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Land investments: a new type of territorial expansion

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LAND INVESTMENTS

A NEW TYPE OF TERRITORIAL EXPANSION

As foreigners snap up farmland around the world, it is hard to know who is investing in what, and what the effects on local people might be. An international database is throwing light on the murk.

Climate change, growing populations, changing consumption patterns, and rising demand for energy from renewable sources affect the demand for land. The scarcity of farmland is a problem in countries with fast-growing populations, such as Ethiopia. Rising land prices make it impossible for would-be farmers in France, Germany and the United States to rent or buy. With interest rates low and demand for agricultural products rising, the value of land is likely to continue to rise.

Major investors now see land as an attractive asset. Over the last decade, they have bought or leased large areas, especially in developing countries, for farming, mining, tourism and other uses. Governments welcome the influx of cash in the hope that it will stimulate the economy. But these land acquisitions are controversial; opponents speak of “land grabbing”.

It is common in some circles to fiercely criticize China for its multi-billion-dollar investments in Africa. But Saudi Arabia, South Africa, South Korea and the United States are also active players in Africa, as are domestic companies that invest in land in their own countries. Big deals are not confined to Africa; Eastern Europe, South America, and South and Southeast Asia are targeted for investment. Romania has seen the value of its land rise by 40 percent a year over the last 10 years, or 1,817 percent in a decade.

Major acquisitions of land in countries with many small-scale farmers make them prone to disputes between the

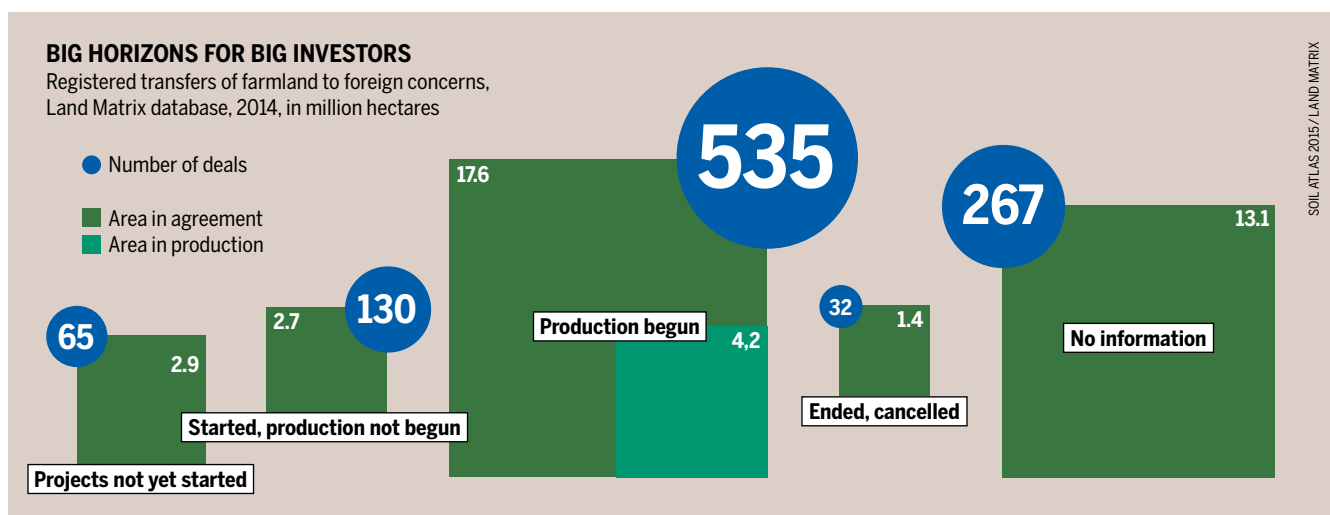
smallholders and commercial interests. Land rights are often poorly defined, and ownership may be communal rather than individual. Investors and the government may regard the land as “idle”, while in most cases, the people actually live and grow crops there, or use it to graze their animals.

Land deals tend to be opaque, making it hard for the people affected to get information and express their opinions. Even if they have clear rights to the land, rural producers often lack the power to enforce them. Women are in an especially vulnerable position. They have little say in their communities, and officials choose to ignore the fact that they collect water, firewood, wild food and medicinal plants in the area.

The amount of land being traded is also unclear. In response, the Land Matrix Global Observatory has attempted to shine a light on this question. It has tracked land acquisitions in low- and middle-income countries since 2000. Its database contains information on just under 1,400 deals involving foreign investors. Of these, over 1,000 deals covering 39 million hectares have been concluded – more than the total area of Germany. Another 200 deals covering 16 million hectares are intended. Other organizations such as GRAIN or Oxfam report a much larger volume of deals.

The Land Matrix has more detailed data on 877 of the 1000+ concluded and transnational deals. Of these, 570 (65 percent) are actually in operation, while another 144 are in the start-up phase. However, implementation in terms of the actual size in operation is rather slow: only 23 percent of the size under contract is currently used for production.

