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**Smallholder Agriculture and Food Security
in the 21st Century**

***The growing demand for land – risks and
opportunities for smallholder farmers***

**Discussion Paper and Proceedings Report
of the Governing Council Round Table
held in conjunction with the Thirty-second Session of
IFAD's Governing Council, February 2009**

**Submitted by
International Fund for Agricultural Development**

Background Paper No. 2

The number of poor and hungry people has been increasing, and the world now faces a major economic downturn. Climate change, growing competition for land, and the volatility of prices for food and inputs are having a negative impact on rural women and men in developing countries, and particularly on the poorer and most vulnerable households. At the same time, all over the world, family farmers, local communities, private enterprises, governments and development partners are bringing new responses to these challenges and new reasons to believe in a future without hunger and poverty.

IFAD, in preparation for the publication of its Rural Poverty Report later in 2009, held three round-table discussions on the challenges and opportunities for smallholder agriculture during the thirty-second session of its Governing Council in February 2009.

Round Table 1 – *Food price volatility – how to help smallholder farmers manage risk and uncertainty.*

Round Table 2 – *The growing demand for land – risks and opportunities for smallholder farmers.*

Round Table 3 – *Research and innovation for smallholder farmers in the context of climate change.*

The discussions focused on identifying policies and strategies that can be applied at the national level to ensure that the needs of smallholder agriculture are met, and on the research and technology needed to advance smallholder agriculture.

The section that follows describes the proceedings of Round Table 2 “*The growing demand for land – risks and opportunities for smallholder farmers*” and includes a discussion paper on the topic.

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I. The growing demand for land – risks and opportunities for smallholder farmers

Questions to guide the round-table discussion:

- ✓ What are the impacts on rural communities of the growing demand for land for large-scale food and fuel production? Are poor rural people losing out in terms of their rights to land and water? Are they gaining from being engaged as out-growers or contract farmers, or from new employment or marketing opportunities? Are there any cases in which they have benefited substantially? What lessons can we draw?
- ✓ What has characterized effective management of large-scale investments that have resulted in win-win arrangements for all parties? What has been the policy environment for such experiences? What has been the role of civil society? What has been the involvement of rural communities? What other specific features can we point to? What characterizes evolving best practices?
- ✓ What can the various stakeholders (governments, civil society and investors) do to develop transparent and inclusive mechanisms to guide and manage investments in agriculture? What role of value can an organization such as IFAD play in this regard?

Chairperson: Jean-Philippe Audinet, Acting Director, Policy Division, IFAD

Moderator: Tumi Makgabo, Broadcaster and Independent Producer

Panellists:

- **Noel De Luna**, Embassy of the Republic of the Philippines
- **Pär Oscarsson**, Land/Agriculture Manager, SEKAB BioEnergy (T) Ltd
- **Stephen A. Ruvuga**, Executive Director, National Network of Farmers' Groups (MVIWATA), United Republic of Tanzania
- **Sonja Vermeulen**, Programme Director, Business and Sustainable Development, Sustainable Markets Group, International Institute for Environment and Development
- **Eckart Woertz**, Program Manager Economics, Gulf Research Center

1. Opening remarks

Mr Jean-Philippe Audinet, Acting Director of IFAD's Policy Division, opened the discussion by noting that the theme of the round table is considered by IFAD staff and management to be very relevant to the Fund's mandate and one that merits discussion with IFAD's Member States.

After providing an overview of the phenomenon, which was accentuated in 2008 in the context of the food price crisis and the economic downturn, Mr Audinet highlighted the fact that investments in land could translate into the development of infrastructure, processing industries and financial services in rural areas. These, in turn, could provide opportunities for poor rural people in terms of, inter alia, increased agricultural income, new employment opportunities and overall rural development. Such opportunities, however, should be accompanied by policies and mechanisms that would guard against risks related to the alienation of land rights and the marginalization of poor rural people. Mr Audinet also stressed that public policy choices and approaches, accompanied by inclusive consultations with local communities and farmers' organizations, are critical for the prospects of poor rural people. Finally, he noted that – thanks to the different backgrounds of the selected panellists – the round table would provide an opportunity to analyse the phenomenon from the various perspectives of all the stakeholders involved and reflect upon the challenges and implications of these recent trends for rural communities. Mr Audinet assured the participants that the inputs derived from the discussion will ultimately contribute to guide the Fund in its future policy and operational engagements with the land issues of its target groups.

2. Panellist presentations

The first presentation was given by **Mr Noel De Luna**, Deputy Permanent Representative of the Republic of the Philippines, who spoke on behalf of **Mr Narciso Boy Nieto**, Undersecretary of the Finance Management and Administration Office and Project Implementation Office in the Department of Agrarian Reform of the Philippines. Mr Nieto was obliged to remain in Manila for the hearings at the Parliament of the Philippines on the agrarian reform programme.

Mr De Luna described initiatives under way in the country to develop the agribusiness industry, in some cases through joint ventures with investing countries. He estimated that at least two million hectares of land have been targeted in the Philippines for new agribusiness investments, and joint ventures with other countries are being formed for the Philippines to supply both biofuel and food crops. He provided information on the national medium-term plan for biofuel development for 2004-2010, which is undertaken within the framework of the programme for agrarian reform. Under this plan, the Biofuels Act of 2006 called for a mandatory 2 per cent biodiesel blend in diesel and 5 per cent bioethanol in gasoline by 2009, and a 10 per cent bioethanol blend in gasoline by 2011.

Mr De Luna went on to provide some examples of investments in land committed by different countries for the production of different crops: (i) China committed to developing 1 million hectares for hybrid corn, rice and sorghum; 40,000 hectares for sugarcane and cassava; and 200,000 hectares for organic food and agritourism; (ii) Spain committed to developing 100,000 hectares for *Jatropha*; and (iii) Japan committed to developing 200,000 hectares for coconut. While noting that these investments bring opportunities for the Philippines – such as new markets, technology, development of rural infrastructure, additional jobs and higher incomes – and thus can contribute to poverty reduction and revitalization of local economies, he recognized that there are also serious risks. These include loss of prime agricultural land for food production,

degradation of forest land and other natural resources, alienation of land rights of rural communities, further marginalization of the landless and powerless, displacement of indigenous peoples, and expansion of the plantation-type model to the detriment of the family farm. Such risks could ultimately lead to lower incomes and reduced food security. Mr De Luna emphasized that the Government's approach to this phenomenon is to address it in the broader context of the agrarian reform, which over the past ten years has achieved 80 per cent of its objectives and therefore still needs to be promoted. In doing so, Mr De Luna noted that agrarian reform, instead of being interrupted or delayed in the attempt to attract external investments, should indeed be further strengthened. In his words, "Land should be distributed first. After that, the beneficiaries can decide what to do with it. But whatever they do, we honestly believe that land should be given to them first."

Dr Eckart Woertz, Program Manager Economics at the Gulf Research Center in Dubai, United Arab Emirates, brought the perspective of the Gulf countries, which are expected to increase their investments in land in developing countries over the coming years in order to secure their domestic food supplies. Dr Woertz explained some of the main reasons behind such increased investments: (i) population growth, which is projected to double from 30 million in 2000 to 60 million in 2030; and (ii) decline in agricultural production mainly due to lack of water. These trends will lead to a reorientation of agriculture in the Gulf countries away from cereals and towards more value-added crops such as fruit and vegetables, and to an increased need for food imports.

