LAND MATRIX

LARGE-SCALE LAND ACQUISITIONS IN BRAZIL

A COUNTRY PERSPECTIVE

JULY **2020**

WHAT IS THE LAND MATRIX?

The Land Matrix is an independent global land monitoring initiative that promotes transparency and accountability in evidence-based decisions over large-scale land acquisitions (LSLAs) in low- and middle-income countries across the world.

These country profiles present national-level data of LSLAs and transactions, including who the investors are, what the land will be used for, and what the potential benefits and impacts of the land deals are.

By making this information available, the Land Matrix aims to enhance broad engagement and data exchange, facilitating the continuous improvement of the data.

Find out more at www.landmatrix.org.

BACKGROUND

Brazil (officially the Federative Republic of Brazil) is the largest country in both South America and Latin America and, at 8.5 million km^2, the world's fifth-largest country by area. A highly multicultural and ethnically diverse nation, Brazil is also a biodiversity hotspot.[1] Sadly, however, the country also ranks second-highest globally in terms of forest loss in the last two decades, although other countries experienced a greater percentage of loss of forest cover (Hansen et al., 2013).[2] This deforestation is mostly associated with cattle ranching and agriculture, as seen in the Amazon basin, for example, where cattle pastures represent the largest single use (about 70%) of cleared lands (Pellegrino Cerri et al., 2018).[3] Given the magnitude of Brazil's geographic expanse, it is not surprising that it is one of Latin America's main target countries for land investments (Borras et al., 2012[4]; Venencia et al., 2019[5]) – and yet, the 6,367,825 hectares (ha) covered by all 162 concluded deals recorded in the Land Matrix database to date[6] represent less than 1% of the country's entire land area. However, they represent 7.7% of all its arable land, when considered in view of the fact that only 9.7% of the total land area is arable.[7]

WHAT IS A LAND DEAL?

The Land Matrix defines a land deal as any intended, concluded, or failed attempt to acquire land through purchase, lease, or concession in low- and middle-income countries.

To be included in the Land Matrix global database, deals must meet the following criteria:

- Entail a transfer of rights to use, control, or ownership of land through sale, lease or concession;
- Have been initiated since the year 2000;
- Cover an area of 200 ha or more;
- Involve the change of land use (often from extensive or ecosystem service provision to commercial use).

Please note: *In certain cases, deals meeting different criteria to the global database are captured at regional and country level. For example, in this country profile, although there are 169 deals recorded for Brazil in total, only the 162 deals meeting the global criteria have been included.*

For more information about land deals and how data is captured, analysed, and used, browse our frequently asked questions at www.landmatrix.org/faq.

Extracting data from the Land Matrix website using regional filters, this country profile presents a detailed overview of these and other dynamics involved in the acquisition of land in Brazil. For this reason, in certain cases, deals meeting different criteria to the global database were included, namely those with a domestic scope, as well as those for agricultural, forestry, and other intended purposes. Deals for mining operations were excluded. It is important to note, therefore, that applying different filters on the Brazil country page may generate a different data set to the one used for this country profile.[8]

CASE STUDY
HARVARD MANAGEMENT COMPANY

Between 2007 and 2008, Harvard University invested in agriculture lands in Brazil through the Harvard Management Company (HMC), its endowment fund registered in the USA. Since HMC farmland acquisitions are made through complex business structures, information on the land it owns and manages is not always easily accessible. However, what is known is that, having established three offshore structures in Brazil, operating through three different Brazilian agribusiness operators – Insolo Agroindustrial SA, Gordian Bioenergy, and Caracol Agropecuaria – HMC acquired 423,000 ha located in the states of Piauí and Bahía with the main intention of producing food crops and biofuels.[9] The controversy caused by these deals, of which only one is in operation, has placed HMC at the centre of a mounting global media storm, which seems to have come to a head in 2020.[10] Several social, environmental, and financial conflicts with local dwellers have reflected very negatively on the fund, with reports of displacement and harassment of rural communities, as well as a number of restrictions on their access to natural resources, such as water and forests, and severely detrimental

ecological impacts connected to deforestation of the fragile Brazilian "Cerrado" ecosystem. The fund is now allegedly trying to reduce its share of farmland in the region, citing insurmountable financial difficulties.[11, 12]

