



EUROPEAN REPORT
ON **DEVELOPMENT**

INVESTORS IN LAND: PERSPECTIVES ON INVESTORS ENGAGED IN TRANSNATIONAL LAND ACQUISITIONS IN DEVELOPING COUNTRIES

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MOBILISING EUROPEAN RESEARCH
FOR DEVELOPMENT POLICIES

SYNOPSIS

The purpose of this paper is to get a better picture of the investors involved in transnational land acquisition in developing countries.



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Abbreviations

CIFOR	Centre for International Forestry Research
CIRAD	Agricultural Research for Development
CSR	Corporate Social Responsibility
DRC	Democratic Republic of Congo
EU	European Union
FAO	Food and Agricultural Organization
FDI	Foreign Direct Investment
FIAN	For the Right to Food
GM	Genetically Modified
IFC	International Finance Corporation
IIED	International Institute for Environment and Development
ILC	International Land Coalition
LEI	Agricultural Economics Research Institute
NGO	Non-governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PSI	Private Sector Investment
SME	Small and Medium Enterprises
TNC	Transnational Corporation

1 Introduction

Transnational land acquisitions have been a sensitive issue on the international agenda since about 2008. Although this phenomenon is by no means new, there is growing evidence that the scale at which foreign land is being acquired has vastly increased in recent years. , widely considered to be the most extensive source for transnational land deals. This was a remarkable increase given that the expansion of agricultural land represented only 4 million ha at the global level. Some two-thirds of these international land deals took place in sub-Saharan Africa, but also in developing regions. Other sources suggest that even more land is involved in transnational deals. The Land Matrix Partnership, a research initiative led by the International Land Coalition (ILC), the International Institute for Environment and Development (IIED) and Agricultural Research for Development (CIRAD), reports that by November 2011, some 203 million ha – an area the size of Western Europe – had been involved in large-scale land acquisitions since 2001, mostly to international investors (Anseeuw et al., 2011). These deals concern acquisitions of more than 200 ha that involve the conversion from small-scale local farming to large-scale commercial use, and include deals under negotiation but not yet approved (Anseeuw, 2011: 18). At the time of reporting (November 2011), 71 million ha had been confirmed by cross-referencing from multiple sources. Most of the confirmed land deals are for agriculture (78%), with the production of bio-fuels as main objective (around 75%); the remaining 22% being for mining, industry, tourism or forestry (Anseeuw et al., 2011: 4). Given the complexity of many land deals and the fact that the surge in transnational land acquisitions is fairly recent (since 2005, accelerating in 2008 and peaking in 2009), much of the land involved has not yet been effectively converted to new uses, a factor that in part explains the confusion about the tenure status of such land. Whatever the precise statistics, it is clear that this is a major phenomenon. Land deals discussed here may involve transfer of property rights (ownership), or more often, certainly in sub-Saharan Africa, comprise leasehold or concessions for varying periods of time. The consequences in terms of access and productive uses of land are of course much the same.

This paper aims to give a better picture of the investors involved in transnational land acquisition in developing countries. Other than the stereotyped greedy land grabbers, little is really known about the investors. In some cases they may have good reasons to maintain a low profile, but in many, if not most, cases they are likely to be respectable and reasonable business people not intent on harming others – although the pursuit of business interests may unintentionally harm others where institutional protection is inadequate.

Section 2 introduces some major processes of change that form the backdrop against which transnational land acquisitions have emerged as a major issue. Section 3 focuses on the different actors involved in such processes. The ensuing empirical sections discuss some recent studies on land acquisitions. Section 4 discusses a review of Dutch investment funds, complemented by similar data from Germany in Sections 5. Section 6 looks at large-scale German and Dutch investors and Section 7 raises a sectoral perspective, assessing the role of foreign stakeholders in the bio-fuel industries that have been particularly involved in land deals. Section 8 concludes the empirical review by focusing on the lower end of the investment scene, i.e. small joint-venture projects, based on Dutch survey. Section 9 concludes. Although this paper does not claim to offer a representative overview of European investment in land in the developing world, it is hoped that these snapshots will enhance our understanding of the issues as well as the varied nature of stakeholders and interests involved in transnational land deals.

2 Drivers of transnational land acquisitions

Three (partly related) factors may be identified as driving transnational land acquisitions: (1) securing access to food; (2) promotion of bio-fuels in an attempt to counter human-induced climate change; and (3) increasing interest in land as investment opportunity in view of the increased demand caused by the first two factors as well as by population growth generally (Gerstter et al., 2011).

The first driver, **food security**, is directly related to the food crisis of 2007/8, when food prices registered an increase of 83% in three years (World Bank, 2008). Fear of food-supply problems is considered the 'trigger' of the international land rush around 2008 (Anseeuw, 2011). Caused by long-term trends such as steady population growth, a significant shift in diet towards more resource-intensive foods (i.e. a reliance on meat rather than grain) in emerging economies in Asia and elsewhere, and also by environmental degradation in some food-producing areas, food scarcity reached a tipping point when adverse weather conditions affected major producing countries in 2007, alarming several food-poor but relatively affluent countries. Several Gulf States and growing Asian economies that cannot (or can no longer) satisfy their food requirements from domestic sources (most notably China, India and South Korea) started to adopt strategies to secure their access to foreign sources of supply by acquiring fertile agricultural land. The strategy of directly acquiring production capacity (offshore farming) rather than relying on the world market was to some extent prompted by protective measures in producing countries such as Argentina and Russia, which imposed partial bans on exports in order to stabilise their domestic market. The operation of effective liberal world food markets, taken for granted as a permanent feature of globalisation, was thus partly challenged.

Sovereign wealth funds (public investment funds) from several countries, and private companies and investors from emerging Asian economies and Gulf States thus acquired suitable farmland in developing countries, and became the most visible 'culprits' in media coverage of what was soon labelled the international 'land grab' (e.g. *The Economist*, 2009). While food prices have since declined, they have not returned to previous levels and markets (and hence prices) remain volatile (Deininger, Byerlee et al., 2011). Beyond mere market fluctuations, there are indications that the food, or rather the natural resource crisis of the last several years, has triggered a re-think of corporate strategies among food and related industries. Rabobank (2011), an important player in the world of agribusiness, concludes that ever more agro-based industries are changing their business strategies so as to gain more secure access to supplies of raw materials. For several decades many agribusinesses considered that an abundant and unhindered supply was a given in a liberal world market, and thus concentrated on more profitable downstream activities. Until recently, major agribusiness brand names, such as Monsanto, Cargill, or PC Group, concentrated on organising agro-production chains, providing every imaginable input and taking care of logistics, processing and marketing. They were rarely interested in obtaining land and getting involved in crop production, as this segment of the value chain is where risks are considerable, complexities (e.g. rights issues) loom large and returns are typically below what investors demand. Now that it can no longer be simply assumed that there will be readily available supplies, a growing number of firms are becoming more actively engaged the production end of the chain. Acquiring farmland obviously fits with such a strategy (Rabobank, 2011). This suggests that a much more general restructuring of the global food industry is what underlies the current rush for land, complementing the early emphasis on the role of mostly Asian food-poor emerging economies.

Initiatives aimed at securing food supplies for rich countries are by no means the only driver. Rising concern about human-induced **climate change** throughout the first decade of the century has boosted demand for bio-fuels as a partial alternative for fossil fuels that are considered a major contributor to global warming. Environmental concerns are especially vivid in developed countries and hence it is no surprise that Europe and North America often take

the lead in bio-fuel initiatives (although a country like Brazil developed an important bio-fuel industry well in the 1970s). The US Government took steps to encourage maize-based bio-diesel production, while the EU issued a policy aiming at deriving 10% of all traffic-related energy from bio-fuels by 2020 (Directive 2009/28/EC of the European Parliament). While admirable in intent this policy increases the pressure on global land (and water) resources. The problem is that with current technology the European target cannot be reached from European sources alone and thus requires considerable imports from other parts of the world. This may offer opportunities for agriculture in developing countries, but has in some cases also contributed to land acquisitions competing with local subsistence needs (Borras et al., 2010). The World Bank's Klaus Deininger estimates that around a third of transnational land deals in developing countries are for bio-fuels production (FIAN, 2010: 6). As noted above, no less than 75% of transnational deals reported by ILC and partners relate to bio-fuel production (Anseeuw, 2011). Moreover, carbon-emission compensation schemes have added to these pressures. These trends cannot be explained in terms of market forces as such, as the costs of bio-fuels are such that their production and use can only be sustained by means of policy interventions such as subsidies or quotas. The actors involved in promoting such policies vary from well-intentioned development non-governmental organisations (NGOs) seeking to equip poor farmers with new crops and market opportunities to large-scale agribusinesses that appear to be the most likely to benefit from such subsidy schemes (Borras et al., 2010).

