meaning thousands were to be displaced or forced into Daewoo employment. Madagascar's citizens were outraged that their government was posed to cede an implausible amount of land to the South

Korean corporation. A program officer from Madagascar's Farmers Confederation (Fekritana) expressed, "One of the biggest problems for farmers in Madagascar is land ownership, and we think it's unfair for the government to be selling or leasing land to foreigners when local farmers do not have enough land. Our concern is that first of all the government should facilitate the access to land by local farmers before dealing with foreigners" (Zigomo 2009).

Similarly, the situation for small farmers in the Punjab province of Pakistan, where the UAE purchased 324,000 ha (800,000 acres) in May 2008, is "very grave." Over 6 million families work around 50 million acres of land in the country, and 94% of these people are considered subsistence farmers, each occupying less than an average of 12.5 acres (Fraz Khan 2008). In many cases, these are tenants working large private holdings or government land, and they have been farming this land for generations (Husain 2009). Pakistani farmers' movements are warning that 25,000 villages will most likely be displaced due to the signing of this deal (Fraz Khan 2008).

The problem of small farmer displacement is also motivated by the soaring demand for agrofuels. It has become evident that US and EU biofuel targets cannot be met with solely local production, and this has led to substantial land investments for agrofuel production in Ghana, Senegal, Mozambique, Guatemala, and Brazil with smallholder farmers being displaced in the process (ActionAid 2008). In Ghana, for example, there is literally a scramble for land by multinationals and local companies in partnership with foreigners vigorously pursuing plans in cultivation of the jatropha plant for its prized oil seed to produce biodiesel for export (Dogbevi 2009). Over 20 companies from various countries are acquiring land in Ghana to cultivate non-food crops and other crops for the production of ethanol and biodiesel, mostly for export. Ghanaian farmers are starting to realize what the agrofuels boom is doing to their livelihoods, and resistance is growing. Farmers in northern Ghana have rejected jatropha as an agrofuel, mainly because they fear being tied down by fickle markets, and because of its toxicity, which limits its use (GRAIN 2007). The African Biodiversity Network has severely criticized the United Kingdom (UK) for setting targets for biofuels that will sacrifice Africa's land, forests, and food to satisfy the UK's vast energy requirements (GRAIN 2007).

2.3.2 Effects on Land Reform

Another danger of the land grab movement is that commercial land deals are coming into direct conflict with land reform efforts in many developing countries. Conflict between rural land dwellers and commercial interests is not a new phenomenon. Mounting demand for land due to demographic and economic growth and resource depletion increasingly leads rural areas to be incorporated into market economies, and therefore governments often experience pressure to implement land reform—new policies that give the poor secure access to land, thereby allowing them to pursue their livelihoods without fear of harassment or eviction.

The task of achieving food security and the implementation of land reform policies in developing countries are inextricably linked. There are 1.5 billion small-scale farmers in the world who live on less than 2 ha of land;² secure and equitable access to and control over land allows these farmers to produce food, which is vital for their own food security as well as that of rural populations throughout the developing world. The current land grab—characterized by unprecedented pressures on land resources and increasing demand within land markets—is placing new tensions on land tenure systems. Those most at risk of losing access to land are small-scale producers who do not have formal tenure over the land that they use, as well as women, indigenous people, pastoralists, and fisher-folks (International Land Coalition 2008).

The global food and financial crises have made land reform an even more urgent task, but land deals threaten such reforms. In the Philippines, for instance, a series of high-profile deals have clashed with long-running demands for agrarian reform, including land redistribution (Qatar Land Deal 2009). Reportedly the Philippines finally began to push a land reform bill, the Genuine Agrarian Reform Bill (GARB), through the House in May 2009 (Padilla 2009), but this development has foreign investors worried. For instance, Saudi executives representing big agricultural businesses have raised concerns about the Philippine agrarian reform; reportedly, Saudi investors were planning to acquire thousands of hectares of land for planting, processing and raising livestock and poultry, and some also expressed the possibility of planting cassava and sugarcane (Cayon 2009).

