Agriculture and Food in Crisis

Conflict, Resistance, and Renewal

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gas emissions. In other words, to use technological fixes to allow us to continue the wasteful practice of relying on automobiles and trucks to move people and goods. But each technology proposed for dealing with systemic problems leads to new, often unanticipated consequences. In the case of agrofuels these include worsening the conditions of the world's poor, displacing even more farmers from the land, and increasing pollution of air and water during the production process, with little net energy gain and a host of indirect impacts that may likely increase global CO_2 emissions.

Just a few short years ago, biofuels were widely viewed as the most attractive and sustainable solution to our need for low-carbon liquid fuels. While personal and farm-scale uses remain appealing to many, including the harvesting of sunflower oil and the diversion of waste oil from commercial kitchens to run diesel engines, the emerging global agrofuel industry has clearly raised far more concerns than solutions.

7. The New Farm Owners: Corporate Investors and the Control of Overseas Farmland

GRAIN

> I'm convinced that farmland is going to be one of the best investments of our time. Eventually, of course, food prices will get high enough that the market probably will be flooded with supply through development of new land or technology or both, and the bull market will end. But that's a long ways away yet.
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> —GEORGE SOROS, June 2009

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 erupted in 2008—the world food crisis and the broader financial crisis that the food crisis has been part of[1]—are together spawning a new and disturbing trend toward buying up land for outsourced food production.

For the past two years, investors have been scrambling to take control of farmland in Asia and Latin America. In the beginning, during the early months of 2008, investors talked about getting these lands for "food security"—meaning, their food security. Gulf State officials were flying around the globe looking for large areas of cultivable land that they could acquire to grow rice to feed their burgeoning populations without relying on international trade. So too were Koreans, Libyans, Egyptians, and others. In most of these talks, high-level government representatives were directly involved, peddling new packages of political, economic, and financial cooperation, with agricultural land transactions smack in the center.

Then, in 2008, as the financial crisis grew deeper, another group of investors started buying up farmland in the South: hedge funds, private equity groups, investment banks and the like, many of them based in the U.S. They were not concerned about food security. They figured that there is money to be made in farming because the world population is growing, food prices are bound to stay high over time, and farmland can be bought cheaply. With a little bit of technology and management skills thrown into these farm acquisitions, they get portfolio diversification, a hedge against inflation and guaranteed returns—both from the harvests and the land itself.

As of early 2010, well over 40 million hectares have changed hands or are under negotiation—20 million of which are in Africa. GRAIN calculates that over $100 billion have been put on the table to make it happen. Despite the governmental grease here or there, these deals are

with host country officials. Although we have been able to compile various sample data sets identifying who the land grabbers are and what the deals cover, most of the information is kept secret from the public, for fear of political backlash.

In this context, and with all the talk about "food security" and distorted media statements like "South Korea leases half of Madagascar's land,"[2] it often goes unrecognized that the lead actors in today's global land grab for overseas food production are not countries or governments but corporations. Attention has been focused on the involvement of states—like Saudi Arabia, China, or South Korea—but the reality is that while governments are facilitating the deals, private companies are the ones getting control of the land.

The interests of these private companies are simply not the same as those of governments. Take one example: in August 2009, the government of Mauritius, through the Ministry of Foreign Affairs, got a long-term lease for 20,000 hectares of good farmland in Mozambique to produce rice for the Mauritian market. This is outsourced food production, no question. But it is not the government of Mauritius, on behalf of the Mauritian people, that is going to farm that land and ship the rice back home. Instead, the Mauritian Minister of Agro Industry immediately subleased the land to two corporations, one from Singapore and one from Swaziland. The former is anxious to develop the market for its proprietary hybrid rice seeds in Africa; the latter specializes in cattle production, but is also involved in biofuels in southern Africa.[3] This is typical. And it means that we should not be blinded by the involvement of states. Because at the end of the day, what the corporations want will be decisive and they have a war chest of legal, financial, and political tools to assist them.

