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The New Farm Owners: Corporate Investors Lead the Rush for Control of Overseas Farmlands

GRAIN (GENETIC RESOURCES ACTION INTERNATIONAL)

ABSTRACT. Land grabbing has been going on for centuries. One only has to think of Columbus "discovering" America and the brutal expulsion of indigenous communities that this unleashed, or white colonialists taking over territories occupied by the Maori in New Zealand and by the Zulu in South Africa. It is a violent process very much alive today, from China to Peru. Hardly a day goes by without reports in the press about struggles over land, as mining companies such as Barrick Gold invade the highlands of South America or food corporations such as Dole or San Miguel swindle farmers out of their land entitlements in the Philippines. In many countries, private investors are buying up huge areas to be run as natural parks or conservation areas. And wherever you look, the new biofuel industry, promoted as an answer to climate change, seems to rely on throwing people off their land. Something more peculiar though is going on. The two big global crises that erupted in 2008—the world food crisis and the broader financial crisis that the food crisis has been part of (GRAIN 2008a)—are together spawning a new and disturbing trend toward buying up land for outsourced food production.

KEYWORDS. land grabbing · farmland · biofuels · world food crisis

Introduction

> "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 way away yet." – George Soros, June 2009

For the past two years, investors have been scrambling to take control of farmlands in Asia, Africa, and Latin America. In the beginning, during the early months of 2008, they talked about getting these lands for "food security"—their food security. Gulf State officials were flying around the globe looking for large areas of cultivable land that they could acquire to grow rice to feed their burgeoning populations

Table 1. Investment vehicles purchasing farmland in Africa, Asia, Latin America, and Eastern Europe

Investment Vehicle	Legal Base	Participating Investors	Details
Altima One World Agriculture Fund	Cayman Islands/US	Altima Partners (UK) IFC (World Bank)	The Altima One World Agricultural Fund is a USD 625 million fund created by Altima Partners, a USD 3 billion hedge fund, to invest in agricultural land and farming operations in emerging market countries. Altima invests in agribusinesses in Latin America and the Russia/Ukraine/Kazakhstan (RUK) region. Three-quarters of its portfolio goes into farm companies (producing agricultural crops) and 25 percent goes into publicly listed agricultural companies. In February 2009, the World Bank's private investment arm, the International Finance Corporation, announced that it was partnering with the Altima fund through a USD 75 million equity infusion. Altima owns 40 percent of the Argentine company El Tejar, which owns and leases over two hundred thousand hectares of farmland in Argentina, Brazil, Uruguay, Paraguay, and Bolivia. El Tejar plans to start production in Colombia in 2010. In 2009, the Capital Group invested USD 150 million in El Tejar to acquire 13 percent of the company's shares. In March 2010, El Tejar announced it was considering an IPO in New York.

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without relying on international trade. So too were Koreans, Libyans, Egyptians, and others. In most of these talks, high-level government representatives were directly involved, peddling new packages of political, economic, and financial cooperation, with agricultural land transactions smack in the center.

But then, toward July 2008, the financial crisis grew deeper, and alongside the "food security land-grabbers" another group of investors

Table 1 (*continued*)

APG Investment	Netherlands	APG (All Pensions Group) was established in March 2008 and is one of the largest managers of pension assets in the world, handling about EUR 217 billion from the pensions of 2.7 million Dutch. APG recently established a Farmland Fund to invest in "structures that lease out farmland as well as structures where farmland is operated." It also has a Forestry Fund, established in 2007, that invests in both forests and farms. According to their agricultural fund manager, Frank Asselbergs: "When we talk about investing in farms you shouldn't think about some quaint Dutch smallholding you can drive a tractor around in an hour. These are enormous tracts of land, mainly in Latin America. And they're not run by a farmer we hire in, but by professional companies. We recently bought a farm as big as the entire Veluwe region of the Netherlands. That's tens of thousands of hectares. We're active in Uruguay, Paraguay, Brazil, and Argentina. They're the agricultural heartland of the future. We also have farms in Australia, and we're now looking at other regions, Europe included."

