THE GREAT LAND GRAB

RUSH FOR WORLD’S FARMLAND
THREATENS FOOD SECURITY FOR THE POOR

Shepard Daniel with Anuradha Mittal
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Rush for World’s Farmland Threatens Food Security for the Poor

“Land is not just a resource to be exploited, but a crucial vehicle for the achievement of improved socioeconomic, biological, and physical environments.”

— Food and Agriculture Organization (FAO) of the United Nations (1999)
INTRODUCTION

In the midst of a severe food and economic crisis, the “land grabbing” trend has grown as an international phenomenon. The term land grab refers to the purchase or lease of vast tracts of land by wealthier, food-insecure nations and private investors from mostly poor, developing countries in order to produce crops for export. Approximately 180 instances of such land transactions have been reported since mid-2008, as nations attempt to extend their control over food-producing lands and investors attempt to turn a profit in biofuels and soft commodities markets. The International Food Policy Research Institute (IFPRI) has reported that foreign investors sought or secured between 37 million and 49 million acres of farmland in the developing world between 2006 and the middle of 2009.

Land grabs have not gone unnoticed—they have elicited widespread media coverage and concern from civil society, researchers, and environmentalists, who fear that private land investments will increase monoculture-based, export-oriented agriculture, arguably jeopardizing international food security. United Nations agencies and governments have raised concern as well. The Director-General of the Food and Agriculture Organization (FAO), Jacques Diouf, expressed apprehension over the potential effects of swift land deals on political stability in “host” countries, while European Union officials have stated that some land deals are exploiting poor nations. In response, several research institutions and international governance agencies have proposed ways to make the land grab phenomenon a win-win situation, in which food-insecure nations will increase their access to food resources while benefiting “host” nations through investments in the form of improved agricultural infrastructure and increased employment opportunities. These diverse responses to the issue are creating an important and timely debate on the implications of land grabbing for poor populations, the role of increased investment in agriculture for improving global food security, and the best way forward in light of the food and financial crises.

The Spain-based NGO GRAIN first drew attention to the land grab issue in its October 2008 brief, Seized! The 2008 land grabbers for food and financial security. Since then, GRAIN has continued to scrupulously document all related reports and media coverage, compiling an immense database of media sources related to the issue.

The Great Land Grab: Rush for World’s Farmland Threatens Food Security for the Poor, a report from the Oakland Institute, builds on the important work done thus far by drawing attention to the actors facilitating the land grab. In particular, it examines the role of international financial institutions in promoting private investment in agriculture and land markets in response to the global food crisis. Multilateral institutions—for example, the International Financial Corporation, the private sector branch of the World Bank—are further impelling the shift from public to private sector control over food resources. This report explores and highlights the implications and potential consequences of this shift for global food security.

The report also questions the viability of the “win-win” argument that has been offered to quell concerns around this trend, pointing out that a myopic focus on potential benefits, such as increased investment in agriculture in poor countries, belies the gravity of the risks while removing the issue of food security for the world’s poor from the forefront of the debate. While investment in the agricultural sector is vital, the United Nations Special Rapporteur on the Right to Food, Olivier De Schutter, wisely cautioned in his submission to the Commission on Sustainable Development that the issue is not one of merely increasing budget allocations to agriculture, but rather, “that of choosing from different models of agricultural development which may have different impacts and benefit various groups differently.”

Rapid acquisitions of crucial food-producing lands by foreign private entities pose a threat to rural economies and livelihoods, land reform agendas, and other efforts aimed at making access to food more equitable and ensuring the human right to food for all. The Great Land Grab, thus, argues that there is a dangerous disconnect between increasing investment in agriculture through rich countries taking over land in poor countries and the goal of securing food supplies for poor and vulnerable populations.
The land grab phenomenon is the result of a complex combination of factors motivated by price volatility in global markets, the global food crisis, and high levels of speculative activity. However, there are three main trends driving the land grab movement: the rush by increasingly food-insecure nations to secure their food supply; the surging demand for agrofuels and other energy and manufacturing demands; and the sharp rise in investment in both the land market and the soft commodities market. The following section takes a closer look at each issue.

Securing Food Supply
A number of factors threatening food security—skyrocketing food prices in 2008 that increased import bills and inflation rates, harsh climatic conditions, and poor soils and scarce land and water in many areas, combined with economic and demographic growth—have led many nations, particularly in the Middle East and Asia, to reexamine domestic food security policies. Many governments are looking to stabilize supplies by acquiring foreign lands for food production in the hopes of averting domestic social unrest and political instability over food price and supply. Fears of food shortages remain valid as food prices have failed to come down in many countries and food emergencies persist in thirty-one countries. The Gulf states—whose scarce water and soil resources on which to grow food but vast oil and cash reserves, are conducive to food import dependency—have seen their food supply become increasingly uncertain and evermore expensive. Their total food import bill ballooned from $8 billion to $20 billion from 2002 to 2007. These states have moved quickly to extend control over food producing lands abroad. Qatar, with only 1 percent of its land suitable for farming, has purchased 40,000 hectares in Ke-

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**Price Pressures in Gulf States: Higher Food Prices are Driving Inflation**

Percent Change in Consumer Price Indexes

![Graph showing price pressures in Gulf States](source: Gulf Research Institute)
nya for crop production and recently acquired holdings in Vietnam and Cambodia for rice production, and in Sudan for oils, wheat, and corn production. The United Arab Emirates (UAE), which imports 85 percent of its food, purchased 324,000 hectares of farmland in the Punjab and Sindh provinces of Pakistan in June 2008.

