Discussion Paper for Round Table 2

The growing demand for land
Risks and opportunities for smallholder farmers

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The Growing Demand for Land
Risks and Opportunities for Smallholder Farmers

Discussion Paper prepared for the Round Table organized during
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The opinions expressed in this paper are those of the authors and do not
necessarily reflect official views or policies of the International Fund for
Agricultural Development, except as explicitly stated.
Acronyms

ACP  African, Caribbean and Pacific
ADB  Asian Development Bank
FAO  Food and Agriculture Organization
GCC  Gulf Cooperation Countries
ICRISAT  International Crop Research Institute for the Semi-Arid Tropics
IDB  Inter-American Development Bank
IEA  International Energy Agency
IFAD  International Fund for Agricultural Development
IIED  International Institute for Environment and Development
ILC  International Land Coalition
ILO  International Labour Organization
LIFDC  Low-Income Food-Deficit Countries
OECD  Organisation for Economic Co-operation and Development
PGOD  Partnership for Grains and Oilseed Development
PISCES  Policy Innovation Systems for Clean Energy Security
PNPB  Programa Nacional de Produção e Uso de Biodiesel (National Program of Biodiesel Production and Use)
STC  State Trading Corporation
UAE  United Arab Emirates
UNDESA  United Nations Department of Economic and Social Affairs
UNF  United Nations Foundation
VODP  Vegetable Oil Development Project
WB  World Bank
WFP  World Food Programme
I. Overview

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

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

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

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

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

II.1 Context, Drivers and Trends

The demand for land for agro-fuel production has increased significantly over the past few years. A number of countries dependent on oil imports have established targets for

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1 To give a sense of proportion, there are 23 Low-Income Food-Deficit Countries (LIFDCs) with less than 700,000 hectares of land classified as “Arable Land and Permanent Crops”. The majority (58 per cent) of the total number of the 81 LIFDCs have less than 3 million hectares of land that is arable or under permanent crops (FAOSTAT data for 2005). In sub-Saharan Africa, 98 per cent of agricultural holdings have less than 10 hectares, and in Asia 88 per cent of agricultural holdings have less than 2 hectares.

2 According to UNDESA, the rural population of sub-Saharan African countries will continue to grow until 2045, reaching a maximum that will range between 50 per cent and 80 per cent higher than the rural population of 2000.

3 Most of the information provided is from media reports.
the mandatory blending of traditional transport fuels with bio-diesel and bio-ethanol. Developing countries, dependent on oil imports and in search of new profitable markets, have increasingly engaged in agro-fuel production for both domestic use and export. Attracted by this big demand and market, domestic and foreign investors – mainly from the private sector and OECD member countries – are targeting vast tracts of land to produce agro-fuels in developing countries, which generally have a comparative advantage in such production – for example, due to low labour and land costs and, in some cases, land availability.

The second main driver of this global demand for land in developing countries is the recent food crisis, combined with the financial crisis. In response to the soaring food prices, 25 countries\(^4\) imposed export bans or restrictions in 2008 so as to safeguard their food security. Similarly, in order to guarantee the food security of their own populations, a number of food-importing nations started to purchase or lease land in developing countries, sometimes through sovereign wealth funds, to actually outsource their own food production. Through this alternative and long-term strategy, they aim to secure food supplies at lower costs, reduce their exposure to high prices and uncertain supplies, and overcome protectionist barriers.

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

### II.2 Large-scale Investments in Land for Agro-fuel Production

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

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

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

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

between 5,000 and 50,000 hectares; in some cases, requests are for 100,000 hectares or even more.

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

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

Local media in the Philippines reported that according to the Department of Agriculture, the Spanish bio-diesel company Bionor Transformacion S.A. is to invest USD 200 million to develop at least 100,000 hectares of land under Jatropha plantation. In Mindanao, Sarangani Bio Corporation, a consortium of investors from Japan, South Korea and the Philippines, plans to develop 50,000 hectares under the same crop.

### II.3 Outsourcing Food Production in Developing Countries

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

Harsh climatic conditions, poor soils and scarce land and water – combined with economic and demographic growth, a large community of migrant workers, the recent food price crisis and consequent increasing import bills and inflation rates – are impressing upon the Gulf States the need to take appropriate measures to secure their

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9 Ibidem.
food supplies. One approach can be through acquisition of land abroad in exchange for capital and oil. Important partner countries are reported to include the Sudan and Pakistan, and others in South-east Asia, Central Asia, Eastern Europe and Africa.

The Government of Pakistan is reportedly introducing some measures to attract investments, such as “tax exemptions, duty-free equipment imports and 100 percent land ownership in specialized free zones in its agriculture, livestock and dairy sectors”.

According to a media report, a group of public and private firms from the United Arab Emirates (UAE) has recently invested in the Baluchistan Province of Pakistan to begin mechanized farming under irrigation. Additional investments in agriculture are reported to be under discussion.