Moreover, there's a tendency to assume that private sector involvement in the global land grab amounts to traditional agribusiness or plantation companies, like Unilever or Dole, simply expanding the contract farming model of yesterday. In fact, the high-power finance industry, with little to no experience in farming, has emerged as a crucial corporate player. So much so that the very phrase "investing in agriculture," today's mantra of development bureaucrats, should not be understood as automatically meaning public funds. It is more and more becoming the business of "big business."

The Role of Finance Capital

GRAIN has tried to look more closely at who are the private sector investors currently taking over farmlands around the world for offshore food production. From what we have gathered, the role of finance capital—investment funds and companies—is truly significant. In October 2009, we released a table outlining over 120 investment structures, most of them newly created, busy acquiring farmland overseas in the aftermath of the financial crisis.[4] As of this writing, their involvement is in the tens of billions of dollars and rising rapidly. That table was not exhaustive, but it did provide a sample of the kinds of firms or instruments involved, and the levels of investment they are aiming for. (See Table 7.1.)

Private investors are not turning to agriculture to solve world hunger or eliminate rural poverty. They want profit, pure and simple. And the world has changed in ways that now make it possible to make big money from farmland. From the investors' perspective, global food needs are guaranteed to grow, keeping food prices up and providing a solid basis for returns on investment for those who control the necessary resource base. And that resource base, particularly land and water, is under stress as never before. In the aftermath of the financial crisis, so-called alternative investments, such as infrastructure or farmland, are all the rage. Farmland itself is touted as providing a hedge against inflation. And because its value doesn't go up and down in sync with other assets like gold or currencies, it allows investors to successfully diversify their portfolios.

But it's not just about land, it's about production. Investors are convinced that they can go into Africa, Asia, Latin America, and the former Soviet bloc to consolidate holdings, inject a mix of technology, capital and management skills, lay down the infrastructures and transform below-potential farms into large-scale agribusiness operations.

"The same way you have shoemakers and computer manufacturers, we produce agricultural commodities," says Laurence Beltrão Gomes of SLC Agrícola, the largest farm company in Brazil.

In many cases, the goal is to generate revenue streams both from the harvests and from the land itself, whose value they expect to go up. In the words of Susan Payne, CEO of Emergent Asset Management, an investment fund in the UK targeting farmland in Mozambique and other African countries: "The first thing we're going to do is to make money off of the land itself. . . . We could be moronic and not grow anything and we think we'd make money over the next decade."

What these investors are driving forward here is a totally corporate version of the Green Revolution, and their ambitions are big. "My boss wants to create the first Exxon Mobil of the farming sector," said Joseph Carvin of Altima Partners' One World Agriculture Fund to a gathering of global farmland investors in New York in June 2009. No wonder, then, that governments, the World Bank, and the UN want to be associated with this. But it is not their show.

From Rich to Richer

As we have already established, today's emerging new farm owners are private equity fund managers, specialized farmland fund operators, hedge funds, pension funds, big banks, and the like. The pace and extent of their appetite is remarkable—but unsurprising, given the scramble to recover from the financial crisis. Consolidated data are lacking, but we can see that billions of dollars are going into farmland acquisitions for a growing number of "get rich quick" schemes. And some of those dollars are hard-earned retirement savings of teachers, civil servants, and factory workers from countries such as the U.S. and the UK. This means that a lot of ordinary citizens have a financial stake in this trend, too, whether they are aware of it or not.

It also means that a new, powerful lobby of corporate interests is coming together, which wants favorable conditions to facilitate and protect their farmland investments. They want to tear down burdensome land laws that prevent foreign ownership, remove host-country restrictions on food exports and get around any regulations on genetically modified organisms. For this, we can be sure that they will be working with their home governments, and various development banks, to push their agendas around the globe through free trade agreements, bilateral investment treaties, and donor conditions.