Other nations such as China, Japan, and South Korea are also seeking to acquire land as part of a long-term strategy for food security. China, which aims to increase its rice production from 100,000 tons to 500,000 tons in the next five years, has looked abroad to other Asian and African states, purchasing 101,171 hectares in Zimbabwe in June 2008 and investing 800 million dollars in Mozambique to modernize agriculture for export rice production. Japan and South Korea, two rich countries whose governments have opted to rely on imports rather than self-sufficiency to feed their people, both source around 60 percent of their food from abroad (over 90 percent in Korea’s case if you exclude rice). However, in response to the food crisis, in early 2008 the South Korean government announced that it was formulating a national plan to facilitate land acquisitions abroad for Korean food production, with the private sector leading the effort. The Daewoo Logistics Corporation proposed a land lease in Madagascar of 1.3 million hectares for $6 billion, but the plan fell through in January 2009 due to civil backlash. Daewoo had planned to grow half of South Korea’s corn on land acquired in the Madagascar deal, reducing their dependence (as the world’s third-largest corn buyer) on U.S. and South American imports. Through other deals, however, South Korea has acquired over one million hectares in Sudan, Mongolia, Indonesia, and Argentina.
Growing Energy and Manufacturing Needs

A surging demand for agrofuels (biofuel produced from ethanol and sugarcane, as well as biodiesel) and access to new sources of raw materials for manufacturing goods is also driving land purchases. The demand for agrofuels has increased rapidly over the past several years as oil-dependent countries establish ambitious targets for agrofuel production and for incorporating biodiesel and bioethanol with traditional transport fuels. For example, the U.S. Renewable Fuel Standard aims to increase ethanol use by 3.5 billion gallons between 2005 and 2012, and the E.U. aims to increase the proportion of biofuels used in land transport to 10 percent by 2020.17 With these and other impetuses, the use and production of biofuels has skyrocketed over the past several years, such that the quantity of U.S. corn used to produce ethanol increased by 53 million metric tons between 2002 and 2007. It now accounts for 30 percent of the total global growth in wheat and feed grains use.18

Attracted by this big demand and market, investors—mainly from the private sector and OECD member countries—are targeting vast tracts of land to produce crops for agrofuels in developing countries, which generally have a comparative advantage in such production due to low labor and land costs and, in some cases, land availability.19 In Indonesia, PT Daewoo Logistics Indonesia, a subsidiary of South Korea’s Daewoo Logistics Corporation, and Cheil Jedang Samsung recently announced a partnership to invest $50 million to grow and process energy crops on the Indonesian islands of Buru and Samba. The two companies will produce 30,000 tons of corn grain a year on 24,000 hectares and will export their entire production back to South Korea.20 In early 2008, Sinopec and the Chinese National Overseas Oil Corporation, two state-owned oil giants, made investments of $5 billion and $5.5 billion, respectively, in Indonesia to grow and process corn into biofuel to be exported to China.21

Meanwhile, several Chinese companies have secured deals in Southeast Asia to grow rubber trees so they can process and export the sap to meet China’s rising manufacturing demands (China is expected to consume 30 percent of the world’s rubber by 2020).22 In Laos, domestic rice fields have been cleared to make way for rubber trees; nearly all of the sap will be exported to China.23 And in Myanmar—which suffers from severe localized food insecurity according to the FAO—concessions have been made to lease land to two Chinese companies to establish rubber plantations. Reportedly, refugees fleeing Myanmar’s military regime say troops are “forcibly evicting farmers to make way for rubber plantations, including some run by Chinese enterprises.”24

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Private Investments Drive Land Grabs

The hunger of investors, who view farmland as an investment poised to produce significant returns, is also fueling the land grab. Many Western investors, including Wall Street banks and wealthy individuals, have turned their attention to agricultural acquisitions over the course of the past two years. Morgan Stanley purchased 40,000 hectares of farmland in the Ukraine, and Goldman Sachs took over the rights of China’s poultry and meat industries—including the rights to their farmland—in September 2008. And BlackRock, Inc., a New York-based money manager, has set up a $200 million agricultural hedge fund, $30 million of which will be used specifically to acquire farmland.25 Furthermore, the Swedish investment groups Black Earth Farming and Alpco Agro along with the British investment group Landkom collectively acquired nearly 600,000 hectares in Russia and Ukraine, while Al Qudra, an Abu Dhabi-based investment company, bought large tracts of farmland in Morocco and Algeria, and is reportedly closing in on purchases in Pakistan, Syria, Vietnam, Thailand, Sudan and India.26

In the second largest farmland deal to date (which closed in July 2008 but didn’t receive media attention until January 2009), U.S. investor Philippe Heilberg signed with Paulino Matip, a Sudanese warlord, to lease 4,000 square kilometers in the south of Sudan. Heilberg, an ex-commodities trader for the American Insurance Group (AIG) is currently the CEO of the New York-based invest-
The recent private sector push into farmland acquisition has occurred at a dizzying speed, as land markets and soft commodities have suddenly become attractive investments.

Heilberg has gone on record saying that, in his view, several African states are likely to break apart in the coming years, and that the political and legal risks he is taking will be amply rewarded: “If you bet right on the shifting of sovereignty then you are on the ground floor . . . I am constantly looking at the map and looking if there is any value,” he told U.S. media. In mid-April 2009, it emerged that Jarch Capital had doubled its landholdings in Southern Sudan. The acreage owned by Philippe Heilberg has increased by 800,000 additional hectares (3,000 square miles), which the firm claims will become a gigantic agricultural plantation.

This increased attention from investors can be partially explained by the recent shift of focus from the “hard” to the “soft” commodities market. Traditionally, land markets have not provided the most effective returns on investment, as land presents myriad problems for investors, whether related to access, security, use, or consistency of production. However, the recent private sector push into farmland acquisition has occurred at a dizzying speed, as land markets and soft commodities have suddenly become attractive investments. Several reasons explain this shift: in 2007, soft commodities overtook their hard counterparts as the prime performers in the commodities investment market. Researchers have cited forces such as strong demand from emerging economies such as China, India, Central Europe, and South America, as well as new demands from bioenergy and other “bioproducts” from agricultural crops among the causes of this bull run on soft commodities. It became apparent in late 2007 that investors were increasingly looking to gain direct exposure into soft commodities markets through investment in land, farming, and associated activities. Throughout 2008, those hoping to capitalize on commodities fundamentals as well as on markets with fast-growing demand continued to invest in land and in operational farming around the world.
ACTORS FACILITATING LAND DEALS

Much attention has focused on the involvement of China and Middle Eastern countries in land grab deals. However, this trend is also fomented by the enabling policies of the institutions facilitating the process through which extensive land purchases are carried out and that promote the rhetoric that such deals could be a win-win situation both for investors and for “host” nations.