According to Dr Woertz, Saudi Arabia, for example, will phase out wheat production by 2016, although it was still a wheat net exporter at the beginning of the 1990s. The already high reliance of Gulf countries on food imports – as much as 60 per cent of food commodities is imported – has recently spurred the interest on the part of Gulf countries in engaging in agro-investments overseas. Negotiations have been held with governments of various developing countries, particularly with countries that are geographically close and with which there are political relations and cultural proximities. These countries include: Pakistan, The Sudan, *in primis*; other Asian countries such as Indonesia, the Philippines, Thailand; Central Asian countries such as Ukraine; and some countries in Africa and South America.

Dr Woertz went on to provide the perspective of countries that are receiving such investments. He briefly described the different contexts that are likely to shape the evolution of these investments and determine their potential benefits for local communities. For example, Central Asian countries and Pakistan have "physical" water shortages. This makes them less suitable for investments in agriculture, and competition between export industries and local food security is likely. On the other hand, many African countries only face an "economic" water shortage, which could be overcome by large investments in countries such as the United Republic of Tanzania and Mozambique.

Dr Woertz concluded by raising the issue of possible conflicting interests that may emerge with respect to the food security of rural people in developing countries, which are in many cases net importers of food themselves. Policies have an important role to play here. For example, policies have been put in place by governments of developing countries to ensure that the food security of local people is not compromised (e.g. export

quotas; exemption from export restrictions only in special agricultural free trade zones). Finally, Dr Woertz stressed the importance for Gulf countries of avoiding a top-down approach in negotiations with developing countries. Local governments, local communities and smallholder farmers should actively participate in such negotiations to assess business propositions, job opportunities or reimbursements, thereby ensuring that large-scale investments by Gulf countries lead to win-win situations.

Mr Stephen Ruvuga, Executive Director of MVIWATA, the National Network of Farmers' Groups in the United Republic of Tanzania, focused his presentation on investments in land for agrofuel production. He started by observing that the issue of agrofuel is a critical and "hot" issue at all levels (local, national, international) and is widely covered by the press. Mr Ruvuga suggested that some questions should be asked and reflected upon in the course of the debate, including: (i) can agrofuels be an answer to poverty; (ii) what has to be considered as a priority – energy or food security; (iii) what is the reason behind such investments; and (iv) is there a balance between the interests of rural poor people and those of the investors that would allow a win-win situation for both.

Mr Ruvuga also highlighted a number of concerns linked to agrofuel development:

- *The enormous scale of production.* A number of rural people have been adversely affected by large-scale investments in mining, wildlife and fishing in the United Republic of Tanzania and have become the victims of such developments. About 700,000 hectares has been earmarked in the country for the production of agrofuels, and this will gradually be expanded to about 2 million hectares over the next 20 years.
- *The modality of land acquisition.* In many cases, there is a violation of procedures and law, with local communities powerless against governments and investors. This should also be seen in light of the importance of land as a major asset for the livelihoods of rural communities – with land also encompassing water endowment and other natural resources.
- *Diversion of land, water and the workforce from food to agrofuel production and risks to food security.* In the case of the United Republic of Tanzania, for example, what would happen to the price of sugarcane if production is increasingly devoted to making fuel?
- *Loss of biodiversity.* In many projects for agrofuel production, there is no clear evidence of any environmental impact assessment; if one has been conducted, there is no public awareness of it.

Mr Ruvuga concluded by stating that there is a need for policies that take into account the rights of local communities, review the inconsistencies in laws, increase transparency in the acquisition of land, regulate compensation modalities for rural people conceding their land to outside investors, and support the option of share-holding.

The fourth panellist was **Mr Pär Oscarsson**, Land/Agriculture Manager for SEKAB BioEnergy, a Swedish company investing in agrofuels in some countries, including the United Republic of Tanzania, the country on which his presentation focused.

Mr Oscarsson highlighted the enormous opportunity and, at the same time, the enormous challenge associated with agricultural investments in developing countries. In bringing the point of view of the investors and making some preliminary considerations, Mr Oscarsson pointed out that the most important factor for investors is securing a certain amount of supply to ensure financial viability and minimize the risks – which are very high in remote rural areas – of their investments. This is the main reason why investors are seeking ways to gain secure access to land, and in many cases purchasing or leasing it is the easiest and most effective way to secure supply. He noted that attempts have already been made to find alternative ways to obtain secure supply, for example by promoting out-grower schemes that have the potential to involve smallholder farmers on a more equal basis. However, the problem is that private companies still lack experience of such models.

Mr Oscarsson went on to describe the approach and work of SEKAB in the United Republic of Tanzania. Today, 80 to 90 per cent of SEKAB's investments are based on a large percentage of own estate production of sugarcane, with a gradual increase in sugarcane delivered from out-growers. Land is leased from the United Republic of Tanzania Investment Centre. However, SEKAB is exploring other options to develop profitable and effective production models that could be based on a mix of the following:

- *sub-lease of land from villages*, which offers the opportunity to secure land needed for long-term investments while communities can retain land ownership and receive an annual rent instead of a one-off payment;
- *local shareholding*, through which land is held in a village trust in return for an equity share of the company; and
- *out-grower schemes*.

In particular, SEKAB is looking into an out-grower-based block farming franchise model, which envisages a continuous, integrated farming area operated under shared ownership that enables smallholders to cooperate with large-scale farmers, take advantage of economies of scale, and receive assistance through a management company in the form of farming knowledge, mechanization and infrastructure. According to Mr Oscarsson, the scheme provides a win-win opportunity in which small-scale farmers participate in commercial farming, investors obtain a stable supply and governments an increased tax-base. Additionally, it can facilitate the balanced production of both sugarcane and food crops (thus minimizing the risks to the food security of local communities) and can also contribute to the development of a more productive and competitive agricultural sector. Mr Oscarsson stressed the importance of the latter, in view of the very low productivity of small-scale farming and the unsustainable use of land, both of which are attributable to poverty. He reiterated that investments in land for agrofuel production, also with the participation of the private sector, could be an opportunity to improve agricultural practices and land management of small-scale farming.

In concluding his presentation, Mr Oscarsson highlighted that a well integrated investment, fully accepted and understood by all parties, will guarantee long-term support from both communities and government, creating the long-term conditions for sustainable business and win-win situations. He also highlighted that this is becoming compelling for private companies, which must make sure that agrofuels are produced and certified according to standards established by the European Union in order to sell the product in this market.