While the media has exposed the role of land- and water-scarce Arab and Asian countries, as well as the bio-fuel industry, as suspected 'land grabbers', it is only recently that attention is shifting to another type of actor, i.e. the financial sector. This refers to the third motive for transnational land acquisitions, that of **land as an investment opportunity**. Increasing scarcity of suitable (fertile, well-watered and accessible) agricultural land has attracted the attention of investors who have no interest in using it for production, but regard it as a good investment opportunity. An Organisation for Economic Co-operation and Development (OECD) study (2010) estimated investment in agricultural land at some US\$10–25 billion and rapidly increasing. According to this study, 44% of all funds involved in agricultural land and related investments have their headquarters in Europe.

Speculation in land is of course not new, but has increased rapidly in recent years. While increasing demand for agricultural raw materials may benefit producers, it certainly allows owners of farmland to capture the benefits: *'landowners, rather than producers, have been able to capture rising economic rents'* according to Anseeuw et al. (2011: 33), based on a study by Tamber and Giudice in Uruguay. As suitable (fertile, well-watered, accessible) farmland becomes increasingly scarce and therefore more expensive, controlling the access to this resource (ownership, use rights) becomes a strategic link in the chain, even more so than the ability to produce agricultural commodities. The price of land is reported to have risen in Latin American and Asian countries (Anseeuw et al., 2011: 30–33), although less so to date in sub-Saharan Africa. Many observers have noted, sometimes with surprise, how little land is valued. Land is at times offered to investors for as little as €0.14 per hectare (Deininger, Byerlee et al., 2011). In many African countries, much of the land remains under the purview of the state while customary notions of land governance are important in determining use rights. Commercial land markets are often less well established. The very low land prices (usually lease payments) in many African countries, the extremely large scale of many acquisitions and the administrative methods of gaining access (rather than through commercial land markets) may well explain why so much of the land rush is focused on this part of the world, and not on regions with a more solid track record of agricultural production. Many of these acquisitions can therefore be expected to be of a speculative nature rather than aimed at increasing production in the short term. This may also explain why so many land deals have produced so little in terms of actual farm investment and output. While the new scarcities of agricultural commodities and productive farmland have made land a valuable investment, at the same time returns on many conventional investments are suffering from the global economic crisis. As a result, not only agricultural producers but also investment banks and individual investors have turned to acquiring land as a safe and lucrative asset. Daniel (2009) mentions examples such as Morgan Stanley (40,000 hectares in Ukraine) Goldman Sachs (Chinese poultry farms), BlackRock from New York setting up an agricultural hedge fund,

Swedish investment groups Black Earth Farming and Alpcot-Agro, jointly with British Landkom acquiring almost 600,000 hectares in Russia and Ukraine, Abu Dhabi's Al Qudra investment company buying large areas of farmland in Morocco and Algeria, among other reports (Daniel 2009, p. 4). The same source mentions an American investment fund, Jarch Capital, acquiring land in conflict areas such as Southern Sudan, expecting to benefit from a change in regime or political status that will increase the value of the land involved (Daniel 2009, p. 4-5). Some of the involvement of hedge fund brokering land deals can certainly be considered speculative and having little regard for local livelihood needs. Investor Howard G. Buffet relates: *'..I was offered an equity stake in a land deal being brokered by a hedge fund. I was assured that the partners would receive cash up-front with no personal liability. I was also promised that the host government would provide 70 percent of the financing, all utilities, and a 98-year lease requiring no payments for four years. The cost? \$2.91 per acre per year after four years'* (cited in Daniel 2010: 2).

There is also another reason to look at the financial sector in this debate, beyond the acquisition of land as such. Over the last decade or so, **commodity markets** have fundamentally changed. This warrants a brief explanation. In addition to spot markets, where supply and demand of commodities meet, futures markets allow producers and buyers to protect their interests by securing a certain level of supply or revenue well in advance. This was taken further by the emergence of hedge funds to safeguard parties in commodity markets against price fluctuations. In principle these financial services perform a useful role in offering clients more security and enhancing market stability. More recently, however, purely speculative trade in derivatives has assumed massive proportions, dwarfing the activities of 'real' suppliers and users in commodity markets. According to Worthy (2011: 13), financial speculators now hold up to 60% of assets in some agro-commodities, up from 12% in 1996. The total assets of financial speculators in the commodity markets have nearly doubled from US\$65 billion in 2006 to US\$126 billion in 2011 (Worthy, 2011). The importance of this for the debate on the land rush is that commodity prices – which affect the demand for and price of farmland – are no longer driven primarily by supply and demand for agricultural commodities, but rather by the interests of financial speculators. Their appraisals should eventually be linked to the real market conditions for the underlying commodities, but are also heavily influenced by other factors, including the performance of other investments, automatic selling/buying when prices breach certain thresholds, etc. The overall effect of the 'financialisation' of commodity markets is expected to be an upward trend in commodity prices (Worthy, 2011: 7).

3 Investors in context

Anseeuw et al. (2011: 21) rightly point out that the term 'investor' as an umbrella term for those acquiring land is somewhat misleading, since many land deals involve minimum investment. Several governments, notably in Africa, are eager to attract investment in agriculture and require very little in terms of lease payments or capital investment. In many cases, only a small part of land obtained is put to productive use, which may imply that speculation is also an important consideration for non-financial investors (Deininger, Byerlee et al., 2011). Some analysts doubt whether it is really possible to effectively and efficiently farm the mega landholdings of sometimes 100,000 ha or more that are part of the current land rush. We will continue to use the term of investor here, as the acquisition of assets is conventionally called an investment, irrespective of the size of the deal. When referring to 'investors', however, it should be kept in mind that the acquisition of land (use) rights may or may not be accompanied by a significant transfer of capital or funds.

In an analysis of the 'Land Matrix' by ILC and partners, Anseeuw et al. (2011: 22) point to a clear regionalisation pattern in transnational land deals, possibly a result of preferential trade and investment arrangements. Acquisitions in Asia are dominated by Asian investors, in Latin America by a mix of regional and external investors, while Africa is the 'battleground' among all major investor countries.

The first type of investors in transnational land acquisitions to draw media and activist attention were from emerging economies in Asia and the Middle East, having embarked on offshore agriculture to compensate for an inadequate domestic resource base. Early examples include, for instance, the Saudi Bin Laden family obtaining a large coastal area in Malaysia's Kedah state for conversion into aquaculture in 1991. As one of the current authors (Van Western) observed at the time, this was then considered a good deal because it brought in considerable investment in a higher-yielding type of industry in a joint-venture arrangement that included the original farming population as one of the partners. A key condition for a relatively balanced outcome here was the role of the Malaysian government as a stakeholder and arbiter safeguarding the interests of local communities whose livelihood depends on the land in question. Such conditions are seldom met in many parts of the developing world.

Criticism has been especially levelled at investment in land and other natural resource sectors undertaken by foreign state-run enterprises. Chinese investment in African countries, for instance, tends to be assessed in this way. The flow of Chinese foreign direct investment (FDI) in Africa has increased exponentially – from US\$210 in 2000 to US\$9.3 billion in 2009 (Gu, 2011:11; note that UNCTAD considers that Chinese investment statistics are unreliable). It is true that Chinese state-owned enterprises are prominent in the major sectors of Chinese involvement in Africa, especially construction and the natural-resource industries, with energy in the first place. The available information suggests that their activities are undertaken in coordination with Chinese government agencies (Gu, 2011). This is certainly the case in several parts of Africa; nevertheless, it is a rather partial view of Chinese investment in Africa, in which private businesses are rapidly assuming a more prominent role. These private investors tend to focus more on trade and manufacturing, and are less involved in natural resources. Moreover, most appear to have minimal links with Chinese government agencies (Gu, 2011). Brautigam (2010) also nuances one-sided views of Chinese involvement in Africa. While China is certainly interested in tapping African natural resources and in creating markets for its merchandise, it can also claim to be a responsible partner with a long-term view, enabling investments in infrastructure and economic activities that support African development and that cannot be obtained from Western sources. Brautigam shares concerns about large-scale land acquisitions by Chinese operators, and concedes that Chinese firms tend to import lower labour standards and environmental practices into African environments than are typically associated with their Western counterparts (Brautigam, 2010).

