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Acquiring land abroad for agricultural purposes: 'land grab' or agri-FDI?

A Report of the Surrey International Law Centre and Environmental Regulatory Research Group

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Antoine Martin and Mulugeta M Ayalew

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Introduction

As a result of the 2008 world food crisis, many international investors (private and sovereign funds) have engaged in a race for land acquisition and food production. The phenomenon, however, is increasingly criticised in the public sphere, which commonly refers to it as a 'land grab'. A major question, therefore, would be to determine to what extent Foreign Direct Investments (FDI) in agriculture differ from other kinds of FDI, that is, to consider whether agriculture-oriented projects are in essence development-unfriendly.

The few existing reports by international authoritative organisations as well as 35 press and NGO comments collected during the first quarter of 2010 denounce many alleged deals around the world. In many countries, however, land remains the property of the state whilst investment contracts, as strictly confidential documents, are not available publicly. The lack of reliable primary data, in other words, makes it difficult to determine if land is sold or leased on long-term basis.

This working document provides an overview of the trend based on the cross analysis of secondary sources. First, a geographical map of the trend is drawn in an attempt to emphasise who invests and where. Second, its origins are considered, including the 2008 food crises and the impact of increased demand for biofuel. The authors, overall, use the terms of "agri-FDI" and "agri-trend", deemed more neutral than the more subjective "land-grab". This document, in addition, constitutes the basis of a forthcoming paper, which in turn will formulate hypotheses and questions as to whether agriculture-oriented investments differ from traditional FDI.

1. Country analysis

The first section of this paper focuses on establishing a general and non-exhaustive portfolio of land-dealers sorted in a regional and alphabetical order.

1.1 Land-letting states portfolio.

(a) African states

Kenya, as a relatively small land-letter, allegedly concluded a 40,000 hectares agreement with Qatar.[1] The Democratic Republic of Congo, on a much larger scale, allegedly sold about 3 million hectares of land. Its most important deal was apparently concluded with China, which acquired 2.8 million hectares for biofuel cultures.[2] The financial counterpart for this deal however remains unknown. The Republic of South Africa also acquired, on the basis of a 30 years renewable lease, 200,000 hectares of land in a deal that allows tax exemptions, export of produces and repatriation of profit without restrictions.[3]

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[1] Dave Durbach, 'Korea's overseas development backfires' *Korea Times* <http://farmlandgrab.org/9559/print/> accessed 10/03/2010

[2] *The Economist*, 'Buying farmland abroad'; See also John Vidal, 'How food and water are driving a 21st-century African land grab' *The Observer* <http://www.guardian.co.uk/environment/2010/mar/07/food-water-africa-land-grab> accessed 23/03/2010

[3] Khadija Sharife, 'Africa: Land grabs - new 'resource curse'?' <http://www.afrika.no/Detailed/19079.html> accessed 08/03/2010

Ethiopia is another land-selling state, which will be considered further in our research paper while dealing with the correlation between food-aid and land deals.[4] Although the country benefits from international food aid, the government has identified 3 million hectares of land (1.7 million hectares according to another source[5]) to be leased to foreign investors. Reports suggest that 815 agriculture-related foreign-financed projects have been approved by the government since 2007.[6]

Liberia allegedly entered, in 2007, into a US$ 30 million rice production project with the Libyan Investment Authority (LIA), the Libyan Sovereign Fund.[7] Interestingly, the case illustrates a major criticism of foreign land acquisitions: the ability of foreign investors to fully repatriate harvests to their home-states while possibly leaving local populations without access to the produced food. The Vice-President of the LIA Felipe Gego, on the one hand, affirmed that the company would bring mechanised farming processes allowing three rice harvests per year, to be shared between local and international markets.[8] Although meeting local food needs apparently constitutes an official pillar of the project, NGOs on the other hand suspect that the rice produced might eventually be integrally exported to Libya.[9] Libyan rice needs amounted to the import of 177,000 tonnes worth US$62 million in 2005.[10]

Traditionally known as a rice importer, Mali also constitutes a relevant case of land-deals. An important step in the agricultural history of Mali indeed lies in its Government initiative to help farmers produce more and achieve self-sufficiency through a major government reform of the *Office du Niger*, the agency in charge of managing agricultural and irrigation schemes around the Niger River.[11] Mali has now become a major rice exporter,[12] although increased production and export are not due to improved domestic land-use. Rather, such an evolution is essentially due to the handing over of many lands to the Libyan LIA fund and Chinese companies.[13] The Malian Government, however, is criticised for having recently offered 100,000 hectares of land in Mali's main rice production area,[14] as part of a larger project including roads and canal enlargements.[15] Providing the official Libyan version of the deal, Amadou Kante dit Bany, Representative of the Libyan fund and *Charge de mission* for the Presidency of the Republic of Mali, emphasises that the 100,000 hectares were originally given for free by Mali to the CEN-SAD (Community of Sahel-Saharan States) a few years ago. However, because the CEN-SAD process was too slow, Libyan President Kadhafi and Malian President Amadou Toumani Toure decided to create 'Malibya Agriculture', a branch of the LIA collaborating with the Chinese government-led Rice Foundation which provides hybrid seeds.[16] The objective, as the representative formulates, is "to produce rice corresponding to the needs of Mali, Libya, and of all the states of the Community of Sahel-Saharan States