The final presentation was given by **Dr Sonja Vermeulen**, Director of the Programme on Business and Sustainable Development at the International Institute for Environment and Development (IIED), who highlighted three main issues:

- *Lack of reliable information on the phenomenon.* Land issues connected to the increasing investments in land in developing countries are reported almost on a daily basis by the media and often referred to as “land grab”. However, reliable information is limited and the picture of the situation is fairly disjointed, with a lot more hype than substance around the scale of these investments. Most countries – whether in their land registries or sometimes through their investment promotion agencies – are not closely monitoring what is happening in terms of large-scale land acquisitions by either foreign or domestic investors. It is known that some land acquisitions are taking place on a very large scale and that there are certainly land deals made in excess of 500,000 hectares. It is also known that these acquisitions are mainly private and in some cases government-to-government deals. In order to collect reliable information on the phenomenon, IIED is involved in two research projects: one in collaboration with IFAD and FAO, which is looking at some of the government-led land acquisitions that are taking place internationally; and the other headed by the World Bank, to obtain a first-base quantification of the scale of land acquisitions in selected countries worldwide.
- *Land availability.* Dr Vermeulen stressed that “available land is not running out. It has already run out.” All land throughout the world is under some kind of competing demand. There is no land that can be considered completely unused or underutilized. In many cases, the areas where large-scale investments are being made are already used by small-scale farmers, pastoralists and other marginalized groups. Even when investments are made in lands of very low population density or with very low levels of use, these lands are critical in light of conservation needs and climate change effects. In Madagascar, for example, land that is now being used for a 500,000-hectare *Jatropha* project by the agrofuel company GEM was already being used by Malagasy people on a small scale. This does not necessarily mean that these people are going to be worse off, but just that the land was already being used. In addition, it should be kept in mind that Madagascar is one of the world’s major endemic biodiversity hot spots. Thus, the interest – both internationally and on the part of the Malagasy themselves - in conserving that land and the claims to it are enormous.
- *Scale of impacts on local communities.* A distinction should be made among three levels of impacts on rural communities: direct impacts, indirect impacts and national-level macro-impacts. Direct impacts relate, for example, to whether

communities affected will be able to continue farming and to have access to water, grazing lands and other natural resources. If not, will such communities be compensated – either directly by financial means, or indirectly through new jobs or infrastructure that will come to rural areas through these investments in land? Indirect impacts may include displacement of local communities and farmers from the areas they are occupying or using. Finally, at the macro/national level, large-scale land allocations will mean fundamental changes to the agricultural system as a whole. Small- and large-scale farming do not exist in isolation. Dr Vermeulen provided the example of tomato supplies in supermarkets of South Africa, one of the countries where there is highly inequitable land distribution. As much as 80 per cent of tomatoes come from four big producers in the country. Even though small-scale producers may be producing excellent tomatoes, they find it difficult to be competitive by producing consistent volumes and quality at consistent costs. According to Dr Vermeulen, in considering how to handle large-scale investments, governments and policymakers should think about how to integrate large-scale and small-scale farming and make sure that market opportunities and land access opportunities remain open to smallholder farmers.

3. Round-table discussions

There were approximately 100 participants in the round table. The main issues that emerged during the discussions are summarized below.

Lack of reliable, accessible and transparent information. The issue is not whether information exists per se, but its accessibility and the reliability of its sources. Governments and private investors are sometimes unwilling to fully disclose information on negotiations and deals made, while in many cases villagers are unaware that their land is registered with the registries or that negotiations have taken place between the government and outside investors.

New trends in the global investments in land. Investments in agriculture have always taken place and always involved large tracts of land. What seems to be new is the magnitude of the phenomenon. Additionally, land transactions are now being made not only at the local or national level (as was mostly the case in the past), but also at the international level. Furthermore, they are often government-led, with the private sector involved at a second stage. Governments of Gulf countries, for example, made a strategic choice in targeting not the countries they traditionally import from, but underdeveloped/developing economies where, they believe, there is greater potential for win-win situations to materialize.

Large-scale versus small-scale production models. Growing demand for, and acquisition of, land by outside investors might be but one expression of what could be considered as a broader restructuring of agriculture to fulfill the requirements of other more powerful sectors of the economic system, such as growing urban and non-agricultural interests. Such interests perceive large-scale production modes as being better suited to meet the growing demand for food and fuel at the global level. However, it is important to bear in mind that small- and large-scale farming do not exist separately

and independently, but are very much interrelated. Additionally, successful experiences show that such demand does not necessarily have to be satisfied by industrial, large-scale plantations, but can indeed be met by small-scale, family farming. In the 1970s, 1980s and 1990s, countries such as China, India, Indonesia and Viet Nam moved from being food-deficit countries to being exporters of food. This evolution was achieved on the basis of the production of very small farms, on average of less than 1 hectare. More recently there is the case of Nigeria. The country is the world's largest producer of cassava and cowpea, and these crops are mostly supplied by small-scale farmers.

Control over land and land tenure security. Poor rural people can influence choices regarding priorities and production models only if they have control over their land. Control over land is ultimately the decisive factor. The willingness of governments to secure rural communities' access to and rights over the land they occupy and use will enable rural people to become informed and active partners in the process, to decide themselves how to invest in their land and protect their most important asset, while taking advantage of opportunities.

The need for investments. There is no question that investments are needed in the agricultural sector of developing countries for rural development and poverty reduction. Especially in light of the progressive decline of public investments, private investments can represent an enormous opportunity, particularly for African agriculture. In fact, issues such as land degradation and low agricultural productivity characterizing many small-scale farms in remote rural areas are not the result of a lack of capacity and knowledge on the part of rural communities but, on the contrary, are attributable to poverty. If properly supported, smallholder farmers would be the best investors in their land and would have the capacity and incentives to sustainably manage it, thus improving agricultural productivity. Again, land tenure security is a critical factor, but not the only one. Provision of credit, agricultural inputs, access to markets, infrastructure, and demand for agricultural produce to ensure higher incomes are all needed to enable smallholder farmers to revitalize agriculture and rehabilitate their land. Given the capacities of rural communities, also from a business point of view, they must be party to the process of land acquisitions.

The human dimension and the need for people-centred and rights-based approaches. What often seems to be missing in the debate on these investments in land is the human dimension. As there is no land that is empty or unused, it can generally be claimed that land that is being acquired is already occupied and used by people, who are often overlooked. As stated above, these people are also potentially the best investors in their land. Additionally, it is not only the economic dependence of rural women and men on land that should be taken into account in the process of land acquisition, but also the strong social and cultural relationship between rural people and their land. Reintroducing the human element in the discussion facilitates the recognition of the issues involved as social issues linked to the rights of people and communities. In this perspective, the rights of land users need to be protected and people always have to be given priority in the process, which has to be first and foremost ethical.

Consultation with and inclusion of rural communities in decision-making processes. It is absolutely essential that people occupying and using land are involved

from the very beginning in the consultations and negotiations so that they can decide themselves what to do with their land on the basis of comprehensive information and their free and fully informed prior consent. People should not be viewed as potential labourers and input suppliers, but as business partners.

Social and environmental sustainability impact assessments. In many cases, no feasibility analyses or social and environmental sustainability impact assessments are undertaken before engaging in land acquisitions; or if undertaken, they are not always thorough and reliable. Such analyses and assessments should be carried out to prevent any detrimental effects on local people and the environment, including depletion of water and threats to the food security of local populations.

The important role of policies in guiding the process. Policies have an important role to play in orienting the process, minimizing risks for poor rural people and maximizing opportunities for them. Investments in agrofuel production, for example, should not be made on prime agricultural land, on land used for food production or in protected areas, but on land of limited use or quality that can be rehabilitated, provide an additional value, and be reused productively. Out-grower schemes should be promoted to prevent local communities from losing their land. Governments can engage as intermediaries in the negotiation process to support rural communities. Deals and contracts could be signed that specify the conditions of investments made by the private company, which should be reviewed regularly to check whether such conditions and commitments are being fulfilled. A certain percentage of the company shares could be offered to national investors.

Certification requirements and standards. The European Union and a number of countries (including developing countries) are formulating certification mechanisms and standards to ensure that agrofuels are produced in a sustainable way, with no adverse impacts on local populations and the environment. Such procedures also look at the process through which land has been acquired. In addition, FAO and IFAD are developing the voluntary Guidelines on Responsible Governance of Tenure of Land and Other Natural Resources.