While foreign investors involved in 'land grabbing' – the popular expression for land acquisitions that do not respect existing (often informal) rights and vital interests of local people affected by the deals – should be held accountable for their interventions, it is important to stress that foreign investors are only partly to blame for the negative trends observed by critics. For one, domestic land acquisitions are almost always more important than the areas obtained by foreigners (Cotula et al., 2009; Deininger, Byerlee et al., 2011). Domestic 'land grabbing' is less visible, often not regulated and also tends to comprise smaller land areas per deal (Cotula et al., 2009; Hilhorst et al., 2011). In many other cases, foreign interests work in tandem with local partners, which may make it impossible to determine who is actually responsible for what.

Beyond the identification of actors and responsibilities lies the fact that the rural transformations taking place in developing countries and their impact on local communities are not just the personal initiatives of individual (greedy benign etc.) investors, but result from more structural changes in the global economy. Foreign land acquisitions are a logical companion of globalisation, and as such result from deliberate liberalisation and deregulation policies advocated and in some cases imposed by donor agencies (Zoomers and van Westen, forthcoming).

Unintended knock-on effects are responsible for part of the international land acquisitions taking place in many developing countries. That is, changes and initiatives in one field of activity may have unexpected and unintended effects in other geographical and thematic areas. A good example of this is the European policy on mixing fossil fuels with bio-fuels, aiming at a 10% biological component of transportation fuel by 2020. Admirable as this may appear from an environmental point of view (the stated objective), it adds considerably to the commercial pressures on land in both the European Union (EU) itself and overseas. This pressure may occur directly, as in the expansion of areas under cultivation of soy (especially South America), sugar cane (Brazil) and oil palm (South East Asia) to cater to new European demand. But the impact may also be felt indirectly. German rapeseed production, long established and used essentially for making cooking oil, is now increasingly diverted to bio-diesel production. This necessitates new flows of imports from non-European sources to meet the need for cooking oils (Borras et al., 2010). A study modelling the impact of the EU bio-fuel target on agricultural markets and land use (Burrell, 2010) found that EU policies would most affect production and trade of vegetable oils, rather than crops used to produce ethanol (grains, sugar) since bio-fuel production accounts for a relatively small share of total output of the latter. One of the models used in the study (AGLINK, cf. Burrell, 2010) estimates that EU bio-fuel policies would require the addition of 5.2 million ha of croplands (cereals, oilseeds and sugar) worldwide by 2010, of which only a modest part (1.44 million ha) would be located within the EU itself (Burrell, 2010: 96). Whatever the size of the impact, it is clear that EU policies do have ramifications for other parts of the world.

This situation is complicated by the fact that such trends defy a simple and straightforward assessment of their impacts. Take the example of the expansion of soy production in Argentina in recent years, where rapid expansion of the crop has yielded income growth and jobs, and was also instrumental in helping the country to overcome the severe economic crisis of the early 2000s. Yet at the same time the 'soy boom' produced serious environmental and socioeconomic problems. Soy production is highly sensitive to scale advantages, favouring large-scale industrial mono-cropping as the most productive approach. This has been exacerbated by technological developments – not just large-scale mechanisation, but also the introduction of sophisticated chemical inputs and genetically modified (GM) seeds that do not work well in smaller farms. For instance, Monsanto's Round-up Ready soy guarantees the user that the soy plants will thrive while all other species – vegetable or animal – will perish. Spraying by means of planes or large machinery is not feasible in a landscape fragmented in smallholdings. Thus, new technologies have prompted a re-concentration of land, doing away with smaller family farms in favour of giant agro-industrial production units. In the midst of such a structural transformation of agriculture, it is hard for individual smallholders to continue operating as family farms. Having large agro-industrial operations as neighbours will significantly limit their survival as small independent farms. It is important to note that in this

case, foreign land 'grabbers' are not the main culprits of a possibly disastrous agricultural restructuring process. Here, mostly local elites are responsible for the consolidation of landholdings into large units that are subsequently exploited by specialised 'sow teams' (companies with know-how and machinery for industrial large-scale farming) leasing land from local landlords; this is being done in collaboration with the transnational corporations (TNCs) providing the inputs and often directing the value chains (giant corporations such as Monsanto, Bunge, Cargill, and a few others). Some foreign land acquisitions are reported in the Southern Cone countries of Latin America (often from Brazil, also some Asian investors apparently keen on establishing long-term access to production land) (Lucia Goldfarb, personal communication), but this is not considered the main driver of the transformation process underway.

As mentioned earlier, international organisations may also actively intervene to stimulate foreign land acquisitions that are intended to be beneficial (attracting productive investment) but may also end up in displacement. For instance, the International Finance Corporation (IFC) is actively involved in facilitating land leasing as an approach for financing agricultural investment, having provided advisory services to leasing facilities (in Africa) in Cameroon, Democratic Republic of Congo (DRC), Ethiopia, Ghana, Madagascar, Mali, Rwanda, Senegal and Tanzania (Daniel 2010: 19). IFC involvement varies from assistance in reforming legislation and regulation to financing of projects and provision of technical assistance. Critics point out that IFC policy documents appear to be concerned only with the extent to which land-market issues are a constraint to external investors. The issue is perfectly legitimate, but any policy on assigning agricultural land to external (domestic or foreign) investors should also consider the impact on existing users. Often, land is considered idle or at least underused, without a more precise identification of its present use and users. In fact, as most observers now agree, very little arable land in Africa is actually unused or without existing rights.

The above serves to make the point that the activity of individual and corporate investors in acquiring land in developing countries should not be viewed in isolation, as merely private initiatives with positive, negative or mixed results. Rather, they should be viewed against the larger background of economic and social transformations currently underway.

The general framework of change in transnational investment and acquisition patterns in land raises the question of the role of the EU and its member countries in the international rush for land.

It is not possible at this point to give a representative or comprehensive review of investors involved in land acquisitions in developing countries. Data are partial and often of unclear quality, and investors tend to be reluctant to disclose the extent and nature of their activities. In some existing sources, it proved quite sensitive to release information even when it was actually quite harmless. Below we review some of the available sources but make no claim to give a full or representative account of the investors in land in the Global South.

In an attempt to shed more light on this issue, the remainder of this paper reviews some recent studies on land acquisitions and the investors involved. Based on incomplete but nevertheless informative surveys concerning the Netherlands, there is some material for the top end of the Dutch investment world (e.g. banks and investment funds, examined in Section 4) as well as for the opposite end of the range, i.e. small-scale joint ventures between Dutch and African partners (see Section 8). The pattern observed in the case of large Dutch investors can be compared with roughly similar material from Germany (Sections 5 and 6), allowing for some widening of the scope of findings. Since the role of the bio-fuels industry was found to be particularly important in international land deals, Section 7 discusses findings on investors in some of the main crops involved.

4 Dutch involvement in transnational land acquisitions in the South

The Agricultural Economics Research Institute (LEI) conducted an exploratory review of Dutch private-sector involvement with a focus on larger businesses, with important input from Profundo. Although the results have not been published, the researchers kindly shared much of their data (LEI, 2011).

The data suggest that most Dutch involvement is indirect. Relatively few Dutch companies are acquiring land in the South, but Dutch companies, households and institutional investors own substantial equity in firms that are doing so, and have extended loans to such firms.

In terms of direct acquisitions, there is a tradition of Dutch farmers migrating to other countries in search of available farmland as a response to high densities and conversion of domestic farmland into other uses. This may entail permanent emigration or – more recently – opening a subsidiary farm abroad. Traditionally these initiatives are focused on ‘immigration countries’ such as in North America, Australia and New Zealand, as well as Argentina and Brazil. In recent decades, several European countries have become more popular destinations. These are either less populated neighbouring countries (Denmark, France) or new opportunities in East and Central Europe (Poland, Romania and Ukraine). Beyond these destinations, Dutch-held farmlands in the Global South do not amount to 1000 ha per country, with the exception of Ecuador and areas of East Africa: Ethiopia and Kenya – which have attracted considerable investment from Dutch flower growers – as well as some large-scale farming in Tanzania. According to LEI (2011) several thousand hectares in Ethiopia and Kenya are leased or owned by Dutch horticulturalists. These horticulture clusters involving Dutch flower growers have attracted considerable research interest (Splinter et al., 2011; Helmsing, 2010). Their focus is not so much on land acquisition, presumably because floriculture does not require great areas of arable land, and also perhaps because the industry entails considerable investment and a significant increase in output and employment per km². This is not to say that the industry does not attract criticism. Environmental concerns, and especially the considerable requirements in terms of water, are the main issues here.

