

# ROSA Newsletter

## Zoom Large scale land acquisitions for agricultural investments: Main issues for food security

During the past two years, price instability appears to be a feature of agricultural markets. After having reached record highs, the price of the main food products began to drop as from the second half of 2008. In addition to short-term factors, these changes were due to **structural changes**: slowed production growth, the drop in supply, low stock levels, the continual increase in quantities used for human consumption and animal feed, the price of energy and the large increase in the demand for biofuels. The financial markets also helped amplify the price fluctuations and the instability of agricultural markets<sup>1</sup>.

These changes are partly due to a phenomenon that is new on this scale and objectives: the large-scale land acquisitions for agricultural investments in developing countries. After food prices soared, many countries decided to adopt or continue strategies for securing their food supply by renting or buying land in other countries. There is also an increased demand for farmland for biofuels and commercial crops. Moreover, the 2008 crisis forced the financial sector to turn to land as a new investment, foreseeing the rising prices of agricultural products and the value of farmland. This trend is likely to increase, since no structural changes are in view in the short and medium term (cf. Box 1).

This article aims to present the **key features of this phenomenon** in terms of scale, type and actors involved, and highlight the **main issues** in terms of food security.

### Box 1: Medium term prospects for agricultural markets

The prices of agricultural products are still dropping, but it is unlikely that they will return to the average prices of the last decade before the 2007/2008 peaks<sup>2</sup>.

Energy prices are high once again. If this continues, it may well result in increased production costs with repercussions on supply, and a steep increase in the demand for biofuels. Economic growth in several emerging markets is also a determining factor in the increased demand and the price levels of agricultural markets.

Source: OECD-FAO

### The scale of the phenomenon is hard to quantify accurately

There are currently few global estimates. This is partly because contracts are confidential and many of the projects are not yet at the implementation stage. However, available data confirm a rising trend that started several years ago.



<sup>1</sup> ROSA Focus No. 10 analyses structural and short-term factors behind the fluctuation of international prices.

<sup>2</sup> According to projections, the average price of wheat and secondary cereals will be 15 to 40% higher than the average for 1997-2006, and the price rise for vegetable oils is likely to exceed 40%.

The UNCTAD 2009 report notes a large increase in **Direct Foreign Investment (DFI)**, with the arrival of a number of “new investors” and speculative investment in agriculture and land. From 2005 to 2007, this increased threefold and currently stands at 3 billion dollars annually. Although DFI in agriculture remains low, it has a relatively important place in some LDC (Cambodia, Laos, Malawi, Mozambique and Tanzania) and other countries (Ecuador, Honduras, Malaysia and Vietnam). It is observed that regions specialise in certain target products. In South Asia, for example, investments are concentrated on large-scale rice and wheat production, while other parts of Asia concentrate more on commercial crops, meat and poultry<sup>3</sup>. However, the UNCTAD report gives no indication of mechanisms for purchasing or renting land.

Based on **media information**, IFPRI<sup>4</sup> estimated that since 2006, some 15 to 20 million hectares of farmland have been involved in deals or negotiations with foreign investors<sup>5</sup>.

In Sub-Saharan Africa, the IIED working with the FAO and FIDA analysed **land grabbing in seven countries** (Ethiopia, Ghana, Mali, Madagascar, Sudan, Mozambique and Tanzania)<sup>6</sup>. Although the scope of the study is limited, it brings out key trends in the region: i) a significant increase in agricultural investments and land deals, ii) an increase in the number of projects and areas affected and iii) the predominance of the private sector, although governments from the investors’ home countries can play an important role (cf. Box 2). Land acquisitions by national investors are also on the increase for smaller land areas.

### Box 2: Land acquisition in Africa

- **A significant level of activity.** A total of 2.5 million hectares<sup>7</sup> of land were involved in transactions recorded between 2004 and early 2009 in the countries studied.

- **Growth in number of projects and in allocated areas of land.** Some acquisitions can be very large indeed, e.g. a biofuel project in Madagascar involving 450.000 hectares.

- **Predominance of the private sector and international investors.** Private sector deals account for almost 90% of the land area involved. The rest is government investment.

*Source: IIED (2009)*

### A great diversity of actors and strategies

Over the last few years, there has been an increase in different types of **outsourcing strategies** for agricultural production<sup>8</sup>, including renting land, buying crops at harvest, etc. A more recent trend is investment further down the production line in the value-chain, particularly in logistics.