Some recommendations to IFAD. IFAD could contribute its experience in working with rural communities to address this new phenomenon in the broader context of rural development and poverty reduction. International organizations such as IFAD and FAO could assist in carrying out proper social, environmental and sustainability impact analyses and assessments. They could also assist governments and rural communities in organizing inclusive and multistakeholder negotiation processes and identifying risks and opportunities for poor people.

II. Summary of the round table discussion presented to the Governing Council

Based on the round table discussion, a summary statement and recommendations was prepared and presented to the Governing Council. The summary is provided below.

Round Table 2: The growing demand for land - risks and opportunities for smallholder farmers

- The rapid increase in the demand from foreign and domestic investors for agricultural land to be used for agrofuel production or – more recently –outsourced food production is bringing about opportunities for poor rural people in terms of financial resources, infrastructure and technology, and new markets. However, there is also the risk that they could lose their land, which is their major – and sometimes only – asset.
- No land is unused or underutilized, the rights of land users must be recognized and protected, and the food security of rural people should not be compromised.
- Policies are needed that strengthen land tenure security for small-scale farmers and are developed through multilevel, multistakeholder dialogue.
- Rural communities and small-scale farmers should be fully involved in the process, and influence decisions and choices about modes of production and terms of agreement.
- Pro-poor investment guidelines should enable rural communities to participate fully in and benefit from outside investments.
- There is a need for capacity-building of rural communities, increased access to rural finance, and agricultural inputs.
- There is a lack of reliable public information on the purchasing of large-scale agricultural holdings. This can and must be improved in order to allow local communities, governments, investors and civil society organizations to improve their interaction in the search for win-win solutions.

III. Discussion Paper for Round Table

The Growing Demand for Land - Risks and Opportunities for Smallholder Farmers

Discussion Paper prepared for the Round Table organized during the Thirty-second session of IFAD's Governing Council, 18 February 2009

Prepared by: S. Haralambous, H. Liversage and M. Romano

The opinions expressed in this paper are those of the authors and do not necessarily reflect official views or policies of the International Fund for Agricultural Development, except as explicitly stated.

Acronyms

FAO	Food and Agriculture Organization of the United Nations
OECD	Organisation for Economic Co-operation and Development
WFP	World Food Programme

I. Overview

In many countries of Africa, Asia and South America, over the past few years there has been a rapid increase in the demand by foreign and domestic investors for land suitable for agriculture. Large-scale investments in land, which are typically in the range of tens of thousands to hundreds of thousands of hectares,¹ are either for agrofuel production or – more recently – outsourced food production.

This new demand from outsiders is generating financial resources, infrastructure and technology, but also increased pressures and competition over land and water in rural areas, where the local population is still growing² and where the average size of family farms is declining. Such pressures and competition may disproportionately affect poor rural people whose livelihoods depend on agriculture, livestock and forests, eroding their already precarious ability to gain and maintain access to natural resources.

The choice of approaches taken by local and national governments in considering this demand is critical for the prospects of rural communities. Massive foreign investments in rural areas can be an opportunity for development. At the same time, it might well be that direct acquisition of land by outsiders is not necessary for the products – food and feed – that this demand aims to secure. If the price for these products is remunerative, then the supply can be organized by the current owners or users of the land, most of whom are smallholder farmers. Public investments in infrastructure and other public goods, private investment in processing industries and financial services and organization of producers and local communities can result in win-win situations. Such situations can maximize opportunities in terms of, inter alia, increased agricultural income, new employment opportunities and overall rural development, while minimizing risks related to the alienation of land rights and the marginalization of poor rural people. In this connection, public policy choices and, in particular, the systematic and inclusive consultation of local communities and farmers' organizations have a critical role to play and could make all the difference.

The present paper aims to provide background information for the discussion at the Round Table on The Growing Demand for Land – Risks and Opportunities for Smallholder Farmers, organized in conjunction with the thirty-second session of IFAD's Governing Council. It provides an overview of the emerging phenomenon,³ its trends and drivers. It also reflects on the challenges associated with these trends and on their possible implications for rural communities, in terms of both risks and opportunities. Finally, it suggests some options for good practices that could enable smallholder farmers and rural communities – in particular, poorer people – to benefit from the growing global demand for food, feed and agrofuel and to partner with private and public stakeholders in the food and energy sectors without alienating their rights to and control over their land and territories. The paper closes with a set of questions to guide the round-table discussions.

¹ To give a sense of the proportions involved, there are 23 low-income food-deficit countries (LIFDCs) with less than 700,000 hectares of land classified as arable or under permanent crops. More than half (58 per cent) of the total of 81 LIFDCs have less than 3 million hectares of land that is arable or under permanent crops (FAOSTAT data for 2005). In sub-Saharan Africa, 98 per cent of agricultural holdings have less than 10 hectares, and in Asia 88 per cent have less than 2 hectares.

² According to the United Nations Department of Economic and Social Affairs (UNDESA), the rural population of sub-Saharan African countries will continue to grow until 2045, reaching a maximum that is expected to be between 50 per cent and 80 per cent higher than the rural population of 2000.

³ Most of the information provided is from media reports.

II. Growing Demand for Land in Developing Countries by Outside Investors

II.1 Context, Drivers and Trends

The demand for land for agrofuel production has increased significantly over the past few years. A number of countries dependent on oil imports have established targets for the mandatory blending of traditional transport fuels with biodiesel and bioethanol. Developing countries, dependent on oil imports and in search of new profitable markets, have increasingly engaged in agrofuel production for both domestic use and export. Attracted by this substantial demand and market, domestic and foreign investors – mainly from the private sector and OECD member countries – are targeting vast tracts of land to produce agrofuels in developing countries, which generally have a comparative advantage in such production, for example, because of low labour and land costs and, in some cases, land availability.

The second main driver of this global demand for land in developing countries is the recent food crisis, combined with the financial crisis. In response to the soaring food prices, 25 countries⁴ imposed export bans or restrictions in 2008 so as to safeguard their food security. Similarly, in order to guarantee the food security of their own populations, a number of food-importing nations started to purchase or lease land in developing countries, sometimes through sovereign wealth funds, to actually outsource their own food production. Through this alternative and long-term strategy, they aim to secure food supplies at lower costs, reduce their exposure to high prices and uncertain supplies, and overcome protectionist barriers.

Negotiations between investing and recipient countries are increasingly being conducted to secure land concessions in exchange for oil contracts, soft loans, infrastructure development and development funds, thereby creating favourable conditions for private investors to step in. Several countries are amending national laws to assist domestic investment companies in buying land overseas – including through provision of loans – or to attract foreign investors to purchase land within the country.⁵ Recipient countries have generally welcomed or even sought out such investments in land, which would channel capital flows into rural areas and the agricultural sector, together with technology, inputs and infrastructure.

II.2 Large-scale Investments in Land for Agrofuel Production

In response to market and policy signals, large-scale commercial agro-fuel production – whether for internal use or export – is rapidly expanding in all developing regions.⁶ Land investors seem mostly to be outsiders to the local milieu, mainly from European countries. Brazil is also a major investor in African, Caribbean and Pacific countries.⁷ In China and India investors are national firms or joint ventures between national and foreign companies.

⁴ Demeke M. et al., 2008, p. 6.

⁵ Sharma D., 2008.

⁶ Major countries involved include: Ethiopia, Ghana, Mozambique, South Africa, Swaziland, the United Republic of Tanzania and Zambia (Africa); Cambodia, China, India, Indonesia, Malaysia and Papua New Guinea (Asia and the Pacific); and Brazil and Colombia (Latin America).

