Unraveling "land grabbing"

Different models of large-scale land acquisition in Southern Africa

Mathieu Boche and Ward Anseeuw

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Abstract

Since much of the focus on large-scale land acquisitions is predominantly political and ideological, different models and practices embedded in the phenomenon and, by consequence the diverse implications they imply, tend to be overlooked. This is supported by the use of the term "land grabbing": while it implies large differences in forms of organization of the production, investment processes and outcomes these land deals might take, the existing body of literature misses the economic and institutional nuances of investment models embedded in "land grabbing". The objective of this paper is to present the diversity of investment models implemented in Southern Africa and to analyze their differentiated implications in the framework of the region's broader agrarian trajectories. Based on intensive empirical research in Southern Africa and using a theoretical framework based on institutional economics (focusing on the institutionalized forms of agricultural production, the investment implementation processes and the extent of the implications), the results show that beyond the classical institutionalized forms of agricultural production (independent commercial farming, estate farming) new investment and production models are developing in the region. Six models with several sub-models have been identified: independent farmers (independent farmers, delocalized auxiliary farm model, Resource pooling farmers), cooperative, 1,000-day speculative, asset management, contracting (nucleus-estate, reverse tenancy, ingrower schemes) and agribusiness models. Besides the lack of inclusive business models, another important commonality of these models is the high failure of the investments – unless strongly integrated structures and value-chains are developed – leading to the establishment of few corporate structures. The paper reflects on Southern Africa's agrarian transformations, which, although not broad-based, are mainly characterized by the imposition of a dominant corporate-based paradigm.

About the Authors

Mathieu Boche is a PhD candidate at the University Paris XI, works as an assistant development economist at the Agricultural Research Centre for International Development (CIRAD). His research focuses on large-scale land acquisition processes and their implications on land governance and agrarian structures in Southern Africa, especially in Mozambique. Mathieu is presently hosted by the National Directorate for the Promotion of Rural Development (DNPDR) of the Ministry of State Administration of Mozambique, where he contributes to the development of the Pro-parcerias project, aiming at creating inclusive and sustainable partnerships between local communities and agricultural investors. He is also part of several research groups on the topic of large-scale land acquisitions, such as the Land Matrix Partnership.

Dr Ward Anseeuw, a development economist and policy analyst, is a research fellow at the Agricultural Research Centre for International Development (CIRAD) seconded to the Post-Graduate School of Agriculture and Rural Development of the University of Pretoria. He has conducted research for the last 15 years in Southern Africa and the African continent, more particularly on the issues of agricultural and land policies, agrarian and land reforms, land conflicts and large-scale land acquisitions. He has published extensively on these issues in scientific journals and with renowned publishers, including *Land, Transition and Compromise* (with Chris Alden, Palgrave, 2009), *The Struggle Over Land in Africa: Conflicts, politics and change* (with Chris Alden, HSRC Press, 2010) and *South Africa's Agrarian Reform* (in French, Editions Universitaires Européennes, 2011). Ward is also one of the founding members of the Land Matrix.

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1 Introduction – The need for disaggregated analyses of the large-scale land acquisition phenomenon

Despite an extensive literature, most analyses of large-scale land acquisitions are politically and ideologically anchored, reflecting strong opposing stances. On one hand, proponents of large-scale land acquisitions argue that poor countries could benefit from foreign direct investment in land, particularly through the creation of on- and off-farm jobs, technology transfer in production and processing, infrastructure development and improvement of basic services access (Deininger *et al.* 2011). They support the development of codes of conduct, guidelines and principles of responsible investment based on corporate social responsibility (Deininger *et al.* 2011) as strategies to regulate these transactions and overcome non-equitable, non-transparent and non-sustainable investments. On the other hand, opponents argue that large-scale land acquisitions are basically a contemporary revival of neo-colonialism, jeopardizing poor peasants' livelihoods. According to them, the above mentioned principles, guidelines and codes of conduct, besides being voluntary and thus not enforceable, present instruments based on ideological assumptions related to the existence of "reserve agricultural land" and the accountability of the stakeholders is highly questionable (Borras *et al.* 2010). They criticize the depoliticized vision of partnerships and contractual arrangements and the lack of integration of the politics of land governance inherent to such measures (Zoomers 2010).

Although opposed, a common point of these two fractions is the overall use of generalizing terms such as 'land grab' by the opponents or 'land-based investments' by the proponents. Indeed, the ideologized debate tends to overlook the existing economic and institutional nuances and, subsequently, the different implications of the large-scale land acquisition phenomenon, while it implies large differences that inform the organization of production, investment processes and outcomes of these land deals. Related to the latter, the mainly economic (Cochet *et al.* 2011), environmental (Woodhouse 2012) and social (McCarthy 2010, Nhantumbo *et al.* 2010) analyses informing these stances, generally remain at a case study level, without contextualizing these acquisitions in the context of broader socio-economic transformations (Borras *et al.* 2012).

This paper will try to shed light on these nuances by exploring the diverse nature, strategies and business and investment models implemented by investors, including their differentiated evolutionary dynamics and implications in terms of agricultural development and agrarian change. Indeed, there is a need to better understand, besides other aspects, how the different large-scale land acquisition projects are structured, which business models they are based on and how they are implemented. We intend thus to go beyond both the above presented generalizations and analytical dichotomy, by taking into consideration a series of changing contexts and emergent processes and forces that are producing new conditions and are facilitating shifts in both *de jure* and *de facto* land control (Peluso *et al.* 2011). As such, based on extensive empirical fieldwork, a typology of the agricultural investment models implemented in Southern Africa will be presented and analyzed, and will complement a first attempt, by Borras *et al.* (2012), to define and theorize the phenomenon taking into consideration emerging dynamics of changes in land use and property relations.

The next section of the paper will present and justify the theoretical and methodological frameworks implemented in order to analyze the diversity of large-scale land acquisition models, their implementation and implications. The models will be detailed in section three. This presentation will be complemented by analytical reflections regarding the outcomes, the inclusiveness and the trajectories of the different typologies identified. The concluding section re-contextualizes the large-scale land acquisition phenomenon and reflects on their broader implications regarding agricultural development and transformation of Southern Africa's agrarian societies.