[4] Forthcoming
[5]Argaw Ashine, 'Ethiopia: Hunger-Ridden Country Defends Land Grabs' Business Daily <http://allafrica.com/stories/200908140576.html> accessed 08/03/2010
[6] Vidal, 'How food and water are driving a 21st century African land grab' *The Observer*
[7] Grain, *Rice Land Grabs undermine food sovereignty in Africa* (January 2009), p2
[8] Toe, 'Libya offers to assist Liberia in rice production' *The Liberian Times* <http://ocha-gwapps1.unog.ch/rw/rwb.nsf/db900sid/KKAA-79Z8B6?OpenDocument> accessed 13/03/2010
[9] Grain, 'Rice Land Grabs undermine food sovereignty in Africa' p2
[10] Ibid
[11] Gerald Diemer, 'Office Du Niger - Reforms; Reform of Governance of the Office du Niger in Mali' (*International Network on Participatory Irrigation Management*, 2004) <http://www.inpim.org/leftlinks/FAQ/Newsletters/N12/n12a5.htm> accessed 12/03/2010
[12] Ibid
[13] In fact, Chinese rice seeds would be used in these projects, while as in Liberia, Chinese contractors would be involved into infrastructure construction. See Grain, 'Rice Land Grabs undermine food sovereignty in Africa', p1-3
[14] Saouti Haidara, 'Interview of Amadou Kante dit Bany, Representant of the Libya Africa Investment Portfolio and Charge de mission for the Presidency of the Republic of Mali, Translated from French; Les investissements libyens sont une aubaine pour le Mali' *L'independant* <http://www.temoust.org/les-investissements-libyens-sont,5283> accessed 14/03/2010
[15] Grain 'Rice Land Grabs undermine food sovereignty in Africa', p1
[16] Haidara, 'Interview of Amadou Kant edit Bany: les investissements libyens son tune aubaine pour le Mali', *L'independant*

(CEN-SAD)".[17] Although the project's impacts on Malian needs can be debated, Amadou Kante dit Bany's suggests that "Libyan investment are a godsend for Mali as they originate less from the usually witnessed frenzied profit-seeking motivations than from the political commitment of the two highest leaders of our two brother states to tighten, a little more every day, links of all kinds between our states and peoples".[18] In other words, a political commitment based on south/south solidarity could be a pillar of the foreign land acquisition trend.

Of lower importance is a Malian project with Lonrho, a London Stock Exchange quoted company exclusively focused in South-African development and operating in sectors such as infrastructure, transport, agribusiness, hotels and support services. While a 25,000 hectares deal was allegedly being negotiated in 2009, some recall that the company already owns 25,000 hectares of land in Angola and is currently discussing a 100.000 hectares deal in Malawi.[19]

Mozambique is an interesting actor of the current land deal practices because it plays a dual buyer/seller role. Mozambique owns 20,000 hectares of land in Mauritius but also acts as a partner of the LIA Libyan fund, which owns 20,000 hectares of its land.[20] Reporting on World Bank analyst Klaus Deininger's confidential (and inaccessible) comments, Grain emphasises the existence of 13 million of Mozambican hectares ready for land concessions since the government started its agricultural FDI policies. About 1.3 million hectares might have already been conceded without the population having been properly informed.[21]

Also massively dependent on international food aid, Sudan is a hub for Middle-East and Asian food investors. South Korea is the biggest foreign owner of Sudanese land (690,000 hectares), followed by the Egypt (400,000 hectares).[22] The presence of Saudi Arabia in Sudan is also established on the basis of a 42,000 hectares deal,[23] while others commentators suggest the existence of a US$45 million contract.[24] Data on the United Arab Emirates, also, mention a 400,000 hectares deal together with a possible possession of 750,000 hectares of Sudanese land.[25] The Middle-East presence in Sudan is furthermore justified by official comments reported by *The Economist* according to which the country might seek to give one fifth of its cultivated land to Arab governments.[26] For Abdul Rahim Ali Hamad, State Minister of Agriculture (Sudan), farming investments - by Arab states - were worth some US$700 million in 2007 and have risen to 3 billion in 2009,[27] while a US$7.5 billion stationary phase was expected for 2010.[28] Whereas agri-investment represented only 3 percent of all investment in Sudan in 2007, they represented 17 percent of such investments in 2009,[29] which demonstrates the massive role and opportunities of Middle-East investors.