In a joined statement released on 23 August 2019,[13] local community leaders, together with Harvard University students, made calls to solve the social conflicts connected with HMC land investments, denouncing the fund for its "billion dollar land grabs" and asking university administrators for immediate measures to resolve all conflicts associated with its current land holdings and ensure that affected communities are adequately compensated for any damage they may have suffered. The statement went on to say that investment in Brazilian agribusiness "fuels the deforestation of the Amazon rainforest and exacerbates the global climate catastrophe. Harvard is ignoring its responsibility of environmental stewardship and once again choosing profit over the health and well-being of people and the planet." More information on these land deals can be found in the Land Matrix database (look for deals #6868, #7955, and #7956).

Concluded deals in Brazil

Top five projects:
Location, size, implementation status, intention of investment

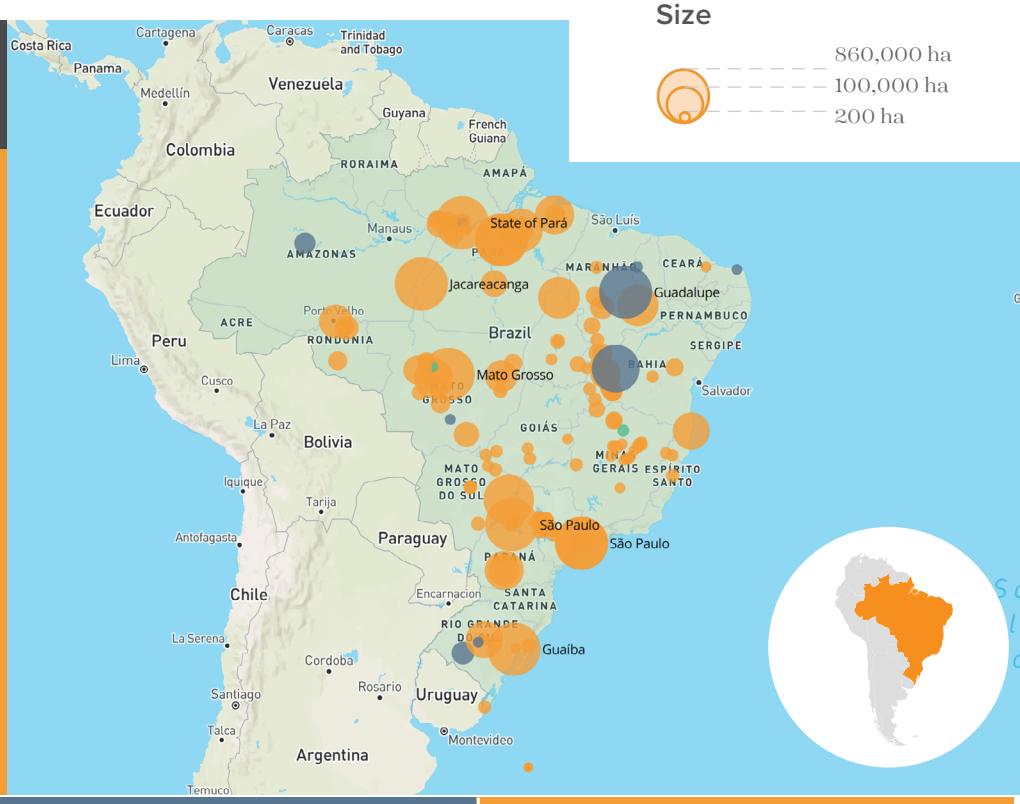
1. São Paulo, **860 000 ha**
In operation
Biofuels

