

# Poverty, hunger and agricultural “investments”

Keys to understanding the current phenomena of land and natural resource appropriation and concentration around the world



Michel Merlet  
Director, AGTER

October 2011

*Translated by* Levi E. Johnson

*The original French version of the following article was prepared at the request of the Nature & Progress (Nature & Progrès) journal and published in November 2011 (No 85) issue in the section Resources : the plundering (Ressources: la spoliation).*

AGTER. Association for Improved Land, Water and Natural Resource Governance. 45 bis avenue de la Belle Gabrielle, 94736 Nogent sur Marne Cedex. Tel : 33 (0)1 43 94 72 59 [agter@agter.org](mailto:agter@agter.org) <http://www.agter.asso.fr/>

The world in which we live is changing more and more quickly, and the global threats that weigh on humanity are multiplying. One billion people suffer from hunger, not including those children and adults that die every year of famine, malnutrition or lack of access to safe drinking water. One in four people have less than the equivalent of one dollar of income per day. The world changes, but these figures do not improve in spite of the priority given to the discourse around the fight against poverty.

For two years, the media have reported extensively on the massive land grabbing of agricultural lands. They have alerted public opinion to violations of people's rights and to the dangers of food insecurity in concerned regions. They do not state, however, that this phenomenon constitutes a global threat to humanity with irreversible consequences just as serious as those associated with climate change or loss of biodiversity. Almost all, politicians, researchers and observers, seem to agree on the fact that more investment in agriculture is required to meet the challenge of ending hunger and poverty around the planet. Consequently, it would suffice to establish “responsible agricultural investments”, so that all can receive their share. “Win-win” contracts inspired by voluntary directives could be developed for this purpose, and would be self-imposing, eliminating the need to force someone to apply them. International organizations are working on this. If

it were to work, one could, using the same model, remove constraining laws in all countries, open the prisons and it would suffice to set up non-binding codes of good conduct through which robbers and the robbed, aggressors and the aggressed, abusers and victims, exploiters and the exploited could reconcile. Unfortunately, we have some difficulty believing this would work.

Since 2009 AGTER has worked on these questions, supporting various institutions and civil society. Notably, we have led the efforts of an inter-ministerial think-tank<sup>1</sup> and composed an analysis and propositions document used as a basis for the official French position on this subject. The goal of the following article is to communicate this reflection which seeks to understand the true nature of the phenomena by clarifying concepts and thwarting language traps.

It is difficult to establish precisely the total effected land surface, as transactions often remain secret, but it is a considerable area. Figures vary according to source and also according to the definitions applied to the phenomena. The World Bank, in a 2011 report, cites about 56 million hectares of land in a space of a few months, 30 times more than the av-

---

<sup>1</sup> In coordination with the Technical Committee of Land and Development and other French cooperation actors.

erage yearly global increase in cultivated area between 1990 and 2007. Oxfam, in a report from September 2011, advances the probable figure of 227 million hectares sold since 2001, or a surface area equivalent to that of all Western Europe. Including the national phenomena of illegal grabbing of zones that were previously common or public land, an official study from the Ministry for Agricultural Development of Brazil provides the figure of 94 million hectares in their country (the equivalent surface of Mexico and the Central America combined), on which titles had been acquired in an irregular way<sup>2</sup>. One-third of the Amazons is in this situation and entails essentially large surfaces on which indigenous or mixed-blood populations practice subsistence agriculture on small parcels.

The FAO and IIASA have shown that immense tracks of land around the globe are underutilized: there are 1.5 billion hectares of cultivated land on a little over 3 billion total potentially cultivable hectares around the globe. This does not signify that land is unpopulated or lacking land rights, nor does it suppose the ecological consequences of putting this land into production, but it gives an idea of the potential expansion of the land grabbing phenomena.

Significant variations exist in the agricultural labour productivity between different agricultural production systems and can vary from one unit to several hundred. The best equipped farmers, the best endowed with land produce surpluses that are marketed. The existence of a global market (in which only a small portion of the total volume of global foodstuff is traded) has brought about during the 20<sup>th</sup> century a downward trend of agricultural produce prices, in a constant dollar, over the long-term, penalizing the least productive. Thus the development of large-scale production structures that use industrial inputs and machinery have led indirectly to the ruin of million of rural producers, not because they have changed their production system but simply because they are obligated to sell products and purchase consumer goods and services that are impacted from this fall in relative price. The poor and the hungry, that is one-sixth of the world population, are primarily a result of this process, which is clearly demonstrated by Marcel Mazoyer in the work co-authored with Laurence Roudart, "A History of World Agriculture, from the neolithic age to the current crisis"<sup>3</sup>. The recent fluctua-

