How do Institutions Invest Responsibly in Agriculture?

Anuradha Mittal, The Oakland Institute

Land investments in the form of purchase or lease of land from developing countries by wealthier food-insecure nations and private investors for the production and export of food and agrofuel crops, is a growing international phenomenon. An estimated 50 million hectares of farmland have been acquired throughout the world in the last three years while recent World Bank documents refer to tens of millions of hectares being considered for potential acquisition.

Acceleration of this trend over the last three years, accompanied by media and civil society attention, has resulted in investors questioning how to invest responsibly in agriculture. According to a survey of pension funds and other end investors, conducted by Agriculture Outlook in preparation for its 2011 summit in Europe, investors have expressed social responsibility and sustainability of their investments as one of their primary concerns. This despite, them finding the return characteristics and underlying supply/demand picture attractive.

The Food and Agriculture Organization (FAO), World Bank, International Fund for Agricultural Development (IFAD), and UN Conference on Trade and Development (UNCTAD) have affirmed that responsible land investment is possible, for instance, by establishing a set of guiding principles for investors and investing nations. Their hope is that land investments will create a “win-win situation” in which food-insecure nations increase their access to food resources and investors profit from exports, while “host” nations benefit from improved agricultural infrastructure and increased employment opportunities.

Our work at the Oakland Institute is mainly concerned with the exploration of the legal, social, and economic implications of land deals, primarily in Africa, which we believe are key to determining if land investments can be socially responsible to start off with. In our work we have identified three major areas in need of investigation including the need for

(i) better data on and better understanding of the concept of “land availability”
(ii) better understanding of the land deals, i.e. their nature and their implications for the countries and the food insecure populations and
(iii) for addressing the issue of land rights.

How did we get to these questions: well some overarching questions have helped create the framework. These include:

• When local people lack land rights in so many places, why should foreign interests take precedence?

• What assurances are in place to mitigate food insecurity risks for local populations?
• What evidence is there to suggest that the new land deals will be transparent when previous ones have been marked by secrecy?

• How will communities be fully incorporated into the negotiation process when it might be in the investor’s and government’s interest to exclude potential dissenters?

• How will best practices be replicated when there are no role models to follow?

• What type of enforcement will be established to ensure minimal environmental damage?

• What quantifiable social and economic benefits will the local communities derive (both upstream and downstream) and what types of consequences will investors and facilitating governments and multilateral agencies face if these benefits do not come to fruition?

These questions, while hard, are necessary in determining how to invest in a social and responsible manner. And it will take more than the mere language of sustainability. Claims of foreign investment in “unused” land will benefit the local people by providing jobs and creating infrastructure, for instance, does not hold too well. Investors have been quoted as saying they will employ 10,000 people and use high-tech, high-production farming techniques. The two promises are completely incongruous. High-tech, high production devices are appealing precisely because they reduce labor. Investors will not hire significant numbers of people and simultaneously scale-up their production techniques. And if they choose the former, they are likely to create low-paying jobs and poor working conditions.

Another question to ask is if the “available” land is really “unused.” In the course of our work in Africa, we are seeing that most often this land is in countries with the highest rates of malnutrition. In most cases, this land has a real purpose: it may support corridors for pastoralists; provide fallow space for soil regeneration; provide access to limited water sources; be reserved for future generations; or enable local farmers to increase production.

In our work we are trying to address this knowledge gap in order to assess the validity of any principles and codes of conduct suggested by multilateral agencies or donor countries and the feasibility of their effective application.