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

Ward Anseeuw, Antoine Ducastel and Jean-Jacques Gabas

cirad

University of Pretoria

- 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

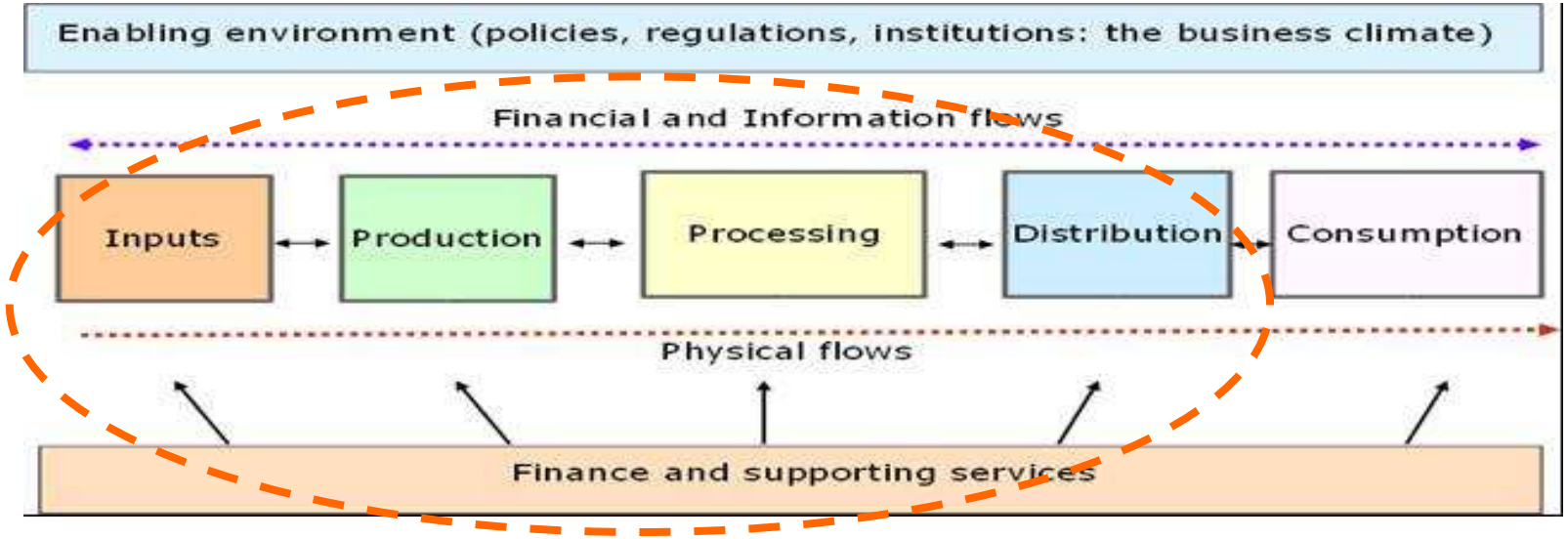
- Beyond land, the renewed interest to control land-based activities

- 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

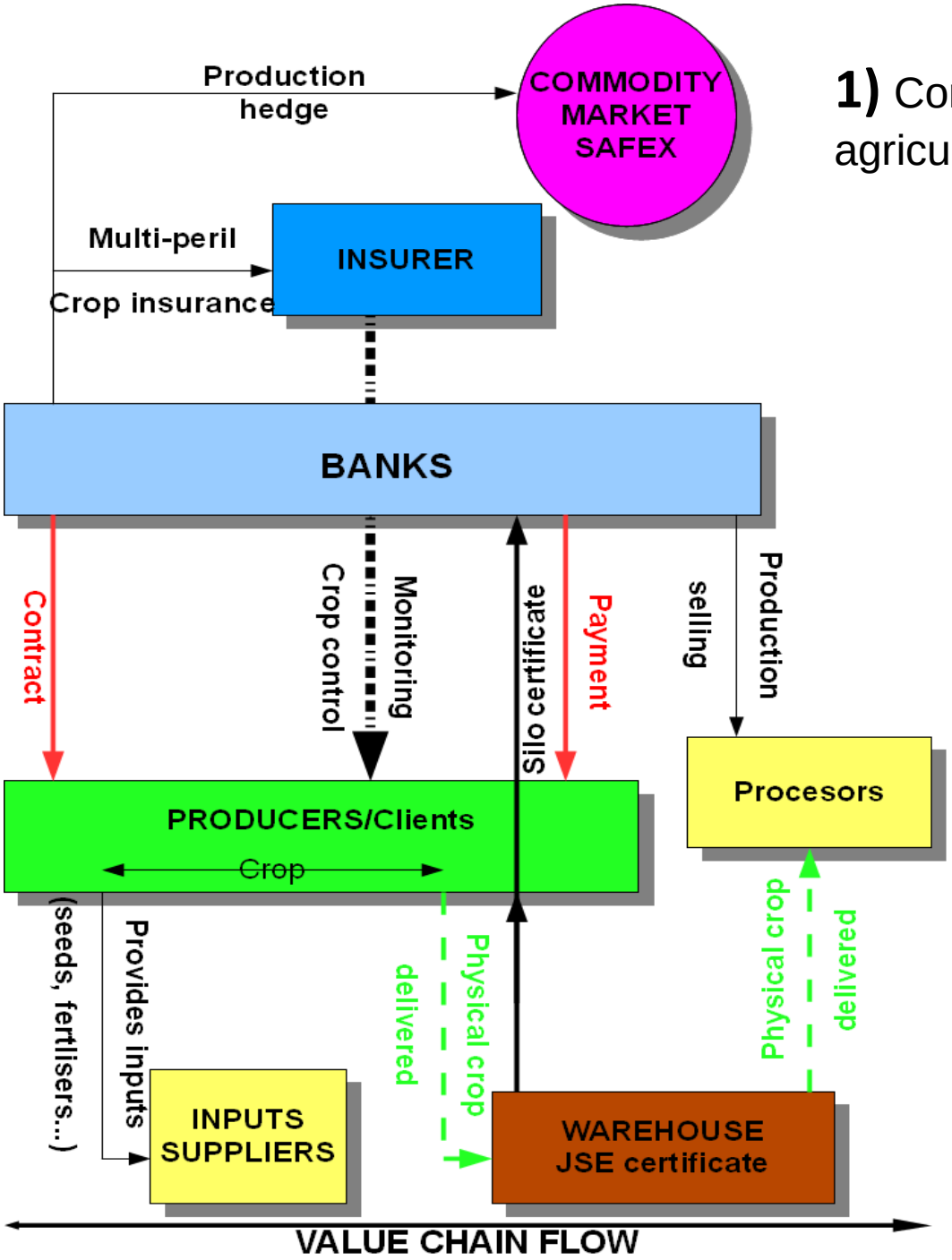
• Finance value chain as new agricultural development paradigm - sustained by international agencies (WB, Agribusiness and innovations in Africa)



