

# GRAN *Briefing*



# **SEIZED!**

## ***The 2008 land grab for food and financial security***

Today's food and financial crises have, in tandem, triggered a new global land grab. On the one hand, "food insecure" governments that rely on imports to feed their people are snatching up vast areas of farmland abroad for their own offshore food production. On the other hand, food corporations and private investors, hungry for profits in the midst of the deepening financial crisis, see investment in foreign farmland as an important new source of revenue. As a result, fertile agricultural land is becoming increasingly privatised and concentrated. If left unchecked, this global land grab could spell the end of small-scale farming, and rural livelihoods, in numerous places around the world.

## Introduction

Land grabbing has been going on for centuries. One has only to think of Columbus “discovering” America and the brutal expulsion of indigenous communities that this unleashed, or white colonialists taking over territories occupied by the Maori in New Zealand and by the Zulu in South Africa. It is a violent process very much alive today, from China to Peru. Hardly a day goes by without reports in the press about struggles over land, as mining companies such as Barrick Gold invade the highlands of South America or food corporations such as Dole or San Miguel swindle farmers out of their land entitlements in the Philippines. In many countries, private investors are buying up huge areas to be run as natural parks or conservation areas. And wherever you look, the new biofuels industry, promoted as an answer to climate change, seems to rely on throwing people off their land.

Something more peculiar is going on now, though. The two big global crises that have erupted over the last 15 months – the world food crisis and the broader financial crisis that the food crisis has been part of – are together spawning a new and disturbing trend towards buying up land for outsourced food production. There are two parallel agendas driving two kinds of land grabbers. But while their starting points may differ, the tracks eventually converge.

Something more peculiar is going on now, though. The two big global crises that have erupted over the last 15 months – the world food crisis and the broader financial crisis that the food crisis has been part of<sup>1</sup> – are together spawning a new and disturbing trend towards buying up land for outsourced food production. There are two parallel agendas driving two kinds of land grabbers. But while their starting points may differ, the tracks eventually converge.

The first track is food security. A number of countries which rely on food imports and are worried about tightening markets, while they do have cash to throw around, are seeking to outsource their domestic food production by gaining control of farms in other countries. They see this as an innovative long-term strategy to feed their people at a good price and with far greater security than hitherto. Saudi Arabia, Japan, China, India, Korea, Libya and Egypt all fall into this basket. High-level officials from many of these nations have been on the road since March 2008 in a diplomatic treasure hunt for fertile farmland in places like Uganda, Brazil, Cambodia, Sudan and Pakistan. Given the continuing Darfur crisis, where the World Food Programme is trying to feed 5.6 million refugees, it might seem crazy that foreign governments are buying up farmland in Sudan to produce and export food for their own citizens. Ditto in Cambodia, where 100,000 families, or half a million people, currently lack food.<sup>2</sup> Yet this is what is happening today. Convinced that farming opportunities are limited and the market can't be relied upon, “food insecure” governments are shopping for land elsewhere to produce their own food. At the other end, those governments being courted for the use of their countries' farmland are generally welcoming these offers of fresh foreign investment.

The second track is financial returns. Given the current financial meltdown, all sorts of players in the finance and food industries – the investment houses that manage workers' pensions, private equity funds looking for a fast turnover, hedge funds driven off the now collapsed derivatives market, grain traders seeking new strategies for growth – are turning to land, for both food and fuel production, as a new source of profit. Land itself is not a typical investment for a lot of these transnational firms. Indeed, land is so fraught with political conflict that many countries don't even allow foreigners to own it. And land doesn't appreciate overnight, like pork bellies or gold. To get a return, investors need to raise the productive capacities of the land – and sometimes even get their hands dirty actually running a farm. But the food and financial crises combined have turned agricultural land into a new strategic asset. In many places around the world,

1 See GRAIN, “Making a killing from hunger”, *Against the grain*, Barcelona, April 2008, <http://www.grain.org/articles/?id=39>.

2 “World No-Food Day: CEDAC said that around 100,000 families in Cambodia lack sufficient food”, *The Mirror*, Phnom Penh, 18 October 2008. <http://tinyurl.com/58xxgg>



food prices are high and land prices are low. And most of the “solutions” to the food crisis talk about pumping more food out of the land we have. So there is clearly money to be made by getting control of the best soils, near available water supplies, as fast as possible.

