This paper is an executive summary of the report “The State of Large-Scale Land Acquisitions (LSLA) in the ‘Global South’ “, which draws on a new database of large-scale land acquisitions, the so-called LAND Matrix. Covering investments taking place in developing countries around the globe, it has become the largest database of its kind and helps to better understand the much debated phenomenon of large-scale agricultural land deals.

Starting with the 2007/2008 spike of commodity prices, media reports on farm land acquisitions have increased notably since then and were soon referring to a new “global land rush”. Indeed, the LAND Matrix figures confirm that there is a worldwide rush for land, although it seems that the speed at which land in developing countries is being acquired starts to lose some of it initial pace. Opponents of this view argue that the boom is only a bubble which is driven by speculation and is thus not likely to materialize in real projects. The LAND Matrix data does not support this argument: While a significant portion of projects have remained good or bad intentions, a large number of land acquisitions have been followed by the implementation and start of operation of projects. According to our findings, the “land rush” is hence real.

However, the “global land rush” is all but a simple phenomenon. It involves a large number of target countries with highly varying investment conditions as well as a great variety of actors following plenty of different investment motives. As a result, each land deal has its own specific characteristics. In addition to the complexity of the topic, there is a huge lack of transparency on land governance matters, in particular regarding the underlying processes and contractual agreements, issues of community involvement and compensation, as well as regarding the short- and long-term effects of these investments. Even with more and better data thanks to the LAND Matrix, it is therefore not surprising that the picture of large-scale land acquisitions remains somewhat blurry.

THE LAND Matrix

Since 2009 a partnership between CDE at the University of Bern, CIRAD, GIGA German Institute of Global and Area Studies, GIZ and ILC, has been systematically collating and verifying information on large-scale land acquisitions. This LAND Matrix records transactions that entail a transfer of rights to use, control or own land through sale, lease or concession that are 200 ha or larger; and that have been concluded since the year 2000. The database is now the largest of its kind, and in 2012 a part of it will become publicly accessible.
The data comes from a variety of sources that include media reports, reports by international organizations and NGOs as well as academic research including field-based research projects. These different reports are being sourced through the two most active Internet portals that deal with land transactions, www.commercialpressesonland.org of the Land Portal operated by the International Land Coalition (ILC) and www.farmlandgrab.org operated by the NGO GRAIN.

The database distinguishes four levels of data reliability. More specifically, we introduce a reliability ranking between 0 and 3. A reliability rank of 0 is given to land transactions only reported by the press or other sources (typically from the internet) that have not undergone any process of verification. These transactions will be referred to as “only reported”. A reliability rank of 1 is then assigned to transactions reported by sources that we judge reliable, in particular transactions reported in research papers based on empirical evidence through field research, information on company websites (information on the main columns, such as: size, produce, year), as well as government records. In fact, most cases in the database currently have reliability ranks of 0 or 1. Additionally, a reliability rank of 2 is given to land transactions that have been checked by the LAND Matrix Partnership through questionnaires submitted to organizations working in the host country, while 3 is assigned to cases where contractual agreements have been made publicly available. Cases with reliability ranking 1, 2 or 3 are labeled “reliable cases” throughout the report. As the database matures, cases will be upgraded in terms of their reliability. More details on the methodology of the LAND Matrix can be found in the annex of the report.

Furthermore, the LAND Matrix also entails limited information on the implementation status of the acquisition. Only for cases being reported as having a completed contract (499), we have information on the implementation status. So for those deals we do know whether the project is in operation, in the start-up phase, or whether it has not started at all. However, not all sources contain information on this.

This paper, representing an executive summary of the “The State of Large-Scale Land Acquisitions (LSLA) in the ‘Global South’ “ report based on the LAND Matrix, covers only international transactions, i.e. projects that involve a foreign investor, possibly in a joint venture with a domestic actor. This implies that pure domestic acquisitions are not represented in this analysis although they may account for a significant portion of large-scale land acquisitions in some countries, for example Brazil, Indonesia, or South Africa. In sum, this report therefore focuses on:

- ‘developing countries’ including only low and middle income countries in the ‘global South’ as target countries
- acquisitions by international/foreign investors (leaving aside land deals with only domestic investors)
- agricultural oriented projects. Although globally assessing the significance of land acquisition in other sectors, in-depth analyses will exclude mining, tourism, etc. (the sample of
geo-referenced deals only includes deals for agricultural purposes; forest concessions and mining are excluded).