These strategies are mainly used by **densely populated Asian countries with high economic growth** (China, South Korea) and **net food importing countries** particularly in the **Middle East** (cf. Figure 1). Operations are carried out directly by governments or by state-owned enterprises or government investment funds. The IIED study emphasises that governments have increasingly equity shares in investment projects.

**Private sector players<sup>9</sup> remain in the majority** with the emergence of investment funds. But the financial set-ups and methods of implementation are often complex, with public and private structures interlinked within a given project<sup>10</sup>. Governments from the investors’ home countries may supply diplomatic and financial support for private deals. For example, after the price peaks in 2008, the United Arab Emirates government encouraged some public and private investors to purchase land in Pakistan and Sudan<sup>11</sup>.

<sup>3</sup> UNCTAD, World Investment Report 2009.

<sup>4</sup> Joachim von Braun and Ruth Meinzen-Dick, “Land grabbing” by foreign investors in developing countries: *Risks and opportunities*, IFPRI Policy Brief 13, April 2009.

<sup>5</sup> These estimates must be treated with caution because the accuracy of information has not been verified systematically.

<sup>6</sup> Cotula et al., Land grab or development opportunity? *Agricultural investment and international deals in Africa, IIED-FAO-FIDA, June 2009.*

The study includes the analysis of a sample of contracts, case studies in two countries and inventories of land acquisition from 2004 to March 2009 in 5 countries.

<sup>7</sup> This figure does not include operations on plots of under 10.000 hectares.

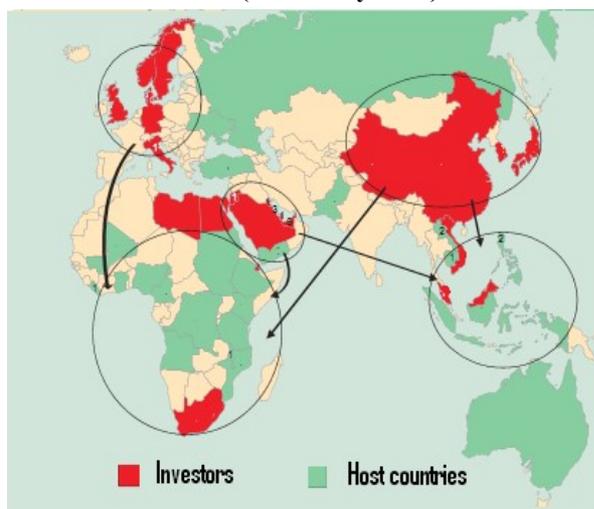
<sup>8</sup> Strategies for producing food, animal feed and biofuels. In the case of the Middle Eastern States, new investment projects include strategic stocks that influence international prices of agricultural products and, more directly, guarantee the availability of a certain quantity of food.

<sup>9</sup> Investors can be multinationals from the agri-food and energy sectors or financial players such as banks and investment funds.

<sup>10</sup> Comité technique « Foncier et développement », Les appropriations de terres à grande échelle. Analyse du phénomène et propositions d’orientations, juin 2010.

<sup>11</sup> Centre d’Analyse Stratégique (CAS), Les cessions d’actifs agricoles à des investisseurs étrangers dans les PED, juin 2010.

**Figure 1: Land investments for agricultural use in Africa and Asia (2006- May 2009)**



Source: UNCTAD 2009<sup>12</sup>

About half the projects involving in land acquisitions are in Africa, over 20% in the Pacific-East Asia, less than a quarter in the Europe-Central Asia region, and about 10% in Latin America<sup>13</sup>. The demand for new land will mainly be in Africa and Latin America<sup>14</sup>, and to a lesser extent in East Asia. However, great care must be taken in analysing the potential for cultivable land (cf. Box 3).

**Box 3: Differing estimates of available farmland**

Evaluations of available farmland show substantial differences depending on the methods used, sources and authors. Until recently, the amount of unused land was greatly overestimated. Estimates overestimate cultivable acreage, underestimate acreage currently being cultivated, and do not take sufficient account of other essential uses of land such as forestry conservation and pastoral uses of the land.

In addition, a proportion of the land classified as cultivable, especially in Sub-Saharan Africa, is much less fertile than elsewhere, which very greatly reduces the real area of land available for cultivation.