2 A socio-institutional approach to analyzing large-scale land acquisitions

Although the extensive literature tends to present an indiscriminate and thus simplified image of the large-scale land acquisition phenomenon, several differentiating elements have already been analyzed emphasizing the often complex nature of the phenomenon. Recent studies have emphasized the differences related to the sectors and drivers of the acquisitions (Cotula 2012), the countries of origin, nature (public or private) and type (agribusiness companies, investment funds, sovereign funds) of investors (Anseeuw *et al.* 2012). Others' empirical works have highlighted the complexity of the processes implemented. Besides describing contractual arrangements for land deals in Africa (Vermeulen *et al.* 2010), Burnod *et al.* (2013) show, in the case of Madagascar, how intermediary persons or entities are structured while O'Brien (2011) analyses the engagement of national elites in order to acquire land in Kenya. Other studies focus on a specific type of actors, such as Buxton *et al.* (2012) and Ducastel *et al.* (2013) who detail the institutional set-up between capital and (often subordinated) implementing entities. In addition, as shown by the analysis of the Land Matrix data, engagements and strategies are dynamic and can change rapidly. The latter is mainly related to the nature of the activities and strategies of the investors, as well as to the risky environments in which these investments take place. In many cases, large-scale land acquisitions are not the initiative of single investors, engaging only one country, but are complex constructions engaging a multiplicity of actors and nationalities across multiple countries.

In order to take into consideration this diversity, complexity and dynamics, an approach based on "hybrid forms of organizations" developed by Williamson (1991) and remodeled by Ménard (2004) was adopted. Menard defines the variety of hybrids as "*a diversity of agreements among legally autonomous entities doing business together, mutually adjusting with little help from the price system, and sharing or exchanging technologies, capital, products, and services, but without a unified ownership*" (2004, p348). It results in a diversity of complex forms of organization of production, characterized by three criteria: i) pooling of resources (all hybrids are oriented towards coordination and cooperation of different firms or independent actors); ii) contracting and governance structure, in which there is always a form – more or less formal – of contract between the different stakeholders involved in the hybrid; and iii) competition. The shaping of a particular arrangement is always somehow the result of competitive pressures (within the hybrid between partners and competition with other arrangements) (Ménard 2004).

A second reference is made to the academic work by Vermeulen *et al.* (2010) focusing on the inclusiveness of the form of production and investment model. According to the authors, there are three ways of distinguishing the inclusiveness of agricultural business models: i) the match between the landholder and the day-to-day manager of operations; ii) the degree of vertical integration in the value chain; and iii) the relevance to different stages of the value chain, from producer through to consumer.[1] The assessment of the inclusiveness is then done according to four different criteria: i) ownership of the business (equity shares) and of key assets such as land and processing facilities; ii) voice (the ability to influence key business decisions, including weight in decision making, arrangements for review and grievance, and mechanisms for dealing with asymmetries in information access); iii) risk, including commercial, production, supply and market risks, but also wider risks such as political and reputational risks; and iv) reward (the sharing of economic costs and benefits, including price setting and finance arrangements).

Based on both the theoretical frameworks and the specificities of the project and the situations on the ground, three categories of variables were used to build a typology of investment models.

[1] According to these three aspects, Cotula and Vermeulen (2010) identified six inclusive business models: contract farming, management contracts, tenant farming and sharecropping, joint ventures, farm-owned businesses, and upstream and downstream business links.

First, the *set-up and organizational characteristics* of the model: the form of organization of production and the governance structure implemented by the partners, with special attention to coordination patterns and level of integration.
Second, the *results, outcome and sustainability* of the models: the varied purposes of land acquisitions and, as a result of the models, their varied levels of sustainability.
Third, *inclusiveness and the direct implications for local populations and development*: whether and in what ways the different models contribute to (local) development and integrate local populations.

Due to the sensitivity of the topic, which is mainly related to the non-transparency of certain deals, the lack of knowledge regarding these activities and the negative press surrounding the latter, access to information – particularly regarding investors and their investment models – is often complex. Two original and strategic methods and partnerships had to be established to overcome this difficulty. A first one was characterized by collaborative projects with the Nepad Business Foundation and the Southern African Confederation of Agricultural Unions (SACAU) (both of which have major investors in the region – such as Agri-SA, the South African Commercial Farmers' Union – as their members), assessing successful large-scale investments and supporting the development of instruments facilitating the inclusion of smallholder farmers into commercial enterprises. This methodology, implemented in Mozambique, Zambia, Malawi and the Republic of Congo, facilitated our ability to approach investors. A second one involved a long-term hosting position within strategic Ministries, enabling the establishment of a participatory research methodology. Implemented in Mozambique, with the National Directorate for the Promotion of Rural Development (DNPDR),[2] it allowed us to participate in meetings with host country officials involved in negotiations at all levels regarding the land investment issue, focus group interviews with local community members affected by investments as well as facilitating access to official data on large scale agricultural projects and land rights applications. During the different fieldwork missions (March 2012 - June 2013), 33 projects were assessed (29 in Mozambique, 3 in Zambia, 1 in the Republic of Congo) through the implementation of over a hundred semi-structured interviews with key stakeholders (farmers, investors and agribusiness representatives, host country officials, local community members and experts). In addition, many other examples from the literature or known from other projects/discussions will complement the empirical results presented in this paper.

3 A large spectrum of large-scale land acquisition models

According to the outline and methodology detailed above, six models of large-scale land acquisitions are identified. At the two extremes, according to the degree of integration, more traditional setups are found: the independent farming model and the agribusiness-estate model. In between, a number of novel hybrid forms are developing – mainly as an adaptation strategy to a relatively new agricultural environment and market constraints. The latter are: the cooperative model, the speculative 1,000-day model, the asset management model and, finally, the contracting model (Table 1). In addition, several of these models, depending on the prominence of certain intrinsic characteristics or of how they adapt and evolve, can present variants such as the associative variants of the independent one or the nucleus-estate, the reverse tenancy and the "ingrower scheme" submodels associated with the contracting model.