A principal actor among these institutions is the International Financial Corporation (IFC), the private sector arm of the World Bank Group, which finances private investments in the developing world by advising governments and businesses and encouraging “business enabling environments” in developing countries. The IFC also promotes policy reform in these countries in order to cut down on red tape that could inhibit foreign direct investment. Working alongside the IFC is the Foreign Investment Advisory Service (FIAS), which promotes private investment by improving the “investment climate” of developing countries. This trend is being further promoted by donor countries and institutions that view the land grab as a win-win scenario.

The Role of International Financial Institutions

The role of the International Financial Institutions (IFIs) in promoting and facilitating land grabs has received little attention. However, the response of these organizations to the global food crisis is directly related to rapidly growing demand in land markets. During the height of the 2008 food price crisis, the World Bank called for a New Deal on Global Food Policy, which pushed for a vast increase in agricultural production. It is within this vision that the IFC is leading efforts to engage with the private sector and find ways to increase production. In an effort to promote the role of the private sector in the fight against hunger, IFC intends to increase lending to agribusiness by up to 30 percent in the next three years.

IFC investments capitalize on the fact that high food prices have triggered a “financial revolution” in agriculture after years of underinvestment in the sector. Driven by the belief that high food prices offer unique opportunities for emerging markets to grow and develop their agricultural sectors, the principle components of the IFC response to the food crisis are a) improving productivity by transferring technologies and practices and increasing economies of scale in farm production and processing, and b) bringing more land into agricultural production.

Accordingly, the IFC has increased investments aimed at boosting crop production (mostly in middle-income countries), with a majority of agriculture-related investments being channeled to agribusiness and the agro-industry. In the fiscal year ended June 30, 2008, IFC’s investments across the agribusiness value chain—from farm to retail store—exceeded $1.3 billion. The number of agribusiness projects supported by IFC rose from 17 in 2005 to 32 in 2008. Moreover, in February 2009, the IFC formed an alliance with Altima Partners to invest in farming operations and agricultural land in “emerging market countries.” The new $625 million Altima One World Agricultural Development Fund is IFC’s largest equity investment in its expanding agribusiness portfolio. The fund aims to identify “farming talent” in developing countries and help expand farm production with the help of additional capital and the introduction of modern farm technologies.

Throughout the financial world, agribusiness private equity funds investing in farmland are now emerging as an asset class. Increasing agribusiness investment in developing countries clearly requires the increased incorporation of tracts of fertile land into productive use. However,
land markets have traditionally presented a number of special concerns for foreign investors including accessing land, securing property rights, and the time and cost for obtaining a myriad of permits to develop land.\textsuperscript{41}

The IFC and FIAS are employing a number of methods to assist investors to overcome obstacles that inhibit investment in foreign land markets. In the first place, the IFC works with governments to reduce their demands that foreign companies keep profits in the country, making it more attractive for foreign companies to invest. This involves designing and implementing effective policies and procedures for making serviced land available for new investment, as well as changing land laws to increase the permissible quantity of land under foreign ownership. In addition, the FIAS particularly works to improve the “investment climate” of foreign markets by developing simple and transparent procedures for investors to acquire and secure property rights (or land use rights) at reasonable costs.\textsuperscript{42} The FIAS further encourages governments to streamline access to land for interested foreign investors, and, when necessary, to reform land use planning and construction laws to allow use of land by foreign owners.\textsuperscript{43}

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Case Study: Pakistan

Throughout its turbulent history of uneven distribution of power, military aid from the United States, and now the War on Terror, Pakistan has suffered greatly socially, politically, and economically—which has discouraged foreign investment in the country for years. However, with the land grab trend surging, Pakistan has become a major target for land deals; the Pakistani government has put a significant amount of fertile land on the market and changed many laws in order to encourage investment. The UAE has already purchased 324,000 hectares (800,000 acres) in the Punjab province, and Saudi Arabia and China have also shown interest.

The IFC and FIAS participation in the country has certainly contributed to Pakistan’s changing investment climate and economic profile in recent years. A 2005 FIAS study suggested that 79 percent of investors who participated in the survey identified land acquisition and site development regulation as the most significant barrier to investment in Pakistan (out of the five barriers identified). However, the IFC is working to build investor confidence in the country. Today, Pakistan receives more IFC funding than any other nation in the Middle East/North Africa Region (with a portfolio totaling $665 million in 2008). Over the past seven months, the IFC provided Pakistani banks with $121 million (9.5 billion PKR) in trade finance guarantees, helping Pakistan increase cross-border trade during the recent economic downturn and thereby benefiting many of its important business sectors. The IFC’s Global Trade Finance Program also enabled Pakistani banks to execute trade transactions worth roughly $121 million between July 2008 and January 2009. The benefits of these transactions were reportedly concentrated in the agricultural sector.

Investment-starved Pakistan put a total of 1.1 million acres of agriculture land on the auction block in 2008. In line with IFC and FIAS philosophy, the government has changed laws and is allowing legal favors for foreign investors willing to invest in Pakistan. Corporate parties are being offered a range of incentives to ensure legally covered high profits. For example, firms investing in Pakistani land markets have been offered 50 years on a land lease, extendable by another 40 years, in which the investor retains 100 percent proprietary rights. These firms would enjoy tax holiday for 10 years. Without such legal favors and regulatory intervention on the part of the Pakistani government, corporate investors would be required to pay taxes, pay duties on their imports, and keep a certain percentage of their produce in the Pakistani market. Foreign agribusinesses investing in Pakistan, however, will be excluded from all of these requirements, as they are permitted retention of 100 percent of profits and dividends as well as 100 percent repatriation of produce to their home country (even in the case of a Pakistani food deficit). The Pakistani government is further planning to extend life insurance facility to foreign investors in the wake of suicide attacks and other militant activities in the country. With such legal and financial favors, it is no wonder that Gulf companies are being attracted to invest and take the produce back home.

