

## Land grabbing – poor people are losing the ground beneath their feet

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### Overview

#### **What is "land grabbing"?**

Providing adequate and sufficient food at affordable prices is a challenge faced not only by developing countries but also by threshold countries and even industrial nations. The times of plenty are over: global grain production is falling increasingly short of growing demand.

This situation is promoting a trend known as "land grabbing": state actors and private investors from industrial and threshold countries are securing huge tracts of farmland in developing countries with long-term leases and deeds of sale in order to grow food and energy crops there for export. They are often welcomed by the local elite who have a vested interest in lucrative land deals. This situation is precarious: investment in agriculture is necessary, but it must take a pro-poor approach and cannot take the form of neo-colonial land seizure.

#### **Race for farmland and woodland**

Several factors are intensifying pressure on arable land, grazing land and woodland. High population growth and changing nutritional habits in heavily populated threshold countries are increasing the demand for food. At the same time, farmland is disappearing as a result of erosion, salinisation and settlement, and in many places, crops are failing because of the climate change. To an increasing extent, food farming is being ousted by the cultivation of crops to generate bioenergy and biomaterials.

These developments and the food and energy price crisis of 2007/2008 have clearly shown again that natural resources are limited and that fertile land

is a precious commodity. The farmland available today would have to increase by 515 million hectare by 2030 to guarantee an adequate supply of agricultural, energy and forestry products. Only half of this demand can be satisfied if fallow land is farmed. The only alternative thereafter is to turn woodland into agricultural land.

#### **Land seizure for food security or profit?**

Buying or leasing areas of land overseas for agricultural production is not a new phenomenon. What *is* new, however, is the scale and speed with which land is being claimed, and the widespread circumvention of land laws. In early 2009, for example, Madagascar hit the headlines when the government signed a

preliminary agreement to lease 1.3 million hectares of agricultural land to the South Korean company Daewoo Logistics for 99 years. Daewoo announced its intention to grow corn and palm oil on the land – around half of Madagascar's total arable land - for export to South Korea. After massive protests, the plan was put on hold.

The South Korea-Madagascar deal was no isolated case. In October 2008, the NGO "Grain" published a report detailing over 100 cases of land grabbing. Investors are primarily the governments of industrial and threshold countries which do not themselves have enough land and water to satisfy the domestic demand for food, energy and fibre plants. The Gulf states, for example, have snapped up agricultural land in the Sudan, in Uganda, Egypt, Cambodia, Kazakhstan and Pakistan. In such cases, land grabbing occurs not just out of economic interests but also with a political objective – notably, as part of a "national food security policy". In 2008, the Chinese Ministry of Agriculture put forward the initial draft of a central government policy urging Chinese companies to purchase land abroad in order to secure China's long-term food supplies, especially soy products.

Not only threshold countries are in search of land. Prompted by subvention policies for bioenergy (especially biofuel) in the USA and Europe, German companies have also purchased farmland abroad for energy crop production (e.g. PROKON in Tanzania, Flora Ecopower in Ethiopia).

New investment funds are also being set up to purchase or lease agricultural land overseas to produce food and energy crops (AgriCapital, which has a 1 billion US dollar turnover, was founded in August 2008 by three banks in den Arab Emirates – Abu Dhabi Investment House, Ithmaar Bank, Gulf Finance House). In view of fluctuating oil prices, investment in agricultural land promises portfolio

diversification and reliable long-term profits.

### **More and better investments in agriculture are necessary**

Investments in rural development and agriculture in developing countries are urgently needed. Around 75% of the world's poor people live in rural regions. And yet the share of international development aid being spent on agriculture has decreased drastically in the last twenty years. While Germany spends 0.7% of development aid funds on rural development, the Washington research institute IFPRI estimates that 20-30% of international development aid needs to be invested in agriculture in order to guarantee food security.

In view of this trend, the international community is undertaking new efforts to promote global food security (first and foremost the United Nations with its *Comprehensive Framework for Action* passed in June 2008). As part of these initiatives, agriculture is back in the focus of international development cooperation.

However, development aid and state funding policies cannot on their own guarantee sustainable development in rural regions. Building roads, bridges and irrigation systems only makes sense if these regions are included in economic cycles. Such regions often lack access to local and international markets. This is where foreign investors can step in as the missing link, connecting local structures with trade partners. It is therefore important that investments are made in rural regions not only in the context of good governance but also by responsible businesses. Rather than supporting "land grab" activities, governments should control investments in such a way that they help generate more income and boost food security.

