The end of the African peasant?
From investment funds and Finance-Value-Chains to questions about the African peasant

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• Introduction
• Presentation of 3 renewed models
  – 1- Commercial banks integration in agriculture production
  – 2- Agricultural engineering companies
  – 3 - Investment and equity funds
• Concluding thoughts
Introduction

• Beyond land, the renewed interest to control land-based activities

• Land grabbing - top of the iceberg of wider dynamics, diverting attention from a dynamics of control over land-based activities/production.

“Land based production and wealth grabbing“
Total integration and the concept of finance value chain

• Finance value chain as new agricultural development paradigm - sustained by international agencies (WB, Agribusiness and innovations in Africa)

• Integration of primary production / finance in an overall cycle
• Spreading the risks / no collateral / A reversal of the risk-profit relationship appears within the production chain
• South African based study – SA as a pilote country for several renewed models
1) Commercial banks integration in agricultural production

- High cost of productive, competitive agricultural production (Input prices increase - the land is not enough as collateral)
- The production is never owned by farmer
- Price risk - managed through hedging on futures market SAFEX
- Production risk (flood, drought...) is covered by the multi-peril insurance
- Monitoring during the crop and before the harvest by the bank or the insurance company
- Farmer remuneration (production less inputs cost or salaried position)
2) Agricultural engineering companies: Input finance & management model

- Management agreement: the manager receives all finances, the multi-peril crop insurance and hedges
- The bank transmit all the risks on this intermediate
- Contract growing or the land is leased by the manager; the producers are employees of this company
- Crop (silos certificate) ‘owned’ by the manager
- The manager gets inputs at lower cost thanks to reputation and economies of scale
- Precision farming (satellite monitoring)
- Geographical diversification to mitigate the risk
- Price risk management through SAFEX
3- Investment and equity funds

- Development of investment and equity funds focusing on agricultural production AND land
- Investors – international businesses, commercial banks, development Banks, Financial companies, ...
- Asset management company takes care of funds
- Diverse strategies, depending on expectations of investors (return rate, fund life-term...)

- 2 different models:
  - Direct investment in land
  - Equity fund
3a) Direct investment in land

- Buying up land with the expectation of increased/fluctuating land and food prices

- Different strategies:
  - Example of Asset Management Companies; Direct production control (+40 farms as risk mitigator)
  - Speculation on land (Land as a risk asset in SA)
3b) Equity funds

Buying shares (or equities) in agricultural and agri-business enterprise and/or primary production

- **Private**
  Strategy 1:
  - minority position (20 to 34%),
  - control on the managerial structure but not on the agri-business activities,
  - corporate approach,
  - Up and downstream activities,
  - only in SA

  Strategy 2:
  - majority position (50 to 75%),
  - direct control of agricultural and agri-business activities,
  - individual and corporate approach,
  - SA and Africa,
  - Primary production,
  - Buy farms
  - closed fund

- **Public**

  Public development Funds
  - Investors: Development Banks, International organizations, etc.
  - Local fund as management society
  - Investment along entire value chain – production and agribusinesses
  - Double focus on commercial/large scale agriculture (80%) and small scale (20%)
Some concluding thoughts...

* **Financiarization and corporization of agriculture**
  - New financial models brought along by renewed types of actors (MACRO-Actors - engineering, financial, industrial sectors)
  - Generate new productive agricultural models & Redraw the orthodox frontiers of the agricultural sector
    - Speculation henceforth long-term strategies, led by actors external to the sector, equivalent to other sectors

* **Concentration and dualisation within the sector**
  - Dominion of a few large international groups (Agricultural intermediaries & commercial banks and insurance companies)
  - Marginalization of the majority of the African farmers
Some concluding thoughts...

* **Deregulation and foreign powers**
  - Removal of stabilization mechanisms facilitates economic agents’ direct involvement and control over agricultural regulation mechanisms
    - Private norms developed by very same actors
  - Foreign economic powers control an increasing part of the production, emphasizing food sovereignty issues

* **Socio-Professional implications of these models**
  - Marginalization in the decision making process for the communities and independent family (small scale and large scale) farmers
    - probably more a ‘service provider’
    - The end of the peasant? No family farming anymore? Which future for agricultural sector?
  - Dependence cycle: impossibility to realize productive investment
Some concluding thoughts...

* Export of renewed models?

- SA as a laboratory for the rest of Africa
- Models (by SA or local businesses) are spreading their activities all over the African continent
  - Certain banks already present in 14 countries
  - Asset management Co extending in 18 countries...
    - Linked to this expansion perspective, development of new instrument to do business in a less appropriate environment
- Questions all the more important in agricultural-based countries with very few job alternatives
  - What alternatives?
  - Towards a geographical working division, primary production abroad (cf. DCR) and processing/marketing/hedging in SA?
THANK YOU

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