•Integration of primary production / finance in an overall cycle

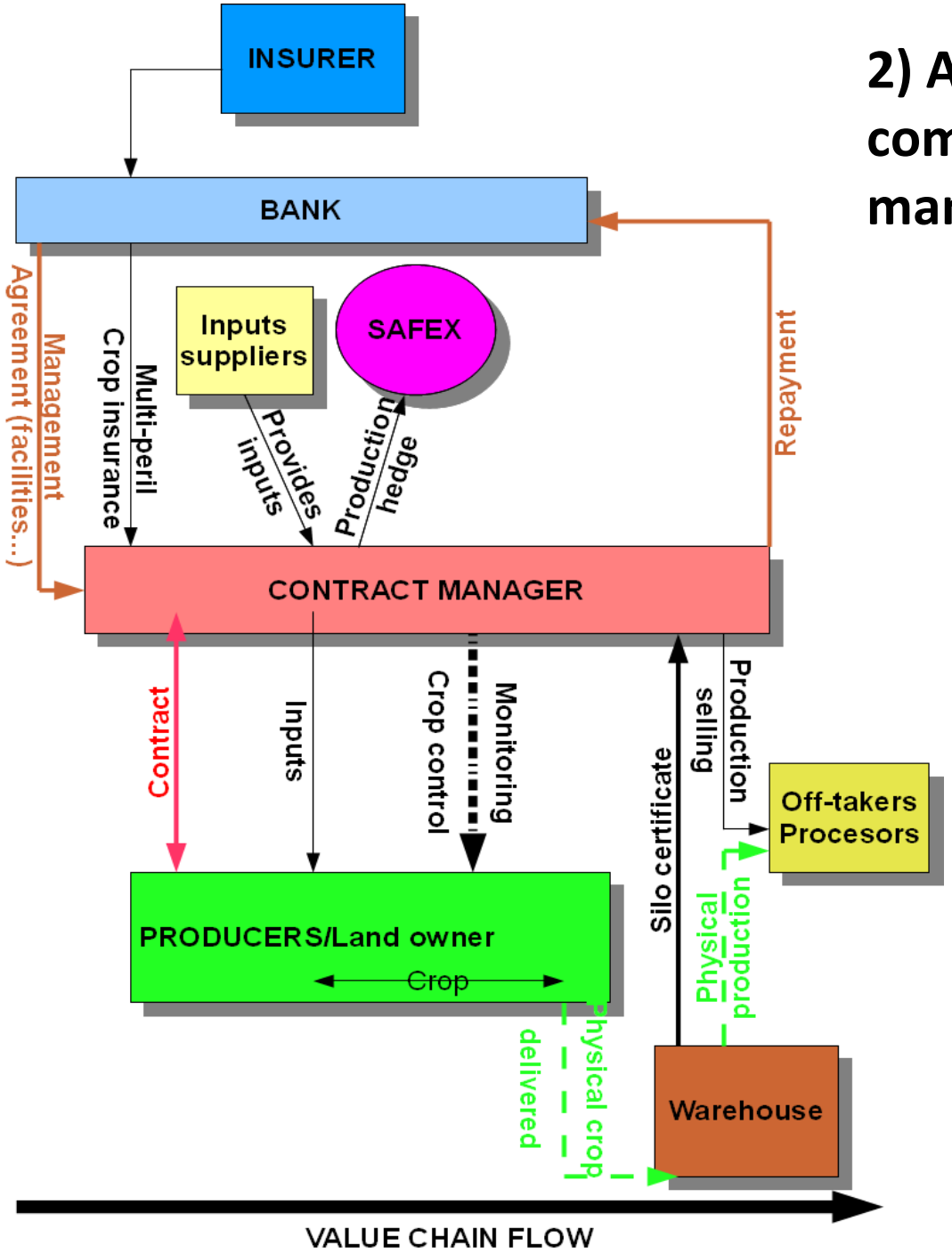
• Spreading the risks / no collateral / A reversal of the risk-profit relationship appears within the production chain