The paper is structured in 5 parts: A first part gives a global overview and emphasizes the indisputable reality of the large-scale land acquisition phenomenon. The second part details the target countries and regions, their determinants and the concentration of the investors despite the overall announcements of them targeting marginal land. Part 3 presents investor countries, the investors and their characteristics. Part 4 focuses on learning more about the drivers. Finally, the processes of large-scale land acquisitions are detailed in the last part, presenting the different land tenure systems affected, the previous land uses/users, the displacements occurring, as well as the compensations and potential benefits.

1. Global overview – The rush for land for agricultural purposes is a reality

Global overview – an indisputable rush for land: The LAND Matrix contained reports of 1217 agricultural land deals, amounting to 83,216,357 hectares of land in developing countries. This includes all reported and reliable deals. Out of these reported deals, 625 deals (51.4% of total) covering 43,700,000 hectares (39.3% of total) have been cross-checked and have actually taken place. The identified surface covers respectively 6 and 3.2% of world's arable land. The results emerging from the LAND Matrix provides thus evidence that the scale of the phenomenon is significantly larger than assumed up till now. A significant proportion of the as yet unverified deals have undoubtedly taken place, but it has not yet been possible to verify them. In reality, the gap is therefore likely to be smaller. The major reason for the latter is the non-transparent manner in which these deals, from their negotiations to their effective implementation, are taking place. Very little information is readily available regarding these deals – only Angola obliges land investment contracts to be published and publically available (ref Oakland report).

Actual implementation - 25% of the reported surface: Beyond the simple identification of land deals, it is nonetheless evident that a high proportion of deals that are announced or reported and could even be cross-checked and are classified as reliable deals do never reach implementation. Out of the 1217 agricultural land deals, amounting to 83,216,357 hectares of land in developing countries, 403 deals covering 26,200,000 hectares were effectively signed (Only 223 cases, covering 11,300,000 hectares, are reliable). The latter means that out of the totality of deals reported, 31.5% (13.6% are reliable deals) lead to an effective signature and concrete transfer of land. Similar analyses in surface/hectares is more difficult, as only proportions of the effectively acquired lands might be under production. This being said, 330 projects have started producing effectively, covering 21 million hectares. This represents approximately the area of the United Kingdom. Although the latter represents only 25.3% of the reported surface (27.1% of the reported number of projects), it does represent 80.0% implementation rate of the deals that are signed (81.9% of the signed deals).
Effective, but at a slower than initial pace: The LAND Matrix data suggest that the rate of acquisitions remained low until 2005, where after it accelerated greatly, peaking in 2009 and slowing down again in 2010 and following years. Detailed here are reported and reliable deals, but the analysis shows similar tendencies for the signed and effectively implemented deals. The surge of 2005–2009 can be related to the food price crisis and a range of factors that triggered new investor interest in land (Anseeuw et al., 2012). The slowdown in 2009 is likely partly due to the 2008–2009 financial crisis and a consequent deceleration in the rate of acquisition. It may also be due to potential acquirers becoming more realistic about the risks of difficult conditions, technically but also socio-politically.

2. Target regions and countries – Africa is the most affected

Africa is the most targeted: Africa appears to be the main target of the land rush. Of the 1217 publicly reported deals, 754 land acquisitions projects covering 56.2 million hectares are located in Africa, while some 17.7 million hectares are reported in Asia, and 7.02 million hectares in Latin America. The remaining 2.23 million hectares are in other regions, particularly Eastern Europe and Oceania. For Africa, the reported large-scale land acquisitions for agricultural production represent the total size of Zimbabwe. It covers 25% of the total African arable land. The latter is in strong contrast with the other continents, where the large-scale land acquisitions concern 4.8% and 6.2% of the arable land of Asia and Latin America respectively. Indeed, even if it does not represent a large share of its arable land, Asia is also strongly targeted. As reported, foreign investors have tried to set up 307 projects over 17.8 million hectares.

Few countries are gathering a large majority of the acquisitions: The demand for land by foreign actors seemed to be widespread in developing countries around the World. Although a large number of countries (84) are targeted by foreign investors, 11 of them concentrate 70% of the reported targeted surface. Among those 11 countries 7 are African. Countries such as Sudan, Ethiopia, Mozambique, Zambia, DR Congo and Tanzania are facing a large part of the reported demand for land by foreign actors, both in terms of cumulative size and number of projects. Although the share of reliable observations differs from one country to another, most of these countries are still the most targeted even when only reliable observations are considered. This confirms the reality of the investor interest for African countries. Asia is the second main targeted continent by foreign investors. South-Eastern Asian countries such as Philippines (74 deals on 6.6 million ha of which 5.16 million ha are reliable), Indonesia (24 deals on 3.36 million ha of which 1.28 million are reliable) and Laos (40 deals on 1.21 million ha of which 140 000 are reliable) are particularly affected. In Southern Asia, Pakistan and India are also among the main targeted countries.

