

Global Landgrabs, Agribusiness and the Commercial Smallholder: A West African perspective

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International Conference on Global Land Grabbing

Panel 19 – Governance: Restructuring the state 1

The scope

Examines recent trends in the agrifood system critically, rather than isolated investment in large-scale agricultural estates

- What is the relationship between landgrabs and recent trends in agribusiness and agribusiness governance?
- What is the relationship between good governance, agribusiness governance, and landgrabs?
- Are recent landgrabs an aberration or logical outcome of recent trends and policies in agribusiness or global agricultural development?

PERSPECTIVES OF THE ENTRY OF NEW PLAYERS

‘While donor countries and the major organisations are attempting to take a clear and common position on official development assistance (ODA), new players are muddying the waters, often showing scant interest in the rules set in place with such difficulty by traditional donors. Nowadays, ODA is only extended to countries that can offer proof of good governance and democracy... But their efforts to take a moral stand are out of kilter with the approach taken by the new arrivals, who feel no obligation whatsoever to respect the rules of the game.’

“Agricultural Aid: Donors break rank”, *Spore* no 145: February 2010, p.1

PERSPECTIVES ON AGRIBUSINESS

‘The food crisis coupled with the broader financial crisis has turned control over land into an important new magnet for private investors. We’re not talking about typical transnational agribusiness operations, where Cargill might invest in a soya bean crushing plant in Mato Grosso in Brazil. We’re talking about a new interest in acquiring control over farmland itself. There are two main players here: the food industry and, much more significantly, the finance industry.’

GRAIN (2008) *Seized! The 2008 Landgrab for food and financial security* , GRAIN Briefing Paper

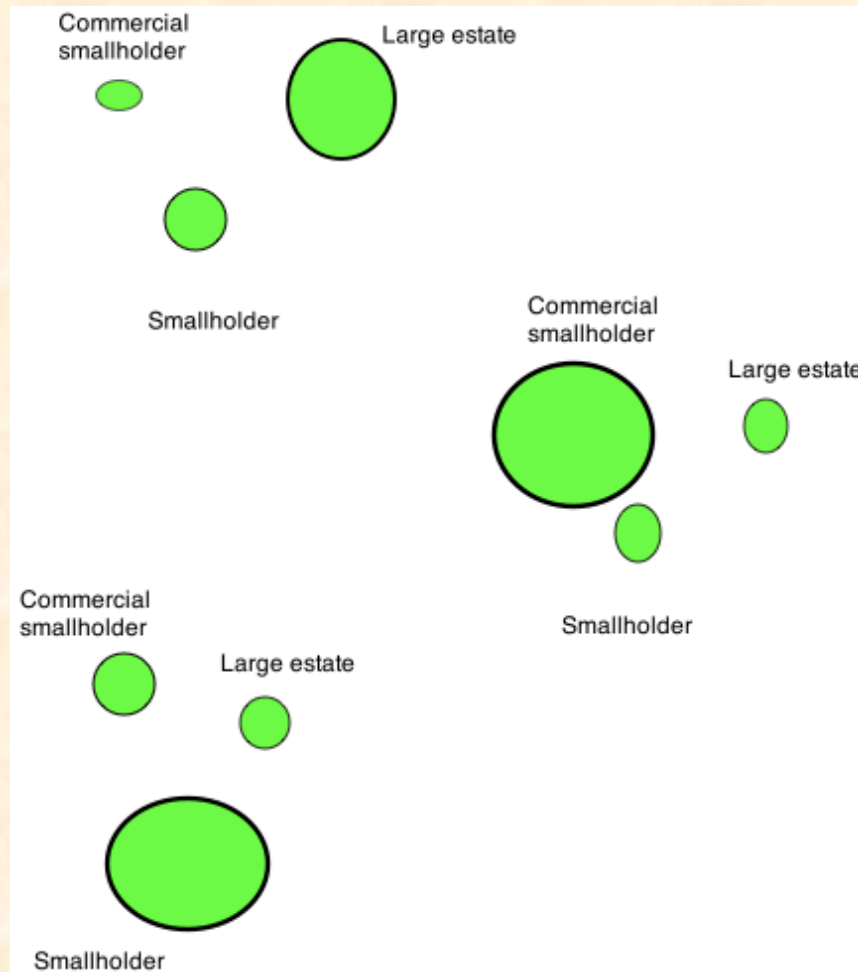
New investors should learn from agribusiness on how to do business without taking people’s land from them