Where these tracks come together is that in both cases it is the private sector that will be in control. In the drive for food security, governments are the ones taking the lead through a public policy agenda. In the drive for financial returns, it is strictly investors out doing business as usual. But there is no room to be fooled. While public officials negotiate and make the deals for the “food security” land grab contracts, the private sector is explicitly expected to take over and deliver. So whichever of the two tracks you look at, they point in one direction: foreign private corporations getting new forms of control over farmland to produce food not for the local communities but for someone else. Did someone say colonialism was a thing of the past?

## The food security seekers

The food security land grab is the one that most people have been hearing about, with newspapers reporting that Saudi Arabia and China are out buying farmland all over the world, from Somalia to Kazakhstan. But there are many more countries involved. A closer look reveals an impressive list of food security land grabbers: China, India, Japan, Malaysia and South Korea in Asia; Egypt and Libya in Africa; and Bahrain, Jordan, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates in the Middle East. A detailed picture of who is seeking land where, for what purpose and for how much money, is provided in the Annex.

The situation of these countries varies a great deal, of course. China is remarkably self-sufficient in food. But it has a huge population, its agricultural lands have been disappearing to industrial development, its water supplies are under serious stress and the Communist Party has a long-term future to think of. With 40% of the world’s farmers but only 9% of the world’s farmlands, it should surprise no one that food security is high on the Chinese government’s agenda. And with more than US\$1.8 trillion in foreign exchange reserves, China has deep pockets from which to invest in its own food security abroad. As many farmers’ leaders and activists in south-east Asia know, Beijing has been gradually outsourcing part of its food production since well before the global food crisis broke out in 2007. Through China’s new geopolitical diplomacy, and the government’s aggressive “Go Abroad” outward investment strategy, some 30 agricultural cooperation deals have been sealed in recent years to give Chinese firms access to “friendly country” farmland in exchange for Chinese technologies, training and infrastructure development funds. This is happening not only in Asia but all over Africa as well, through a range of highly diverse and complex projects.<sup>3</sup> From Kazakhstan to Queensland, and from Mozambique to the Philippines, a steady and familiar process is under way, with Chinese companies leasing or buying up land, setting up large farms, flying in farmers, scientists and extension workers, and getting down to the work of crop production. Most of China’s offshore farming is dedicated to the cultivation of rice, soya beans and maize, along with biofuel crops like sugar cane, cassava or sorghum.<sup>4</sup> The rice produced abroad invariably means hybrid rice, grown from imported Chinese seeds, and Chinese farmers and scientists are enthusiastically teaching Africans and others to grow rice “the Chinese way”. However, local farmworkers hired to work the Chinese farms, in Africa for instance, often don’t know if the rice is to feed their own people or the Chinese. Given the hush-hush nature of a lot of the land deals, most people assume that the rice is to feed the Chinese, and a lot of resentment has been building up.<sup>5</sup>

In essence, China’s land grab strategy is a conservative one: the government is hedging its bets and maximising its options for the country’s long-term food supply. Indeed, the pressure from China’s own loss of agricultural land and water supplies is so great that “China has no other choice” than to go abroad, says one

3 The Chinese government recently announced a commitment of US\$5bn for Chinese corporations to invest in African agriculture over the next 50 years through the new China–Africa Development Fund. The CADF is a private equity fund whose shareholder is the China Development Bank. See T. Michael Johnny, “China earmarks US\$5 billion for food production on continent”, *The News*, Monrovia, 23 April 2008. <http://tinyurl.com/55hlef>

4 China is the birthplace of the soya bean and the world’s largest consumer of it, but today the country imports 60% of its needs. As for maize, China will soon be a net importer. Both of these crops are essential to China’s growing meat and dairy industries.

5 See “Oryza hybrida”, GRAIN’s blog on hybrid rice, for many accounts of China’s hybrid rice takeover in foreign lands: <http://www.grain.org/hybridrice/?blog> An investigative French television report on how this is playing out in Cameroon was produced in May 2008 for TF1: <http://tinyurl.com/6ful9s> (video and text, French only).



expert at the Chinese Academy of Agricultural Sciences.<sup>6</sup> In fact, food is starting to rank pretty high, alongside energy and minerals, in China's overall outward investment strategy. In the first half of 2008, the Ministry of Agriculture went so far as to draft a central government policy on outsourcing food production. The draft is not public,<sup>7</sup> but it would surely give an indication of how far, or for how long, the government expects to underwrite such deals financially. There are, in the meantime, many indications that the private sector is expected to play a greater and greater role. After discussions in July, the policy was placed on the back burner, for the moment at least. "It's too early", one ministry official explained. "We need to wait and see how such investments mature."<sup>8</sup>