[2] A long-term relationship has been developed in Mozambique with the National Directorate for the Promotion of Rural Development (DNPDR) linked to the Ministry of State Administration. Within the National Directorate's "Land and Natural Resources Programme", a project entitled PRO Parcerias aims at creating inclusive and sustainable partnerships between local communities and agricultural investors. This relationship resulted in the hosting of one of the authors during the project's fieldwork in Mozambique within the PRO Parcerias program,

Table 1: The Different Large-Scale Land Acquisition Models

Models	Independent farmer model	Cooperative farmer model	Speculative 1,000-day model	Asset management model	Contracting model	Agribusiness Estate model
Variants and Sub-models						
	-Independent farmers -Delocalized auxiliary farming model -Resource pooling farmers	Cooperative farmer model	1000-day model	Asset management model	-Contract farming -Nucleus Estate -Reverse Tenancy -Ingrower scheme	Agribusiness Model
Set up and organization						
Mechanisms of Governance	Independent	Cooperative (hybrid)	Financial corporate (hybrid)	Financial corporate (hybrid)	Processing corporate (hybrid)	Agribusiness (corporate)
Actors involved	Independent farmer and some informal groupings	Union, cooperative, farmers,	Developer/ consultant, financer	Asset management company, financer	Agribusiness already established and local farmers	Agribusiness
Investment (structure)	Independent funds	Investment secured by the cooperative	Private equity partner	Private equity partner	Agribusiness	Agribusiness
Average size of the project	<1,000 ha	10,000 – 80,000 ha	5,000-10,000 ha	5,000-10,000 ha	> 5,000 ha	> 10,000 ha
Establishment/Access to land	Implementation started at local level	Bilateral treaty; Top down decision process	Acquisition of old state farms facilitated by political network	Takeover of old state farms; Expansion on surrounding area	Already established agribusiness; Support from donors to identify outgrowers and secure land access	Centralized decision; Top down decision process; Takeover of failed projects
Contracting/ agreement	No contracting	National bilateral agreements; Farmers with cooperative	Too early or for prospective purposes	Possible off-set contracts (transport, logistic, value chain service providers)	Production and marketing contracts	National bilateral agreements; Possible off-set contracts (land

						clearing and transport)
-Degree of vertical integration	Little	Little	Relatively high	Relatively high to High	High	Total vertical integration
Result, outcome, sustainability						
Mechanisms for Sharing rent	N/A	Cooperative – salaries and paid out to cooperative members	Dividend on margin made	Shares of the asset management company	Depending on the contract	N/A as integrated
Outcome	Farming production	Farming production; Transfer of technology; Geopolitical influence	Farming infrastructure; ROI for financer	Farming production; ROI for financer	Farming production and processing	Farming, processing
Level of failure	High	Too early or for prospective purposes	High	Relatively High	Low	Low
Inclusiveness and national/local development						
Ownership/ Voice/ Risk/Reward into core activities	Mentorship within informal grouping	None	None	None	Contract farming, nucleus Estate management contract	Development as "enclave economy"
Local benefits	Land taxes; Labor intensive model; Some collective action with local emergent farmers	Land taxes; Labor intensive production model	None	Land taxes Employment creation volatile	Land taxes; Productive uplifting and market access; Labor intensive production model	Land taxes; Compensation; Highly mechanized production model

3.1 Independent Farmers

This model is based on the establishment of large independent family farms, mainly based on South Africa's commercial farm model. Found in every Southern African country, certain countries seem to be more appealing to this type of investors than others. For example, Madagascar calls for a large number of independent French investors (Andrianirina-Ratsialonana *et al.* 2011) whereas Mozambique and Zambia, among others, attract significant numbers of South African (up to 800 in Mozambique and 300 in Zambia according to informal sources) as well as Zimbabwean (Hammar 2010) and Portuguese farmers (particularly in Mozambique). On the other hand, the independent farmer model tends not to be favored in the Republic of Congo, for example.

* Set-up and organizational characteristics of the model

Some common specific characteristics should be emphasized for this model. Firstly, land is acquired at the local level, often negotiated through local authorities. The areas acquired vary from a few hundred hectares to few thousand hectares (generally less than 2,000 ha). Secondly, these farmers develop their activities independently, bearing the production costs and risks. As such, these farmers focus mainly on basic market production, going for the more profitable market opportunities, whether they are domestic or international.[3] Thirdly, the investment capital originates mainly from previous savings or still on-going activities (mainly in the home country). This is related to the major difficulties these farmers face in accessing financial services. On one hand, financial services are in most Southern African countries not well established, in particular for agricultural and foreign initiatives, with high interest-rate loans (23% in Mozambique for example) often being the only financial service available. On the other hand, few of these 'new' independent farmers have a well-developed track record in the countries where they are planning to develop their activities, leading to banks – in both their home or hosting countries – not willing to provide working capital for these projects. Lastly, they engage in various production patterns, although mostly in fruits (mango, banana, citrus), tobacco, soy and cattle. A common characteristic is the focus on high value-added commodities produced according to labor-intensive farming systems.

* Results, outcomes and sustainability

There are few successful farmers in this model; most of them are struggling to establish themselves. A large share of them tried to access land, few succeed and manage to start their production, even fewer manage to continue on a long-term basis. The technical difficulties and institutional uncertainties are major factors for failure. In Mozambique for example, the only projects that are successful, at least at the time of the survey, are those with higher value-added production. RDI Ltd (litchis and potatoes, Sussundenga), AgriZA (bananas, Manica), Phoenix Farm (tobacco, soy seeds and maize seeds, Vanduzi) and GETT (intensive poultry production, Nampula) are some examples. Production of low value-added commodities (such as grain) seems not suitable, particularly when farmers are not integrated into specific value chains.

In order to overcome some of the obstacles encountered, these independent farmers adapt. As such, variants, based on institutional innovations mushrooming from the independent farmers' model, are appearing. They mainly consist of farmers establishing two types of associations or informal groupings:

> Farmers setting up an auxiliary farming activity, as an extension of farming activities in their home countries. This set-up allows for the newly settled entity in the host country to benefit from continuous financial support (avoiding the dependence on host country loans or alleviating the financial pressure related to the long – often unproductive and thus costly – settlement period), but also from technological and stock transfers, developed market channels, etc. Although a focus might be to conquer host country markets, a major difference with the independent farmers is their export-orientation as they benefit from the already established markets and structures.

[3] In the majority of the cases, farmers tend to produce for domestic markets as, compared to foreign ones, demand is often high, prices received are often above international prices (as domestic prices are based on international imports for a large majority of produce) and transaction costs (particularly transport) are lower. In some cases transportation costs are too high a barrier of entry, preventing these farmers from exporting.

Farmers affected by the aforementioned obstacles tend to group themselves into associations in order to pool resources or benefit from economies of scale. Although the production itself remains independent (in all cases identified through the study), pooling of resources and working equipment leads to a significant decrease of establishment and transaction costs. It enables the farmers to reach production volumes and standards that allow them to reach economic viability thresholds and facilitate the development of input and output markets (often through contractual arrangements).