Vermeulen, S., Cotula, L. (2010) *Making the Most of Agricultural Investment: A survey of business opportunities for smallholders*, London: IIED.

UNDERLINING CONCERNS IN DIFFERENT POLICY EPOCHS

- efficiency of large-scale and smallholder agriculture
- and equity/exploitation - expropriation of smallholders creates surplus labour/population not easily absorbed into other sectors

relationship between smallholders, commercial smallholders and large estates



Features of different policy epochs

		increasing pressures on smallholders and rise of large estates
Exploitation	Exploitation	
Monopoly trading downward prices	Land expropriation for national interest coercion of farmers	Barriers of entry standards, grades, certification, phytosanitary standards, child labour
forced labour, coercion labour migration	Parastatal control resettlement and irrigation projects with contracting nucleus outgrower estates	Pro poor markets
Equity	Equity	
No European industrial plantations domination of mercantile companies in agricultural trade	State support for large-scale mechanised estates	price volatility in agricultural markets
Indirect rule	land titling to support middle - rich farmers	role of state to create infrastructure, regulation and enabling conditions for agribusiness
Reluctance of private capital to support state investment with taxes and royalties	state marketing boards	rise of global agribusiness supermarket chains oligopolisation
Reluctance of private finance capital to fund colonial infrastructure	state development and resettlement schemes with peasant families	Privatisation of state agricultural services
1890s - 1930s	1920s-1980s	1980s to present

Coffee sector

Privatisation led to decline of commodity boards and multilateral agreements and rise of price speculation.

In 1992 a total of 621 60 kg bags transacted on New York Coffee, Sugar and Cocoa Exchange while total world exports amounted to 55 million bags.

During 1990s price on world market often below cost of production.

In 2000s farmgate prices of coffee represent less than 7% of retail price. Fairtrade coffee represents about 20% of the retail price which is about what farmers were getting under International coffee agreement. But Fairtrade represents only about 1% of international coffee trade.

As a result of declining quality there is a growing market for speciality coffees, but these are dominated by large estates often owned by the roasters. Logistics of smallholder participation in speciality coffees involves high prices.

Ivoirian cocoa

Before liberalisation the Ivoirian state had invested in cocoa grinding and processing facilities.

During 1990s these became subject to aggressive takeover bids by transnationals. As international cocoa prices collapsed in the 1990s, the ensuing economic crisis forced a bankrupt Ivoirian state to privatise cocoa.

Competition within this sector has led to increasing monopoly control. During 1990s European processors dropped from 40 to 9.

Four companies control the majority of processing in the world. Three countries Côte d'Ivoire, Ghana and Indonesia produce more the 75 percent of world production. Cocoa has declined in Malaysia and Brazil because of low price.

Ivoirian cocoa

- The Ivoirian state promoted the rapid expansion of cocoa by enabling migrants to gain access to land. The main social groups in cocoa were rich farmers from Baule area and Burkinabe migrants who formed main labourers and owned small plantations.
- With price collapse in cocoa, Burkinabe small plantations emerged as the dominant form. This was politically untenable for the indigenous populations of the southwest suffering from unemployment and recession, and ultimately resulted in ethnic tensions and civil war.

The rise of Ghana pineapples

Export pineapples began in early 1980s pioneered by Ghanaian business people in import-export trade looking for new sources of foreign revenue.

During the 1990s pineapple was largely a smallholder crop with 50-70 companies exporting pineapples of which only two companies exported over 2,000 tons.