In the Philippines, implementing agrarian reform has the potential to stimulate domestic economic activity and help address the problem of massive job dislocation. Those directly and indirectly involved in agricultural production in the Philippines comprise around 70% of the labor force, and their combined production accounts for almost 75% of the domestic economy. However, in the absence of agrarian reform, a huge portion of the labor force is thus denied access to gainful, secure, and sustainable employment. As a consequence, nearly 70% of the poor live in the countryside, and around 90% of the rural population lives below the poverty line (Cayon 2009).

The discussion of land reform in relation to the land grab trend has received little media or scholarly attention. In many cases, land reform is critical to achieving the rural development necessary for domestic food production. Other countries in which land reform is needed but may be threatened by extensive land deals include Kenya, Tanzania, and Zimbabwe.

2.3.3 Local Food Security in Jeopardy

A dangerous element of the land grab trend is the shift from domestic to foreign control over food resources and food-producing lands. Land deals diminish the

² According to the International Land Coalition (ILO).

possibility of reaching food self-sufficiency for poor nations and some view land concessions as governments out-sourcing food at the expense of their most food-insecure citizens. Importantly, most of the target or “host” countries themselves are net food importers or even emergency food aid recipients (see Table 2.1). For instance, Madagascar and the Sudan still receive food aid relief from the World Food Program; several months ago, Cambodia received US\$ 35 million in food assistance from the Asian Development Bank (ADB) (Haralambous et al. 2009). For nations experiencing social unrest and high rates of hunger and poverty, it is hard to conceive that fertile land is being conceded to foreign countries instead of being used to boost domestic production.

Kenya has received much attention as the Qatari government is to fund a US\$ 3.4 billion port off the coast of Kenya in exchange for a lease of 40,000 ha of land on which Qatar will grow crops (Montenegro 2009). According to land law, this area belongs to the local community; however, pastoralists and farmers in the Tana delta are largely illiterate and unaware of their legal rights (Montenegro 2009). This deal seems unthinkable given that Kenya is currently in a state of “food emergency” according to the FAO, which reports Kenya as experiencing “exceptional shortfall in aggregate food production and supplied” (see Table 2.1). Recent drought has left 10 million people hungry and post-election violence in 2008 displaced thousands of farmers throughout the country’s most fertile regions; reportedly, 30% of Kenyans now face food shortage (Kilner 2009).

Moreover, in Cambodia, where an unusually stable economy is inviting a new wave of foreign investment, the competition for fertile farmland is fierce. With Qatar, Kuwait, and UAE all striving for land deals, the Cambodian government continues to clear a path for foreign investment, seemingly ignoring the ever-growing burden of rural landlessness and food shortage in the country. The Cambodian government has positioned itself as a solution to the food crisis, pointing out that of Cambodia’s 6 million ha (about 15 million acres) available for cultivation, only 2.5 million are currently used (Montero 2008), and yet, at the same time, tens of thousands are estimated to have been displaced in Cambodia in recent years (Montero 2008), and widespread rural poverty still hampers access to adequate food for the 33% of Cambodian citizens facing undernourishment, according to the most recent FAO statistics (FAO 2008).

It is difficult to visualize a win-win scenario when governments do not prioritize domestic food supply or local production over foreign investment and production for export. Evidence shows that deals often lack transparency and are subject to mismanagement by governments. An extensive May 2009 report found that many countries do not have sufficient mechanisms to protect local rights and take account of local interests, livelihoods, and welfare (Vermeulen and Cotula 2009). Moreover, local communities are rarely adequately informed about land concessions made to private companies (e.g., Cotula et al. 2008). Insecure local land rights, inaccessible registration procedures, vaguely defined productive use requirements, legislative gaps, and other factors too often undermine the position of local people. Without the careful assessment of local contexts, including recognizing existing land uses