The Gulf States – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – face a totally different reality. As nations built in the desert, they have scarce soil and water with which to grow crops or raise livestock. But they do possess enormous amounts of oil and money, which gives them powerful leverage to rely on foreign countries for their food. The current food crisis has hit the Gulf States exceptionally hard. Because they depend on food from abroad (especially from Europe) and their currencies are pegged to the US dollar (except for Kuwait, but only since last year), the simultaneous rise in food prices on the world market and the fall in the US dollar have meant that they have imported a lot of "extra inflation". Their food import bill has ballooned in the last five years from US\$8bn to US\$20bn. And since their populations are largely made up of low-wage migrant workers<sup>9</sup> who build their cities and staff their hospitals, it is absolutely necessary for the Gulf's political dynasties that they provide food at reasonable prices. After all, they're sitting on a class time bomb, while they expect to stay wealthy 20 years from now renting out prime real estate.

When the food crisis exploded, and rice supplies from Asia were cut off, Gulf leaders made fast calculations and came to hard conclusions. The Saudis decided that, given impending water shortages, it would make sense to stop producing wheat, their main food item, by 2016 and, instead, to grow and ship it over from elsewhere, provided that the whole process was firmly under their own control. The United Arab Emirates, 80% of whose population are migrant workers, most of them rice eaters from Asia, panicked. Under the aegis of the Gulf Cooperation Council (GCC), they banded together with Bahrain and the other Gulf nations to formulate a collective strategy of outsourcing food production. Their idea is to secure deals, particularly in sister Islamic countries, by which they will supply capital and oil contracts in exchange for guarantees that their corporations will have access to farmland and be able to export the produce back home. The most heavily targeted states are, by far, Sudan and Pakistan, followed by quite a number in south-east Asia (Burma, Cambodia, Indonesia, Laos, Philippines, Thailand and Vietnam), Turkey, Kazakhstan, Uganda, Ukraine, Georgia, Brazil ... the list goes on.

6 Quoted in Li Ping, "Hopes and strains in China's overseas farming plan", *Economic Observer*, Beijing, 3 July 2008. <http://tinyurl.com/5hkzb6>

7 The most detailed report is given by Li Ping, in *ibid*.

8 "Chinese debate pros and cons of overseas farming investments", *Guardian*, 11 May 2008. <http://tinyurl.com/66zhq4>

9 In 2007, foreigners represented 63% of the population in the Gulf States as a whole. In UAE, they represent more than 82%. These figures are expected to grow much further in the coming years as a lot more migrant workers come in, fleeing economic hardship and unemployment at home.

10 Margaret Coker, "UN food chief warns on buying farms", *Wall Street Journal*, 10 September 2008. <http://tinyurl.com/5uahmp>

The seriousness of the Gulf States' drive should not be underestimated. Between March and August 2008, individual GCC countries or industrial consortia leased under contract millions of hectares of farmland, and harvests are expected to start as soon as 2009. Leaders of the GCC are planning important meetings in October 2008 and January 2009 where they will finalise official policy on this. While the visible components of the Gulf strategy are not controversial in themselves (*see* Box 1), global agencies like the United Nations Food and Agriculture Organisation (FAO) have felt it necessary to jump in and get directly involved in managing the public relations around the issue. "I have no problem in Arabs doing the investment", exclaimed Jacques Diouf, director of FAO, but land, he says, is "a political hot potato". He has several FAO staff stationed in the Gulf right now to avoid "unintended scandals" from the Gulf States' manoeuvres.<sup>10</sup>

While China and the Gulf states are the biggest players, other countries are also moving aggressively to find farmland abroad, with a new impetus as of this year. Japan and South Korea, for instance, are two rich countries whose governments



### Box 1: Characteristics of the Gulf's land grab strategy

- governments priming the pump (organising the deals and working out specific bilateral policy arrangements, e.g. getting food export restrictions specially waived or opening embassies where the contracts will be carried out) but expecting, if not mandating, that private companies take over the projects for the long haul;
- upholding Islamic traditions of helping the poor and sharing with those who have less, which translates into a commitment to have some of the food go to communities in the producing country or to the domestic market, Sharia-based banks being set up to dispense the funds locally, or sweetening the projects with technology transfer, jobs and training, etc.;
- a truly long term approach;
- a strong rhetorical attachment to “win-win” outcomes;
- an underlying food-for-energy swap in so far as numerous projects involve contracts to provide oil and gas supplies in return.