2. Pará, **545 000 ha**
In operation
Timber plantation

3. Mato Grosso, **300 000 ha**
In operation
Food crops

4. São Paulo, **270 000 ha**
In operation
Biofuels, Food crops

5. Rio Grande do Sul, **212 000 ha**
In operation
Timber plantation



Project not started | Start-up phase | In operation

Brazil investment profile

Total number of concluded deals
162

Total size of concluded deals
6,367,825 ha

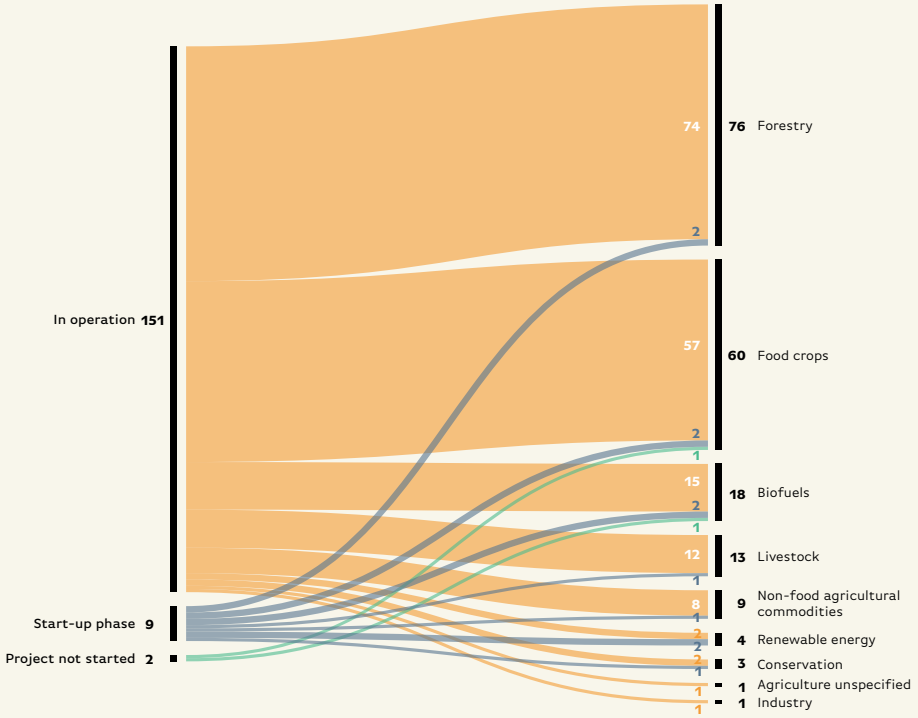
Implementation status

In operation
5,961,040 ha

Start-up phase (no production)
399,591 ha

Project not started
7,194 ha

*Intention of investment (according to number of concluded deals)**



* This figure lists the intention of investments per negotiation status. Please note, a deal may have more than one intention. In Brazil, there are 185 intentions for 162 concluded deals.

INTRODUCTION

Tracking LSLAs from 2000 to 2019, despite the lack of consistent growth in the number or size of these deals over time, clear peaks were observed in different years, such as 2007, 2013, and 2018. Although it is difficult to determine the exact causes for these ebbs and flows, they can mostly be attributed to a combination of a number of variables, including fluctuating commodity prices and financial crises, among other global variables, together with changes in local or regional economic and political contexts.

More than 90% of all land deals are currently in operation, both in terms of number of deals and total area involved, and only one failed deal has been recorded. The deal (#2065 in the database) failed in 2012 when the Brazilian Forest Service (SFB) unilaterally rescinded the contract signed with Sakura Indústria e Comércio de Madeiras Ltda., which was in charge of the concession of a so-called Forest Management Unit in the national forest of Jamari, in the State of Rondônia, when the company allegedly defaulted on the payments agreed upon in the contract. In November 2018, however, a new bidding announcement was published for the forest concession of the rescinded area, totalling almost 33,000, which was won by Madeflona Industrial Madeireira based on criteria such as more social benefits, fewer environmental impacts, more locally added value, and more production efficiency.[14] This case illustrates the rapidly changing dynamics of the land market in Brazil, as in other countries in Latin America and the Caribbean, and highlights the need to keep the Land Matrix database constantly updated.

LSLAs by negotiation status

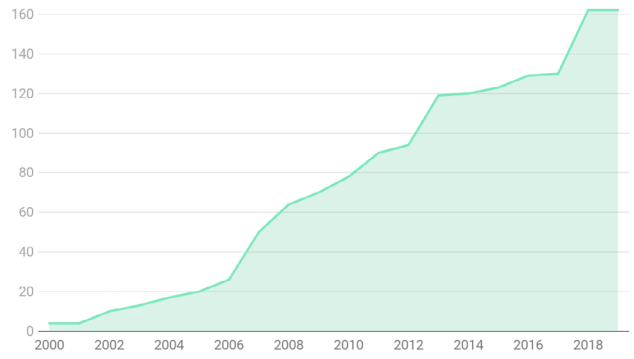
	Number of deals	Size under contract (hectares)
CONCLUDED		
Contract signed	162	6,367,825
Oral agreement	0	
Total	162	6,367,825
INTENDED		
Expression of interest	0	0
Under negotiation	0	0
Total	0	0
FAILED		
Negotiations failed	0	0
Contract cancelled	1	32,900
Total	1	32,900