Table 2.1 Countries in crisis requiring external assistance (total: 32 countries). (FAO 2009)

Nature of food insecurity	Main reasons
AFRICA	
<i>Exceptional shortfall in aggregate food production/supplies</i>	
Kenya	Civil strife, adverse weather, pests
Lesotho	Low productivity, HIV/AIDS pandemic
Somalia	Conflict, economic crisis, adverse weather
Swaziland	Low productivity, HIV/AIDS pandemic
Zimbabwe	Deepening economic crisis
<i>Widespread lack of access</i>	
Eritrea	Internally displaced persons (IDPs), economic constraints
Liberia	War related damage, pests
Mauritania	Several years of drought
Sierra Leone	War related damage
<i>Severe localized food insecurity</i>	
Burundi	Civil strife, internally displaced persons (IDPs), and returnees
Central African Republic	Refugees, insecurity in parts
Chad	Refugees, conflict
Congo	Internally displaced persons (IDPs)
Côte d'Ivoire	Conflict related damage
Democratic Republic of Congo	Civil strife, returnees
Ethiopia	Insecurity in parts, localized crop failure
Guinea	Refugees, conflict
Guinea-Bissau	Localized insecurity
Sudan	Civil strife (Darfur), insecurity (southern Sudan), localized crop failure
Uganda	Localized crop failure, insecurity
MID-EAST and ASIA	
<i>Exceptional shortfall in aggregate food production/supplies</i>	
Iraq	Insecurity and insufficient rainfall
<i>Widespread lack of access</i>	
Afghanistan	Conflict and insecurity, inadequate rainfall
Dem. People's Rep. of Korea	Economic constraints
<i>Severe localized food insecurity</i>	
Bangladesh	Past floods and cyclone
Iran	Past drought
Nepal	Poor market access and past drought/floods
Myanmar	Past cyclone
Sri Lanka	Conflict
Tajikistan	Winter crop damage, poor market access, locusts
Timor-Leste	Internally displaced persons (IDPs)
LATIN AMERICA	
<i>Severe localized food insecurity</i>	
Cuba	Past floods and other hurricane damage
Haiti	Past floods and other hurricane damage

and claims, securing land rights for rural communities, and involving local people in negotiations, land acquisitions will inevitably produce adverse affects for local food production and rural livelihoods.

The following section examines those actors encouraging the land grab trend by seeking to improve investment climates in developing countries. To examine the effects of land acquisitions is not only to consider the direct consequences for rural development and livelihoods but also to question the very strategies of development aiming to boost food production.

2.4 Increasing Investment in Agriculture: In Whose Interest?

2.4.1 The Role of International Financial Institutions

In response to the global food crisis, the World Bank and other International Financial Institutions (IFIs) put forward several recommendations for developing countries. Short-term measures included scaling up social safety nets and eliminating tariffs on key food items. In addition, the World Bank established the Global Food Crisis Response Program (GFRP), characterized by “fast-track” spending of up to US\$ 1.2 billion of the Bank’s resources within the next three years for alleviating hunger (The World Bank 2008). Less apparent, however, is the role of the IFIs in encouraging increased private investment in agriculture in the wake of the food crisis.

Among those fomenting extensive land deals in agriculture is the International Finance Corporation (IFC), the private sector arm of the World Bank Group. The IFC promotes economic growth in the developing world by financing private sector investments and providing advice to governments and businesses. The IFC plays a catalytic role, by mobilizing additional capital through loan syndication and by lessening the political risk for investors, enabling their participation in a given project.³

Also working to facilitate private investments in developing country agribusiness and the land market is the Foreign Investment Advisory Service (FIAS), a multi-donor service of the World Bank Group (WBG) managed by IFC⁴. FIAS’

³ While the World Bank (IBRD and IDA) provides credit and non-lending assistance to governments, the IFC provides loans and equity financing, advice, and technical services to the private sector. The IFC is one of the fastest growing institutions in the World Bank Group and has many important investments to improve local private sector companies, but its projects have often been carried through at the expense of physical and economic displacement for thousands. Source: Bank Information Center (BIC).

