



OVERSEAS FARMLAND INVESTMENTS IN SELECTED ASIAN COUNTRIES



a research and publication of the
East Asia Rice Working Group





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INVESTMENTS
IN SELECTED
ASIAN COUNTRIES**



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ACRONYMS

ACMECS	Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
AFP	Armed Forces of the Philippines
ASEAN-CEPT	Association of Southeast Asian Nations-Common Effective Preferential Tariff
BIMP-EAGA	Brunei-Indonesia-Malaysia-Philippines East Asian Growth Area
BULOG	Badan Urusan Logistik (Bureau of Logistics-Indonesia)
CDC	Council for the Development of Cambodia
CIB	Cambodian Investment Board
CSR	Corporate Social Responsibility
DDFI	Department of Domestic and Foreign Investment (Lao PDR)
DENR	Department of Environment and Natural Resources (Philippines)
EAERR	East Asia Emergency Rice Reserve
ELC	Economic Land Concession
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit or German Technical Cooperation
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IIED	International Institute for Environment and Development
MAFF	Minister of Agriculture, Forestry and Fisheries (Cambodia)

MIC	Myanmar Investment commission
MOU	Memorandum of Understanding
MPI	Ministry of Planning and Investment (Lao PDR)
NAPOCOR	National Power Corporation (Philippines)
NCIP	National Commission on Indigenous Peoples (Philippines)
NDC	National Development Corporation (Philippines)
NFA	National Food Authority (Philippines)
NGO	Non-Government Organization
OPEC	Organization of Petroleum Exporting Countries
OREC	Organization of Rice Exporting Countries
PADCC	Philippine Agricultural Development and Commercial Corporation
SMC	San Miguel Corporation (Philippines)
SMKFS	San Miguel Kuok Food Security Inc.
WTO	World Trade Organization



EXECUTIVE SUMMARY

Foreign investments in agriculture have been taking place in the Southeast Asian region since the colonial period. In the past few years however, there has been a distinct rise in both the number and magnitude of such investments in the region and the world as a whole. While such investments have generally been warmly received and encouraged by host governments, the scale and pace by which they have been pursued and the fact that they involve the ceding of control over large tracts of land to foreigners have raised serious concerns over their longer-term impact. Some have even pejoratively labeled the development as a veritable “land grab” by rich countries and foreign investors.

A major driver of the current overseas farmland investment phenomenon is the aggressive push of governments to secure their longer-term food security in reaction to the food crisis of 2008. This is particularly true for countries with limited production capabilities and related agro-climatic constraints. Additionally, foreign governments look at such investments as a strategy for energy security through biofuel and feedstock production and a means for pursuing their geo-political activities. Foreign ventures are also increasingly seen as a way to reduce reliance on immigrant labor, ensure food quality and safety of imported products, and secure carbon credits that can be used to comply with greenhouse gas emission commitments.

Most of the investments are carried out by private firms, sometimes with indirect support from their governments. These private entities are generally profit-seeking enterprises which see business opportunities arising from rising population and food demand, the liberalization of trade in the region, and the looming scarcity of land, water and other natural resources. Investments in food production overseas have also become more popular as a hedge against inflation and a strategy for portfolio diversification, particularly following the recent collapse of securities markets.

Host governments in turn welcome the investments as an opportunity to modernize their undeveloped agricultural sectors, disseminate modern technologies to farmers, introduce infra-structure developments, and create employment in the rural areas. The investments can additionally generate much needed taxes, rental fees and foreign exchange. Local businessmen and stakeholders on the other hand look at the foreign investments as an opportunity to participate in a profitable venture, access new markets, and acquire new technologies.

Most of the foreign investments will require land which could be owned either by private persons or the host governments. In rare cases, foreigners may be allowed to purchase and own lands in foreign countries. More typically how-

ever, foreign investors enter into leasing arrangements through which they assume full and exclusive control of the land over an extended period. Another option is to engage local landowners and farmers in contract growing for the supply of raw materials to the business venture. Joint venture companies have also been formed in some cases, with landowners contributing the value of their land as capital in the firms.

Although there is a general agreement that foreign agricultural investments could bring many significant benefits to host countries in Southeast Asia, experience has also shown that such business activities are fraught with danger if they are not properly configured, regulated and monitored. Many of these investments could result in the large-scale displacement of land-holders and occupants who could additionally be tricked into agreeing to exploitative and one-sided lease, contract growing and/or employment contracts. Women are particularly vulnerable considering the large role they play in the upkeep and financial management of farm families. The claim that subsistence farmers will be better off leasing their lands and working for the agribusiness firms is also debatable. Further, even adjacent communities may be adversely affected if the agribusiness ventures restrict access to roads, or excessively extract or pollute water, air and other natural resources in and around their area of operation.

The privileges accorded to foreign investors often contradict government policies and programs that are intended to secure property rights of local landowners and occupants, protect the environment, and ensure the long-term food security of the country. There is also generally weak monitoring of the compliance of investors with their commitments and with local rules and regulations. Oftentimes, there is

a distinct lack of transparency in how the investments are evaluated and allowed to take place, leading to speculations of that many of the transactions are either illegal or improper but that they are nevertheless being facilitated and endorsed by government officials in exchange for bribes and other emoluments.

The transfer of control over large tracts of land to foreigners could have serious effects on food security at the local, national and even regional levels, particularly since a large portion of the output from the business ventures is intended for re-export or commercial sale to markets abroad. However, the foreign investments, coupled with domestic production initiatives, could successfully increase yields and hectares in the host countries to such an extent as to significantly improve the availability of food and facilitate its movement and trade to countries that need it. In any case, host governments should be careful not be caught in a "race to the bottom" in an attempt to attract the foreign investments.

In order to extract a win-win result from the foreign investments, governments must establish clear and coherent foreign investment, land use, labor, environment and other policies which will lay the framework by which foreign investors can be allowed to operate in their countries. Investors should be regularly monitored as to their compliance with their commitments and with domestic regulations, and resolutely sanctioned if necessary. Property rights and land registration and titling systems should be strengthened to protect local landowners from unscrupulous investors and their agent. Landowners and farmers should also be assisted so that they do not end up signing one-sided contracts. Equitable profit-sharing and employment arrangements between the agribusiness firms and

local stakeholders should be encouraged. Farmers and landowners should ideally be organized to enhance their bargaining leverage vis-à-vis the investors.

International codes of conduct, together with pressures from civil society, can help ensure that foreign investments are carried out in a responsible and mutually beneficial manner. Ultimately however, it is the responsibility of the governments themselves to protect their farmers and rural constituents and help them generate a respectable livelihood out of their agricultural activities.



I. BACKGROUND

Foreign investments in agriculture have been taking place in the Southeast Asian region since the colonial period. Large plantations and trading firms were established then to produce spices and tropical products in the region and supply them to European markets. In the more recent past, multinational companies have established large agribusiness projects in countries like the Philippines and Indonesia for the production of various food and non-food products such as banana, pineapple, and timber. From within the region, Malaysian investors have expanded their palm oil ventures to the Philippines and Indonesia.

In the past few years however, we have seen a distinct rise in both the number and magnitude of investments by foreign entities in overseas farmland ventures all over the world, including the Southeast Asian region. While such investments have generally been warmly received and encouraged by host governments, the scale and pace by which they have been pursued and the fact that they involve the ceding of control over large tracts of land to investors have raised serious concerns over their longer-term impact. Some have even pejoratively labeled the development as a veritable “land grab” by rich countries and investors.

Various research initiatives and studies have already been undertaken to assess this overseas farmland investment phenomenon. This study hopes to contribute to this effort by attempting a more comprehensive documentation of such investments and a more thorough analysis of their actual and potential impact in selected Southeast Asian countries, particularly Lao PDR, Cambodia, Indonesia, Myanmar, Vietnam, Malaysia and the Philippines. The study starts with an overview of information available on the agricultural situation in each country, the manner of entry of foreign investors, and the type and nature of agricultural investments that are currently underway, or have been approved, or are at the planning stage. A succeeding section summarizes the major drivers for these investments from the points of view of the governments of the investing countries, the foreign investors themselves, the governments in the host countries, and investors and other stakeholders in the recipient countries. This is followed by a discussion on the various modes by which the investors secure land and actually carry out their projects on the ground. The paper then discusses various issues and concerns arising from the investments and concludes with some recommendations to address emerging problems and considerations.

II. OVERVIEW OF OVERSEAS FARMLAND INVESTMENTS IN SELECTED ASIAN COUNTRIES

The following sections provide a glimpse of the type of agribusiness projects being undertaken in the various Southeast Asian countries with foreign investors.

A. Cambodia¹

Cambodia has a typically agriculture-based economy, with up to 60% of the population dependent on agriculture for their livelihood. Agriculture contributed half of the country's gross domestic product (GDP) in 2000. Cambodia is classified as a least-developed country or LDC with about two-thirds of its population living on less than US\$2 per day.

All lands in Cambodia were collectivized during the Khmer Rouge regime. In 1989, the government initiated a land privatization and distribution program through which lands for cultivation were allocated to individual households based on their size and the available area in their locality. The German Technical Cooperation or GTZ noted that although land beneficiaries gained possession and full use of the lands, the government retained the right to retrieve the property if it was left unused and undeveloped for three years.

The average farm size that was distributed was estimated at 1.37 hectares. However, inequality in the subdivision of

lands was inevitable. The program was not able to accommodate the families of demobilized soldiers and returnees who had fled to the Thailand border during the Khmer Rouge regime. Land sizes also tended to decrease as the rural population grew over time. Hence, up to 20% of rural residents were reported to be landless, while 40% of rural households had very small farms averaging less than half a hectare each.

The 1994 Law on Foreign Investments vested the Council for the Development of Cambodia (CDC) with the primary authority over public and private, including foreign, investments in the country. The CDC is chaired by the Prime Minister; attached to it is the Cambodian Investment Board (CIB) which oversees private sector investments and authorizes the grant of incentives to both local and foreign investors.

Foreigners cannot own land in Cambodia, and the usual way for them to access land for their agribusiness ventures is to secure an Economic Land Concession (ELC). All ELCs are now issued by the Ministry of Agriculture, Forestry and Fisheries (MAFF) which normally can allocate up to 10,000 hectares per project. Local governments were allowed for a while to directly issue ELCs covering less than 1,000 hectares, although this has been apparently discontinued. On paper and by law, the

1. Information in this section was culled mostly from a study undertaken by Division 45 of the GTZ entitled "Foreign Direct Investments (FDI) in Land in Cambodia" issued in 2009.

2. Ibid.

ELCs can be issued only if a land use plan has been crafted by the local government in the area where the project will operate. Investors are also required to undertake social and environmental impact assessments, arrange for the resettlement of occupants who may be displaced, and conduct consultations with all sectors involved or who could be affected by the project.

ELCs have a life span of up to 99 years. Land rental rates were quoted by GTZ as ranging from zero to US\$10 per hectare per year. Almost one million hectares of state land, or 5.5% of Cambodian territory, have reportedly been granted to investors through such ELCs as of the end of 2006. The GTZ determined that foreign investors were involved in 36 out of 59 projects which availed of ELCs involving 1,000 hectares or more as of 2006.

A second way by which foreign investors can secure land is to tie up with Khmer

investors and form a domestic company that is at least 51% owned by locals. The company can then purchase or lease and assume control of private lands, or secure ELCs from the government.

Among the Southeast Asian countries covered by this study, Cambodia appeared to be the most attractive and prolific site for foreign land investments. The GTZ study placed the coverage of foreign direct investments in agriculture in the country at 300,000 hectares as of the end of 2006. Around one-third of the area was devoted to wood production, particularly rubber, indigenous trees and other timber species. Another 30% went to the production of feedstock, particularly cassava, for biofuel manufacture. The balance went to ventures involving a variety of cash and food crops. Table 1 below gives of the breakdown of the projects as documented by the GTZ.

Table 1: List of Foreign Agribusiness Investments in Cambodia as of 2006

Company Name	Country	Plant	Size (in ha)	Location	Contract signed
Cambodia Haining Co Ltd.	China	agro-industry as plam oil, sugar cane, acacia, and pig feeding	23,000	Aural & Phnom Srouch district, Kompong Speu province	23-Aug-1998
Cambo Victor Investing and Develoing Co Ltd.	China	Corn, bean, Soya bean, rice, cassava and peanut	28,500	Aural & Phnom Srouch district, Kompong Speu province	23-Aug-1998
The Green Rich Co Ltd.	China	Oil palm, fruit tree and acacia	60,200	Koh Kong district, Koh Kong province	25-Nov-1998
Henan (Cambodia) Economic and Trade Development Zone	China	Agricultural crops	4,100	Phnom Srouch district, Kompong Speu province	29-Jul-1999
China National Corporation for Overseas Economic Cooperation Laostar Development Co Ltd.	China	Agro-industrial crops such as maize, vegetable and rice	8,000	Phnom Srouch district, Kompong Speu province	26-Sep-2000
Kimsville Corp.	China	Cassava. Cashew, apple, and fruit	3,200	Phnom Srouch district, Kompong Speu province	24-Oct-2000

GG World Group (Cambodia) Development Co Ltd.	China	agro-industrial crop plantation as teak and cashew	5,000	Stung Treng district, Stung Treng province	18-May-2005
Wuzhishan LS Group Co Ltd.	China	Indigenous Pine (pinus mercusii)	10,000	O'Reang district, Mondulkiri province	30-Dec-2005
Grand Land Agriculture Development (Cambodia) Co Ltd.	China	Indigenous trees as teak and trincomalee wood	9,854	Se San district, Stung Treng province	23-Jan-2006
Phou Mady Investment Group	China	Acacia, teak trincomalee wood, and other plantation crops	9,854	Se San district, Stung Treng province	24-Jan-2006
Asia World Agricultural Development (Cambodia) Co Ltd.	China	Indigenous tea	10,000	Sambo district, Kratie Province	15-Mar-2006
Great Asset Agricultural Development (Cambodia) Co Ltd.	China	Pistacia chinensis Bunge	8,985	Sambo district, Kratie Province	11-Aug-2006
Great Wonder Agricultural Development (Cambodia) Co Ltd.	China	Pistacia chinensis Bunge	9,231	Sambo district, Kratie Province	11-Aug-2006
Cambodia C.J. Corporation Ltd.	Korea	Cassava (for agro-fuel)	3,000	Phnom Srouch district, Kompong Speu province	15-Nov-1999
Cambodia C.J. Corporation Ltd.	Korea	Cassava (for agro-fuel)	5,000	Phnom Srouch district, Kompong Speu province	20-Apr-2001
Oryung Construction (CAM) Co Ltd.	Korea	Rubber plantations	6,866	Andong Meas District, Rattanakiri Province	4-Apr-2006
Pelin Group Agricultural Development (Cambodia) Co Ltd.	not known	Pistacia Chinensis Bunge and other trees plantation	8,847	Konmom District, Rattanakiri Province	11-Aug-2006
Golden Land Development Co Ltd.	Taiwan	Agro-industrial crops	4,900	Phnom Srouch district, Kompong Speu province	5-Mar-2004
Real Green Co Ltd.	Thailand	Cassava and agro-industry	8,000	Samrong District, Uddor Meanchey Province	9-Jun-2006
Chrystal Agro Co Ltd.	Thailand	Cassava and agro-industry plantation	8,000	Samrong District, Uddor Meanchey Province	17-Jul-2006
Koh Kong Sugar Industry Co Ltd.	Thailand	Sugar Cane	9,700	Sre Ambil district, Koh Kong Province	2-Aug-2006
Global Agricultural Development (Cambodia) Co Ltd.	USA	Indigenous Teak	9,800	Sambo district, Kratie Province	15-Mar-2006
Green Island Agricultural Development (Cambodia) Co Ltd.	USA	Indigenous Teak	9,583	Sambo district, Kratie Province	15-Mar-2006
Plantation Agricultural Development	USA	Pistacia chinensis Bunge and other trees	9,214	Sambo district, Kratie Province	11-Aug-2006

30/4 Gialani Company Ltd.	Vietnam	agro-industry crops, animal husbandry	9,380	Oyadao District, Ratanakiri Province	26-Apr-2005
Tai Nam (K) Ltd.	Vietnam	Cassava, rubber and cashew	7,560	Snuol District, Kratie Province	18-Sep-2006
Tai Nam BPM Ltd.	Vietnam	Cassava, rubber and cashew	7,600	Keo Seima district, Mondulakiri Province	18-Sep-2006
TOTAL			297,374		

Source: GTZ

The GTZ study also noted more recent ventures involving China, whose investments amounted to 40% of total foreign direct investment (FDI) in Cambodia in 2008. A Korean company also reportedly established an ethanol processing plant in the same year and leased 8,000 hectares to grow cassava as feedstock. Interestingly, Vietnam was reported to be growing rice on Cambodian farmlands near its border and was said to have exported as much as one million tons of rice, or about one-sixth of Cambodia's total rice production, back to Vietnam in 2008. Vietnamese companies were also identified to be heavily involved in rubber tree plantations in Cambodia. Several collaborative agreements have purportedly been signed with the governments of Kuwait and Qatar under which Cambodia would secure loans and technical assistance in exchange for leasing land for the production of rice for re-export.