Source: Adapted from Duran-Lasserve, 2010

**Three major issues for food security**

Soaring food prices have replaced agricultural policy and food security at the top of the political agenda. Support for the agriculture sector in a many countries is essential to increase production and improve agricultural value-chains. The rapid expansion of investments can be considered as an opportunity for developing the sector. However, large-scale acquisition of land presents certain social, economic and environmental risks.

Three major issues for food security of populations and host countries need highlighting.

- 1. Access to and security of the right to land and other resources:** Different countries hosting investments are in completely contrasting situations in terms of land<sup>15</sup>. In a certain number of cases, agricultural policies and modes of land governance do not guarantee occupant rights to farmland, especially for people who have no property rights, which is a large majority of the rural population. Moreover, these operations can cause conflicts of use and increase the pressure on high quality land and water resources.
- 2. The choice of appropriate types of production:** Many investments are based on large-scale farms. Particular attention must be paid to ensure that these projects are not developed at the expense of farming families. In addition, they must be supported by measures to ensure job creation, infrastructure development and public revenue.
- 3. Environmental risks** also need to be taken into consideration: including deforestation caused by more cultivated areas, pollution of water tables and the deterioration of soil quality caused by the massive use of chemicals, and the decrease in water resources.

It is essential to support the development of an appropriate institutional framework and to strengthen the negotiation capacity of populations and host countries, particularly in regard of food security issues.

<sup>12</sup> These figures include only confirmed agreements that have been signed.

<sup>13</sup> According to the press review by the NGO GRAIN between October 2008 and June 2009.

<sup>14</sup> 90% of cultivatable land is purported to be in Africa and Latin America.

<sup>15</sup> CAS, 2010.

## Views on current news:

### A new EU policy framework for humanitarian food assistance

On 31st March 2010, the Commission adopted a communication on humanitarian food assistance (HFA)<sup>16</sup>. This lays out a new policy framework for EU humanitarian action to strengthen efforts to tackle food insecurity in emergency and post-emergency contexts. The principal aims of this Communication are to: i) maximise the effectiveness and efficiency of EU food assistance and ii) improve policy coherence, coordination, and complementarity between the Commission, Member States and other donors.

At the EC food security seminar in Asia, Abigail Masefield<sup>17</sup> from ECHO's regional office shared her insights on this new framework, its implications for EC humanitarian interventions and main challenges ahead.

#### *What is the main focus of the Communication and what is new in the EC approach to humanitarian assistance?*

The Communication, drawn up by DG ECHO, is the result of a consultative process with extensive inputs from field. It was developed in close coordination with the communication on food security (adopted on the same day)<sup>18</sup>. This joint process enables differentiation between their policy focuses (either food assistance linked to humanitarian objectives<sup>19</sup> or food security linked to development objectives), while ensuring the coherence of both documents. This framework is also in line with the general principles of the European Consensus on Humanitarian Aid adopted in December 2007.

The starting point is the recognition of new approaches in understanding and addressing food insecurity in emergencies. At the conceptual level, there has been an important shift over the last 15 years away from the use of in-kind food aid towards consideration of a broader set of HFA tools (relevant services, vouchers, cash, other commodities, skills and knowledge, etc.).

At the same time, the number of undernourished people affected by food insecurity has dramatically increased over the last years. Approximately 10% of those who are undernourished are food insecure as a consequence of a disaster or emergency situation. It is therefore essential that the available humanitarian resources are used in the most efficient and effective way.

#### *The Communication provides guidance on considering whether and how to respond to a given emergency. What are the main considerations for the entry and exit strategies?*

The Commission will need to pay close attention to the comparative advantages of its humanitarian instruments. HFA could be triggered when i) emergency rates of mortality or acute malnutrition have been reached or exceeded, or are anticipated and ii) a serious deterioration of livelihoods or the use of extreme coping strategies pose a severe risk to people. Therefore interventions that aim to protect livelihoods and that act before nutritional status deteriorates could be a legitimate and appropriate emergency response. However, there is a crucial recognition that the HFA does not have comparative advantage in addressing chronic food insecurity (except in specific situations).

For the exit strategy, HFA interventions should be phased out when indicators are stable below emergency levels (or are expected to stabilise) and/or non-humanitarian players can cover population needs. In a protracted crisis, the limitations of the Commission's short cycle humanitarian planning and programming are acknowledged. The Communication provides some room for encouraging and accommodating partners' multi-annual strategies.