### **Cambodia: loss of livelihood because of agricultural and forestry concessions**

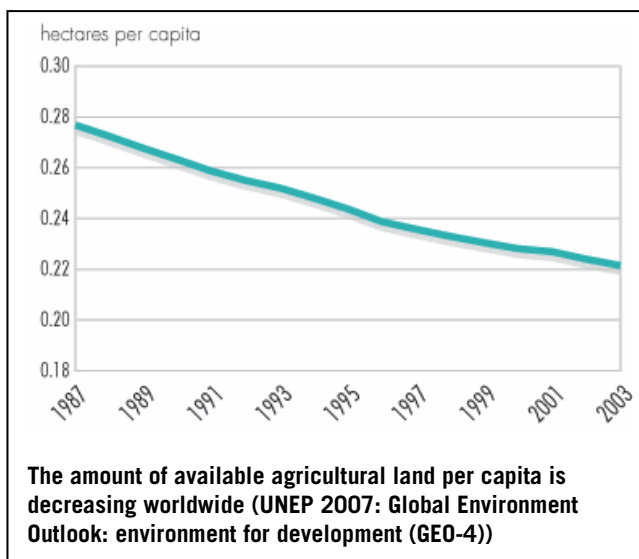
Many of the land grab stakeholders claim they are farming previously unused land

and that they are therefore making a contribution towards global food security. How far this is from the truth is illustrated by the example of Cambodia.

Land that is "not used" exists only in extreme locations, such as high up in the mountains. When supposedly free land is leased or sold to foreign investors, the land rights have usually not been determined or recorded. In Cambodia, for example, all documents relating to land registers were destroyed at the time of the Red Khmer (1975-1979). Since the beginning of the 90s, the constitution and legislation have made it possible for land titles to be registered again, but only around 14% of an estimated 4.5 million applications have been processed so far. At the same time, the Cambodian government is also able to award land

The consequences are further impoverishment and hunger. In the meantime, at least 42% of these land concessions are held by foreign investors. Worst hit by these land concessions are the indigenous sections of the population. Although their right to collective land ownership and the traditional use of resources is recognised in Cambodia (as it is many other countries), these rights are repeatedly violated in practice, with forestry concessions being awarded and woodland subsequently being transformed into plantations. Land grabbing is also having an impact on the work of Welthungerhilfe: small-holders in project regions are being evicted so that investors can extend their plantations unhindered.

Welthungerhilfe consequently works with the local non-government organisation LICADHO, which supports land grab victims with its human rights work.



concessions to private investors in order to boost public income and promote development in poor rural regions. In most cases, however, land allocation has not occurred according to legal requirements and with the said objectives, but has only served to enrich the corrupt elite. It is estimated that by the end of the 90s, over a third of the rural population was evicted from its ancestral land to create farmland and forestry concessions.



**Cambodian farmers in the province of Koh Kong fear for their livelihood**

### Net food importer and lessor of large-scale farmland?

It is not wrong for poor countries to take advantage of the investment boom to promote progress and development in rural regions. Cashflows from private businesses and technical innovations can spur important development activities. However, effective development is dependent on good governance which links agriculture and land allocation to poverty reduction strategies. At a national level, political processes to eliminate poverty and also to develop rural regions are often sought (so-called *Poverty Reduction Strategy Papers*). Unfortunately, foreign investments in agriculture are only rarely linked with these processes.

Food grown as a result of land grabs is produced almost exclusively for export. So although the countries providing the farmland receive exchange proceeds, it does not mean that more food is available on domestic markets, especially when governance is irresponsible and world market prices are volatile.

States that are dependent on food imports, in particular, are surrendering more and more land to foreign investors while failing to ensure that conditions improve income and food security for their own population. Agricultural investments are rarely made in such a way that they offer the local population a genuine share of the benefits. It is sometimes claimed that investments generate new sources of income, for example, by enabling small-holders to work for investors as contract farmers. In fact, contract farming is often detrimental to the farmers. They soon become dependent on a single buyer, earn only very low incomes and often run into debt with the companies. Moreover, their food security decreases when they stop growing staple foods and become dependent on purchased food. Although farmers earn an income through contract farming, their situation often deteriorates, especially when food prices

increase. Before long, the small farmer turns into a source of cheap labour; in some cases of land grabbing, the farmers end up working for investors under slave-like conditions.