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started buying up farmland in the South: hedge funds, private equity groups, investment banks and the like, many of them based in the United States. They were not concerned about food security. They figured that there is money to be made in farming because the world population is growing, food prices are bound to stay high over time, and farmland can be had for cheap. With a little bit of technology and management skills thrown into these farm acquisitions, they get portfolio diversification, a hedge against inflation, and guaranteed returns—both from the harvests and the land itself.

Table 1 (*continued*)

BKK Partners	Australia	Indochina Gateway Capital Ltd (Cambodia)	BKK is planning a USD 600 million investment to acquire one hundred thousand hectares in Cambodia for the production of rice, bananas, and sugar. The company is in negotiations with the government of Cambodia and has already begun looking at possible sites.
Calyx Agro	Argentina	Louis Dreyfus (France) AIG (US)	Louis Dreyfus is one of the world's top grain traders. It established Calyx Agro in 2007 as a fund for farmland acquisitions in southern Latin America. Louis Dreyfus Commodities already owns sixty thousand hectares of farmland in Brazil, to which it has committed USD 120 million. AIG invested USD 65 million into the fund in 2008. The fund focuses on identifying, acquiring, developing, converting, and selling farmland in Brazil, Argentina, Uruguay, and Paraguay. Louis Dreyfus is also investing in land in Africa and the Ukraine.

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To date, well over forty million hectares have changed hands or are under negotiation—20 million of which are in Africa alone. And GRAIN calculates that over USD 100 billion have been put on the table to make it happen. Despite the governmental grease here or there, these deals are mainly signed and carried out by private corporations, in collusion with host country officials. Although we have been able to compile various sample data sets of who the land-grabbers are and what the deals cover, most of the information is kept secret from the public for fear of political backlash.

In this context, and with all the talk about "food security" and distorted media statements like "South Korea leases half of Madagascar's land,"[1] it often goes unrecognized that the lead actors in today's global landgrab 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

Table 1 (*continued*)

Citadel Capital	Egypt	Leading investors and family offices from Egypt, the Gulf Cooperation Council, and North Africa	Citadel Capital makes private equity investments in the Middle East and North Africa and has more than USD 8.3 billion in investments under its control. In 2008, Citadel set up a fund called Sabina, which holds Citadel Capital's agricultural investment near Kosti, White Nile State, Sudan, where it has obtained a ninety-nine-year freehold on a 255,000 feddan (107,000 hectares) plot of fertile land, 37 kilometers of which are located directly on the Nile. Part of the land has been designated specifically for the cultivation of sugarcane and the rest will be used for various crops. Some 32,000 feddans (13,440 hectares) of the land are already cultivated. The plot is in close proximity to a river port owned by Keer Marine, a Citadel Capital investment. Citadel says it is also considering investments in Uganda, Kenya, and Ethiopia. Citadel owns Egypt's largest milk producer, Dina Farms, with a herd of eleven thousand cows. It intends to double this herd within three to five years. Dina Farms is a subsidiary of the Gozour Holding Company set up by Citadel with other regional investors.

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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.

Take one example. In August 2009, the government of Mauritius, through the Ministry of Foreign Affairs, got a long-term lease for twenty thousand hectares 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

Table 1 (*continued*)

Emergent Asset Managagement	UK	Toronto Dominion Bank (Canada)	Emergent operates an Africa Agricultural Land Fund, with offices in Pretoria and London. As of June 2009, Emergent controlled more than 150,000 hectares in Angola, Botswana, Mozambique, South Africa, Swaziland, and Zambia.
International Farmland Holdings / Adeco Agropecuaria	US/Argentina	George Soros (US) Pampa Capital Management (UK) Halderman (US)	International Farmland Holdings, also known as Adeco, is a farm investment company created by Alejandro Quentin and Soros Fund Management. It has invested more than USD 600 million in acquiring 263,000 hectares of Argentine, Brazilian, and Uruguayan farmlands.
Jarch Capital	Virgin Islands	Phillippe Heilberg and other wealthy US individuals	In 2009, Jarch took a 70 percent interest in the Sudanese company Leac for Agriculture and Investment and leased approximately four hundred thousand hectares of land in southern Sudan claimed by Gen. Paulino Matip of the Sudan People's Liberation Army. Soon after Jarch announced that it aimed to lease another four hundred thousand hectares of land by the end of 2009 in Africa.

