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Global investments in agricultural land and the role of the EU: Drivers, scope and potential impacts

Marta Antonelli [a,*], Giuseppina Siciliano [b], Margherita Emma Turvani [a], Maria Cristina Rulli [c]

[a] IUAV University of Venice, Italy
[b] Centre for Development, Environment and Policy, SOAS, University of London, London, UK
[c] Politecnico di Milano, Italy

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ABSTRACT

This paper investigates the recent wave of investments in agricultural land, often referred to as land grabbing; a term that not only emphasises the appropriation of resources by investors but also implies a criticism of their potential impacts on livelihoods and ecosystems in the target countries. This phenomenon has increasingly been the focus of public attention as well as a source of concern for NGOs, international institutions, academia and civil society. More specifically, this study investigates the role that the European Union member states play, both collectively and individually, in this wave of acquisitions in agricultural land, by providing a comprehensive overview of the drivers, scope and potential impacts of these land deals.

Introduction

Land and water resources are central to societal development, as they are two of the most important agricultural production factors. Water and land use are intrinsically linked to global challenges stemming from population trends; food insecurity and poverty; environmental degradation and the impairment of related ecosystems and ecosystem services; climate uncertainties; shifting consumption patterns; and higher and volatile food prices (FAO, 2011; Bruinsma, 2009; WWAP, 2009).

Agricultural production is by far the most water-intensive human activity. Agriculture uses 11% of the land surface (FAO, 2011) and consumes, on a global average, 70% of the freshwater drawn from aquifers, streams and lakes (FAO, 2013). Water demand for the agricultural sector is projected to increase by at least 20% by 2050, even in the presence of productivity improvements through technological development (De Fraiture et al., 2007). By 2030, an additional 47 million ha of land will be needed for food and animal feed production, 42–48 million ha for large-scale afforestation and 18–44 million ha for producing biofuel feedstock (ERD, 2012). However, the amount of suitable land to bring under cultivation is quite limited, with the exception of large tracts of land in Sub-Saharan Africa and Latin America and, to a lesser extent, East Asia (FAO, 2011).

Against this backdrop, a renewed interest in agricultural investments has been widely reported and associated with the emergence, since the mid-2000s, of the acquisitions of large tracts of agricultural land in Africa, Latin America and Asia. This phenomenon has often been referred to as *land grabbing*, a term referring to acquisition occurring in violation of human rights, not based on free, prior and informed consent of the affected land users (ILC, 2011). Land acquisitions have accelerated since 2007–2008, especially as a consequence of the ban on exports and the increase in export levies set up by many food-exporting economies (De Schutter, 2011).

Large-scale land acquisitions involve governments and private investors from both industrialised countries and emerging economies securing large tracts of farming land (over 1000 ha) by means of long-term leases, which typically run from 55 to 99 years, or purchase agreements. Land agreements involve five different types of investors–private companies, state-owned companies, investment funds, public–private partnerships and private individuals (Anseeuw et al., 2012). Some investments are aimed at natural resources for agricultural (food or bioenergy) or ecosystem purposes; others are characterised by actors controlling different phases of the value chain (Anseeuw and Ducastel, 2013: 40).

Reliable data and transparent information about the scope and status of land acquisitions remain elusive. As highlighted by Deininger et al. (2011) and Woertz (2011), many of the reported

* Corresponding author at: Ca' Tron, Santa Croce 1957, 30135 Venice, Italy. Tel.: +39 333 5979168.
E-mail address: martaantonelli84@gmail.com (M. Antonelli).

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land deals have either not materialised or the land has not started to be farmed. Available data reveals a concentration of investments in low-income countries, with a high incidence of hunger and weak land institutions (FAO, 2012a,b), leading to the risk of weak governance of investments and consequent negative environmental and socio-economic impacts. The water dimension implicit in large-scale land acquisitions has not been recognised until very recently (Allan et al., 2013; Rulli et al., 2013). In this context, water and agricultural land have thus become *global* resources, contended not only between local communities but also between multinational companies and different countries.

There are three key drivers for the growth in investment in agricultural land. First, the need to secure reliable food supplies in the long term, especially for land and/or water-scarce countries. This is the case, for instance, in the arid and semi-arid, food-deficit, oil-rich economies of the Middle East (Jägerskog et al., 2012). Second, the increasing demand for agro-fuels, especially in Europe and the US, supported by energy directives (EU Directive, 2009; EISA, 2007), subsidies and incentives. The land acquired for production of non-food crops, flexible crops (such as sugarcane and oil palm) and multiple uses account for about 70% of the land acquired globally (Anseeuw et al., 2012). Biofuel production is the main purpose of the investments targeting Sub-Saharan Africa (Giovannetti and Ticci, 2013). Third, speculation on future increases in the price of agricultural land. Proximity to export markets is not a driver itself, but actually determines where these investments are located (De Schutter, 2009).

