

A Global Land Rush?

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Closing the Global Land Frontier: A 21st Century Land Rush?

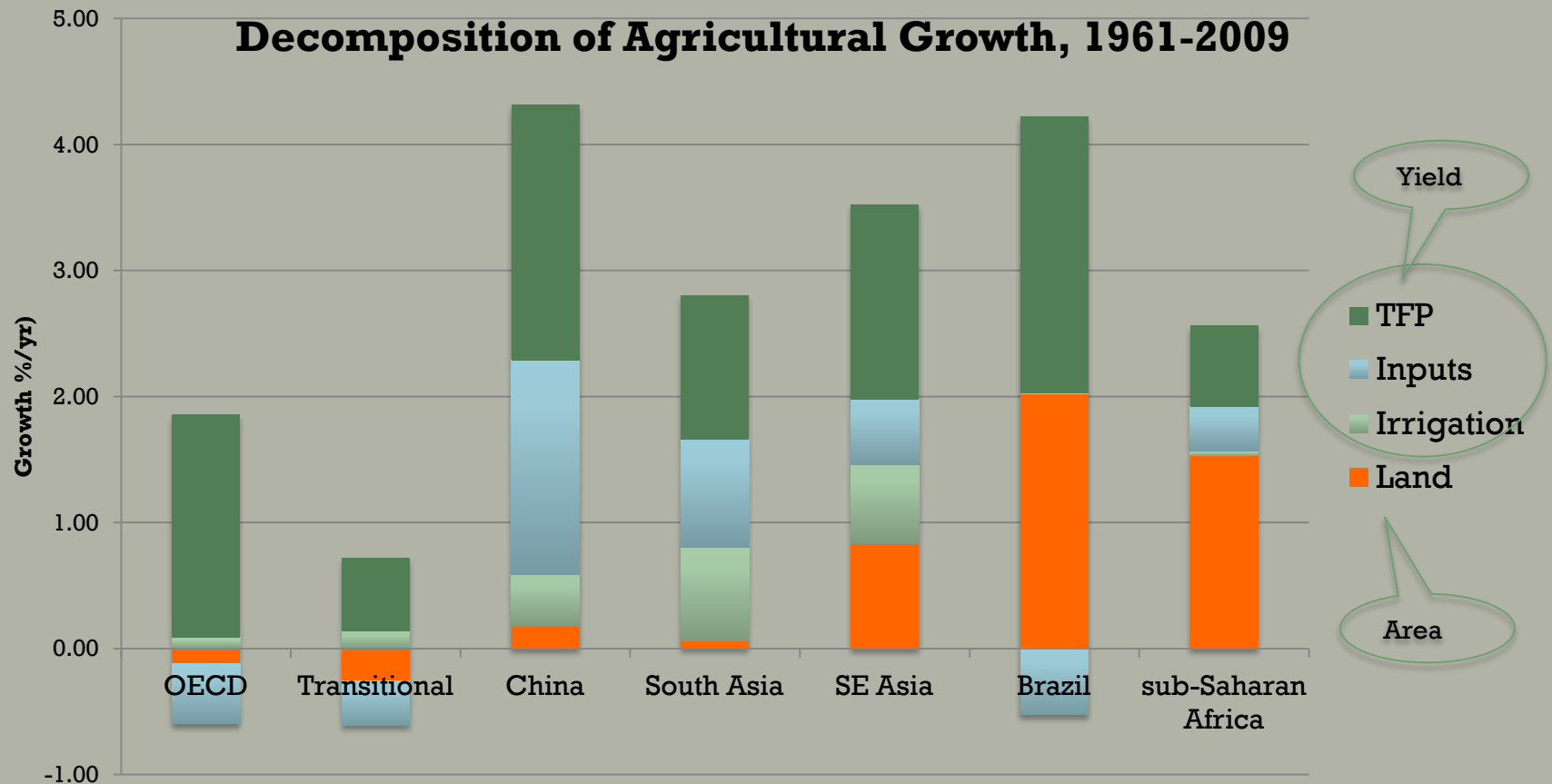
The Last Land Rush at the Closing of the US Frontier, Oklahoma, 1893



Outline for Today

- Outlook on demand and supply of cropland
- Large-scale investments in land
 - Is there a global land rush?
 - Types of investors
 - Opportunities and risks
- Australia—Should it be concerned?
- Policy and regulatory options

