

## **Global Land Deals: land based investment models and agrarian restructuring in Southern Africa**



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# The missing points

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 restructuring (Borras & al, 2012)
- Role of South Africans in LSLA in Africa highlighted (Anseeuw & al, 2012; Hall, 2012) but not broadly understood

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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 restructuring

# 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

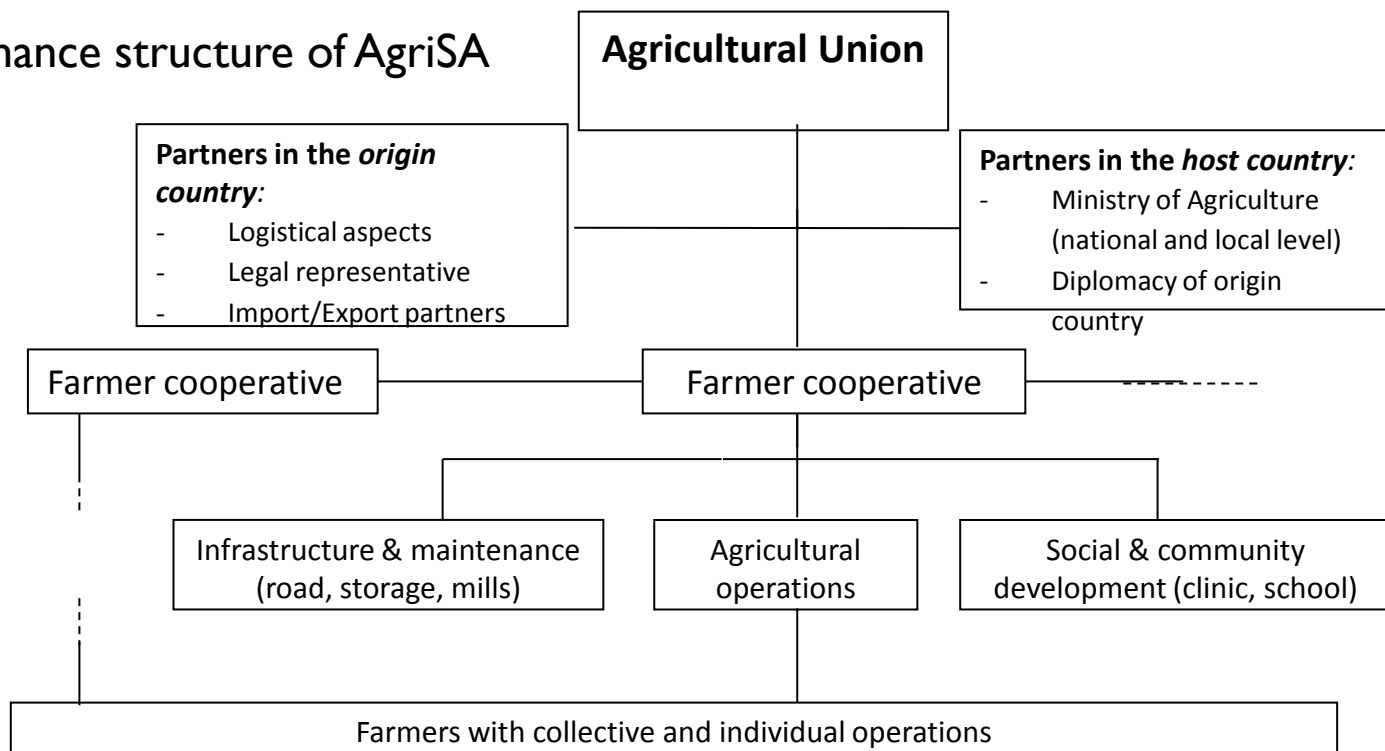
- **Outcome and rationale:**
  - Establish strategic partnership in front of failure of the independent farmer model
- **Organization of the production**
  - 2 sub-models
- **Governance structure**
  - Pool resources mostly for commercialization
- **Inclusiveness**
  - Some cases of inclusiveness of domestic farmers