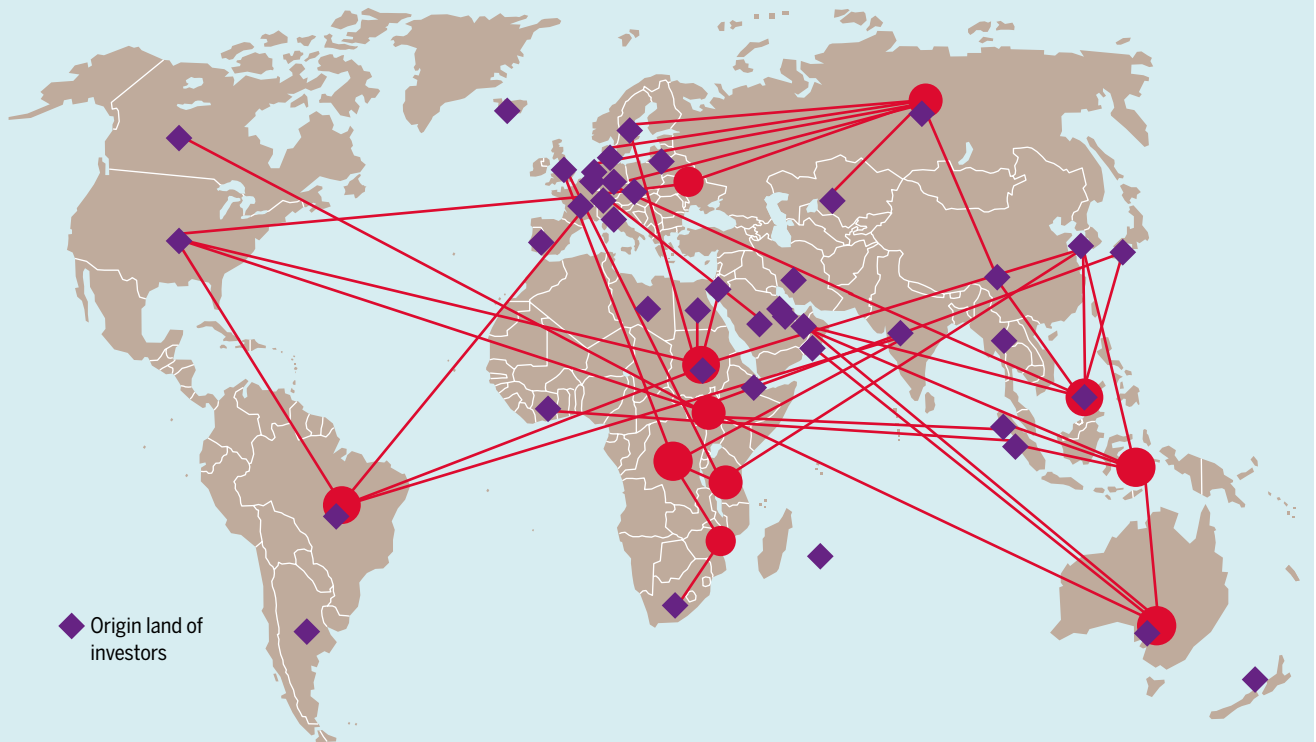
A signed deal does not mean that production starts immediately. It may take years before a country sees the promised investment



WHO BUYS WHERE?

Land transfers in the 11 most important target countries, with origin of the investors, 2012, in hectares

● 1 to 2 million ● 2 to 3 million ● 3 to 8 million



Only deals registered by the Land Matrix and Genetic Resources Action International (GRAIN)

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The land under contract is much larger than the land that seems to be under production. There may be various reasons for this:

- Large-scale land acquisitions are notoriously opaque. Data is difficult to get and keep current. This is particularly true for the status of implementation.
- Aside from the expense of buying or leasing the land, investors face significant costs when implementing agricultural projects, such as land preparation and infrastructure development. Investments often take place in high-risk environments, and the number of failed and abandoned deals indicate the difficulties faced. Overconfident investors may underestimate the risks. As a result, in many cases only a fraction of the contracted area is used.
- Low implementation rates may also be the result of speculation rather than an intention to start production. However, most projects have begun production, so while land speculation may exist, it does not seem to play a major role. The Land Matrix data shows that the “rush for land” is real, with demand in low- and middle-income countries, where populations and the demand for food are growing fast, especially in Africa. Soaring food prices led to social unrest in

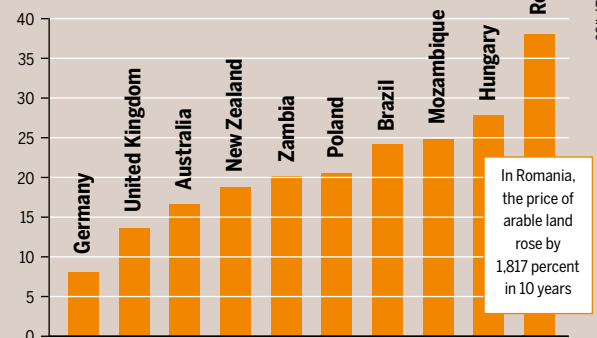
The land rush has pushed up prices, especially in countries where acres were cheap. Good for landowners who want to sell, but bad for those with insecure property rights

A web of greed: huge areas are changing hands. The biggest investors are from developed and oil-producing countries

various countries in 2008–9. The same may happen if communities are left stranded by large-scale, intensive production. Fertile soil is a limited resource, and competition for it may foster social unrest, especially in countries with weak regulations and power imbalances. ●

HOT PROPERTY

Percent annual increase in prices in US dollars per hectare, 2002–2012



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