have opted to rely on imports rather than self-sufficiency to feed their people. Both get around 60% of their food from abroad. (In Korea's case, it's over 90% if you exclude rice.) Early in 2008, the Korean government announced that it was formulating a national plan to facilitate land acquisitions abroad for Korean food production, with the private sector anointed as the main player. Indeed, Korean food corporations are already buying up land in Mongolia and eastern Russia to produce food for export back home. The government, meanwhile, is exploring various options itself in Sudan, Argentina and south-east Asia. Japan, on the other hand, seems to rely entirely on the private sector to organise food imports (*see* below) while the government juggles the political frame through its free trade agreements, bilateral investment treaties and development cooperation pacts. This is no passive role. Successive Japanese administrations have been resisting all pressure to restructure Japanese agriculture, where family farms reign and corporations are not allowed to own land. Now that Japanese firms are buying farmland in places like China and Brazil, the pressure may grow tougher.

India has also been bit by the land grab bug. Seen from the corporate boardrooms and government office buildings of New Delhi or Pune, Indian agriculture is in a mess. The country has major problems with costs of production (their biggest concern), declining soil fertility and long-term water supplies, to name just a few. In addition, struggles over access to land have become incredibly complicated, especially because of the widespread social resistance to Special Economic Zones. Spurred by the global food crisis, and probably not wanting to be left out, a number of Indian agribusiness chiefs as well as the government-owned State Trading Corporation (STC) now see a need to produce some of the country's food abroad. They are singling out oilseed crops, pulses and cotton for offshore production, while they figure that it's cheaper to keep producing wheat and rice at home.<sup>11</sup> The new strategy is well under way in Burma, which supplies 1m of the 4m tonnes of lentils that India imports each year to supplement its domestic output of 15m tonnes. Rather than keep buying from Burma, Indian traders and processors now want to go in and grow the lentils there themselves. It works out cheaper, and they get more control over the entire process. With the government's support, Indian corporations are getting leases to Burmese farmland to produce the crop for exclusive export to India. The Indian government is providing the Burmese military junta with special new funds to upgrade its port infrastructure,

11 India consumes 11m tonnes of edible oil each year, importing half its needs. The imports are mainly palm oil from Indonesia and Malaysia, plus soya oil from Brazil, Paraguay and Uruguay. As for pulses, India consumes 18–19m tonnes of lentils each year, importing a quarter of them.



and is aggressively pushing a tailored bilateral free trade and investment agreement to iron out the policy wrinkles between the two states. But it doesn't stop there. Indian CEOs are also buying up Indonesian palm-oil plantations, and are now boarding planes to Uruguay, Paraguay and Brazil to find land to grow pulses and soya beans for export to India. Meanwhile the nation's central bank, the Reserve Bank of India, is quickly trying to change India's laws so that it may issue Indian private companies, as well as the STC, with the loans they need to purchase farmland overseas. Such a possibility has never been contemplated before, so the rules don't exist.

It may sound like a giant board-game, as diplomats and investors hop around from country to country searching for new farmland to call their own. But the truth is that African and Asian governments being approached for their lands are readily accepting the proposals. After all, for them it means fresh inflows of foreign capital to build rural infrastructure, upgrade storage and shipping facilities, consolidate farms and industrialise operations. There are plenty of research and breeding programmes promised in several of these deals as well. Indeed, "invest in agriculture" has so much become the rallying cry of virtually all authorities and experts charged with solving the global food crisis that this, perhaps unintended, land grab boom fits in well. It should be abundantly clear, however, that behind the rhetoric of win-win deals the real aim of these contracts is not agricultural development, much less rural development, but simply agribusiness development. Perhaps only when that is understood do the contradictions underlying this land grab momentum make sense.