These associations are not only more stable compared to the independent farmers, they also structure the less-established agricultural sectors and value-chains through collective actions. They do so through organizing agriculture (farmers organizations, etc.), as well as by opening up markets. In the Manica province in Mozambique, foreign independent farmers and domestic emergent farmers have formed the FrutiCentro association. Lobbying together local authorities, they mainly endeavor to reach certain production volumes facilitating them to negotiate contractual arrangements with input suppliers and off-takers (often coming from far-off major urban centers such as Maputo or Beira).

* Inclusiveness and local/national development

Overall the independent farmer model, by nature, shows little inclusiveness with domestic farmers. Even in the case of the more associative variants, these informal groupings generally occur as autonomous and independent clusters, mainly gathering foreigners, with little interaction with local dynamics. This is also the case regarding associations with local farmers. They remain often elitist, only including better-off emergent farmers who are not representative of the majority. The FrutiCentro case is an example of the latter.

In addition, as most of these farmers are struggling, many of the potential benefits for the local communities are the first to be jeopardized. Very few permanent jobs are being created, with most of the jobs being seasonal, monthly or even daily. Even if the farming systems implemented are often labor intensive, the smaller scale and the seasonal nature of the operations imply a limited impact for local populations.[4] Moreover, their geographical dispersion and the relatively small size of these investments are the main reason explaining their minimal leverage on broader developments such as infrastructure or social measures. In general, the benefit is a once-off compensation for the use of land and, depending on the national law, a yearly land use tax. Finally, since it concerns rather smaller pieces of land, access to land is often acquired through local (regional or provincial) authorities with few formal enforcement measures in place, contributing as such to non-transparency.

3.2 Cooperative model

A further institutional innovation of agricultural investment models observed in Southern Africa is the establishment of cooperative farmers' structures facilitating the development of farming operations in the host country. As demonstrated in the Figure 1, this cooperative model is often based on multi-level governance structures varying from agricultural unions, established in the country of origin and developing activities abroad, to the development of farmer cooperatives and the establishment of farmers with collective and individual operations in the host countries. Analyzed examples of this model are Congo-Agriculture in the Republic of Congo and AgriSA-Moz in Mozambique, both engaging South African farmers.

[4] For example, on the 75 ha of tobacco production of one of the independent farmers interviewed around Chimoio (Manica, Mozambique), the average labor intensity is 1.13 workers/ha, varying from 0.08 workers/ha during the dry season up to 2 workers/ha in the peak of the rainy season.

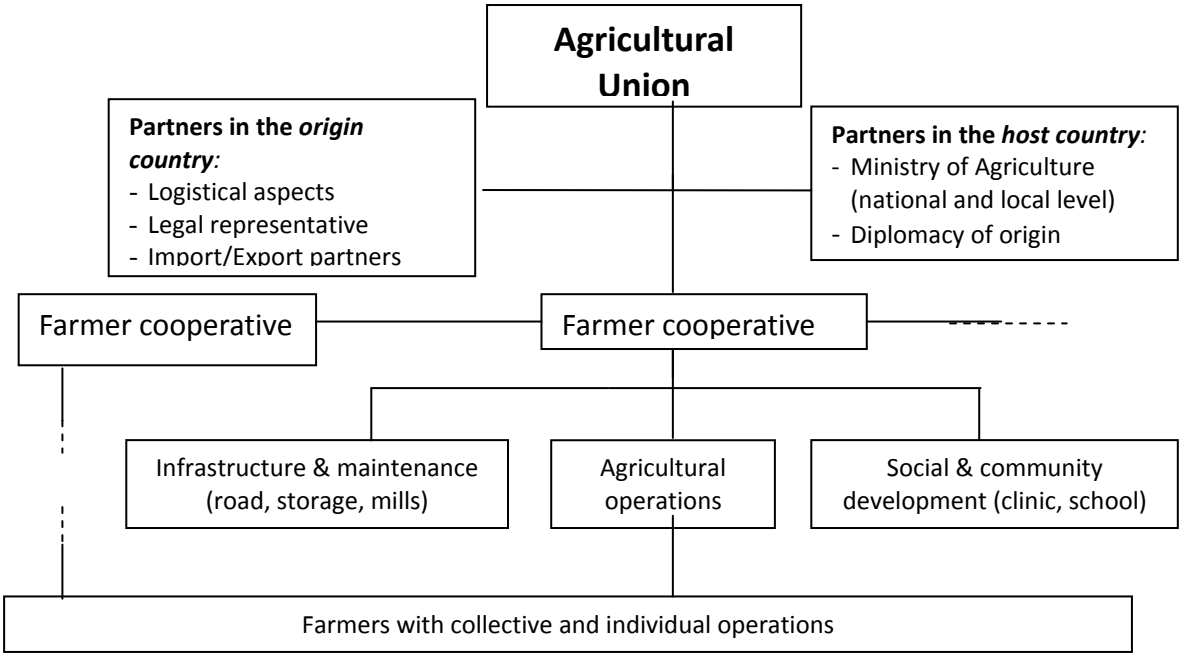

Figure 1: Governance structure of the Cooperative Model
Source: Congo Agriculture (2012)

* Set-up and organizational characteristics of the model

These cooperative structures engage in several activities:

- Representing the interests of the farmers engaged abroad;
- Negotiating with national authorities on behalf of the farmers in order to obtain access to land and benefit from certain advantages (level of tax, insurance, support for infrastructure development, import/export benefits, etc.);
- Establish and support the productive base (cooperative set-up, i.e. screen farmers, coordinate farmers, secure funding, empower members technically and institutionally, etc.)

On average, the total area concerned depends on the number of farmers involved but generally covers several tens of thousands of hectares (10,000 ha-80,000 ha).

The cooperative structure is the basis for many elements related to the development of a sustainable farming enterprise (Box 1). The financial resources come from a loan made available by an institution in the home country. The latter is made possible as the loan was taken on collectively by the cooperative structure, backed by the mother union and internationally. The initial loan is used exclusively for cooperative elements, such as overall infrastructural development and common farming activities. Secondly, the cooperative structure facilitated contractual arrangements for the off-take of the production, through its government contacts, the identification of off-takers, but also through its negotiation power with the third parties and the creation of a collective brand for commercialization (Favrot 2012). The cooperative also plays a major role in the legal set up of the model, negotiating a bilateral investment treaty. In the case of Congo Agriculture, one of the first steps was the signature of a bilateral investment treaty between South African and Congolese authorities in May 2010 (Hall 2012).