Land Continues to be an Important Source of Growth in Some Regions

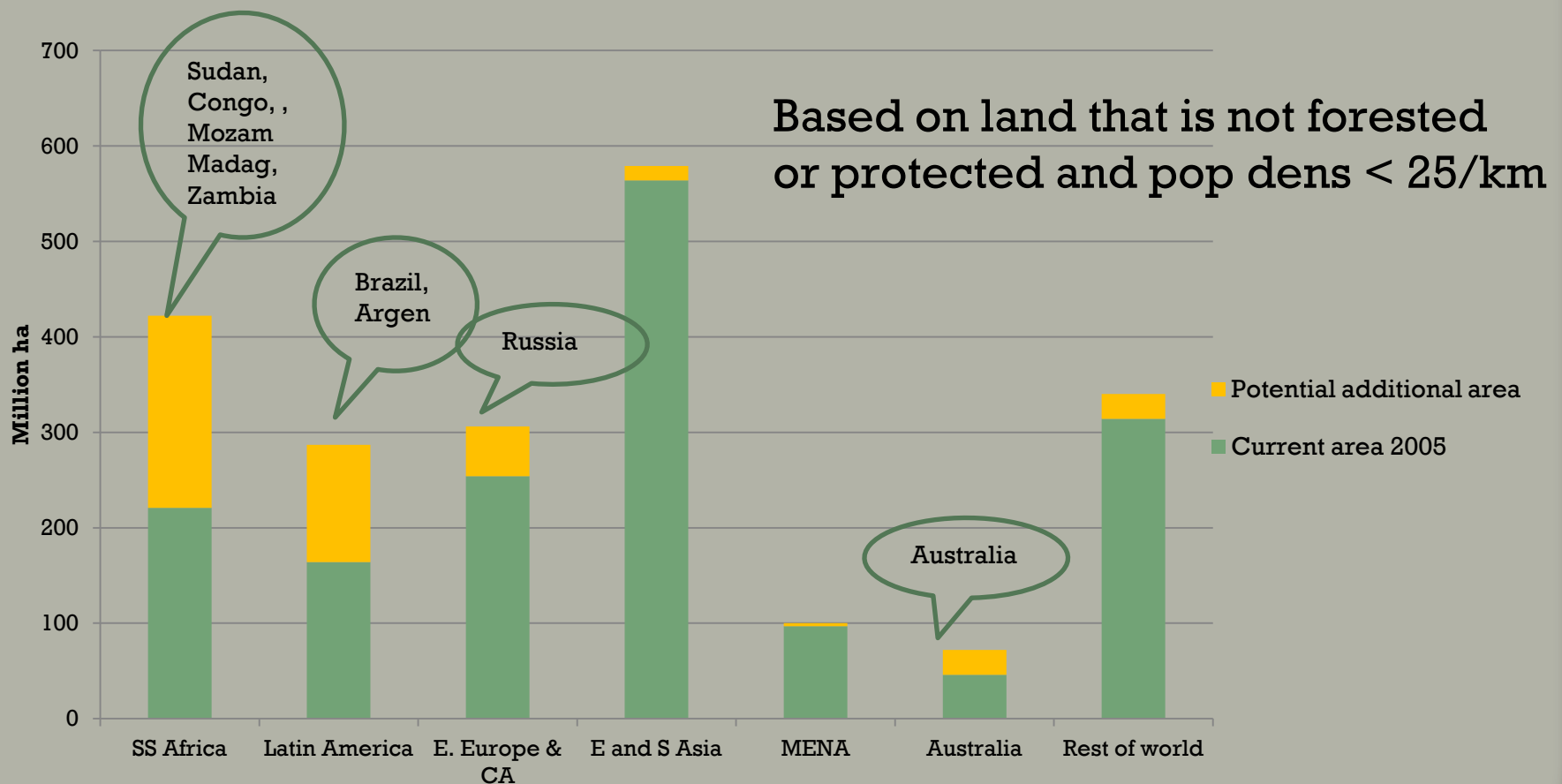


Source: Fuglie, Pers comm

Estimates of Crop Land Demand

- ◉ Current cropland use 1,533 M ha
- ◉ Future demand to 2030
 - 120-240 M ha increase for crops, biofuels by 2030 (World Bank)
 - Need to also add losses (Lambin and Meyfroidt, 2011)
 - Urbanization—48 -100 M ha
 - Degradation—30 – 87 M ha
- ◉ Substantial demand despite uncertainties
 - Productivity, biofuels, trade