Target countries the poorest, least integrated in world economy, with weak land institutions: Destination countries present a large heterogeneity in their characteristics and in the intensity of acquisitions they are facing. Destination countries are significantly poorer than the average
countries (which includes emerging countries that are both targeted and origin country of investors). They are also less involved in world food exchanges. Countries with the highest number of contracts signed are poorer than the average of destination countries and have weaker land institutions. The latter is also the case when countries with the highest number of deals already in production are considered. These results confirm that investors are targeting the poorer countries with weak land tenure security (Arezki et al., 2010). However, most targeted countries do not present weaker quality of institutions, especially concerning the investor protection.

Concentration of investment in specific regions – according to land cover classes, water etc: Although it is frequently stated that land investors are bringing investments to marginal and often un- or under-utilized land, spatial analysis reveals that investments are concentrated in specific regions according to land cover and water. Overall, about 45% of the land targeted is cropland or crop-vegetation mosaics. Intensive competition for cropland with local communities is hence the consequence. Therefore, even if according to national indicators countries may manifest large reserves of suitable land and hence may represent preferred targets, the specific target locations are often found within cultivated areas and farmland. In addition, about 24% of the land deals are located in forested areas. In conclusion this analysis shows that the main opportunities sought by investors in terms of type of land are areas already used as cropland – and not idle land.

3. Who are the investors?

A diversity of investor countries: According to the LAND Matrix results, three separate groups of investor’s origin countries can be identified. 1) Emerging countries: (Brazil, South Africa, China, India, Malaysia, Korea.); 2) Middle Eastern countries; 3) High income and hence more traditional investor countries (USA, European countries).

A new regionalism: The massive involvement of investors from emerging countries illustrates one major feature of the large-scale land acquisition phenomenon, to which we refer as the new regionalism characterized by South-South relationships (i.e. the involvement of acquirers from emerging countries). In Latin America, agri-business companies from Brazil and Argentina are looking first at acquiring farmland across the world but in countries close to their localization. Those actors are searching to export their skills in large scale flex crop farming (Rabobank International, 2011). In that sense, their strategy is close to the South African one. South African actors are involved in projects all over Eastern, Central and Southern Africa.

Capital rich countries, looking to secure their food security situation or to diversify their investment portfolio: These countries of origin have a GDP per capita 4 times higher than destination countries. Origin countries are also net importers of food, with net imports of US$ 13.9 per capita (US$ 306 per capita for “only origin” countries) while destination countries show a less evident picture. Destination countries are net exporters (US$ 47 per capita) while “only destination” countries appear to be net importers (US$ 49 per capita). This contrasted result shows the heterogeneity of countries targeted for large scale land acquisitions. The net exporter characteristics of destination countries can be explained by the presence of emerging countries,
such as BRICS countries, in this group. These countries already have a relatively well developed food sector. Beyond the food balance, the more telling aspect is the involvement of the different groups of countries traduced by the global value of food imports and exports. The global value of involvement in the world food market is much higher for origin countries than for destination countries.

**Four types of investors**: There is a widespread consensus on the heterogeneity of investors involved in the rush for land in developing countries. According to the LAND Matrix results we constituted four different types of investors: private companies, public or state owned companies, private-public partnership and investment funds. Evidence from the LAND Matrix reveals that private companies constitute the most active category of investors (442 projects; 30,3 million of hectares). The public/state own company (172 projects, 11,5 million of hectares) category is also a quite important one. They are followed by investment funds (32 projects, 3266811 hectares) and private public partnership (12 projects, 617800 hectares) which are clearly beyond the two other categories. Another aspect revealed by the LAND Matrix is that the kind of investor involved in the land rush is region specific.

**The importance of domestic partners and multiple investors**: In some cases foreign investors build a partnership with a domestic company (12% of the deals). The main reason of that is the reduction of transaction costs caused by the complexity of administrative legislation. This can also be explained by legal obligation in some countries. Another characteristic of the investor’s strategy is the implementation of partnership between actors from different origin countries. Actors from USA and Great Britain are using this strategy in a large part of their projects (respectively 30% and 27% of the projects involving actors from multiple countries), as well as actors from South Africa (30% of the projects involving actors from multiple countries).