⁷ Action Aid, 2008, p. 11.

Existing documentation does not allow for a full assessment of the magnitude and conditions of the investments involved – e.g. area of land, scale of investment, contractual arrangements with local smallholder farmers and communities, if any. Moreover, most investments are still in a planning and negotiation phase or at an early stage of implementation, and no mechanisms are in place to monitor developments.

Investments in land are pursued by public and/or private companies, sometimes through joint share-holding arrangements. In some cases, local communities are involved through contract farming/out-grower schemes, as providers of wage labour and/or by becoming themselves shareholders in a joint venture. From the information available, it seems that the scale of investments by private companies is quite substantial in terms of land acquired and capital invested. Land requests for agrofuel production can range between 5,000 and 50,000 hectares; in some cases, requests are for 100,000 hectares or even more.

The United Republic of Tanzania, for example, is attracting a number of national and multinational companies from Europe, facilitated by the United Republic of Tanzania Investment Centre, which advises on investment opportunities in the country. According to some reports,⁸ Sun Biofuels Tanzania acquired 9,000 hectares of land to plant *Jatropha* in Kisarawe District, Coast Region, with the approval of the village assembly. Compensation is envisaged for people losing their land. However, the project has stalled because of allegations that the villagers were not consulted and their compensation was not adequate.⁹ The UK-based CAMS group, operating locally as CAMS Agri-Energy Tanzania, was reported to have invested between US\$ 450 million and US\$ 600 million and acquired 45,000 hectares of untended land in Handeni and Bagamoyo Districts.¹⁰ According to the media report, farmers will be provided with seeds and inputs to grow sweet sorghum, will keep the grain for food and will not be displaced.

In Mozambique, according to the World Bank, applications for land by foreign investors amount to more than twice the total area of land cultivated in the country.¹¹ Earlier last year, President Armando Guebuza declared, "We do not want the production of biofuel to disinherit Mozambicans from their land or to have a negative impact on food production."¹²

Local media in the Philippines reported that according to the Department of Agriculture, the Spanish biodiesel company Bionor Transformación S.A. is to invest US\$ 200 million to develop at least 100,000 hectares of land under *Jatropha*.¹³ On Mindanao, Sarangani Bio Corporation, a consortium of investors from Japan, Republic of Korea and the Philippines, plans to develop 50,000 hectares under the same crop.¹⁴

⁸ Cotula L., et al., 2008, pp. 37, 46; Kamanga K.C., 2008, pp. 52-53; OXFAM International, 2008, p.22; Knaup H., 2008.

⁹ *Ibidem*.

¹⁰ *Reuters, 2008.*

¹¹ Songwe V., Deininger K., 2009, p.1.

¹² Mozambique News Agency, 2008.

¹³ Palawan Sun, 2008.

¹⁴ Renewable Energy Magazine, 2008.

II.3 Outsourcing Food Production in Developing Countries

The countries outsourcing food production have a limited amount of arable land to meet their food security needs through domestic agricultural production and are increasingly reliant on food imports. Recipient countries are often selected on the basis of geographical or cultural proximity,¹⁵ and include Madagascar, Mozambique, The Sudan; Cambodia, Indonesia, the Lao People's Democratic Republic, Myanmar, Pakistan, the Philippines; Paraguay, Uruguay; and Central Asian Republics. Major investors are reported to come from Gulf countries, transition economies such as China, and some OECD member countries such as Japan and Republic of Korea.

Harsh climatic conditions, poor soils and scarce land and water – combined with economic and demographic growth, a large community of migrant workers, the recent food price crisis and consequent increasing import bills and inflation rates – are impressing upon the Gulf States the need to take appropriate measures to secure their food supplies. One approach can be through acquisition of land abroad in exchange for capital and oil. Important partner countries are reported to include The Sudan and Pakistan, and others in Southeast Asia, Central Asia, Eastern Europe and Africa.

The Government of Pakistan is reportedly introducing some measures to attract investments, such as "tax exemptions, duty free equipment imports and 100 percent land ownership in specialised free zones in its agriculture, livestock and dairy sectors".¹⁶ According to a media report, a group of public and private firms from the United Arab Emirates has recently invested in the Baluchistan Province of Pakistan to begin mechanized farming under irrigation.¹⁷ Additional investments in agriculture are reported to be under discussion.

Saudi Arabia's private company Hail Agricultural Development Company is reported to have invested in the north of Karthoum.¹⁸ The BinLadin Group is reportedly planning to make large investments to grow basmati rice in the Indonesian islands of Papua New Guinea, Sulawesi and Western Java.¹⁹ According to Grain, "The Saudi rice venture is part of a larger agricultural development project involving a total of 1.6 million hectares for not only rice but also maize, sorghum, soya beans and sugar cane, much of which will be converted to biofuels."²⁰ In Ethiopia, 240 Saudi companies that have obtained investment licences are expected to invest US\$ 2.5 billion in unused agricultural land to grow cereals.²¹

Qatar and Kuwait are reportedly negotiating land concessions in Cambodia in exchange for investments in agricultural technology and infrastructure development.²²

About 15 Indian companies, led by the public-sector State Trading Corporation, are reported to be leasing 10,000 hectares of productive farmlands in Brazil, Paraguay and Uruguay to cultivate soybeans and oilseeds.²³ Other private agribusiness companies and

¹⁵ Woertz E. et al., 2008, p. 9.

¹⁶ Khan S., 2008.

¹⁷ Ibidem.

¹⁸ Grain, 2008, p.7; Wallis W. et al., 2009.

¹⁹ Grain, ibidem; Zeenews.com, 2008.

²⁰ Grain, ibidem.

²¹ Chebsi M., 2008.

²² Minder R., 2008.

²³ Sharma D., op.cit.

public corporations are leasing farmland in Myanmar in exchange for funds to upgrade the port infrastructure.²⁴

A number of media sources covered the news that the firm of the Republic of Korea Daewoo is negotiating the lease of 1.3 million hectares of land in Western Madagascar to grow 5 million tons of maize by 2023 and produce palm oil from an additional 120,000 hectares.²⁵ The possibility of such a deal created a tremendous backlash in the country, with demonstrations and violence. An official press release denied that the deal had been sealed.²⁶

The US Jarch Management Group is reported to have gained leasehold rights to 400,000 hectares of fertile land in The Southern Sudan.²⁷

III. The Local Context: Land Availability and Use

Secure access to land is critical for the millions of rural people relying on agriculture and related activities for their livelihoods. However, poor people's access to land is limited and insecure; access by some groups – such as women and indigenous populations – is even more precarious.

III.1 Limited Availability of Land

The growing demand for land in rural areas of developing countries is taking place in a context of increasing land scarcity and land degradation, mainly due to demographic pressure and the effects of climate change.

According to FAO data, out of the world's total 13.5 billion hectares of land, the amount that is potentially available for expanded rainfed crop production is estimated to be about 2 billion hectares, 80 per cent of which is located in sub-Saharan Africa (especially Western and Central Africa) and in South America.²⁸ Of this "global land reserve", it is estimated that at least 500 million hectares must remain protected from agriculture for environmental reasons.²⁹ Half of these cultivable land reserves are found in just seven developing countries: Angola, the Democratic Republic of the Congo, The Sudan; and Argentina, the Plurinational State of Bolivia, Brazil and Colombia.³⁰ Land availability also needs to be understood in relation to population increase. In fact, while FAO data show that in Africa, between 1960 and 2000, the amount of arable land under cultivation rose, the population engaging in agriculture tripled, thus reducing the land-to-population-ratio.³¹ For example, in Ethiopia, Kenya and Zambia – which are among the developing countries particularly attractive to potential investors – this ratio is about half as large as it was in the 1960s.³² In Ethiopia, projections indicate that the rural population will grow

²⁴ Grain, 2008, pp. 5-6

²⁵ Bokhari A., 2008; Ryall J. and Pflanz M., 2009; Blas J., 2008a; Borger J., 2009.