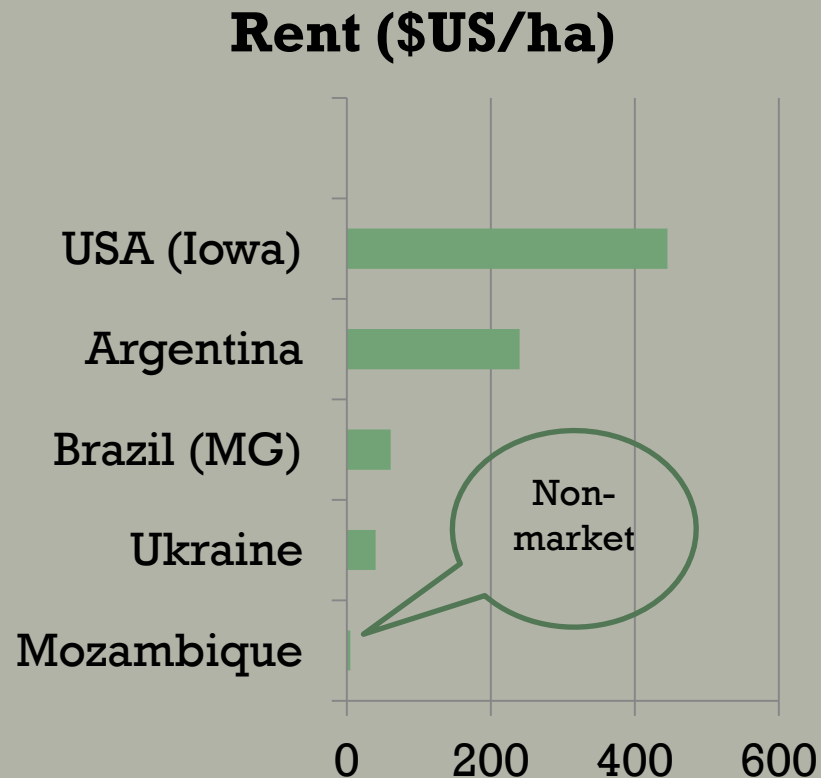
Still Suitable Land for Crop Expansion but Concentrated in a Few Countries



Source: World Bank and IIASA

Land Costs Vary Widely Even for Similar Quality

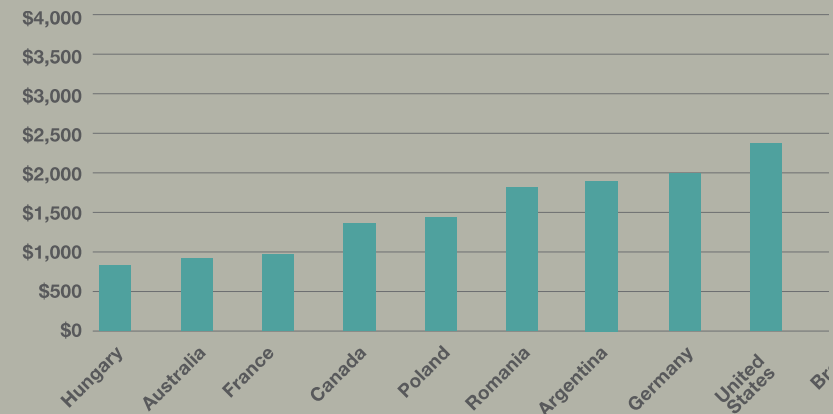
ANNUAL RENT FOR 3 T/HA
OILSEEDS, 2009



Source: Deininger and Byerlee, 2011

COST OF LAND TO
PRODUCE A TON OF WHEAT

Savills rates Australia as a top destination for potential returns from investing in farmland

