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Worlwide Corporate Control of Agriculture: The New Farm Owners

Corporate Investors Lead the Rush for Control over Overseas Farmland

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With all the talk about "food security," and distorted media statements like "South Korea leases half of Madagascar's land,"1 it may not be evident to a lot of people that the lead actors in today's global land grab for overseas food production are not countries or governments but corporations. So much attention has been focused on the involvement of states, like Saudi Arabia, China or South Korea. But the reality is that while governments are facilitating the deals, private companies are the ones getting control of the land. And their interests are simply not the same as those of governments.

> "This is going to be a private initiative." – Amin Abaza, Egypt's Minister of Agriculture, explaining Egyptian farmland acquisitions in other African nations, on World Food Day 2009

Take one example. In August 2009, the government of Mauritius, through the Ministry of Foreign Affairs, got a long-term lease for 20,000 ha of good farmland in Mozambique to produce rice for the Mauritian market. This is outsourced food production, no question. But it is not the government of Mauritius, on behalf of the Mauritian people, that is going to farm that land and ship the rice back home. Instead, the Mauritian Minister of Agro Industry immediately sub-leased the land to two corporations, one from Singapore (which is anxious to develop the market for its proprietary hybrid rice seeds in Africa) and one from Swaziland (which specialises in cattle production, but is also involved in biofuels in southern Africa).2 This is typical. And it means that we should not be blinded by the involvement of states. Because at the end of the day, what the corporations want will be decisive. And they have a war chest of legal, financial and political tools to assist them.

> "What started as a government drive to secure cheap food resource has now become a viable business model and many Gulf companies are venturing into agricultural investments to diversify their portfolios."
> – Sarmad Khan, "Farmland investment fund is seeking more than Dh1bn", The National, Dubai, 12 September 2009

Moreover, there's a tendency to assume that private-sector involvement in the global land grab amounts to traditional agribusiness or plantation companies, like Unilever or Dole, simply expanding the contract farming model of yesterday. In fact, the high-power finance industry, with little to no experience in farming, has emerged as a crucial corporate player. So much so that the very phrase "investing in agriculture", today's mantra of development bureaucrats, should not be understood as automatically meaning public funds. It is more and more becoming the business of … big business.

The role of finance capital

GRAIN has tried to look more closely at who the private sector investors currently taking over farmlands around the world for offshore food production really are. From what we have gathered, the role of finance capital — investment funds and companies — is truly significant. We have therefore constructed a table to share this picture. The table outlines over 120 investment structures, most of them newly created, which are busy acquiring farmland overseas in the aftermath of the financial crisis.3 Their engagement, whether materialised or targeted, rises into the tens of billions of dollars. The table is not exhaustive, however. It provides only a sample of the kinds of firms or instruments involved, and the levels of investment they are aiming for.

Private investors are not turning to agriculture to solve world hunger or eliminate rural poverty. They want profit, pure and simple. And the world has changed in ways that now make it possible to make big money from farmland. From the investors' perspective, global food needs are guaranteed to grow, keeping food prices up and providing a solid basis for returns on investment for those who control the necessary resource base. And that resource base, particularly land and water, is under stress as never before. In the aftermath of the financial crisis, so-called alternative investments, such as infrastructure or farmland, are all the rage. Farmland itself is touted as providing a hedge against inflation. And because its value doesn't go up and down in sync with other assets like gold or currencies, it allows investors to successfully diversify their portfolios.

> "We are not farmers. We are a large company that uses state-of-the-art technology to produce high-quality soybean. The same way you have shoemakers and computer manufacturers, we produce agricultural commodities." Laurence Beltrão Gomes of SLC Agrícola, the largest farm company in Brazil

But it's not just about land, it's about production. Investors are convinced that they can go into Africa, Asia, Latin America and the former Soviet bloc to consolidate holdings, inject a mix of technology, capital and management skills, lay down the infrastructures and transform below-potential farms into large-scale agribusiness operations. 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. It is a totally corporate version of the Green Revolution, and their ambitions are big. "My boss wants to create the first Exxon Mobil of the farming sector," said Joseph Carvin of Altima Partners' One World Agriculture Fund to a gathering of global farmland investors in New York in June 2009. No wonder, then, that governments, the World Bank and the UN want to be associated with this. But it is not their show.

From rich to richer

> "I'm convinced that farmland is going to be one of the best investments of our time. Eventually, of course, food prices will get high enough that the market probably will be flooded with supply through development of new land or technology or both, and the bull market will end. But that's a long ways away yet." – George Soros, June 2009

Today's emerging new farm owners are private equity fund managers, specialised farmland fund operators, hedge funds, pension funds, big banks and the like. The pace and extent of their appetite is remarkable – but unsurprising, given the scramble to recover from the financial crisis. Consolidated data are lacking, but we can see that billions of dollars are going into farmland acquisitions for a growing number of "get rich quick" schemes. And some of those dollars are hard-earned retirement savings of teachers, civil servants and factory workers from countries such as the US or the UK. This means that a lot of ordinary citizens have a financial stake in this trend, too, whether they are aware of it or not.

It also means that a new, powerful lobby of corporate interests is coming together, which wants favourable conditions to facilitate and protect their farmland investments. They want to tear down burdensome land laws that prevent foreign ownership, remove host-country restrictions on food exports and get around any regulations on genetically modified organisms. For this, we can be sure that they will be working with their home governments, and various development banks, to push their agendas around the globe through free trade agreements, bilateral investment treaties and donor conditionalities.