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[17] The original text, in French, reads "*pour produire du riz destine à répondre aux besoins du mali, de la Libye et de tous les autres Etats de la CEN-SAD*"
[18] "*Les investissements libyens sont une aubaine pour le Mali car dictés moins par la recherche effrénée de profit, comme on a l'habitude de le voir, que par la volonté politique des deux plus hauts dirigeants de nos deux Etats frères de resserrer, chaque jour un peu plus, les liens de tous ordres entre nos deux entités et nos deux peuples*", in Haidara
[19] Grain 'Rice Land Grabs undermine food sovereignty in Africa', p3
[20] Grain, 'Mauritius leads land grabs for rice in Mozambique ' <http://www.grain.org/hybridrice/?lid=221>
[21] Ibid
[22] *The Economist*, 'Buying farmland abroad'
[23] Vidal, 'How food and water are driving a 21st century African land grab' *The Observer*
[24] Durbach, 'Korea's overseas development backfires' *Korea Times*
[25] *The Economist*, 'Buying farmland abroad'; See also Vidal, 'How food and water are driving a 21st century African land grab' *The Observer*
[26] Ibid. The Economist
[27] Yara Bayoumy, 'Sudan eyes growth in Arab agri investment' *Reuters* <http://farmlandgrab.org/2971> accessed 04/05/2010
[28] *The Economist*, 'Buying farmland abroad: Outsourcing's third wave'
[29] Bayoumy, 'Sudan eyes growth in Arab agri investments' *Reuters*

Tanzania might strongly benefits from foreign investments in agriculture although few data is available. South Korea, Saudi Arabia and the Emirates might have interests in the country, and China is said to have negotiated an agreement for a five-year livestock and fishing contract.[30] An article in *The Economist* furthermore mentions India's help to Tanzanian financial institutions through the offer of special farm credit.[31]

Finally, Uganda is said to be in a partnership with Egypt. The deal would consist into a lease over 840,000 hectares, granted to Egyptian firms for the harvest of wheat and maize.[32]

(b) Non-African states

Many developing countries situated out of Africa also have an interest in those deals. Pakistan, for instance, constitutes a new target, especially for Middle-East investors such as Saudi Arabia, the Emirates and Bahrain, an important importer of dairy and livestock goods.[33] Publicly-available information suggests that the Emirates allegedly entered into negotiations with Pakistan in 2008 on US$400 - 500 million worth deal amounting to 100,000 to 200,000 hectares of land.[34] This suggests a price of US$ 2,500 to US$ 4,000 value per hectare.

The Philippines are also said to be in partnerships with Japan and Qatar, which could own millions of hectares of its lands.[35] China owns 1.2 million hectares of lands in the Philippines.[36]

Russia allegedly entered into an 80.400 hectares deal with China worth US$21.4million (this allows suggesting a US$ 266 price per hectare).[37] Swedish funds such as Black Earth Farming and Alpcot Agro also respectively own 331,000 and 128,000 hectares of Russian land.[38] Pava (first Russian grain processor) might also be planning to sell 500,000 hectares to Gulf investors.[39]

Finally, Ukraine is the target of several privately held international investment funds.[40] Morgan Stanley, for instance, recently bought 40,000 hectares of Ukrainian land. Renaissance Capital, a Russian Fund, also concluded a 300.000 hectares deal, while the UK Fund Landkom apparently negotiated a 100.000 hectares agreement to be extended to 350,000 hectares by 2011. The Libyan LIA Fund also secured a deal over 2.470,000 hectares in 2008 in exchange for oil and gas contracts.[41]

1.2 Land-seeking states Portfolio

A map of the main land-seekers can therefore be drawn. Middle-East states as well as China and South-Korea can be clearly considered as major actors of agricultural FDI. Privately-held funds cannot also be excluded.

[30] Frank Kimboy, 'Tanzania, China in lucrative cattle deal' The Citizen <http://farmlandgrab.org/10473/print/> accessed 10/03/2010; See also Durbach and *The Economist*, 'Buying farmland abroad'

[31] *The Economist,* Crumbs from the BRICs-man's table (London March 20th 2010)

[32] Grain, 'SEIZED! The 2008 land grab for food and financial security' GRAIN Briefing, p6

[33] Ashfak Bokhari, 'Buying foreign land for food security' *The DAWN Media Group* <http://www.dawn.com/2008/12/15/ebr17.htm> accessed 11/03/2010

[34] Ibid.

[35] Durbach, 'Korea's overseas development backfires' *Korea Times*

[36] Luzi Ann Javier, 'China Losing Farmland, $5 Billion Lease Contracts Get Filipino Farmer's Opposition' *the Bloomberg* (New York, USA, Feb. 21, 2008) <http://chinaview.wordpress.com/2008/02/25/china-losing-farmland-5-billion-lease-contracts-get-filipino-farmers-opposition/>

[37] Bokhari, 'Buying foreign land for food security', *The Dawn Media Group*

[38] *The Economist*, 'Buying farmland abroad; See also Farmlandgrab.org, 'Black Earth yields fall as Russia wheat hopes fade' (31/08/2010) <http://farmlandgrab.org/15122>