The Millennium Challenge Corporation (MCC)

For U.S. investors eyeing land in Africa, one program stands out above the rest: the government's Millennium Challenge Corporation (MCC). As the experiences with its land projects in Mali, Ghana, Mozambique, and Benin make clear, the MCC is playing a key role in commodifying Africa's farmlands and opening them up to U.S. agribusiness.

MCC was suggested by President G.W. Bush and created by the U.S. Congress in 2004. Its approach is hard-hitting and akin to a structural adjustment program. Its budget, usually around US$1 billion or more per year, is disbursed in the form of grants, not loans, to specific countries that the MCC deems eligible for funding. So, there is a big carrot dangling to lure countries in. To become a candidate for funding, a country must first pass an MCC scorecard test, which looks at such criteria as "Encouraging Economic Freedom" and is based on indicators taken from neoliberal institutions such as the World Bank, the Heritage Foundation, and the International Monetary Fund (IMF).

If a country achieves a high enough score, it may then be promoted by the MCC to "threshold status," where it will gain access to small funds for use in implementing the policy reforms that the MCC says are necessary for full eligibility. Among these "reforms" incorporated there is almost always a land component that is central: while these land projects may vary from country to country, MCC's overriding objective with all of them is to privatize the land, and, in this way, to make it a marketable commodity from which investors can make profits. [For more details see "Turning African Land Over to Big Business," http://www.grain.org.]

Indeed, the global land grab is happening within the larger context of governments in the North and the South, anxiously supporting the expansion of their own transnational food and agribusiness corporations as the primary answer to the food crisis. The deals and programs being promoted today all point to a restructuring and expansion of the industrial food system, based on capital-intensive, large-scale monocultures for export markets. While that may sound "old hat," several things are new and different. For one, the infrastructure needs for this model will be dealt with. (The Green Revolution never did that.) New forms of financing, as Table 7.1 illustrates, are also at the base of it. Thirdly, the growing protagonism of corporations and tycoons from the South is also becoming more important. United States and European transnationals like Cargill, Tyson, Danone, and Nestlé, which once ruled the roost, are now being flanked by emerging conglomerates such as COFCO, Olam, Savola, Almarai, and JBS.[5] A recent report from the UN Conference on Trade and Development pointed out that a solid 40 percent of all mergers and acquisitions in the field of agricultural production last year were South–South.[6] To put it bluntly, tomorrow's food industry in Africa will be largely driven by Brazilian, ethnic Chinese, and Arab Gulf capital.

Exporting Food Insecurity

Given the heavy role of the private sector in today's land grabs, it is clear that these firms are not interested in the kind of agriculture that will bring us food sovereignty. With hunger rising faster than population growth, it will not likely do much for food security, either. One farmers' leader from Synérgie Paysanne in Benin sees these land grabs as fundamentally responsible for "exporting food insecurity." He is right, of course. They are about answering some people's needs—for maize or money—by taking food production resources away from others. In most cases, these investors are not very experienced in running farms. And they are bound, as the Coordinator of MASIPAG in the Philippines sees it, to come in, deplete the soils of biological life and nutrients through intensive farming, pull out after a number of years, and leave the local communities with "a desert."

The talk about channeling this sudden surge of dollars and dirhams (the currency used in several Arab countries) into an agenda for resolving the global food crisis could be seen as quirky if it were not downright dangerous. From the United Nations headquarters in New York to the corridors of European capitals, everyone is talking about making these deals "win-win." All we need to do, the thinking goes, is agree on a few parameters to moralize and discipline these land grab deals, so that they actually serve local communities without scaring investors off. The World Bank even wants to create a global certification scheme and audit bureau for what could become "sustainable land grabbing," along the lines of what's been tried with oil palm, forestry, or other extractive industries.

At its annual land conference in Washington, D.C., at the end of April 2010, the World Bank, along with the FAO, IFAD and UNCTAD, put forward a set of "seven principles" to try and make land grabs, or what it calls "large-scale agriculture investments," more socially acceptable. The World Bank's main objective with these voluntary principles is to reduce risks for investors, since they are, after all, high-risk investments. Another principal objective is to dilute the social backlash accompanying these deals wherever they transpire, and which has begun to link into a global resistance movement.

