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# Challenges posed by the new wave of farmland investment

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## Abstract

Despite recent headlines about the 'land rush', scant empirical evidence implies that the debate is often theoretical and dominated by preconceived notions. To provide evidence that could better inform the debate, this paper focuses on three areas. First, we find that new land demand, which skyrocketed after the 2007/08 commodity price spike, remained at high levels, with a strong focus on Africa, and often countries with weak land rights protection. Some countries transferred large areas to investors, frequently locals, with limited benefits and in many cases negative impact due to weak processes and limited capacity. Second, complementing the focus on demand with an assessment of agro-climatic potential point towards major scope for productivity increase on currently cultivated areas and allows identification of countries where demand for land expansion may concentrate. Finally, comparative analysis of country policies highlights the need for recognition of existing rights, an emphasis on voluntary

transfers, transparency, and thorough review of economic, social, and environmental viability as necessary—though by no means sufficient—conditions to reduce the likelihood of negative impacts.

Keywords:

Land tenure; farm size; agribusiness; farmland investment

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## Notes

<sup>1</sup>Peru uses very transparent and competitive processes for divestiture of state lands for agricultural use along the Pacific Coast. In the Amazon, processes for land transfer are less open and have many loopholes.

<sup>2</sup>The example of semi-mechanized sorghum and sesame production in Sudan illustrates the risks of investing in large-scale farming in Africa and holds lessons for more recent investments in the region, e.g. in Ethiopia. The scheme, which dates from colonial times, expanded rapidly in the 1970s, when financing from the Gulf States aimed to transform Sudan into a regional breadbasket through favorable access to land and subsidized credit for machinery. The scheme attracted civil servants and businessmen, who mostly hired managers on farms of 1,000 ha or larger. Official statistics indicate that some 5.5 million ha were converted to arable land under the scheme, with up to 11 million ha occupied informally (Government of Sudan [2009](#)). Land rights of traditional small-scale farmers and pastoralists were neglected, and encroachment by mechanized farms is identified as a serious contributor to conflict (Johnson [2003](#), Pantuliano [2007](#)).

<sup>3</sup>Elements from these data have been used by a number of research institutions (Braun and Meinzen-Dick [2009](#)) and interested parties (Uellenberg [2009](#)) to make inferences on the size of the ‘land rush’.

<sup>4</sup>To keep things tractable, we use a 5’ x 5’ resolution that divides the world into 2.2 million grid cells. Computation of output in each grid cell is based on more disaggregated data and the extent of (meaningful) disaggregation possible in the model is limited only by the quality of the underlying data. Cropped area yields are for 2008. Suitable area is not currently used for crop production, could attain at least 60

percent of the potential yield for this crop, is located in an area with population density less than 10 persons/km<sup>2</sup>, and at 2005 prices will not yield higher gross revenues with any other of the five crops considered here (maize, soybean, sugarcane, oil palm, wheat). Close to infrastructure means a travel distance of less than six hours to the next market based on available transportation.

<sup>5</sup>Countries where the amount of suitable land is more than double what is currently cultivated include, in descending order, D.R. Congo, PNG, Madagascar, Uruguay, CAR, Angola, Bolivia, Mozambique, Zambia, Sudan, and Venezuela.

<sup>6</sup>Indonesia requires that at least 75 percent of an investment be undertaken before any incentives can be claimed, but it provides large implicit subsidies for oil palm development by charging little if anything for forested land intended for oil palm development.

<sup>7</sup>Efforts to formulate and implement principles for agricultural investment can be justified by noting that similar arguments apply to competition for investment between countries.

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## Additional information

### Notes on contributors

Klaus Deininger

This work draws heavily on Deininger et al. (2011). The views expressed are those of the author and do not necessarily reflect those of the World Bank, its Board of Executive Directors, or the countries they represent.

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