B. Lao PDR

Like most Southeast Asian countries, Lao PDR (formerly Laos) is predominantly agricultural with nearly 80% of its population dependent on agriculture for their livelihood. Agriculture contributed 42% of the country's gross domestic product (GDP) in 2005. Lao PDR, like Cambodia, is classified as a least development country (LDC). More than three-fourths of its population was reported to be living under US\$2 a day in 2002. Almost 80% of the country is mountainous and 35-40% is still covered by

forests. Only 4-5% of the country's area is considered arable.

A recent GTZ study notes that while all land in Lao PDR is technically the property of the state, there are various instruments to secure land in the country, each one bestowing different rights and responsibilities on the holder. These range from a Land Title which conveys the right to use, inherit, lease, sell and mortgage land, to a Land Tax Declaration which allows only the use and inheritance of the land, and to a Village Head Certificate of Land Ownership which is a traditional method of bestowing temporary land rights and serves as a proof and security when trying to secure a formal title over the property. The proliferation of various modes of land use and ownership, together with a weak land registration system, has reportedly led to wide-spread confusion and conflicts over boundaries, and has tended to make occupants vulnerable to manipulations by land speculators and investors.

Foreign investments in Lao PDR are screened by the Department of Domestic and Foreign Investment (DDFI) under the Ministry of Planning and Investment (MPI). Actual approvals are made by different levels of the national and local governments depending on the type, value and nature of the investment. Much of the decision-making has apparently been decentralized with individual provincial authorities maintaining different sets of rules, procedures, and fee structures.

Accordingly, foreign investors can secure long-term land leases and concession contracts from either the local or national government agencies concerned. Technically, provincial governments are allowed to lease only up to 100 hectares per investor while the national government can approve a lease of up to 10,000 hectares. Anything in excess of 10,000 hectares needs the imprimatur of the National Assembly. In practice however, these limits have apparently not always been observed.

Although concessions from the government have been the general norm for land acquisitions by foreign investors, there is also the option of engaging in contract growing arrangements with small landowners. Under the so-called “2+3” arrangement, the farmer provides two out of the five major inputs; namely, land and labor. The investor in turn contributes capital for seeds, fertilizer and equipment, in addition to technology and marketing. The capital is treated as a loan to be paid from the yield of the farm. The farmer gets a 70% share out of the net proceeds of the venture. Such contract growing agreements reportedly span 30 to 35 years.

Another mode called the “1+4” system has the farmer contributing only land and being hired by the investors as a worker on his farm. In this set-up, the investor gets 70% of the income from the farm. Although the government has

actively promoted the “2+3” scheme, most farmers have reportedly opted for the simple leasing arrangement under the “1+4” system. In turn, most investors have tended to shy away from contract growing arrangements and have opted to secure land concessions from the government instead.

Partial data culled by the GTZ in 2009 indicated that investment projects covering approximately 25,000 hectares had been approved in Luang Namtha province. Three-fourths of the area was acquired through concessions, and about 72% of the hectareage was devoted to agricultural production. In comparison, nearly 400,000 hectares were allotted for various investment projects in Vientiane province. Around 99% of the land area was acquired through concessions and 83% was dedicated to mining activities.

A detailed listing of investment projects in Vientiane province involving foreign investors in joint ventures and/or land concessions as culled by the GTZ is shown in Table 2 below. Excluding the area granted to Australian investors for mining concessions which accounted for 91% of the total hectareage, most of the agricultural investments were for biofuels, rubber and wood. Investors were predominantly from neighboring countries like China, Vietnam, Thailand and South Korea. Japanese and Indian investors have reportedly come in recently to engage in the production of pulp wood.

Table 2: Listing of Foreign Agribusiness Investments in Vientiane Province, Lao PDR as of 2009

Name of Company	Country	Main Activities	Mode	Area (ha)
Industrial and Agriculture Development for Import-Export	America	Annual crops plantation	Concession	120
Phoubia Mining Co.	Australia	Copper and Gold excavation	Concession	260,000
Yongfong Xeun Co.	China	Planting industrial tree (agarwood & Jatropha)	Concession	100
Rafarm Agriculture Development Co.	China	Agricultural crop plantation (corn, green beans)	Concession	100

Heurnmao Rubber Co. Ltd.	China	Rubber plantation & processing, and promote local people to do	Concession	100
Ari Construction and Building Repairment Co.	China	Rubber plantation	Concession	100
Ari Construction and Building Repairment Co.	China	Rubber plantation	Concession	100
Agarwood Lao Group Co. Ltd.	China	Argar Wood Plantation		100
Mr. Lai Vanthong	China	Fish Farming	Concession	150
Cherchanghang Co.	China	Rubber plantation	Concession	200
Lilieng Power Co. Ltd.	China	Rubber plantation	Concession	300
Yunan Lilieng Biological Co. Ltd.	China	Develop rubber plantation, buying & processing for domestic and foreign market	Concession	500
Yunan Lilieng Biological Co. Ltd.	China	Rubber plantation, buying and processing for domestic and foreign market	Concession	500
Yunnan Lilieng Biological Co. Ltd.	China	Develop rubber plantation method, buying and processing for domestic and foreign market	Concession	500
Lilieng Biological Development Co.	China	rubber plantation and processing	Concession	500
Tongtheun Lao-China Agriculture Development	China	Industrial tree plantation	Concession	500
Yunan Lilieng Biological Development Co. Ltd.	China	Rubber plantation	Concession	2,000
Lao Bio Energy	China-Lao PDR	Jatropha plantation and nurseries	Concession	100
Lao Jonghui Co.	China-Lao PDR	Rubber plantation	Concession	100
Lao Mithsamphan Farm	China-Lao PDR	Fish Farming	Concession	102
KV Import-Export Co. Ltd.	Malaysia	Planting Jatropha	Concession	500
Xaysomboun Agriculture Development Co.	Malaysia	Jatropha plantation	Concession	1,000
Dao Lao Co.	Russia-Lao PDR	Gold excavation	Concession	581
Kolao Farm Co. Ltd.	South Korea	Jatropha plantation	Concession	100
Crapkin Agriculture Co. Ltd.	South Korea	Industrial tree plantation	Concession	100
Lakorea Co.	South Korea	Corn plantation, cattle and chicken raising, and animal feed processing factory	Concession	107
Mr. Chang Hwan Choi	South Korea	Building Golf training center C.Y.H	Concession	130
Kolao Farm Co. Ltd.	South Korea	Jatropha plantation	Concession	159
Kolao Farm Co.	South Korea	Jatropha plantation	Concession	200
Kolao Farm Co. Ltd.	South Korea	Jatropha plantation	Concession	200

Kolao Farm Co.	South Korea	Jatropha plantation	Contract farming	306
Kolao Farm Co.	South Korea	Jatropha plantation	Concession	500
Kolao Farm Co. Ltd.	South Korea	Jatropha plantation	Concession	500
GO Crapkin Co. Ltd.	South Korea	Agriculture and Livestock	Concession	500
Kolao Farm Co. Ltd.	South Korea	Jatropha plantation	Concession	597
Kolao Farm Co. Ltd.	South Korea	Jatropha plantation	Concession	849
Kolao Farm Co. Ltd.	South Korea	Industrial tree plantation	Concession	1,966
Kolao Farm Co. Ltd.	South Korea	Jatropha plantation	Concession	2,000
Kolao Farm Co. Ltd.	South Korea	Jatropha plantation	Concession	2,303
Kolao Farm Co. Ltd.	South Korea	Industrial tree plantation	Concession	2,327
Kolao Farm Co.	South Korea	Jatropha plantation	Concession	2,500
Lao Bio Diesel Import-Export Company Ltd.	South Korea-Lao PDR	Establishing Bio-diesel plant and industrial tree plantation	Concession	100
Yongfongxeun Industrial Wood Plantation Co. Ltd.	Taiwan	Planting industrial crops for market purpose	Concession	100
New Chipseng Co. Ltd.	Thailand	Rubber plantation	Concession	100
Khanxay Agriculture Development Co. Ltd.	Thailand	Rubber and orchard tree plantation	Concession	100
Lao Thaihua Co. Ltd	Thailand	Promote rubber plantation	Concession	100
Lao Thaihua Co. Ltd	Thailand	Rubber plantation	Concession	100
Lao Thaihua Rubber Co.	Thailand	Promoting rubber plantation	Concession	100
Xaisomboun Agriculture Development Co.	Thailand	Agriculture, livestock and tree plantation	Concession	200
Lao Thaihua Co. Ltd	Thailand	Rubber plantation	Concession	220
Lao Thaihua Rubber Co.	Thailand	Rubber plantation	Concession	500
Lao Thaihua Rubber Co.	Thailand	Rubber plantation	Concession	670
Phaluang Agro-Industry Co.	Thailand-Lao PDR	Planting industrial tree (palm tree & Jatropha)	Concession	100
Wanxouane Ngouane Thanghai Co.	Vietnam	Agarwood plantation	Concession	100
Vientiane-Haiyeuang Cooperation Centre	Vietnam-Lao PDR	Agriculture-forestry goods service and tourism industry service		100
Feuangdong Lao Co.	Vietnam-Lao PDR	Planting rubber, agrawood, and raising animal	Concession	500
Lanexang Economic Development Co. Ltd.	Vietnam-Lao PDR	Exploration of lignite mineral	Concession	6,800
Total Land Area				293,487

Source: GTZ

The hectares of projects involving foreign investors in Lao PDR were relatively small compared to those in Cambodia. This was mainly due to more restrictive rules on the size and type of lands that

could be allocated to such investments. Still, it is worth noting that some investors were able to secure multiple concessions, sometimes for the same or similar projects, possibly to overcome such restrictions.

C. Malaysia

Among the countries covered by the study, Malaysia was the only country that allowed foreigners to acquire ownership of agricultural lands. Foreign investors also have the option to secure areas within industrial estates developed by the State Economic

Development Corporations, although these can only be covered by lease agreement spanning 30 to 99 years.

Table 3 below lists some of the recent agriculture-based investments involving foreigners in Malaysia as culled from news reports and other sources.

Table 3: Listing of Selected Foreign Agribusiness Investments in Malaysia

Country	Description	Activity	Land Area
Japan	Maruha Corp (Japan) owned by the Maruha Nichiro Holdings Inc, acquired shrimp farm operator Agrobest (Malaysia) Sdn Bhd (with approximately 700 employees) in 2008; the company intends to produce 7,500 tons of shrimp in 2009, with the bulk to be exported to Japan, Europe, the U.S., and other parts of Asia.	Cultivation and supply of large black tiger shrimp.	n/a
Thailand	Charoen Pokphand (8 farms and 5 hatcheries located all around Malaysia)	Hatcheries	n/a
Bahrain	Bahrain-based Ithmaar Bank is set to invest in Malaysia's infrastructure, agriculture and hospitality sectors to pave the way for its regional expansion (http://biz.thestar.com.my/news/story.asp?file=/2009/12/4/business/5225058&sec=business)	n/a	n/a
United Kingdom, China, Australia, and South Korea	DXN Holdings Bhd is buying 240ha of 99-year leasehold land in Lahad Datu, Sabah, for RM10.45 million for its biodiesel venture. Lahad Datu Edible Oils Sdn Bhd, or LDEO, is a joint-venture company between state-owned Sabah Land Development Board, Maytown Sdn Bhd and China Vegetable Oil Corporation. Global Bio-Diesel Sdn Bhd is a wholly-owned subsidiary of ECO Solutions Co. Ltd, an industry leader in South Korea specializing in environmental engineering and bio-energy. Total investment into Global Bio-Diesel is estimated at US\$65 million for its biodiesel and related operations. The biodiesel manufacturing plant will be constructed by September 2007 with an initial production capacity of 200,000 metric tons per year. The project is to be eventually expanded to produce a total output of 500,000 metric tons per year, thus making Global Bio-Diesel one of the largest biodiesel manufacturers in the world. Zurex Corporation Sdn Bhd is a joint-venture company between Malaysian and UK investors. The company, with a paid-up capital of RM2.5 million, was set up solely to produce biodiesel. It aims to be a major palm oil diesel producer in the world. Zurex's UK partner, Biofutures Plc, is a publicly-listed company in the UK. These companies are expected to inject close to RM1 billion in investments to produce close to one million tons of biodiesel by the end of 2008. (http://www.poic.com.my/index.asp?p=news_20061107)	biodiesel production	1,150 acres 200 acres n/a n/a

Japan	Japan Carbon Mercantile Co. Ltd joint venture with Carbon Capital Corporation Sdn Bhd. The multi-feedstock biodiesel plant would have an annual capacity of about 240,000 tons per year and bulking facilities in Tanjung Manis while the jatropha curcas and oil palm plantations would cover an area of 100,000 hectares. (Feb 2008). Total investment is estimated at US\$308 million. (http://news.mongabay.com/bioenergy/2008/02/malaysian-japanese-joint-venture-to.html)	biodiesel & biogas in Sarawak	100,000 hectares
India	Hextar Chemicals Sdn Bhd, Kuala Lumpur and Unitop Chemicals Pvt. Ltd, Mumbai entered into a joint venture in January 2008 to make specialty chemicals for the agriculture, oil and gas, textile and personal care products industries. The plant, known as Hextar Unitop Chemicals Sdn Bhd, will be built in two years' time at a cost of RM 10 million (USD 2.99 million). (http://www.indianhighcommission.com.my/ind_mala_investments.php)	Specialty chemicals	n/a
China	Tian YiDa Group, through its subsidiary, Tian YiFei (Malaysia) Sdn Bhd has indicated interest in a joint venture with the Sabah state government. (May 2009) (http://www.bernama.com/bernama/v5/newsindex.php?id=413584)	commercial paddy planting	

D. Myanmar

Almost three-fourths of Myanmar's population live in the rural areas and are dependent on agriculture for their livelihood. The sector contributed approximately 50% of the country's GDP in 2006. Rice is the main staple and food crop of the country. Myanmar had a relatively small surplus of rice in 2007 which it exported mostly to African countries. The country's rice surplus has however continued to increase over the years. Myanmar reportedly still has vast tracts of undeveloped land that could be devoted to the production of rice and other food crops.

The government has abolished most of its subsidy and price support programs for agriculture and small farmers as part of the agricultural policy reforms it initiated in the late 1980s. These reforms have included the gradual opening of its domestic market to imports and the promotion of foreign investments in various sectors, including agriculture. Under current laws

for example, investors can enjoy income tax exemption for the first three years of operation. Agribusiness ventures can also avail of exemption from the payment of land lease rentals for the first 2 to 8 years, depending on the type of project.

In Myanmar, a maximum of 2,023 hectares (5,000 acres) can be leased for plantation crops, while only up to 404 hectares can be acquired for seasonal crops. Leases of land of up to 20,234 hectares or more can be allowed in special cases but need the concurrence of the Cabinet and the endorsement of the Myanmar Investment Commission (MIC).

Payment terms are negotiable. Rental fees for fallow lands devoted to perennial crops range from US\$3 to 6 per hectare per year, while the same type of land planted to crops in the dry zone are charged US\$6 to 16 per hectare per year.

Information on foreign agricultural investments in Myanmar is particularly sketchy. China, Russia and India appear to be the traditional investors in the country

due to historical, political and cultural ties. An interesting development is the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy or ACMECS which was initiated by then Thai Prime Minister Thaksin Shinawatra as a framework for cooperation between Thailand, Myanmar, Vietnam, Cambodia and Lao PDR. The ACMECS was initially conceived by Thai planners with the objective of complementing the country's strengths in terms of access to financial resource, technological advances, human resources, and infrastructure, with the large natural and human resources of its partner countries. This was projected to generate overall growth, create employment and reduce income disparities within the region and in the process help address many of the causes of conflicts and cross-border migration between the countries.

