Global Land Deals: land based investment models and agrarian restructuration in Southern Africa

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3 particular points are still missing in the literature:

- the economic and institutional nuances of investment models that are embedded to “land grabbing” (Anseeuw & al, 2012)

- Contextualization of these projects in a broad context of agrarian restructuration (Borras & al, 2012)

- Role of South Africans in LSLA in Africa highlighted (Anseeuw & al, 2012; Hall, 2012) but not broadly understood
1. What kind of investment models are being produced by the rise of interest in farmland in Southern Africa?

2. How these investment models influence agrarian restructuring?
Institutional and political economics

• Analytical framework based on:
  • Hybrid forms of organisation (Williamson, 1991; Menard, 2004)
  • Inclusive business models (Cotula & Vermeulen, 2010)

• Multi-criteria analysis: 13 variables gathered in 4 groups:
  • **Outcome and rationale of the transaction** (actors and objectives)
  • **Form of organization of the production** (match between landholding and management, pooling of resources, contracting, …)
  • **Governance structure and mechanisms** (particular role played by uncertainty, mechanisms for sharing rent, level of vertical integration)
  • **Inclusiveness and direct implications for populations** (inclusion of local farmers, types of compensations for local communities)
Opening the black box

- Extensive fieldwork in Mozambique, Zambia and Congo Republic between March and August 2012

- Over a hundred semi-structured interviews conducted with key stakeholders:
  - farmers, investors and agribusinesses, host country officials, NGOs, expert

- Interviews with investors, project manager or developers in 30 different projects

- Hosting of one of the co-author in the PRO PARCERIA project, in Mozambique
Main outcomes

- A typology of 7 investment models
- Common characteristics of the models
- Conclusions and implication for agrarian restructuration
I/ Independent farmers

- Outcome and rationale:
  - Seeking for new opportunities
  - Objective of farming production

- Organization of the production
  - South African commercial farming model (several hundreds or thousands of hectares)
  - Commodity is not a discriminative pattern
  - Possible establishment of informal associations (pooling of resources)

- Governance structure
  - Rely on their own funding
  - Support all the risk

- Inclusiveness
  - Little inclusiveness for domestic farmers in the independent farmers model
  - Few cases of inclusion in Associative land management model
2/ Associative land management

- **Outcome and rationale:**
  - Establish strategic partnership in front of failure of the independent farmer model

- **Organization of the production**
  - 2 sub-models

- **Governance structure**
  - Pool resources mostly for commercialization

- **Inclusiveness**
  - Some cases of inclusiveness of domestic farmers
3/ Cooperative model

- Outcome and rationale:
  - Farmers: condition to get finance, collectively reduce the risk, benefit from the connections of the Union
  - Objective of establishment of community of farmers and farming production

Fig: Governance structure of AgriSA
4/ Nucleus-Estate Model

• Outcome and rationale
  ◦ Diminish risks
  ◦ Political acceptance
  ◦ Integration of new actors

• Governance structure and production
  ◦ Reverse tendency of internalization
  ◦ Model based on 3 equally shared sub-models
    • Agribusiness estate
    • Contract farming more & more on managerial basis
    • Spot market
5/ « 1000 days » model

- **Outcome and rationale**
  - Land transformation and speculation
  - Raise an average 30% ROI after 3 years
  - Portfolio valuation

- **Governance structure**
  - Project developer + financer
  - Contracts + informal safeguard mechanisms

- **Organization of the production**
  - Project developer organizes it by subcontracting to few particular partners

- **Inclusiveness**
  - No inclusiveness, no community consultation
  - Worst model because only based on rent seeking of the land transformation and large amount of failure

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**Value**

13 Million

10 Million

Source: authors

**Figure: Theoric evolution of the farm value**
6/ Asset management companies (AMC) & investment funds

- **Outcome and rationale**
  - Hybrid result from involvement of new actors
  - Driven by a future increase in food and energy world demand
  - Based on the capacity of South African asset management companies to establish large scale farming

- **Governance structure**
  - 2 actors pooling resources
  - Use of financial risk management instruments
  - Transfer of power relations
  - Possible evolution of shares repartition

Source: Buxton & al, 2011

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6/ Asset management companies (AMC) & investment funds

- Organization of the production
  - Production internalized by the asset management company
  - One AMC can rule a network of large scale farming operations

- Inclusiveness
  - No/few inclusion of local farmers
  - Labour creation & once-off compensation for the land
7/ Agribusiness Estate model

- **Outcome and rationale**
  - MNE developing activities in several countries
  - Sugar companies & transformation industries willing to integrate the primary production

- **Governance structure**
  - Vertically integrated structure

- **Organization of the production**
  - Estate model on very large scale (more than 10,000 ha)

- **Inclusiveness**
  - Few cases with small out-grower scheme
The not so rosy trajectories...

- The rush back home? A large majority of investment are failing. Why?
  - Uncertainty of the institutional environment
  - Underestimation of technical and managerial difficulties
  - Lack of markets for inputs and outputs
  - Difficulty of access to financial services and markets

- High level of failures implies:
  - Local population and host countries are in the worst situation
  - Rapid changing strategies and dynamic between the models
  - What happen to the land?
The not so rosy trajectories…

- **Vertical coordination:** a necessity to succeed?
  - Increasing level of vertical integration for all models and within each model
  - Strategy of adaptation to local situation

- **Few inclusive agricultural development models**
  - Isolation of foreign investment: closed value chains
  - Success of the projects does not necessarily means local agricultural development
Conclusion: Implications for agrarian restructuration

- New agricultural development paradigm: « financiarisation » and « corporisation » process
  - « financiarisation »: new actors and logics, use of financial tools
  - « corporisation »: control of agricultural value-chains by corporate actors. This goes one step further the « agro-industrialisation » (Reardon & Barrett, 2000)

- Establishment of closed value chains
  - Territorialization
  - Development & control of private norms

- Land concentration and dualisation within the agricultural sector

- Proletarization of the agricultural society
Thank you for your attention