When one juxtaposes these favors with the protests from domestic farmers, preferential treatment becomes evident. The land being offered for lease is government-owned, but for generations has been farmed by small producers and landless peasants. The central and provincial governments are now vigorously working to identify government land that will be allotted on lease to foreign investors, implying that millions of small farmers will be displaced in the process. The troubling inequity in land ownership due to the feudal structure of power has served as a barrier to social and economic progress for the poor for years. More than one third of the land in Pakistan is tenanted and about two-thirds of land is under sharecropping, a form of farming where outputs are shared by the landowner and tenant. However, a World Bank study in 2007 reported that Pakistan has extreme inequality in land ownership, and the sharing of crop outputs and costs between a landowner and tenant in Pakistan is “practically non-existent”; that is, landowners often take the lion’s share of outputs and profits. The situation for small farmers in the Punjab province of Pakistan is very grave. Pakistani farmer’s movements are warning that 25,000 villages will most likely be displaced due to the signing of the land deal with UAE. And the situation could get worse. Over 6 million families work approximately 50 million acres of land in the country, and 94 percent of these people are considered subsistence farmers, each occupying less than an average of 12.5 acres. In many cases, these are tenants working large private holdings or government land, and they have been farming this land for generations.

Land reform has been a major issue in Pakistan for years, and land deals are detracting from land reform efforts. Two failed attempts at land reform occurred in 1959 and 1972, but the need to mitigate landlords’ far-reaching power remains critical, especially in the face of global food shortages: small producers’ access to land is vital for securing domestic food supplies. FAO reports from 2006 indicate that 39.4 percent of the Pakistani population faced food shortages; as food prices soared in 2007 and 2008 inflation led to even wider food shortages, leading the World Food Program to indicate half of Pakistan’s population (80 million people) as facing food insecurity.
In this context of widespread food shortage, and now Gulf countries vying for Pakistani farmland, citizens are concerned about the lack of government attention to land reform and other rural development issues. The following editorial from a Pakistani researcher expresses widespread frustration: “Despite the blatant forms of exploitation that keep occurring due to skewed land holding patterns in our rural areas, it was disappointing that major political parties did not squarely take up the issue of land reforms in their manifestoes prior to the 2008 general elections. Conversely, instead of trying to take concrete steps to empower the rural poor, the current government is now trying to lease or sell large tracts of agricultural land to Arab states.”

Finally, land deals in Pakistan threaten to exacerbate social unrest due to land disputes. In addition to the Punjab province, much of the land earmarked for multinationals falls in Balochistan (the country’s largest province, constituting 48 percent of the total area of Pakistan), where resentment against foreign elements has already provoked much violence in the area. It is abundantly clear that putting agricultural land on the international market, changing land and property laws, and arbitrarily encouraging foreign investment without social safety nets poses serious risks for Pakistan in terms of domestic food security, effects on potential land reform, and social and political stability. In Pakistan and many other developing countries, these and similar risks have yet to be fully analyzed; nevertheless, numerous governments are indiscriminately luring foreign investment in land markets.

Land Grab: A Win-Win Situation?

Land grabs are being further legitimized and perpetuated by actors who claim that land deals can be a win-win situation both for the investors and receiving “host” countries. Such players include donor governments, a number of research institutions, and international governance agencies, including the Food and Agriculture Organization (FAO) and other UN agencies.

After initially expressing his concern about the potential consequences of swift land grabbing on political stability, Jacques Diouf, Director-General of the FAO, has gone on to support the proposed Gulf land deals as a means of economic development for poor countries. In his view, if the deals are constructed properly, they have the potential to transform developing economies by providing jobs both in agriculture and other supporting industries like transportation and warehousing. Kanayo Nwanze, president of the International Fund for Agricultural Development (IFAD), has also expressed hope for possible development opportunities through land purchases: “When such deals take into account interests of both parties they help increase agricultural production in developing countries, provide jobs, boost export, and bring in new technologies to improve farm efficiency there.”

Bolstering the win-win rhetoric, a great deal of literature has recently surfaced describing potential benefits of land purchases and outlining the conditions necessary in order for a land deal to be considered win-win. For example, the International Food Policy Research Institute (IFPRI) believes that if there is transparency in negotiations, respect for existing land rights, and sharing of benefits between local communities and foreign investors, foreign investment can provide key resources for agriculture, including development of needed infrastructure and expansion of livelihood options for local people. Similarly, the International Fund for Agricultural Development (IFAD) supports the development of partnerships or joint-venture agreements between the countries that have the financial resources and others which possess land, water, and human resources. “Provided that [land deals] 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,” a report from IFAD argues.

With win-win rhetoric currently dominating global debate, donor countries are also beginning to pledge support for extensive overseas investment. During the G8 Summit in L’Aquila, Italy in July 2009, Japan—a country with low food self-sufficiency and the world’s largest net food importer—proposed an initiative to negotiate responsible investment in agriculture in light of the recent land grab trend in developing countries. Tokyo’s initiative, which includes a set of principles for investment, aims “to harmonize and maximize the interests of both host countries and investors.” The director of the economic security division at the Ministry of Foreign Affairs, Tamaki Tsukada, said, “We feel there should be a code of conduct, a set of principles, for investment in farmland that will be a win-win situation for both producing and consuming countries. While the initiative draws up a flexible methodology for monitoring members’ adherence to the principles, the main objective of these principles is to promote, not discourage, private investment in agriculture.” Japan’s pro-
The proposal was endorsed by G8 leaders on July 8, 2009, however the contents of the guidelines are vague; the extent to which “host” countries will be involved in developing such guidelines and how such guidelines will be applied are still up to speculation. It is unclear whether such a code of conduct even considers the informed consent by developing countries, compensation of the communities affected, or an adequate assessment of the impact of land deals on local food security and rural livelihoods.68

With the predominance of win-win rhetoric, growing support for an investment code of conduct from donor countries, and technical financial support from IFIs, we see a convergence of factors fomenting a strategy that tactfully aims to legitimize large-scale land investments. Focusing on potential benefits helps mask numerous risks and likely consequences of land grabbing. With increasing talk of win-win situations, the dissenting voices often go unheard. The lack of transparency of the private-sector led land deals to date have suggested that the livelihoods of the poor and most vulnerable rarely factor into whether or not these situations will, in fact, be win-win. The following sections attempt to give voice to the concerns of civil society and farmers organizations and shed light on the gravity of this issue in order to draw the important connection between farmers’ wellbeing and overall world food security.