• 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)



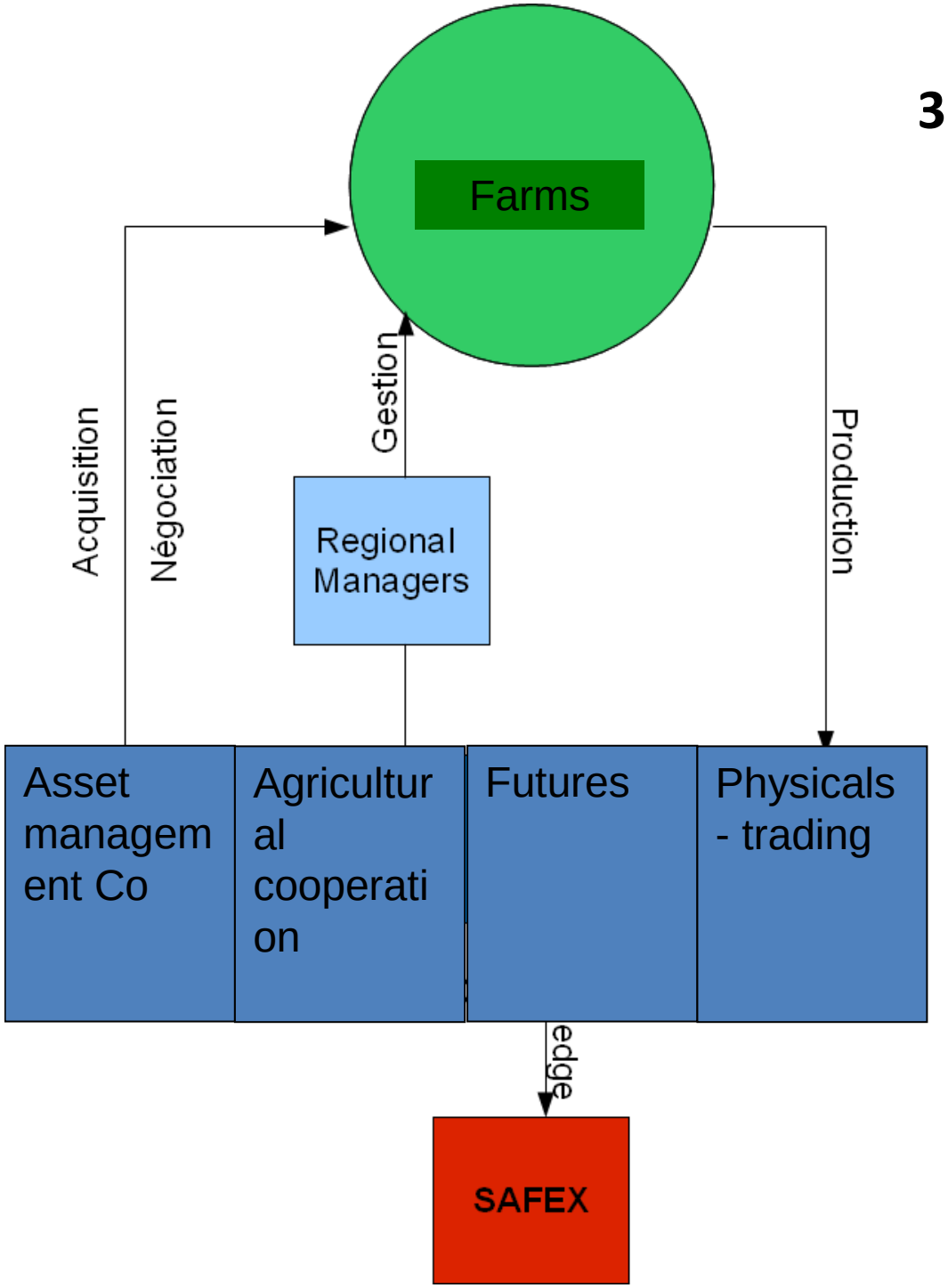
2) Agricultural engineering companies: Input finance & management model

- 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 (silo 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 down stream 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 faming 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

Ward ANSEEUW
CIRAD Researcher
Post-Graduate School of Agriculture and Rural Development
University of Pretoria
Pretoria 0002
South Africa

Email: ward.anseeuw@up.ac.za