More controversy has been generated by some Dutch-based initiatives in tropical forestry. These concern the creation of plantations for bio-fuel production, especially jatropha, in countries such as Ethiopia, Mali, Senegal and Tanzania. LEI estimates that Dutch landholdings for jatropha cultivation amounted to some 120,000 ha in late 2010, while a total of some 430,000 ha is reported as planned for this purpose. A few Dutch initiatives have resulted in negative media exposure. One well-known case is Bioshape, a Dutch company that leased 34,500 ha of land in Tanzania for jatropha production in 2006. Tanzanian and Dutch media accused the company of not respecting regulations, ill treatment of workers and local communities, and endangering biodiversity by cutting the existing tree cover on 400 ha (NRC, December 2010). Another well-known case is Face Foundation, a Dutch-based provider of carbon-emission compensation credits that allow air travellers to ‘compensate’ for GhG emissions. The problem in this case was that the Ugandan government had forcibly evicted local residents from Mount Elgon National Park, which was subsequently used for compensation tree planting. Also, the Ugandan partner of Face Foundation, the Uganda Wildlife Authority, was accused of using force in keeping people out of the plantation area (Lang and Byakola, 2006).

A review undertaken by Profundo (LEI, 2011) of the involvement of *Dutch banks* in extending loans to non-Dutch companies with transnational landholdings in Africa and Asia yielded a total loan portfolio of close to € 1.3 billion in late 2010. This amount is likely to be incomplete, according to the researchers. The investments concern loans to non-Dutch companies involved in the agri-sector in Africa and Asia. Most of these loans (84.5%) are committed to firms registered in Hong Kong and Singapore. Typically, these are companies operating oil-palm

plantations for vegetable oils (Indonesia) or forest plantations for the paper industry, in all some 2.3 million ha. Details are presented in Table 4.1.

Table 4.1 Area owned by companies with loans from Dutch banks

Country of investment	Area owned/leased (in hectares)
Indonesia	1,233,183
Gabon	551,639
China	320,000
West Africa	320,000
Malaysia	64,115
India	60,050
Uganda	6,000
Total area	2,305,734

Source: LEI, 2011.

The same source (LEI, 2011) also presents an inventory of *Dutch investment funds* with investments in land in the Global South. These investment funds own equity in non-Dutch firms with transnational landholdings in Asia or Africa, for a total investment of € 804.6 million in late 2010. Table 4.2 sets out the distribution in terms of landholdings:

Table 4.2 Areas owned by companies in which Dutch investment funds own shares

Country of investment	Area owned/leased (in hectares)
Indonesia	958,102
Gabon	551,639
Liberia	220,000
West Africa (other)	70,747
Malaysia	64,115
China	51,082
Malawi	20,466
Mali	20,000
Zambia	16,830
South Africa	12,681
Tanzania	9,175
Swaziland	8,175
Uganda	6,000
Mozambique	5,572
Total area	2,015,124

Source: LEI, 2011.

Note that in both tables, the areas indicated are not lands owned or leased by Dutch investors, but represent the landholdings of companies in which Dutch financial institutions have interests, either because of loans (Table 4.1), or because they own shares (Table 4.2). Thus, while available evidence suggests that direct Dutch involvement in land acquisitions in developing countries is relatively limited and largely involves relatively traditional offshore farming in established settler countries and European destinations, there is considerable indirect involvement via investments in and loans to non-Dutch companies with land in freehold or leasehold in developing countries. This conclusion is even more pronounced when pension funds are included in the review – as Table 4.3 shows (LEI, 2011).

Table 4.3 Areas owned by companies in which Dutch pension funds have invested

Country	Area owned/leased (in hectares)
Indonesia	5,098,507
China	1,927,367
South Africa	951,630
Malaysia	806,183
Gabon	551,639
Liberia	440,000
Japan	280,000
Papua-New Guinea	106,190
(other) West Africa	70,747
Thailand	33,789
India	33,683
Malawi	20,466
Mali	20,000
Laos	18,600
Zambia	16,830
Vietnam	11,056
Tanzania	9,715
Swaziland	8,175
Solomon islands	7,577
Uganda	6,000
Mozambique	5,572
Sri Lanka	5,000
Total area	10,428,726

Source: LEI, 2011.

The data in Table 4.3 reflect the interests of three major Dutch investment funds at the end of 2009: ABP (civil servants) BpfBouw (construction industry) and PfZW (health care). Data for other pension funds are not available. Here again, the land areas listed do not comprise land acquisitions by the pension funds themselves, but by companies in which they have invested. The pension funds are also directly involved in land acquisitions in developing countries. ABP owns considerable areas of farm and forestry land in especially Latin America and Eastern Europe, as well as Australia and New Zealand. Its offshore land investments amount to several hundreds of millions of Euros, and are expected to rise to around € 1 billion. Its assets include 450,000 ha of forest in Mozambique used for commercial wood production (LEI, 2011). In November 2011, investment in land by the ABP pension fund also attracted media attention (Volkskrant, 2011). Dutch pension funds are among the largest in the world. This is because, in contrast to many other countries, pensions are not funded via a 'pay as you go' system (in which pensions are funded by current revenues from taxes and employees' contributions); rather, contributions from employees and employers are invested for their future pension allowances. Over the years, Dutch pension funds have therefore accumulated massive assets, including in firms with transnational landholdings. While such landholdings do not necessarily involve 'land grabbing', this area deserves more attention. A limited number of pensions funds (Dutch and other) have initiated guidelines for responsible investment with respect to land, but such initiatives have not as yet been systematically developed and implemented.

Interestingly, in each of the three tables on 'top end' investors, their involvement in transnational land acquisitions in developing countries shows a similar geographical pattern. The distribution of assets shows, first, a historical (rather than colonial) pattern: in each type of asset, a few countries with longstanding historical links with the Netherlands seem to be important. These include former colonies such as Indonesia, but also countries where there have long been Dutch commercial interests (Malaysia, South Africa). This may result from path dependency and a history of embedded or trust-based commercial relations. This finding may be somewhat blurred by the fact that these tend to be important economies in their own right,

'natural' destinations for investment in a sense; but the fact that other leading regional economies such as Brazil and Kenya do not stand out suggests that this commercial bias is not the only factor. A third bias present in the distribution of land investments is linked to certain natural resource-based industries: the Dutch economy has a longstanding orientation towards vegetable-oil industries (reflected here in Indonesia, Malaysia, West Africa) and paper and wood products (Gabon, Liberia, Papua New Guinea). Recent interest in bio-fuels (Mozambique, Tanzania) has been added to this list. The extractive industries (oil), another specialisation, are less clearly associated with important land acquisitions and so feature less in the geographical pattern (e.g. Nigeria). A final set of destinations is better explained in terms of market penetration, i.e. investment in companies that serve emerging economies and are seeking to source raw materials locally (China).

In conclusion, there are few signs of direct Dutch involvement in 'land grabbing' in the sense of large-scale land acquisitions with disregard for the rights of local people, and direct land acquisitions in developing countries by Dutch actors seem relatively limited in size (with some exceptions). Indirect involvement in the sense of credit to and investment in companies involved in transnational land acquisitions in the Global South – potentially 'land grabs' in some cases – is, however, substantial. Moreover, investors and lenders tend to be only dimly aware of this dimension of their operations. This indirect involvement warrants more attention.

5 German investment funds involved in transnational land acquisition

In this section we compare the findings from a small EU country, the Netherlands, with the available information concerning a larger one, in order to separate general patterns of EU involvement in transnational land acquisitions from more country-specific features.

In December 2010, the German NGO For the Right to Food (FIAN) Deutschland published a report on investment funds active on the German market that are or could be involved in land acquisitions in developing countries. The report was based mainly on 2010 research conducted by Profundo, which was also involved in the Dutch case study. This report notes that there are relatively few documented cases of German companies directly involved in 'land grabbing', but that 'taking investment funds into account, this picture changes and shows us that the German private sector is a relevant actor in the global land grab' (FIAN, 2010:5). In most cases the funds are indirectly involved, i.e. through investments in companies owning land in other countries, mirroring patterns observed in the Netherlands. The investments take several forms: specialised mutual funds, private equity funds and in German listed companies.

Specialised mutual funds offer private and institutional investors an opportunity to invest in a portfolio of listed agricultural companies engaged in operations outside Germany. FIAN lists 18 such funds, with a total investment of € 4.5 billion, much of it in North America and Brazil but with assets around the globe. Important German providers of mutual funds include Deutsche Bank (through its subsidiary DWS Investment, which offers eight such funds in agribusiness) and Allianz, but the list also includes non-German funds active in the German market. Some of the companies in which they hold assets have large landholdings (Wilmar International and Olam International, for example), but others focus on other parts of the agricultural production chain and may not hold any foreign land. Interestingly, almost all funds have been created since 2006, suggesting a clear response to the food crisis. Once again, while not all investment in these funds is involved in land grabs and some perform the useful role of investing in improving agricultural production, large-scale land acquisitions are certainly part of the activities of several of these funds.