[39] Ibid. The Economist

[40] Grain, 'SEIZED! The 2008 land grab for food and financial security'p9

[41] Bokhari, 'Buying foreign land for food security', *The Dawn Media Group*

(a) Middle-East states

Gulf States, as previously emphasised, play an important role in financing agriculture development in Africa. Their involvement illustrates the recent strong political commitments towards food independency of their leaders. Saudi Arabia FDI agricultural policies, for instance, flow from the so-called 'King Abdullah Initiative for Saudi Agricultural Investment Abroad', amounting to massive levels of investments: US$100 million in Ethiopia, US$45 million in Sudan, 500,000 hectares in Tanzania to raise wheat, barley and rice on the basis of a lease agreement which also envisages investors exemption from tax in the first few years and the ability to export the entire production back home.[42] State-owned as well as privately-owned investment funds also make a major part of the gulf FDI agricultural policies. In Saudi Arabia, for instance, the Al-Qudra Holding planned to acquire 400,000 hectares by 2009 to produce wheat, maize, rice, vegetables and livestock in Australia, Croatia, Egypt, Eritrea, India, Morocco, Pakistan, Philippines, Sudan, Syria, Thailand, Ukraine, Vietnam, on the basis of 20 to 30 years leases.[43]

In the Emirates, similarly, the Pharos Miro Agriculture group was launched in November 2009 as a joint venture between Pharos Financial Group (Emirates) and Miro Holding International (London), and attracted the interests of many gulf funds. The fund, amongst other things, seeks 50,000 hectares in Tanzania for rice production and projects to invest US$350 million in Africa and Eastern Europe to grow rice, barley, wheat and oilseeds.[44]

(b) North African states

North Africa must also be considered as an eminent player. Previously cited as the main actor of multi-million dollar projects in Liberia, Mali and Ukraine, the Libyan fund (LIA) was created in 2006 to manage Libya's oil revenues and to diversify sources of national income.[45] It is a holding company which manages the investment fund of the government by reinvesting the profits generated by its oil and gas industries in various areas of the international finance market. The Libya Africa Investment Portfolio (LAP) was furthermore established in August 2006 as a branch of the LIA. Ruled by Bachir Salah, President Kadhafi's Cabinet Director,[46] the US$8 billion capital fund benefited from a transfer of the assets of major Libyan funds and financial groups such as the Libyan Arab Foreign Investment Company controlled by the Central Bank of Libya and [whose] activities include industry, commerce, agriculture, tourism, real estate. The LAP more specifically manages oil revenues, airways companies, investment banks, energy mining and petrochemical industries, hotels, but also owns shares in international football teams such as the Italian Juventus. It has investments in Italy, Canada, Algeria, Tunisia, Jordan, Pakistan, Malta, Morocco, Egypt,[47] or Liberia.[48]

This might suggest that land acquisition makes part of a more general massive FDI trend involving the Middle-East states. As *The Economist* recently emphasised, Harrods "the luxury department store in London was sold to Qatar's sovereign-wealth fund for £1.5 billion (US$2.2 billion). The Qatari fund has invested heavily in British assets. It is the biggest

[42] *The Economist*, 'Buying farmland abroad'; See also Durbach, 'Korea's overseas development backfires' *Korea Times*
[43] Bokhari, 'Buying foreign land for food security', *The Dawn Media Group*
[44] *This Day*, Gulf Firm Seeks long-term lease on Tanzanian farmland', 25th January 2010 available at < http://www.thisday.co.tz/?l=10573>
[45] http://www.lia.ly/ Accessed 04/05/2010
[46] Haidara, 'Interview of Amadou Kant edit Bany: les investissements libyens son tune aubaine pour le Mali'
[47] http://www.swfinstitute.org/fund/libya.php
[48] Grain, *Rice Land Grabs undermine food sovereignty in Africa*, p2

shareholder in Barclays and J. Sainsbury and holds the second-biggest stake in the London Stock Exchange".[49]

(c) Asian states

South Korea is an essential international investor as far as Asian agri-FDI are concerned. Flowing from its 2008 formulation of a national plan oriented towards the acquisition of foreign land for domestic food needs, the country took some options in Sudan,[50] Argentina, and South-East Asia.[51] Through mergers and acquisitions, South Korean investors furthermore invested US$6.5 million to acquire a majority stake in Khorol Zerno (10,000 hectares in eastern Siberia),[52] while Korean companies and governmental institutions also secured deals in Indonesia, Philippines (94,000 hectares), Cambodia, Mongolia. In late 2009, the government furthermore communicated its intention to invest 30 billion won (US$30 million) in Paraguay and Uruguay.[53] Finally, a 100,000 hectares deal took place in Tanzania after an aborted 1.3 million hectares deal in Madagascar.[54]

Japan relies entirely on the private sector for its food imports and is therefore said to constitute an active international investor although relevant data is hardly accessible. As a matter of certainty it can be stated, however, that corporations cannot buy land in Japan, and therefore are most likely to buy land abroad.[55]

China conducts wide FDI projects in agriculture. Implanted in Cameroon,[56] Congo and Tanzania, it has also started a US$800 million project seeking to "modernise" agriculture in Mozambique.[57] A 2 million hectares biofuel project is also negotiated in Zambia.[58] Projects in Central and South-East Asia, South-America and Burma are also considered by China. Finally, a 80.400 hectares deal worth US$21.4million might have been negotiated with Russia.[59]