Investors who bring with them their own manpower from abroad do even less to stimulate development. 3,000 Chinese farmers, for example, are working within the framework of a PPP project in Kazakhstan, and there are plans to deploy up to 10,000 Chinese farmers to implement a project initiated by the Chinese government in Mozambique. Domestic agriculture is sold without new sources of income being created for local farmers. This means that small and subsistence farmers lose not only their crops and income but ultimately access to adequate food.

In Myanmar, the acquisition of land by Chinese companies has had especially dramatic consequences. Farmers were driven off their land so that the oil plant jatropha could be cultivated – the threshold country needs energy. These farmers were already at the mercy of seasonally determined, cyclical food insecurity, but when the land was taken from beneath their feet, they lost their last basic source of food. Although Myanmar has considerable agricultural potential, the World Food Programme is delivering food relief to the country, especially in the form of school meals.

Land grabbing is the potential cause of social and ecological conflict. Because of land grabbing, there is often not enough land left to employ and feed all the inhabitants of the affected regions. It is also not uncommon for investors to promise individual victims compensation payments and gifts, thereby causing rifts in communities.

Finally, the question is also whether the "agricultural model" practised on the basis of land grabbing, i.e. large-scale production by agricultural companies, is in itself sustainable and can actually contribute towards long-term global food security. From an ecological point of

view, monoculture farming using large quantities of fertiliser and pesticides represents a potential risk for biodiversity, for the long-term fertility of the land and for the natural water balance. The world agricultural report (IAASTD, 2008) concludes that "rural development" has so far been practised in simplified form with the aim of "increasing agricultural productivity". It states that a comprehensive agricultural policy which integrates local small-holders is a more promising way of eliminating hunger and poverty.

### **Poor governance and corruption: an invitation to "grab land"**

Land grabbing is encouraged by irresponsible and corrupt decision-makers in developing countries. The Cambodian government also promotes land grabbing. Although there are national poverty elimination strategies and legal provisions regulating socially acceptable land acquisition, these are neither observed nor enforced. In many developing countries, land deeds have not been formalised, and illegal land appropriation cannot be pursued when the justice system is powerless or corrupt. The lack of documented land rights and the difficulty of enforcing these rights make it easy for foreign investors and the local elite to appropriate land for their own purposes. Thanks to a relatively active civil society, public attention is being drawn to the problem of land grabbing in Cambodia.

Other countries lack both the legal conditions for land allocation and documentation of the consequences of land grabbing. At the same time, some governments actively advertise their "rich natural resources", such as fertile farmland and water, and lure investors with promises of a "favourable investment climate" and "inexpensive labour". Particularly in fragile states where neither parliament nor civil society exercise a control function, the elite are tempted to enrich themselves with

generous allocations of land concessions, thereby compromising the food security of their own populations.

### **Land grabbing violates human right to food**

After playing a minor role for many years, agriculture is now enjoying a boom. Rarely have governments and businesses been so keen to invest so much money in agriculture. These investments are urgently needed: according to the United Nations, to feed all people by 2030, food production has to increase by 50 percent. Instead of promoting land grabbing, the governments of hunger-prone countries must exploit the favourable investment climate to implement new and, above all, sustainable agricultural policies.

The governments of developing countries should not advocate foreign agricultural investment at any price: they must ensure that investment projects are planned and implemented according to social, ecological and also economic impact analyses. Based upon the principle of "prior and informed consent", the analyses should be carried out with the participation of the affected persons (farmers' organisations, indigenous groups, etc.).

In the context of good governance, developing countries must take advantage of their scope of action to realise the right to food through new investments.

Preventing access to food and resources as a result of land grabbing is a grave violation of the human right to food. Both investors and governments are responsible for ensuring that people are not denied access to food as a result of land dispossession.

Investments in agriculture can only be profitable for businesses in the long term if they are made in a favourable environment.

Consequently, in developing countries, too, it is in the companies' own interests that they consider social, ecological and

economic criteria: investments that cause unrest, soil that degrades in just a few years and water resources that are overused can only be economical in the short term, if at all. Consequently, investment in the agricultural production of developing countries is only promising and profitable for companies and governments in the long term if they

subscribe to a sustainable agricultural concept that includes poverty reduction, food security, observance of human rights and ecological sustainability.

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