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Rediscovering the Virgin Lands: Agricultural Investment and Rural Livelihoods in a Eurasian Frontier Area

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Summary. — Against the global debate on socially responsible agro-investment, we explore the conditions, patterns, and impacts of recent agricultural recovery in Kazakhstan's northern grain provinces. Vertically and horizontally integrated agroholdings brought outside investment and management to this region. With stable employment in agriculture, real consumption spending of rural households has doubled within an 8-year period. Due to the socialist tradition of industrialized farming operations, rural inhabitants regard themselves primarily as workers and not as land owners. We conclude that investment in large-scale farming can provide benefits to rural people even with less than ideal-type political representation.

Key words — agricultural investment, land grabbing, farm organization, rural poverty, Kazakhstan

1. INTRODUCTION

Recent price hikes in agricultural commodities worldwide brought the issue of global food security back on the political agenda. They also led to a rediscovery of the agricultural sector not only as an essential resource for human wellbeing, but also as a potentially profitable investment target. Claims were made that productivity increases would only be possible if small farms were replaced by large commercial agro-firms (Collier, 2008). At the same time, media reports on increasing interest in farmland by both private and public investors triggered a vigorous debate on the social and economic implications of massive agricultural transformations for rural societies (Deininger *et al.*, 2011; von Braun & Meinzen-Dick, 2009). For some observers, such "land grabbing" can in no way be reconciled with the human and property rights of the local land users, such as peasants or pastoralists (Borras & Franco, 2010). Others argue that it may deliver much-longed-for improvements in rural employment if the process only follows certain rules of conduct. These rules are supposed to guarantee transparency, stakeholder participation, and respect of food security as well as economic and environmental sustainability (FAO/IFAD/UNCTAD/World Bank, 2010).

In this article, we investigate a case of agro-investment which, at first glance, resembles many of the reported incidences of "land grabbing" in developing countries: an economically deprived rural population with little employment alternatives outside agriculture, a government that lacks accountability and transparency, an agronomic frontier area with weak property rights in land (the "Virgin Lands"), and the emergence of a small group of powerful investors. Yet, a closer inspection reveals that the case nevertheless runs counter to a number of stereotypes that are being articulated in the global debate. The employment and income figures presented below draw a remarkably positive picture of agricultural recovery that trickles down to the rural society at large. Due to the socialist tradition of industrialized farming operations in this north Kazakhstan grain area, rural inhabitants tend to regard themselves primarily as workers and not as land owners. Although the authoritarian government has followed an unpredictable agenda of land reform, it successfully minimized overt conflict among land users. Moreover, it has been cautious in embracing investors from abroad. Under these conditions, an unexpected variety of farming types has emerged that allows organizational experimentation: huge agroholdings, individual family farms, and tiny household economies are competing for land and labor.

The case analyzed here thus contributes a different perspective on the desirability and local perception of large-scale agro-investment. By highlighting the specific local conditions and exploring its organizational and distributional dimensions, we show how such investment can provide benefits to rural people even with less than ideal-type political representation of all stakeholders. The reality studied in this article does not follow neat ideological patterns. Critics of outside engagement in rural areas need to acknowledge that, since the collapse of socialism, many inhabitants have longed for a strong investor who would secure jobs and livelihoods. Even so, these inhabitants could not count on well-organized participatory processes and strong property rights. In this instance, a more or less benevolent dictator ensured the conditions conducive to rising investment levels. A further unorthodox lesson is that there seems to be no clearly superior farm size or type of farm organization. Both individual and corporate farms increased land use and land productivity over the last 10 years, and thus contributed to agricultural recovery. There is also complementarity among the farm types: households provide labor to the bigger farms and receive inputs and services for their garden plot, on top of the regular wage payment.

In the following, we present quantitative and qualitative evidence to buttress these assertions. A first source is expert interviews and case study research conducted by the authors in April–May 2011. The quantitative part of the article draws on regional statistics previously unpublished in English that come from the Kazakh National Statistical Agency. Furthermore, data from representative national household surveys

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as well as from a farm survey conducted by the World Bank are utilized. Key documents prepared by international organizations on agricultural development in Kazakhstan (in particular Dudwick, Fock, & Sedik, 2007; Gramzow & Suleimenov, 2011; Gray, 2000; USAID, 2005) as well as newspaper, local magazine, and other media sources provided additional important insights. This material including farm case studies is summarized in the appendix to this article and in a more detailed background report (Petrick, Wandel, & Karsten, 2011).

The article is organized as follows. Section 2 reviews the recent debate on global agro-investment and introduces the Eurasian case studied here. Subsequent sections look at different aspects of agro-investment in Kazakhstan: Section 3 focuses on property rights in land, Section 4 gives an overview of government policy, Section 5 collects evidence on the patterns and sources of recent investment activity, Section 6 analyzes the emerging farming structures, and Section 7 looks at the social impacts. Section 8 concludes.