E. Philippines

The Medium-Term Philippine Development Plan for 2004-2010 targets the development of up to two million hectares of new lands, particularly underutilized, idle, marginal, and denuded lands and includ-

ing idle off-shore and inland bodies for aquaculture, through various agribusiness initiatives. This is expected to generate approximately 2 million new jobs, as can be seen in Table 4 below, or 20% of the job creation target up to 2010. It will be complemented by new investments in existing cultivated areas totaling nearly 1.3 million hectares.

A specific objective of the plan is to improve food availability and affordability for wage earners in particular and the consuming public in general. Notwithstanding this, about three-fourths of the targeted development area is to be devoted to high-yielding commercial (non-food) crops. A new agency called the Philippine Agricultural Development and Commercial Corporation (PADCC) was established to undertake the development of the target areas under a so-called National Convergence Initiative involving Departments of Agriculture, Agrarian Reform and Environment and Natural Resources. Latest reports from the government agencies claim that around 77% of the target scope has been accomplished since 2005 up to June 2009, while 2.3 million jobs were reportedly created during the period.

Table 4: Six-Year Targets for Agribusiness by Commodity Based on 2004-2010 Philippine Development Plan

Commodity	New Areas (has.)	Jobs to be Generated	Existing Areas (has.)	Jobs to be Generated
Rice			875,130	80,860
Corn	157,000	157,000	-	-
Livestock	45,200	45,200	-	-
Fisheries	17,210	743,540	-	-
HVCC (Food)	214,350	251,339	214,780	214,780
HVCC (Non-Food)	1,413,600	1,413,600	170,340	170,340
TOTAL	1,847,360	2,610,679	1,260,250	465,980

Note: HVCC- High value commercial crops
Source: Department of Agriculture

The agribusiness development thrust of the Philippine government has opened a wider window for foreigners to invest in agri-based projects in the country. Although foreigners and foreign corporations are not allowed to own land in the Philippines, they can form joint ventures with local investors and register their partnership as a domestic corporation. Such an entity can own up to 1,000 hectares of agricultural land, provided at least 60% of its stockholding is owned by Filipinos.

Alternatively, domestic or foreign corporations can lease land. A Long-Term Lease Law allows foreigners to lease land for up to 50 years, renewable for another 25 years. Many of the large banana and pineapple plantations in Southern Philippines were able to lease large tracts of land from the National Development Corporation (NDC). The NDC was created in 1937 as a government corporation with a special right to own lands beyond the prescribed limit and with the prerogative to lease its properties to third parties, including foreign corporations. At present, most of the public lands used for agribusiness ventures are leased from the PADCC under the National Convergence Initiative mentioned above.

Leasing privately-owned lands is another option, although most of the arable lands in the country are covered by an agrarian reform program through which large landholdings were acquired by the government and distributed to landless tenants and farmworkers. These lands cannot be legally sold or leased to third parties until the program beneficiaries have fully amortized back the contracted value of the land to the government.

The Gulf countries such as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates have expressed interest in investing in various agricultural ventures in the Philippines. These invest-

ments are intended to ensure the long-term supply of essential food commodities such as cereals, meats and vegetables for their population. Bahrain has also reportedly pursued plans to lease mariculture parks in the country to produce seafood for re-export. The region currently imports around 60% of its food requirements and has an innately limited capacity to produce food because of its agro-climatic conditions. Aside from this, it has grown into a major food and drink market, with consumption rising to an estimated US\$9.5 billion annually.

South Korea is the world's third largest buyer of corn for food and feed. It reportedly imported 7.5 million tons of corn for animal feed in 2008. The spike in prices of raw materials for animal feed in 2008 severely disrupted the operations of livestock breeders and raisers and has led to a frantic search for areas in other countries where corn can be raised in a cheaper and more reliable manner. One result is the plan of the Jeonnam Feedstock Ltd. to lease about 94,000 hectares of farmland in Mindoro Island.

A controversial agreement allowing China to lease up to a million hectares in the country was shelved a few years ago following its exposure in the media and strong criticisms from farmer groups and non-government organizations (NGOs). The details of the agreement, which was covered by a Memorandum of Understanding signed by the Philippine Department of Agriculture, remain unclear. However, it appears from the scant information available that several Chinese state enterprises and private entities, together with local investors, were intending to lease large tracts of land for the production of food crops and biofuel feedstock and for various aquaculture projects.

Table 5 below gives a partial listing of planned or existing agribusiness ventures of foreign investors in the country.

Table 5: Partial Listing of Foreign Agribusiness Investments in the Philippines

Country	Key Players	To produce:	Details	Remarks / Status
Bahrain	Nader and Ibrahim S/O Hassan (NEH) and its Philippine partner, AMA Group Holdings Corp.	Crops being considered by the Bahraini group are banana, rice, corn, pineapple, coffee and sugar in commercial quantities.	<ul style="list-style-type: none"> • Bahrain and the Philippines have signed an agreement to set up a \$500 million joint agricultural company to help achieve food sufficiency in the kingdom and the GCC states. • The Philippines government has allocated about 10,000 hectares of arable land to grow rice, corn, sugar plants and pineapple in addition to vegetables. • The total investment in the project would amount to about \$500 million, starting with \$50 million for the first year. • NEH has committed an initial area of 10,000 hectares for the first five years under the project, which will employ about 2,000 workers per hectare, or a total of 20,000 jobs for the entire project. Another 100,000 people, representing the families of the workers, may benefit from this venture. 	Sources from the PADCC said the NEH had organized a technical working group to study which crops could be grown commercially in Davao under its proposed agribusiness project. The group will submit its recommendations soon.
Kingdom of Saudi Arabia	Middle East-based Tabuk Agricultural Development Co.	Bananas and pineapples	<ul style="list-style-type: none"> • Saudi businessmen indicated an investment of \$300 million to develop 20,000 hectares of lands and plant commercial crops like banana and pineapple in Mindanao. 	
South Korea	Jeonnam Feedstock, Ltd.	Corn	<ul style="list-style-type: none"> • The company has reportedly leased about 94,000 has to grow 10,000 tons of corn a year for feed for 25 years. The plan was to start planting by September 2009 	<ul style="list-style-type: none"> • A source from the provincial government of Oriental Mindoro said that the company planted 30,000 hectares for the first cropping of 2009 but the crop was affected by drought. • The second crop covering 100,000 hectares was also affected. • It appears that the contract was cancelled in early 2010

A separate listing shown in Table 6 below gives details on additional planned or actual investments based on data from the PADCC. It includes a large project

which will be under-taken by a subsidiary of a large Philippine agribusiness conglomerate (San Miguel Corporation) in partnership with a Hongkong-based company.

Table 6: List of Planned and Actual Agribusiness Investments in the Philippines Using Lands Leased by the PADCC

Company	Commodity	Area (Has)	Coverage of investment	Preferred Business Ownership	Remarks / Status
San Miguel Kuok Food Security, Inc.	Rice, corn, oil palm, feedstock, cassava, dairy mariculture	1,000,000	Development of green areas into food production areas along with the establishment of logistics, postharvest and processing facilities for the raw crop produce	Supply and purchase agreement, corporate farming lease and co-management	MOU was signed last July 2008
Qatar	Rice	100,000	Development of new areas for food production with the establishment of the necessary postharvest facilities, logistics support and primary processing plants	Joint venture, lease and corporate farming	Presented opportunities to Qatar Investment Authority last December 2008 during the Presidential State Visit
South Korea	Rice Corn, sorghum, barley, alfalfa, red meat	100,000 - Rice 100,000 - Corn	Development of new areas for rice and corn production with the establishment of the necessary postharvest facilities, logistics support and primary processing plants	Joint venture	Signed an agreement with AOICA to grant the feasibility study during the Presidential Visit last 20 May 2009 in Seoul, South Korea
Brunei	Rice	10,000	Development of green areas into food production areas along with the establishment of logistics, postharvest and processing facilities for the raw crop produce	Corporate farming, lease and co-management	Minister of Brunei went to the Philippines in April
Oman	Rice	10,000	Development of new areas for food production with the establishment of the necessary postharvest facilities, logistics support and primary processing plants	Joint venture and lease	Presented opportunities to the Oman Ministry of Agriculture

Kuwait	Rice, corn	10,000 - Rice 10,000 - Corn	Development of new areas for food production with the establishment of the necessary postharvest facilities	Joint venture and corporate farming	Presented opportunities to the Kuwait Ministry of Agriculture
New Zealand	Livestock	500	Development of new areas for livestock breeding and dairy farming	Joint venture and lease	

Source: *Philippine Agricultural Development and Commercial Corporation*

The planned project between San Miguel Corporation (SMC) and the Hong Kong-based Kuok Group of Companies provides an insight on how some of the large-scale investments are being set up. SMC is the biggest food and beverage company in the Philippines while the Kuok Group of Companies is known for the development of the chain of Shangri-La Hotels in Asia.

Under a Memorandum of Understanding (MOU), the two companies have committed to help the Philippine government develop up to one million hectares of agricultural land through a US\$1-billion food security project dubbed "Feeding Our Future". Specifically, SMC and Kuok Group pledged to provide financial assistance of up to US\$1,000 per hectare as well as technical expertise for the development and cultivation of government lands. They also guaranteed to buy all the food products arising from the project. The government, through the Department of Environment and Natural Resources (DENR), the Armed Forces of the Philippines (AFP), the National Commission on Indigenous Peoples (NCIP) and the National Power Corporation (NAPOCOR) will identify the lands to be developed.

To implement the project, the SMC and the Kuok Group formed a P100-million joint venture company called the San Miguel Kuok Food Security Inc. (SMKFS). Based on documents filed with the Securities and Exchange Commission, the SMKFS has been organized to "develop

a sustainable food security program for the Philippines by harnessing idle lands of government and private parties for production of rice, corn, cassava, bananas and other basic food staples."

The first phase of the project was launched in Davao del Norte in Southern Philippines in 2009. Four municipalities in Davao del Norte have been targeted for the project, including 18,494 hectares of logged-over areas intended for upland agro-forestry development.

F. Vietnam

The 2006 census of agriculture placed the percentage of the Vietnamese population living in the rural areas at 72%. Rice is the staple food of the population; the crop accounts for 70% of the country's food output and two-thirds of its total cultivated area. Rice is cultivated mostly along the Mekong and Red River deltas.

By law, all the land in Vietnam belongs to the state. However, the government has issued land use right certificates which allow the holders to use, exchange, transfer, inherit, donate, lease, re-lease or mortgage the lands. Land use rights can also be used as a capital contribution for business projects. The certificates have a validity of 20 years for lands devoted to annual crops and 50 years for land planted to perennial crops.

Domestic legislation allows the sale of land using the land use right certificates. Land prices however are to a large extent

controlled by the government, with provincial authorities prescribing maximum prices based on various factors, including current market rates. In recent years, there have been significant shifts in land ownership and use due to urbanization and the rising popularity of forestry and aquaculture projects. The percentage of land devoted to rice production has perceptibly declined as farmers, 70% of whom till less than half a hectare each, have reportedly shifted to more lucrative crops and livelihoods. The Vietnamese government has also actively promoted the establishment of industrial zones which have eaten into the area traditionally used for agriculture.

Unfortunately, no factual and detailed data could be secured on farmland ventures by foreign investors in Vietnam. The only available information indicated that foreign direct investments (FDIs) in agriculture in Vietnam were relatively small

in 2007 and amounted to only 3% of the 1,283 projects granted investment licenses by the Ministry of Planning and Investment (MPI) as of November 2007. These agri-based projects involved handicraft and wooden furniture (41%), animal husbandry and animal feed processing (19%), crop production (7%) and agricultural product processing (11%). Only two out of the 67 approved projects related to aquaculture. China (including Taiwan) was the leading investor with projects on the production and processing of handicraft, wooden furniture and appliances in the two provinces of Dong Nai and Binh Duong. An aggressive investment promotion program in 2008 resulted in the approval of 965 projects involving US\$4.7 billion in investments during the year. This represented 10% of total projects approved and 3.2% of the total capital infused by foreign investors in 2008.

III. DRIVERS OF OVERSEAS FARMLAND INVESTMENTS

Although foreign investments in agriculture are not new to Southeast Asia, the scale of the ventures that have been planned or actually established in recent years has been unusually large. The aborted attempt to lease a million hectares to Chinese investors in the Philippines is a case in point. Atypically large areas have also been allocated for palm oil investments in Indonesia and rubber and forest wood projects in Cambodia. The diversity and number of foreign funded projects is also uncharacteristic.

Another distinguishing feature of the current investments is the active role played by governments both in the investing and the host countries. In the past, foreign investors simply applied for permits and licenses to operate in a country, and generally were left on their own to secure land and other assets and operate their enterprises. In contrast, governments from the investing countries have acted as sponsors and aggressively pushed for the projects. In the case of several Middle Eastern countries, sovereign funds accumulated largely from oil revenues have been channeled to state enterprises and other semi-government investment firms which directly undertake the foreign land investments. In other cases, private sector investments are promoted through easy financing, guarantees and other incentives from their governments. Many large-scale investments are also often preceded by high-level government-to-

government negotiations and memoranda of understanding. In the host countries, both national and local governments have also warmly welcomed and received the investments and have accorded special privileges and incentives to attract the foreign investors.

Many of the current overseas farmland investments in the region are not purely for investment and profit. The Middle Eastern countries are clearly trying to enhance and ensure their future food security by gaining control over lands overseas through which they can grow food to supply their constituents. Other countries have deemed it proper to plant feedstock and manufacture biofuels abroad as part of their energy security strategy. Although attempts will surely be made to undertake these investments in the most cost-efficient manner, many projects will presumably be pursued even if they appear costly or impractical at the moment if they are deemed to be essential for the future needs and overriding objectives of the investing country.

Finally, it could be gleaned from the overview above that information on the agribusiness investments has been sketchy and particularly difficult to get. Almost all of the information for this study came from private research initiatives and actual field investigations. Based on experience, very little data, if any, could be secured from the very government agencies which are tasked to oversee and monitor such

investments. This has led to suspicions of shady deals and underhanded transactions involving government functionaries or unscrupulous speculators who use their influence and connections either to extract money from investors or take advantage of unsuspecting landowners and occupants.

With this background, we now discuss in the following sections the various motivations of the different players in pursuing the overseas farmland investments. This may, to a large extent, explain many of the peculiarities by which these investments have arisen in the region and other parts of the world.

A. Foreign Governments

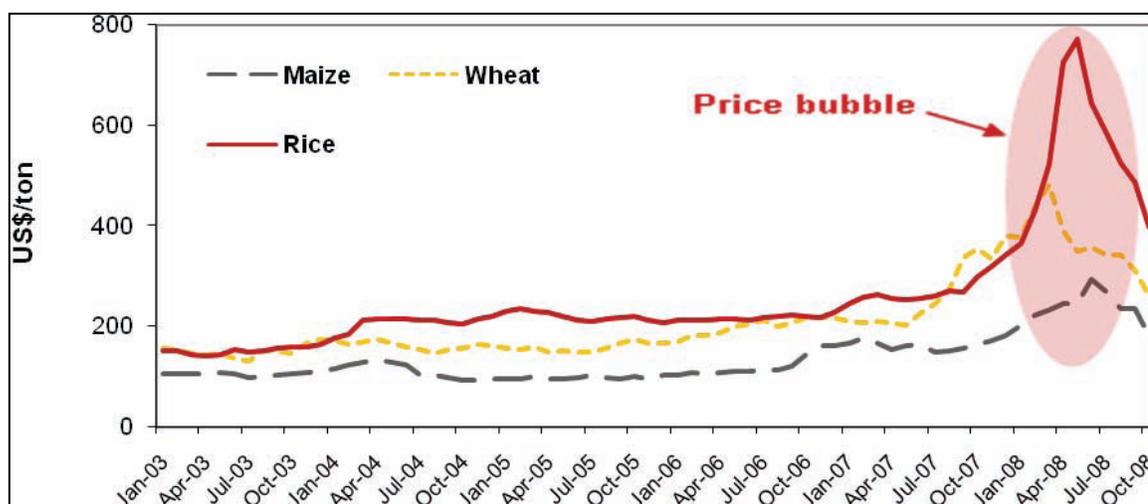
Perhaps the most dramatic and immediate stimulus for the recent spate of overseas agricultural investments was the food crisis that engulfed the world in 2008. Not only did nominal food prices spike to historical peaks but global food inventories also fell to disturbingly low levels. This led importing countries to panic and purchase unusually large volumes from international markets which, in turn, led some exporting countries to restrict the outflow of some of their critical commodities.