Saudi Arabia’s private company Hail Agricultural Development Company is reported to have invested in the north of Karthoum. The BinLadin Group is reportedly planning to make large investments to grow basmati rice in the Indonesian islands of Papua, Sulawesi and Western Java. According to Grain, “The Saudi rice venture is part of a larger agricultural development project involving a total of 1.6 million hectares for not only rice but also maize, sorghum, soya beans and sugar cane, much of which will be converted to agro-fuels.”

In Ethiopia, 240 Saudi companies that have obtained investment licenses are expected to invest USD 2.5 billion in unused agricultural land to grow cereals.

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

About 15 Indian companies, led by the public-sector State Trading Corporation (STC), are reported to be leasing 10,000 hectares of productive farmlands in Brazil, Paraguay and Uruguay to cultivate soybeans and oilseeds. Other private agribusiness companies and public corporations are leasing farmland in Myanmar in exchange for funds to upgrade the port infrastructure.

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

The US Jarch Management Group is reported to have gained leasehold rights to 400,000 hectares of fertile land in Southern Sudan.
III. The Local Context: Land Availability and Use

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

III.1 Limited Availability of Land

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

According to FAO data, out of the world’s 13.5 billion hectares of total land, the amount of land that is potentially available for expanded rain-fed crop production is estimated to be about 2 billion hectares, 80 per cent of which is located in sub-Saharan Africa (especially Western and Central Africa) and in South America. Of this “global land reserve”, it is estimated that at least 500 million hectares should absolutely remain protected from agriculture for environmental reasons. Half of these cultivable land reserves are found in just seven developing countries: Angola, Democratic Republic of Congo, Sudan; and Argentina, Bolivia, Brazil and Colombia. Land availability also needs to be understood in relation to population increase. In fact, while FAO data show that in Africa, between 1960 and 2000, the amount of arable land under cultivation rose, the population engaging in agriculture tripled, thus reducing the land-to-population-ratio.

For example, in Ethiopia, Kenya and Zambia – which are among the developing countries particularly attractive to potential investors – this ratio is about half as large as it was in the 1960s. In Ethiopia, projections indicate that the rural population will grow from 79 million in 2006 to 183.4 million in 2050, in Madagascar from 18.6 million to 44.4 million, and in Tanzania from 38.5 million to 85.1 million.

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

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

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32 T. S. Jayne and others, ibidem.
33 UNDESA, World Urbanization Prospects 2007, Revision Population Database.
35 S. Guttal, December 2006, Land and Natural Resource Alienation in Cambodia, Focus on the Global South.
36 T. S. Jayne and others, p. 104.
While land is becoming increasingly scarce for small farmers, pastoralists and indigenous peoples, demand for agro-fuels and outsourced food production is increasing, with agro-fuel production expected to expand significantly over the next decades. According to the International Energy Agency (IEA), in 2006 about 14 million hectares of land – about 1 per cent of the arable land currently available worldwide – were used for the production of agro-fuels. FAO projects that these figures will increase up to 2-3.5 per cent by 2030.

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

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

IV. Risks and Opportunities for Small Farmers and Rural Communities

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

IV.1 Potential Risks

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

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

The limited information and empirical research available to date, as well as the early stage of most such investments, allow only for preliminary considerations as to the potential and anticipated adverse impacts on poor rural people and communities. Some insights can also be drawn from analogous experiences.

40 Media and advocacy groups are defining this phenomenon as a “land grab”, a term first used by the Rights and Resources Initiative, a global coalition to advance forest tenure, policy and market reforms.
In Central America, for example, during the coffee boom of the late 19th century, large-scale land acquisition and privatization of previously customary lands led to rapid and massive land concentration, expropriation and – in countries such as Guatemala and El Salvador – even civil war. FAO reports that in the Philippines, because of the introduction of sugar cane in the Southern Bukidnon Province, many households lost their access to land. More recently, “large land transfers to investors, in Cambodia and Kenya, failed to help modernize agriculture and instead generated conflict”.

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

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

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

47 J. Monahan, *ibidem*; O. Balch and R. Carrol, *ibidem*.
48 *Action Aid, Food, Farmers and Fuel*, p. 15.
49 *Ibidem*, p. 16.
51 *Action Aid, Food, Farmers and Fuel*, p. 17.
52 *Ibidem*.
Land prices are likely to increase, thus threatening poor people’s access to land by causing or accelerating individualization of land rights previously held in common. Those who have better access to financial resources are likely to gain and secure their access to land, whereas the poorer and more marginalized groups may be excluded from land or have their rights eroded.⁵⁴

IV.2 Potential Benefits and Opportunities

Increased investments in food and agro-fuel production flowing to rural areas of developing countries could present important benefits and opportunities for poor rural communities. Such investments have the potential to boost the agricultural sector, promote its modernization and stimulate rural economies by: the development of processing industries; livelihood diversification and employment generation; increased agricultural productivity through the provision of improved seed varieties, know-how and new technologies; lowering of production costs and higher returns for the farmers; infrastructure building such as roads and ports which facilitate access to reliable markets; and social infrastructure such as schools, health centers, wells and water services. In order for these opportunities and benefits to materialize, the role of government and public policies is critical, including for the development of mechanisms to link outside investors and local communities in a sustainable and mutually beneficial way.