INVESTORS AND INVESTOR COUNTRIES

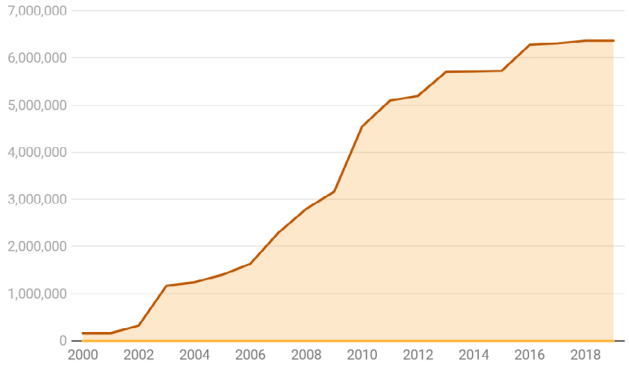
As in other Latin American countries, domestic investors play a significant role in Brazil, where they are involved in more than half (57.0%) of all concluded deals, followed by, albeit to a much lesser degree, foreign investors from the Netherlands (12.0%), USA (8.4%), Argentina (5.5%), and Chile (4.6%), among other countries. It is important to highlight, however, that some of these figures need to be interpreted with caution and on a case-by-case basis, since international investors often seek local partners before embarking on a potentially risky LSLA. Nevertheless, the fact that domestic investors dominate the Brazilian land market does have important economic and political implications and should not be overlooked when analysing land issues, not only in this country, but also elsewhere in Latin America and the Caribbean.

Concluded deals over time (2000 - 2019)

Cumulative number of deals

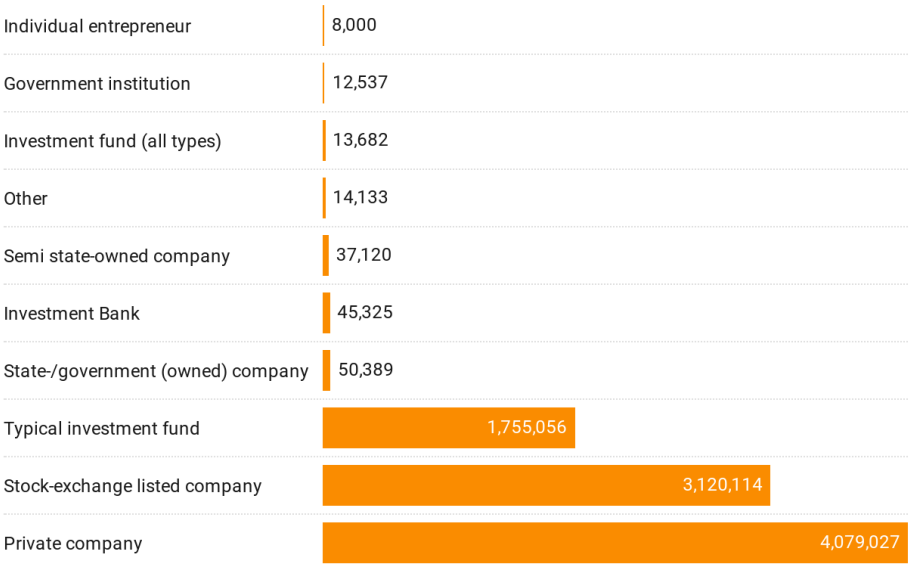


Cumulative size under contract



Note: This graph shows changes in size under contract, including for abandoned deals with contracts still in place. Thus, the number of deals can remain the same even if the size increases/decreases.

Deals by investor type (in hectares)



Private companies are the most common type of investor, both in terms of the current size under contract and number of deals, with stock-exchange listed companies and investment funds coming in second and third place respectively in terms of area, but in third and second place respectively for the number of deals.

