

CHARACTERISTICS, DRIVERS AND IMPACT OF DOMESTIC INVESTMENTS IN AGRICULTURAL LAND

DARRYL VHUGEN

WORKSHOP ON RESPONSIBLE LAND GOVERNANCE AND DOMESTIC
INVESTMENTS INTO LAND AND AGRICULTURE

BRUSSELS-JUNE 29, 2017



Setting the Stage

- ❖ Much attention on the global “land rush” since 2008
- ❖ Talk of “land grabbing”
- ❖ Attention paid mostly to large-scale land-based investments by foreigners; that is where the research has gone
- ❖ Principles, guidelines, tools and other resources have been created but generally aimed more at foreign investors
- ❖ Domestic investment ignored to some extent

Setting the Stage-Defining our Terms

- ❖ Small-scale farmers account for vast majority of investment in agriculture worldwide
- ❖ 500 million smallholders are most numerous investors in agricultural land; essential to food security
- ❖ But we focus on investments by domestic (non-foreign) wealthy or influential individuals (elites, business owners, etc.) and/or companies
- ❖ They are potential consumers of responsible investment materials

DISCUSSION QUESTIONS

- ❖ What else do we know beyond what has been presented by the speakers?
- ❖ In particular, what do we know about domestic investments in the non-land aspects of agriculture.
- ❖ To what extent can we rely on research into the impacts of foreign investment to help us to understand the impacts of domestic investment?
- ❖ What do we really need to know that we don't know? What should be the primary topics for further research. How should we prioritize those topics?

What Do We Think We Know about Domestic Investments in Agricultural Land in Developing Countries?

- ❖ A lot we don't know because of lack of research and data
- ❖ Domestic investors account for significant share of land area acquired for agricultural investment purposes; majority in some, perhaps most countries

Country	% Domestic Investment
Nigeria	97%
Benin, Burkina Faso, Niger	95%
Sudan	78%
Cambodia	70%
Mozambique	53%
Ethiopia	49%

What Do We Think We Know?

- ❖ Prevalence of medium-sized farms (5-100 HA) increasing in some African countries
 - ❖ But usually not smallholders growing their farms
 - ❖ Driven mostly by domestic elites
 - ❖ For medium-sized farms, more land acquired in peri-urban than rural areas in the study countries
- ❖ In general, national investors tend to be elites, mostly urban
 - ❖ Government officials, civil servants, business people
 - ❖ No experience in agriculture
 - ❖ Mostly men

What Do We Think We Know?

- ❖ Drivers of domestic investment:
 - ❖ Partner with a foreign investor
 - ❖ Speculation to profit from increasing land values
 - ❖ Profit from high food prices
 - ❖ Profit from increasing demand for better food from urbanizing, increasingly affluent population
 - ❖ Take advantage of government policies and programs favoring commercialized agriculture

LACK OF DATA

- ❖ There are major policy implications if domestic investments are so prevalent.
- ❖ So, lack of good data is a problem.
- ❖ Official government statistics unreliable.
- ❖ Mozambique example (Di Matteo and Schoneveld)
 - ❖ Used government statistics and investor questionnaire
 - ❖ Government data: total of 416 investments nationwide; 18% domestic lead investors
 - ❖ Survey results: in 2 provinces alone, 418 domestic investors received land titles for their projects
 - ❖ Note “apples and oranges” problem
 - ❖ Domestic investors more likely to fly below the radar:
 - ❖ Less likely to be regulated or receive government incentives
 - ❖ Tend to be smaller projects

WHAT DO WE MEAN BY “DOMESTIC”

- ❖ Challenging to separate foreign from domestic investments
- ❖ Foreign investors want to have local partners to ease entry into the market
- ❖ One of the main drivers for domestic investors
- ❖ Mozambique study
 - ❖ In-depth review of 69 investments
 - ❖ 18 “led” by domestic investors
 - ❖ But about half involved local partners
 - ❖ Foreigners with local partners (often senior government officials) get much more land
- ❖ Is Mozambique representative?

POLICY IMPLICATIONS-IMPACT ON SMALLHOLDERS

- ❖ Little research on impact of domestic investments on smallholders.
- ❖ Liu 2014: “no evidence that these acquisitions are more respectful of the rights and interests of local communities.”
- ❖ Could be contributing to rising land scarcity for smallholders, other residents of rural communities.
- ❖ Unable to effectively participate in formal land markets?
- ❖ Conversion of customary to formal title reduce smallholder access to land?

POLICY IMPLICATIONS-IMPACT ON CUSTOMARY TENURE AND INSTITUTIONS

- ❖ Little research
- ❖ We know customary land being converting to statutory land at varying rates depending on country
- ❖ Are domestic investments contributing to this?
- ❖ Customary institutions may be facilitating conversion of customary land
- ❖ Reports of national elites acquiring land cheaply from customary leaders and then it is statutorily titled
- ❖ Concern this reduces land for people in customary areas

POLICY IMPLICATIONS-PRODUCTIVITY OF DOMESTICALLY OWNED FARMS

- ❖ Once again, appears to be little research
- ❖ If domestic investors have little farming experience, how productive will these farms be?
- ❖ If silent partners, perhaps no issue.
- ❖ Where government drive for commercialization is investment driver, maybe this leads to greater productivity

POLICY IMPLICATIONS-IMPACT ON WOMEN, MARGINALIZED GROUPS

- ❖ Once again, appears to be little research
- ❖ Evidence that large-scale acquisitions can have negative impact on women's land rights, status in community and family
- ❖ Has anyone looked at impact on youth, migrants, minorities, etc?
- ❖ Need to know more about impact of all investments: foreign and domestic, medium and large

SUMMING UP

- ❖ Much we don't know
 - ❖ Characteristics, extent and drivers of domestic investment
 - ❖ Impact on
 - ❖ Smallholders
 - ❖ Customary rights and institutions
 - ❖ Farm productivity
 - ❖ Women, marginalized groups
 - ❖ What about domestic investment in non-land aspects of agriculture?
- ❖ Government policy-makers, donors, advocacy groups operating in an information vacuum

SUMMING UP

Jayne, et al, 2016:

“Under the status quo, African governments cannot monitor, much less understand, how farm structure is changing over time. Similarly, policy makers cannot adequately address such routine questions as the magnitude and location of marketed agricultural surplus. These questions are certainly important for guiding strategic policy decisions aimed at stimulating agricultural growth, reducing rural poverty, and managing strategic food reserves and trade policies.”

DISCUSSION QUESTIONS

- ❖ What else do we know beyond what has been presented by the speakers?
- ❖ In particular, what do we know about domestic investments in the non-land aspects of agriculture.
- ❖ To what extent can we rely on research into the impacts of foreign investment to help us to understand the impacts of domestic investment?
- ❖ What do we really need to know that we don't know? What should be the primary topics for further research. How should we prioritize those topics?

THANK YOU

Darryl Vhugen

vhugen@msn.com

+1.206.306.3902