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Outsourcing agriculture

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If land is being unused or under-utilized in poor regions across Africa and Southeast Asia, outsourcing to capital-rich and land-poor nations could help prevent another global food crisis, but it must be fair and productive, Adam Wolfe writes for ISN Security Watch.

By Adam Wolfe for ISN Security Watch

From Mexico to Pakistan, citizens took to the streets last summer to protest what they saw as their government's inability to do anything about skyrocketing food prices. In Burkina Faso, rioters shut down main streets in three cities and burned government buildings; police used teargas to turn back about 10,000 protesters in Bangladesh; and a series of deadly riots forced out the Haitian prime minister.

Shaken, governments in the Middle East and Asia moved quickly to ensure empty stomachs could not threaten their control. The cure, however, looks nearly as bad as the disease.

Middle Eastern and Asian governments have been buying up underproductive farmland across Africa and Southeast Asia to grow crops that will be exported back to the home country. The International Food Policy

Research Institute (IFPRI) estimates that as much as 20 million hectares, twice the cropland area of Germany, will be leased under such agreements in 2009.

The deals are not for the faint of heart. One of the reasons the land is underproductive, and thus an appealing target for these governments, is that it is largely in politically unstable countries. Sudan and Pakistan top the list, but even where there is political stability, selling potentially productive farmland to foreigners can prove disruptive. South Korea's Daewoo arrangement to lease 1.3 million acres in Madagascar helped to spark a coup in March; the new government quickly canceled the deal.

Still, the world's growing population and taste for meat will require more productive farming. If land is being unused or under-utilized in poor regions across Africa and Southeast Asia, money from capital-rich and land-poor nations could help prevent another global food crisis.

International organizations around the world are now trying to find a way to do this that is both fair and productive. The right policy mix might be able to bring down food prices and pull some of the world's poorest out of poverty.

Food outsourcing

With its reliance on food imports, the Middle East is one of the most vulnerable to increases in food prices. Growing populations and diminishing water resources have led governments like Saudi Arabia to give up growing crops domestically. Last year, the Saudi government abandoned a 30-year self-sufficiency program that grew wheat in the desert at exorbitant costs and created the Saudi Company for Agricultural Investment and Animal Production to fund \$800 million in agriculture projects abroad. Another Saudi company with close ties to the government, the Saudi Binladin Group, is investing \$4.3 billion in Indonesia for 500,000 hectares of farmland.

Across the Middle East a similar pattern has emerged. According to IFPRI, the United Arab Emirates has leased 375,000 hectares in northern Sudan, 325,000 hectares in Pakistan and 5,000 in Ethiopia. The governments reportedly also negotiating with Senegal and Uzbekistan for similar deals. Kuwait provided a \$546 million loan to Cambodia in exchange for a lease to a large area of rice lands. Qatar leased 100,000 hectares in the Philippines, and the Qatar Investment Authority set up a joint fund for agriculture in Vietnam.

Questions about food security are also motivating Asian countries to pursue similar land-lease deals. Besides the doomed Madagascar deal, IFPRI reports that South Korean companies have arranged to lease 690,000 hectares in Sudan, and up to 140,000 hectares may be leased from Russia. India has invested \$4 billion in Ethiopian agriculture.

However, these deals lock up huge tracts of prime farmland in countries where famine is still all too common. This tends to be controversial in the host country. For example, a Qatari deal to lease 40,000 hectares in Kenya is being protested by the Eastern Africa Farmers Federation Union. Although Qatar plans to build a port that could provide 30,000 new construction jobs, critics say Kenya would benefit more if Qatar just bought the produce from Kenyan farmers. This though is exactly what the countries are trying to avoid: They fear the market price of produce will spike again and so are searching for ways to ensure their supply.

The head of the UN Food and Agriculture Organization, Jacques Diouf, warned in an interview with The Guardian that the land deals could create a form of "neocolonialism," with poor countries producing food for the rich at the expense of their own citizens. African governments "have not been in a reasonable negotiating position," African Union Agriculture Commissioner Rhoda Peace Tumusiime argued in an interview with Reuters.

Addressing the controversy, China's agriculture minister felt the need to tell the Financial Times that China would not rely on agriculture outsourcing for its food security, and it would invest domestically to increase production. Still, China has \$800 million invested in agriculture in Mozambique and has requested two million hectares in Zambia, according to IFPRI.

Another reason the deals have proved controversial is that they are often negotiated government to government, with little or no input from the people living on (and often farming) the land. Land rights in Africa can be tremendously complex, yet most of these deals assume the central government can sell the rights to a foreign government without addressing the informal claims of the local population.

"This lack of transparency limits the involvement of civil society in negotiating and implementing deals and the ability of local stakeholders to respond to new challenges and opportunities," IFPRI said in a recent report.

"The culture of secrecy that surrounds agricultural land deals raises concerns about government conduct in relation to issues of public interest. The lack of transparency undermines government accountability, and increases the opportunities for corruption and other inappropriate acts," the International Institute for Sustainable Development argued in a report on water rights in these deals.

Addressing the controversy

In order to address this controversy, many international organizations are attempting to draft guidelines. The goal is to preserve the benefits of greater productivity that often comes with the deals, but ensure that the local population shares in the bounty.

The African Union has drafted guidelines to help African governments negotiate future deals. The guidelines stress the benefits of improved infrastructure and taxes, but also suggest that 'multiplier' industries, like processing plants, be set up in the host country. The guidelines will be presented at the AU summit in July for ratification. The Food and Agriculture Organization, the UN Conference on Trade and Development and the World Bank are also working on similar guidelines, though none have been published yet.

Agriculture outsourcing was a major issue when the G8 agriculture ministers met in April. They released a statement calling for increased "public and private investment in sustainable agriculture," but also warning that "attention should be given to the leasing and purchase of agricultural land in developing countries, to ensure that local and traditional land use is respected." Japan plans to propose an initiative at the G8 meeting in July that would lay out guidelines to prevent "farmland grabbing."

If these organizations can help poorer countries better negotiate future deals, perhaps another food crisis can be avoided by all countries, and not just the capital-rich ones.

Adam Wolfe is a freelance writer based in New York. His blog is [On Political Risk](#).

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