*"The Philippines may be facing a rice shortage, but it can boost the UAE's stocks of certain other food products, such as bananas, pineapples, corn, vegetables and other farm and poultry items."*

– Gil Herico, agricultural attaché for the Middle East, Philippine government<sup>12</sup>

A few months ago, Cambodia's Prime Minister, Hun Sen, publicly announced the leasing of Khmer paddy fields to Qatar and Kuwait, so that they can produce their own rice. Though the area involved was not specified, it must be fairly large, as the government is getting almost US\$600m in loans in return. At the same time, however, the World Food Programme has had to start shipping US\$35m-worth of food aid to relieve the hunger plaguing Cambodia's countryside. In the Philippines, where many people have had to cut back on meals, delegations from Saudi Arabia, UAE and Bahrain have been repeatedly flying in and out of the country since March 2008 to secure land for their own food supplies, raising more than one eyebrow. As if to nip any controversy in the bud, President Gloria Macapagal Arroyo has managed to slip the land grab deal signed with the UAE (where many Filipinos work to keep the Philippine economy going) under her administration's new halal industry policy. This way, the UAE project looks like an integral component of a government-funded programme to build a new national industry instead of what it really is: the siphoning of fertile and probably contested agricultural lands to rich foreigners. The various funds being sent to Burma in exchange for exclusive use of some of its farmland are even more problematic. Because Burma is a member of the ASEAN regional trade bloc, and ASEAN itself is now signing free trade agreements with rich economies like Australia, New Zealand and the European Union, social movements across the region are getting deeply worried about such under-the-radar support for Burma's repressive military regime. The land grab deals follow precisely the same pattern. A huge public outcry recently erupted in Uganda when Reuters reported on the government's talks with Egypt's ministry of agriculture, detailing a lease for over 840,000 ha of Ugandan farmland (2.2% of Uganda's total surface!) to Egyptian firms for the production of wheat and maize destined for Cairo. While government officials denied the deal, Uganda's parliament called an emergency session to investigate the matter.

Unfortunately, precise details about a lot of these land grabs for overseas food production – how many hectares, for how much money, to do what exactly, with what conditions attached – are not easy to come by. Governments are no doubt fearful of a political backlash if the public were to know exactly what was going on.

12 Cleofe Maceda, "UAE signs MoU with Philippines to ensure food supply", *Gulf News*, 22 July 2008.  
<http://tinyurl.com/5uts7a>



## Box 2: Land grabbing from Japan

Five trading conglomerates dominate Japan's food and agribusiness market: Mitsubishi, Itochu, Mitsui, Marubeni and Sumitomo. They are involved in purchasing, processing, shipping, trading and retail. They mostly focus on serving the needs of the domestic Japanese market. But because that market is ageing and shrinking, growth has to be found elsewhere.

Japan's food corporations are moving overseas (to capture new markets) and upstream (towards production). Marubeni and Mitsui, and to a lesser extent Mitsubishi, aim to join the ranks of the world's top grain traders, on a par with Arthur Daniels Midland and Bunge. (Cargill, they reckon, is too far ahead.) They are buying up and building huge new facilities and operations in Europe, the US and Latin America. Marubeni recently bought eight grain-storage facilities and two warehouses in the US for US\$48m. This way, it can bypass the market and buy soya beans and maize directly from US producers. Securing a foothold in China, where ADM, Bunge and Cargill are not that strong, is now a real strategic priority for these firms.

But managing warehouses and cargo containers is no longer enough for Japan's top food traders. Moving upstream is also part of the agenda. According to several reports, Japanese firms already own 12m ha of farmland abroad for the production of food and fodder crops. Some of this is in China, where in 2006 Asahi, Itochu and Sumitomo began leasing hundreds of hectares of farmland for organic food production for the Chinese and Korean markets. In 2007, Asahi expanded from this initial project and developed the first Japanese dairy farm in China. One year later, in September 2008, Asahi took advantage of the melamine milk tragedy to launch its first liquid milk product at a 50% mark-up – disaster capitalism at its best! Meanwhile, Itochu has branched off to form an alliance with COFCO, China's top agricultural trading and processing firm, which reportedly may involve farmland acquisitions.

Japanese firms are also digging into Brazil. In late 2007, Mitsui bought 100,000 ha of Brazilian farmland – the equivalent of 2% of Japan's own cultivated area – for soya bean production through its stake in Multigrain SA, of which it now owns 40%.

## Fresh magnet for private investors

While governments may have food security agendas, the private sector has a very different one: making money. The food crisis coupled with the broader financial crisis has turned control over land into an important new magnet for private investors. We're not talking about typical transnational agribusiness operations, where Cargill might invest in a soya bean crushing plant in Mato Grosso in Brazil. We're talking about a new interest in acquiring control over farmland itself. There are two main players here: the food industry and, much more significantly, the finance industry.

