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Future Agricultures Consortium at the Institute of Development Studies

Land grabbing and share of the value added in agricultural processes.

*A new look at the distribution of land
revenues*

Hubert Cochet (AgroParisTech), Michel Merlet (AGTER)

April 2011. Brighton.

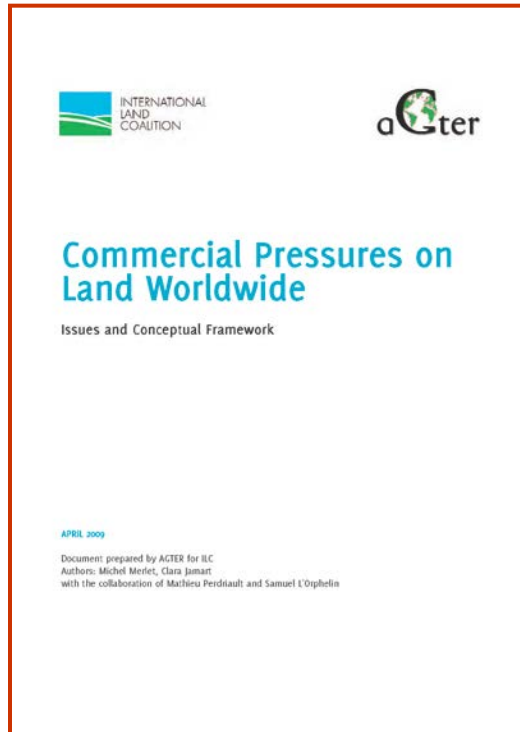


Introduction

1. Small-scale farming versus new forms of agricultural production
2. The mystery of “land grabs”
 1. Why massive land appropriations are occurring now ? Why it is a new phenomenon.
 2. Making the link with economic issues with some examples. Investment or capture of natural wealth ? Share of value added.
 3. How to go beyond moral and charity. Responsible investments ?



Main AGTER's previous works on "land grabbing"



AGTER has been working on the analysis of the phenomenon, aiming at elaborating proposals in order to address the stakes



Participation in the consultations of civil society on the FAO voluntary guidelines.

Participation in the Appeal of Dakar against land grabs

Cochet, Hubert (AgroParisTech); Merlet, Michel (AGTER). Conference April 2011. IDS. Brighton.

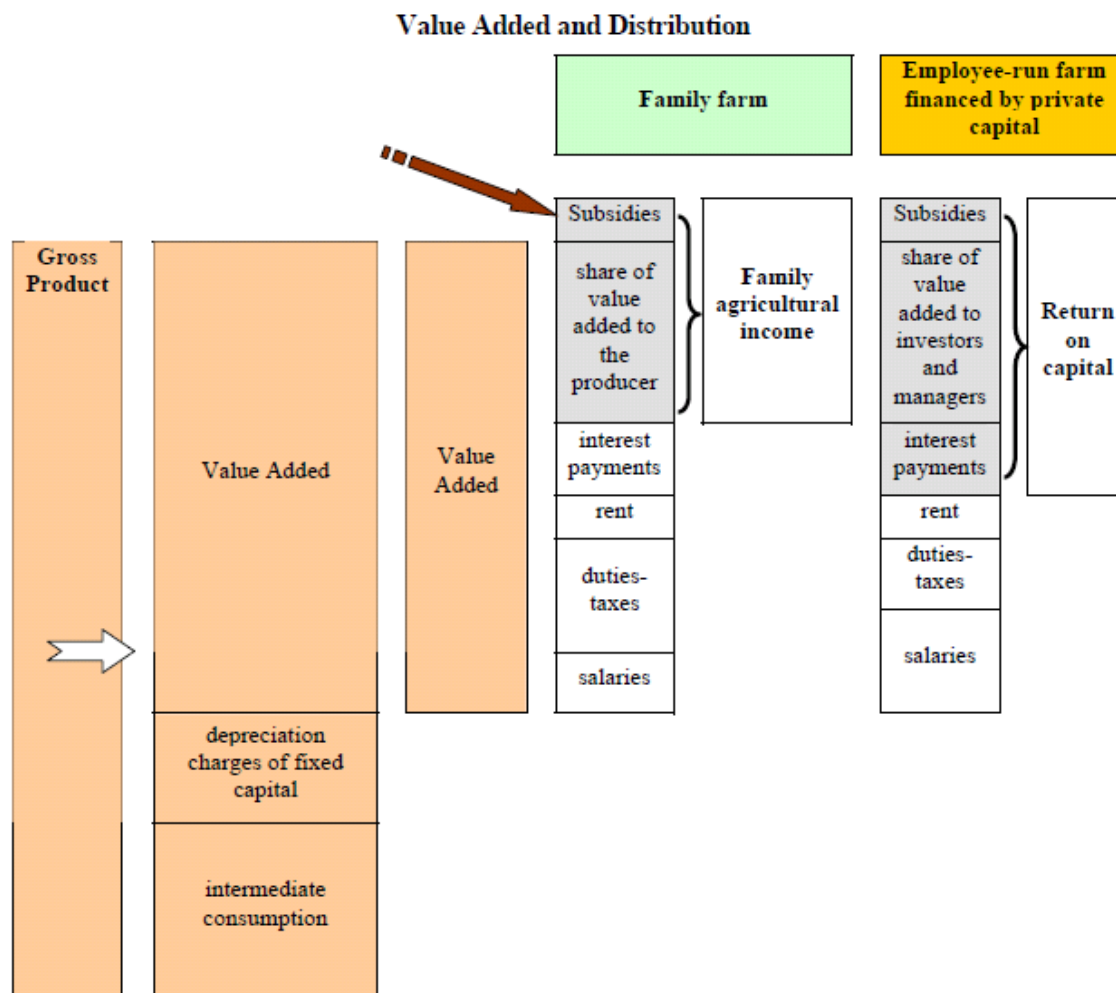
Methodology of case studies

(H. Cochet, AgroParisTech)