Table 5.1 Specialised mutual funds on the German market investing in agricultural companies

Fund	Owner	Size (€ mln)	Launch date	Region
Allianz RCM Global agricultural trends	Allianz	184	April 2008	USA, Singapore, Canada, Malaysia, Netherlands, Brazil
Amundi Funds Global Agriculture	Baring Asset Management (UK)	100	March 2008	Asia, USA, emerging countries
Baring Global Agriculture Fund	Crédit Agricole & Société Générale (F)	133.3	January 2009	USA, Singapore, Brazil, China
BGF World Agriculture Fund	BlackRock (offered by Deka Investment)	20.3	February 2010	North America, Asia, Europe, Latin America
Deutsche New Resource Mother Fund	Deutsche Bank	396.4	?	North America, Europe, Latin America, Asia
DJE Agrar & Ernährung	DJE Kapital AG	21.6	June 2008	USA, Norway, Netherlands, Canada
DWS AgriX Garant 2013	Deutsche Bank	5.2	October 2008	?
DWS Global Agribusiness	Deutsche Bank	630	October 2006	USA, Canada, Brazil, Switzerland, Australia, Germany, China
DWS Global Equity Agribusiness Fund	Deutsche Bank	70.7	September 2006	USA, Brazil, Switzerland, Canada, Australia
DWS GO Agrikultur Aktiv TR Index Zertifikat	Deutsche Bank	15	March 2007	USA, Germany, Japan
DWS Invest Global Agribusiness LC	Deutsche Bank	1,572	November 2006	USA, Switzerland, Canada, Brazil
DWS World Agribusiness Mother Fund	Deutsche Bank	132.8	?	Europe, North America, Latin America
DWS Zukunftsressourcen	Deutsche Bank	590.6	February 2006	USA, Germany, China, Canada
JB EF Agriculture	Julius Bär Group (Switzerland)	25.9	June 2008	USA, Brazil, Canada
Parvest Agriculture	BNP Paribas	257.5	March 2007	?
PF (Lux) Agriculture Fund	Pictet (Switzerland)	104	May 2009	North America, Europe, Latin America, Asia
Robeco Agriusiness Equities D EUR	Rabobank (NL)	185.7	August 2008	North America, Europe, East Asia
Stabilitas Soft Commodities	ERA Resources	2.1	December 2006	Canada, Australia, USA, Asia
Universal Investment AgroInvest	Universal Investment Gesellschaft mbH	47	?	Europe, North America, Latin America, Asia
Total		4,494.1		

Source: FIAN, 2010.

Private equity funds invest in companies that are not publicly traded on a stock exchange. FIAN lists 13 such funds in Germany, with an estimated combined size of between € 239 million and € 800 million. Precise data are not available. The operations of these funds appear to focus on Europe, the USA and Australia as well as Brazil. A lesser share of their assets are located in Africa, Asia and Latin American countries other than Brazil. Here again, not all of these investments involve land acquisitions abroad. One example of a private equity fund that does is DWS Global Agricultural Land and Opportunities Fund (DWS GALOF) by Deutsche Bank. Its business strategy is to convert mid-sized farms into large-scale farming operations, trying to create more profit from efficiency gains, with a target rate of return of some 18% annually, which is very high in agriculture. An ideal farm size of between 8000 and 13000 ha is mentioned (although this is likely to vary according to local conditions and crops). Large scale enables the use of superior technological know-how, economies on labour costs and more effective management. DWS GALOF has holdings of more than 100,000 ha of farmland in Zambia (27,000 ha), Argentina (20,000 ha), Australia (27,000 ha), Tanzania (5,000 ha) and Congo (25,000 ha)(FIAN 2010:12). It seeks to expand its operations. Produce is often sold in domestic markets where GALOF can achieve premium prices by selling produce in different quality buckets, and some is exported.

Table 5.2 Private equity funds specialised in agribusiness, Germany

Fund	Owned by	Size (€ mln)	Expected size (€ mln)	Launch date	Region
AC AgrarINVEST I/2009	Aquila Capital	?	45	September 2008	Australia, New Zealand, Brazil
Agricultural Value Opportunity Fund	GA Global-Agro	0	?	Not yet	N Zealand, Australia, Canada, Chile, Dom. Rep., EU, Mexico, Uruguay
Aquila AgrarINVEST II	Aquila Capital	?	15	June 2010	New Zealand
Aquila Institutional Global Timber Fund	Aquila Capital	?	158	December 2008	Globally
Aquila WaldINVEST I	Aquila Capital	21.1	18	July 2007	Brazil
Aquila WaldINVEST III	Aquila Capital	?	15	March 2010	Brazil
Business 50Plus	LIM AG	42	42	June 2007	Liechtenstein, Africa, other
DWS Access Global Timber GmbH & Co.	Deutsche Bank	?	?	January 2008	USA, Uruguay, Serbia, Indonesia, Brazil, China
DWS Global Agricultural Land and Opportunities Fund (GALOF)	Deutsche Bank	110	110	July 2007	Australia, Zambia
Elena Agricultural Land Opportunity	Elena (Allianz 26%, QVT 50%)	59	59	June 2005	Bulgaria
Farminvest 1	Agriworld	6.8	18	January 2008	USA
Farminvest 2	Agriworld	?	18.6	December 2009	USA
Pan-European Farmland Fund	Palmer Capital (UK/Germany), Bidwells (UK)	?	300	September 2008	Europe
Total		238.9	798.6		

Source: FIAN, 2010.

The size of the transnational landholdings of mutual and equity funds is unknown.

FIAN further lists three German **listed companies with overseas landholdings**. Two concentrate on agriculture in Central and Eastern Europe, while the third, Acazis AG, produces vegetable oil for bio-diesel in China, Ethiopia, Israel and Ukraine. In Ethiopia, Acazis has leased 56,000 ha for 50 years and holds further concessions for 200,000 ha. The exact size of its operations is not clear but in 2009 it invested US\$ 77 million for bio-fuel production on 13,000 ha in Oromia State. Acazis further announced plans to start jatropha cultivation on 50,000 ha in Madagascar, for which it had secured a lease in 2008 (FIAN, 2010: 17).

FIAN (2010:17–18) discusses 12 other German-based companies with agricultural operations, mostly in Eastern Europe but also in African countries (Ghana, Ethiopia, Madagascar and South Africa) and in Argentina. There is no information on the impact of these operations on local communities, although their activities conform to legal stipulations and regulations. It is, however, clear that the business models espoused by GALOF, Acazis and similar agribusinesses have raised concerns about how their operations can be reconciled with the interests of local subsistence farmers.

6 Large-scale German and Dutch investors

Although there are differences in the focus of the German and Dutch studies, they allow us to draw some tentative conclusions on private-sector involvement in transnational land acquisitions of these two EU countries. First, direct involvement in 'land grabbing' with a view to acquiring production capacity (farmland) is relatively limited; perhaps less than expected in view of the OECD (2010) assertion that some 44% of all funds involved in cross-border investment in land and related infrastructure is undertaken by EU-based companies. Direct acquisition by European agri-based industries is relatively limited, in the Dutch case certainly because their main interests are more concentrated in the logistics and other downstream activities in the value chain than in the production of the raw materials. This could change if the new corporate sourcing strategies noted by Rabobank (2011), i.e. more emphasis on control of supply, were to take root among food-processing industries and the like. In view of the relatively recent nature of this shift in corporate strategy, it may also be too early to observe the consequences of this strategic shift in terms of land acquisitions. Existing agro-industries do acquire land for production purposes, but it appears that this occurs mainly in thinly populated farming areas in North and South America and Eastern Europe than in sub-Saharan Africa and Asia. The new bio-fuel sector has become significantly involved in land acquisition for production and is the subject of Section 7.

A second conclusion is the importance of investment funds. Germany and the Netherlands are notable players in this respect, partly via direct acquisition of holdings as investment vehicle, and in part indirectly by means of investments and loans in companies involved in land acquisitions. Direct acquisition is expanding rapidly with the launch of several new investment funds since around 2006, some of which aim to convert existing farmlands to large-scale agro-industrial use. The difference with the previous category of investor (EU-based producers acquiring lands elsewhere) is that this latter type comprises finance companies venturing into land acquisitions, and sometimes farming, in other parts of the world. FIAN (2010: 5) reports that the DWS fund managers at Deutsche Bank have invested at least € 279,500,000 in companies directly acquiring land, and holding to date at least 3,057,700 ha in South America, Africa and Southeast Asia alone. Especially where their operations touch on established small-scale farming populations, this type of investment can result in displacement of the local population and disruption to their livelihoods unless national and local governance are geared to protecting local interests.