Within food industry circles, Japanese and Arab trading and processing corporations are perhaps the ones most involved in overseas farm acquisitions rights now. For the Japanese firms, this strategy is being woven into their organic growth (see Box 2). As for the Middle Eastern firms, they are riding on the wave of their governments going out and opening doors in the name of the food security paradigm.

The troubled finance industry is the one taking a bigger bite. For a lot of people in power, the global food crisis laid bare an overarching problem: that no matter where you look, climate change, soil destruction, the loss of water supplies and the plateauing of monocultured crop yields are bearing down as big threats to our planet's future food supplies. This translates into forecasts of tight markets, high prices and pressure to get more from the land. At the same time, the finance industry, which has gambled so much on squeezing money from debt and lost, is

*“The single best recession hedge of the next 10 or 15 years is an investment in farmland”*

– Reza Vishkai, head of alternatives at Insight Investment, July 2008<sup>13</sup>

13 Quoted in *AgCapita Newsletter*, AgCapita Partners, Calgary, 25 July 2008. <http://tinyurl.com/6e9zjb>



looking for safe havens. All these factors make agricultural land a smart new toy to make profits with. Food has to be produced, prices will remain high, cheap land is available, it will pay off – that’s the formula. The result? Throughout 2008, an army of investment houses, private equity funds, hedge funds and the like have been snapping up farmlands throughout the world – with great help from agencies like the World Bank, its International Finance Corporation and the European Bank for Reconstruction and Development, who are all greasing the way for this investment flow and “persuading” governments to change land ownership laws so that it can succeed (*see* Box 3). As a result, land prices are starting to climb, creating even more pressure to move quickly.

The private sector rush into farmland acquisitions this year has been dizzying. Deutsche Bank and Goldman Sachs, for instance, are taking control of China’s livestock industry. While all eyes were focused nervously on Wall Street in late September 2008, these two were tucking their money away into China’s biggest piggeries, poultry farms and meat processing plants – including rights to the farmland. New York-based BlackRock Inc, one of the world’s largest money

### Box 3: Land policy shake-ups

Many countries are changing their land ownership laws, policies and practices right now to deal with the current food and credit crises and the resulting pressure on land. China is pursuing a major reform to make it easier for peasants to trade their rights to use land, which is otherwise owned by the state in the name of the people. The reform would make it easier for individual farmers to sell or lease their land rights, and to use land titles as collateral for loans. Many foresee that this will facilitate a huge restructuring of farms in China from countless smallholdings – which have been unfairly blamed for China’s food safety crises of late – to fewer large holdings, which corporations will then be able to get stronger rights to. The Kazakh government, in its bid to attract foreign farmland investors, has implemented land share policies and permanent land use rights. Ukraine is expected to lift its ban on the sale of farmland to foreigners very soon. Sudan, where most land is owned by the government, is issuing 99-year leases for a very low cost, if not for free.

Brazil is moving in the other direction. Because the food crisis, coming hard on the heels of the biofuel frenzy, has many foreign investors interested in buying Brazilian farmland, Congress is considering a Bill to bring transparency into the process. The Bill would oblige Brazilian operators who purchase land to declare the amount of foreign participation in their ownership and set up a special registry for purchases involving foreign capital. (Since 1971, foreign corporations can buy land in Brazil only through Brazilian partners or by setting up residency. But this law has been poorly implemented.) While some investors shrug this off as mainly intended to crack down on speculators, the Bill has strong backing and may be adopted by the end of 2008. Paraguay is considering something similar: in October 2008, the government announced that it would start enforcing a long-standing law that prohibits foreigners from buying domestic farmland. Pakistan, on the other hand, has clear rules allowing foreign investors to own and operate what are classified as “corporate farms”, but the country’s labour laws don’t apply there. This is reportedly being looked into for possible change.

In the background, the World Bank and the EBRD, among others, are actively advising governments to modify land ownership policies and practices so that foreign investors have more incentives to put money into farmland abroad. According to World Bank officials, changing land ownership laws is an integral target of the Bank’s US\$1.2bn package to deal with the food crisis in Africa.<sup>14</sup> EBRD is pulling the strings on land policy reform in response to the food crisis in Europe and Central Asia, with particular focus on the potentially big grain exporters – Russia, Ukraine, Romania, Bulgaria and Kazakhstan.