Figure A below vividly illustrates what the International Food Policy Research Institute (IFPRI) has termed the “price bubble” that coincided with the 2008 food crisis.

Although the food crisis subsided after a few critical months, it served as a rude wake up call for many governments who were caught unprepared by the severity of the crisis and the social and political problems it brought with it. Food riots actually occurred in some countries like Bangladesh and Egypt, and even led to the ouster of the prime minister in Haiti. Many governments had to hurriedly establish food subsidy, price control and other costly emergency measures to address the situation.

The specter of a repeat of the 2008 food crisis, which several renowned institutions like the Food and Agriculture Organization (FAO) have publicly predicted, has led many governments to rethink their food security and self-sufficiency policies. With food demand expected to increase as a result of growing populations, countries have stepped up their own domestic production programs and, where these are deemed to be insufficient or impractical, looked at agricultural investments in other countries as a way to secure their

Figure A: International Prices of Major Commodities (Jan 03 to Oct 08)



food supplies in the future. Concerns over the future availability of arable land and water for agriculture in the light of continued urbanization, land conversion, land degradation and climate change have further provoked the move towards overseas farmland investments. As mentioned earlier, this is particularly true for countries with natural agro-climatic constraints such as those in the Middle East, or countries with limited arable land or production capacities such as South Korea.

The projected scarcity and high cost of agricultural labor has also loomed as a consideration. Some countries have deemed it more advisable to undertake production activities using land and labor in foreign countries instead of allowing immigrant workers into their own country. Malaysia has apparently taken this course by investing in Indonesia, the Philippines and other countries, although such expansion has also been due to internal factors such as the availability of land and urbanization within the country.

Some countries have likewise opted to simultaneously address food safety and economic concerns by producing food abroad under strict hygiene and sanitation conditions instead of importing them from countries with dubious food safety reputations. There have been reports that some Japanese companies have gone through this route in an attempt to avoid high labor and production costs in Japan while ensuring that the quality and safety of consumable products grown abroad conform with domestic standards set by their governments.

The biofuel "craze" has been identified as a major contributor to the 2008 food crisis. Coincidentally, the interest in renewable fuels was spurred by the spike in fossil fuel prices during the period leading up to the food crisis. This led to the diversion of large tracts of land previously devoted to food crops to the production

of biofuel feedstock. At the same time, large volumes of food commodities such as corn and sugar were redirected to the manufacture of ethanol. At a later stage, concerns over future energy security led some governments to encourage the expansion of feedstock and biofuel production in foreign lands which would, in turn, enable them to preserve their own lands for food and other higher-value or more critical commodities. Although the long-term sustainability and economic feasibility of biofuel production using food products and lands used for food production have become more questionable over time, some countries have nevertheless found it fit to pursue their biofuel ventures abroad where they could be produced in a cheaper and less controversial fashion. This is apparently the case with the relatively large and diverse investments by Chinese and South Korean entities in Lao PDR and Cambodia.

Prospects for an expanded and lucrative market for carbon credits have also been identified as an ancillary driver for the recent surge in foreign investments for the production of timber and other forest products. Foreign governments may deem it fit to support the establishment of reforestation and other environmentally friendly projects in foreign countries and use the carbon credits arising from such investments to offset their own greenhouse gas emissions and allow them to comply with their emission reduction targets. Carbon credits can also provide an additional income stream to supplement the profits from the agribusiness ventures themselves.

Finally, some governments have used foreign land investments as a tool to pursue their geo-political objectives. The Indian government for example has reportedly encouraged investments in Myanmar partly to control border tensions and mitigate the inflow of illegal immigrants into

its territory. For very similar reasons, Thailand spearheaded the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy or ACMECS as a framework for cooperation with Myanmar, Vietnam, Cambodia and Lao PDR. China has clearly used its financial resources to expand its sphere of influence in various parts of the world, encouraging Chinese state and private enterprises to undertake agricultural investments in other countries, often coupling these with official development assistance and concessional loans. While most of the Middle Eastern countries may be primarily interested in their food security in pursuing the foreign land investments, it would also not be surprising if they will at some point use their investments and financial largesse as a leverage to secure support in their conflicts with other countries and in various international fora and negotiating bodies.

Foreign governments obviously have many choices as to where to direct their investments. Various considerations need to be taken into account with the end in view of pursuing such objectives in the most economical, cost-effective and efficient manner.

The proximity of the investments to eventual markets or destinations is clearly a major consideration. Some countries for example may prefer to produce their rice requirements in a country that is close to theirs so as to ensure prompt and easy access to the supply. In turn, the investment area must have the proper agro-climatic conditions to allow for the efficient production of the selected commodities. The availability of land, usually in large sizes, and other critical natural resources like water for long-term usage, would also be major concerns.

Cultural, religious, historical and other ties to the country and/or communities where the investments will be undertaken can play a major role in the decision on

where to place such investments. Many planned investments by Middle Eastern countries in the Philippines for example have been touted as projects that would assist Muslim communities in the southern part of the country.

The recent fiasco in Madagascar wherein the long term lease of almost half of the country's arable land to a Korean company contributed to the overthrow of the government has led many investors to carefully evaluate the risks and social acceptability of their projects before they are actually undertaken. In the Philippines, the political and social backlash against the proposed lease of nearly a million hectares for various Chinese-financed agribusiness ventures led to the shelving of the project. (There have been speculations that the difficulties encountered by Chinese investors in securing large tracts of land in Asia may have spurred the Chinese to more aggressively seek alternative investments in Africa.) Although many of the investment deals have been kept under wraps from the public, the risk that they will eventually be exposed and questioned, if not rescinded, has grown over time.

B. Foreign Investors

Most of the foreign land investments are actually undertaken by private enterprises. Some of them directly or indirectly receive support from their governments, while others independently finance their own ventures. These enterprises are primarily profit-seeking entities whose motivations and objectives may not fully coincide with those of their governments.

For example, most governments treated the spike in food prices in 2008 as a crisis and have since looked at overseas farmland investments as a strategy to ensure the long term food security of their domestic population. Private entities in turn see the projected increase in popula-

tion and demand for food as a promising business opportunity for which overseas production may be a good way to produce food and make a profit in the future. However, the two perspectives are not necessarily contradictory and can in fact complement each other.

The liberalization of trade in agricultural products that was largely initiated by the Uruguay Round Agreement on Agriculture and is currently being overseen by the World Trade Organization (WTO) has opened up new areas for both investments and markets all over the world. Within Asia, several regional trade agreements have also been established with accelerated paces of tariff reduction and trade facilitation. The Association of Southeast Asian Nations-Common Effective Preferential Tariff (ASEAN-CEPT) program is in its final stages of implementation with tariffs on most agricultural products to be set to 5% or less by 2010. Several sub-regional cooperation agreements, such as the Thai-sponsored ACMECS and the Brunei-Indonesia-Malaysia-Philippines East Asian Growth Area or BIMP-EAGA, have also introduced concessional terms for trade among participating countries. These developments have created new business opportunities for food production and supply within the region with investors now enjoying the option to locate their operations in countries where they can produce most competitively and at the same time avail of special trade privileges accorded to members of the regional trade agreements.

Locating production and processing of food products in a foreign country will also enable investors to directly tap local markets for their output without being burdened by strict quarantine regulations, rules of origin and other technical barriers to trade that can be imposed on imports. Investors may also be able to skirt environmental, labor and other standards and

related certification requirements that are being increasingly imposed on products coming from abroad.

Clearly, a significant number of farmland investments are also speculative in nature. Some investors may acquire rights over farmlands in other countries mainly to take advantage of the appreciation of real estate values without any serious intention of developing them or undertaking actual food production. These areas may later on be resold at a high profit for use in housing, urban development, tourism, manufacturing and similar non-agricultural ventures.

Nevertheless, the projected increases in food demand in the coming years, coupled with the growing scarcity of land, water and other natural resources, points to favorable prices for agricultural commodities in the future. Hence, investments in food commodities are currently seen as a good hedge against inflation and a profitable strategy for diversifying investment portfolios. In fact, the heightened interest of portfolio fund managers in food commodities and futures has been pinpointed as another crucial factor that contributed to the 2008 food crisis. Many of these fund managers shifted their focus to other investments like commodities after the spate of bank failures and investment meltdowns. This amplified the speculative behavior of prices in the process. Given current trends and projections, their interest in the food sector is expected to be maintained in the medium term.

C. Host Governments

Overseas farmland investments have generally received a warm welcome from host governments, many of whom have limited funds and inclination to invest in and develop their own agricultural sectors. In fact, many have formed and/or designated state enterprises to facilitate the

entry of foreign investors and assist them in locating and consolidating farmlands for their agribusiness ventures. Local governments are also increasingly playing a large role since they are in more direct contact with landholders and stakeholders in the project areas, and are also responsible for issuing local permits to operate. In some countries like Lao PDR, the authority to grant land concessions is partially entrusted to local governments.

Foreign investors are generally seen as a source of much needed equity and capital for production and manufacturing enterprises which will create employment for residents in the rural areas. Local communities are also seen to benefit from investments in infrastructure, like roads and ports, which the foreign investor will need to set up for its various operations. The investments could further serve as a vehicle for technology transfer and capacity building for local farmers and residents. They can eventually facilitate the modernization and commercialization of agriculture in the project areas.

Foreign investors could be a major source of foreign exchange which could help governments address trade and investment imbalances. Governments also stand to earn from rentals or sales of public land to the investors, aside from recurring taxes and fees chargeable to the business enterprises.

It will not be surprising if a large number of the investment deals include discreet agreements for the governments of the investing parties to provide official development assistance, concessional loans, and other privileges to the host governments. China for example has provided such concessions to many countries in Asia while at the same time encouraging Chinese investments in the same countries. It is also very plausible that oil importing countries from Asia look favorably at investments by Middle Eastern companies

as a means to promote good relationships with, and ensure the supply of fossil fuels from, the oil exporting countries.

Because of the anticipated benefits that can be gained from the foreign investments, host governments offer a variety of incentives and privileges to attract such investments to their countries. In Myanmar for example, agribusiness ventures can enjoy exemption from the payment of land lease rentals for the first 2 to 8 years, depending on the type of project. Investors can also enjoy income tax exemption for the first three years of operation. Similar incentives are available in other countries for so-called investment priority areas and are usually accorded by a government agency in charge of investment promotion.

D. Local Investors and Stakeholders

As mentioned earlier, most of the foreign investments are actually undertaken by private enterprises, in many cases with the support of their governments. Similarly, these investments are usually carried out with local partners in the host countries through various business arrangements. Such partnerships enable the foreign investors to secure land for their projects, establish a legal presence in the country, and operate under local rules and regulations.

For domestic entrepreneurs, the entry of foreign investors is generally welcomed as an opportunity to participate profitably in agribusiness ventures with less financial risk. Although rules often require that the investment vehicle is majority owned by locals, a larger portion of the investment and operating capital will usually be contributed or generated by the foreign partners. Local investors stand to share in the profits of the enterprise despite their limited financial participation.

News of impending foreign investments often touch off a flurry of specula-

tive initiatives even before the investors actually come in. Lands are purchased from unsuspecting landowners and accumulated in advance with the expectation that they can be leased and/or sold to the investors at a good margin once actual investments come in.

Domestic investors further consider the entry of foreigners as a means to learn and acquire new technologies in farming and agribusiness management. Partnering with the foreign investors could also give them access to international markets and new untapped outlets for their own products and services.

IV. LAND INVESTMENT MODES

Since most of the agribusiness investments will need land, negotiations will have to be undertaken with the owners and/or occupants of the land, whether they are government or private. It will simply be too risky especially for foreign investors to take over land without any firm legal basis or contractual arrangement. (In this sense, the use of the term “land grab” by certain quarters to characterize overseas farmland investments is generally inaccurate. Most of the land acquisitions are actually legal and documented, and in fact often involve public lands or receive tacit government support.)

The eventual agreements with land-owners and occupants may take various forms. The following sections describe the most common modalities and assess their utility to both investors and landholders from the point of view of sharing of control, profits and business risks.

A. Outright Purchase of Lands

Where it is possible, most foreign investors will probably prefer to purchase lands outright for their agribusiness and related ventures. This will provide them with full and exclusive control of the land while enabling them to profit from any appreciation in the value of their real estate properties. Of course, if their business takes a downturn and the venture is forced to liquidate, it is also possible that the com-

pany may not fully recover its investment in acquiring and developing the land.

Of the countries covered by this study, only Malaysia allows foreigners to directly acquire agricultural land. In other countries, foreign investors can secure their land requirements only by entering into joint ventures with local investors and establishing a domestic company that is at least 51% owned by locals, and sometimes more. Even in such instances, there are limits to the type and sizes of land that the domestic corporation can acquire. In the Philippines for example, local corporations can own only up to 1,000 hectares of agricultural land. Even then, it would be difficult at this time to secure such an area considering that most private agricultural lands in the country have been parceled out to farmer beneficiaries of the land reform program, with restrictions that said lands cannot be sold or transferred until the beneficiaries have completed their amortization payments to the government.

B. Leasing of Land

Because of the restrictions on land ownership, most foreign investors usually resort to long-term leases of land, whether directly or in partnership with local investors. Such lands can be leased directly from government entities, particularly for public lands, or from private land-owners. The leases are usually for very long periods, ranging from 25 to 99 years, with options for renewal.

The size of the lands that can be leased also varies by country and type of agricultural activity. As mentioned earlier, investors can lease a maximum of 2,023 hectares (5,000 acres) in Myanmar for plantation crops, while the limit for seasonal crops is 404 hectares. Leases of land of up to 20,234 hectares or more can be allowed in special cases but need the concurrence of higher authorities. Similarly, provincial governments in Lao PDR can approve the lease of lands not exceeding 100 hectares, while national government agencies are authorized to allot up to 10,000 hectares to investors.

Normally, there are no limits on the size of land that can be leased from private owners. However, there may be some restrictions on the conversion of lands from their original usage, or in the case of the Philippines, the transfer of rights to third parties by land reform beneficiaries.

Lease rates and payment terms also vary by country and type of project. In Myanmar, rental fees for fallow lands devoted to perennial crops range from US\$3 to 6 per hectare per year, while lands planted to crops in the dry zone are charged US\$6 to 16 per hectare per year. In Lao PDR, landowners get 70% of the income of the land under the "1+4" leasing scheme. Private landowners in Southern Philippines are typically enticed to lease their lands to banana and pineapple plantations for 25 up to 50 years, with rentals of around \$220 per hectare per year paid in lump sum every five years.

In most cases, landowners are compensated for standing crops, trees and other improvements which will need to be demolished to give way to the agribusiness venture. Assistance for relocating their houses may also be provided. Landowners and/or their family members also stand to gain employment in the new firm, although this is not assured and will depend on whether they are qualified and the firm is willing to employ them.

For the investing enterprise, a long-term lease effectively provides full operational control over the land by the company over an extended period, thus making it economically feasible to introduce developments, sustain operations, and then recoup the investments over a reasonable period of time. It also assures the company of full access to the output of the land and a reliable supply of vital raw materials for their processing and marketing operations.

The private landowners who lease their lands could use the rental payments as capital for alternative non-farm business ventures. If they are lucky, they could be absorbed by the agribusiness firm as employees, or may act as a service provider to the firm. They do not however have any say or influence over the firm and how it is run. They do not share in the profits of the firm, but also are not affected by most of the business risks faced by the venture. Of course, if the agribusiness venture experiences problems, their rental payments and employment in the firm could also be adversely affected.

Box 1: A SAMPLE LAND LEASE ARRANGEMENT – THE CASE OF THE CC-COR AGRI INTERNATIONAL CORPORATION IN THE PHILIPPINES

Background:

- ▶ In 2007, a South Korean group, K-Bio visited Pinamalayan, Mindoro Oriental looking for tracts of land available for a bio-diesel project. They sought the assistance of the local government to identify 2,000 to 3,000 hectares of land.

Prior to this, the K-Bio has already started a similar bio-diesel project in Samar province using jatropha as feedstock.

