

SUMMARY OF THE FSN FORUM DISCUSSION No. 44
LAND GRAB OR DEVELOPMENT OPPORTUNITY?
FROM 29 SEPTEMBER TO 20 OCTOBER 2009

Proceedings available at
http://km.fao.org/fileadmin/user_upload/fsn/docs/PROCEEDINGS_land_grab_or_development_opportunity.doc

I. ISSUES RAISED

Do foreign direct investments (FDI) in agricultural land constitute a “land grab” or do they instead offer development opportunities? What are the types of FDI in existence and how can the development impact be improved and to which extend does it need to be regulated?

II. DRIVERS OF FOREIGN DIRECT INVESTMENT IN AGRICULTURE

Drivers are both economic and related to food security concerns. Commercial agribusiness opportunities abound and globalization and the gradual removal of trade and investment barriers have made it easier for companies to relocate their supply bases and to pick production areas where they can enjoy optimal tariff and other trade-related incentives for both their imported inputs and exportable products.

The 2008 global food crisis have led countries, with limited production assets and food sufficiency capabilities (such as the Gulf States, Japan, and Korea), to find new ways to secure access to food for their own populations with products produced under the quality and safety standards required. Perceived need for biofuel feedstock generation leads countries and investors to look abroad for suitable production sites, while preserving their own land for food production.

Foreign agricultural investments have generally been welcomed and encouraged by governments in recipient countries as these investments can potentially provide funds, expertise, assistance and loans that would otherwise be unavailable. (R. Montemayor)

Developing country agriculture is in direct need of investment and foreign investment could help meet investment needs and provide broader developmental benefits, making FDI in Agriculture a welcome opportunity for governments. (D. Hallam)

III. LAND GRAB OR DEVELOPMENT OPPORTUNITY

Whether FDI in agriculture is perceived as a “land-grab”, depends largely upon pre-existing local conditions. In countries with large uncultivated land reserves such as Brazil opposition to foreign land ownership is muted, whereas countries with limited or densely-populated farmland will find foreign involvement hard to stomach and investments will be resisted by the population. (P. Chatenay, KV Peter)

The alternative is not between “land-grab” and “development opportunity”: FDI in agriculture is always a development opportunity in terms of capital accumulation but in some cases it can be seen as carrying significant negative externalities. (P. Chatenay)

FDI in agriculture can provide tangible benefits, and steps can be taken to ensure that they do. (R. Montemayor)

Land grab is an institution where people loose their access to and control over production lands or its resources. To be a development opportunity it needs to result in net positive benefits including improvement of social well being of marginalised groups in society. (B. Dhakal)

The scarcity of land creates serious economic opportunities that can be positive for all, as well as real risks, mostly for the rural poor and the customary users of lands affected by new large scale investments in land. (P. Mathieu)

FDI in agriculture can enhance efficiency oriented goals of a nation e.g. in the area of irrigation, where productivity can be increased two fold due to use of better agricultural innovations, but efficiency oriented interventions sometimes have a negative effect on the equity goals of a nation. (E. Mutandwa)

FDI in agriculture can raise sensitive sovereignty, social-impact and environmental issues. There is a specific wariness at putting food supplies in foreign hands and adds to the other problems associated with large projects, such as the displacement of people. (P. Chatenay)

IV. ISSUES AND CONCERNS

The masses of small farmers—not foreign entities—are the real and most strategic investors that governments should encourage and support (R. Montemayor).

One common concern has been the large-scale and long-term displacement of small farmers from their land which is often due to insecurity of land tenure. Even when leased public land is largely unoccupied, farmers and landowners on adjacent private plots are invariably targeted and lured, through legal and illegal means, into leasing their land as the agribusiness firms expand their operations and look for areas that are already cleared and arable. Further consequences of this are increasing land prices and growth of mafia-like structures taking advantage of this (Varinder, R. Montemayor, N.Tandon).

Small farmers, not foreign entities are the real and most strategic investors that governments should encourage and support. Agricultural priority of any government should be to achieve as much food autonomy as physically possible and that extreme caution should be exercised when introducing export-targeted agriculture in areas that already experience a deficit in food production. Also it remains the responsibility of governments to build the roads, put up the irrigation, deliver health and education services, and provide other basic infrastructure and services that will enable farmers to generate profits from their farms and rear their families out of chronic poverty (P. Chatenay, R. Montemayor).

Special accommodations given to overseas farmland investments that often contradict domestic policies and program thrusts and are one biased towards the foreign investor. Particularly controversial are cases where land is converted from rice, corn, or other staple crops to vegetable, horticulture, and other commodities that may arguably be of higher value but are not deemed essential for local food security (R. Montemayor).

Large-scale plantations usually employ intensive cultivation practices that may lead to irreversible land degradation, water pollution, and long-term environmental damage (R. Montemayor).

Welfare increase of the small farmers and landowners who have leased or committed the use of their land to foreign agribusiness enterprises is often limited or nonexistent due to very low prices paid for the land (R. Montemayor).