Finally, India, due to soil fertility and water-supply issues, recently had to import 4 million tonnes of lentils from Burma. According to Grain, India even considers sending its farmers there to grow food themselves,[60] and banks might have invested US$150 million to start producing wheat and rice on about 30,000 to 50,000 hectares of land by 2011.[61] It is also reported that 2,000 Indian companies (from a list of 8,000 candidates) might have secured land in Ethiopia where more than US$2.5 billion might have already been invested. Overall, outgoing Indian ambassador to Ethiopia Gurjit Singh believes that Indian general investments will reach between US$8 billion and US$10 billion in a few years.[62]

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[49] *The Economist*, Business this week, May 13th 2010
[50] The Economist, 'Buying farmland abroad: Outsourcing's third wave' (London) <http://farmlandgrab.org/3037> accessed 11/03/2010
[51] Grain, 'SEIZED! The 2008 land grab for food and financial security', p5
[52] *The Economist*, 'Buying farmland abroad'
[53] Durbach, 'Korea's overseas development backfires' *Korea Times*
[54] Ibid
[55] *The Economist,* Private equity in Japan, the waiting game (London March 20th 2010)
[56] Charles Nforgang, 'Chinois au Cameroun : une incompréhension foncière' *Syfia Info* <http://www.landcoalition.org/cpl-blog/?p=4154#more-4154> accessed 10/03/2010
[57] Grain, 'Mauritius leads land grabs for rice in Mozambique '
[58] *The Economist*, 'Buying farmland abroad'; See also Durbach and Vidal
[59] Bokhari, 'Buying foreign land for food security', *The Dawn Media Group*
[60] Grain, 'SEIZED! The 2008 land grab for food and financial security'p5
[61] Durbach, 'Korea's overseas development backfires' *Korea Times*
[62] Ashine, 'Ethiopia: hunger-ridden country defends land grabs' *Business Daily*

2. Origins and Actors

The facts behind the agri-trend beeing established, its origins should then be considered. The 2008 food crisis appears as a major cause of this FDI race for arable lands.[63] The impact of biofuels should be considered too. That being said, the land acquisition trend is not new, although several evolutions may be witnessed.

2.1 The role of the 2008 food crisis

The 2008 food crisis is a major cause of this FDI race for arable lands. In an increasingly globalised context, the correlation of unstable trade exchanges, low food reserves and expanding demography increasing global demand inescapably led to the effect that the single worldwide market failed to provide for the worldwide needs in food supply.[64] The consequences of such a change, generating up to 140% price increases for cereals and raw food,[65] are consequently obvious. As some formulate, "due to the boom, the cost of pasta in Italy is expected to increase by 20%. In the UK, bakeries predict they too will pass on further wheat price rises, and in France the cost of a baguette, a staple of the French diet, is expected to rise".[66] To these could furthermore be added riots in Mexico resulting from an increase in the cost of tortillas generated by more expensive cereals.

Such events eventually took a peculiar dimension once considered by financial minds. Some indeed started to talk of "foodflation",[67] an evolution from what economists at Merrill Lynch called "agflation" in 2007,[68] and introduced the idea that such new prices, far from representing a peak, would provide investors an opportunity to prosper over the coming years.[69] Answering questions on investments prospects in agriculture, Ravi Sood, co-founder and President of Lawrence Asset Management Inc. indeed confirmed that due to massive inflation in agricultural commodities and inputs in 2007-2008, agriculture emerged as its own asset class. Financial interest over agricultural goods might therefore constitute a permanent shift, which suggests that increasing amounts of attention and capital could be directed towards agriculture stocks and commodities in a close future.[70]

Suffices to say that the consideration of the food crisis through a profitability perspective led to animated debates, and are at the origin of the so called 'land rush',[71] or 'land grabs' denounced by most commentators. Summarised by Grain, the situation amounts to the following: "*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*

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[63] See Carin Smaller and Howard Mann, *A Thirst for Distant Lands: Foreign investment in agricultural land and water*, International Institute for Sustainable Development (May 2009)
[64] Alexandra Spieldoch, "Global Land Grab" (Washington, DC: Foreign Policy In Focus, June 18, 2009) <http://www.fpif.org/articles/global_land_grab> accessed 09/03/2010
[65] Sharife, 'Africa: Land Grabs – new resource curse?'
[66] Philip Scott, 'How to invest in rising food prices' *This is Money* <http://www.thisismoney.co.uk/food#ixzz0n4KPFOXa> accessed 05/05/2010
[67] 'How best to invest in agriculture' *The Globe and Mail* <http://www.theglobeandmail.com/globe-investor/investment-ideas/how-best-to-invest-in-agriculture/article1423758/> accessed 05/05/2010
[68] Hao Jin, 'Five Reasons to Invest in Agriculture ' <http://seekingalpha.com/article/128333-five-reasons-to-invest-in-agriculture> accessed 05/05/2010
[69] Scott, 'How to invest in rising food prices, *This is Money*
[70] 'How best to invest in agriculture', *The Globe and Mail*
[71] Vidal, 'How food and water are driving a 21st century African land grab' *The Observer*

the midst of the deepening financial crisis, see investment in foreign farmland as an important source of revenue".[72]

Unsatisfactorily, however, such an approach remains barely surface-scratching for the agri-FDI trend cannot be solely considered from the perspective of greedy investors and through the pejorative terms of 'land grab'. First, investors in many cases are as above-mentioned state entities (sovereign states and sovereign funds) investing for the purpose of providing their own populations with food, in which circumstances greed is not to be seen. Second, while it is easy to point-out poor or developing economies selling their lands to investors, few commentators consider whether these countries have the basic financial means to exploit their own land in the first place.