> "When asked whether a transfer of foreign, 'superior', agricultural technology would be welcome compensation for the acquisition of Philippine lands, the farmers from Negros Occidental responded with a general weariness and unequivocal retort that they were satisfied with their own knowledge and practices of sustainable, diverse and subsistence-based farming. Their experience of high-yielding variety crops, and the chemical-intensive technologies heralded by the Green Revolution, led them to the conclusion that they were better off converting to diverse, organic farming, with the support of farmer-scientist or member organisations such as MASIPAG and PDG Inc." – Theodora Tsentas, "Foreign state-led land acquisitions and neocolonialism: A qualitative case study of foreign agricultural development in the Philippines", September 2009

Indeed, the global land grab is happening within the larger context of governments, both in the North and the South, anxiously supporting the expansion of their own transnational food and agribusiness corporations as the primary answer to the food crisis. The deals and programmes being promoted today all point to a restructuring and expansion of the industrial food system, based on capital-intensive large-scale monocultures for export markets. While that may sound "old hat", several things are new and different. For one, the infrastructure needs for this model will be dealt with. (The Green Revolution never did that.) New forms of financing, as our table makes plain, are also at the base of it. Thirdly, the growing protagonism of corporations and tycoons from the South is also becoming more important. US and European transnationals like Cargill, Tyson, Danone and Nestlé, which once ruled the roost, are now being flanked by emerging conglomerates such as COFCO, Olam, Savola, Almarai and JBS.4 A recent report from the UN Conference on Trade and Development pointed out that a solid 40% of all mergers and acquisitions in the field of agricultural production last year were South-South.5 To put it bluntly, tomorrow's food industry in Africa will be largely driven by Brazilian, ethnic Chinese and Arab Gulf capital.

Exporting food insecurity

Given the heavy role of the private sector in today's land grabs, it is clear that these firms are not interested in the kind of agriculture that will bring us food sovereignty. And with hunger rising faster than population growth, it will not likely do much for food security, either. One farmers' leader from Synérgie Paysanne in Benin sees these land grabs as fundamentally "exporting food insecurity". For they are about answering some people's needs – for maize or money – by taking food production resources away from others. He is right, of course. In most cases, these investors are themselves not very experienced in running farms. And they are bound, as the Coordinator of MASIPAG in the Philippines sees it, to come in, deplete the soils of biological life and nutrients through intensive farming, pull out after a number of years and leave the local communities with "a desert".

> "Entire communities have been dispossessed of their lands for the benefit of foreign investors. (...) Land must remain a community heritage in Africa."
> – N'Diogou Fall, ROPPA (West African Network of Producers and Peasant Organisations), June 2009

The talk about channelling this sudden surge of dollars and dirhams into an agenda for resolving the global food crisis could be seen as quirky if it were not downright dangerous. From the United Nations headquarters in New York to the corridors of European capitals, everyone is talking about making these deals "win-win". All we need to do, the thinking goes, is agree on a few parameters to moralise and discipline these land grab deals, so that they actually serve local communities, without scaring investors off. The World Bank even wants to create a global certification scheme and audit bureau for what could become "sustainable land grabbing", along the lines of what's been tried with oil palm, forestry or other extractive industries.

Before jumping on the bandwagon of "win-win", it would be wise to ask "With whom? Who are the investors? What are their interests?" It is hard to believe that, with so much money on the line, with so much accumulated social experience in dealing with mass land concessions and conversions in the past, whether from mining or plantations, and given the central role of the finance and agribusiness industries here, these investors would suddenly play fair. Just as hard to believe is that governments or international agencies would suddenly be able to hold them to account.

> "Some companies are interested in buying agricultural land for sugar cane and then selling it on the international markets. It's business, nothing more"
> Sharad Pawar, India's Minister of Agriculture, rejecting claims that his government is supporting a new colonisation of African farmland, 28 June 2009

Making these investments work is simply not the right starting point. Supporting small farmers efforts for real food sovereignty is. Those are two highly polarised agendas and it would be mistaken to pass off one for the other. It is crucial to look more closely at who the investors are and what they really want. But it is even more important to put the search for solutions to the food crisis on its proper footing.

Notes

1 – It was not South Korea, but Daewoo Logistics.

2 – See GRAIN, "Mauritius leads land grabs for rice in Mozambique", Oryza hibrida, 1 September 2009. http://www.grain.org/hybridrice/?lid=221 (Available in English, French and Portuguese.)

3 – The table covers three types of entities: specialised funds, most of them farmland funds; asset and investment managers; and participating investors. We are aware that this is a broad mixture, but it was important for us to keep the table simple: http://www.grain.org/m/?id=266

4 – COFCO is based in China, Olam is based in Singapore, Savola is based in Saudi Arabia, Almarai is based in Saudi Arabia, and JBS is based in Brazil.

5 – World Investment Report 2009, UNCTAD, Geneva, September 2009, p. xxvii. Most foreign direct investment takes place through mergers and acquisitions.

GRAIN is a small international non-profit organisation that works to support small farmers and social movements in their struggles for community-controlled and biodiversity-based food systems. Their support takes the form of independent research and analysis, networking at local, regional and international levels, and fostering new forms of cooperation and alliance-building.

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