1. A **localized approach** with the study of small agricultural regions
2. **Direct data collection** via face-to-face interviews and surveys
3. An **analysis in terms of systems** (studying all **different types of production units**)
4. **In-depth interviews and farm visits** to collect first-hand, reliable information for calculating the economic performance of the different types of production units
5. A **purposive sampling of production units** to be studied, in order to comprehend contextual diversity
6. **Careful analysis of existing social relations and value added distribution mechanisms.**

Methodology of case studies

(H. Cochet, AgroParisTech)



The case of Ukraine

- Soviet legacy and unequal distribution measures of former structures after 1990.
 - Large holdings of several thousand hectares, former kolkhoses and sovkhose privatized
 - Some small holdings of few tens or hundreds of ha
 - A multitude of micro-farms (4 to 5 million) of less than one hectare
- New institutional actors, Ukrainian and/or foreign investors (tens of thousands of ha or more than 100 000 ha)

- Economic results of large farms
 - Labor productivity high = (cereal regions W EUR)
 - Land productivity, or value added / ha low.
Extensive production, low yields (40-50 qq/ha in black earth regions)
 - High profitability from a financial point of view.
Rate or return on capital 10% 20% or more.
- The reasons
 - Inexpensive land, leased for 12 to 25 Euros / ha (5 to 10 times less than in the Paris basin area)
 - Low wages 5 to 6 times lower than in Western Europe



The distribution of value added in Ukraine

Type of farm	Salaries	Rental costs	Taxes and income tax	Return on capital
Type 1. Mixed cropping and livestock operations of the privatized former Soviet structures: 2000 ha of barley, wheat, oats, rapeseed, soybean and sunflower, and some corn and temporary pasture land, 100 dairy cows for 2200 l, 80 employees, heterogeneous equipment, partly used.	38	6	2	54
Type 2. Farms specializing in cereals and oil and protein seed crops: 500 to 3000 ha of barley, wheat, oats, rapeseed, soybean and sunflower, minimum tillage, precision seed drills, new and imported high capacity equipment. Economic performance given for 1000 ha (11 employees)	19	9	3	69
Type 3. Agro holdings specializing in large-scale farming: 5000-30,000 ha. Results for one of the agro holdings: 5,000 ha of barley, wheat, oats, rapeseed, soybean and sunflower, new and imported equipment, 33 employees.	10	9	2	79
Type 4. Agribusinesses specializing in large-scale farming: > 20,000 ha rented (straw and reserve land), new equipment, powerful and imported. Shareholders (number N/A), 210 employees working the equivalent to full time (for 20,000 ha).	3	7	1	89



The case of Ecuadorian banana production

The Banana production in Ecuador

- The world leading exporter, 24% of agricultural GDP
- A unique production structure, with both small and medium producers as well as large national and international companies

Not a situation of recent land grabbing, but interesting case to analyze a situation of labour intensive large scale production



The case of Ecuadorian banana production

1. Number of jobs per ha. Small difference between
 - family farms (1,1)
 - large farms (0,7)
2. More difference in yields
 - Family Farms (1000 crates/worker/year)
 - in better equipped Farms (3000 crates/worker/year).
 - Final Labour productivity 2,5 more on better equipped farms / family farms
3. The Difference comes
 - from the efficiency of packing and packaging tasks,
 - from transportation, and
 - from direct access or not to export markets (bargaining power).

Key factors do not stem from economies of scale at the production level.



Distribution of Value Added in different types of production units in the Banana sector in Ecuador

Types of banana plantations	Planted area per plantation	Labour compensation	Return on capital
A. Small family plantations, heirs of the agrarian reform process and colonization of the 1960-70s, landlocked region, difficult access to water for irrigation, no fixed market contract	3-5 ha	99	0
B. Small managed plantations that emerged from the division of former banana plantations or formed in the 1990s, better situated than Type A and usually having a more or less secured contract, irrigated by flooding	8-10 ha	100	0
C. Average-sized managed plantations; direct contract obtained via an exportation company	12-20 ha	85	15
D. Large managed plantations originated from the <i>haciendas</i> of the first half of the 20th century, irrigated by sub-leaf spray, direct contract	20-50 ha	70	30
E. Very large employee-run plantations financed by private capital, heirs of the large estates of the early 20th century, located near transportation routes, direct contract, irrigation by sub-leaf spray, truck fleet (agro holding).	80-250 ha	55	45

Understanding the reasons of so-called “land grabs” and linking with the financial context

1. Large farms with modern equipment create new conditions that allow capturing natural wealth in a fast way. Colonial wars, slavery, large migrations are not necessary anymore. “Voluntary contracts”, market.
2. The capture of *ground rent* allows to maximize the return on capital
 - The kind of tenure does not matter
 - Very cheap land and no land taxes
3. The *efficiency* is not where it is described to be
 - Productivity in Ukraine of micro farms is 3 to 5 times more than the one of largest farms
 - Narrow gap in Ecuadorian banana production in favor of large farms, but due to market operations and not production

Conclusions : Land Grabbing and the Maximization of Capital Returns

1. The study of land grabbing is not only a social, political and moral issue, it is also an economic issue
2. Investments are not always investments
 - How could we have responsible thefts ?
3. It is necessary to reintroduce the key concept of ground rent, as it was used by Classical and Marxist economist, and improve its definition to take into account the new global situation (environmental dimensions, etc.)
4. In other words, land cannot be considered as a commodity. Some land rights might be treated as commodities, but others are necessarily collective and some of them belong to humanity as a whole. (



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*AGTER, an Association for an Improved Land, Water
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