The scale and orientation of the current wave of investments have brought this phenomenon to worldwide attention. Discussions about the phenomenon are polarised and reflect the different positions on the opportunity and risks associated with these investments in the targeted countries. Some authors have highlighted the need to govern investments effectively to mitigate risks and seize opportunities (Cotula et al., 2009); others have highlighted their negative impacts on natural resources exploitation, livelihoods and sovereignty (Davis et al., 2014; Rulli and D'Odorico, 2013; Jägerskog et al., 2012; Deininger, 2011; De Schutter, 2011; Matondi et al., 2011). The opportunities for economic and social development that may arise from capital inflows in the target economies have also been pointed out (World Bank, 2011; German Federal Ministry for Economic Cooperation and Development (BMZ), 2009).

The EU member states are emerging as some of the most active actors in international agricultural land investments all over the world, but especially in Africa (Antonelli et al., 2015). The debate within the EU on the potential impacts of these investments in the target countries has increased over the last years (Friends of the Earth Europe, 2014; Von Witzke and Noleppa, 2010). As a consequence, specific references to land deals and to social and environmental sustainability criteria have been included in a number of EU policies and directives. The EU policy framework (2011), for example, calls for transparency of contract negotiations to protect land use rights, food and water security of the local populations. Moreover, according to the Renewable Energy Directive (RED), bilateral and multilateral agreements for the production of biofuel have to comply with sustainability criteria (EU Directive, 2009, Directive 2009/28/EC). Increasing understanding about the role the EU plays in the current wave of transnational land deals seems to be of paramount importance to inform policymakers and institutional actors, at both the EU and member states level, about the design of effective policies to enhance environmental sustainability of the investments and to promote development in the target countries. The role that the EU plays both as an investor and as a recipient of investment in agricultural land is still quite an unexplored field of research, with the exception of a few studies (such as, Von Witzke and Noleppa, 2010).

In this context, this article has three main purposes. First, to explore the role that investments from the EU member states (including *all* types of investment, i.e., state-led, private and private–public partnerships) play in the global rush for land. The investments considered include both those involving investors from EU countries only and partnerships of EU investors with different countries. Some of these partnerships involve investors from the investee countries. Agricultural land acquisitions are analysed in terms of the dimension of the investments, their geography and main scope. Second, the study aims to investigate the main drivers of land acquisitions from European countries and their relationship with EU agricultural and energy policies and targets; the main purposes of land acquisitions (food or biofuel); and the extent to which the availability of land and water resources can be considered as a driver of land acquisitions. Third, the study looks at the potential impacts of EU farmland investments on land and water resources in the host countries. This aim is pursued by assessing the availability of suitable land and water in the different target countries with respect to the area of land acquired by European land investment projects, to determine possible implications in terms of land and water scarcity. The study argues that, when designing energy and other policies, it is important that the EU policymakers take into consideration the potential implications for local natural resources of these policies for investments in agricultural land.

The analysis is based on a comprehensive review of the literature on land deals, combined with the analysis of the current most complete public dataset available on global land investments, i.e., Land Matrix. Indices on land suitability and water availability of both target and investor countries have also been developed to understand the drivers of EU land acquisitions in terms of land and water scarcity, as well as the potential consequences on water and land resources of EU land deals in the most targeted countries. Moreover, to put the role of the EU into a global perspective, the above indices have been also calculated for the biggest investors at the global level.

The remainder of the study is structured as follows. The next section describes the data sources and methodology of the study, and provides a discussion of the main challenges associated with the available datasets. Section 3 explores the scope and characteristics of the EU large-scale land acquisitions. Section 4 is concerned with the drivers of such investments. Section 5 discusses the potential implications of European farmland investments, focusing on land and water scarcity in the target countries. The final section draws some conclusions.

Data sources and methodology

The Beta version of Land Matrix,[1] an online public database reporting global land transactions, launched in April 2012 and upgraded in June 2013, provides the main source of data deployed in this study to account for land acquisitions worldwide. The land transactions included in the Land Matrix database are those which entail a transfer of rights to use, control or own land through sale, lease or concession; imply a conversion from land used by smallholders, or for important environmental functions, to large-scale commercial use; are 200 ha or larger; and were not concluded before the year 2000. The Land Matrix database records cases of intended and realised land deals involving foreign or domestic investors, at any level of implementation (under negotiation, start-up phase, in operation, failed), obtained through a variety of cross-referenced sources ranging from research papers, personal information, field-based research projects, government records,

[1] The dataset was downloaded on 16 October 2013.