- ▶ At the initial stage, the local mayor and the municipal agriculture office aggressively endorsed them to the local communities. However, once the company gained direct access to the residents, the local government became less involved. K-Bio was able to secure firm contracts to lease lands from local landowners.
- ▶ K-Bio however went bankrupt and a new company, CC-COR Agri International Corporation, took over. CC-COR (literally for Cow, Cassava and Corn) was incorporated with the Securities and Exchange Commission on 28 July 2009 with an authorized capital stock of P1 million (around US\$22,200).
- ▶ The new company started operations in 2009 and initially cultivated 40 hectares for corn in the towns of Pinamalayan and Gloria. Although the company was able to harvest corn, it reportedly incurred some losses.
- ▶ When the company consultant left, CC-COR approached the local Department of Agriculture (DA) for technology assistance and to help them expand their area to 500-1,000 hectares. The DA agreed to help on the condition that the farmers/landowners benefit more from the venture through profit sharing. The DA's proposal was 50-50.
- ▶ CC-COR has already invested millions for big tractors and other farm implements and the construction of a bunkhouse and equipment house.
- ▶ It recently planted corn in 5 hectares but the crops were destroyed because of extreme heat. It reportedly incurred a loss of about P100,000 spent for fertilizers, seeds and labor.
- ▶ Farm laborers who cultivated the land received P170 (about US\$4) per day (without food).
- ▶ The company has temporarily stopped operations while waiting for the rains to come.



Actual Land Lease Agreement

- ▶ For the first batch: The lease was P1,500 (about US\$34) per hectare per year for the first year and P2,000 (about US\$45) annually for the second to the fifty year.
- ▶ For the second batch: The lease was 10% of net profits plus promises of employment (as laborers), loan assistance, livestock assistance (e.g. cattle) and planting of other cash crops like cassava.



Planted with corn in January 2010 but plants were seriously damaged by extreme heat.

Sources of information: Interview with the Municipal Agriculturist Danny Villacrusis, Pinamalayan, Mindoro Oriental, 16 March 2010; Interviews with Modesto C. Esteleyoes, Caretaker of CC-COR and Violeta Ricohermoso, landowner with land lease contract with CC-COR, Pambisan Munti, Pinamalayan, Mindoro Oriental, 16 March 2010; CC-COR SEC papers, a copy of land lease agreement. Case documentation and photos: Aurora Regalado

C. Contract Growing

Contract growing involves the engagement of farmers and entities to produce certain commodities and raw materials for the agribusiness firm. The terms of the contract are flexible. In some cases, the firm merely commits to buy from the farmers at pre-agreed prices and terms. More frequently, the firm provides a much wider

range of support services, such as training and technology dissemination, extension services, and the use of farm equipment and facilities. The firm also usually advances the costs for planting materials, farm development and inputs; in some cases, it arranges for loans in behalf of the producers, using a purchase order from the firm as a collateral substitute. Producers commit to deliver and sell all their output

to the firm at pre-agreed terms and conditions, and get back the balance of their sales after deductions for advances and other fees are made. Normally, contract growing agreements are shorter than lease arrangements and can range from a single crop cycle to at least 5 years for longer gestation crops. An interesting variation is the "2+3" scheme in Lao PDR where the farmer contributes land and labor and gets 70% of the income from the venture.

Contract growing has been increasingly promoted by governments as a fairer and more equitable mode by which small farmers and landowners can engage in business partnerships with investors. Unlike in land leasing arrangements, contract growers retain some control over their own lands. There is also an opportunity and incentive for the contract growers to be productive since they can be paid more if they are able to improve their yields and/or quality. Contract growing agreements are also relatively shorter, thus allowing landowners to negotiate for better terms on a recurrent basis.

Interestingly, contract growing has also become more popular in some countries, but for a rather perverse reason - as a way for agribusiness firms to insulate themselves from labor problems and obligations. In the Philippines for example where labor unions are typically active and aggressive, some number of plantations have terminated their lease contracts and entered into contract growing arrangements with their employees from whom they originally leased the lands. Area expansion is undertaken by recruiting new contract growers, often pirating them from other plantations, instead of leasing additional tracts of land and having to hire more employees as a result.

Aside from helping the firms avoid labor problems, contract growing frees them from mandated wages and benefits and reduces their overhead costs. To some extent, production risks can also be spread

more widely across several contract growers instead of being concentrated on the firm. However, unlike in lease arrangements where it has full control over operations, the agribusiness enterprise may lose some of its influence over the quantity, quality and availability of the raw materials it needs. Contract growers may not cooperate, or fail to follow the appropriate technology, or renege on their commitments to deliver their output to the firm. The firm may also find it difficult to secure replacements on time if contract growers elect not to renew their contracts and decide to shift to other firms once their contracts expire.

As mentioned earlier, contract growing appears to be more ideal to producers since it can provide more reasonable opportunities for advancement than the outright lease of their lands. Landowners can negotiate, preferably as a group, with the agribusiness firms to get the best possible prices and terms and conditions. They stand to earn more if they are able to make their farms more productive whereas they generally stand to get only fixed salaries if they are hired as employees. On the other hand, they will also have to absorb a larger part of the production risk. If there is a crop failure or yields are much lower than anticipated, they will get commensurately smaller payments from the firm, and may even end up in debt if the output value is lower than the total advances extended by the firm to the landowner. This could be one reason why farmers in Lao PDR generally opted for the "1+4" outright leasing scheme despite the fact that it gave them only a 30% share of the profit, instead of the "2+3" contract growing arrangement where they could avail of 70% of the profit.

D. Anchor Firms

Anchor firms employ a combination of lease and contract growing arrangements. Usually, the firm will have its own propri-

etary farmlands acquired through lease or outright purchases. It will use this to generate a desired percentage of its raw material requirements and to put up its processing, storage and other facilities. It then enters into contract growing arrangements with nearby landowners and farmers to provide the balance of its requirements. As in the usual contract growing scheme, the grower is obligated to follow the technologies and use the planting materials and inputs provided by the firm, and to sell all of the farm output to the company at pre-agreed prices and terms.

This arrangement allows the agribusiness firm to secure its access to raw materials to a reasonable degree without having to acquire additional land and/or hire employees to work on the land. The firm is also able to spread its risk and could contract more than its actual requirements so that it can maintain its operations even if some growers renege on their contracts or fail to deliver expected volumes.

E. Joint Ventures

The foreign investors, their local partners, and landowners can alternatively form a joint venture in which they mutually capitalize and become part owners of the agribusiness enterprise. They will own shares of stock proportional to their contribution, and will correspondingly share in the profits (and losses) of the firm. In most cases, seats in the governing board will be allocated in the same proportion.

Since landowners often have very little cash capital to contribute, they can be given the option to "lend" their land for the exclusive use of the enterprise. The

value of such a contribution could be estimated based on the cost of leasing similar land in the area and then credited as the capital share of the landowners. Once they become shareholders, the landowners can also be given the option to convert their profit shares into additional equity and, in the process, increase their participation and stake in the firm. Additionally, they can double as employees or contract growers of the firm.

A joint venture scheme was promoted during the early years of implementation of land reform under the Aquino administration in the mid-1980s. In some sugar areas, the value of the lands transferred to agrarian reform beneficiaries from the former plantation was consolidated and registered as the equity of the cooperative of the beneficiaries in the sugar mill. The subsequent share of the beneficiaries in the income of the enterprise was used to pay their land amortizations to the government; any excess was given to them in cash or added to their equity. The arrangement was eventually disallowed after it was roundly criticized as a loophole that allowed plantation owners to retain control over the lands while giving the beneficiaries an insignificant stake in the enterprise. Stock splits and similar maneuvers also further diluted the share of the beneficiaries in the firm.

The joint venture will normally enjoy the same access and control over the farmlands as if it had leased them from the landowners. Of course, the landowners may eventually decide to withdraw from the venture. In such cases, prior agreements could be established so that the landowner can be compensated without having to take his land out of the venture.



V. ISSUES AND CONCERNS

There is a general agreement that investments by foreign entities in agricultural business ventures could bring many significant benefits to host countries in Asia. Such investments in largely underdeveloped rural areas can have high economic multiplier effects and can generate much-needed employment and business opportunities for poor farmers and rural residents. Both national and local governments can generate additional tax revenues. Rural infrastructure will also tend to improve since the firms will need to upgrade local roads, ports, and other infrastructure and communication services to facilitate their operations. One could also speculate that farmers could be better off leasing or selling their land and working as paid laborers of, or entering into contract growing with, the agribusiness firms rather than subsisting on marginal production of rice or corn or other low value crops.

Still, the experience in the past with local or foreign investors shows that such business activities are also fraught with danger if they are not properly configured, regulated and monitored. The following sections discuss the various issues and concerns and potential problems that could arise in the course of undertaking such investments.

A. Displacement of Occupants

Almost all of the overseas farmland investments will require land for their produc-

tion, processing and related business activities. In a large number of cases, the lands which these investors will consider ideal for their projects will be areas that are already cultivated and occupied by people, since such areas would already be developed and ready for production, would tend to be arable and fertile, would be near water and other natural resources necessary for agricultural production, and would generally be accessible at least by public transport. If the foreign investor seeks to acquire and take full control of such lands for its project, existing landowners and cultivators stand to be displaced from their occupation.

Even public lands such as forest reserves and national parks which legally should not be populated are more often than not inhabited and cultivated by informal settlers, indigenous tribes and other undocumented occupants. Governments in countries like Cambodia and the Philippines have also established forest stewardship programs through which they allow informal forest settlers to stay in public lands provided they engage in reforestation, preservation and similar environmental protection activities. Furthermore, even in cases where the targeted areas for the foreign investment are relatively unoccupied, landowners and farmers in the perimeter and adjacent areas may be effectively displaced if the eventual project ends up absorbing most of the water resources, or blocks off access roads, or pollutes the water and air in the area.

Of course, occupants and owners of lands acquired by the investors could be reasonably compensated, assisted in relocating to other sites, and even given jobs and service contracts to help them sustain their livelihood. In fact, the lease or purchase of land for the overseas farm-land investments are usually covered by firm legal contracts and have the tacit agreement of the landholders. These owners presumably would have seen it proper to cede their lands for a fee instead of continuing to hold on to them. Government officials similarly should have evaluated the pros and cons of the initiative before agreeing to transfer control of public lands to the investors.

Still, there could be many instances where the displacement is involuntary. Many land occupants in Southeast Asian countries for example enjoy limited security over the properties they currently occupy and are particularly vulnerable to dislocation if not dispossession of their lands. In countries like Lao PDR and Cambodia, the land registration and titling systems have been installed only quite recently. Land boundaries are not clearly defined, and land certificates for the same parcel of land could end up being issued to more than one household or claim-

ant. Even in countries like the Philippines where formal land registration systems are in place, many areas are still occupied by indigenous tribes and settlers who do not have secure titles over their land. In these instances, a foreign investor with good local connections could easily arrange to secure formal ownership or control over the untitled lands and legally displace large numbers of undocumented settlers from their occupation.

There have also been documented cases in the past of occupants being pressured and intimidated into involuntarily ceding their land to investors. In Southern Philippines for example, local agents of palm oil agribusiness investors were suspected of hiring goons to harass uncooperative landowners. There were also suspicions that these local agents were responsible for letting loose rogue elements who sowed terror in target areas, thereby forcing frantic settlers to evacuate their homes and farms. This made them easy prey for opportunists offering to arrange for the lease of the settlers' land to the investors. In Cambodia, there have also been reports of farmers losing their lands to companies supported by local politicians and government officials, sometimes without receiving any compensation (Box 2).

Box 2: "LAND GRAB?" – THE CASE OF THE PHNOM PENH SUGAR COMPANY

Phnom Penh Sugar Company is a Cambodian company owned by a local politician who had been granted economic land concessions (ELCs) totaling 9,500 hectares. These ELCs cover ten villages in the Omlaing district of Kampong Speu province. The local politician is believed to be in partnership with Thai and Taiwanese investors for the production of sugarcane. However, it is not known whether the canes will be for food (sugar) or for the production of ethanol.



According to local informants, a total of 1,052 families have been affected by seemingly “land grabbing” activities by the Phnom Penh Sugar Company. The area that is being currently cleared by the company is an expanse of plain lands planted with trees, bamboos, rice and other food crops. Some areas were grasslands which served as grazing areas for cows and buffaloes of the local farmers. Most of the farmers in the area had apparently diversified farming income sources; most houses along the road had cows confined within their premises.

Available information indicates that some of the areas under the concession were lands awarded to Khmer Rouge soldiers serving during the conflict period many years ago. Many of these soldiers reportedly sold their rights to a military official in exchange for US\$ 4,000 per hectare.

Other landowners were, however, apparently not as lucky. One woman farmer who owned 10 hectares claimed that the company literally grabbed 6 hectares of her land without giving any compensation. When asked whether she was planning to demand for compensation, she replied that she would most probably just accept what happened as the result of the policy of government. She added that she would have to make do with the remaining portion of her hand and her farm animals.

Another woman farmer who owned 3 hectares allegedly lost 1.2 hectares to the company, also without getting any compensation. She claimed that there was no clear information on compensation and other arrangements when the company started clearing the land. She said that the company had promised to employ them but she was rejected for being too old when she applied for work. She added that she was lucky she had other sources of income but noted that other farmers whose lands were also

acquired by the company had started to sell their cows and leave farming altogether.

Initial field reports listed some 500 local workers working for the company together with 60 outsiders doing either construction or land clearing work. The workers were reportedly paid a piece rate of 40,000 riels (US\$ 9.50) per hectare. However field verification with local farmers seemed to indicate that most of the workers were actually not from the immediate village but possibly from other districts of the province.

The operations of the company have increasingly led to tensions and conflicts with local residents. Recently, the company reportedly demanded that residents reduce the size of their homelots apparently so that more land would be available for its operations. Local residents opposed the request and asked the government to intervene. However, the government has not given any response to their request so far, and there are no government representatives in the area who can assist them. Some farmers feel helpless and resigned to the prospect that they will become not only landless but also jobless, and will soon be migrating to other areas, as had reportedly happened in other areas where similar “land grabs” had occurred.

Other farmers and residents have apparently decided to fight back and take things into their own hands. A local newspaper recently reported about the protest of nearly 1,000 Cambodian villagers who rallied to oppose the alleged land-grabbing activities by the local politician. The protest came a day after irate farmers burned down makeshift wooden shelters in the sugar plantation, accusing the company of colluding with local authorities to rob farmers of their land. Villagers who spoke to an international news agency said that some protestors had also planned to torch offices belonging to the company but had eventually decided to call off the move.



B. Exploitative and One-sided Contracts

The issue of displacement is compounded by the fact that small landowners often are not in a position to intelligently negotiate the terms of any legal contract with large agribusiness firms. As a result, many of the contracts are patently one-sided and biased in favor of the firm. A review of some of the existing long-term lease agreements between landowners and banana, pineapple and palm oil plantations in Southern Philippines for example reveals that the agri-business firms are contractually free from any meaningful liability in case their business ventures prematurely fold up. Some contracts even obligate the lessors to pay the investors for any permanent improvements that remain of the land when the lease contract expires, such as irrigation canals constructed by the firm. In most cases, the lease agreements effectively cede full control over the land over very long periods and make the agribusiness firms the veritable owners of the land. For example, many of the contracts explicitly prohibit the landowners from introducing any improvement or planting any crops on their own land without the express consent of the firm. Landowners also have very little room to maneuver and very limited means to address any grievances that may arise.

Even contract growers are not necessarily better off even if they would appear to have more negotiating leverage than outright lessors vis-à-vis the agribusiness firms. In the Philippines, many of the agreements effectively make the contract growers workers on their land even if they are not nominally employees of the firm. The company has the exclusive right to provide inputs like planting materials, fertilizers and pesticides to the contract growers who, in turn, are obligated to these such inputs in a quantity and manner dictated by the firm. Contract grow-

ers have to strictly follow the company's prescriptions on what, when, and how to plant and maintain the crops. They are not allowed to plant other crops or raise any animals on their farm. They are also legally bound to sell all of their products to the agribusiness firm at terms that have been negotiated in advance.

Many small landowners and occupants clearly had no access to any legal advice before they signed lease and other contracts with the agribusiness firms. They also had very limited bargaining leverage since they either acted individually or their organizations and representatives were technically weak or, in some cases, vulnerable to manipulation and intimidation by the firm.

C. Exploitative Employment Terms

A usual enticement for landowners to agree to lease their lands is the promise of employment in the eventual agribusiness firm. In practice however, many of these promises are not faithfully kept even as creative techniques are utilized to circumvent them. For example, farmers may be adjudged to be too old or weak to work, or their children may be considered unqualified for any job position in the business venture. By their very nature, agribusiness firms are also highly mechanized, have low labor-to-land ratios, and will always be on the lookout for ways to cut costs, including those of labor. In the Philippines for example, it is a common practice to periodically hire workers on a casual or contractual basis, lay them off after a prescribed period, and then rehire them again as casuals and contractuels. This way, the workers never get regularized, and the companies avoid having to pay them mandated employment benefits. Since alternative jobs in the rural areas are very limited, workers more of than not have no choice but to accede to such working arrangements.