²⁶ *Economie*, 21 November 2008; C. Oliver, 2008.

²⁷ Blas J. and Wallis W., 2009; Wallis W. et al., 2009.

²⁸ FAO, 2008, p.60.

²⁹ Griffon, M., 2006, p. 363.

³⁰ Fischer G. et al., 2001, p.21.

³¹ FAOStat database; Jayne T. S., et al., 2006, p. 104.

³² Jayne T. S. et al., *ibidem*.

from 79 million in 2006 to 183.4 million in 2050, in Madagascar from 18.6 million to 44.4 million, and in United Republic of Tanzania from 38.5 million to 85.1 million.³³

Landlessness and land fragmentation are increasing worldwide. For example, in India, average landholding size fell from 2.6 hectares in 1960 to 1.4 hectares in 2000 and is still falling.³⁴ In Cambodia, rural landlessness rose from 13 per cent in 1997 to 20 per cent in 2004, and analysts believe that the current figure is close to 30 per cent.³⁵ Similarly, in East and Southern Africa, cultivable land per capita has halved over the last generation, and in a number of countries, the average cultivated area amounts to less than 0.3 hectares per capita.³⁶

Land in the rural areas of developing countries is limited not only in quantity but also in quality, which reduces its productive potential. According to FAO, land degradation is increasing in severity and extent in many parts of the world, involving more than 20 per cent of all cultivated areas, 30 per cent of forests and 10 per cent of grassland. By 2020, an estimated 135 million people may be driven from their land as a result of soil degradation, with 60 million in sub-Saharan Africa alone.

While land is becoming increasingly scarce for smallholder farmers, pastoralists and indigenous peoples, demand for agrofuels and outsourced food production is increasing, with agrofuel production expected to expand significantly over the next few decades. According to the International Energy Agency (IEA), in 2006 about 14 million hectares of land – approximately 1 per cent of the arable land currently available worldwide – was used for the production of agrofuels.³⁷ FAO projects that these figures will increase between 2 and 3.5 per cent by 2030.³⁸

III.2 The Case of Marginal, “Underutilized” and “Unused” Lands

It is often argued that outside investments – especially for agrofuel production, but not only – will be in lands that are marginal, “underutilized” or “unused”. However, such lands are often important for the livelihoods of poor rural communities. For example, they are used for grazing; livestock transit routes; collection of fuelwood, biomass, wild fruits and nuts, medicinal plants and natural products; and access to water sources. Such lands can contribute up to a quarter of the income of poor households, with the poorest households being most dependent on them.³⁹ The role of this land becomes even more crucial in times or conditions of shocks (e.g. crop failure, HIV/AIDS) and for the most vulnerable groups. Furthermore, the tenure status of this land may be very complex, with the state asserting land ownership but exercising little control at local level, and local groups claiming rights based on local customary tenure systems that may lack legally enforceable status. In such a context, outside demand for land may further undermine the land rights of rural communities.

³³ UNDESA, 2007.

³⁴ World Bank, 2007, p. 29.

³⁵ Guttal S., 2006.

³⁶ Jayne T. S. et al., op.cit., p.104.

³⁷ International Energy Agency, 2006, p. 8.

³⁸ Rossi A., Lambrou Y., 2008, p. 9; Abassian A., 2007.

³⁹ OXFAM International, op.cit, p. 21.

IV. Risks and Opportunities for Smallholder Farmers and Rural Communities

Large-scale foreign investments for agrofuel and outsourced food production could bring a number of opportunities for rural communities. However, they could also carry a number of risks that would undermine their livelihoods.

IV.1 Potential Risks

There is increasing concern that such investments could disproportionately affect rural communities, deprive them of their main asset, land, aggravate environmental problems through overexploitation of land and spur conflicts.⁴⁰ Victoria Tauli-Corpuz, Chairperson of the United Nations Permanent Forum on Indigenous Issues, estimates that the land rights of 60 million indigenous people worldwide may be at risk as a result of large-scale agrofuel expansion.

Concern has also been raised about the potential impact on the food security of rural populations – who are usually net buyers of food – and investment-receiving countries, most of which have serious national food concerns of their own. In fact, most of these target countries are themselves net food importers and/or food aid recipients. For instance, Madagascar and The Sudan still receive food aid relief from the World Food Programme; several months ago, Cambodia received US\$ 35 million in food assistance from the Asian Development Bank ().

The limited information and empirical research available to date, and the fact that most of these investments are still at an early stage, allow only for preliminary considerations about the potential and anticipated adverse impacts on poor rural people and communities. Some insights can also be drawn from analogous experiences.

In Central America, for example, during the coffee boom of the late nineteenth century, large-scale land acquisition and privatization of previously customary lands led to rapid and massive land concentration, expropriation and – in countries such as Guatemala and El Salvador – even civil war.⁴¹ FAO reports that in the Philippines, because of the introduction of sugar cane in the Southern Bukidnon Province, many households lost their access to land.⁴² More recently, “large land transfers to investors in Cambodia and Kenya failed to help modernize agriculture and instead generated conflict”.⁴³

Local communities are not always adequately informed about land concessions made to private companies.⁴⁴ In Indonesia, for example, oil palm plantation is expanding rapidly and aggressively, causing massive deforestation. Especially in West Kalimantan, it is alleged that some land acquisitions did not take into consideration the customary rights regarding land and were made without the consent of local people.⁴⁵

⁴⁰ Media and advocacy groups define this phenomenon as “land grab”, a term first used by the Rights and Resources Initiative, a global coalition to advance forest tenure, policy and market reforms.

⁴¹ Songwe V., Deininger K., *op.cit.*, p. 2.

⁴² FAO, 2008, p. 83.

⁴³ Songwe V., Deininger K., *op.cit.*, p.2.

⁴⁴ Cotula L., *op.cit.*, p. 40; Eide A., 2008, p. 16; Grain, 2007, p. 29.

⁴⁵ Cotula L., *ibidem*, pp. 40-42; Grain, *ibidem*.