V. TYPES OF FOREIGN INVESTMENT IN AGRICULTURE

It is necessary to distinguish between FDI in agriculture aimed at the domestic or regional markets and FDI in agriculture aimed at exports. When FDI in agriculture is dependent only on export markets, it is usually a risky business as no industry can improve productivity at the speed of exchange-rate variations, and agriculture is certainly no exception (P. Chatenay).

Various modalities of foreign land acquisition exist: (R. Montemayor, P. Mathieu)

- Leasing: in most countries in Asia the easiest and most common mode by which a foreign entity can undertake overseas farmland investments is by leasing land. Many Asian governments have facilitated this investment modality by entrusting ownership of large tracts of public land to certain state agencies, which in turn lease them to foreign corporations.
- Joint venture: the foreign entity enters into a joint venture or similar business partnership with a domestic corporation. This may allow easier access to land, while potentially enabling the partnership to reap tax and other incentives normally enjoyed only by domestic enterprises.

Land can be grabbed by big industrial houses but even by the state for the developmental projects such as intervention in land use policy when pastureland areas are converted in forest with reduced access. (Varinder, B. Dhakal)

VI. SHOULD INVESTMENTS BE REGULATED AND HOW?

Sound agricultural policy is required. It is by far the main driver of agricultural development. Unfortunately under the current free-market/free-trade consensus, “agricultural policy” is generally frowned upon by economists and politicians alike. This attitude is unfortunate because agriculture and food do not lend themselves well to market forces alone as the necessity of accessing food products precludes limits the natural adjustment of prices. (P. Chatenay)

It is necessary to ensure that the rights to land, or at least land tenure, are protected for those who depend on this very land for their daily living. (N. Tandon)

A major responsibility of the State is to maximise the positive opportunities for the global benefit of the whole nation by making sure that FDI is coherent with the broader national development policy and that it adheres to domestic laws and regulations. (P. Mathieu, P. Chatenay)

Well informed well negotiated and balanced contracts between Governments and investors and between investors and communities are key to the outcome. Rural small-holders and family farms must be integrated in the plans and negotiations, and should be fairly compensated when involuntary displacement may occur. (P. Mathieu)

Formulation and implementation of international codes of conduct/guidelines to guide the formulation of international investments for the benefit of all stakeholders and to provide a framework to which national regulations, international investment agreements, global corporate social responsibility initiatives and individual investment contracts can refer should be set up. (D. Hallam)

Mitigation measures need to be factored in the FDI project to ensure that it is, on balance, positive for development: laws can require a % of land acquired to be set-aside for independent farmers and for existing farmers to be employed full or part-time by the FDI venture. (P. Chatenay, P. Mathieu)

It is important to protect the investments over time. If the risk of a wash-out is high, high returns will be required. This will severely curtail the number of feasible projects and, through higher prices, penalize consumers – a scenario unfortunately often seen in Africa. Legal and fiscal security and stability is paramount for investments in agriculture because, by nature, they are long-term. (P. Chatenay)

VII. EXAMPLES

In Pakistan the government has decided to give land with good crop yielding capability on lease to rich Arab States for export bound food production (A. Raziq).

In Africa and Latin America recent expansion of sugar and ethanol production largely takes places on under-used land and carries positive consequences for the communities concerned such as access to clean water, education, better communications and basic healthcare. Fieldwork usually requires a large workforce which means that many lives are affected by such projects as in Sudan, Tanzania, Mozambique, Brazil and Peru (P. Chatenay).

In Tanzania Masai cattle herders are removed from their lands for making safaris (A. Raziq).

Taiwanese appropriation of land in St. Kitts for bio-ethanol production affects women access to land (N. Tandon).

In Zimbabwe Anglo-American investment in a citrus project was largely successful in terms of raising foreign currency but may not be as successful if viewed by ordinary people because the benefits may not trickle down to them. This scenario is the same in the South African case, where foreign investments in agriculture are key to the success of agriculture but where ordinary poor people are precluded (E. Mutandwa).

VIII. RESOURCES

From Land Grab to Win-Win Policy Brief

<http://www.fao.org/economic/es-policybriefs/detail/en>

International Investments in Agricultural Production; David Hallam

<http://www.fao.org/fileadmin/templates/em2009/docs/Hallam.pdf>

Land grab or development opportunity? Agricultural investment and international land deals in Africa; Lorenzo Cotula, Sonja Vermeulen, Rebeca Leonard and James Keeley

<http://www.fao.org/docrep/011/ak241e/ak241e00.htm>

FAO publications on land tenure

<http://www.fao.org/nr/tenure/infores/newpubs/en/>

Articles on FDI in Agriculture in Pakistan

<http://pakistaniat.com/2009/09/01/leasing-agriculture-land-foreign/>

<http://farmlandgrab.org/7291>

<http://farmlandgrab.org/7233>

<http://www.pakissan.com/english/issues/no.land.leased.to.saudi.arabia.yet.shtml>