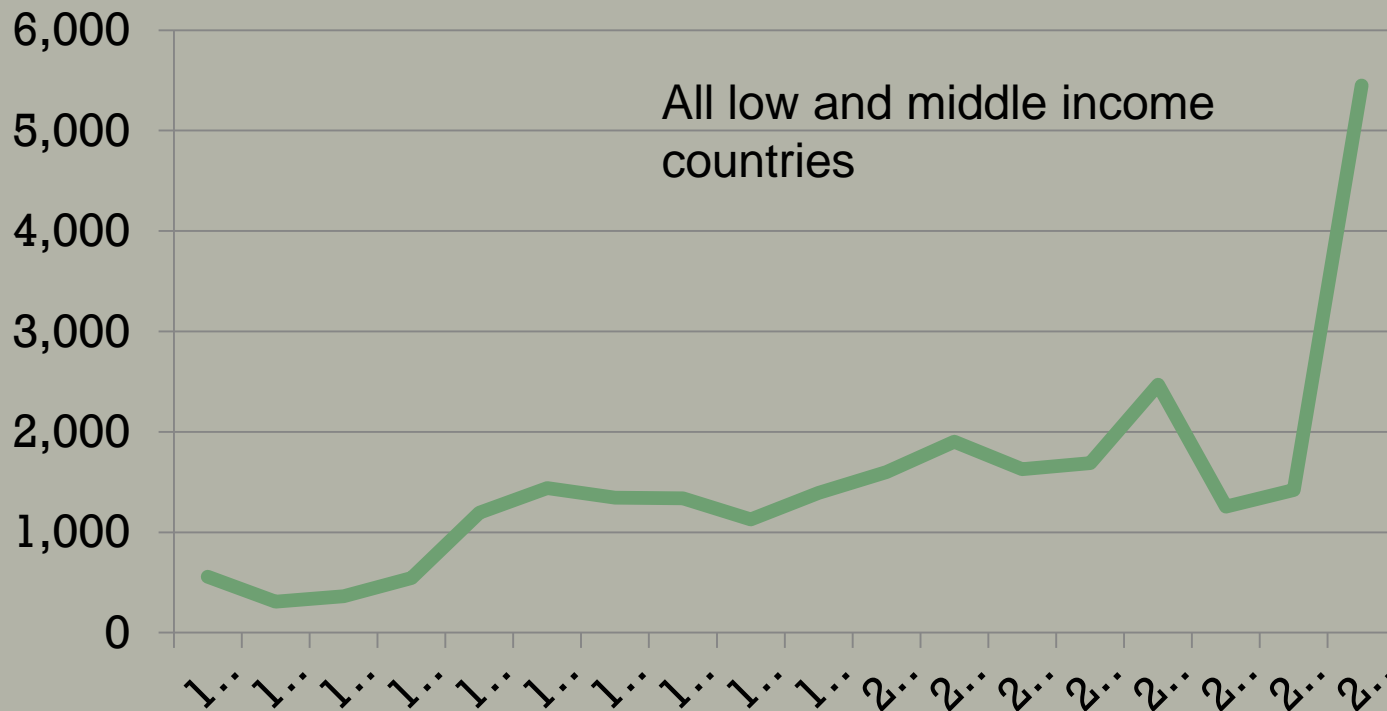


Graph source: USDA, Eurostat and various data estimates

Source: Savills, 2012

Higher Commodity Prices have Stimulated Foreign Direct Investment in Farming

Flow of FDI in Farming (\$US Million)

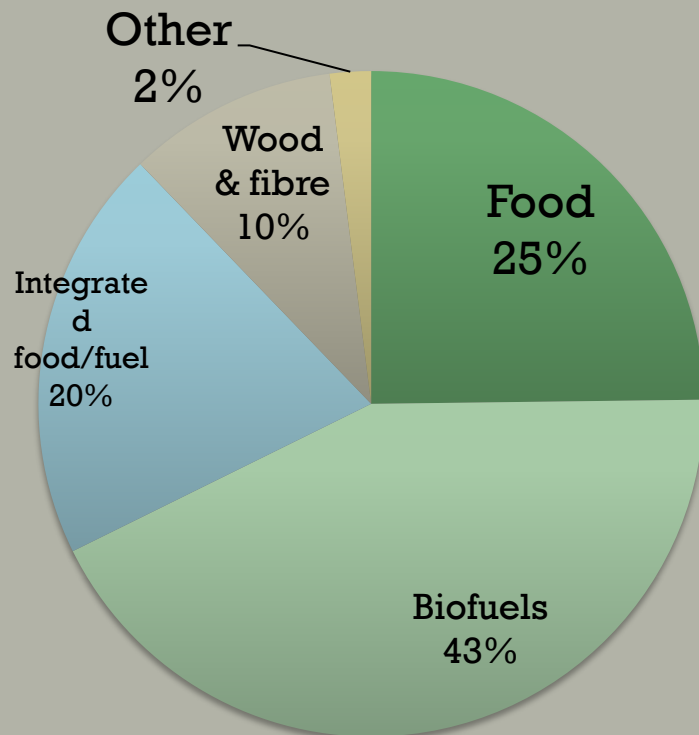


Source: UNCTAD, 2009

Estimates of Large-Scale Investments (Much Uncertainty!)