Large-scale investments for production of agrofuel feedstock have led to increased land concentration and even to forced evictions. In Colombia, Afro-Colombian communities have been evicted from their land in the north-western region and along the Pacific coast to make way for oil palm plantation.⁴⁶ Some farmers refusing to sell or relinquish their holdings were reported to have been murdered.⁴⁷ In Guatemala, the expansion of land under sugar cane and oil palm cultivation has been accompanied by concentration of land ownership.⁴⁸ When landowners in Fray Bartolomé de Las Casas in Alta Verapaz reorganized their farms to be sold to some agrofuel investors, tenant farmers who had been previously allowed to cultivate small plots of land to meet their household food needs were reportedly displaced.⁴⁹

Especially in contexts of land scarcity, large investments in land may induce land-use changes to the detriment of food security, biodiversity and the environment. High-quality land may be diverted from local food production, livestock grazing, and income-generating activities previously carried out by rural communities. As one consequence, smallholders may have no other option but to seek a living on marginal lands. These lands could, in turn, become subject to increased pressure, exploitation, degradation and conflict.⁵⁰ In the Alipe village located in the White Volta river basin (Ghana), a project for *Jatropha* production was interrupted as community members realized it was causing the loss of local shea nut trees.⁵¹ These trees produce a valuable commodity used internationally in soaps and cosmetics and locally as a medical relief, for cooking, and as a source of income for women.⁵² In the southern province of Gaza, the Government of Mozambique and the London-based Central African Mining and Exploration Company signed a contract to invest US\$ 510 million to grow sugar cane on 30,000 hectares of land. The project attracted criticism as the allocated land had already allegedly been promised to 1,000 previously displaced families, and there were concerns that water resources would be diverted from other agricultural uses.⁵³

Land prices are likely to increase, thus threatening poor people's access to land by causing or accelerating individualization of land rights previously held in common. Those who have better access to financial resources are likely to gain and secure their access to land, whereas the poorer and more marginalized groups may be excluded from land or have their rights eroded.⁵⁴

IV.2 Potential Benefits and Opportunities

Increased investments in food and agrofuel production flowing to rural areas of developing countries could present important benefits and opportunities for poor rural communities. Such investments have the potential to boost the agricultural sector, promote its modernization and stimulate rural economies by: the development of processing industries; livelihood diversification and employment generation; increased

⁴⁶ Cotula L., *ibidem*, p. 43; Monahan J., 2008; Balch O. and Carrol R., 2007.

⁴⁷ Monahan J., *ibidem*; Balch O. and Carrol R., *ibidem*.

⁴⁸ Action Aid, *op.cit.*, p. 15.

⁴⁹ *Ibidem*, p. 16.

⁵⁰ Eide A., *op.cit.*, p. 17.

⁵¹ Action Aid, *op.cit.*, p.17.

⁵² *Ibidem*.

⁵³ Cotula L., *op.cit.*, pp.35-36.

⁵⁴ *Ibidem*, p.28, Action Aid, *op.cit.*, *passim*.

agricultural productivity through the provision of improved seed varieties, know-how and new technologies; lowering of production costs and higher returns for the farmers; infrastructure building such as roads and ports which facilitate access to reliable markets; and social infrastructure such as schools, health centres, wells and water services. In order for these opportunities and benefits to materialize, the role of government and public policies is critical, including for the development of mechanisms to link outside investors and local communities in a sustainable and mutually beneficial way.

There is no doubt that private investments – within a conducive policy environment – have brought benefits to local producers. In the 1960s, the Government of Thailand assisted farmers in introducing new crops with the help of private firms that provided a package of services such as extension, credit and marketing support, along with new seeds.⁵⁵ Similarly, private investors, in collaboration with the Government of Madagascar, achieved pest control in rice through new inputs and know-how, farmer awareness, and training of agricultural extension staff, all of which led to higher yields and production.⁵⁶ Particularly successful is the case of Pepsi Foods, which entered the State of Punjab in India in 1989 for production of tomato through contract farming. The company introduced new technologies and seed varieties, accompanied by modern farming practices.⁵⁷ Region-specific research was developed, including adaptation of imported varieties of tomato to the local conditions. The company also provided extension services and training. Contract farming production of tomato has significantly increased employment opportunities (including for women) in the areas involved, thanks to the mechanization of sowing and harvesting operations.⁵⁸ Encouraged by the results, Pepsi Foods has been successfully replicating the model in food grains (basmati rice), spices (chillies), oilseeds (groundnut) and other vegetable crops (potato).

Experience is increasingly showing that partnerships between external investors and small-scale rural producers, within a conducive policy framework, can contribute to poverty reduction, agriculture-led development and economic growth. Provided they are developed with a pro-poor, sustainable and win-win approach that takes into consideration the needs, capabilities and constraints of smallholder farmers, these partnerships can create valuable synergies through knowledge and risk sharing, economies of scale, and resource pooling. Contract farming/out-grower schemes are the most common models to date of such partnerships. They enable smallholder farmers to gain access to extension and financial services, inputs, improved technologies and a reliable market, which are often out of their reach, while investors can acquire a guaranteed supply of produce and overcome land constraints.

Community-Investor Partnerships

In **India**, the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) supports a public-private consortium aimed at testing and growing sweet sorghum. The private Indian company Rusni Distilleries contracted about 3,200 small-scale farmers growing sweet sorghum on approximately 2 hectares of land each to meet its target for

⁵⁵ Singh S., 2001, pp.35-36.

⁵⁶ Ibidem, p.36.

⁵⁷ Ibidem, pp.38-43; SPICE, 2003.

⁵⁸ Singh S., ibidem, p.42.

ethanol production. Kaveri Seed Company provides high-quality seeds to the farmers, while ICRISAT contributes research inputs and technical advice. *Source: ICRISAT*

Again in **India**, since 2005, the joint venture formed by the UK-based D1-BP Fuel Crops and the Indian Williamson Magor has been growing Jatropha on 62,000 hectares of uncultivated or waste land, with a further 50,000 hectares targeted for use by 2009. Out-growers agreed on a performance-based buy-back scheme and are provided with technical services and at-cost supply seedlings. Intercropping with food crops is encouraged for food security. *Source: Global Exchange for Social Investment (GEXSI)*

In the **Lao People's Democratic Republic**, the Lao-Japanese joint venture Arrowny Corporation produces organic Japanese rice for export to Japanese people living in South-East Asia. With the approval of the Ministry of Agriculture and Forestry of the Lao People's Democratic Republic, the company plans to farm 18,500 hectares of land across the country through contract farming. The joint venture provides small-scale farmers with a premium price for growing the rice, in-kind credit for high-yield seeds, organic fertilizer and technical assistance. *Source: Asian Development Bank Institute*

In **Mali**, Mali Biocarburant SA – a company partly financed by the Netherlands – is producing biodiesel from Jatropha Curcas without acquiring land and developing plantations, for the national market. Small-scale farmers are shareholders in the company. They supply the Jatropha nuts to the Union Locale des Sociétés Coopératives des Producteurs de Pourghere a Koulikoro (ULSPP), a farmers' association which extracts the oil and sells it to Mali Biocarburant. The seed cake is sold to the farmers to improve soil fertility. Mali Biocarburant then processes the oil into biodiesel and sells the by-product (glycerol) to a women's cooperative to produce soap. The private company Interagro purchases the fuel and then distributes it. This biofuel model integrates Jatropha production into the smallholder farming system, without creating competition over land uses for food and fuel production, by promoting intercropping with food crops or growing Jatropha on unproductive land (e.g. along the roadside). Land rights of the people could even be potentially strengthened as – according Malian customary law – land planted with trees belongs to the person/community who planted the trees. Farmers not only earn revenue through the sale of the nuts, but also through dividends and increased share value. *Source: Mali Biocarburant*

In **the United Republic of Tanzania**, the Tanzanian FELISA company - funded by equity contributions mostly from Belgian shareholdings - targets 10,000 hectares of land for oil palm plantation. To date it has acquired 4,358 hectares, set up a large oil palm nursery (42,000 seedlings), installed processing equipment and mobilized 990 out-grower farmers who were provided with 10,000 seedlings at no cost and trained in palm husbandry. The farmers are under no obligation to sell only to FELISA, and the price is negotiable; however, the contractual agreement may bind them to supply a certain amount of a crop of a specified quality over a given period of time. *Source: FAO and Policy Innovation Systems for Clean Energy Security (PISCES)*

As previously mentioned, public policies play a key role in enabling small-scale farmers to engage with major investors in ways that can benefit them. This is the case, for instance, of the Social Fuel Stamp scheme that is part of Brazil's National Biodiesel Production and Use Program (PNPB). Companies purchasing from 10 to 50 per cent of their feedstocks

from small-scale family farms in the poorest regions receive a “social label”, partial or total tax exemption and the guarantee that their product will be purchased by the state-controlled company PETROBRAS. Companies provide technical assistance, extension services and agricultural training to the farmers. During negotiations, the presence of a rural union representative must be guaranteed.⁵⁹

The above examples illustrate that, ultimately, what investors actually need in many cases is not land per se, but the agricultural products of the land. Thus, land acquisition may not be necessary to secure the supply of these products. Again, with appropriate public support and the right investments, small-scale farmers themselves can supply them and benefit in the process without compromising their food security or losing their land rights.