Box 1: Congo-Agriculture – the example of a cooperative production model

Farmers are members of the mother union and cooperative structure and are farming collectively with a cooperative type of management. In a second phase, land can be subdivided and/or transferred to the partaking farmers. As is planned in Congo Agriculture, once the overall project is established, independent farming activities will be developed on individual plots. The latter will be developed autonomously, based on own inputs and contributions (for example, farmers will have to seek their own funding and lending opportunities). Three sub-models might exist in parallel: the first one will remain the cooperative activities (the farmers engaging in the latter will perceive a salary from the cooperative structure); a second sub-model will be based on individual farming activities (based on the independent farmer model); a third will take on the form of smaller syndicates that will gather a small number of independent farmers (based on the associative model).

* Results, outcomes and sustainability

The institutional and productive bases of these set-ups are relatively stable, mainly due to bilateral agreements, and far-reaching and multi-level negotiations and engagements on the ground. In addition, the solid organizational base opens many doors and possibilities, ranging from government support to possible contractual arrangements. In the Congo-Agriculture case, production is growing significantly (reaching 2,500 ha after the first year), creating jobs for about 45 permanent and 200 temporary staff.

Due to the bilateral agreements, performance thresholds and certain conditionalities are agreed upon. As such, again for Congo-Agriculture, the entire production (maize) was, according to the bilateral agreements, oriented to the domestic market. As imports are often the main chunk of local consumption, leading to high consumption prices, investors get good prices for their produce, while alleviating the dependency rate of the countries and lowering local consumption prices (sometimes by 50%, as in the case of Congo).

** Inclusiveness and local/national development*

On paper, mainly related to the bilateral agreements, the projects should include a significant range of benefits for local development and populations.[5] In addition, on the ground several more indirect benefits occurred. In the Congo-Agriculture project (Favrot 2012):

Investors revitalized boreholes and facilitated access to the latter for local communities;
In the framework of the bilateral agreements, public infrastructure – such as roads and bridges – is enhanced by the government, facilitating the investors but also the local population access to the nearest towns, etc.
And, through employment creation and enhanced infrastructure, an effective development, based on local dynamics, was instigated and would deserve a more in depth economic analysis.

[5] For Congo-Agriculture. these benefits range from production criteria, marketing and production use prerogatives, to the establishment of social infrastructure (schools, clinics), the development of productive assets and infrastructure (preparing fields, delivering water) and to employment creation. In addition, the transfer of technologies, and making available techniques and instruments are also often promoted on paper. In the case of Congo Agriculture for example, the creation of an "Agricultural College" is supposed to be the channel for the transfer of technologies. This includes training of farm workers, leadership training for farm managers, artisans training (plumber, woodwork, electrical), driver training and schooling education for adults (Favrot 2012).

This being said, this model is not an inclusive business model in the sense that local communities are not engaged and are not benefitting directly from the project. In addition, farming systems are highly mechanized (with relatively little job creation, considering the size of the project) and inspired by commercial farming operations with large-scale plantations and no out-grower schemes. Also, even if budgets for these activities and benefits are included in the business plans and agreements, the different contracts stay vague regarding the enforceability of these commitments. Here again, during the initial phases, the investors focus on their core business, leading the social aspects to fade away (at least temporarily).

3.3 The 1,000-day model

This model has the objective to make available a ready-to-start large farm operating in food or biofuel production on the international market in approximately three years (hence the 1,000 day model). The rationale of this hybrid model is based on two assumptions:

an anticipation of a future demand for land for food and biofuel production;
the significant increase of land value at the time the farm is ready to produce (and can be sold to an agribusiness company or an investment fund).

The 1,000-day model can be defined as "land speculation".[6]

* Set-up and organizational characteristics of the model

On one hand, a developer, i.e. a consultant/entrepreneur often locally integrated but with strong foreign business linkages, secures large-scale land rights. On the other hand, a "financer", generally foreign agribusinesses (generally listed on a stock exchange market), investment funds or private equity investors, provides the financial resource (without directly engaging in the operations). The developer is either in charge of all the activities (in order to reduce risk) or, as is often the case, sub-contracts parts of the activities to service providers. Because of the short timeframe of the project and the high level of risks and uncertainties, contracts are characterized by high level coordination established by the entrepreneur. The Inhassune plantation and project C3, both in the Inhambane province in Mozambique, are examples of this model.

The expectation is to raise on average a 30% return on investment after 3 years, equivalent to a 1,000 day establishment plan on farms of, on average, between 5,000 and 10,000 ha. The process to acquire the land or the right to use it is centralized. The developer uses political relations and networks, including within the relevant Ministries such as, for example, the Ministry of Agriculture, to facilitate the land acquisition process. Theoretically, after three years, once the farm is established and when the marginal profit starts decreasing, the farm is sold.[7]

* Results, outcomes and sustainability

[6] This model is similar to the ones found in South America (mainly Argentina) (Rabobank 2011). Rabobank's Industry Note describes this as a "land transformation model" and emphasizes that, "although they grow crops and own a feedlot and slaughterhouse, their main focus is on land transformation, developing farmland with productive potential and selectively selling those properties where values appreciation has been realized" (Rabobank 2011, p.3). This "1000 day model" is thus not new in the economic literature, though its implementation in Southern Africa is.

[7] The value of the farm continues to increase with the value of the production; however, one will never obtain again a sharp increase in the asset value.

This model is one of the responses to the overall commercial pressure on land dynamics, in particular related to the jatropha promotion measures implemented in several African countries since 2004 (Schut *et al.* 2010) (Box2). Although many projects started, many of them are not taking-off effectively (but still allows the developer – or just the land-right holder in this case – to control the land rights), or collapsing before completion (before the 1000-days) and are never sold. For those finalized and sold, no or little effective production has come out of this model. The reason for the latter relies on the fact that the aim of these projects was never effective production, but rather land speculation by the developer. The Inhassune plantation, for example, developed by a well-integrated South-African developer, was sold according to this framework to Italian investors. During the time of the survey, a legal conflict mushroomed as the project was not suitable for effective production.[8]

Box 2: Jatropha Speculation in Mozambique

The Jatropha discussion started in 2004 in Mozambique when the President Armando Guebuza announced "Mozambique should be an oil-exporting country, […] and jatropha should be planted on all unused soils" (Schut *et al.* 2010). Since then, active promotion of jatropha production started in Mozambique. This promotion, as well as the European Policies on renewable energies and biofuels (20% renewables, 10% blending of biofuels for the transport sector) and considerations regarding jatropha's drought resistance, creating the perception of Mozambique as a place with great opportunities for the development of jatropha, attracted numerous private investors, especially Europea,. In the meantime, project developers and asset management companies secured land rights over large tracks and proposed their skills to foreign investors. In 2007, the Government of Mozambique and the High Commissions of different countries (Italy, Netherlands) organized conferences on investment in biofuel production to facilitate its development and attract foreign direct investment. These were opportunities for project developers and asset management companies to present their projects to foreign investors and secure partnerships and financial resources. These promotional initiatives as well as of the lack of knowledge of investors led to the establishment of speculative models that never turned into productive ones. At present, the jatropha boom in Mozambique is over and the crop is not presented anymore as a strategic commodity for the country's agricultural development.