tions in food prices seem to indicate the contrary with a strong increase in price, similar to that which took place during the 70s. But the mechanism of unequal development remains unchanged, and the long-term tendencies show no indication of reversing. The development of extremely large farms within increasingly liberalized markets is in large measure at the root of the increase in rural poverty and massive urban sprawl to slums. Areas potentially implicated in agricultural land grabs are vast and the phenomenon is expanding. Generally, large farms do not practice sustainable agriculture, but instead produce monocrops that use chemical inputs, fossil fuel based energy and fertilizers and often GMOs, with destructive consequences for the natural environment and irreversible loss of biodiversity. Rural societies that have originally resided on the land are destroyed, along with their ancestral knowledge and mode of social organization. These evolutions are also irreversible.

However, net productivity per hectare of the large enterprises is almost always lower than that of family farmers, who have not yet been pushed out, and these large enterprises are much less profitable for society as a whole. We may ask why simple supply and demand does not ensure an equilibrium and resulting equitable land and natural resource redistribution for all. To understand the reasons for this, it should be understood that land and natural resources cannot be treated like other goods and that needs are not always dictated by effective demand. With the increase in global population, food requirements are growing, but so are the needs for other merchandise. Entrepreneurs prefer to produce bio-fuels because of highly subsidized markets for such products as seen with incentive policies in numerous developed Nations, while millions of poor and hungry people do not have access to a working supply and demand market. They are hungry not because there is no food, but because they are too poor to acquire it or produce it. The competition between bio-fuel and food production has contributed to the circumstantial increase in cereal prices, provoking riots. But the immense volatility of prices and its manifestations do not represent but a secondary phenomenon in relationship to the underlying historical mechanisms. It does, however, accelerate capitalist appeal for agricultural land. The inequalities assume an alarming proportion, and the absence of alternatives for hundreds of millions of people provokes fear of a multiplication of conflicts. For all these reasons, we are indeed in the presence of a global menace that weighs directly on a considerable portion of the world population and indirectly on all of humanity.

---

<sup>2</sup> INCRA, MDA. Livro Banco da Grilagem de Terras. Brasília. 2009.

<sup>3</sup> Earthscan, UK, 2006. 528 p.

Not all underutilized land attracts “investors”. Land parcels become “financial assets”, particularly attractive when one can obtain a distribution of the added-value such that the return on capital predominates and both the remuneration of work and the cost of the land diminish as much as possible. In the Ukraine, a true El Dorado of agricultural “investors”, 80% of value-added is allocated to the return on capital. This is possible because the annual amount of land rent is minimal, labour costs are exceptionally low, production is largely mechanized and there are practically no taxes. Social and political contexts differ greatly from one country to another, but one finds similar economic ingredients in Africa, Latin America and everywhere land grabbing is developing. These conditions are not found in the developed countries<sup>4</sup>. The true economic drivers of these phenomena instead reside here.

Let us now look at how land grabbing is undertaken and the political and legal systems that lend themselves to it. At the origin two mechanisms should be distinguished: the appropriation of land and common-pool resources; and the consolidation of already privatized land and resources. In both cases, the mechanisms appear as the result of an agreement, a contract between parties, “investor” and the host State, purchaser and salesman, leasing tenant and land owners. The time of war and colonial exploitation is over. To appropriate wealth from a territory, there is no longer a need for force or to dispose of an army of workers, often forced labour consisting of antipodes and slaves. Today, we act as *gentlemen* by signing contracts. But more often than not, one party is exceedingly powerful, and the other often extremely weak. Moreover, some allot rights which violate those of the populations they are supposed to represent. Both the colonial heritage, with the idea that land is state-owned so long as the long-term inhabitants do not possess legally recognized titles, and the heritage of the former Soviet bloc countries are particularly favourable to such abusive practices. In both cases, the inhabitants hold little weight within the systems of resource governance, resulting in a negation of their rights. Under these conditions, not even the sovereignty of a State can guarantee equitable land rights. This is elucidated by the fact that African States have been the first to offer millions of hec-

tares to foreign “investors”.