2.2 The impact of biofuel production

Corollary to rocketing food prices, the impact of biofuel production should be considered. Several sources indeed mention a World Bank internal document by Don Mitchell, revealing that biofuel production might be at the origin of a 75% growth in food prices. Although the amounts are hardly verifiable due to the confidential nature of the document, the argument nevertheless remains probable. The US, for instance, produced in 2007 about 40 billion litres of biofuel, amounting to 40% of world corn trade.[73] The top-three grain producers' (ADM, Cargill and Bunge) benefits in turn increased by 103% between 2007 and 2009.[74] In other words, the increase in food prices occurred not only from increased demand for alimentary purposes, but also from its use as a green energy resource, the production of which was furthermore increased by the massive peaks in oil prices witnessed recently.

2.3 A new trend?

Opinions vary as to the recent nature of the agri-FDI trend. While some argued in December 2008 that "most of the land acquisitions took place during the last nine months",[75] Grain interestingly recalls that in practice "land grabbing has been going on for centuries".[76] Grain makes reference to the post-war Soviet Union collective farms given to foreign investors in 1991, or to the UK attempt to get a former colonial land in Tanzania under Southern Tanganyika Groundnut Scheme.[77] Similar allusions to 'colonial times' also exist in the public debate as far as cocoa and coffee exports are concerned,[78] and the Chinese massive transportation of national farmers abroad gives further credit to the allusion. Overall the comparison between foreign farmland investments and colonialism is not very flattering and remains debatable. Grain, however, is more convincing when it emphasises the presence of a long-term food strategy by contrast to the financial interest of private equity funds, therefore constituting two distinct but parallel agendas surrounding the global farmland investment debate.[79]

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[72] Grain, 'SEIZED! The 2008 land grab for food and financial security'
[73] Sharife, 'Africa: Land Grabs – new resource curse?'
[74] Ibid
[75] Bokhari, 'Buying foreign land for food security', *The Dawn Media Group*
[76] Grain, 'SEIZED! The 2008 land grab for food and financial security', p2
[77] *The Economist*, 'Buying farmland abroad'
[78] Spieldoch, 'Global land grab', *Foreign Policy in Focus*
[79] Grain, 'SEIZED! The 2008 land grab for food and financial security', p2

(a) Evolution towards inventive long-term strategies to feed home-populations at a reasonable price

Food security issues constitute an underlying factor of the agri-FDI trend, which in turn constitutes an inventive and carefully thought long-term strategy to feed peoples at a good price. For instance, while China has long been recognised as remarkably self-sufficient as far as food is concerned, its demographic evolutions and economic developments led to population migration, eventually replacing agricultural land by industrial infrastructures. In addition, the deterioration of the soil quality due to overexploitation, excessive artificial land fertilisation and inappropriate farming techniques, combined with pollution (by industrial emissions and wastes) reduces the country's chances to answer the needs of its population. Furthermore, while China is due to feed 300 to 400 million people in the next 30 years, urban residents during the same period will increase from 47% to 75% of the population. Increased industrialisation, also, implies the construction of additional roads, factories and infrastructure, and less land shall be available for agriculture in the future. As a result, China imported 42 million tonnes of soya in 2009 from the US, Brazil and Argentina,[80] and is said to have negotiated about thirty agricultural deals in exchange for technologies, training or infrastructures as previously showed.[81]

Surprisingly, however, China denies such land deals. Han Jun, expert on rural policy at the Development Research Centre indeed argued: "we don't believe that going to rent farm in other countries is a reliable policy option".[82] That being said, many comments as to Chinese practices challenge such a denial.

South Korea, similarly, is an extremely densely populated country as well as a fast developing nation. As for China, rapid economic and demographic evolution has led to the replacement of farmland and forests by industries and factories, a phenomenon to be associated once again to extensive urban development during the last two decades. As a result, the country is increasingly dependent on food imports, and therefore has increased recourse to foreign farmlands. As previously discussed, growing food overseas remains cheaper and safer than reliance on international trade variations.[83]

Perfect examples of desert-based nations, Gulf States, also provide an interesting perspective on the food security issue, for although they suffer insufficient water resources to grow food, their oil and petrodollars grant them the benefit of constituting the client-model of foreign farmland investors. The Emirates, for instance, imported 85% of their food needs in 2008, a costly US$2.9 billion outflow[84] which logically gave it strong incentives to negotiate a US$400-500 million worth project for the exploitation of 100,000 to 200,000 hectares of land in Pakistan during the same period.[85]