⁴ FIAS had its start as an IFC program, following a 1985 request from the Chinese government for advice on their foreign investment legislation. FIAS is now funded by IFC, MIGA, and the World Bank, as well as bilateral donor partners. It includes staff from each of the three WBG organizations.

mission is “to help developing countries improve their business environments to increase private sector activity and investments with positive development impact.” FIAS’ work promotes private investment in land markets by bettering the “investment climate” of developing countries based on indicators of “trade impact,” gross fixed capital formation, GDP, export performance, and number of new business registrations in a given time period.

In the context of land grabbing, IFC and FIAS encourage land leases and purchases by assisting private investors interested in agribusiness investment in developing countries. They contribute to building the infrastructure necessary for private economic action in the developing world, and their investments capitalize on the fact that high food prices have triggered a “financial revolution” in the agricultural sector—a sector which has long struggled with underinvestment. Throughout the financial world, agribusiness private equity funds investing in farmland are now emerging as an asset class, and in 2008, the IFC spent a total of US\$ 1.4 billion in the agribusiness supply chain, of which US\$ 900 million went directly to agribusinesses (Godoy 2009).

The type of agriculture promoted by such investments in agribusiness is large-scale and capital intensive. This is evidenced by the recent partnership formed between IFC and Altima Partners to invest in farming operations and agricultural land in “emerging market countries.” The new fund, the US\$ 625 million Altima One World Agricultural Development Fund, is IFC’s largest equity investment in its expanding agribusiness portfolio. The fund aims to identify “farming talent” in developing countries and help them expand farm production with the help of additional capital and new technologies (Godoy 2009).

In addition, with IFC and FIAS assistance, many countries have reduced or eliminated laws that prohibit foreign ownership of land. For instance, IFC and FIAS are currently working with Madagascar officials to cut down on the number of licenses required to start a business. They have also encouraged countries to reduce demands on foreign companies to keep profits in the country, making it more attractive for foreign companies to invest. This has facilitated the use of agricultural land for export production.

2.4.2 Considerations for Food Security

This financial infrastructure encouraging private investment with the goal of boosting agricultural productivity is clearly positive for investors, but what does it mean for farmers in developing countries and for global food security? The IFC’s focus on solely the private sector through investment in agribusiness is promoting a type of agriculture that is potentially dangerous to the world’s rural poor in a number of ways.

In the first place, making way for foreign investors interested in large-scale food production discourages traditional farming methods utilized by millions of small farmers. The IFIs’ approach has been described as “de-peasantization”—the phas-

ing out of a mode of production to make the countryside a more receptive site for intensive capital accumulation (Bryceson 1999). This approach to development clashes fundamentally with the findings of several studies, which indicate that rural economies and traditional forms of agriculture are imperative for the health of economies in many developing countries. For example, the three-year high-level study, the International Assessment of Agricultural Knowledge, Science, and Technology for Development (IAASTD) emphasizes food security, environmental sustainability, and traditional knowledge, while criticizing trade liberalization for undermining the agricultural sector and stresses the need to “preserve national policy flexibility” (IAASTD 2008).

A second aspect that begs further examination is the IFIs’ support for agriculture based on genetically modified seeds and intensive technology inputs. In February 2009, IFC joined forces with the Alliance for a Green Revolution in Africa (AGRA), a partnership among several organizations aimed at developing solutions to significantly boost farm productivity and incomes for the poor in Africa.⁵ AGRA advocates for policies that support its work across all key aspects of the African agricultural “value chain”—from seeds, soil, and water to markets. It is aimed at small farmers and promotes the use of agricultural technology and genetically modified seeds, which it believes to be the best way to increase agricultural productivity in Africa.