At an international level, investment law is composed of legally binding rights that protects investors. But multinational firms (and their subsidiaries) are not held to international law with respect to human rights, let alone international investment law. This is of course unless the investment host State elects to require it, which is rare in such circumstances. Because a State is “sovereign”, it cannot appear to be influenced in terms of their in-house management of resource rights. Indeed, contrary to the precedent established in international investment law, no State (or trans-national corporation) has chosen to be subjected to pressure from supra-national powers to enforce such laws, following an individual or collective complaint, to respect and ensure respect for economic, social and cultural rights of individuals and groups. Respect for aspects of international law on human rights, a potential protector of individuals and future generations facing the problems highlighted herein, is not always demonstrated even by those who have defined them (a large number of States) and even less so by companies which exploit natural resources.

Few people or institutions dare to denounce the nonsense of the current system. Consequently, the efforts of international institutions and civil society organizations work to design “voluntary directives” suggested to States as “guidelines for responsible agricultural investments”. These approaches can help in moving forward, but only on one condition, when constantly seeking to demystify what is understood by investment, that which is called property, and to carry out the widest possible public debate with the various implicated parties and populations.

In reality, true production investments have always come from producers, farmers, stockbreeders and fishermen. Their work, their know-how and their knowledge of the milieus which they occupy have made it possible to nourish more and more human beings. The modalities of unequal development that have been established with the liberalization of exchange and the massive use of fossil fuels have made it so a large majority of producers cannot ensure their survival, let alone invest more. “Investments” which international institutions and States seek to develop in opening their countries to capital and expertise of large companies and multinational are presented as the solution, as progress. In fact, the real economies of scale are not found in production per se, but in the control of the natural wealth and revenues of various types. In “doing business”, the most effective manner is to appropriate revenues,

---

<sup>4</sup> According to the IIASA, there also exist in Western Europe and the USA large surfaces of underutilized land in terms of agronomic potential. These countries are not concerned with land grabbing for various reasons. They are, however, affected by the phenomena of “land concentration” by sectors that are not the most beneficial to society as a whole.

resources and community property. This occurs through the dispossession of rights of populations to utilize their land and resources and through the privatization and consolidation of user rights for the benefit of a few. The debate around the models of agricultural development that would be desirable for the generations of today and for those of the future is clouded by the illusion of economic efficiency of large-scale modernized production which is in large measure responsible for the development of inequalities, of hunger, of poverty and also partly for the ecological and climatic crisis. These false investments will never be responsible, in an ethical sense, and are indeed the principal reasons for the dramas in which we find ourselves.

Solutions exist, which cannot be extensively detailed here, but that have been outlined, among

others, in the documents referenced below. Some are ambitious but essential, such as the establishment of a binding law at the global level around all the subjects concerning humanity's future, making possible a world that protects global commons and public goods. Others are easier to gradually put in place, such as taxing ground rents and other kinds of unearned incomes, that would help identify resource theft and increase economic efficiency. These imply a re-examination of our conception of property and to recognize, regardless of the legal framework, that individual and collective rights always coexist, and the rights of future generations must also be given weight, even if they cannot be directly involved in the debate.

---

### For further information

- Merlet, M. et Jamart, C. AGTER, ILC. Issues and Conceptual Framework for Understanding Land Grabs. Scoping Study of a Collaborative Research on Commercial Pressures on Land. International Land Coalition. March 2009. ([http://www.agter.asso.fr/article330\\_fr.html](http://www.agter.asso.fr/article330_fr.html))
- Monique-Chemillier Gendreau. Can International Law contribute to a more equitable global society? Conference with Monique Chemillier-Gendreau? AGTER's Thematic Meetings, 13 October 2009. ([http://www.agter.asso.fr/article678\\_fr.html](http://www.agter.asso.fr/article678_fr.html))
- Land tenure and Development Technical Committee. Large scale land appropriations: Analysis of the phenomenon and proposed guidelines for future action. Agence Française de Développement, Ministère des Affaires Étrangères et Européennes, June 2010. (<http://www.agter.asso.fr/article480>)
- H. Cochet. M. Merlet, Land grabbing and share of the value added in agricultural processes. A new look at the distribution of land revenues. International Conference on Global Land Grabbing, organized by Land Deals Politics Initiative with the Journal of Peasant Studies. April 2011. (<http://www.agter.asso.fr/article604>)
- Perdriault, M. Large Scale Land Grabbing : The Role of Multinational Firms. A focus on the legal framework and its weaknesses. AGTER, September 2011. (<http://www.agter.asso.fr/article832>)

02 August 2012;

Merlet\_AGTER\_2011\_article Nature et Progrès\_en.doc