Saudi Arabia, for similar reasons, undertook a self-sufficiency programme consisting in growing wheat in the desert. The country endured the food crisis to the extent that 80% of the population consists of rice-eating migrant workers and hence dependent on food importation. In addition to food shortage and price increases, the Saudi money, indexed on

[80] Jonathan Watts, 'China's soil deterioration may become growing food crisis, adviser claims' *The Guardian* <http://www.guardian.co.uk/environment/2010/feb/23/china-soil-deterioration-food-supply> accessed 23/03/2010
[81] Grain, 'SEIZED! The 2008 land grab for food and financial security', p3
[82] Watts, 'China's soil deterioration may become growing food crisis' *The Guardian*
[83] Durbach, 'Korea's overseas development backfires' *Korea Times*
[84] Bokhari, 'Buying foreign land for food security', *The Dawn Media Group*
[85] Ibid.

US dollars - whose value has been decreasing lately as a result of the financial crisis – faced inflation and accordingly suffered more expensive products, raising the cost of its food imports from 8 to 20 billion dollars.[86] The project, however, was abandoned in 2008 by fear of water shortages and the country therefore emerged as a major importer. Following the Emirates' approach (and as demonstrated in the first part of this paper), Saudi Arabia accordingly became an important farmland investor, with the clear objective of exporting its foreign production back home.[87] The Saudi Fund for Development was created in 2008 for this purpose as a US$566 million special investment programme for buying land abroad in order to produce rice and wheat.[88]

As Grain explains, Gulf States' strategies therefore consist in growing elsewhere what they cannot afford to produce domestically. As previously demonstrated with Mali and Libya, these states acquire or rent land in the neighbouring Islamic countries, in exchange for capital, oil contracts and cooperation as a means to cut their food costs by 25%.[89]

(b) Cash-seeking private-equity funds

The financial interests of private-equity funds constitute a second agenda surrounding the global farmland investment debate. While state entities investing in foreign farmland essentially seek feeding their own populations, financial actors rather consider agri-FDI as profit sources. Although for NGOs "food and financial crises combined have turned agricultural land into a new strategic asset",[90] the scheme is not that simple. While the expectations flowing from price rises generated by the food crisis are obviously debatable, farmland investments cannot be considered as profitable cash-drawers, at least not in the short-run. Indeed, these do not constitute typical speculation in the sense that while most deals are realised upon finished products or existing and palpable resources, such projects require massive investments before production capacities can be improved and generate profits.

Interestingly, however, an evolution in the size of such investors can be emphasised. New conglomerates in practice are bigger than the traditional market leaders such as Nestle, for instance, and this can partly be explained by the fact that more than 40% of FDI nowadays take place through mergers and acquisitions.[91] For instance, while important land transactions traditionally corresponded to 100,000 hectares deals,[92] today's agreements entered into by private investors lead to the negotiation of 400,000 to more than a million of hectares projects. Various commentators furthermore cite the involvement of famous international groups,[93] such as Deutsche Bank, Goldman Sachs, Blackrock (a US$200 million hedge fund having allegedly invested US$30 million in land acquisition deals), Morgan Stanley (recently negotiated 40,000 hectares in Ukraine),[94] Renaissance Capital (a Russian fund involved in a 300,000 hectares deal in Ukraine), Landkom (UK fund involved in a 100,000 hectares deal in Ukraine to be extended to 350,000 by 2011). Black Earth Farming and

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[86] Grain, 'SEIZED! The 2008 land grab for food and financial security', p4
[87] *Qatar News Agency*, 'Saudi Arabia Eyes Overseas Farmland Investments' (17 March 2010) at < http://www.qnaol.net/QNAEn/Foreign_News/Economics/Pages/SaudiArabiaEyesOverseasFarmland17032010.aspx>; See also *The Economist*, 'Buying farmland abroad'
[88] Bokhari, 'Buying foreign land for food security', *The Dawn Media Group*
[89] Grain, 'SEIZED! The 2008 land grab for food and financial security', p9
[90] Ibid. p2; See also Grain, 'The new farm owners: Corporate investors lead the rush for control over overseas farmland'
[91] UNCTAD, *World Investment Report* (2009)
[92] *The Economist*, 'Buying farmland abroad'
[93] Grain, 'SEIZED! The 2008 land grab for food and financial security'
[94] See also *The Economist*, 'Buying farmland abroad'

Alpcot Agro, two Swedish funds, similarly, would have negotiated agreements for the exploitation of 331,000 and 128,000 hectares in Russia.[95]

The increasing interest of private funds for agri-FDI projects raises many debatable commentaries. Although comments as to the ability of private funds to make money on the food crisis are most likely founded, denouncing the private sector's objective to seek profit remains far-reaching. NGOs, for instance, denounce that "*private investors are not turning to agriculture to solve world hunger or eliminate rural poverty. They want profit, pure and simple […] 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*".[96] The statement, however, remains disturbing since corporation are not created for philanthropic and charge-free activities but rather for explicit profit-making purposes. While this argument has the merit to recall the notion of corporate responsibility, criticising financial groups for their ability to generate benefits therefore remains far-reaching. Food production in itself remains part of world trade and can hardly constitute a reprehensible activity. Questioning food production therefore, only makes sense while taking a food crisis ethical approach. Profits in this situation become ethically suspicious, a sensation furthermore aggravated by the idea such funds in practice might be backed-up by the European Bank for Reconstruction and Development, the World Bank, or the International Finance Corporation (World Bank Group) which, through their pro-FDI policies indeed are criticised for urging states to make ownership by foreigners possible.[97]