# 3/ Cooperative model

- Outcome and rationale:
  - Farmers: condition to get finance, collectively reduce the risk, beneficiate 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 + financier
- Contracts + informal safeguard mechanisms

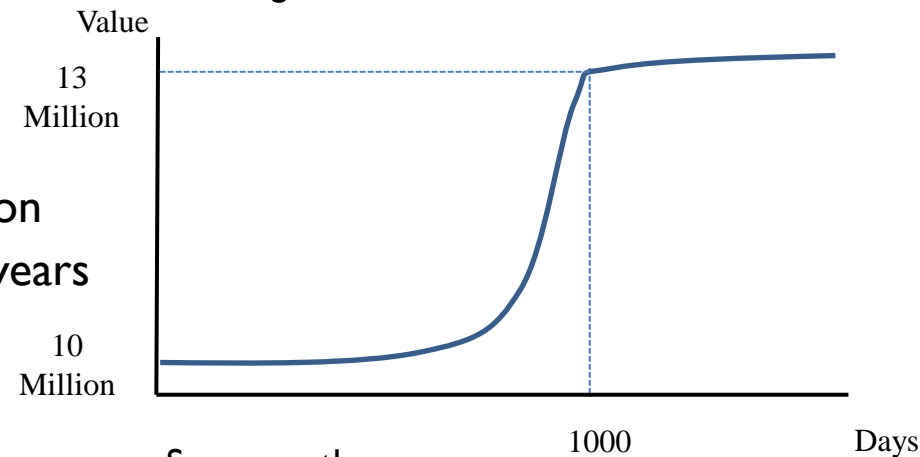
- Organization of the production

- Project developer organize s 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

Figure: Theoric evolution of the farm value



Source: authors

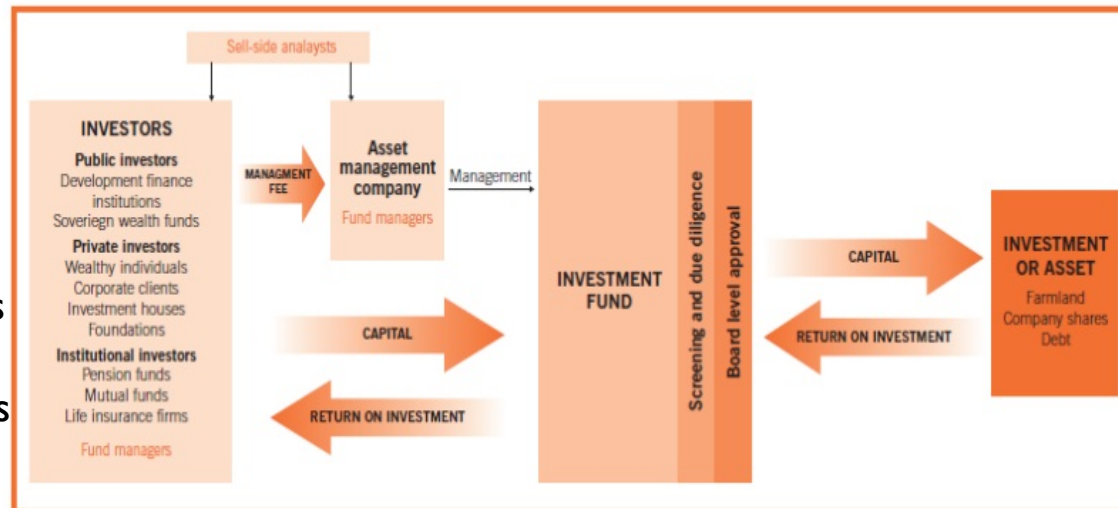
# 6/ Asset management companies (AMC) & investment funds

- 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

Figure: Investment actors and processes



Source: Buxton & al, 2011

## 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 restructuring

- New agricultural development paradigm: « financierisation » and « corporisation » process
  - « financierisation »: 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
- Proletarianization of the agricultural society



**Thank you for your attention**