V. What Is IFAD Doing?

Over the past few decades, IFAD has implemented various types of activities to improve poor rural people’s access to land and tenure security. It also provides support to governments to develop and implement land policies that strengthen the rights of small-scale producers and indigenous communities, as is the case, for example, in Georgia and Madagascar. Furthermore, the Fund supports the strengthening of rural institutions and the organizations of its target groups so as to increase their negotiating power, and their capacity to take advantage of economies of scale and enter into beneficial partnerships with other actors.

Building on its experience and that of its partners, IFAD has recently developed a Policy on Improving Access to Land and Tenure Security, which aims to enhance the Fund’s capacity to promote equitable access to land by poor rural people and enhance their land tenure security.⁶⁰ Among the guiding principles of this policy, two are of immediate relevance to the trend of growing demand for land: (i) adherence to the “do-no-harm principle” at all times; and (ii) adherence to the principle of free, prior and informed consent.⁶¹ The first requires all interventions on the part of IFAD to “be designed [...] in such a way that they ‘do no harm’ to the land tenure interests of the rural poor, especially those of women, indigenous and tribal peoples and other vulnerable groups. Careful measures must always be considered to avoid elite capture or forced displacement of people, and to address conflicting claims.” The second guiding principle specifies that “[b]efore supporting any development intervention that might affect the land access and use rights of communities, IFAD will ensure that their free, prior and informed consent has been solicited through inclusive consultations based on full disclosure of the intent and scope of the activities planned and their implications.”⁶²

IFAD also supports the establishment of mutually beneficial partnerships between external investors/agribusiness companies, small-scale producers and indigenous people.

⁵⁹ Action Aid, *op.cit.*, p. 15; Cotula L. et al., *op.cit.*, p. 54; World Wildlife Fund, 2008, p. 6.

⁶⁰ IFAD, December 2008, *Improving Access to Land and Tenure Security*, Rome. The policy was approved by the Executive Board of IFAD in September 2008.

⁶¹ *Ibidem*, pp. 15-16.

⁶² *Ibidem*.

Some loan- and grant-financed projects are testing and promoting these pro-poor partnerships.

IFAD Loans and Grants Mainstreaming Community-Investor Partnerships

The **Partnership for Grains and Oilseed Development (PGOD)** is an IFAD-financed grant recently started in Ghana that aims to pilot and test public-private partnerships in commercial agriculture and develop maize and soybean value chains. The partnership includes Aquafarm (a large importer of maize), Wienco (a large buyer of maize), Ghana Nuts (the largest processor of soybean in Ghana) and other private companies, financial institutions and donors. Farmers work through out-grower schemes.

The IFAD-supported **Vegetable Oil Development Project (VODP)** in Uganda aims to increase small-scale farmers' income by revitalizing national vegetable oil production from oil palm. Implemented in partnership with a private-sector company, Bidco Oil Refineries, it targets an area of 10,000 hectares of land located on Bugala Island, Kalangala District. About 3,500 hectares is cultivated by 1,400 smallholder farmers through out-grower schemes. IFAD's funds supported the establishment of Oil Palm Uganda Limited (OPUL) – a consortium in which Bidco and the small-scale producers are partners – and the Kalangala Oil Palm Growers Trust – the local farmers' association which has a 10 per cent share in OPUL. The trust provides farmers with credit and helps them to obtain fair deals when selling their produce. OPUL provides seedlings and fertilizers, technical support, housing and healthy meals to its employees. It also built roads and runs a clinic.

Some pilots will also be implemented to strengthen the linkages between the recognition of land rights of rural poor people and the establishment of community-investor partnerships for agricultural and livestock production.

Additionally, the Fund supports several research initiatives, also in collaboration with other institutions. These include: research into the impact of agrofuel production on rural people's land rights; a study co-financed with FAO and commissioned by the International Institute for Environment and Development on the implications of the increased demand for land by outside investors on land rights and markets; and a collaborative research project on the commercial pressure on land, coordinated by the International Land Coalition.

In collaboration with FAO, IFAD is also involved in developing the voluntary Guidelines on Responsible Governance of Tenure of Land and Other Natural Resources.

Other ongoing and planned activities include building partnerships with bilateral and multilateral donors, United Nations agencies, research institutions and the private sector to mainstream land access and tenure security for poor rural people.

VI. Some Options for Good Practice

Emerging evidence is showing that an enabling policy and legal environment and good land governance are crucial to ensure that as efforts are made to attract external investments, mechanisms are in place to protect poor rural people and enhance their livelihood prospects.

Greater support is needed for appropriate, affordable and accessible land registration systems to secure the rights of small-scale producers and indigenous communities. These communities and producers also need support in strengthening their involvement in land

management planning, and in identifying and responding to their needs so that they are more able to take advantage of business opportunities.

Governments should define precise procedures for land allocation, taking into consideration pre-existing formal or customary land rights. The processes for approving land acquisitions should be made transparent and only after direct and informed negotiation between investors and local communities.

A set of guidelines, certification procedures and codes of conduct should be developed to be subscribed to by investors in order to meet minimum social and environmental standards, with incentives/benefits provided for those adhering to them.

It is important to determine principles and criteria for the establishment of pro-poor partnerships, which should be developed through enforceable and balanced contractual agreements. Additionally, initiatives carried out in such partnerships should be monitored to improve the sharing of information and learning of lessons from successful and unsuccessful experiences.

With regard to agrofuel production, farming practices that can limit land requirements while achieving similar outputs should be promoted, such as: (i) integrated food-fuel systems, which allow the use of by-products (e.g. bagasse from sugar cane, wood and agricultural residues); and (ii) mixed cropping systems combining the production of food and fuel feedstock on the same land (e.g. cassava and oil palm trees for three years followed by oil palm plantation for cattle grazing).

Questions to guide the round-table discussion:

- What are the impacts on rural communities of the growing demand for land for large-scale food and fuel production? Are poor rural people losing out in terms of their rights to land and water? Are they gaining from being engaged as out-growers or contract farmers, or from new employment or marketing opportunities? Are there any cases in which they have benefited substantially? What lessons can we draw?
- What has characterized effective management of large-scale investments that have resulted in win-win arrangements for all parties? What has been the policy environment for such experiences? What has been the role of civil society? What has been the involvement of rural communities? What other specific features can we point to? What characterizes evolving best practices?
- What can the various stakeholders (governments, local communities, farmers' organizations and investors) do to develop transparent and inclusive mechanisms to guide and manage investments in agriculture? What role of value can an organization such as IFAD play in this regard?

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