The third important point is that many of the companies in which Europeans are investing are not in fact European firms, and are engaged in an internationalisation strategy in the sense of acquiring foreign land for commodity production. So a third – and very important – conclusion is that this type of involvement appears more substantial although it is the least known and monitored by existing regulations and corporate social responsibility (CSR) principles.

7 Investment in bio-fuel crop production

The previous sections outlined the involvement of large-scale investors from two EU countries and here we focus on land acquisitions and investment more generally in a single sector: bio-fuel production. The reason to single out this set of industries is that they represent a new and rapidly growing activity, and stand out in transnational land acquisitions, particularly in developing countries.

The Centre for International Forestry Research (CIFOR) recently produced the preliminary findings of a study on development trends and investment patterns in the production of bio-fuels in a range of developing countries in Africa, Asia and Latin America (Van Gelder et al., 2011). The study assessed selected crops in selected countries, covering in all 20 combinations of country and crop (e.g. jatropha in Ghana, oil palm in Indonesia) involved in the production of bio-fuels. Reflecting the growing importance of these crops and the rising demand for bio-fuels, such production now covers extensive areas worldwide, ranging from an estimated 1 million ha for jatropha (a new crop, some 40% of it in India) to much larger surface areas for oil palm (15 million ha, with 86% of production from Indonesia and Malaysia), soybean (97 million ha worldwide, with Brazil as leading producer accounting for 26% of production), and sugar cane (24 million ha in all, with 32% of output from Brazil)(Van Gelder et al., 2011: i). Not all of the production is for use as bio-fuels feedstock; palm oil, soybean and cane sugar also have important alternative uses in the food chain. Nevertheless, bio-energy is an important factor in recent developments and investment patterns for these crops.

The findings of the study show a complex pattern of investment trends, in which characteristics of the crop and country-specific conditions both play important roles in shaping outcomes. For instance, oil-palm cultivation requires considerable initial investment in planting and processing capacity that will yield returns only after a considerable delay, while jatropha production needs much less mobilisation of funds, but is a rather new crop with relatively few established producers. Oil palm and sugar cane need to be processed soon after harvest, and thus require local production facilities, while soybean and jatropha allow shipment of raw materials. In Africa, external actors dominate much of the investment in these crops. By contrast, oil palm in Malaysia/Indonesia and sugar cane in Brazil are well-established domestic industries; foreign actors may be involved but do not play a leading role in setting the parameters for industrial development (Van Gelder et al., 2011). Global demand for bio-fuels is largely driven by policy measures of the EU, the USA, Brazil and a few other middle- and high-income countries (Van Gelder et al., 2011: v), which is also a factor to be taken into account when assessing investment patterns and local outcomes – such as possible negative effects on access to land for poor farmers, concentration of land ownership and food security (Cotula et al., 2008).

Table 7.1 Investments in bio-fuel feedstock growing in selected crops and countries, 2000-2009, estimated (US\$)

Country	Sugar cane	Jatropha	Palm oil	Soybean	Total
Cameroon			2-4		2-4
Congo			1-2		
DRC			40-60		
Ghana		3-5			
Madagascar		25-40			
Malawi	60-70				
Mozambique	100-120				
Tanzania	100-120				
Zambia	20-25				
Africa	280-335	50-81	43-66		373-482
India		120-200			120-200
Indonesia			10,000-15,000		10,000-15,000
Malaysia			8,000-12,000		8,000-12,000
Asia		120-200	18,000-27,000		18,120-27,200
Bolivia				200-300	200-300
Brazil	4,000-5,000			1,500-1,800	1,500-6,800
Colombia			700-1,000		700-1,000
Mexico		5-9			5-9
Latin America	4,000	5-9	700-1,000	1,700-2,100	6,405-8,109
Total	4,280	175-290	18,743-28,066	1,700-2,100	24,898-35,791

Source: Van Gelder et al., 2011.

Note that empty cells in the table do not necessarily mean that there was no investment, but simply that those combinations of country and crop were not included in the study.

In terms of investment in biofuel-related crops, the results are highly skewed towards certain crops and locations. Overall, some US\$ 25-35 billion has been invested in the crops and countries shown in Table 5.1 between 2000 and 2009. Most of this has been to expand oil-palm plantations in Indonesia and Malaysia, with sugar cane in Brazil following at a distance and soybean and especially jatropha attracting far more modest investment.

A tentative analysis by Van Gelder et al. (2011) of the sources of finance for these investments shows considerable variation. The authors caution that their findings can only be seen as indicative, but nevertheless conclude that:

- In African countries, domestic financial stakeholders play a far less prominent role than in Asia and Latin America. Domestic banks and private entrepreneurs are only minimally involved in financing investment in these crops, and institutional investors hardly at all. African governments are to some extent involved, but less so than in other regions.
- Foreign investors thus play a leading role in the African examples. The difference is especially striking in the case of foreign governments: *'much of the biofuel development in Africa is dependent on grants, loans and investments by foreign governments, development banks and state-owned companies'* (Van Gelder et al., 2011: 73). Foreign businesses play a moderately important role in all three major regions, reflecting (according to the researchers) the nature of the bio-fuel industry with many new, private companies. Foreign banks are important for funding in all regions, while foreign institutional investors are important in Africa and Asia, but not in Latin America, where private and state-owned companies dominate. Multilateral financial institutions are not so important overall in the bio-fuel investments, but do play a significant role in Ghana and Malawi (Van Gelder et al., 2011: 73).

Tables 7.2, 7.3 and 7.4 assess the importance of several types of financial stakeholders for jatropha, oil palm and sugar cane respectively. Each case shows the relative role of governments (domestic and foreign), multilateral funding agencies, business people, banks and institutional investors – domestic and foreign. Note that in these appraisals, the role of (foreign) investors includes land acquisitions, but is by no means limited to that aspect of investment.

Table 7.2 Financial stakeholders in the jatropha sector - relative importance

Country	Government		Multilaterals	Entrepreneurs		Banks		Institutional investors	
	Domestic	Foreign		Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Ghana	high	moderate	high	moderate	high	low	low	low	moderate
India	moderate	low	low	high	low	high	high	moderate	moderate
Madagascar	low	moderate	low	low	high	low	high	low	high
Mexico	high	moderate	low	low	high	low	low	low	moderate
Mozambique	moderate	high	low	low	high	low	high	low	high
Tanzania	moderate	high	low	moderate	high	low	low	low	high
Zambia	low	high	moderate	moderate	moderate	low	high	low	high
overall	moderate	high	low	moderate	high	low	moderate	low	high

Source: Van Gelder et al., 2011.

Jatropha is relatively new as a significant commercial crop. It has become popular as a source of bio-energy that requires relatively little investment and care, and can be grown on relatively marginal lands. Downsides are that returns tend to be modest, and often dependent on some kind of subsidy. The jatropha industry is characterised by the considerable involvement of foreign investors, especially in African countries, and by comparison with the other crops. Foreign governments, banks and institutional investors are prominently involved. This foreign interest is supported by host governments to different degrees, often in the hope of attracting investment and giving a commercial opportunity for local agriculture. The key role assumed by foreign parties and also the relatively recent nature of commercial interest in the crop appears to make the jatropha industry one of the key vectors in transnational land acquisitions, especially in African countries.

In other continents, India displays a distinct pattern of stakeholder involvement with a leading role for banks as well as local businesses. Mexico's profile probably reflects its membership of NAFTA, with foreign business taking a leading role but also the notable level of government promotion.

Table 7.3 Financial stakeholders in the oil-palm plantation sector - relative importance

Country	Government		Multilaterals	Entrepreneurs		Banks		Institutional invest.	
	Domestic	Foreign		Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Cameroon	high	moderate	low	low	moderate	low	moderate	moderate	low
Colombia	moderate	moderate	low	high	low	moderate	low	low	low
Congo	moderate	high	moderate	low	moderate	low	moderate	low	moderate
DRC	low	high	low	low	high	low	moderate	low	high
Indonesia	high	moderate	moderate	high	high	moderate	high	low	high
Malaysia	high	low	low	high	low	high	high	moderate	high
overall	moderate	high	low	moderate	high	low	moderate	low	high

Source: Van Gelder et al., 2011.

In financial terms, the oil-palm sector stands out as a key component of the vegetable oils and bio-fuel industries, and there is important investment in the crop. The industry has long been concentrated in South East Asia (Malaysia and Indonesia) but is also expanding in other tropical areas. Malaysia in particular has a mature oil-palm industry with locally rooted global players such as Sime Darby. Table 7.3 shows that whereas the South East Asian core industry has well-established domestic and regional (many foreign entrepreneurs in both countries are based in neighbouring countries such as Singapore) entrepreneurship, foreign players have a key role in funding the considerable investments required for expansion. This links with the role of financial institutions discussed in the cases of Germany and the Netherlands. The Congos, despite their history as palm-oil producers, are once again a frontier area for the crop.