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IMPLICATIONS AND POTENTIAL CONSEQUENCES OF LAND GRABBING

The financial infrastructure and donor country support that encourages land purchases with the goal of boosting agricultural productivity is clearly a positive move for investors, but what does it mean for farmers in developing countries and for global food security? This private sector investment in agribusiness in developing countries is promoting an agricultural system that is potentially dangerous to the world’s rural poor in a number of ways, each of which are examined in turn in this section.

Learning from History

The displacement of peasants and small farmers by transnational corporations is by no means a novel trend. Throughout the twentieth century, as agricultural production became increasingly industrialized, small farmers often transitioned into plantation workers, or rotated out of agriculture into other sectors. Between World War II and the 1980s, the percentages of populations involved in farming dropped dramatically worldwide; for instance, in Japan the portion of the population dropped was from 52 percent to 9 percent. With industrial agriculture expanding in scale, Nixon’s Agriculture Secretary Earl Butz instructed farmers to “get big or get out.”

Eric Hobsbawm famously wrote that of all societal changes of the last half-century, the most dramatic and far-reaching is the death of peasantry. Indeed the incorporation of independent farmers into large-scale agriculture as plantation farmers is a characteristic consequence of capitalist expansion throughout developing world.

Throughout history, corporate agribusiness has been known to establish itself in developing countries with the effect of either driving independent farmers off their land or metabolizing farm operation so that farmers become a class of workers within the plantation. Key examples of this historical trend are the transnational fruit companies in Central America. In Honduras, U.S. corporations—United Fruit, Standard Fruit, and Sam Zemurray’s Cuyamel Fruit companies—dominated the country’s key banana export sector and support sectors such as railways in the early part of the twentieth century. Throughout Latin America, the United Fruit Company (UFCO) empire extended from Guatemala, Costa Rica, and other Central American countries to Colombia and to the West Indies. UFCO relied heavily on manipulation of land use rights in order to maintain its market dominance, which had a number of long-term consequences for the region. For the company to maintain its unequal land holdings it often required government concessions. And this in turn meant that the company had to be politically involved in the region even though it was an American company. Today, the term “banana republics” has come to signify a country that is politically unstable, dependent on limited agriculture (e.g. bananas), and ruled by a small, self-elected, wealthy, and corrupt elite, in many cases heavily influenced by transnational financial interests.
Another notable case is that of the Philippines. Foreign participation in the Philippine economy has been a controversial issue throughout much of the twentieth century. As early as the 1920s, Del Monte Corporation established a pineapple plantation in Bukidnon in northern Mindanao, and Castle and Cooke entered in the 1960s, setting up a pineapple plantation in South Cotabato Province.72 The Philippine government facilitated investment of foreign enterprises in plantations through the government-owned National Development Corporation, which acquired land and leased it to the investors. Foreign-owned firms were also able to get around leasing prohibitions by entering into growers’ agreements with landowners and subsequently changing the agreement to allow direct cultivation of the land.

These corporations have remained in the Philippines, and others have since joined. By 2000, annual exports of fruits (mostly pineapples and bananas) reached $291 million, with four companies accounting for nearly all fruit exports: Del Monte, Dole (previously Standard Fruit Company), Chiquita (previously United Fruit Company), and Sumitomo.73 The resulting effect on the socioeconomic structure is such that the population has been divided into capitalist owners of production and others who depend solely on the selling power of their labor as the rural and urban proletariat. Thousands of small landowners have no other option than to lease their land to domestic or foreign agribusiness corporations and then be hired as laborers by their tenants, thereby losing control of their land and relegating themselves to a life of rural poverty.74 In today’s Philippines, nearly 70 percent of the poor live in the countryside, and approximately 90 percent of the rural population lives below the poverty line.75

History thus reveals the negative effects of foreign corporate agribusiness on rural livelihoods. Unsurprisingly, in most cases of transnational agribusiness in developing countries, the inevitable transitions that occur in socioeconomic systems and modes of production have led to social unrest, growing inequities, negative implications for land reform, and increased dependence of locals on...
The current land grab is proving to be a continuation of this trend. Despite hopes of a win-win situation, history shows us that consequences of such large-scale corporate land deals are often devastating for local populations. There is no evidence among the recent land deals suggesting that the current trend will be any different from past examples.

Displacement of Small Farmers

No matter how convincing the claim that the global land grab will bring much-needed agricultural investment to poor countries, evidence shows there is simply no place for the small farmer in the vast majority of these land acquisitions. Most of the current land deals consider the local population only to the extent that large-scale agriculture will create employment for subsistence farmers and rural land-dwellers. However, the extension of employment to local farmers to work on industrial, plantation-style farms effectively implies forcing subsistence farmers off of their land to make room for large-scale farms that produce food for other countries. Not only does land grabbing mean that farmers will lose their land, but these lands will be transformed from smallholdings or communal lands into large industrial estates connected to far-off markets. The Chairperson of the United Nations Permanent Forum on Indigenous Issues estimates that the land rights of some 60 million indigenous people worldwide may be at risk as a result of large-scale agro-fuel expansion.

The proposed land deal in Madagascar drew great attention to this issue, as Daewoo Logistics Corporation planned to lease half of all the arable land in the country. Given that 70 percent of the Malagasy people live in rural areas, thousands would have been displaced or forced into Daewoo employment. Madagascar’s citizens were outraged that their government was posed to cede an implausible amount of land to the South Korean corporation. As a program officer from Madagascar’s Farmers Confederation (Fekritana) expressed, “One of the biggest problems for farmers in Madagascar is land ownership, and we think it’s unfair for the government to be selling or leasing land to foreigners when local farmers do not have enough land. . . . Our concern is that first of all the government should facilitate the access to land by local farmers before dealing with foreigners.”