All this talk of "win-win" is simply not realistic. It promises transparency and good governance as if foreign investors would respect communities' rights to land when the local governments don't. It speaks of jobs and technology transfer when these are not the problems (not to mention that little of either are likely to materialize). It is shrouded in words like "voluntary," "fear," and "could" instead of "guaranteed," "confidence," and "will." The win-win camp is itself divided about what should happen in case of food pressures in the host countries, a more than likely scenario. Should countries be allowed to restrict exports, even from foreign investors' farms? Or should so-called free trade and investors' rights take precedence? No one that we have talked to among concerned groups in Africa or Asia takes this "win-win" idea seriously.

When we look at who these investors are and what they are after, it becomes impossible to imagine that, with so much money on the line and with so much accumulated social experience in dealing with mass land concessions and conversions in the past—whether from mining or plantations—and given the central role of the finance and agribusiness industries here, these investors are suddenly going to play fair. It is just as hard to believe that governments or international agencies will suddenly be able to hold them to account.

The "win-win" discussion is just a dangerous distraction from the fact that today's global food crisis will not be solved by large-scale industrial agriculture, which virtually all of these land acquisitions aim to promote. But the governments, international agencies, and corporations steering the global food system are bankrupt in solutions to the food crisis. After decades of their Green Revolution projects and structural adjustment programs, we have more hungry people on the planet than ever. Rather than question the model, the World Bank and others have decided that the only way to keep the global food system from coming apart at the seams is to fly forward, follow the money, and to install large-scale agribusiness operations everywhere, particularly where they have not yet taken root. This is what today's land grab is all about: expanding and entrenching the Western model of large-scale commodity value chains. In other words: creating more corporate-controlled food production for export.

The global land grab is thus only going to make the food crisis worse—with or without "principles" and "guidelines." It pushes an agriculture based on large-scale monocultures, chemicals, fossil fuels, and slave labor. This agriculture will not feed the planet; it will feed speculative profits for a few. There will be seemingly more secure food for the wealthy, and more poverty for the rest. As climate change takes us into an era of severe disruption of food production, there has never been a more pressing need for a system that can ensure that food is distributed to everyone, according to need. Yet never has the world's food supply been more tightly controlled by a small group, whose decisions are based solely on how much money they can extract for their shareholders.

Of course we need investment, but investment in food sovereignty, in a million local markets, and in the three billion farmers and farm workers who currently produce most of the food that our societies rely on—not in a few mega-farms controlled by a few mega-landlords.

Table 7.1. Investment Vehicles Purchasing Farmland in Africa, Asia, Latin America and Eastern Europe*

INVESTMENT VEHICLE: Altima One World Agriculture Fund
LEGAL BASE: Cayman Islands/U.S.
PARTICIPATING INVESTORS: Altima Partners (UK); IFC (World Bank)

The Altima One World Agricultural Fund is a US$625 million fund created by Altima Partners, a US$3 billion hedge fund, to invest in agricultural land and farming operations in emerging market countries. Altima invests in agribusinesses in Latin America and the Russia/Ukraine/Kazakhstan (RUK) region. Three-quarters of its portfolio goes into farm companies (producing agricultural crops) and 25 percent goes into publicly listed AG (*Aktiengesellschaft*) companies. In February 2009, the World Bank's private investment arm, the International Finance Corporation, announced that it was partnering with the Altima fund through a US$75 million equity infusion. Altima owns 40 percent of the Argentine company El-Tejar, which owns and leases well over 200,000 hectares of farmland in Argentina, Brazil, Uruguay, Paraguay, and Bolivia. El Tejar plans to start production in Colombia in 2010. In 2009, the Capital Group invested US$150 million in El Tejar to acquire 13 percent of the company's shares. In March 2010, El Tejar announced it was considering an IPO in New York.