Since domestic and transnational investors may or may not be affected by the same variables or guided by the same motivations when deciding on a land investment, current research being conducted by members of the Land Matrix's Latin America Regional Focal Point (RFP) is focusing on the different drivers and motivations behind LSLAs in order to better describe and understand the diversity of private and public actors currently playing a role in land investments in the region.

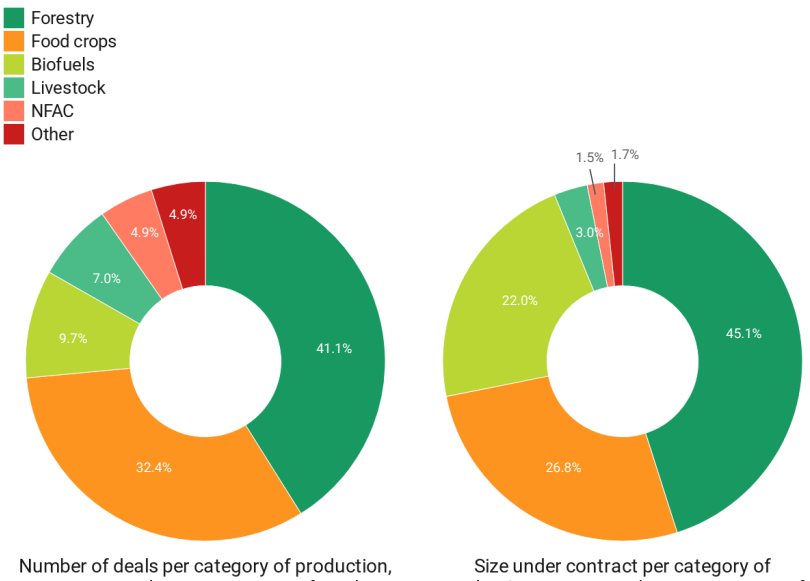
Foreign investor countries

DRIVERS AND AIMS OF PRODUCTION

The overwhelming majority of land deals in Brazil are intended for forestry (including timber production) and food crops (mostly soybean, sugar cane, cotton, and corn). These two categories of production alone represent more than 70% of all land use intentions in the country, followed by biofuels, livestock, and non-food agricultural commodities (NFAC). Tourism was not included in the list of intentions, since only one deal related to this category (intended, not concluded) and the current size of the contract was zero.

It is important to note that, as a deal may have more than one intention, the total number of intentions is usually larger than the total number of deals. For instance, in Brazil, 185 investment intentions were reported for the 162 concluded deals recorded. In addition, because aggregation of size is difficult when more than one intention is listed for a particular deal, the size under contract is equally divided by the number of different intentions listed. By adopting this criterion, the total area covered by all intentions will always be equal to the total area under contract (in the case of Brazil, 6,367,825 ha). However, the area devoted to specific intentions will not be accurate for most deals

Land acquisitions by category of production



Number of deals per category of production, represented as a percentage of total concluded deals

Size under contract per category of production, represented as a percentage of total concluded size

with more than one intention. In Brazil, for example, the area for some monocultures (such as soybean) will most likely be underestimated as a whole because they are often the main intention of LSLAs. This underestimation is not a neutral decision, and could convey an ambiguous and politically questionable message, namely that monocultures (and their potential social and environmental impacts) are less widespread than they really are in the region.

An alternative criterion would be to assign the whole size under contract to all intentions, however, this may result in the total area under contract being overestimated. This is clearly demonstrated in the case of Brazil, whereby applying this criterion would lead to a calculation of 7,406,605 ha under contract, an overestimation of 16.3%. Furthermore, where deals list "food crops" as investment intention, the difference between the two calculation procedures would be 450,252 ha. Yet this overestimation might be closer to the reality on the ground for Brazil (and perhaps for other regional countries such as Argentina and Paraguay), where rotation between summer and winter crops on the same parcel is a recommended practice, in addition to cattle usually roaming free, at least for some time, in fallow land. In these cases, the whole area of a deal might be used for two or even three investment intentions.

Information about the destination of the products or export countries is scarce, since only 23 deals explicitly report export as one of the main goals of the land acquisition. However, China, the USA, and some European countries were mentioned, and it is also widely known that a significant proportion of Brazilian exports go to neighbouring countries and members of regional trade alliances, such as Argentina, Bolivia, Paraguay, Uruguay, and Venezuela.