* Inclusiveness and local/national development

This is probably the worst model in terms of inclusiveness and benefits because it is based solely on the capture of a rent from land transformation. Due to the centralized process and the time-constrained implementation, it results in a lack, even total absence, of consultations with the local communities, almost no employment creation and in many cases no effective production. The large amount of failures of these projects has left the local communities not only with unproductive projects, but without any of the compensations promised.

3.4 The Asset Management Companies model

This model is characterized by the use of an asset management company as link between financial and business corporates willing to invest in agriculture. In comparison to the 1,000-day model, the objective of the asset management company model is not speculative but productive. In Mozambique, projects established for rice production in Chokwé, jatropha in Buzí and Gondola, sugarcane in Chemba and soya in Gurué have used this approach. Many of the South African based

[8] Interview with the CEO of ESV Bio Africa, 10/05/2012

asset management companies investing elsewhere in Africa, such as the Zeder-Chayton operations in the Mkushi farm block in the Zambia's Central province, are similar.

* Set-up and organizational characteristics of the model

The financers are investment funds, willing to invest in agriculture. Several types of investors, presently negotiating their engagement or already actively involved, were identified, including: endowment funds (Emvest); corporates (Tata investment corporation), listed funds (Trading Emission PLC), private equity funds (BSX) and development finance institutions (FMO with the Dutch development bank and Phatisa with the French Cooperation) (Ducastel and Anseeuw, 2013). As financial institutions, they do not directly engage in the agricultural activities. The latter is engaged, as presented in Figure 2 (Buxton *et al.* 2012), by the fund managers and the asset management companies who play a central role in the fund-models set-up. In addition, in a large number of cases, side-sell analyst and auditing companies (Price Water House Cooper, KPMG, Ernst & Young, etc.) are contracted to monitor the activities implemented by the asset management company (Figure 2).

Two established process are found on the ground. Firstly, investors launch a tender for a manager with a specific mandate; or secondly, which was more often found on the ground in the developing countries, the asset management company takes the lead in defining and establishing the project, while trying to get financers on board. In any case, asset management companies are responsible for the effective work on the ground, including fund management, project set-up and management (from land access and production to the organization of output markets), etc. The asset management company can either develop the land itself or contract specialized service providers. For example, The Niqel jatropha project in Buzi (Mozambique) invested in all the heavy machinery (bulldozer and excavators) needed to realize the land preparation (an initial investment of over US$4,000,000 financed by the Dutch Jatropha Consortium), whereas the SunBioFuel project in Manica (Mozambique) subcontracted specialized service providers, Unitrans and Pressa, which were already well established in the road construction and forestry sectors.

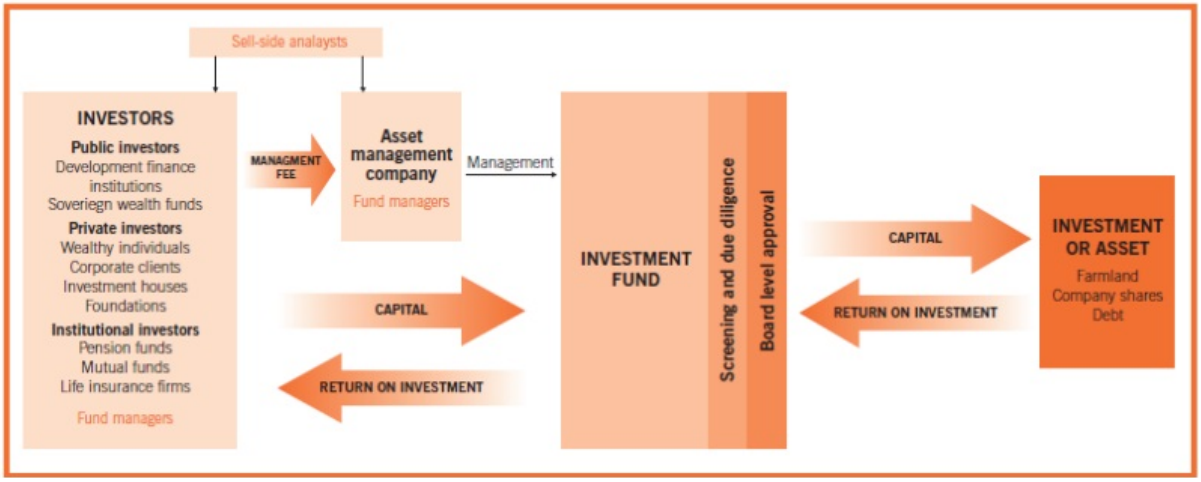

Figure 2: Investment actors and processes
Source: Buxton *et al*. 2012

Focusing on financial indicators (mainly high and short-term returns on investment), these financial corporates prefer large-scale commercial and mechanized agricultural projects, covering between 5,000 and 10,000 ha without outgrower schemes. In addition, they generally use advanced risk management strategies.

While the production is delocalized (Mozambique, Zambia), investment funds, and more particularly the asset management companies, tend to reduce investment risk, by being based in more stable and well-established countries, such as South Africa. This strategy enables them to benefit from advanced financial tools (multi-peril insurances, futures and hedge markets);
Geographical and commodity diversification through investment in several projects and countries also allows them to manage production risk, while benefiting from economies of scale (related to input purchases, reaching volume thresholds for market access, etc.);
Focus purely on more lucrative markets (often host country or export), although – due to often higher output prices in the host country – many asset management companies are increasingly focusing on local markets. As such, while Emvest initially produced primarily for its home base and retail hub in Midrand (South Africa), it is now developing its activities around retail opportunities with locally based supermarkets.

* Results, outcomes and sustainability

The results of this model are nuanced. The technological and financial instruments have little (or certainly less) impact in unstable and not well-established environments. Much lower than expected returns often lead to a loss of confidence in many asset management companies and the withdrawal of funds. In many cases it resulted in a "cash-trap" and in the project being put on "stand-by" for a couple of years (Box 3). This is particularly true in the case of the asset management company taking the lead in project development before having secured finances.