4. Learning more about the drivers

**A diversity of drivers**: As emphasized by the CPL report the rush for farmland has been triggered primarily by the food price crisis of 2007-2008 (Anseeuw et al., 2012). But far from being a brief phenomenon, the land rush is likely to continue into the long term because of the trends that are driving it. Among the main drivers, we find the expectations of rising prices on longer term trends, population growth, growing consumption and market demand for food, biofuels, raw material and timber, carbon sequestration and finally the speculation.

**Availability and access to water**: Availability and access to water is a precondition for making land investments viable. It is thus widely regarded as another key driver of transnational land acquisitions. Water scarcity is increasingly a key constraint on agricultural production, leading to an escalating competition for water resources. Calculations revealed that in two thirds of the target countries the water consumption will increase as a result of large scale land acquisitions. The overall increase in water consumption in target countries is expected to be at 12,7%. On the
other hand it could be shown that the investors’ countries clearly benefit from land acquisitions as they have a positive effect on their freshwater balance.

**A priority for food production:** At a global level and considering the reliable data only, the LAND Matrix reflects the importance of food production investments (34%) in the reported large-scale land acquisition projects. In comparison, non-food crops is recorded as the reason for 26% of the reported agricultural deals, flex crops accounting for 23% and multiple uses projects for 17%. The importance of non-food crops shows that the development of particular markets, such as biofuels and other traditional “high value crops”, attracts investors. On the other hand, the large share of projects presenting multiple productions or the production of flex crops can be interpreted as a strategy to mitigate risks and maximize benefit (linked to e.g. price volatility, commercialization risks, etc.).

**High value non-food crops – the search for alternative energy sources and fibre:** Demand for non-food crops such as rubber, fiber crops and jatropha is also an important driver of the large-scale land acquisitions. The demand for such crops has been a feature of economic relations between the global North and the global South since colonial times (Anseeuw, 2012). According to the LAND Matrix data, 37 large-scale land acquisition projects concern rubber production. Almost all of them (33 over 37) are located in South Eastern Asian countries (Philippines, Indonesia and Cambodia) and managed by Chinese and Vietnamese actors. However, beyond this “old” driver a new one is rising, the demand for biofuels.

**Flex crops and multiple land uses - A way of mitigating risks:** One of the main characteristics of this large-scale land phenomenon is the central role of three crops, soybean, sugarcane and oil palm. This group is called “flex crops” as these crops have multiple and/or flexible uses, mainly food and biofuels. Confronted to the difficulty of getting information on the final destination of the production, different studies have emphasized the particular importance of this group of crops (Borras et al, 2011). The importance of these crops regarding the phenomenon (23% of the farming deals are exclusively dedicate to the production of one of these three crops) can be explained by four different reasons: risk management, historical reasons of production of the crops, benefits from the existing knowledge on the large scale production of flex crops; fast and more secure return on investment than other farming crops.

**Most projects are export oriented:** For the 393 cases for which we have that information, export is the principal aim of the production. A possible domestic use of the production concerns a marginal part of the projects. It is important to note that projects with a domestic use of the production are not only concerning food crop production but are equally shared between the different sectors of production. A focus on the projects with export of the production demonstrates that 43% of them have the objective to send the production to the country of origin of the investors. These projects are mainly concerning food crop production (42%), which support, once again, the argument of the food security as one of the driver of the land rush.

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**5. Processes, impacts and benefits: How land deals are implemented**
Weak land rights and land governance in target countries: As a first approximation, the average land tenure security rank for different groups of countries supports the claim that investors prefer countries with weak land tenure systems. The land tenure system does not only influence the investor’s choice to acquire land in a certain country. It is likely that the emergence of investors has, in turn, repercussions on the (local) land tenure system. More specifically, the presence of an investor may alter the significance and role of formal land rights that are often held by state (sometimes local) authorities. For instance, the position of a village chief can be tremendously changed due to increased demand in land.

Smallholder agriculture was predominantly the land use preceding the acquisition: Of the 82 cases in the data base with information on former land use, most are reported to have been predominantly used by smallholders for cultivation (56 cases). The second most important former land use is communal use, typically for grazing animals. Only a minor fraction of the reported land acquisitions seem to affect land that was forest or under conservation (7 cases). Former commercial agricultural use (3 cases) is the exception.