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INVESTMENT VEHICLE: APG Investment
LEGAL BASE: Netherlands
PARTICIPATING INVESTORS: Dutch collective pension funds

APG (All Pensions Group) was established in March 2008 and is one of the largest managers of pension assets in the world, handling about 217 billion euros from the pensions of 2.7 million Dutch. APG recently established a Farmland Fund to invest in "structures that lease out farmland as well as structures where farmland is operated." It also has a Forestry Fund, established in 2007, that invests in both forests and farms. According to their agricultural fund manager Frank Asselbergs: "When we talk about investing in farms you shouldn't think about some quaint Dutch smallholding you can drive a tractor around in an hour. These are enormous tracts of land, mainly in Latin America. And they're not run by a farmer we hire in, but by professional companies. We recently bought a farm as big as the entire Veluwe region of the Netherlands. That's tens of thousands of hectares. We're active in Uruguay, Paraguay, Brazil, and Argentina. They're the agricultural heartland of the future. We also have farms in Australia, and we're now looking at other regions. Europe included."

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INVESTMENT VEHICLE: BKK Partners
LEGAL BASE: Australia
PARTICIPATING INVESTORS: Indochina Gateway Capital Ltd.

BKK is planning a US$600 million investment to acquire 100,000 hectares in Cambodia for the production of rice, bananas, and sugar. The company is in negotiations with the government of Cambodia and has already begun looking at possible sites.

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INVESTMENT VEHICLE: Calyx Agro
LEGAL BASE: Argentina
PARTICIPATING INVESTORS: Louis Dreyfus Commodities (France), AIG (U.S.)

Louis Dreyfus Commodities is one of the world's top grain traders. It established Calyx Agro in 2007 as a fund for farmland acquisitions in southern Latin America. Louis Dreyfus Commodities already owns 60,000 hectares of farmland in Brazil, to which it has committed US$120 million. AIG invested US$65 million into the fund in 2008. The fund focuses on identifying, acquiring, developing, converting, and selling farmland in Brazil, Argentina, Uruguay, and Paraguay. Louis Dreyfus is also investing in land in Africa and the Ukraine.

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*This table has been extracted from a more complete table compiled by GRAIN in October 2009. It also includes several new entries as of March 2010.

INVESTMENT VEHICLE: Citadel Capital
LEGAL BASE: Egypt
PARTICIPATING INVESTORS: Leading investors and family offices from Egypt, the Gulf Cooperation Council, and North Africa

Citadel Capital makes private equity investments in the Middle East and North Africa and has more than US$8.3 billion in investments under its control. In 2008, Citadel set up a fund called Sabina, which holds Citadel Capital's agricultural investment near Kosti, White Nile State, Sudan, where it has obtained a 99-year freehold on a 255,000-feddan (107,000 hectare) plot of fertile land, 37 kilometers of which are located directly on the Nile. Part of the land has been designated specifically for the cultivation of sugarcane and the rest will be used for various crops. Some 32,000 feddans (13,440 hectares) of the land are already cultivated. The plot is in close proximity to a river port owned by Keer Marine, a Citadel Capital investment. Citadel says it is also considering investments in Uganda, Kenya, and Ethiopia. Citadel owns Egypt's largest milk producer, Dina Farms, with a herd of 11,000 cows. It intends to double this herd within 3–5 years. Dina Farms is a subsidiary of the Gozour Holding Company, set up by Citadel with other regional investors.

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INVESTMENT VEHICLE: Emergent Asset Management
LEGAL BASE: UK
PARTICIPATING INVESTORS: Toronto Dominion Bank (Canada)

Emergent operates an Africa Agricultural Land Fund, with offices in Pretoria and London. As of June 2009, Emergent controlled over 150,000 hectares in Angola, Botswana, Mozambique, South Africa, Swaziland, and Zambia.

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INVESTMENT VEHICLE: International Farmland Holdings (Adeco Agropecuaria)
LEGAL BASE: U.S./Argentina
PARTICIPATING INVESTORS: George Soros (U.S.), Pampa Capital Management (UK), Halderman (U.S.)