(c) State-owned funds

While agri-investments by state entities possibly look more ethical than similar exercise by private funds, the treatment of state-owned funds should be considered. Previously mentioned, Gulf funds are apparently fully integrated within governments' long-term strategies to feed their populations. For instance, the Saudi fund 'Al-Qudra Holding' planned to acquire 400,000 hectares by 2009 to produce wheat, maize, rice, vegetables and livestock in Australia, Croatia, Egypt, Eritrea, India, Morocco, Pakistan, Philippines, Sudan, Syria, Thailand, Ukraine, Vietnam, and this for periods of 20 to 30 years.[98] The Emirate Pharos Miro Agriculture fund was similarly launched in 2009 as a joint venture between the Pharos Financial Group (Emirates) and the Miro Holding International (London-based), attracting many Gulf entities having an interest in growing rice, barley, wheat, oilseeds through US$350 million investments in Africa and Eastern Europe.[99]

More problematically, however, many deals might be less clear than expected. Oliver Barnes, Chief Executive of the Miro fund, for instance, declared that a major interest for states to invest in funds "would give sovereign wealth funds a new channel of investment, without having to deal with all the other risks or even to disclose their identity publicly, to avoid creating frenzy".[100] What such a comment might imply, however, requires further analysis.

[95] Ibid.
[96] Grain, 'The new farm owners: Corporate investors lead the rush for control over overseas farmland'; See also Grain, October 2008 #76, p7
[97] Bokhari, 'Buying foreign land for food security', *The Dawn Media Group*
[98] Ibid.
[99] *This Day*, Gulf Firm Seeks long-term lease on Tanzanian farmland'
[100] Ibid.

Concluding remarks: Who invests and where?

First, a brief mapping of international agri-FDI projects can be made at this stage. It appears that the African continent is the most receptive to such FDI. At least, it is the most experienced so far by contrast with the very few Asian and South-East European countries which have hardly attracted agricultural foreign investors (so far). Asia, Eastern-Asia and the Middle-East, in turn, clearly emerge as essential agri-FDI-funding regions, although various trends can be seen. For instance, it seems that Asian investors favour the ultimate financial outcomes rather than the location of the investment, while Gulf actors appear to focus on close countries and markets. The use of a world map suggests that agricultural FDI originating from Gulf countries indeed take place in Pakistan or within states situated on the eastern coast of Africa. Therefore, fast sea or road access between Gulf States and their targeted partners presumably constitutes the essential motive of such investments. Cultural and traditional links between African and Middle East countries could furthermore be considered as a reinforcing factor. FDI movements, overall, appear to constitute South-South transactions. As some emphasise, "contrary to past trends, countries in the Global South are initiating much of the investment; the Persian Gulf States, including Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates, are investing in many parts of Africa, as well as Asia and Eastern and Central Europe".[101] The scale of those deals, however, is hardly quantifiable. For observers such as Grain, the International Institute for Environment and Development (IIED), the International Land coalition or Action Aid, up to 50 million of hectares have been acquired by foreign investors worldwide.[102] Estimates by the International Food Policy Research Institute, by contrast, suggest that between 15 and 20 million of hectares, amounting to a fifth of the European Union farmland, might have been subject to transactions worth US$20-30 billion since 2006.[103] The data compiled during the first quarter of 2010 for the purpose of this non-exhaustive research similarly accounts for about 16 million hectares.

Second, various entities take part in the agri-trend. States obviously lead the process as land-letters as well as investors. Funds, then, tend to be increasingly involved as both investment vehicles and fund raising entities. Interestingly the nature of these funds varies from state-owned to privately-held structures, which amongst other things suggests that states overall remain the widest agri-FDI actors. In many circumstances, however, it remains difficult to establish whether investors are state-owned or private-equity entities. The government of China, for instance, is known for being a major shareholder in many companies involved in FDI.[104]

Finally, while it is said that many investors seek to make a financial benefit from the food crisis, profits should be separated from state investments responding to national food needs. Thus, the increasing South-South trend in FDI suggests that states benefiting from long-term strategies to feed their people are more illustrative of the agri-FDI practice than the so-called 'land-grab' scandals denouncing the horrendous calculations of easily attackable but nonetheless questionable funds speculating on the food crisis.

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[101] Spieldoch, 'Global land grab', *Foreign Policy in Focus; See also* UNCTAD '*World Investment Report 2009*'
[102] See for instance Vidal, 'How food and water are driving a 21st century African land grab' *The Observer*
[103] *The Economist*, 'Buying farmland abroad: Outsourcing's third wave'
[104] See for instance Jing Duanmu, 'Firm heterogeneity and location choice of Chinese MNEs' Journal of World Business

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