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

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

⁵⁴ Ibidem, p.28; Action Aid, Food, Farmers and Fuel, passim
⁵⁶ Ibidem, p. 36.
⁵⁸ S. Singh, p. 42.
market, which are often out of their reach; while investors can acquire a guaranteed supply of produce and overcome land constraints.

**Community-Investor Partnerships**

In **India**, the International Crop Research Institute for the Semi-Arid Tropics (ICRISAT) supports a public-private consortium aimed at testing and growing sweet sorghum. The private Indian company Rusni Distilleries contracted about 3,200 small-scale farmers growing sweet sorghum on approximately 2 hectares of land each to meet its target for ethanol production. Kaveri Seed Company provides high-quality seeds to the farmers, while ICRISAT contributes research inputs and technical advice. **Source: ICRISAT**

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

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

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

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

As previously mentioned, public policies play a key role in enabling small farmers to engage with big investors in ways that can benefit them. This is the case, for instance, of the Social Fuel Stamp Program of Brazil’s National Program of Biodiesel Production and Use (PNPB). Companies purchasing from 10 to 50 per cent feedstocks from small family farms in the poorest regions receive a “social label”, partial or total tax exemption and the guarantee that their product will be purchased by the state-controlled company PETROBRAS. Companies provide technical assistance, extension services and agricultural training to the farmers. During negotiations, the presence of a rural union representative must be guaranteed.  

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

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59 Action Aid, ibidem, p. 15; L. Cotula, October 2008, Fuelling Exclusion, p. 54; Energy for Sustainable Development, Scoping Exercise (Situation Analysis) on the Biofuels Industry Within and Outside Tanzania, WWF, p. 6.
V. What Is IFAD Doing?

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

Building on its experience and that of its partners, IFAD has recently developed a Policy on Improving Access to Land and Tenure Security, which aims to enhance the Fund’s capacity to promote equitable access to land by poor rural people and enhance their land tenure security. Among the guiding principles of this policy, two are of immediate relevance to the trend of growing demand for land: i) adherence to the “do-not-harm principle” at all times; and ii) adherence to the principle of free, prior and informed consent. The first requires that all interventions on the part of IFAD “be designed [. . . ] in such a way that they ‘do no harm’ to the land tenure interests of the rural poor, especially those of women, indigenous and tribal peoples and other vulnerable groups. Careful measures must always be considered to avoid elite capture and displacement of people, and to address, conflicting claims.” The second guiding principle specifies that “before supporting any development intervention that might affect the land access and use rights of communities, IFAD will ensure that their free, prior and informed consent has been solicited through inclusive consultations based on full disclosure of the intent and scope of the activities planned and their implications.”

IFAD also supports the establishment of mutual-beneficial partnerships between external investors/agribusiness companies, small-scale producers and indigenous people. Some loan- and grant-financed projects are testing and promoting these pro-poor partnerships.

IFAD Loans and Grants Mainstreaming Community-Investor Partnerships

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

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

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

60 IFAD, December 2008, Improving Access to Land and Tenure Security, Rome. The policy was approved by the Executive Board of IFAD in September 2008.
61 Ibidem, pp. 15-16.
Additionally, the Fund supports several research initiatives, also in collaboration with other institutions. These include: research into the impact of agro-fuel production on rural people’s land rights; a study co-financed with FAO and commissioned by the International Institute for Environment and Development (IIED) on the implications of the increased demand for land by outside investors on land rights and markets; and a collaborative research project on the commercial pressure on land, coordinated by the International Land Coalition (ILC).

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

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

VI. Some Options for Good Practice

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

Greater support is needed for appropriate, affordable and accessible land registration systems to secure the rights of small-scale producers and indigenous communities. These communities and producers also need support in strengthening their involvement in land management planning, and in identifying and responding to their needs so that they are better able to take advantage of business opportunities.

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

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

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

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

- What are the impacts on rural communities of the growing demand for land for large-scale food and fuel production? Are poor rural people losing out in terms of their rights to land and water? Are they gaining from being engaged as out-growers or contract farmers, or from new employment or marketing opportunities? Are there any cases in which they have benefited substantially? What lessons can we draw?

- What has characterized effective management of large-scale investments that have resulted in “win-win” arrangements for all parties? What has been the policy environment for such experiences? What has been the role of civil society? What has been the involvement of rural communities? What other specific features can we point to? What characterizes evolving best practices?

- What can the various stakeholders (governments, local communities, farmers’ organizations and investors) do to develop transparent and inclusive mechanisms to guide and manage investments in agriculture? What role of value can an organization such as IFAD play in this regard?
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