Similarly, Cambodian farmers, who have been involved in civil unrest and extensive land disputes with the Cambodian government for years, are now further threatened by the interest of China and the Gulf States in their farmland. Local newspapers report daily on cases of poor farmers being kicked off their land; in many instances, local police and government officials are said to be responsible, making way for private businesses to set up agricultural projects. In Cambodia, rural landlessness rose from 13 percent in 1997 to 20 percent in 2004, and then to nearly 30 percent in 2006. Moreover, reports from 2008 indicate that close to 100,000 families (or half a million people) in Cambodia lack sufficient food. Jin Ju, an activist with the Asian Human Rights Commission, recently expressed his doubt that the Cambodian government would consider the villagers and farmers as equal decision-makers given the country has been suffering from land grabbing by the government and the influential people for years.

The problem of small farmer displacement is also motivated by the soaring demand for agrofuels. It has become evident that U.S. and E.U. biofuel targets cannot be met
with solely local production, and this has led to substantial land investments for agrofuel production in Ghana, Senegal, Mozambique, Guatemala, and Brazil—with smallholder farmers being displaced in the process. In Ghana, for example, multinationals and local companies in partnership with foreigners are scrambling for land, vigorously pursuing plans to cultivate the jatropha plant for its prized oil seed for use producing biodiesel for export. Over twenty companies from various countries are acquiring land in Ghana to cultivate non-food crops and other crops for the production of ethanol and biodiesel, mostly for export. Ghanaian farmers are starting to realize what the agrofuels boom is doing to their livelihoods, and resistance is growing. Farmers in northern Ghana have rejected jatropha as an agrofuel, mainly because they fear being tied down by fickle markets, and because of its toxicity, which limits its use. The United Kingdom has come under much criticism from the African Biodiversity Network for setting targets for biofuels that will sacrifice Africa's land, forests, and food to satisfy the UK's vast energy requirements.

Removing Land Reform from the Policy Agenda

Another danger of the land grab movement is that commercial land deals are coming into direct conflict with land reform efforts in many developing countries. Conflict between rural land dwellers and commercial interests is not a new phenomenon. Mounting demand for land due to demographic and economic growth and resource depletion increasingly leads rural areas to be incorporated into market economies. As a result, governments often experience pressure to implement land reform—new policies that give the poor secure access to land, thereby allowing them to pursue their livelihoods without fear of harassment or eviction.

The task of achieving food security and the implementation of land reform policies in developing countries are inextricably linked. There are 1.5 billion small-scale farmers in the world who live on less than 2 hectares of land; secure and equitable access to and control over land allows these farmers to produce food, which is vital for their own food security as well as that of rural populations throughout the developing world. The current land grab—characterized by unprecedented pressures on land resources and increasing demand within land markets—is placing new tensions on land tenure systems. Those most at risk of losing access to land are small-scale producers who do not have formal tenure over the land that they use, as well as other minority groups that have traditionally been marginalized including women, indigenous people, pastoralists, and fisher folks, who also often lack titles to the land under customary tenure arrangements.

The global food and financial crises have made land reform an even more urgent task, but land deals threaten such reforms. In the Philippines, for instance, a series of high-profile deals have clashed with long-running demands for agrarian reform, including land redistribution. Reportedly, the Philippines finally began to push a land reform bill, the Genuine Agrarian Reform Bill (GARB), through its House in May 2009, but this development has foreign investors worried. Saudi executives representing big agricultural businesses have raised concerns about the Philippine agrarian reform; these Saudi investors were planning to acquire thousands of hectares of land for planting, processing, and raising livestock and poultry, and some also expressed the possibility of planting cassava and sugar. Furthermore, June 2009 media reports suggest that the E.U. is also pressuring the Filipino government to remove its ban on foreign ownership of land through World Trade Organization (WTO) provisions.
In the Philippines, rice farmers transplant seedlings in Bulak, on Cebu Island. The Philippines is one country where land deals may be interfering with much-needed land reform policies.

Photo: © IFAD/Lou Dematteis

In the Philippines, implementing agrarian reform has the potential to stimulate domestic economic activity and help address massive job dislocation. Those directly and indirectly involved in agricultural production in the Philippines comprise around 70 percent of the labor force, and their combined production accounts for almost 75 percent of the domestic economy.\(^9\) However, in the absence of agrarian reform, a huge portion of the labor force is denied access to gainful, secure, and sustainable employment—nearly all of the rural population lives in poverty.

Ignoring the plight of the poor and the desperate need for land redistribution, the Filipino government is said to be looking at increasing land-lease agreements from 25 to 75 years in order to be competitive with most African nations, where the contract duration is 99 years. At the same time, it has signed a memorandum of understanding with the UAE to find ways to help the Emirates ensure its food supply, while other countries such as Saudi Arabia, Qatar and Bahrain also look at the Philippines as the major source of their food basket.

To challenge the trend, Rafael Mariano, a politician who represents peasant farmers, has introduced a resolution calling for an immediate inquiry into the “great foreign land grab,” stating that the “increasing trend of global corporate land grabbing in this country is a direct affront to our national patrimony and undermines the Filipino farmers’ struggle for genuine land reform. It is the height of stupidity for our country to bargain our lands for the sake of other nation’s food security, while being dependent on importation for our very own food security needs.”\(^9\)

The discussion of land reform in relation to the land grab trend has received little media or scholarly attention. In
many cases, land reform is critical to achieving the rural development necessary for sustainable domestic food production. Other countries in which land reform is needed but may be threatened by extensive land deals include Kenya, Pakistan, Tanzania, and Zimbabwe.

Diminishing Access to Local Food Resources
Another dangerous element of the land grab trend is the shift from domestic to foreign control over food resources and food-producing lands. Large corporate land deals reduce poor nations’ likelihood of reaching food self-sufficiency, and some view land concessions as governments outsourcing food at the expense of their most food-insecure citizens. Importantly, most of the target or “host” countries themselves are net food importers or even emergency food aid recipients (see Appendix, Figure 1). For instance, Madagascar and the Sudan still receive food aid relief from the World Food Program; several months ago, Cambodia received $35 million in food assistance from the Asian Development Bank (ADB). For nations experiencing social unrest and high rates of hunger and poverty, it is hard to conceive that fertile land is being conceded to foreign countries instead of being used to boost domestic production; land is a vital resource necessary to meet the domestic needs of developing countries and generate meaningful employment and well being of their citizens.