14 Herbert Boh, Communications Coordinator, World Bank, interviewed by Howard Lesser, Voice of America, on 14 October 2008.  
<http://tinyurl.com/6knzgg>  
 The Bank’s IFC proudly boasts that it changed Sierra Leone’s land ownership laws last year so that foreigners may gain control. See the Foreign Investment Advisory Service’s report on sub-Saharan Africa at <http://tinyurl.com/6bp4bk>



managers with nearly US\$1.5 trillion on its books, has just set up a massive US\$200m agricultural hedge fund, US\$30m of which will be used to acquire farmland around the world. Morgan Stanley, which nearly joined the queue for a US Treasury Department bail-out, recently bought 40,000 ha of farmland in the Ukraine. This pales in comparison to the 300,000 ha of Ukrainian farmland that Renaissance Capital, a Russian investment house, has acquired rights to, but still. In fact, throughout the highly fertile belt from Ukraine across southern Russia, the competition is hot. Black Earth Farming, a Swedish investment group, has acquired control of 331,000 ha of farmland in the black earth region of Russia. Alpcot-Agro, another Swedish investment firm, has bought rights to 128,000 ha there. Landkom, the British investment group, has bought up 100,000 ha of agricultural land in Ukraine and vows to expand this to 350,000 ha by 2011. All of these land acquisitions are to produce grains, oils, meat and dairy for those in the hungry world market ... that is, for those who can pay.

The speed and timing of this new investment trend is amazing. So is the list of targeted countries: Malawi, Senegal, Nigeria, Ukraine, Russia, Georgia, Kazakhstan, Uzbekistan, Brazil, Paraguay, even Australia. They have all been identified as offering fertile land, relative water availability and some level of potential farm productivity growth. The time horizon investors are talking about is, on average, 10 years – with a clear understanding that they have to make the land productive and to build marketing infrastructure, not sit back idly – with projected annual rates of return of 10–40% in Europe or up to 400% in Africa. Again, what is new and special here is that these financial groups are acquiring actual rights to the land, and many of these moves were made in only the past few months, when financial markets started collapsing. What they actually spell for the future of farming in these countries is a great unknown.

### What does it all mean?

One thing that this boom in land grabbing shows is that governments have lost faith in the market. This faith had already been jolted by the world food crisis, when countries were suddenly thrown into a situation of false scarcity driven by speculation rather than supply and demand. The Gulf States, among other land grabbers, are quite lucid about their intention to (a) secure food supplies through direct ownership or control of foreign farmland, and (b) exclude traders and other middlemen as much as possible in order to cut their food import bills by 20–25%. Indeed, they have been forced to go to places like Islamabad and Bangkok and ask the governments there to lift their export bans on rice just for their special farms. The underlying contempt that all of this shows for open markets and free trade, so much lauded by Western advisers over the last four decades, is glaring.

Another fundamental issue is that workers, farmers and local communities will inevitably lose access to land for local food production. The very basis on which to build food sovereignty is simply being bartered away. The governments, the investors and the development agencies that are being drawn into these projects will argue that jobs will be created and some food will be left behind. But these don't replace land and the possibility of working and living off the land. In fact, what should be obvious is that the real problem with the current land grab is not simply the matter of giving foreigners control of domestic farmlands. It's the restructuring. For these lands will be transformed from smallholdings or forests, whatever they may be, into large industrial estates connected to large far-off markets. Farmers will never be real farmers again, job or no job. This will probably be the biggest consequence.

A third message that is important to draw out stems from the fact that investment in agriculture is good and that the so-called South–South momentum behind these overseas farming deals is good. We do need to invest more in agriculture. And South–South solidarity and cooperative economy-building, outside the reach of (Western or Southern) imperialism, can be a good way to do it. But what

*“The trick here is not just to harvest crops but to harvest money.”*

– Mikhail Orlov, founder of Black Earth Farming and former private equity manager with Carlyle and Invesco, September 2008<sup>15</sup>

<sup>15</sup> Quoted in Catherine Belton, “Agriculture: The battle to bring more land into production”, *Financial Times*, London, 30 September 2008. <http://tinyurl.com/6yxebd>



agriculture? And what kinds of economies? Who will control these investments and who will benefit from them? The risk of seeing not just the food but the profits generated from these offshore farming operations being siphoned off to other countries, to other consumers who can pay or simply to foreign elites is quite real. These operations won't necessarily dent the food crisis at all. Nor will they necessarily bring "development" to local communities. And we must not forget that many of these offshore farming investments will be facilitated through broader bilateral investment treaties and free trade agreements, making future problems more difficult to resolve. While the ideology in which the Gulf States package their projects is somewhat more people-friendly than the ideology of Chinese capitalism – and these investments are drenched in ideology and geopolitical design – it is window-dressing. After all, through these deals, the Gulf States are supporting the regime in Khartoum, just as India is supporting Burma's military dictatorship. Beijing brings its own workforce and technologies when it goes farming abroad, displacing native biodiversity and bypassing local trade unions. So despite the needed investment and the South–South politics, who will really benefit is a formidable and unanswered concern.