This is reflected in the prominent role of foreign players in their oil-palm industries. The DRC in particular stands out for the limited role of public agencies in oil-palm development, which may translate into a particular vulnerability to 'land grabbing' and dislocation of local populations in connection with expansion of the crop. The profile of Cameroon is quite the reverse, where domestic parties appear to be taking the lead and the government has an important role. This shows that it is difficult to generalise about African patterns such as in the case of jatropha: national contexts vary and are important.

Table 7.4 Financial stakeholders in the sugar sector - relative importance

Country	Government		Multilaterals	Entrepreneurs		Banks		Institutional invest.	
	Domestic	Foreign		Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Brazil	high	low	moderate	high	moderate	high	high	low	low
Malawi	low	high	high	low	low	low	high	low	low
Mozambique	high	high	low	low	low	low	moderate	low	high
Tanzania	moderate	high	moderate	low	moderate	high	high	low	high
Zambia	moderate	high	low	high	low	low	high	low	high
overall	moderate	high	moderate	moderate	low	moderate	high	low	high

Source: Van Gelder et al., 2011.

Sugar cane is another mature agro-industry, and nowhere more so than in Brazil, which also pioneered the use of ethanol as a source of fuel. Unsurprisingly, domestic actors dominate the Brazilian sugar industry, but with a significant role for foreign banks in financing the industry (after domestic sources). The African countries with important sugar industries show relatively similar patterns of stakeholder involvement. Foreign parties are important, especially in finance, but foreign public-sector agencies are also consistently involved in promoting the crop. Foreign entrepreneurs are less prominent in the sugar industry than in the other two sectors.

In sum, and allowing for considerable variation between continents and individual countries, the three bio-fuel crops show a pattern of expansion and increasing internationalisation. Foreign players tend to take a prominent role in expanding the production of these crops, especially in countries where the industries are relatively new or have less mature domestic business structures. This is often the case in African countries. Foreign entrepreneurs may take a prominent role in the industry, as in the case of jatropha, but the role of foreign financial institutions, whether banks, institutional investors or even public-sector agencies, is on the whole more pronounced.

8 Small projects involving land acquisitions by Dutch investors: a survey

Not all transnational land acquisitions in developing countries involve large Northern investors, nor do they all concern farmland. Investors acquire land for a range of purposes. For instance, at the local level there may be a significant number of foreign nationals seeking a holiday or retirement home (residential tourism) in another country. In parts of Argentina, Chile and South Africa, conservationist organisations and wealthy individuals have acquired private nature reserves. Here again, objectives that are in principle commendable may in fact clash with local interests and with established but not necessarily formalised rights. Moreover, a growing number of foreign companies, including small and medium enterprises (SMEs), invest in other countries and need somewhere to set up their operations. In this section, we move from the focus on large-scale investors discussed in the earlier sections on Dutch and German investment funds and (implicitly if not exclusively) also in the bio-fuels sector to the opposite end of the investment range: that of small investors acquiring land in a developing country for commercial purposes. These relatively small players are not usually viewed as 'land grabbers', as they tend to acquire holdings of less than the 200 ha threshold used by ILC and partners in defining 'land grabs'. And, of course, most of the small land acquisitions do not lead to local dispossession. These small foreign investors nevertheless merit attention. First, they are part of the increasing flow of economic exchanges linking North and South. Numerous small operations can have an important aggregate effect. Second, all economic activities require some land in which to locate their operations (with the exception of straight financial transactions). The question of how this takes place and what issues are involved is therefore relevant. It is interesting to see to what extent small foreign investors and local stakeholders experience similar or different problems. Finally, it is possible that eventually alternative business models may be found among the experiences of small investments.

In early 2011, the Dutch Ministry of Foreign Affairs conducted a small survey among small-scale investors in African countries that are part of the Private Sector Investment (PSI) programme, a facility of the Dutch government to encourage joint investment projects between Dutch-based companies and partner firms in emerging economies. The PSI programme may finance half of the required investment, with a maximum of € 750,000 per project. Hence, these are relatively small projects. The survey approached 128 companies engaged in PSI projects in sub-Saharan Africa, of whom 63 responded favourably and which yielded 48 completed questionnaires dealing with issues of land acquisition, governance and community relations. Data were collected and processed by Teun van Vlerken at the Ministry of Foreign Affairs. Many of the operations in sub-Saharan Africa deal with agriculture (including dairy farming and horticulture), and others are concerned with construction, light manufacturing, tourism or a range of service activities.

It is difficult to position these small-scale investors within the overall framework of foreign investment in developing countries. In terms of investment flows their contribution is certainly limited. Individual projects usually involve between € 1 million and € 2 million, although a single investor may well operate a few such projects. Their importance is probably not so much in financial flows but in the collaborative nature of many small investment projects. They normally involve local partners in business, and tend to be located in towns and rural communities, involving a considerable degree of exchange with local workers, officials and residents, rather than the more enclave-like nature of many large-scale investment projects. This fact – and especially the position of the local business partner as a co-owner and operator of the project – makes for greater power symmetry between foreign and local stakeholders than tends to be the case in larger corporate initiatives.

The survey showed that a considerable proportion of the Dutch investors (57.4%) were attracted to investing in African countries because of market prospects: increasing possible sales by setting up shop in the country. The second important motive was access to natural resources (40.4%); in 26% of cases lower costs were mentioned as a reason to move into

Africa. The latter two factors are predictable, and in that sense match stereotypical representations of such foreign investment. More remarkably, market penetration is actually the most important single motive – as it would be for investments in developed economies. Nevertheless, 63.8% of projects (also) mention export as part of their business operations.

The size of the land acquired varied considerably from 0.5 ha (for an office) to 1000 ha for farming. Access was in most cases (72%) obtained through leasehold, which is to be expected in view of the limitations on private land ownership in most African countries. Nevertheless, land purchase is mentioned in 21% of cases, several of which are outside the agricultural sector. In remaining cases the local partner generally provided land. In 47% of cases land was obtained for construction: a bare plot newly opened up for development. Some 30% was used as agricultural land prior to acquisition by the joint venture. In practice these two categories are likely to overlap since urban expansion tends to take place in formerly agricultural land, particularly in the periphery. The remaining 23% of acquisitions comprised hitherto 'unused' land, i.e. forest or wasteland. In more than a third of cases the land was obtained from government, either at the national or local level. Private parties supplied land slightly more often (36%), with the balance having been procured from the joint-venture partner. (Note that totals add to more than 100 as in some cases land was acquired in more than one way.)

In terms of the problems faced in realising the investment project, answers include bureaucracy (mentioned most often), long/difficult procedures, a weak legal framework, difficult access to information and inadequate infrastructure and facilities. Problems in dealing with the authorities stand out, though there are few complaints about the tax burden. The complaint that is most readily resolved in the short term seems to be the lack of access to information.

A remarkable finding is that 23.4% of cases mention of local opposition to the acquisition. This is a high percentage considering the 'friendly' nature and relatively small scale of these projects, implemented in collaboration with local partners and supported by development agencies. While the local orientation of the entrepreneurs involved may vary, hard-nosed 'land grabbers' are less likely to be part of the PSI programme to support small-scale business partnerships with locals. So the fact that, even in such favourable conditions, almost a quarter of projects face local resistance may be taken as a sign of how contentious land rights issues are in Africa. Land conflicts in this sample tend to be solved by means of discussions with community representatives or local arbitration (five cases) rather than through the courts (two cases). The legal system seems of limited use in dealing with land issues. This is also reflected in responses on how these businesses deal with local problems. A majority (53%) expects the local partner to sort out such problems and prefers to stay aloof. Some 15% say that they would seek support from political actors while just one business relied on the legal system. In fact, talks with business people made it clear that they regarded a local partner or intermediary as a necessary condition for successful operation in much of sub-Saharan Africa. The lack of reliable, transparent institutions requires foreign investors to shield themselves from uncertainties by means of involving a local partner in their business ventures, one who is familiar with local ways and knows how to handle land and other administrative issues.

A final point to note is that a large majority of the investors (70%) did not adopt voluntary standards or principles formulated to guide the behaviour of investors in developing countries – with respect to land or other ethical issues. In most cases the reason stated is that they were not aware of such guidelines. This finding is revealing, as these investors are all enrolled in an ethically minded investment-promotion scheme and may therefore be expected more open to such things than the average entrepreneur (if such person exists). Voluntary guidelines and principles are being promoted as important means to tackle land governance issues by organisations such as World Bank, the Food and Agricultural Organization (FAO) and others; the outcome of this survey corroborates existing doubts as to their effectiveness.