SS AFRICA—18 M HA SINCE
2005-11 (FLOW)


AUSTRALIA AND USA
(STOCK—2011/12)



Source: Schoneveld, 2011

- USA—Foreign 10 M ha (2011)
 - Timber, pasture
- But
 - Domestic TIAA-CREF > \$2 b
 - Nine states do not allow corporate ownership
- Australia—Foreign 44 M ha (ABS 2010)
 - My estimate \approx 43 M ha is pastoral

Heterogeneous Investors in Heterogeneous Contexts

Type of investor	Type of Land Market	
	Private land markets	Government-mediated land concessions
State-owned		
• Governments	-	x
• Sovereign wealth funds	x	x
• State-owned companies	x	
Private		
• Agribusiness	xxx	xxx
• Energy	xx	xx
• Portfolio (managed)	xx	xx
• Portfolio (rent out)	xxx	
• Other (timber, speculative)	x	xx

Emergence of Large Farming Companies (Mostly Home-Grown)

◉ Latin America

- Mostly regional (El Tejar, Los Grobos, Adecoagro, Cresud, SLC, Brasilagro, Agricola, Cosar, Maggi)
 - Argentina: Top 30 companies total 2.4 M ha (mostly rented).

◉ Russia, Ukraine, Kazakhstan

- “Superfarms”. Ukraine: Top 40 companies manage 4.5 M ha;
Russia: Top 30 companies 6.7 M ha

◉ SE Asia

- Palm oil: 8 of world’s 25 largest agric prod. companies

◉ Africa

- Much FDI but very heterogeneous (med. size 40,000 ha)

Implications for Countries Receiving Large Private Investments

A MAJOR OPPORTUNITY

- ◉ Capital needs
- ◉ Transfer of technology and know-how
- ◉ Export development
- ◉ New industries-- biofuels
- ◉ Employment generation
- ◉ Opening of remote regions

BUT ALSO RISKS

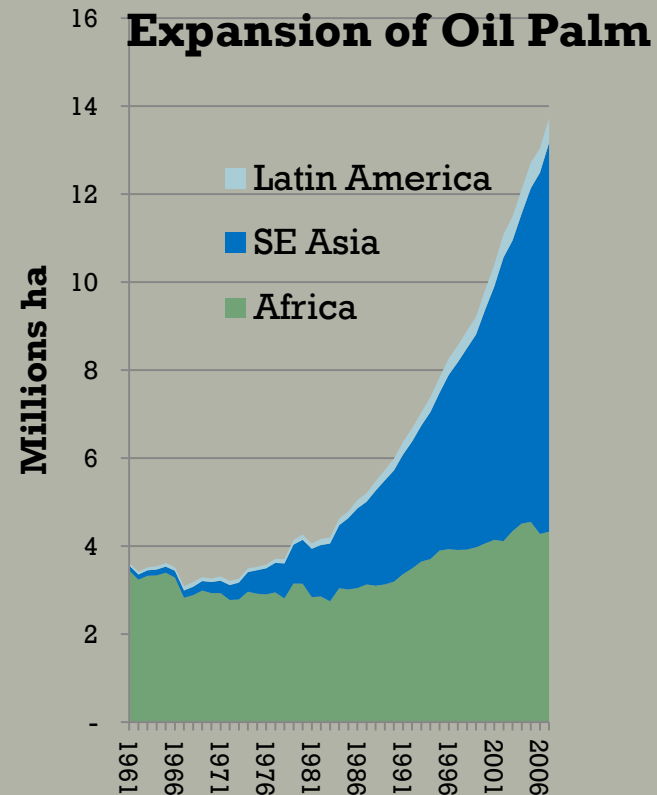
- ◉ Lack of land markets— rights of users
- ◉ Negative environmental impacts (forests)
- ◉ Enclaves with few local benefits
- ◉ Risks of highly unequal agrarian structure

Example of an Opportunity: Could Africa Reclaim Oil Palm?

OPPORTUNITY

- Value of SE Asian exports of PO > All agric exports Africa
 - Africa imports \$3.5 Billion!
- Billions at stake
 - Big Asian companies investing in Africa (> \$3 M ha)
 - 200-300 jobs/1000 ha
 - Much potential for smallholders
- Fair deals?