FIND OUT MORE ABOUT LAND DEALS IN LATIN AMERICA

We are continuously updating our data about land investments in Latin America. To find out more about which countries we cover, our data collection and verification process, and how you can add your contributions, please browse our frequently asked questions at www.landmatrix.org/faq and visit our regional page at https://landmatrix.org/region/latin-america/ or the Spanish-language website at www.landmatrix-lac.org.

This country profile was prepared by the Latin America Regional Focal Point, hosted by the Foundation for Development in Justice and Peace (FUNDAPAZ), based in Argentina.

LAND MATRIX
LATINOAMÉRICA Y CARIBE
EL QUE MIDE LA TIERRA

ENDNOTES

[1] For more information see: https://en.wikipedia.org/wiki/Brazil (Last accessed 4 August 2020).

[2] Hansen, M.C., Potapov, P.V., Moore, R., Hancher, M., Turubanova, S.A., Tyukavina, A., Thau, D., Stehman, S.V., Goetz, S.J., Loveland, T.R., Kommareddy, A., Egorov, A., Chini, L., Justice, C.O., and Townshend, J.R.G. (2013). High-resolution global maps of 21st-century forest cover change. Science 342(6160), 850-853.

[3] Pellegrino Cerri, C.E., Cerri, C.C., Ferreira Maia, S.M., Cherubin, M.R., Feigl, B.J., and Lal, R. (2018). Reducing Amazon deforestation through agricultural intensification in the Cerrado for advancing food security and mitigating climate change. Sustainability 10, 989.

[4] Borras Jr., S. M., Kay, C., Gómez, S., and Wilkinson, J. (2012). Land grabbing and global capitalist accumulation: key features in Latin America. Canadian Journal of Development Studies 33 (4), 402-416.

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[6] As at 30 July 2020.

[7] Source: https://tradingeconomics.com/brazil/arable-land-percent-of-land-area-wb-data.html (Last accessed 4 August 2020).

[8] In this report, unless indicated otherwise, the subset of 162 concluded deals that are equal to or larger than 200 ha is represented.

[9] Source: https://www.grain.org/es/article/6079-el-fiasco-de-harvard-mil-millones-de-dolares-en-tierras-agricolas (Last accessed 7 August 2020).

[10] Source: https://www.grain.org/en/article/6456-harvard-s-land-grabs-in-brazil-are-a-disaster-for-communities-and-a-warning-to-speculators (Last accessed 7 August 2020).

[11] Source: https://www.grain.org/es/article/6459-el-acaparamiento-de-tierras-de-harvard-en-brasil-es-un-desastre-para-las-comunidades-y-una-advertencia-para-los-especuladores (Last accessed 7 August 2020).

[12] Source: https://www.bloomberg.com/news/articles/2018-09-06/harvard-s-foreign-farmland-investment-mess (Last accessed 7 August 2020).

[13] Source: https://medium.com/@DivestHarvard/as-amazon-burns-we-call-on-harvard-to-cease-its-investment-in-farmland-2c8d38616393 (Last accessed 7 August 2020).

[14] See: http://www.florestal.gov.br/florestas-sob-concessao/92-concessoes-florestais/florestas-sob-concessao/300-sakura-industria-e-comercio-de-madeiras-execucao-financeira-e-tecnica-da-concessao-jamari-umf-ii (Last accessed 9 September 2020).

Suggested citation: Lucas Seghezzo[1] and Cristian Darío Venencia[1,2] (2020). Large-scale land acquisitions in Brazil: A country perspective. Land Matrix - Latin America Focal Point (LM-LAFP). Available at www.landmatrix.org.

[1] *INENCO (Instituto de Investigaciones en Energía No Convencional). CONICET (Consejo Nacional de Investigaciones Científicas y Técnicas) - UNSa (Universidad Nacional de Salta), Argentina*

[2] *Land Matrix Ph.D. Programme*

With the support of:

European Commission

Federal Ministry for Economic Cooperation and Development

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Help us improve and enrich our data with your contribution! We welcome any information you can share with us, including any gaps you may have found in our data.