#### *What are the main challenges for the EC?*

The shift to food assistance implies great responsibility for coordination with donors, partners and governments and within the EC. It is increasingly recognised that chronic food insecurity and emergency needs resulting from transient food insecurity can be interlinked and over-layered. This is one of our main challenges. The link between relief, rehabilitation and development is essential to ensure effective integration of humanitarian and development assistance.

<sup>16</sup> On May 10th 2010, based on the Communication, the Foreign Affairs Council of the European Union adopted [Council Conclusions on Humanitarian Food Assistance](#).

The Commission communication and Council conclusions can be found on ROSA's website along with a staff working document that looks at translation into operational practice.

<sup>17</sup> Food assistance coordinator for South Asia.

<sup>18</sup> EU policy framework to assist developing countries in addressing food security challenges.

<sup>19</sup> CAS, 2010.

# Agenda

## Past events

- **Meeting on nutrition of the Inter-ministerial group on food security:** The *Groupe interministériel français sur la sécurité alimentaire* (GISA – French Inter-ministerial Group on Food Security) held its first meeting on nutrition on Wednesday 23 June 2010 at the French Ministry of Foreign and European Affairs (MAEE). The Group includes the major French institutional players involved in food security. Its objective in terms of nutrition is to lever the implementation of the French Strategic Document on Orientation adopted in February 2010. [>>>](#)

## Forthcoming events

- **12-14 July:** EC seminar/training on selected “hot” issues in agriculture development - Brussels
- **15-16 July:** EC seminar/training on pro-poor value chains development - Brussels
- **20-22 September:** Millennium development goals Summit (MDG) – New York
- **11-14 October:** 36th Session of the Committee on World Food Security (CFS) – Rome
- **29 November-4 December:** World social security forum 2010 – Cape Town (South Africa)
- **29 November-10 December:** Conference of the Parties to the Climate Change Convention (COP-16) - Cancun (Mexico)
- **December:** 26<sup>th</sup> annual meeting of the Food Crisis Prevention Network in the Sahel and West Africa (RPCA) – Accra (Ghana)

For further information: [Upcoming events](#)

## EC's latest news

### ➤ EC food security seminar in Asia

The main objective of this seminar was to bring together EC actors involved in food security in Asia. A total of 43 people attended the seminar, from headquarters (AIDCO and DG RELEX), delegations from 15 countries and ECHO's regional offices (South Asia and South East Asia & Pacific). In addition to EC staff, resource persons were invited (consultants in social transfers, nutrition and LRRD) and representatives of organisations working in Laos and in the region. [>>>](#)

The seminar comprised four sessions and a field visit to Sangthong district.

The first session set the context of the seminar (key concepts, main food security issues in the region and latest developments in food security policies). Three thematic sessions were organised to provide information, develop a common understanding and stimulate discussion and debate in key areas (nutrition, social transfers and LRRD).

All presentations and a summary prepared by ROSA's moderating team are available on our website. [>>>](#)

## New online documents

### ➤ Nutrition

#### *Reflection paper on nutrition in emergencies - DG ECHO 2010*

The DG ECHO presented a reflection paper to the Member States of the European Council Working Party on Humanitarian Aid and Food Aid (COHAFA) on 8 June 2010. The document is a strong re-statement of DG ECHO's commitment to alleviate malnutrition in humanitarian crises, mainly by tackling its immediate causes. It also presents the framework for its interventions. It begins with a reminder of the extent of malnutrition, and goes on to present DG ECHO's major thrusts in addressing malnutrition. >>>

#### *Nutrition in Developing Countries, Strategic Orientation Document (DOS) - French Ministry of Foreign and European Affairs, 2010*

The DOS offers a framework for improving the synergy between all those involved in French cooperation. The first part of the document reviews the double burden of undernutrition and overnutrition in some countries, the economics of malnutrition and the multiple causes of malnutrition. There are two possible types of solution: 1) direct action on immediate causes (breastfeeding, vitamin supplements, etc.) and 2) indirect action on underlying causes (supporting agriculture, education, water, sanitation, etc.). National systems and international governance also need improving. >>>