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subleased 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 specializes in cattle production but is also involved in biofuels in southern Africa (see GRAIN 2009a). This is typical. 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. They have a war chest of legal, financial, and political tools to assist them.

Moreover, there is a tendency to assume that private sector involvement in the global landgrab amounts to traditional agribusiness

Table 1 (*continued*)

NCH Agribusiness Partners	US	NCH Capital (US)	NCH Capital manages more than USD 3 billion from university endowments, corporate and state pension funds, foundations, and family investment offices. It has a USD 1.2 billion agribusiness fund focused on acquiring farms in eastern Europe. In Ukraine, NCH controls and operates a portfolio of more than 350,000 hectares. In Russia, NCH has more than 80,000 hectares.
Pharos Miro Agricultural fund	UAE	Pharos Financial Group (Russia) Miro Holding International (UK)	Pharos Miros Agricultural Fund is a USD 350 million fund that will focus initially on rice farming in Africa and cereal cultivation in eastern Europe and former Soviet countries. It is in the process of acquiring a ninety-eight-year lease on fifty thousand hectares of farmland in Tanzania for rice production.

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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 really are the private sector investors currently taking over farmlands around the world for offshore food production. From what we have gathered, the role of finance capital—investment funds and companies—is truly significant. In October 2009, we released a table outlining more than 120 investment structures, most of them newly created, which are busy acquiring farmland overseas in the aftermath of the financial crisis.[2] Their engagement, whether materialized or targeted, rises into the tens

Table 1 (*continued*)

Teachers Insurance and Annuity Association, College Retirement Equities Fund (TIAA-CREF)	US	COSAN (Brazil)	TIAA-CREF is the largest US manager of retirement funds. As of December 2008, it is said to have invested USD 340 million in US farmlands. TIAA-CREF has also created a holding company in Brazil, called Mansilla, which invested USD 150 million in COSAN's farmland fund, Radar Propriedades Agricolas, in 2008. Radar is buying up agricultural land for conversion to sugarcane production and for speculation. The fund is 81.1 percent owned by TIAA but entirely controlled by COSAN, the largest sugar producer in Brazil and one of the largest in the world. Radar spent the first USD 200 million it raised within four months, and it has now raised another USD 200 million. It has two thousand farms within its portfolio.

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of billions of dollars. The table above is not exhaustive, but it did provide 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. Because its value does not go up and down in sync with other assets like gold or currencies, it allows investors to successfully diversify their portfolios.

But it is not just about land, it is about production. Investors are convinced that they can go into Africa, Asia, Latin America, and the

Table 1 (*continued*)

Tiris Euro Arab	UAE		In November 2009, the Abu Dhabi–based investment house Tiris signed a contract with the government of Morocco to lease up to seven hundred thousand hectares of farmland near the south-western town of Guelmim. It plans to invest USD 44 million in the project and to export the produce to the Middle East and Europe.
Feronia Inc.	Canada	TriNorth Capital Inc. (Canada)	TriNorth is a Canadian investment company managed by Lawrence Asset Management Inc. Its subsidiary Feronia Inc. was established to invest in agricultural production and processing facilities in South Africa, Uganda, Zimbabwe, and the DR Congo. It is working with Brazilian experts to develop plantations of soybean, sunflower, oil palm, and other crops on land it acquires in Africa. In September 2009, it acquired a one hundred thousand hectare plantation in the DR Congo through the purchase of Plantations et Huileries du Congo S.C.A.R.L. TriNorth also owns the Wild Horse Group, which is engaged in purchasing and consolidating farmlands in Canada and "intends to be one of Canada's largest owners and operators of irrigated farmland in Saskatchewan."

Note: This is table is extracted from a more complete table compiled by GRAIN in October 2009. It also includes several new entries.

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. "The same way you have shoemakers and computer manufacturers, we produce agricultural commodities," says Laurence Beltrão Gomes of SLC Agrícola, the largest farm company in Brazil.

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. In the words of Susan Payne, CEO of Emergent Asset Management, an investment fund in the United Kingdom targeting farmland in Mozambique and other African countries: "The first thing we're going to do is to make money off of the land itself.... We could be moronic and not grow anything and we think we'd make money over the next decade."