Box 3: The "cash-trap" situation in Mozambique

One of the main results of the analyses conducted in Mozambique is the evolution of the organization of this model. Until 2010, financers were mainly financial corporate focusing on high and short-term returns on investment (15% on 5 years). However, suffering from the financial crisis and facing difficulties to obtain the high short-term returns expected, most of the corporate financers stopped investing. This situation resulted in a risky and chaotic development of the project with often one or two years of "stand-by". The situation is then characterized by the ownership of a project with several hundreds of hectares already planted and several thousands of hectares for potential development but without funds to continue the activities. During this period of "cash trap", the activity and number of people employed sharply decrease and are reduced to the minimum level for the maintenance of the area already planted. In the case of the large-scale SunBioFuel jatropha project in Manica, the corporate financer retracted its partnership after 3 years (in 2011) of the established 2,300 ha of jatropha plantation. From that time, the asset management company stopped employing most of the 200 workers and only maintained the management team and 5 workers to realize the maintenance of the plantation. The asset management company only found new investors in early 2013 and activities should start again in 2014[9]. A similar situation is happening to the Grown Energy Zambeze sugarcane project in Chemba.

Consequently, the financial uncertainty results in two evolutions regarding this model. Firstly, it results in tighter control mechanisms, mainly through a higher degree of coordination and vertical integration by the asset management company. The Emvest example is again illustrative: EMVEST – initially only engaged in primary production but endeavoring to secure its own market linkages – is taking charge of the fresh produce sections of the newly planned SPAR supermarket in Beira (Mozambique). Secondly, asset management companies (particularly those who are not able to vertically integrate on their own) are now looking for business corporates with experience in

[9] Interview with the Manager of Sunbiofuel, 24/05/2013.

agribusiness value chains (sugarcane multinational companies, fertilizer producers or food and oil processors) to finance their projects as well as to overcome certain of their obstacles (market access). This change in partner implies a modification of the financial objectives and, consequently, of strategies. As such, a shift appears from short term to medium term returns (after 15 years) and, most importantly, a more significant focus on the acquisition of "raw material" coming from these projects for their other processing activities.

* Inclusiveness and local/national development

Although the production can benefit domestic economies, the potential benefits for local communities are often limited and mainly delayed because of the financial uncertainties faced by the asset management companies. Again, for most cases interviewed in less developed agrarian economies (i.e. other than South Africa) and where asset managers take the lead, the initial risky establishment of activities is a compulsory pre-requisite to find investors interested in financing the project. However, this period of "cash trap" is often perceived by local community members, local government official and NGOs as the failure of the project and leads to latent conflicts.

3.5 Contracting model

The main characteristic of this model is its structuration around contractual arrangements for production. This model can exist in its most simplified format, such as contract farming, or as more complex institutional arrangements, as described by (Cotula *et al.* 2010). As such, beyond contract farming, three other variants or sub-models are identified.

The first sub-model is a *nucleus-estate* one, centered around agribusinesses, which are partly integrating primary production activities and partly procuring through contractual arrangements with local (or foreign) farmers. An agribusiness integrates directly through primary production (the nucleus) on a large scale (several hundred to several thousand hectares) and indirectly through the development of outgrower schemes (the estate). Although previously mainly embedded within high value crop export value-chains (high quality vegetables or organic sugarcane for example) (Burnod *et al.* 2012), it is presently developed for a diversity of production models, for example by SAB-Miller in Tanzania or by Companhia de Vanduzi in Mozambique.

The second sub-model is a management contract under which the agribusiness develops all the activities in exchange for access to land. This kind of contractual agreement can be referred to as a "*reverse tenancy" sub-model* (Colin 2013), where individuals, farmers' associations or communities make available land to an agribusiness which exploits it for their own account. Examples of this sub-model are often found in the plantations sector, such as for eucalyptus plantations in the north of Mozambique, or in South Africa where agribusinesses manage the land on behalf of land reform beneficiaries (Lahiff *et al.* 2012).

These models go beyond contract farming, which has been developed extensively in the region (Pitcher 1998, Vermeulen *et al.* 2010, Freguin-Gresh *et al.* 2012) but which does not entail the acquisition of land for primary production by the agribusiness.

The third one, the *ingrower sub-model*, consists of independent farmers or agribusinesses that acquire land for his/its own production and provides (un-used) portions of land to selected local farmers or employees to cultivate. All farmers, i.e. agribusinesses/main commercial producers and ingrowers produce according to a common technical itinerary, including input and output channels.

* Set-up and organizational characteristics of the model

Every sub-model has its own organizational characteristics, depending on the terms of the contract. However, they all imply some common aspects.

First of all, the main aim of these agribusinesses entering primary production is to secure supply of production at a lower and more stable price (compared to the prices on the present global markets), often in order to sustain the significant investments in (processing) facilities in which they are engaged.[10] Their strategy is then based on a trade-off between their own production (but which implies production risks), contractual arrangements with local farmers (with a certain level of transaction costs), and procurement on the spot market (characterized by quantity and price fluctuation).

Secondly, these contract models present a high degree of coordination, managed by the agribusiness or main commercial entity/farmer. As such, the latter imposes all production specifications and controls input and output markets. In many cases, the agribusiness also controls the entire technical itinerary of production, such as planting patterns, seed varieties, fertilizers, chemicals as well as technical support – which are provided by the agribusiness, while payed by the out- or ingrower. By doing so, they secure continuous supply and reduce (contracting) transactions costs. To facilitate this coordination, agribusinesses work with farmers' associations or groups (from 5 to 50 farmers).

* Results, outcomes and sustainability

Established by well-structured and developed agribusinesses (often multinationals) or commercial entities/farmers, the model is relatively stable. In addition, the association between agribusinesses and farmers allows overcoming the many obstacles encountered by local or independent commercial farmers (finance, input and output markets, etc.). As such, many local and independent farmers (including those described in the first model) seek to enter in such contractual arrangements with agribusinesses.

Important to note is the engagement, directly or indirectly (i.e. financing of such models) of non-agricultural businesses on the basis of similar models in agriculture (for example, besides supermarkets, breweries such as SAB-Miller in Tanzania, also mining, marketing and transport companies have been engaging in primary agricultural production).

Promoted as public-private partnership by national governments and international institutions, this strategy is often seen as a "win-win-win" situation for the agribusiness, local/independent farmers and the national governments/international donors. The establishment of such models is thus often supported and relies on the financial and technical participation of international donors and NGOs (Box 4). For example, the former benefit from financial resources or concessionary loans. NGOs and development projects are also involved to secure land rights for the farmer associations[11] or providing them with inputs.