40 percent of pineapples were exported from smallholder farms, many of which were organised into cooperatives and received technical assistance from USAID

Pineapples largely air freighted taking advantage of relative cheap air freight between Accra and Europe.

By early 2000 Ghanaian pineapples accounted for 11 percent of the market, but by 2005 had declined to 3 percent

The decline of Ghana pineapples

Rise of Costa Rican production of the MD2 variety pioneered by Del Monte on large estates of several thousand hectares. This enabled it to produce high volume of quality pineapples at low price and to develop logistics to integrate production and packaging into supermarket chains.

MDs has excellent taste attributes, stores well under sea transport, but is highly sensitive to cultural treatments and requires considerable investment in land preparation, fertilise and water management and in post harvest storage. Without proper management it produces small low quality fruits.

European supermarkets rapidly switched from West African Sweet Cayenne pineapples to Costa Rican MD2 and Costa Rican pineapples now provide 75 percent of EU market.

In its competition with other multinationals Del Monte attempted to establish market dominance by claiming exclusive patenting rights to MD2.

Ghanaian producers have attempted to switch to MD2, but the large capital outlays have precluded smallholders. Large multinationals, such as Dole, have now moved into transnational sourcing of pineapples in Ghana from large estates, and contractual relations between large estates and smallholder on rigorously controlled outgrower schemes with large barriers of entry.

Effective competition from within Ghana would involve the government providing conditions through which transnational sourcing companies would be able to gain large estates and involve expropriation.

Contemporary land reform

Aims

- to secure individual rights in land and rights that can be transacted on land markets;
- to harmonise customary and statutory rights in land so that customary rights can gain full legal recognition.
- To convert customary claims into fungible property rights that can be commodified and transacted securely and converted into private property rights.
- This can result in a process of dispossession of the rural poor of user rights.

Customary rights as acts of dispossession

- ‘In some cases, the intervention of the Rural Land Plan in Ivory Coast has enabled local people to claim ownership of land that has been made available to groups of incomers several generations ago” (Lavigne Delville 2000:118).
- In the Fouta Djallon in Guinea, former Fulbe overlords of the Rimaube cultivators have started claiming back lands which had been allocated to their former dependants after independence, following reforms based on redistributing land to the tiller. (Boiro 1996).
- In peri-urban Ashanti, chiefs dispossess farmers of their land and sell it to property developers (Ubink 2008).
- African states that have introduced the most comprehensive reforms in recognising customary rights are frequently those giving out most land to investors in estate agriculture, e.g. Mozambique, Tanzania, Madagascar, Ethiopia, Ghana.

Increasing dispossession of land is recognised in policy

- Under conditions of increasing competition and social differentiation equity and efficiency no longer converge in policy frameworks. The freedom of the market dictates that land should be distributed to the most efficient:
- *World Bank Development Report 2008:*
“Secure and unambiguous property rights also allow markets to transfer land to more productive uses and users” (p.138)

“Preparing people to migrate out of agriculture is the flipside of the economy’s structural transformation as agriculture grows” (World Bank 2008: 248).

“Smallholders sometimes can also benefit from economies of scale in input or output markets by renting out their land and working on the larger farms. Increasing the bargaining power of smallholders in this type of arrangement can help guarantee that benefits are shared by smallholders and the larger farms” (p.92).

conclusion

- Agribusiness links up with most profitable sectors, whether small or large. However integration into agribusiness value chains can create considerable impoverishment for smallholders;
- Agribusiness has considerable choice where to locate, given dominant free market policies and that small regions of the world can saturate world demand for many agricultural commodities;
- Current technologies, logistics of production, and quality control over large volumes are resulting in a trend towards large estate production;
- Competition between commercial smallholders results in dispossession of the least efficient;
- Policies that secure land transactions for commercial smallholders result in dispossession of less able producers and also create favourable conditions for large estates.
- Rise of investment in large-scale agriculture reflects major trends in agriculture and are not an aberration.