RISE OF OIL PALM IN SE ASIA

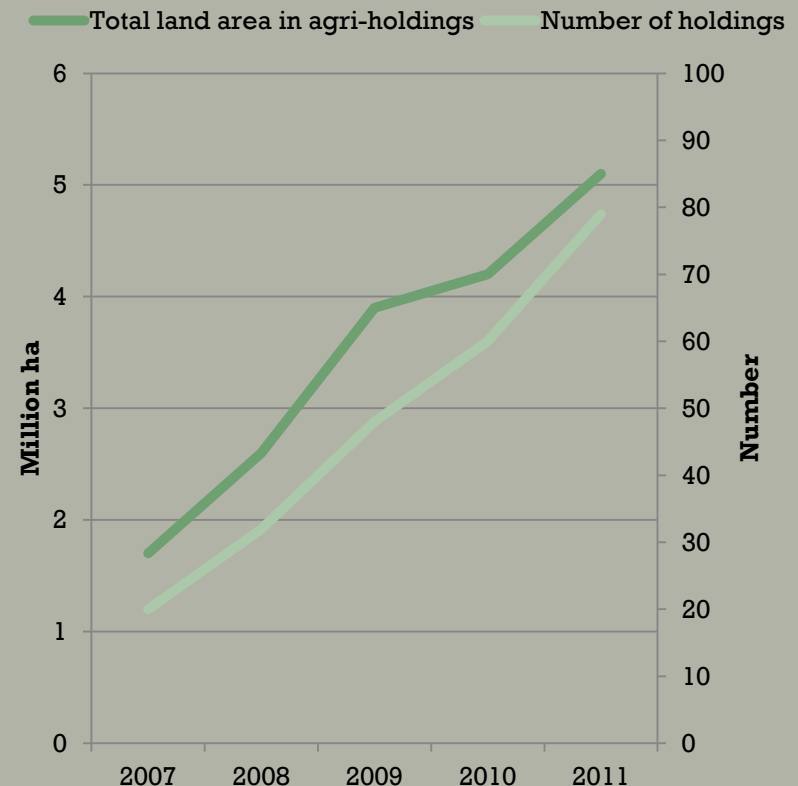


Example of an Opportunity: Recapitalizing Ukrainian Farms

AGRI-HOLDINGS IN UKRAINE

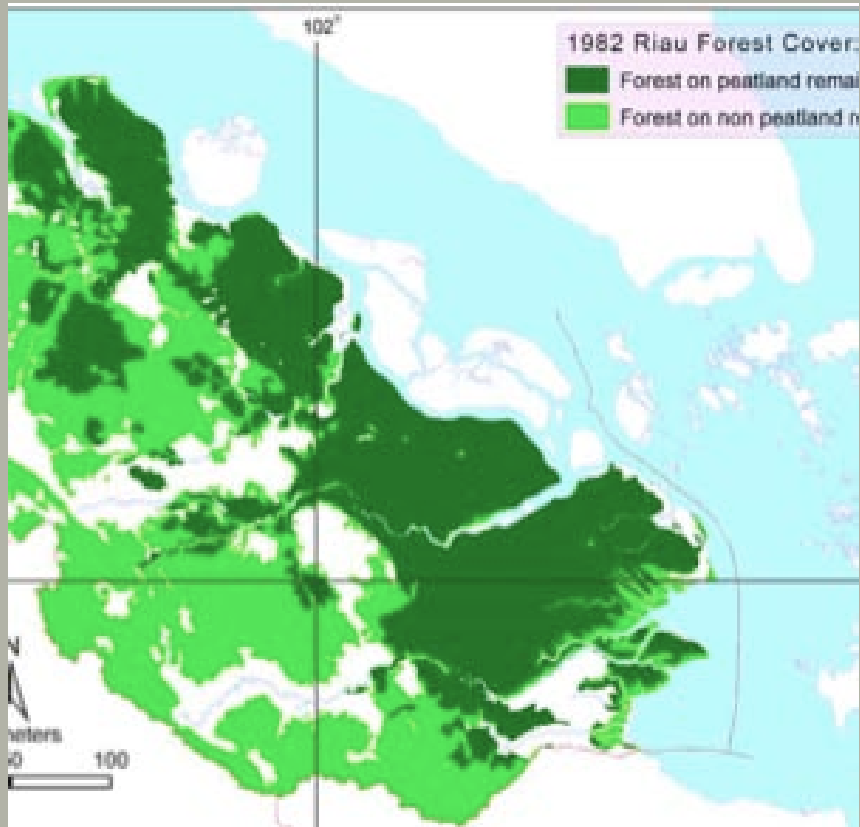
- Legacy of collective farms
- Filling big gaps in:
 - Technology
 - Capital
 - Market logistics
- Lack land sales markets
 - Very low rental values
- Significant inflows of FDI
 - Agribusiness companies
 - Portfolio investors
- Jury is still out
 - E.g., Morgan Stanley