Discussions with the Dutch entrepreneurs involved in PSI projects yield a very different view of investors and land acquisitions in Africa than their media image. Rather than the stereotypical unscrupulous and greedy dealer, prepared to dispossess poor African smallholders of ancestral land that constitutes their only asset in the struggle for survival, the survey of small-scale

investors presents a somewhat bewildered lot, trying to come to grips with unclear regulations and unsure about their position and rights. To be sure, the PSI investors are not the same type of investors as those who figure in the land-grabbing stories. Yet their accounts are also part of what is going on in land governance and land acquisitions in sub-Saharan Africa. Suitable land is necessary not just for foreign speculative investments and production that ignores local interests, but also for all types of bona fide investment projects. Interviews with PSI investors show another side of the African land issue, revealing that it is more nuanced than the disturbing stories about land grabs suggest. First, decent investors face uncertainty and insecurity. Uncertainty, because existing land rights are often not known (and/or not registered), which may translate into a protracted series of claims by different stakeholders. Some of the investors had twice switched to another parcel of land because previously unknown claimants had come forward, leading to lengthy arbitration processes. This is perfectly understandable and should be scrupulously dealt with in order to avoid dispossession, but from the perspective of bona fide investors it constitutes a real problem, causing major and costly delays. Another type of uncertainty mentioned by interviewees is a lack of transparency in procedures for obtaining land. It is often not clear what authority is responsible for what aspect of land governance, or what is the proper procedure. Different authorities at different levels of government appear to be involved, and cases are often handled in different ways and by different government agencies even in the same country. It is often unclear whether environmental and social impact assessments are necessary, and if so, what criteria they should cover.

The latter issue – confusion about procedures – is one that in principle can be overcome by proper legislation and (especially) enforcement. Progress in this field depends on political will and government capacity. The first problem – uncertainty about prevailing rights – is not easily overcome. Many developing countries have embarked on programmes of land registration and the creation of cadastres, encouraged by donors such as the World Bank. This formalisation drive was stimulated by the work of the Peruvian economist Hernando de Soto (1989, 2000), who famously argued that a major obstacle to the development of a market economy in developing countries was that the assets of the poor (land rights, buildings) are not registered and therefore constitute 'dead capital', i.e. capital that cannot be put to work effectively, for instance as collateral for credit that could in turn finance much-needed investment. His views have been influential since the early 1990s on setting the development agendas in large parts of the Global South. It is undoubtedly true that formalised assets have an advantage over informal arrangements in the conduct of business.

But there is also reason for caution in the drive for land registration (European Parliament, 2011). One problem is that the creation of cadastres and land-registration systems is very expensive. For many rural smallholders in developing countries, the costs involved are prohibitive and not justified by the possible returns. For most informal rights-holders, their access to land is reasonably secure as their rights are generally accepted within the local community. And for governments that may consider funding land registration, it is an open question of whether this deserves priority over basic infrastructure and social services such as health and education – especially in the least developed and poorest countries. There, it would appear that rural communities near urban areas and in areas of commercial agriculture need to be given priority in programmes aimed at registering their rights. The problem is not limited to obvious target areas for 'land grabbers', which means that there is also a need to find short-term solutions for other parts of the country. Collective rights registration, following a less onerous procedure than is generally required for formal individual land titles, may offer possibilities.

The problems in acquiring land and converting it into a productive asset, mentioned by the investors, go some way to explain why so many of the land acquisitions mentioned in media reports and inventories (e.g. Deininger, Byerlee et al., 2011; GRAIN website; Anseeuw et al., 2011) have not (or not yet) resulted in actual productive farms (in addition to other reasons such as speculative reserves). Clinching a deal may be a long way from realising the project. At the same time this is probably truer of bona fide (and also relatively small) investors than of the stereotypical land grabbers about which NGOs are rightly concerned. The latter, and large-

scale companies more generally (many of which are also bona fide, no doubt), tend to make arrangements directly with the authorities, often at the level of the central state, and are subsequently to some extent protected from scrutiny and from the time- and resource-consuming procedures imposed by other agencies and levels of government.

To what extent might it be possible to derive an alternative *modus operandi* from the case study of small investors that could serve as a model for improving corporate business operations? Obviously one cannot make too much of the experiences of small investors. Running a small tourist establishment differs from the activities of major multinationals in an African country, or from the large-scale production and processing of commodities. Even so, some possible leads may be derived from these experiences. What could be important is the more equitable relationship between foreign investor/business person and the local stakeholders. Relations are more personal and more equal, and dependence tends to be mutual rather than one-sided. This especially so for the local business partner that is usually a necessary feature of such arrangements, bringing in local knowledge, social capital and often also the land required for the operations. The foreign partner brings industry-specific knowledge, business skills, capital and possibly marketing knowledge. Benefits are shared more equitably. This reduced social distance may also stimulate learning and sharing of ideas. While technological and other learning also takes place in large companies established in Africa, exchanges may well be easier in a small-scale setting. This is certainly not to romanticise small European investments in Africa, but it is clear that a small operations are more likely to provide a business model that young local people might realistically emulate than something that is obviously beyond their reach. (This observation is not to belittle Africa's domestic entrepreneurial spirit, but everyone can learn from exposure to ideas from elsewhere.) In more concrete terms, at least part of the agricultural initiatives now undertaken by foreigners in African and other developing countries could also follow a business model in which external investors and expertise are linked with local farmers and others. Experiences with out-grower models have a mixed record, but collaborative and inclusive models could well be developed that include a balanced approach to the interests of different parties involved.

9 Conclusions

As this paper has shown, current data do not permit us to make a representative assessment of land acquisition by investors even among the sectors discussed (i.e. Dutch and German investors and bio-fuel investors), let alone a comprehensive EU-wide review. We can, however, detect certain trends.

One tentative observation is that it does not appear that Northern producers are acquiring farmland in developing countries on a massive scale. The data do not – or perhaps not yet – corroborate reports that agribusiness is changing its existing strategies in favour of more direct involvement in producing agricultural commodities offshore. Certainly European producers are involved in transnational land acquisitions, but they are not 'leading the pack'. This may partly be due to specialisation in other (downstream) links in the production chain that makes it unattractive or ineffective to diversify towards production. We should also stress the caveat that this observation may result from a data lag. The re-orientation of food and other agri-based industries' business strategies towards securing access to supplies by extending direct control over production capacity (including farmlands) is relatively recent and it may well be that results 'on the ground' are not yet clearly visible.

The exception to this is the new bio-fuel industry, which has become significantly involved in transnational land acquisitions, particularly for oil palm and jatropha. Ironically, the push for better ecological (climate-neutral) practices in mostly Northern countries is driving dispossession and displacement in other parts of the world. In some cases, this relatively inexperienced industry may have unwittingly damaged the interests of local populations. In other cases such protestations of innocence are less credible. Here, as in other respects, it is not yet possible to assess the role of European actors. The additional 5.2 million ha of farmland that will be required in order to reach the targets established in the EU bio-fuel policy reported in the modelling exercise conducted by Burrell (2010) bears no relation to the 203 million ha affected by large-scale land acquisitions in developing countries reported by Anseeuw et al. (2011). Of course, the latter comprises land acquisitions for purposes other than bio-fuels and includes land deals not involving EU actors, but if EU policies in this domain were indeed a major driver of land acquisitions then a different order of magnitude would be expected.

More than direct interventions aiming at acquiring production capacity (farmland), the financial sector stands out as the major source of transnational investment in land. Although numbers and dimensions remain vague, there are clear signs of financial institutions becoming increasingly active in land markets. The recent dates of specialised transnational agriculture and land-oriented investment funds are quite revealing in this respect. This increased interest is a consequence both of the growing scarcity of natural resources including arable land, and of the changing nature of the finance sector. The reality or fear of increasing scarcities makes land an increasingly valuable and attractive investment, offering stable assets and speculative value in an increasingly volatile context. Investment in land offers – or seems to offer – security that is in short supply in the prolonged financial and monetary crisis affecting Europe and other parts of the world. Moreover, commodity markets have changed in the last decade or so in the sense that derivatives and related investment products have come to dominate transactions. As a result, commodity prices have come to reflect financial market conditions rather than responding to straightforward conditions of supply and demand. This does not directly relate to land markets, but indirectly affects land prices through (upward) commodity price trends.

The prominent role of financial institutions suggests that, without overlooking other actors, policies intended to remedy the negative effects of transnational land acquisitions should be more focused on the financial economy. The importance of this observation lies in the fact that financial investment products tend to be less regulated than direct production-related activities with respect to land.

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