What these investors are driving forward 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 United Nations want to be associated with this. However, it is not their show.

From Rich to Richer

Today's emerging new farm owners are private equity fund managers, specialized 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 United States or the United Kingdom. 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 favorable 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.

Indeed, the global landgrab 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 programs 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. First, the infrastructure needs for this model will be dealt with. (The Green Revolution never did that.) Second, new forms of financing, as our table makes plain, are also at the base of it. Third, 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.[3] A recent report from the UN Conference on Trade and Development (UNCTAD 2009) pointed out that a solid 40 percent of all mergers and acquisitions in the field of agricultural production last year were South-South. 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 landgrabs, it is clear that these firms are not interested in the kind of agriculture that will bring us food sovereignty. 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 landgrabs 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. They are bound, as the coordinator of MASIPAG in the Philippines sees it, to come in, to deplete the soils of biological life and nutrients through intensive farming, to pull out after a number of years, and to leave the local communities with a desert.

The talk about channeling 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 UN 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 to agree on a few parameters to moralize and discipline these landgrab 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 landgrabbing" along the lines of what has been tried with oil palm, forestry, or other extractive industries.

At its annual land conference in Washington D.C. at the end of April 2010, the World Bank, along with the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD), and UNCTAD, put forward a set of "seven principles" to try to make landgrabs, or what it calls "large-scale agriculture investments," more socially acceptable. The World Bank's main objective with these voluntary principles is to reduce risks for investors, since these are, after all, highly risky investments, and dilute the social backlash, which is accompanying these deals wherever they transpire and which is starting to link into a global movement.

All this talk of "win-win" is simply not realistic. It promises transparency and good governance as if foreign investors would respect community's rights to land when the local governments do not. It speaks of jobs and technology transfer when those are not the problems, not to mention that little of either may materialize. It is shrouded in words like "voluntary," "fear," and "could" instead of "guaranteed," "confidence," and "will." And the win-win camp is itself divided about what should happen in case of food pressures in the host countries, a more than likely scenario. Should countries be allowed to restrict exports, even from foreign investors' farms? Or should so-called free trade and investors' rights take precedence? No one that we have talked to among concerned groups in Africa or Asia takes this "win-win" idea seriously.

When we look at who these investors are and what they are after, it becomes impossible to imagine 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 are suddenly going to play fair. Just as hard to believe is that governments or international agencies will suddenly be able to hold them to account.

The “win-win” discussion is a dangerous distraction from the fact that today’s global food crisis will not be solved by large-scale industrial agriculture, which virtually all of these land acquisitions aim to promote. In fact, the governments, international agencies, and corporations steering the global food system are bankrupt when it comes to solutions to the food crisis. After decades of their Green Revolution projects and structural adjustment programs, we have more hungry people on the planet than ever. Rather than question the model, the World Bank and others have decided that the only way to keep the global food system from coming apart at the seams is to fly forward, follow the money, and install large-scale agribusiness operations everywhere, particularly where they have not yet taken root. This is what today’s landgrab is all about: to expand and entrench the Western model of large-scale commodity value chains. In other words: more corporate-controlled food production for export.

Conclusion

The global landgrab is thus only going to make the food crisis worse—with or without “principles” and “guidelines.” It pushes an agriculture based on large-scale monocultures, chemicals, fossil fuels, and slavelike labor. This is not an agriculture that will feed the planet; it is an agriculture that feeds speculative profits for a few and more poverty for the rest. As climate change takes us into an era of severe disruption of food production, there has never been a more pressing need for a system that can ensure that food is distributed to everyone, according to need. Yet never has the world’s food supply been more tightly controlled by a small group, whose decisions are based solely on how much money they can extract for their shareholders.

Of course, we need investment. But investment in food sovereignty, in a million local markets, and in the three billion farmers and farmworkers who currently produce most of the food that our societies rely on—not in a few mega-farms controlled by a few mega-landlords. ❁

Notes

1. It was not South Korea but Daewoo Logistics.
2. Table 1 covers three types of entities: specialized 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 (GRAIN 2009b).

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

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GRAIN (Genetic Resources Action International) 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. Our 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. Most of our work is oriented towards, and carried out in, Africa, Asia and Latin America.