AVERAGE SIZE 60-80 K HA



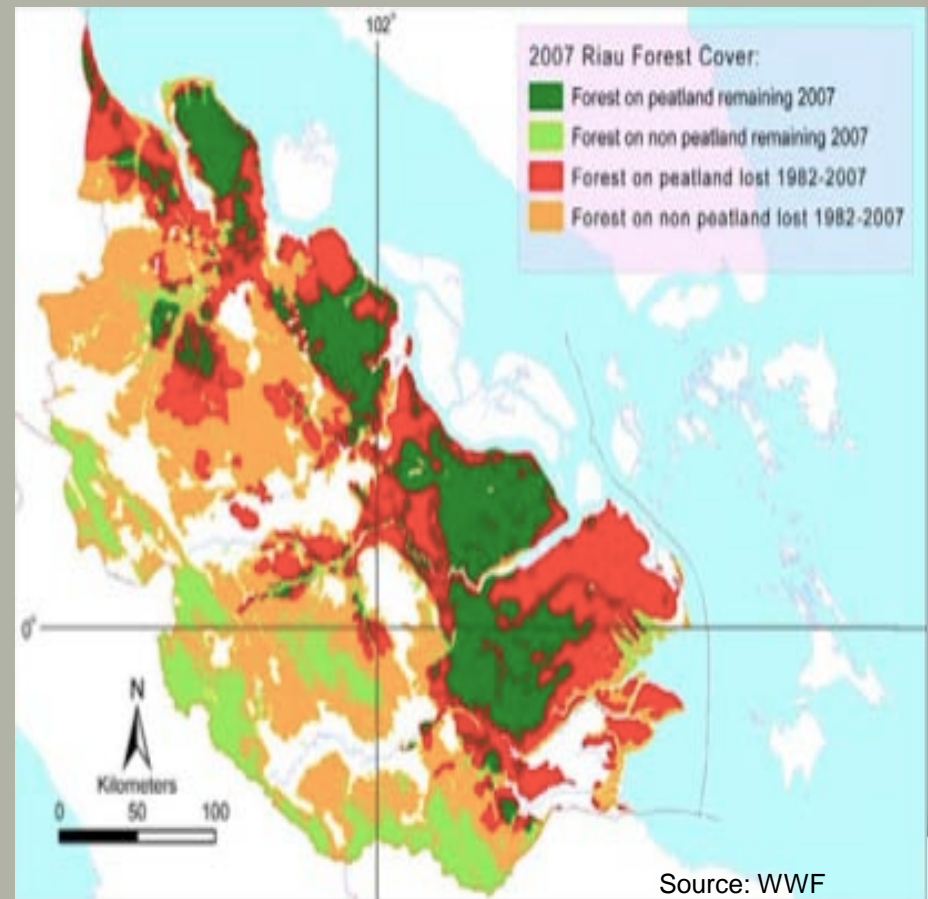
Example of Risk: Major Driver of Deforestation (Oil palm and plantation forests in Indonesia)

RIAU, INDONESIA, FOREST COVER, 1982



Source: WWF
(2008)

RIAU, 2007



Source: WWF
(2008)

Example of Social Risk—Land Rights: Mozambique

● Background

- Huge potential: 34 M ha arable land; only 4 M. ha cropped
- 1998 law recognizes community rights