What about land reform? It's hard to imagine how conceding farmland to other countries, or to private investors, so that they can produce food to be shipped off to other people, can do anything but take us in the opposite direction and strike a blow at so many movements' struggles for genuine agrarian reform and indigenous peoples' rights. This is especially so since many of the target countries are net food importers themselves with extremely serious conflicts around land. In Pakistan, farmers' movements are already raising the alarm about 25,000 villages that are bound to be displaced if the Qataris' proposal to outsource part of their food production to Punjab province is accepted.<sup>16</sup> In Egypt, small farmers in the Qena district have been fighting tooth and nail to get back 1,600 ha that were recently granted to Kobebussan, a Japanese agribusiness conglomerate, to produce food for export to Japan.<sup>17</sup> In Indonesia, activists expect that the planned Saudi rice estate in Merauke, where 1.6m ha will be handed over to a consortium of 15 firms to produce rice for export to Riyadh, will bypass local Papuans' right to veto the project.<sup>18</sup> Given the tenacity of the drive by the World Bank and others to make farmland control by hungry foreign investors much easier, as some twisted solution to the food crisis, this could end in explosive conflict.

Another big issue that cannot be ignored is that these deals will further entrench export-oriented agriculture. This is simply not appropriate in most of the countries being targeted. The heavy push over recent decades towards producing food for external markets rather than internal ones is what has made the impact of the 2007–8 food crisis so hard on so many people, particularly in Asia and Africa. Not everyone can afford to purchase food from the world market – especially since real wages and incomes for most people have not been rising over recent years. In so far as most of these land acquisitions are meant to set up large corporate farms – whether in Laos, Pakistan or Nigeria – to produce food for export, it is reinforcing the problem. It is true that some of the deals reserve some of the food for either local communities in the area or for the domestic market. Some even include social agendas such as building hospitals or schools. They nevertheless promote an industrial model of agriculture that has been creating poverty and environmental destruction, and exacerbating loss of biodiversity, pollution from farm chemicals and crop contamination from genetically modified organisms. A whole range of statistics, if sheer observation weren't enough, attests to the growing gap between the rich and the poor, the well-fed and the hungry, that is emerging as a result.

Finally, the most obvious question of all: what happens over the long term when you grant control over your country's farmland to foreign nations and investors?

16 "Pakistan eyeing corporate farming amid rising wheat crisis", Kuwait News Agency, 11 October 2008.  
<http://tinyurl.com/63dhlh>

17 Land Centre for Human Rights, "Once more the farmers of the village of El-Mrashda are standing in the face of the blowing wind... Who will protect their rights", Cairo, 15 October 2008.  
<http://www.lchr-eg.org/112/08-36.htm>

18 "Merauke mega-project raises food fears", *Down to Earth*, No. 78, London, August 2008.  
<http://dte.gn.apc.org/78dpad.htm>



## GOING FURTHER

The Annex to this briefing is a table with over 100 cases of land grabbing for offshore food production as presented in this report. It is available in a separate PDF file.

Land grab table: [http://www.grain.org/briefings\\_files/landgrab-2008-en-annex.pdf](http://www.grain.org/briefings_files/landgrab-2008-en-annex.pdf)

GRAIN is releasing a Google Notebook with full-text news clippings collected during the research for this briefing as a support to those who want to read more. The notebook is only available online, and the news clippings are not in any order, but it can easily be searched. We are doing this because this is not always an easy subject to research on the internet, if you want a broad picture. People may add further clippings to the notebook as they wish, to further build this collective resource. GRAIN will not be maintaining nor be responsible for it. Most of the articles are at present in English. A backup copy is available in PDF format from <http://www.grain.org/m/?id=209>

Land grab notebook: <http://tinyurl.com/landgrab2008>