Target States are ‘selling’ the majority of the land: Clearly, the main vendor of land is the state (51 cases out of 90 observations in total on this issue). Smallholders (15/90), private companies (11/90), and communities (14/90) appear to be of similar importance as former owners. The comparison of users and owners shows a discrepancy: Whereas smallholder agriculture is the predominant land use, smallholders with private property only account for a small fraction of the group of land owners. This discrepancy between users and formal owners implies that those who are selling or leasing land are not the ones who are actually using it. This is a direct consequence of the diverse land tenure systems existing in African countries. While large amounts of land in many parts of the world, but in particular in Sub-Saharan Africa, are being used by smallholders on the basis of customary, sometimes communal, use rights, these farmers often do not own the land formally.

Acquisitions not based on inclusive negotiations, certainly not on Free and Prior Informed Consent (FPIC): There is a widespread perception that investors rarely discuss their intentions with members of the communities affected by the land acquisition. The evidence from the LAND matrix indeed reveals that out of a total of 86 cases for which we have information on community involvement, only six report prior and informed consent before the commencement of the project. In 29 cases the community was in some way involved, however, the consultation process was described as “limited”. For the most part, an investment project comes as a surprise to local community members: More than half of the cases (51) show that there was no prior consultation or involvement between investors and the local community parties during the decision processes regarding the projects. We should stress that our data base is very limited on this issue, as apparent from only 90 cases, for which the corresponding information is available.

1 In these cases, reports state, for instance that communities were consulted but did not really understand what was going on, or that they were put under pressure from authorities.
at all. In addition, there may be a reporting bias towards less community involvement; as such news is more likely to attract media attention.

**Evidence of an effective danger for large number of people to be displaced:** Analyzing the numbers of people displaced by projects is a key step in understanding the effects of large scale land acquisitions on the local populations. Unfortunately, information on this sensitive issue is – probably not surprisingly – scarce. The database has only 40 cases with information on displacements. No reports on displacements should not be taken as a sign that no displacements are occurring on the ground. For the vast majority of cases we hence have missing information. It is hence unlikely that the figures have any information content regarding the overall share of projects that cause evictions. In our small sample of deals with evictions, 15 investments displace less than 1000 people, the remaining 25 cases lead to evictions of at least 1000 people, ten projects evict even more than 10,000 people. It is of course difficult to judge the selective bias in this sub-sample. Yet, together with the fact that most land taken by investors is at least partially used by local farmers, a significant share is likely to cause evictions. These evictions can be substantial, as land demands by investors often sum up to land used by several thousand smallholders.

**Compensations often remain intentions:** In the LAND Matrix there are 53 land deals with details on compensation schemes. For most cases, these refer to intended compensations. Compensation arrangements take very different forms. They range from in-kind compensations to the community, such as building social or productive infrastructure, to cash-payments for affected individual farmers. One-time payments or compensations are frequent, but there are also regular payments that extend over the time of the lease (payment of royalties). Those payments vary widely between different deals. They range from a 7 US cents per ha to 100 US$ per ha annually. This wide variation is of course linked to the lack of functioning land markets and the corresponding price signals in many affected regions. The very low land lease prices in some cases may be taken as indication that some investors exploit this lack of markets and transparency to their advantage. Compensation or lease payments are often received by local authorities on behalf of the communities.

**Potential benefits** - As with any other large investments, there may be potential benefits associated with large scale land acquisitions. Unfortunately, we cannot distinguish between cases with no information on benefits from those that actually do not entail any benefits. Therefore, we cannot provide any insights into the share of projects with and without benefits. Drawing on 117 projects, we find that an overwhelming majority reports infrastructure improvements (82). Infrastructure includes health or education facilities, better access to markets and project infrastructure that can be used by the local population. Furthermore, capacity building (18) and financial support (14) play an important but less prominent role. Only few projects include environmental protection (3) as a benefit received through large scale agricultural investments. Most reports on such benefits (56%) are reported for investors of Asian origin.
Employment creation could be significant: The majority of cases is reported to create more than 1000 jobs each, 25 projects even report more than 5000 jobs created. These figures suggest that the number of jobs created can be substantial. Yet, the overall employment impact of the projects is difficult to judge with the data at hand, more so, as it is often difficult to disentangle between additional employment creation and job replacement, in particular when smallholders lose access to land. Furthermore, we do not have any information on the type of employment created. In agriculture, most jobs are seasonal and mainly for unskilled laborers. In addition, the above figures may sometimes confound employment creation with contract farming. In general, contract farming may be considered a particular type of employment creation. Often, however, existing farmers will be contracted, i.e. no additional employment may be created. In fact, if investments imply the implementation of large contracting schemes, employment effects will not only hinge on the creation of additional contracted farms, but rather on the labor intensity of the (new) cultivated crop.

Bibliography


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