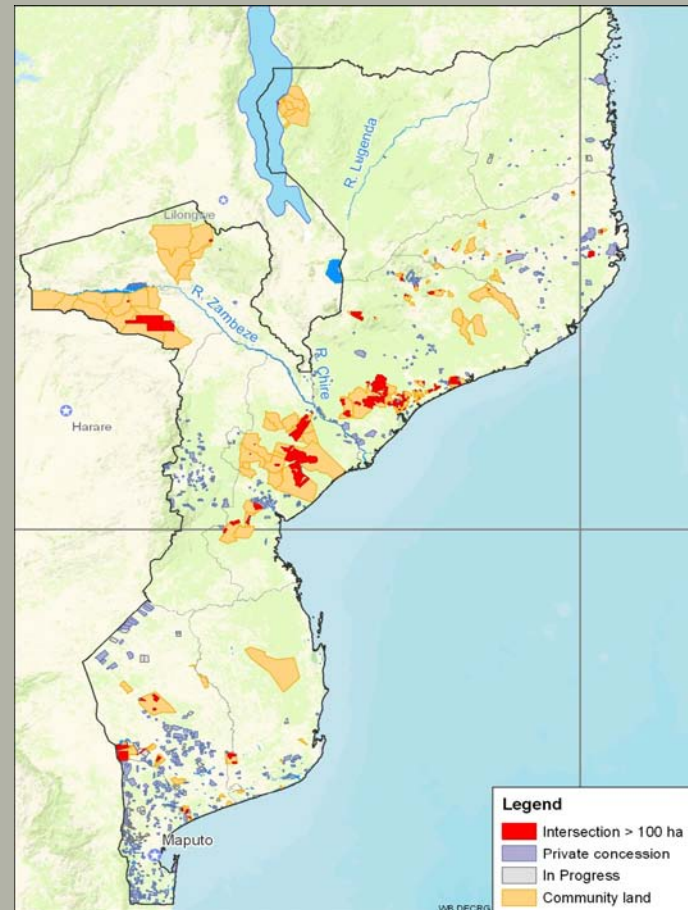
● Policy to attract investors

- New applications for 13 M ha in 18 months
- Many grants not implemented
- 1.4 M ha overlapping rights

● ... then backtracking

- Identify available land first

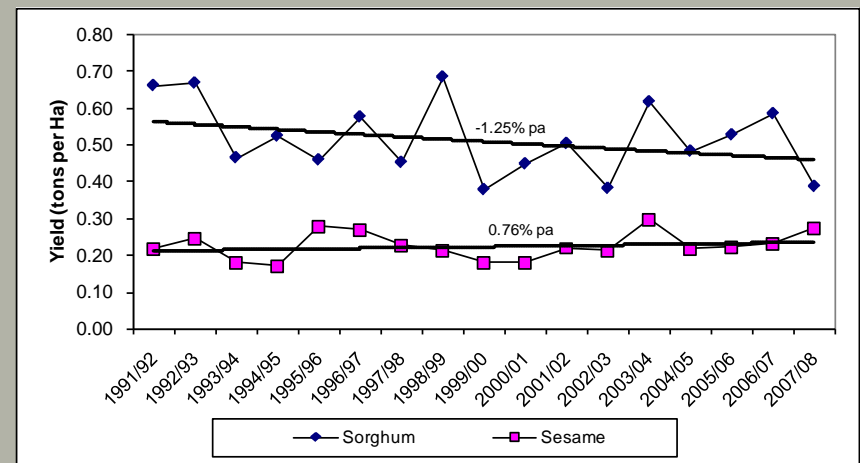
Investments overlap community rights
(in red)



Example of Economic Risk: Sudan as a Breadbasket?

- Semi-mechanized farming schemes 1970s+
 - Investors from Gulf and state credit
- Converted up to 11 M ha to large farms
 - some farms >200,000 ha
- Problems well documented
 - Trampled on rights of local pastoralists, land conflicts
 - Created few jobs
 - Soil degradation

Extremely low yields



Risks in Australia (44 M ha)?

AUSTRALIA AS A BEACON
OF FREE TRADE AND INV.

DO WE NEED AN OZ BRAND
ON THE LAND?

- ◉ Not new
 - Much FDI in pastoral areas
 - Past investments in crops
 - Peak Downs in 1940s
 - Territory Rice, Tipperary, NADC—failures in 60s, 70s
 - But cotton in NSW a success
- ◉ Strong institutions and regulations in place
- ◉ Priorities
 - Registry of transactions
 - Avoid undermining “Oz brand” on free trade



Policy Priorities Vary by Region

	State of markets	Example	Risks	Policy needs
A	Land and other markets function well	Australia, Argentina, Sth Brazil	Few	Transparency--registry of foreign purchases
B	Land and other markets still emerging	Ukraine, Cent Brazil	Some	Strengthen property rights and information. Level the playing field for family farms
C	Lack formal land markets and rights	Africa, parts of SE Asia	Many	Formalize property rights, transparency. Capacity to negotiate and monitor investment Tilt the playing field toward smallholders

Guidelines for Investors

- ◉ Principles for Responsible Agricultural Investment (WB, FAO, IFAD)
- ◉ Voluntary Guidelines on Land and Natural Resources Tenure (FAO)
- ◉ Private Sector Roundtables for Certification
 - RTRS (Soy), RSPO (Palm Oil), BSI (Sugar) etc + EU Biofuel standards

Conclusion

- ◎ A land rush?

- Yes—Sharp rise in investor interest (but area < than widely reported)

- ◎ Major drivers

- Land scarcity with “available” low cost land in some countries
- High commodity prices (for now)
- Low returns to alternative investments (for now)

- ◎ What is to be done?

- Everywhere--increase transparency and monitor.
- Africa and SE Asia--strengthen property rights of existing users and work with investors to promote more inclusive outcomes.
- In Australia--introduce a register, monitor, and continue to provide world leadership in free agricultural trade and investment