The partnership between IFC and AGRA, which began in February 2009, is meant to help unlock credit and financing for small-scale farmers and agribusinesses across sub-Saharan Africa and will focus on developing market-based incentives and tools to increase agricultural productivity (IFC, AGRA 2008). For example, the two institutions will work together to scale up AGRA’s partnerships with investors and national commercial banks to make loans available to farmers and agribusinesses like smaller seed companies (Makunike 2008).

An overwhelming number of critics, however, argue that the AGRA approach to ensuring food security is part of the problem rather than the solution.⁶ Many warn that AGRA is actually the philanthropic flagship of a large network designed to “attract private investment, enroll African governments, and convince African farmers to buy new seeds and fertilizers” (wa Ngugi 2007). One need only look to the historical precedent of the Asian green revolution, “the science-based transformation of Third World agriculture”: the IR8 rice variety that could produce more grains of rice per plant when grown with certain fertilizers and irrigation was subsidized and GMO-based agriculture was promoted throughout Asian countries; however, after initial subsidies were phased out, many Indian farmers lost their land to banks when they were unable to repay money they had borrowed for the purchase of agricultural

⁵ AGRA is already backed with a US\$ 150 million start-up grant from the Gates Foundation and the Rockefeller Foundation, and ex-secretary-general of the United Nations, Kofi Annan, serves as its chairman.

⁶ See compilation of sources from the Oakland Institute: “Voices from Africa,” an online clearinghouse to share information on and promote alternatives to the New Green Revolution in Africa: <http://www.oaklandinstitute.org/voicesfromafrica>.

inputs such as hybrid seeds, fertilizers, and pesticides (e.g., Shiva 1992). As one critic argues,

The green revolution in India really was the pauperization of the poor Indian farmer. AGRA's promise to follow the Asian model means small-scale African farmers will be strangled by ever widening circles of dependency and debt.... Once the mask of philanthropy is removed, we find profit-hungry corporations vying to control the seed market in African countries, create a path for Genetically Modified seeds and foods, and to pry open a market for chemical fertilizers—which in turn will have an adverse effect on African indigenous seed populations and destroy biodiversity, not to mention the devastation of the environment and the salinization of the soil. (wa Ngugi 2007)

One non-governmental organization describes the idea of a green revolution as “a scientific reductionism,” which has resulted in monocultures, the use of chemical inputs (such as fertilizers and pesticides) and increased mechanization. “This is alien to Africa’s peasant farming systems, which pursue a more holistic approach to agriculture in which crops are combined with livestock, organic manure is used, soils are looked after, and there is a deep respect for the wider environment” (Makunike 2008).

A third point to consider is the very question of how a given development approach defines “*productivity*.” The IFC and other IFIs, by supporting AGRA and capital-intensive agribusiness are encouraging a high-technology, high-input mode of agriculture, claiming it to be the most “productive” way to increase yields and therefore increase output in food products. However, the meaning of “productivity” is itself debatable.

Agribusinesses and economists tend to use “yield” measurements when calculating the productivity of farms. Yield can be defined as the production per unit of a single crop. For example, a corn farm will be judged by how many metric tons of corn are produced per acre. It is true that the highest yield of a single crop is often achieved through industrial monocultures, and smaller farms can rarely compete with this monoculture single-crop yield. However, because small-scale farms use “inter-cropping” methods to plant other crops where single-crop monocultures have empty “weed spaces,” and because small farmers are more likely to rotate or combine crops and livestock with the resulting manure replenishing soil fertility, these small-scale integrated farms produce far more per unit area than large farms. Though the yield per unit area of one crop—corn, for example—may be lower on small-scale farms, the total output per unit area (with small farms often producing more than a dozen crops and numerous animal products) is nearly always higher than that of larger farms (Kimbrell 2003).