### ➤ Climate Change

#### *Climate Change, food and nutrition security implications - SCN 2010*

This issue of SCN News is on climate change and its impact on food and nutrition. There are some fifteen articles looking at different aspects of the subject, including impact on food security, effect on food crop quality, access to drinking water, food availability, community-based actions for adaptation and mitigation, etc. >>>

#### *Changing Climates, Changing Lives, Adaptation strategies of pastoral and agro-pastoral communities in Ethiopia and Mali - ACF, IDS, Tearfund, May 2010*

The Sahel areas of West Africa and the Horn of Africa are already heavily impacted by frequent droughts. Pastoral and agro-pastoral communities in these areas are particularly vulnerable to climate change. The report looks at the implications of climate change for pastoral and agro-pastoral communities in Ethiopia and Mali, based on field work carried out between May and October 2009. The report focuses on local perceptions of climate shocks, how communities respond and their limits. >>>

### ➤ Social protection and social transfers

#### *Barriers to the Extension of Social Protection: Evidence from Asia - IDS, June 2010*

This IDS bulletin presents a series of contributions on social protection in Asia (China, Vietnam, Indonesia, India, Pakistan and Bangladesh). The work was carried out as part of a research and networking programme. The 3-year programme was set up following the Asian financial crisis of the late 1990s. The issue feeds into current debates about the design of appropriate social protection schemes that effectively meet identified needs. Today, in a context of multiple crises, social protection is once again high on the international policy agenda. >>>

#### *Social protection in Africa: Where next?, Centre for Social Protection (CSP), IDS, ODI, RHVP, School of International Development at the University of East Anglia - June 2010*

This discussion paper is the product of a meeting hosted by RHVP in April 2010, to discuss the state of social protection in Africa and brainstorm ideas for moving forward. The paper begins by pointing out that, despite great progress in social protection in many African countries, there are still major challenges to be met: pilot social transfer projects have not scaled up and face uncertain futures, several African governments remain resistant to institutionalising national-level social transfers, lack of consensus on how to move the social protection agenda forward. After summarising the different social protection approaches, each with different results, the paper analyses the problems encountered and proposes 5 options for the future and 10 principles that should guide development partners. >>>

### ➤ **Right to Food Approach**

*Right to Food and Nutrition Watch. Who Controls Governance of World Food System? - Bread for the world, ICCO and FIAN – October 2009*

The Watch is a joint annual publication by a consortium of human rights organisations, social movements and development agencies. The Watch has two main aims: 1) put pressure on political decision makers so that the right to food is taken into account; 2) compile best practices in implementing the right to food. >>>

### ➤ **Other thematic areas**

*Persistent myths about emergency seed aid, Sperling L. and McGuire S.J. – 2010*

Seed interventions are the major agricultural response during emergency and recovery phases of humanitarian relief. They are implemented by diverse agencies, and widely promoted: for instance the FAO alone managed 400 such projects between 2003 and 2005. However, seed aid suffers from a lack of critical attention, perpetuating widespread myths among practitioners, policymakers, and the larger humanitarian community. This paper challenges five predominant myths about seed aid. >>>

*Fighting food insecurity in the Sahel: Permanence of questions and evolution of approaches, Janin P. – May-June 2010*

Food security is potentially uncertain and unstable throughout the rural semi-arid regions of West Africa often affected by repetitive and severe phenomenon. It is, however, still difficult to determine where and how the insecurity will next appear and which categories of population will be most exposed and vulnerable to it. This article emphasizes the conceptual and methodological approaches currently used to investigate food insecurity for the future of the Sahel. >>>

## Network activities

### ➤ **An information session on ROSA network at EuropeAid's InfoPoint**

On 8th July 2010, a special session was held to present the ROSA network. The moderating team and AIDCO E6 and G4 were given the opportunity to present ROSA's work and objectives and explain how it operates. Some 30 people were present, representing the different Commission departments and entities including AIDCO, DEV, RELEX and Parliament, and other institutions including Belgian and Spanish cooperation agencies, UNICEF, NGOs, consultants, etc. >>>

### ➤ **An open forum launched to discuss on food security in pastoral regions**

AIDCO E6 is preparing a concept note concerning pastoral livelihoods and their related vulnerability to food insecurity. A draft of this document is available on ROSA's website for your inputs and comments. You could join the discussion through the website at the section "[Open discussion forums](#)". For more information on the concept note, please contact Michele Nori (Michele.Nori@ec.europa.eu)