Kenya has received much attention, as the Qatari government is set to fund a $3.4 billion port off the country’s coast in exchange for a lease of 40,000 hectares of land on which Qatar will grow crops. According to Kenyan
land law, this area belongs to the local community; however, pastoralists and farmers in the Tana Delta are largely illiterate and unaware of their legal rights. This deal seems unthinkable given that Kenya is currently in a state of “food emergency” according to the FAO, which reports Kenya as experiencing “exceptional shortfall in aggregate food production and supplies” (see Appendix, Figure 1). Recent drought has left 10 million people hungry and post-election violence in 2008 displaced thousands of farmers throughout the country’s most fertile regions, with 30 percent of Kenyans reportedly facing food shortage currently.

The competition for fertile farmland is fierce in Cambodia, where an unusually stable economy is inviting a new wave of foreign investment. With Qatar, Kuwait, and UAE all striving for land deals, the Cambodian government continues to clear a path to foreign investment, seemingly ignoring the ever-growing burden of rural landlessness and food shortage in the country. The Cambodian government has positioned such land deals as a solution to the food crisis, pointing out that of Cambodia’s 6 million hectares (about 15 million acres) available for cultivation only 2.5 million are currently used. Yet, at the same time, tens of thousands Cambodians are estimated to have been displaced in recent years, and widespread rural poverty still hampers access to adequate food for the 33 percent of Cambodian citizens facing undernourishment, according to the most recent FAO statistics.101

Large corporate land deals reduce poor nations’ likelihood of reaching food self-sufficiency, and some view land concessions as governments outsourcing food at the expense of their most food-insecure citizens.

It is difficult to visualize a win-win scenario when governments do not prioritize domestic food supply or local production over foreign investment and production for export. Evidence shows that these land deals often lack transparency and are frequently mismanaged by governments. An extensive May 2009 report from the International Institute for Environment and Development (IIED) found that many countries do not have sufficient mechanisms to protect local rights and take account of local interests, livelihoods, and welfare. Moreover, local communities are rarely adequately informed about the land concessions that are made to private companies. Insecure local land rights, inaccessible registration procedures, vaguely defined productive use requirements, legislative gaps, and other factors all too often undermine the position of local people vis-à-vis international actors. Without careful assessment of local contexts—including recognizing existing land uses and claims, securing land rights for rural communities, and involving local people in negotiations—land acquisitions will inevitably adversely affect local food production and rural livelihoods.

What does the future hold for the small-scale, subsistence farmers in the developing world amidst the surging commercial demand for their agricultural lands?

Photo: ©FAO/Giulio Napolitano
CONCLUSION: THE LAND GRAB VS. GLOBAL FOOD SECURITY

There is no denying that food security remains a dire problem worldwide: rapidly rising prices for staple foods from 2005 to 2008 culminated in a worldwide food crisis, and, while commodity prices have somewhat stabilized, millions are still suffering from hunger. Incredulously, FAO reports indicate that the rates of hunger continue to climb by the tens of millions; the latest figures show that 1.02 billion people in the world are suffering from hunger (up from 963 million at the end of 2008 and 923 million in 2007). Supply shortfalls are a normal part of agriculture, but historically a supply shortfall triggers increased production through higher prices. However, the current crisis is comprised of unique elements including uncontrollable financial speculation, new demand on agricultural commodities from the agrofuels sector, mounting stress on the quantity and quality of soil and water available, and the uncertainty of how climate change will affect growing conditions. This crisis, therefore, is different from past examples due to the convergence of these multiple factors as well as the fact that new elements—including demand for agrofuels and climate change—create an altogether novel dynamic to the food security and hunger problem. While governments and international organizations are responding to the short-term implications of these problems, the complexity of the multiple factors involved only perpetuates the uncertainty of how to reach long-term solutions.

In this context, world leaders gathered in Rome in June 2008 at a High Level Conference on World Food Security to address the food crisis and seek consensus on solutions. The Conference Declaration put forward a two-track response to the crisis: 1) boost food production by investing in the agricultural sector and rural development, and 2) ensure immediate access to food for the poor and vulnerable in both rural and urban areas by providing social safety nets and protection measures. The first component—increasing investment in agriculture and figuring out the most appropriate way to do so—has become a difficult and fragile task within the context of increasing commercial pressure on land markets. On one hand, investment in agricultural land is thought to be an answer for boosting food production in a world plagued by food shortages; on the other, this large-scale, private-sector-led approach conflicts with the urgency of increasing domestic food supplies in the world’s poorest and most vulnerable countries. While there are substantial arguments for both the risks and opportunities of foreign land acquisitions by private investors, the most important question seems to have been removed from the land grab debate: Where does the urgent and critical task of increasing food security fall within the accelerating trend of commercial investment in farmland?

Putting Food Security Back at the Forefront

The land grab movement demonstrates that there are several factors dividing the debate surrounding agricultural investment, all of which have important implications for global food security. First, there is a key divide about the roles to be played by the state and the market. The actions of the IFIs within the land grab trend and in response to the global food crisis represent an approach to development characterized by private sector control and decreased government regulation. Their solution for increasing food security is to increase agricultural “productivity” through large-scale intensive agriculture, but in many cases their approach has little to do with food security for the world’s most vulnerable. At a very minimum, regulation and oversight are necessary to ensure domestic food supply.

A second divide concerns the role of science and technology in agriculture. The IFIs’ appeal for increased invest-
ments in agribusiness and high-input, capital-intensive monocultures will undoubtedly have adverse effects on rural livelihoods. The assumption that agribusiness-led, capital-intensive technologies such as genetic engineering will trickle down to the poor is disingenuous, as rural communities will be displaced and food sovereignty undermined. An April 2009 report from the Union of Concerned Scientists, Failure to Yield: Evaluating the Performance of Genetically Engineered Crops, concludes that claims of increased agricultural production through genetic engineering are misleading. After closely evaluating the overall effect genetic engineering has had on crop yields in relation to other agricultural technologies, the report finds that genetic engineering has failed to significantly increase U.S. crop yields; rather, increases in yields were largely due to traditional breeding or improvements in agricultural practices.106

A third key divide in this debate is over the role of international trade in agriculture. Food-insecure countries are responding to food shortages by looking to distant lands to develop crops for export back home. However, a crucial question is falling through the cracks: should trade be supported at the expense of domestic food supplies? The land grab trend is putting private interests in direct competition with land for local food production, a situation that cannot be tolerated in the face of growing hunger among the world’s poorest.