Continuing to measure farm efficiency through single-crop yield in agricultural economics, represents a bias against diversification, and reflects the bizarre conviction that producing one food crop on a large scale is more important than producing many crops (and higher productivity) on a small scale (Kimbrell 2003). Countless studies have challenged the conventional wisdom that industrial farms are more efficient by demonstrating the virtues of small farms as “multi-functional”—that is, more productive, more efficient, and able to contribute more to economic development than large farms (Rosset 1999). Why not aim to promote more integrated,

sustainable farming methods for multi-functional farms for the seven out of ten Africans (Africa's Smallholder 2009) who are small producers rather than imposing monoculture, large-scale production?

2.5 Concluding Remarks: Putting Food Security Back in the Forefront

The land grab movement demonstrates that there are several factors dividing the debate surrounding agricultural investment which have important implications for global food security. First, there exists a key divide about the roles to be played by the state and the market. The role of the IFIs within the land grab trend and in response to the global food crisis represents an approach to development characterized by private sector control and lower government regulation. Their solution for increasing food security is to increase agricultural "productivity" through large-scale intensive agriculture, but in many cases, their approach has little to do with food security for the world's most vulnerable. At a very minimum, regulation and oversight is necessary to the extent that domestic food supply can be ensured.

A second divide is over the role of science and technology in agriculture. The IFIs' appeal for increased investments in agribusiness and high-input, capital-intensive agriculture will undoubtedly have adverse effects on rural livelihoods. The assumption that capital-intensive technologies through agribusiness will trickle down to the poor is misleading, as rural communities will be displaced and food sovereignty undermined.

A third key divide in this debate is over the role of international trade in agriculture. Food-insecure countries are responding to food shortages by looking to distant lands in order to develop crops for export back home. However, should free trade be supported at the expense of domestic food supplies? The land grab trend is putting private interests in direct competition with land for local food production, a situation which cannot be tolerated in the face of food insecurity.

Increased food supply does not automatically mean increased food security for all. What is important is who produces the food, who has access to the technology and knowledge to produce it, and who has the purchasing power to acquire it. The conventional wisdom is that, in order to double food supply, we need to redouble efforts to modernize agriculture. However, there is ample evidence suggesting the limitations of such systems to reduce food poverty. The poor and hungry need low-cost and readily available technologies and practices to increase local food production (Pretty and Hine 2001). The real question is not how to increase productivity yields but rather the extent to which farmers can improve food production with cheap, low-cost, locally available technologies and inputs.

Much of the global food system, from seed and fertilizer supply to trade and retail, is in the hands of a few large corporations whose interests are first and foremost economic gain, not feeding the millions of the world's hungry. The land grab trend is extending the control of the private sector over food production in a way that

provides little transparency, few safeguards, and shows little concern for political, (local) economic or humanitarian consequences. The presumed virtues of market mechanisms and of increasing investment climates dominate the global agenda, blinding decision-makers to the reality of peoples' basic needs and to the simple fact that domestic food supply must be ensured. Put quite simply, private corporations are not providing short- or long-term stability in food production and supply for the developing world. The price volatility resulting from increased corporate control of food trade is hugely damaging to farmers' livelihoods and to poor countries dependent on a system that has not proved to come through for them.

Food security is a problem for the world's most vulnerable. It is a problem for the 963 million people in the world who are chronically hungry. These people are the rural poor, the subsistence farmers, the 1.5 billion small producers who each farm less than 2 ha of land. The hungry are the 100,000 families in the Punjab province in Pakistan and the hundreds of soon-to-be displaced Kenyan farmers. They are the ones who are suffering, and yet they are not the ones who are benefitting from land market investment. When will we stop talking about win-win scenarios and recognize that the real problem is about those whose interest is left out of the land purchases and assessments of investment climates? This fundamental disconnect between increasing investment and increasing food security is a dangerous problem that is only exacerbated by the commercial land acquisitions that comprise the global land grab movement.

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