2. LARGE-SCALE AGRO-INVESTMENT IN POST-SOVIET EURASIA AND THE RECENT "LAND GRABBING" CONTROVERSY

(a) *Emerging issues in the "land grabbing" dispute*

The recent controversy on the desirability of large-scale investments in agriculture emerged after first land deals by food-importing but capital-rich countries in supposedly land abundant developing countries became public (Borras & Franco, 2010; von Braun & Meinzen-Dick, 2009). Driven by concerns about land and water scarcity constraining food supply within their own boundaries, these investors became active in securing large land tracts abroad in order to produce staple food for their home consumption. In this first round of "land grabbing," the Gulf States from the Middle East as well as China, South Korea, and India were among the main initiators, next to European and US investors (UNCTAD, 2009, p. 123). Prominent target countries were Kenya, the Philippines, Sudan, and Tanzania (von Braun & Meinzen-Dick, 2009). This wave of projected agro-investment has led to highly polarized responses within the international development community. Proponents from international donor organizations such as the World Bank see such investments as a potential source of employment creation and infrastructure upgrading in the long-neglected rural areas of the target countries. Critics originating from anti-globalization groups, third-world movements and peasants' organizations (for example, "La Via Campesina") claim that these activities neglected the needs of local land users in the target countries, for example peasants or pastoralists, that they were often negotiated from unequal bargaining positions, and that they went along with opaque political agreements among high-level officials from both parties. [1]

In the unfolding debate, analysts have begun to paint a more differentiated picture of the subject. First, it was noted that the social benefit of large-scale agricultural investments in land would be highly dependent on the institutional framework for land ownership and land management existing in the target countries. Customary rather than formal tenure arrangements, weak ownership titles, and absent land registries as prevalent in many African countries were identified as a major source of conflicts (Cotula, Vermeulen, Leonard, & Keeley, 2009). However, land owners with more secure property rights and low opportunity costs of land use may welcome outside investors, not the least because they may be farmers by default rather than by choice and as such prefer wage labor over self-employment (Collier & Dercon, 2009, p. 12). *Who* actually was supposed to work on the land and how became a key question in assessing the impacts of investments:

– Some models mostly favored by Asian investors implied the infusion of workers originating from the investing countries (Cotula *et al.,* 2009). These arrangements are less likely to lead to positive employment effects among the local population in the target countries.

– A recent study by UNCTAD (2009) explored the experience and options of mutually beneficial partnerships among large- and small-scale producers, such as outgrower or contract farming schemes. Under such arrangements, production is executed by smallholders on their own land, who supply to a centralized processing facility run by a vertically integrated food company. Production and processing requires stringent coordination of activities (e.g., due to the perishability of the raw product) and is thus typically subject to strict contractual regulations (UNCTAD, 2009, p. 119). Such smallholder participation may be one way to reconcile the interests of large investors and local land users (Deininger *et al.*, 2011). However, its viability depends on the specific crop and the technological options in planting and processing it, as well as small farmers' access to capital and knowledge (Reardon, Barrett, Berdegué, & Swinnen, 2009).

– A number of authors emphasize recent technology developments in plant breeding, tilling, and remote sensing as well as tougher certification requirements. These factors are supposed to make large scale and vertically integrated operations more competitive vis-à-vis peasant farms also in primary agricultural production (Collier, 2008; Collier & Dercon, 2009; Deininger & Byerlee, 2012). Such large-scale operations are typically based on wage labor and thus may generate employment in rural areas. If they replace less productive smallholder production systems, they may also serve the overall goal of increasing global food supply.

These points illustrate that there are fundamental economic and social questions under the surface of the highly politicized "land grabbing" debate. The fact that foreign companies invest in developing countries may not be the most important or contentious among these questions. Cotula *et al.* (2009, p. 49) pointed out that, even in Africa, domestic rather than foreign investors play a major—if not *the* major—role in recent agro-investment. This insight shifts attention away from the potentially problematic asymmetries and conflicts among nation states toward the relationship between initiators and beneficiaries of investment irrespective of their origin. From an economic point of view, this is a debate about emerging organizational modes of agricultural production and their efficiency and distributional implications. It goes far beyond criticizing an allegedly neo-colonialist sell-out of developing countries' land resources.

(b) *The rise of Eurasian agriculture as an investment target*

Given the economic motives of the investors and the societal interests in expanding global food supply, Visser and Spoor (2011) raised the question why the debate focuses so much on African land resources, if the globally most under-utilized agricultural land is not to be found in a developing country at all. They quote recent data by the United Nation's Food and Agricultural Organization (FAO) saying that there are only four countries in the world with "significant untapped capacity to make a major impact on meeting the growing global food demand" (p. 300), namely Russia, Ukraine, Kazakh-