Aggressive labor union activities have also led many agribusiness firms in the Philippines to shift to labor subcontracting and outsourcing. After they lay off workers, the firms contract a private agency to provide labor to them. The increasing popularity of contract growing is also seen as a way for the plantations to reduce their employee-related costs and obligations, counteract the power of unions, and enjoy the flexibility to reduce their workforce without having to worry about re-trenchment and retirement costs. In such instances, landowners who had hoped to secure lucrative employment from the agribusiness firms may actually end up being exploited with very little recourse for remedies.

D. Gender Issues

Rural women are inevitable victims of any displacement from farming. In many Asian countries, they undertake a significant portion of the farm work in addition to taking care of the children and doing housework. Wives also typically handle the finances in many Asian families. Accordingly, they will be among the first to bear the brunt if their household is displaced from its farm. In many cases, they will be forced to find work to supplement the family's income. Even then, job opportunities for women in rural areas are particularly scant.

E. Negative Effects on Nearby Communities

As mentioned earlier, foreign agribusiness investments may inadvertently exploit local natural resources like water to the detriment of farmers and residents located near their area of operation. Banana plantations for example require huge amounts of water both for production and processing. In the Philippines, some plan-

tations have reportedly targeted irrigated rice areas purposely to secure access to much needed water, and have in the process reduced the availability of irrigation water to the remaining rice farmers in the area. There have also been reports that the large scale planting of non-indigenous wood species have started to affect the bio-diversity and ecological balance in forest areas in Lao PDR and Cambodia. Additionally, some of the timber species like eucalyptus have allegedly strained local aquifers because of their relatively massive absorption of underground water and nutrients.

In other cases, the agribusiness projects may occupy large and strategic areas to such an extent that the mobility of farmers and their access to roads and other public facilities are effectively curtailed. For example, farmers may have to take circuitous routes to market their products so as not to trespass plantation areas. In the Philippines, outsiders are sometimes required to pay toll or passage fees in order to go through areas owned by large plantations.

The agribusiness projects may employ fertilization and pest and insect control methods which pollute adjacent water and air resources and could be toxic to nearby residents. Many large plantations for example employ aerial spraying of insecticides which may contaminate non-targeted areas. Poisonous pesticides sprayed on plants may find their way into aquifers or irrigation canals and end up harming people who eventually use the water for drinking or farming.

The introduction of large-scale projects may also necessitate the introduction of immigrant labor which could spark or heighten ethnic and cultural tensions between local residents and outsiders, as can be inferred from a case study on an investment project in Indonesia in Box 3 below.

**Box 3: “ETHNIC TENSIONS ARISING FROM LAND INVESTMENT”
– THE CASE OF THE MERAUKE INTEGRATED FOOD
AND ENERGY ESTATE IN INDONESIA**

Saudi Binladen Group, one of the world’s top rice imports, has been initially granted 1.2 million hectares of land in the Merauke Integrated Food and Energy Estate located in Merauke District of Papua province.. The estate, which measures a total of 1.6 million hectares, has been segregated by the Indonesian government for the production and processing of food and energy crops by local and foreign investors. Indonesian officials estimate that the estate will add up to one million metric tons of rice annually to the current national output of 60 million tons. Additionally, between 800,000 and 1.2 million metric tons of sugar are expected to be produced every year. The Indonesia government has pinpointed Merauke as a priority area for food production given its large cultivable area compared to Sumatra, which is already congested with palm oil and other plantation crops, and Kalimantan, which is heavily devoted to mining activities and plantations.

The Indonesian government’s endorsement of these large-scale investments has however met some criticism from environmental and other civil society groups in the country. One environmental group has warned that the project would result in a massive “land grab” which would effectively displace small subsistence farmers who will not be able to co-exist and compete with large agribusiness operations. An NGO leader commented: *“The foundation of our food security is still vulnerable. Farmers are still struggling with scarcity of land in the face of market liberalization and government policy unfavorable to small farmers. If this project goes ahead, it would amount to legalized land-grabbing when domestic and foreign businesses are allowed to compete with small farmers.”* In a formal statement, the leader added that: *“Large-scale land conversions in Merauke, which consists of predominantly low-lying land and marshes, could cause it to lose its land areas. The decrease in forest and water catchment areas could result in a faster intrusion of sea water into the land.”*

Another NGO cautioned that the planned project would expand Merauke’s population almost fivefold from 175,000 to 800,000 people and could exacerbate ethnic tensions and conflicts in the area specially since large numbers of non-Papuans would presumably be brought in to work in the project. A spokesman for the NGO said: *“There is growing opposition to the scheme from small-scale Papuan farmers who say they fear their traditional livelihoods will be threatened by the large-scale, state-subsidized commercialization of agriculture.”*

F. Policy Incoherence and Inconsistency

A related concern arises from the fact that the special privileges accorded to overseas farmland investments are often in contradiction with domestic policies and program thrusts. In the Philippines for example, the government has pursued a comprehensive land reform program in the past 40 years through which large tracts of formerly tenanted lands have been painstakingly acquired from resistant landowners and parceled out to tenants and landless workers all over the country. With the entry of the foreign investors, the government has at the same time actively wooed them to establish agribusiness ventures, in many cases offering to help them secure land, including areas that have been covered by the land reform program. This has raised concerns that tenants who have only recently been emancipated from tenancy and landlessness could once again become laborers on their own land in a veritable "land-return" process. Similarly, some Cambodian farmers question why they have actually been encouraged by their governments to protect and preserve forests while, at the same time, their government is offering the same lands to foreign firms and allowing them to convert these protected areas into large-scale plantations.

G. Implications on Food Security

Food security is another instance where public policy pronouncements often contradict actual decisions and movements on the ground. The Philippine government for example has launched a comprehensive rice production support program with the objective of making the country marginally self-sufficient in rice by 2012 or thereabouts. This program, which gained even more prominence and urgency following the rice crisis in 2008, banked heav-

ily on the introduction of improved rice varieties and the upgrading of irrigation facilities on existing ricelands. At around the same time however, the government was apparently negotiating with Chinese investors who were proposing to lease up to a million hectares of land for food production. Only when the deal was exposed by the local media and roundly criticized by various sectors did the government effectively cancel the agreement. Up to now however, no clear explanation has been made as to the rationale of the project and how it would coincide with the country's rice self-sufficiency objectives.

Interestingly, even Vietnamese authorities have apparently begun to worry about the rapid diversion of their own ricelands to other crops and uses, including non-food production by domestic and foreign investors. Many countries have also started to re-evaluate their biofuel initiatives in a large part due to criticisms that such ventures directly compete for land that should be prioritized for food production.

In many cases, the crops that foreign investors want to grow may not be essential for the host country's food security. Former rice or corn farms for example could be converted to produce vegetables, flowers and other commodities that could be of higher value but not consumable domestically. As noted earlier, some of the investors actually intend to re-export their outputs to address their own country's food security concerns, or sell it to other foreign outlets to generate better returns.

Food insecurity could also emerge as a problem at the local level. When individual farmers lease their lands to agribusiness entities, they often have to let go of all their land because such enterprises usually require contiguous areas, often to plant plantation crops or on a large and intensive basis. Farmers generally do not have the option of leasing only part of

their land and retaining some area for their own use if these fall within the plantation area. They therefore effectively lose the capacity to produce food for themselves and their family, and also for the local community. By the same token, whole villages and even towns could be converted into plantations of crops that cannot be eaten, making these communities potentially vulnerable to food shortages in the future if they cannot get access to food from nearby production areas.

Food security could further be threatened if the foreign investments compete for the supply of water and other natural resources with nearby farmers. As mentioned earlier, some banana plantations in the Philippines have diverted irrigation canals to their farms, thus depriving rice farmers with water even if the irrigation systems were originally constructed for them. Additionally, some practices of agribusiness firms could hamper the food production activities of neighboring farmers. Aerial spraying and intensive use of toxic pesticides and insecticides by agribusiness firms could contaminate the water, soil and air at the expense of nearby farms.

H. Opportunity Costs to Farmers and Rural Communities

A common justification for encouraging farmers and landowners to lease their lands or enter into contractual arrangements with agribusiness enterprises is that they will have very little chances of advancement if they persist in producing low-value staple crops on their small farms. Allowing other entities to more intensively and profitably use the land will generate more value-added, out of which landowners can get a share of the profit in terms of land rentals, or sales of their contractually grown output, and/or employment in the agribusiness firms.

It is debatable however if landowners will really be better off only if they lease their lands to outside investors. Even assuming a relatively high rental of around US\$200 per hectare per year, as is the going rate for plantation land in Southern Philippines at the moment, a farmer would get the equivalent of only around US\$0.60 per day as compensation from each hectare that he leases out. Assuming he has two hectares, which is the average farmland size in the country, his income from the rental will be just a little above the World Bank poverty benchmark of US\$1 a day. Clearly, the situation would be much worse in countries like Lao PDR and Cambodia where the rental rates are comparatively low and farmers often have less than half a hectare to lease out. The farmers could of course look for alternative employment and income-generating opportunities after ceding their lands to investors. However, such options are very limited in the rural areas, and the agribusiness firms may not be able to employ them regularly, if at all. Migrating to the cities and looking for jobs there is similarly problematic.

Arguably, it would not be very difficult for even a low-technology farmer to generate more than US\$1 per day from his 2-hectare farm for as long as he gets basic support for technology, roads and irrigation. If the government invested more aggressively and sustainably in the rural areas, it is highly possible for such a farmer to generate enough wealth and income from his farm not only to modernize his farming but also to send his children to school and build a good house for his family. However, leasing his land to a plantation for almost the length of a generation effectively erases such a prospect and renders the farmer disproportionately dependent on the health of the agribusiness firm for his future sustenance.

I. Effects on the Environment

Unless properly monitored and regulated, agribusiness investors will tend to exploit the land and other natural resources to the limit in their drive to generate as much returns in the shortest possible time. Large-scale plantations usually employ intensive cultivation practices that may lead to irreversible land degradation, water pollution, and long-term environmental damage. The application of massive doses of inorganic fertilizers and inputs, deep plowing, radical recon-

touring of soils, and year-round planting could eventually render the land barren, infertile, and essentially unusable by the time the lease contracts expire. Even water catchment areas, mangroves, and forests can be severely damaged by intensive agribusiness activities. Monocrop agriculture could also seriously affect the biodiversity in and around the project areas. Box 4 provides an insight into potential environment-related issues that may arise when large-scale agribusiness investments start encroaching into previously protected areas.

Box 4: ENVIRONMENTAL IMPACT OF INVESTMENTS: THE CASE OF HLH COMPANY

H.L.H (abbreviation for “Hong Lai Huat”) Agriculture Cambodia Limited is a Cambodian company granted by the Royal Government of Cambodia with ELCs covering 9,985 hectares of land in March 2009. The lands are located in Trapeang Chour and Cha En communes, Oral district, Kg. Speu province. The company acquired the 70-year lease to raise corn for export as feeds, cassava and sugarcane. The agreed rental for the land is reportedly one US dollar per hectare per year.

The company is part of a holding company named H.L.H. Group Limited which is listed in the main board of the Singapore Stock Exchange. It is involved in a variety of business activities including property investments, building construction, corn plantations for corn starch, corn oil ethanol, trading of agriculture and biotechnology products.

The land concession of HLH is located very near the area of operation of the Phnom Penh Sugar Company (see Box 2). The HLH case is apparently less problematic with only 48 families and 25 hectares of farmers’ property reportedly being affected. However, subsequent research made by a Cambodian NGO in May 2010 indicated a wider scope of the company’s operations. Eleven villages in two communes are Trapeang Chour and Sangkae Satorp communes, wherein five villages are populated by indigenous ethnic minorities (Suoy), were reportedly affected by the ELC together with two indigenous peoples communities in Trang-Chambak and Kor Dountey. The leased area, shown as the white portion in the map on the right, allegedly also covers parts of a wildlife sanctuary, a forest conservation zone and a community forestry project which had been endorsed and supported by the Environment Ministry since 2007.

A recent site visit indicates that a huge corn processing plant has been erected in the project site, although it is most probably operating under capacity given that only a few hundred hectares out of the total 9,985 hectare ELC has actually been planted to corn.

In response to concerns raised by NGOs and in conjunction with the company's application for an Environmental Impact Assessment (EIA), government officials have reportedly taken the following courses of action:



- ▶ A senior minister threatened to terminate the permit of the company to operate if it encroached to within 150 meters of either side of the water canal running through the project site.
- ▶ About 1,000 hectares of evergreen and semi-evergreen forest inside the company's project area must be protected and conserved, and could double as a protection for the corn fields from strong winds.
- ▶ Two or three community forestry projects within the ELCs will soon be launched by the ministry of environment.
- ▶ The company will be required to allocate a portion of its income for social development and for the development of livelihoods for the local communities.
- ▶ The company and Ministry of Agriculture, Forestry and Fisheries will manage ponds for fish raising as an additional livelihood support for local communities.
- ▶ The company will disseminate technologies to local farmers on corn production, provide corn seeds (but not genetically modified varieties), and buy the corn output of farmers.

J. Monitoring of Compliance with Investments Conditions and Commitments

Foreign investors are usually required to commit to certain amounts of investment and guarantee the completion of certain developmental activities in the project area in order to be able to invest in the country and lease or acquire lands. In some cases, they in fact need to post a performance or similar bond as an additional guarantee that they will abide by their commitments. Other arrangements make it mandatory for the investors to strictly follow local rules and regulations such as those regarding the hiring of employees, the exploitation of natural resources, and the protection of the environment.

Unfortunately, most countries have very weak monitoring systems and do not have the capacity to promptly and regularly measure the compliance of the investors with their commitments. In turn, rules are applied in a very lenient and flexible manner, disciplinary measures are not taken unless somebody complains, and infractions are sometimes conveniently ignored in exchange for bribes. Since the investments generate regular income streams for both local and national governments, there is also a general tendency to condone the infractions of the firms and their non-compliance with regular commitments.

K. Lack of Transparency

As noted earlier, there has been a severe lack of information on the nature and scope of the foreign land investments and the entities and persons behind the schemes. Most of the information available comes from media reports, and these are generally limited to general announcements of proposed or intended projects, or of investment proposals being ap-

proved. However, very scant information is available from government agencies and other entities which are directly involved in these transactions. In some cases, there are even apparent attempts to conceal or prevent the release of information to the public. Only when the deals are exposed by the media or concerned groups do governments usually react and start giving information; even then, the whole picture is never revealed and deals are simply rescinded or suspended if the issue becomes too controversial.

Although many of the foreign investment projects involve private enterprises who enjoy rights to privacy and exclusive access to privileged information, it is also the right of the general public to be informed of how land and other precious natural resources of the country are being allocated to either domestic, and more importantly, foreign investors. Landowners, farmers and other stakeholders who could be affected by the investment projects also need to be alerted to prevent them from being victimized by speculators or taken advantage of by the investors themselves.

It is highly possible that the foreign investment deals are linked to government-to-government agreements, which could include promises of official development assistance for example, which need to be respected and secured. In such cases, government functionaries might see it fit to divulge as little information as possible especially if the investment projects are potentially controversial. Still, the overly secretive way by which such foreign investments are being pursued has given rise to speculations that many of the transactions are either illegal or improper but that they are nevertheless being facilitated and endorsed by government officials in exchange for bribes and other emoluments. It is also very likely that information is being kept from the public so that certain enterprising groups can position

themselves to benefit once the investors actually come in. For example, they can acquire lands in advance from unsuspecting landowners and then sell them to the investors later at a huge profit.

L. Possible Impacts on ASEAN Trade and Food Security

Admittedly, the overseas farmland investments could help modernize agriculture in many Southeast Asian countries where farming is still often at subsistence levels. However, ceding control over large tracts of land to foreign entities may have serious repercussions on the future food security of individual countries and the region as a whole. As indicated earlier, many of these investments are intended to address the food security objectives of the investing country, not of the host country or the region's. Hence, while rice productivity and output could for example increase significantly in an investment project area in the Philippines, the country could end up with a larger net rice stock deficit if the whole output, and not just the incremental yield gain, is exported back to the investing country. Additionally, the foreign investors may opt to convert lands traditionally planted to staples and food crops to other higher value non-consumable commodities like cutflowers, vegetables, fruits and industrial crops like palm oil. If not properly supervised, these investments could further exploit land, water and other natural resources in an abusive manner that could seriously impair the availability of such resources for food production in the future.