Much of the global food system, from seed and fertilizer supply to trade and retail, is in the hands of a few large corporations whose interests are first and foremost economic gain, not feeding the millions of the world’s hungry.

Food security is a lived problem for the world’s most vulnerable—not a statistic. It is a problem for an estimated 1.02 billion people—one sixth of humanity—who are chronically hungry. These people are the rural poor, the subsistence farmers—the 1.5 billion small producers who each farm less than 2 hectares of land. These people, who are suffering most, are not the ones benefiting from land market investment. We must refrain from glorifying win-win scenarios before fully analyzing the severity of the risks and recognizing that the real problem is about those whose interest is left out of the land purchases and assessments of investment climates. This fundamental disconnect between increasing investment and increasing food security is a dangerous problem that is only exacerbated by the commercial land acquisitions that comprise the global land grab movement.

“Hunger is exclusion...When a person gets to the point of not having anything to eat, it is because all the rest has been denied. This is a modern form of exile....” Josué de Castro (1908 - 1973), Brazilian doctor and anti-hunger advocate
Photo: ©FAO/Ami Vitale
## APPENDIX

Countries in crisis requiring external assistance* (total: 32 countries)

<table>
<thead>
<tr>
<th>Nature of Food Insecurity (affected country)</th>
<th>Main Reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AFRICA</strong></td>
<td></td>
</tr>
<tr>
<td>EXCEPTIONAL SHORTFALL IN AGGREGATE FOOD PRODUCTION/SUPPLIES</td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td>Civil strife, adverse weather, pests</td>
</tr>
<tr>
<td>Lesotho</td>
<td>Low productivity, HIV/AIDS pandemic</td>
</tr>
<tr>
<td>Somalia</td>
<td>Conflict, economic crisis, adverse weather</td>
</tr>
<tr>
<td>Swaziland</td>
<td>Low productivity, HIV/AIDS pandemic</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Deepening economic crisis</td>
</tr>
<tr>
<td><strong>WIDESPREAD LACK OF ACCESS</strong></td>
<td></td>
</tr>
<tr>
<td>Eritrea</td>
<td>IDPs, economic constraints</td>
</tr>
<tr>
<td>Liberia</td>
<td>War related damage, pests</td>
</tr>
<tr>
<td>Mauritania</td>
<td>Several years of drought</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>War related damage</td>
</tr>
<tr>
<td><strong>SEVERE LOCALIZED FOOD INSECURITY</strong></td>
<td></td>
</tr>
<tr>
<td>Burundi</td>
<td>Civil strife, IDPs and returnees</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>Refugees, insecurity in parts</td>
</tr>
<tr>
<td>Chad</td>
<td>Refugees, conflict</td>
</tr>
<tr>
<td>Congo</td>
<td>IDPs</td>
</tr>
<tr>
<td>Côte d'Ivoire</td>
<td>Conflict related damage</td>
</tr>
<tr>
<td>Democratic Republic of Congo</td>
<td>Civil strife, returnees</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>Insecurity in parts, localized crop failure</td>
</tr>
<tr>
<td>Guinea</td>
<td>Refugees, conflict</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>Localized insecurity</td>
</tr>
<tr>
<td>Sudan</td>
<td>Civil strife (Darfur), insecurity (southern Sudan), localized crop failure</td>
</tr>
<tr>
<td>Uganda</td>
<td>Localized crop failure, insecurity</td>
</tr>
</tbody>
</table>
**MID-EAST and ASIA**

**EXCEPTIONAL SHORTFALL IN AGGREGATE FOOD PRODUCTION/SUPPLIES**

- **Iraq** Insecurity and insufficient rainfall

**WIDESPREAD LACK OF ACCESS**

- **Afghanistan** Conflict and insecurity, inadequate rainfall
- **Dem. People’s Rep. of Korea** Economic constraints

**SEVERE LOCALIZED FOOD INSECURITY**

- **Bangladesh** Past floods and cyclone
- **Iran** Past drought
- **Nepal** Poor market access and past drought/floods
- **Myanmar** Past cyclone
- **Sri Lanka** Conflict
- **Tajikistan** Winter crop damage, poor market access, locusts
- **Timor-Leste** IDPs

**LATIN AMERICA**

**SEVERE LOCALIZED FOOD INSECURITY**

- **Cuba** Past floods and other hurricane damage
- **Haiti** Past floods and other hurricane damage

*Crop Prospects and Food Situation. No. 2, April 2009. FAO. http://www.fao.org/docrep/011/ai480e/ai480e02.htm*
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24. Ibid.


26. Ibid.


30. Commodities—goods which operate on the same cost throughout the world—are categorized by two major categories, hard and soft commodities. ‘Hard’ commodities generally refer to those non-renewable goods including metals and fossil fuels, while ‘soft’ commodities include those renewable resources such as food crops.


32. Ibid.

33. While the World Bank (IBRD and IDA) provides credit and non-lending assistance to governments, the IFC provides loans and equity financing, advice, and technical services to the private sector. The IFC is one of the fastest growing institutions in the World Bank Group and has main important investments to improve local private sector companies, but its projects have often been carried through at the expense of physical and economic displacement for thousands. Source: Bank Information Center (BIC).


35. Blas, J. “IFC to boost agricultural lending by 30%.” Financial Times. August 2, 2009


37. Agribusiness is a broad concept that covers input suppliers, agro-processors, traders, exporters and retailers. “Agro-industry” also is a broad concept that refers to the establishment of enterprises and supply chains for developing, transforming and distributing specific inputs and products in the agricultural sector.


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44. Kiani, K. “Five major hurdles to FDI identified: World Bank/IFC survey.” DAWN. August 23, 2005. The survey also showed that 57 per cent respondents identified financial regulation, 53 per cent tax administration, 38 per cent business registration and 30 per cent labor regulation as barriers.


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104 “Number of Hungry People Rises to 963 Million.” FAO Newsroom. December 9, 2008.

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THE GREAT LAND GRAB | 23
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