International Farmland Holdings, also known as Adeco, is a farm investment company created by Alejandro Quentin and Soros Fund

Management. It has invested more than US$600 million in Argentina, Brazil, and Uruguay to acquire 263,000 hectares of farmland.

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INVESTMENT VEHICLE: Jarch Capital
LEGAL BASE: Virgin Islands
PARTICIPATING INVESTORS: Phillippe Heilberg and other wealthy U.S. individuals

In 2009, Jarch Capital took a 70 percent interest in the Sudanese company Leac for Agriculture and Investment and leased approximately 400,000 hectares of land in southern Sudan claimed by General Paulino Matip of the Sudan People's Liberation Army. Soon after, Jarch announced that it aimed to lease another 400,000 hectares of land by the end of 2009 in Africa.

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INVESTMENT VEHICLE: NCH Agribusiness Partners
LEGAL BASE: U.S.
PARTICIPATING INVESTORS: NCH Capital (U.S.)

NCH Capital manages over US$3 billion from university endowments, corporate and state pension funds, foundations, and family investment offices. It has a US$1.2 billion agribusiness fund focused on acquiring farms in Eastern Europe. In the Ukraine, NCH controls and operates a portfolio of over 350,000 hectares. In Russia, NCH has more than 80,000 hectares.

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INVESTMENT VEHICLE: Pharos Miro Agricultural Fund
LEGAL BASE: United Arab Emirates (UAE)
PARTICIPATING INVESTORS: Pharos Financial Group (Russia), Miro Holding International (UK)

Pharos Miros Agricultural Fund is a US$350 million fund, which will focus initially on rice farming in Africa and cereal cultivation in Eastern Europe and former Soviet countries. It is in the process of acquiring a 98-year lease on 50,000 hectares of farmland in Tanzania for rice production.

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INVESTMENT VEHICLE: Teachers Insurance and Annuity Assn., College Retirement Equities Fund (TIAA-CREF)
LEGAL BASE: U.S.
PARTICIPATING INTERESTS: COSAN (Brazil)

TIAA-CREF is the largest U.S. manager of retirement funds. As of December 2008, it is said to have invested US$340 million in U.S. farmland. TIAA-CREF has also created a holding company in Brazil, called Mansilla, which invested US$150 million in COSAN's farmland fund, Radar Propriedades Agricolas, in 2008. Radar is buying up agricultural land for conversion to sugarcane production and for speculation. The fund is 81.1 percent owned by TIAA, but entirely controlled by COSAN, the largest sugar producer in Brazil and one of the largest in the world. Radar spent the first US$200 million it raised within 4 months and has now raised another US$200 million. It has 2,000 farms within its portfolio.

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INVESTMENT VEHICLE: Tiris Euro Arab
LEGAL BASE: UAE

In November 2009, the Abu Dhabi-based investment house Tiris signed a contract with the government of Morocco to lease up to 700,000 hectares of farmland near the southwestern town of Guelmim. It plans to invest US$44 million in the project, and to export the produce to the Middle East and Europe.

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INVESTMENT VEHICLE: Feronia Inc.
LEGAL BASE: Canada
PARTICIPATING INTERESTS: TriNorth Capital Inc. (Canada)

TriNorth is a Canadian investment company managed by Lawrence Asset Management Inc. Its subsidiary Feronia Inc. was established to invest in agricultural production and processing facilities in South Africa, Uganda, Zimbabwe, and the DR Congo. It is working with Brazilian experts to develop plantations of soybean, sunflower, oil palm, and other crops on land it acquires in Africa. In September 2009 it acquired a 100,000 hectare plantation in the DR Congo through the purchase of Plantations et Huileries du Congo S.C.A.R.L. TriNorth also owns the Wild Horse Group that is engaged in purchasing and consolidating farmland in Canada and "intends to be one of Canada's largest owners and operators of irrigated farmland in Saskatchewan."