The region's long-term food security could be adversely affected if such investments are carried out in significant scales in critical parts of the region. In 2002, Southeast Asia was estimated to have produced 150 million tons of paddy (un-husked rice), or about one-fourth of the world's total output, from an area equiva-

lent to 45% of the region's cropped hectareage.⁶ The region consumed 95% of its production during the year. Although per capita rice consumption in the region is projected to decline over time, aggregate demand is still expected to rise as a result of population growth. Given this delicate balance, even a slight reduction in planted area could transform the region into a net rice importer if rice yields do not improve and compensate for the change. The region's rice self-sufficiency is further threatened by projections that climate change will significantly reduce water availability and rice output in major rice production areas along the Mekong River, particularly in Vietnam.

Of course, it is equally possible that rice hectareage, cropping intensity and yields can increase appreciably as a result of the foreign investments, especially if the production projects are situated and successful in heretofore marginally productive lands. Even rice farmers who are not directly involved in the project could experience yield gains if they gain access to better planting materials, technology and even irrigation facilities as a result of the investments. If productivity and output improve significantly and over a wide area, traditional rice importers like the Philippines, and to some extent Indonesia, could end up importing much less or even graduating into rice exporters. In turn, Cambodia, Laos and Myanmar, with their vast tracts of underdeveloped lands, could become major rice exporters, rivaling Vietnam and Thailand for overseas markets.

It could further be recalled that many Southeast Asian countries have embarked on major food production programs in a bid to raise their self-sufficiency levels as a reaction to the 2008 food crisis. A profile of both rice importing and rice exporting

6. Mutert, Ernst and Fairhurst, T.H., "Developments in Rice Production in Southeast Asia", Better Crops International, Volume 15, Special Supplement, May 2002

or surplus countries shown in Annexes A and B indicates that short-term efforts to boost production have yielded appreciable results for most countries in Southeast Asia. If these trends continue and the foreign land investments simultaneously succeed in raising yields and output in the region, overall food sufficiency, supply, and security could be significantly enhanced at both the national and regional levels.

Access to critical food staples in the future will undoubtedly be affected by how marketing systems evolve in reaction to changes in production and consumption patterns in the region and worldwide. At present, governments in Southeast Asia still wield a heavy influence over their rice sectors. The Philippines' National Food Authority (NFA) and Indonesia's Badan Urusan Logistik (BULOG) continue to operate sizeable programs providing price and related subsidies to rice producers and/or consumers. The Vietnamese government regulates the outflow and sales of rice products abroad through a network of state enterprises. A similar system, albeit using private rice traders and exporters, apparently still exists in Thailand. The Malaysian government provides various subsidies to rice producers and tries to keep rice prices within targeted ranges through a price-setting and inventory control system involving traders and other grains business enterprises.

The entry of large-scale foreign investors in the production and marketing of staples like rice could change the dynamics of the trade of the product. Most of the overseas farmland investments will presumably be undertaken by private enterprises, sometimes with the backing of their governments, but outside the direct control of the governments of countries where they operate. Some of these investments could evolve into fully integrated operations undertaking production, processing, and marketing, operating virtually outside

the influence of commodity markets for the supply of raw materials, but maintaining a distinct capacity to supply target markets as opportunities arise. Hence, there is a high probability that private businesses could eventually become competitors of government state enterprises in the supply of rice to local markets and in the export of the staple to markets abroad. In turn, a more competitive and liberalized marketing system that includes a variety of private players could potentially be able to respond more predictably and promptly to market signals and mitigate the possibility of supplies being withheld by governments from overseas markets due to political and other non-economic considerations in the future.

Interestingly, a proposal introduced by Thailand at the height of the 2008 food crisis to organize an Organization of Rice Exporting Countries or OREC, similar to the Organization of Petroleum Exporting Countries (OPEC), gained little support from regional players. Vietnam reportedly rebuffed the idea. The Philippines publicly criticized the proposal and ill-timed and inimical to its long-term food security interests. A related proposal to establish an ASEAN Rice Reserve System, and subsequently, a wider East Asia Emergency Rice Reserve (EAERR) with the participation of Japan, Korea and China, has likewise received lukewarm support. Under the proposed systems, countries would pre-position and dedicate rice stocks for use by needy countries during rice shortages and crises arising from calamities and other market emergencies. At the moment, the volumes being committed to the system are miniscule, in part because of the high cost of carrying inventories, and also because exporting countries like Thailand and Vietnam would understandably prefer to sell their excess stocks in the open market instead of wait for emergencies to happen. Additionally, the need for

such a reserve system may have diminished in the light of the apparent resolve of traditional rice importing countries like the Philippines and Malaysia, and to some extent Indonesia, to achieve more comfortable levels of rice self-sufficiency in the near future.

This apparent hesitance of governments to act together to better influence rice trading in the region in the name of food security provides a window for a more active involvement of private traders and enterprises in the future. While it could be argued that private businesses will behave on a purely commercial basis irrespective of food security considerations, a more competitive market involving a larger number of players could provide some assurance that supplies will go to where they are needed most in reaction to market price movements. Governments will in any case retain most of their proprietary programs and policies to ensure that the domestic situation does not go out of hand during emergencies and that private traders do not abuse their access to local markets. They could in fact even be in a better position to exert influence over the foreign investors doing business in their country than over other governments who have to prioritize their constituents in times of crisis.

M. "Race to the Bottom" to Attract Investors

Other things being the same, foreign investors will naturally select project areas where they can get the most incentives and privileges to operate. Since they know that governments are keen to attract them,

they will also try to extract as many concessions as possible, and play one country against another in a veritable bidding war among those who want to get the investments. There is then the danger that countries in the region will try to outdo each other in attracting the investors and end up compromising their long-term interests and those of their constituents in exchange for relatively short-term gains.

Within the Southeast Asian region for example, the largest number of overseas farmland investments appear to be in Lao PDR and Cambodia. Coincidentally, these are the countries where foreign investments are accorded comparatively generous privileges, investment deals are easily kept out of the public eye by strong centralized governments, and laws involving property rights are relatively weak. In turn, many proposed investments in the Philippines have apparently been shelved due to negative reactions from an active local media and organized groups, in addition to more stringent rules on the leasing of agricultural lands to third parties. Still, one cannot discount the possibility of the Philippine government bending such rules in the future in order to "outbid" other potential hosts and accommodate foreign investors and secure concessions from their governments.

A similarly perverse situation could occur within a country if local governments and investors try to outdo each other in attracting foreign entities to undertake agribusiness projects in their chosen areas. Local authorities may end up sacrificing the interests of their constituents and their communities in their drastic attempts to secure the nod of investors.

VI. RECOMMENDATIONS

Despite the various issues and concerns that have been raised, there is little doubt that overseas farmland investments can bring, and in many cases have actually generated, significant economic and other benefits to farmers, small-scale entrepreneurs, and whole local communities in the host countries. These investments have raised the output from formerly marginally productive lands, created employment opportunities for residents, and generated additional tax and other revenues for both the local and national governments.

However, experience has also shown that there is no guarantee that things will be better off with the presence of the investors, and that small landowners, contract growers, and other rural residents will actually secure an equitable and commensurate share of the benefits from these investments. In fact, there are risks that landowners will be duped into ceding their lands, exploited as laborers, and tricked into signing very one-sided contracts. Even the long-term interests of the host countries, such as food security, environmental sustainability, socio-economic development, and poverty alleviation, could be inadvertently compromised if the investments are allowed to be purely exploitative and extractive in nature. The foreign investments could even ultimately jeopardize efforts to secure the food security, and with it, the political stability, of the Southeast Asian region as a whole.

There is therefore a need to configure

an approach that would ensure a win-win result from such foreign investments. This will allow the investors to address their own concerns in a reasonably profitable and cost-effective manner. At the same time, the investments will provide concrete and lasting benefits to local landowners, rural communities, and the recipient country as a whole. For this to happen, the following recommendations are proposed:

A. Coherent foreign investment, land use and environmental protection policies

A basic requirement will be for governments to adopt clear and definitive policies and development strategies that will lay the framework and parameters by which foreign entities can undertake agribusiness investments in the country. Most countries have developed their own medium-term development plans which lay out their priorities and goals in the areas of food security, rural development, poverty alleviation, environmental sustainability, and overall economic development. These goals and priorities are then translated into more detailed policies, such as land use policies which could define which lands should be protected for food security purposes, or forest areas that must be preserved for environmental considerations.

For purposes of foreign land investments, the major policies that need to be laid out would include the following:

- a) investment policies, including the tax and other privileges that can be accorded to specific investments, and criteria for determining who can qualify for such privileges and how;
- b) land use policies which define how various types of land are to be utilized for agricultural and non-agricultural purposes, which lands are to be preserved for specific purposes, and under what circumstances agricultural lands can be converted to other uses;
- c) environmental protection policies which will delineate areas for protection and preservation, establish the rights of informal settlers and designated forest stewards who occupy public lands, and set limits and safeguards on the exploitation of the country's natural resources; and
- d) labor policies which will ensure the protection of workers' rights and provide them an effective means of redressing grievances against employers while at the same time protecting employers from abuses and malfeasance of employees and their organizations.

These policies and guidelines will then need to be incorporated into local legislation, rules and regulations that should be strictly followed by all parties concerned, including foreign investors.

Clearly, there must be both coherence and consistency among the various policies and rules that are laid out by various agencies of the government at the national and local levels. For the investors, this will ensure predictability and clarity on what they are supposed or allowed to do and what they cannot undertake. On this basis, they can make firm decisions on whether to proceed with their investments and how to implement them. In turn, government functionaries and local stake-

holders will have a firm basis for adjudging whether foreign investors and their local partners are adhering to established policies and following the relevant rules and regulations.

B. Strengthen property and land registration and titling system

Systems that protect property rights are clearly important to safeguard landowners and settlers from abusive speculators and investors. These should include efficient land registration and titling procedures that clearly delineate the occupation of property owners and are able to prevent multiple titling, unauthorized tampering of titles, or surreptitious sales and transfers of property. Informal settlers and occupants in public lands such as forest and parks are in even greater need of protection since they often do not have secure titles or authority to occupy their properties. A system of stewardship by which such occupants are allowed to work on the land without owning it, provided they replant trees or take care of forests, is an ideal alternative. Similarly, the historical and ancestral rights of indigenous tribes and similar groups who have occupied lands for various generations but have not been able to secure legal titles to their lands should be protected and documented as soon as possible.

C. Protection for small landowners and producers

Legal and other forms of assistance will need to be accorded to settlers, farmers and landowners, most of whom are poor, uneducated and unorganized and are particularly vulnerable to manipulations by speculators and unscrupulous investors. A basic tenet to be followed should be that there should be free, prior and informed consent before they decide on whether to

lease their lands to the investors, or engage in contract growing arrangements, or sign any agreement involving their lands and rights. The rights and responsibilities of all contracting parties should be clearly delineated, and where necessary, government agencies or NGOs should provide legal advice to local residents to ensure that they fully understand the terms of their contract and are in complete agreement with the contract provisions. Laws and regulations could further be put in place that can void such contracts even after they have been signed in the event they are found to be not in conformity with minimum standards and provisions which are clearly laid out in advance.

D. Equitable profit-sharing and employment arrangements

The compensation and other benefits that landowners will acquire when they lease their lands or engage in contract growing with the investors is a major consideration. Land lease rates should be properly monitored and publicized so that unsuspecting landowners are not duped into ceding control of their lands for extremely long periods and/or at clearly very low prices. Contract growers should ideally be assured of a floor price for their output and a premium in case market price or exchange rate movements result in extraordinary income for the firms. Similar profit-sharing arrangements could in fact enhance their loyalty and support to the agribusiness firms to which they commit to supply their products. Where landowners are promised employment in the eventual agribusiness enterprise, there should be sufficient protection for worker's rights and safeguards to prevent the hiring-firing-rehiring of contractuels, indiscriminate retrenchment, and abusive curtailment of union activities.

E. Organization of small farmers and landowners

Farmers, landowners and occupants can wield better and stronger bargaining leverage with investors if they are organized and negotiate as a group. Even after contracts have been signed, their organizations will be in a better position to monitor the firm's compliance with the terms of the agreement, pressure them to rectify deviations from the contract, and demand compensation if necessary. In comparison, landowners can be easily intimidated and will often be afraid to assert their rights if they act alone. Organizations can further undertake collective activities that can provide improved services to their members, such as input supply or consumer goods distribution. They could also generate extra employment opportunities and income for their members by engaging in business activities themselves, such as providing services to the agribusiness firms or setting up income-generating activities.

F. Strict enforcement of local rules and regulations, proper monitoring of compliance

The obligations and commitments of foreign investors should be clearly laid out before the corresponding licenses to operate are issued. The appropriate government agencies should then regularly check whether the investors have complied with their commitments. The necessary penalties should be imposed resolutely if needed. Local residents, NGOs and governments should be appropriately informed so that they can help in monitoring and evaluating the performance of the investors. Similarly, the agribusiness entities should be made to strictly adhere to the country's labor, environmental, and

land use rules and similar regulations, and should be firmly dealt with if they fail to do so.

G. International (and regional) code of conduct

Several reputable entities such as the Food and Agricultural Organization (FAO) and the International Food Policy Research Institute (IFPRI) have called for the formulation of an International Code of Conduct that would lay down the basic rules and principles by which foreign investors can carry out their agribusiness projects in other countries. While such a code of conduct can only be adopted by individual companies and investors on a voluntary basis, it could still exert sufficient pressure on investors to comply with fundamental ground rules that will prevent most of the abuses and address most of the concerns hounding overseas farmland investments to date.

One proposed provision for example would give the prerogative to the host government to mandate the retention of the output of the agribusiness enterprises for local consumption in case of calamities such as drought or flooding, or when national food security is deemed to be at risk. IFPRI has also recommended that all negotiations with local landholders must be transparent, and that existing land rights, including customary and common property rights, of occupants should be fully respected. Further, local communities should receive a commensurate share of the benefits from the investments while labor rights should be adequately protected. Finally, socially and environmentally appropriate farming systems should be promoted. The FAO, in cooperation with the International Fund for Agricultural Development (IFAD), IFPRI and the International Institute for Environment and Development (IIED) has drafted the "Voluntary

Guidelines for Responsible Governance of Land and Other Natural Resources" which delineates the non-binding obligations of investors and governments when undertaking overseas farmland investments.

Such initiatives could complement the voluntary move of a growing number of companies to adopt their own Corporate Social Responsibility (CSR) programs through they obligate themselves to adhere to certain operating principles and guidelines in the way they treat people, the environment and society as a whole.

It should also be recognized that most of the excesses and abuses that coincide with many of the foreign land investments are actually carried out by local entities and personalities, possibly without the knowledge or tacit approval of their foreign counterparts, and oftentimes in violation of local laws and regulations. Hence, voluntary codes of conduct governing the behavior of foreign investors should not detract attention from the importance of firmly applying local rules and resolutely penalizing wrongdoers.

H. Role of civil society

Civil society has a major role to play in ensuring that the country's interests are not unduly compromised as a result of the foreign investments, and that vulnerable sectors like farmers and small landowners are not exploited and taken advantage of in the process. This can be effectively done by raising public awareness of both the benefits and costs of the foreign investments and by undertaking research and public information campaigns that will give a full picture of what is really happening. National and regional platforms could be established to monitor developments at various levels and facilitate the exchange of information across sectors and countries. Where particular investors are found to be violating rules or abusing

the privileges extended to them, civil society organizations can take the initiative to expose their misdeeds and pressure government agencies to take the necessary disciplinary actions. If these are not sufficient, they can lead consumer boycotts and undertake mass action to pressure the investors and their local partners to rectify their mistakes and compensate aggrieved parties if necessary.

I. Governments have primary responsibility to support their agricultural sector, not foreign investors

As a final point, it is important to keep in mind that overseas farmland invest-

ments are not the fundamental solution to the problems that continue to confront large masses of small farmers and landless rural workers in Asia. Although foreign investments can provide tangible benefits, and steps can be taken to ensure that they do so, governments cannot forfeit their responsibility and pass of the obligation to build the roads, or put up the irrigation, or deliver health and education services to foreigners. Besides, the masses of small farmers in the countryside are investors too and have been so over many years, oftentimes with very little prodding and support from their government. They too deserve as much, if not more, incentives from the governments as the foreign investors.

