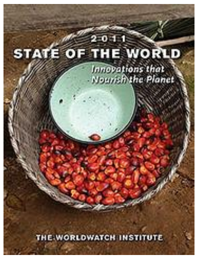

STATE OF THE WORLD 2011

Innovations that Nourish the Planet

State of the World Brief Series

Chapter 12. Investing in Africa's Land: Crisis and Opportunity

Key Messages

- In response to recent world food price fluctuations, some wealthy countries with vast economic resources but limited arable land have been acquiring large swaths of land in Africa and elsewhere in the developing world in order to "outsource" their food production abroad.
- Investors claim that these "land grabs" could help alleviate the world food crisis by further tapping into Africa's agricultural potential, but critics warn that such investments have left small-scale farmers vulnerable to exploitation.
- There is no one-size-fits-all solution to this problem. However, agricultural investment models that focus on collaboration to empower African farmers—instead of stripping them of their rights—show promise.

The Problem

Countries have always strived to produce enough food to satisfy their own populations without relying on imports. But events such as the 2007–08 spike in world food and fuel prices gave the issue of food security even more relevance. During this period of violent market fluctuations, countries that were heavily dependent on food imports saw the prices of dietary staples, such as rice and wheat, double in a few months time. With much of the world's arable land already in use, countries that lack sufficient fertile land to meet domestic food needs have only two ways to increase their food supply: 1) find ways to multiply the yields from existing plants, or 2) find new fields in which to plant.

Scientists around the world have devoted themselves to the former, working to boost harvests through improved seed and other inputs. To accomplish the latter, many rich Middle Eastern and Asian countries have acquired cheap land in Africa and elsewhere in the developing world in order to "outsource" their food production abroad. These foreign investors promise to build roads, create jobs, and boost food production, but critics are wary. Many worry that without clarifying "who owns what" and "who calls the shots," these "land grabs" leave small-scale farmers vulnerable to exploitation.

Who owns what? Before land changes hands—or is sold to Chinese or Saudi investors—it is crucial to determine who owns it in the first place. In countries like Ethiopia, where private land ownership is banned (foreign and domestic farmer work the fields under licensing arrangements with the government), government officials can rent land to foreign investors for a nominal fee without engaging in a legal process or compensating local residents who might use it to farm or graze livestock.

Who calls the shots? In developing countries where indigenous groups are permitted to own land through an undocumented system and to administer it in accordance with their own customs, determining who in the community has the right to sell land is often unclear. Officials in Mozambique,

Table 12–1. Selected Proposed and Completed Foreign Investments in Land in Africa

Investor	Host Country	Details of Arrangement
Various companies	Mali	Already approved land deals include a joint 10,000-hectare project between Petrotech and AgroMali to produce biodiesel feedstock from jatropha seeds for Europe, the United States, and Egypt. Additional long-term leases for outside investors to help develop more than 160,000 hectares of land. (Reported December 2009)
Ruchi Soy Industries	Ethiopia	A leading edible oil processor, Ruchi Soy, signed a memorandum of understanding with the Ethiopian government to cultivate soybeans and install a processing unit in Gambella and Benishangul Gumuz. The deal includes 25,000 hectares (with the possibility of expanding to 50,000 hectares) and the lease basis is 25 years. (Announced January 2010)
Trans4mation Agric-Tech Ltd. (U.K.)	Nigeria	T4M signed a 25-year contract to grow and process rice and cassava, in a large-scale commercial and mechanized way, on 30,000 hectares of land in the Niger delta. (Reported in 2008)
Saudi Arabia	Sierra Leone	Sierra Leone and Saudi Arabia signed a Memorandum of Understanding for Saudi investment in the production of rice for home consumption and export. (Reported December 2009)
Foras International Investment Co. (Saudi Arabia)	Sudan	The investment arm of the Islamic Chamber of Commerce and Industry launched its first project to ensure food security: the Al-Faihaa Integrated agricultural project, in Sudan's Sennar state. The seven-year project has an estimated investment of $200 million and covers about 126,000 hectares. (Reported January 2010)
South Korea (private sector)	Sudan	As of the end of 2008, the Sudanese government had committed 690,000 hectares of land for South Koreans to grow wheat for export back home. (Reported February 2010)

Source: Daniel and Mittal, GRAIN

for example, held meetings with local chiefs after declaring that their lands were open for foreign investment, but they failed to include small-scale farmers and women. The result was tremendous confusion when some parcels of land were sold three times to different sets of investors. Thankfully, the government hastily imposed a moratorium on land acquisition.

Innovations/Solutions

Advocates of private investment see the current model of land acquisition as a solution to the world's food crisis. They claim that scientists and policy-makers have been trying to increase agricultural productivity in Africa and elsewhere for decades with little success, and that it is time for a new approach. Susan Payne, CEO of Emergent Asset Management, a firm investing several hundred million dollars into commercial African farms, says Africa may be "the final frontier" and that increased investments in the continent could help alleviate the world food crisis and accelerate Africa's economic growth. In countries like Ethiopia, even modest investments in improved seed and fertilizer could help close the gap between local agricultural productivity and that of European farmers.

Regardless of where one stands on this issue, it is clear that much of Africa's agricultural potential remains unexploited. According to a study co-sponsored by the United Nations Food and Agriculture Organization and the World Bank, only 10 percent of the arable land found within a crescent-shaped swath that runs across Africa east to Ethiopia and south to Congo and Angola is currently being used to grow food. Africa is home to most of the planet's largest reserves of underused land.

For those who see large-scale land acquisitions in Africa as exploitive "land grabs" that could result in xenophobia, riots, coups, or more hungry people, there is no one-size-fits-all solution. But devising reforms that strive for mutually beneficial agricultural investments could be an important first step.

The FAO, for example, recently held a series of regional meetings in an attempt to create guidelines for good governance that could help protect farmers from the opportunity for exploitation that these deals often present. But the guidelines are voluntary, as there is no mechanism in place currently to force investors to abide by the international land investment code of conduct.

David Hallam, an FAO trade expert, has suggested a model in which large-scale commercial farms, owned by international investors, operate in "a symbiotic relationship" with smallholders who sell them their harvests and receive payments, credit, and technical assistance in return. Another idea that has had mixed but promising results in some countries is the "outgrower" model, whereby smallholders handle the production and a larger company packages and sells their goods domestically or overseas.

In Ethiopia's Rift Valley, one such scheme involves some 300 Ethiopians who work plots of 1.5–4 hectares. During the European winter, they grow green beans for the Dutch market, and the rest of the year they cultivate corn and other crops for local consumption. One group of farmers in the cooperative noted that the arrangement, while not perfect, was beneficial in the most crucial respect: it allowed them to remain in control of their own livelihoods. The beauty of these models is that they encourage agricultural investment without removing local farmers from the equation.

Looking Ahead

According to the World Bank, economic growth that originates in the agriculture sector is at least twice as effective in reducing poverty as development in other sectors. It is clear that investment in agriculture needs to increase in the world's poorest nations. But it is uncertain where these funds will come from, given the overall lack of investment in agriculture from foreign donors as well as African nations.

This brief is based on Chapter 12, "Investing in Africa's Land: Crisis and Opportunity," by Andrew Rice, published in the Worldwatch Institute report *State of the World 2011: Innovations that Nourish the Planet.* To order a copy of *State of the World 2011* or to read more briefs in this series, visit **www.NourishingthePlanet.org.**