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ANNEX A PROFILE OF RICE IMPORTING COUNTRIES

PARAMETER	Malaysia	Philippines
Value of agriculture (and rice) in the economy	<p>2008- 7.4 % share of GDP Employment Share- 20.3 % Agriculture area= 7.870 million hectares Paddy production 2004=2.183 million tons 2005=2.312 million tons 2006=2.188 million tons 2007=2.271 million tons</p> <p>Malaysia currently grows rice paddy on about 680,000 hectares.</p>	<p>2008-18.4% of GDB Employment share-36.1% Agriculture area= 12.2 million hectares Paddy production 2004=14.497 million tons 2005=14.603 million tons 2006=15.327 million tons 2007=16.240 million tons</p>
Sufficiency level before the crisis	<p>65 percent to 70 percent sufficiency level.</p> <p>Malaysia is the world's ninth biggest rice buyer and consumes about 2.2 millions of rice annually, of which around 70 percent is produced domestically.</p>	<p>Approximately 85-90% self-sufficiency level.</p>
Levels of domestic support for rice before the crisis	<p>Malaysia subsidizes several food items.</p> <p>Local rice is cheaper than in neighboring countries. Depending on the quality, some varieties of Thai rice cost twice as much as Malaysian rice.</p> <p>The government provides farmers with free fertilizer and other concessions to keep the price under control. The government spent more than 900 million ringgit on such concessions in 2007 (1 US Dollar=3.618 Malaysian ringgit). Rice has been traditionally neglected as Malaysia shifted its focus to plantation oil crops.</p>	<p>Budgetary support averaged 2 Billion pesos for the rice program.</p>
Domestic actions/policies/support after the crisis; longer term food security objective	<p>Production</p> <p>Target of 77 percent sufficiency in 2009</p> <ul style="list-style-type: none"> • Target of 80 percent sufficiency by 2010 • With the launching of Food Security Policy in April 2008, rice production may increase from 1.67 million tonnes to about 1.79 million tones. 	<p>Production</p> <ul style="list-style-type: none"> • The Department of Agriculture initially implemented the Rice Self Sufficiency Program Plan for 2009-2010 which aimed at making the country 100% self-sufficient in rice by 2010 through improved rice productivity and increased income of rice farmers. The timetable was later extended

	<ul style="list-style-type: none"> • The government has since paid out subsidies and incentives of up to 1.73 billion ringgit to farmers and agriculture agencies in northern, rice-producing states of Kedah, Perlis and Kelantan to boost output of the grain. • Part of the funds was to be used to plant some 72,000 hectares in the eastern states of Sabah and Sarawak on Borneo island. • Allocated an additional budget of RM 5.6 billion to boost agricultural production until 2010 <p>Trade</p> <ul style="list-style-type: none"> • Malaysia might ban taking locally grown rice out of the country in a bid to stave off fears of a shortage caused by a global food crisis, • Malaysia lowered gasoline and rice prices as part of the government's moves to boost consumer confidence and spending as the global economic downturn unfolds. 	<p>to 2013 when it became apparent in 2009 that it would be difficult to attain the target by 2010.</p> <ul style="list-style-type: none"> • The government has allotted PhP43.7 billion for the FIELDS program which covers (a) fertilizer assistance, (b) repair, restoration and rehabilitation of irrigation facilities, (c) construction and improvement of farm-to-market roads and roll on/roll off ferry ports, (d) improvement of research and technology adoption through education and training, (e) increase in farmers' access to credit, (f) the establishment of appropriate integrated processing and trading centers, and (g) procurement and distribution of rice hybrid seeds, among others. <p>Trade</p> <ul style="list-style-type: none"> • To prevent rice hoarding and price manipulation, the National Economic Development Authority (NEDA) chief cited the involvement of the National Bureau of Investigation (NBI) and the National Food Authority (NFA) in strictly monitoring traders. • In May 2009, President Gloria Macapagal-Arroyo signed Administrative Order No. 226 suspending the processing and approval of all applications for conversion of all types of agricultural lands. • The DA and the House of Representatives signed a Memorandum of Agreement (MOA) for a PhP1 billion funding for the rice and corn productivity program. • Other programs that the government is presently undertaking to assist the poor include rice distribution through the <i>Tindahan Natin, Botika ng Barangay</i>, Food for School program, <i>Pantawid Pamilyang Pilipino program</i>, <i>Pantawid Kuryente</i> and Student Assistance Fund for a Strong Republic.
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Outcomes in 2009 and 2010	2009=From 70 percent to 73%. 2010=Targeting 86 percent	Down to 81 percent sufficiency level, targeted 89 percent in 2009
International trading position and offers on rice market access during the crisis	<ul style="list-style-type: none"> • Kuala Lumpur offered palm oil to any exporting country that was ready to supply rice of suitable quality. • Malaysia is both a major world producer of palm oil and reliant on imports for about a third of its annual rice consumption; palm oil is itself in demand and prices have rocketed amid increased demand from China and India. 	<ul style="list-style-type: none"> • Government-to-government arrangement with Vietnam. Secured 1.5 MMT rice stocks from Thailand on a similar government-to-government arrangement • Opposed the idea of establishing an Organization of Rice Exporting Countries (OREC) floated by Thailand.
Factors that may hamper attainment of longer term food security objectives	<ul style="list-style-type: none"> • Government will invest in rice production in Sarawak. However, forest land or palm oil plantations abound there. There is uncertainty as to whether areas will be cleared to make way for rice paddies. • Still, the plan is but a fraction of what Malaysia needs to boost food production. The Agriculture Ministry said recently it needs US\$1.9 billion in funds to cultivate new rice fields and improve infrastructure to boost rice production. 	<ul style="list-style-type: none"> • Corruption issue • Climate • Limited resources to finance self-sufficiency plan.

ANNEX B PROFILE OF RICE EXPORTING/SURPLUS COUNTRIES

PARAMETER	Cambodia	Indonesia	Thailand	Vietnam
Value of agriculture (rice) in the economy	GDP share 2008= 27.5 % Employment share= 71 %* Agriculture area= 5.356 million hectares Paddy production (million MTs) 2004=4.170 2005=5.986 2006=6.264 2007=6.727 Rice area= nearly 85 percent of the country's total cultivated area.	GDP share=13.7 % Employment share=- 43.7% Agriculture area= 47.800 million hectares Paddy production (million MTs) 2004=53.666 2005=53.985 2006=54.455 2007=57.757 rice and corn farming representing almost 80 per cent	GDP share 2008=8.9% Employment share= 41.6 % Agriculture area= 18.6 million hectares Paddy production (million MTs) 2004=29.299 2005=29.387 2006=29.792 2007=30.014 Thailand consumes around 9,6 millions metric tons of rice per year	GDP share= 17.5% Employment share= 55.7 % Agriculture area= 9.592 million hectares Paddy Production (million MTs) 2004=36.149 2005=35.791 2006=35.850 2007=35.718

	<p>Production is concentrated along major rivers, including the Mekong and Tonle Sap. 71 percent are estimated to be solely dependent on agriculture (largely rice cultivation) for their livelihoods.</p> <p>Average farm size: northwest provinces at 2-4 hectares, southeast provinces at 1-2 hectares, Mekong River region less than 1 hectare, Nationally, farm size averages 1.2 hectares.</p>	<p>of the total food crop area (Food and Agriculture Organization, 1998).</p> <p>Small scale subsistence farms account for about 87 percent of total cultivated land. Farms in Java, Sumatra and Sulawesi produce 90 percent of the country's rice and corn.</p> <p>The country has 230 million people and rice demand was around 37 million tons in 2009.</p>		
Sufficiency level before the crisis	Rice exports increased from zero in milling year (MY) 2000/01 to an estimated 800,000 tons in MY 2009/10.	Indonesia produced a rice surplus of about 1-1.2 million tons in 2008 due to bumper harvests.	Self-sufficient, major rice exporter	Self-sufficient, major rice exporter
Levels of domestic support for rice before the crisis	<ul style="list-style-type: none"> • Average national rice crop yields are among the lowest in Southeast Asia, • Chemical fertilizer use is extremely low. Cambodia has the lowest rate of fertilizer use for rice in Southeast Asia, with only about 30 percent of total area receiving even minimal applications. • Rapidly increasing rural labor costs. Critical manpower shortage during periods of peak demand for rice cultivation (planting, transplanting, harvesting). Further growth in national hectareage would require a 	<p>Production</p> <ul style="list-style-type: none"> • Already self-sufficient • Further increase rice self-sufficiency level <p>Trade</p> <ul style="list-style-type: none"> • The current price is roughly 10% above the world price for medium quality rice, but a 50% margin has been a good guide overall from 2000 to 2007. • A tariff wall has been maintained • Exclusive import rights granted to BULOG, the state enterprise food logistics agency <p>Others</p> <ul style="list-style-type: none"> • Indonesia has succeeded in reducing 	<p>Production</p> <ul style="list-style-type: none"> • Already self-sufficient • Top exporter 	<p>Production</p> <ul style="list-style-type: none"> • Self-sufficient • Top exporter

	<p>substantial increase in farm mechanization.</p> <ul style="list-style-type: none"> • Extreme underfunding of agricultural crop extension programs • Severe lack of educated and experienced extension officers • Government relies almost totally on international donors for crop research. Recent research funding crisis may cripple CARDI activities • 2,000 tons of certified seed produced annually, sufficient for only 1.2 percent of national rice area • Virtually complete lack of commercial farm credit system • Farm mechanization (planters, harvesters) and industrial machinery (mills, grain dryers, storage facilities) severely inhibited 	<p>rural poverty significantly over the last 40 years. National poverty, both urban and rural, measured at the national poverty line, fell in 2008 to 15% despite the rapid rise in food prices at that time (World Bank, 2008a)</p> <ul style="list-style-type: none"> • Indonesia is Southeast Asia's largest economy 		
<p>Domestic actions/ policies/ support after the crisis; longer term food security objective</p>	<ul style="list-style-type: none"> • Policy statement- Cambodia wants to double rough rice production by 2015 to approximately 15.0 million tons (9.45 million milled basis) and export 8.0 million (5.0 million tons milled rice) • Cambodian government is intent on expanding its production and export capacity and becoming a major rice exporting nation. 			

	<p>Production support</p> <ul style="list-style-type: none"> • Government outlays for agricultural programs (except irrigation development) in 2010 account for roughly 1 percent of the national budget. 	<p>Production support</p> <ul style="list-style-type: none"> • Encourage use of certified top-quality rice seeds and inorganic or organic fertilizers • Guarantees aid for farmers suffering losses during post harvest and control the reduction of irrigation areas. • Facilitate the rehabilitation of land and water catchment areas 	<p>Production support</p> <ul style="list-style-type: none"> • usual (no apparent change) 	<p>Production support</p> <ul style="list-style-type: none"> • Usual (no apparent change) • Government actively enhancing rice productivity and quality, strengthening production and supply of rice varieties as well as promoting mechanization in seed bed preparation and harvest. • Consensus on methods to promote rice production has been reached including applying advanced technology in farming to assure national food safety.
		<p>Trade</p> <ul style="list-style-type: none"> • New price for government to buy rice and paddy. Government raised buying price for unhusked paddy (GKGP) by 9.1 percent to Rp 2,400 per kilogram, and the price of husked paddy (GKG) by 7.2 percent to Rp 3,000 per kilogram, or pay Rp 4,600 per kilogram to buy rice from national farmers, representing a 7 percent increase from the current price • New policies on stockpiling and distributing subsidized rice for the poor, and on the government's control of its rice reserve to stabi- 	<p>Trade</p> <ul style="list-style-type: none"> • Boost farmers' incomes by increasing the buying price to at least 14,000 baht per ton compared with prevailing market price of around Bt12,000. (Jasmine rice from farmers between 19,000 to 20,000 baht per ton, round-shaped rice at 14,000 baht per ton, and sticky rice at 9,000 baht per ton .) • Sell rice at subsidized price (15 percent less than full retail prices). • Buying and selling activity of Thai government cost 42 billions THB (1,3 billion USD). • Thai rice exporters complained and threatened to go 	

		<p>lize national rice prices, as well as a policy to prepare for emergency situations and disasters.</p> <ul style="list-style-type: none"> • A policy to stabilize the domestic price of rice. 	<p>on a long holiday next year, arguing that they will not be able to compete with other rice-exporting countries.</p>	
Outcomes in 2009 and 2010	<ul style="list-style-type: none"> • While there are constraints, Rice production growth in Cambodia over the past 10-12 years has been surprisingly strong, increasing at a 9 percent annual growth rate. • Cambodia expected to produce an estimated 7.286 million tons of rice for 2009/2010 of which the country expects to have about 3.3 million tons surplus for export. 	<ul style="list-style-type: none"> • Continued rice self-sufficiency and targeting of raskin ("rice for the poor" project); government to provide 15 kilograms of rice over 12 months to 18.5 million poor households • Produced 38.6 million metric tons of milled rice in 2008, a 5.5 percent increase from 2007. 	<ul style="list-style-type: none"> • Production also increased in 2009 • High rice prices in Thailand tempted some rice exporters to smuggle in rice from neighboring countries where it is cheaper and mix these with Thai rice for export. 	<ul style="list-style-type: none"> • Vietnam's rice exports reached a twenty-year peak in 2009. • The country's rice production in 2009 hit 39 million tons. A bright outlook for rice exports is expected in 2010.
Domestic and international trading position/policy and offers on rice market access during the crisis	<ul style="list-style-type: none"> • US\$ 13 million agreement to support Cambodia's poorest and most vulnerable people by strengthening food security and social safety nets <p>The World Bank has approved the Smallholder Agriculture and Social Protection Development Policy Operation to support the efforts of the Government of Cambodia to mitigate the combined impacts of the global food price and economic crises. The program aims to boost food security for poor households and expand safety net support.</p>	<ul style="list-style-type: none"> • A presidential decree encourages private sector investment in rice, but stipulates that owners of rice fields will remain under the supervision of the Investment Coordinating Board. • Investors will not be allowed to convert existing paddy fields. • New export and import policy designed to protect farmers and buyers. 	<ul style="list-style-type: none"> • Total exports in March 2008 valued at 14,76 billions USD • The country did not stop selling to the international market during the crisis • Thai government proposed the OREC but later dropped plans amid uproar from Philippines against the creation of an OPEC-style rice cartel. The Thai government later said it will focus on finding ways to improve productivity among rice-exporting nations. 	<ul style="list-style-type: none"> • Vietnam announced export restrictions in late March. • Entered into government-to-government supply contract with the Philippines for the next 3 years

<p>Factors that may hamper/facilitate attainment of longer term food security objective</p>	<p>allocated over 20 percent of its national land area to privately-held industrial forest and agricultural concessions, many of which have 99 year leases. As it is, these vast concession lands are the only real buffer between areas suitable for agricultural conversion and the country's remaining tropical forests</p>	<ul style="list-style-type: none"> • Indonesia has reportedly allocated at least 2 million hectares of farmland for joint ventures with Saudi investors mainly for the cultivation of rice • The move could turn Indonesia into the world's top rice exporter in the near future • Some provinces in Indonesia have already signed agreements for such joint ventures • Saudi BinLadin Group planned to invest at least \$4.3 billion in Indonesia's rice-farming industry on 500,000 hectares of land in Papua province. • Saudi already received the first batch of rice produced abroad by local investors under a government-sponsored push for agricultural investments outside the kingdom. • Under the plan, Saudi Arabia would import a "reasonable amount" of commodities, provide support for those investments and sign bilateral agreements with the relevant governments. 	<ul style="list-style-type: none"> • Pest attacks said to be due to climate change 	
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EARWG MEMBERS



R1
Rice Watch and Action Network
<http://www.r1phils.org>



SEACON
**Southeast Asian Council for Food Security
and Fair Trade**
<http://www.seacouncil.org>



KRKP Indonesia
**Koalisi Rakyat untuk Kedaulatan Pangan
Indonesia**
<http://www.krkp.org>



SRD-Vietnam
Sustainable Rural Development
<http://www.srd.org.vn>



PAN-AP
**Pesticide Action Network
- Asia and the Pacific**
<http://www.panap.net>



SEARICE
**Southeast Asia Regional Initiatives
for Community Employment**
<http://www.searice.org.ph>



CEDAC
**Cambodia Center for Study
and Development in Agriculture**
<http://www.cedac.org.kh>



RRAFA
**Foundation of Reclaiming Rural Agriculture
and Food Sovereignty Action**

**Perkumpulan Indonesia Berseru/
Alliance for Prosperous Village**