Box 4: Numerous examples of State and donor support for diverse contracting models linking agribusinesses with local/independent farmers

* The corridor or cluster approaches – The Beira Agricultural Growth Corridor (BAGC)
The BAGC initiative is a partnership between the Government of Mozambique, private investors, farmer organizations and international agencies. It was launched in 2010 and aims at promoting

[10] This is the case for the sugar industry for example, where the mils have to turn a certain number of hours a day in order to be economically viable.
[11] The process of land right formalization have been realized through the Iniciativa Terras Comunitarias program (ITC) and the soya producers are benefiting from seeds and technical support from Technoserve.

increased investments in commercial agriculture and agribusiness within the Beira Corridor (Tete, Sofala and Manica Provinces). One of their facilities, the Smallholder Support Facility, supports the implementation of initiatives leading to the development of sustainable and replicable models of integrating smallholder farmers into markets. The facility will focus on those initiatives that seek to address agricultural support service constraints faced by market-focused smallholder farmers. The range of initiatives to be financed includes: i) Innovative models for supply of relevant agricultural support services (technology development and transfer initiatives, training, credit etc.) benefiting smallholder farmers; ii) private sector-driven outgrower schemes in priority value chains for the corridor.

* Strategic partnerships for South Africa's land reform beneficiaries

In the framework of South Africa's land reform programmes, large areas of high-value irrigated land have been restored to relatively poor communities. In order to maintain the productivity of commercial farming enterprises, and to maximise long-term benefits for their members, these communities have entered into contractual arrangements with so-called 'strategic partners', most of which take the form of joint ventures. While the state funds the land transfer and provides certain start-up grants, the strategic partner is expected to provide technical and managerial expertise and arrange access to commercial sources of credit. In return, the strategic partners expect to benefit from a share of profits, a management fee and opportunities for additional upstream and downstream activities. Communities stand to benefit from land rentals and a share of operating profits, as well as jobs and training opportunities for their members (Lahiff et al. 2011).

* Inclusiveness and local/national development

This model can be beneficial in terms of local development. Not only does it contribute to job creation in the processing segments, it also facilitates the inclusion of independent farmers based on different schemes. The reduction or removal of entry barriers can allow "accumulation from below" (Cousins 2013). In addition, this model, related to its often centrally negotiated set-up and support by government or international donors, is benefiting from publicly supported infrastructural development (i.e. road infrastructure, electricity, water), which is also furthering local development. Some of the agribusinesses engaged in this model, through their corporate social responsibilities programs, also engage in social infrastructure development through the development of schools, clinics, etc.

However, due to a problem of inconsistency, high quality standards of increasingly restructured markets (Louw *et al.* 2007), and biased power relations (Lahiff *et al.* 2012), this model might show unequal benefit repartition as well as an exclusionary pattern of local/community farmers (Freguin-Gresh *et al.* 2012). Also, emerging (often urban) elites, as well as foreign commercial producers, tend to be integrated more easily into these models. This is particularly the case of several independent South African farmers, who are invited by agribusinesses to get involved in contract models in third countries. Lastly, the social implications of some of these should also be highlighted as farmers find themselves incorporated into production chains in which they are isolated actors with no decision-making or orientation power. With technical capital used not belonging to them but is made available, owned and managed by the management company, these farmers' situations are increasingly similar to those of proletarian agricultural employees, service providers or even just rent-seekers (Anseeuw *et al.* 2011).

3.6 Agribusiness Estate

This model is characterized by the full vertical integration of the different segments of an agricultural value-chain, mainly through foreign multinationals or listed enterprises on foreign stock markets.

* Set-up and organizational characteristics of the model

Several forms of such enterprises are identified:

- Large private agribusinesses, expanding their markets and portfolios (eucalyptus plantations in Mozambique by Portucel; cattle breeding with control of feed production, feedlots, abattoir and even retail networks by Zambeef in Zambia);
- Colonial structures that are being revitalized by the host government, by recalling and redeveloping old and faded ties (mostly for the sugarcane plantations and mills in Mozambique);
- Foreign parastatals aimed at securing access to agricultural commodities (for example, for food security in the country of origin, etc.). This is the case of a Malaysian investor in Congo Republic (Favrot 2012).

These very large projects (often more than 10,000 ha) often rely on irrigated crops, are highly mechanized and involve capital-intensive business models.

Total integration relates to diverse elements. A first element is related to the crop characteristics. This is particularly the case for sugarcane production, for example, which necessitates direct transformation. Companies such as Illovo, Tongaat-Hulett and TSB are very well established in the region and are presently investing in Southern African countries based on this model. As well as these South African companies, some European companies (Tereos in Mozambique for example) are also present. It is also the case for eucalyptus as a large part of its value comes from the transformation process. A second and more recent tendency is the decision of certain transformation industries to integrate primary production. Such processes have been accelerating since the food price crisis, the reduction of world food stocks and the increase of basic food commodity prices in 2008-2009 (mainly with the aim to reduce costs and secure procurement). This is the strategy for certain fruit and vegetable transforming enterprises, integrated beef and other meat productions.

* Results, outcomes and sustainability

On one hand, these large operations may have important implications for national agricultural sector growth as well as energy autonomy but, on the other hand, imply important risks. These large projects are often considered to be strategic by national authorities. This political support generally implies a centralized decision regarding the approval of the project and access to land. In the case of the eucalyptus value chain and also in the sugar value chain, the large financial resources invested in these projects, the industrial management of the processing factory and the risks involved in contracting with other farmers, push for greater control of the value chain by agribusinesses. As such, this agricultural investment model presents a high level of coordination or even a total integration of all the activities. Although some agribusinesses contract with service providers able to furnish solutions for very specific activities, such as loading and transport logistics and for a broader range of mechanized services, in the majority of the cases, the agribusinesses vertically integrate all the activities. Finally, this mode of production is based on large-scale, intensive mono-cropping, which is not without environmental concerns.

* Inclusiveness and local/national development

Beneficial at a national level (alleviating food security, increasing food production and job creation), benefits for local populations often remain limited. The latter could be potentially higher, particularly in the framework of the company's corporate social responsibility (CSR) strategies. Also, as a result of the strategic character of these investments for host governments and the political support deployed

for such projects, this model implies a centralized decision process, often leading to a lack of consultations with the local population (Box 5).

Box 5: Centralized establishment of agribusiness activities, leaving out local communities

This is the case for the eucalyptus value chain for paper production in Mozambique. The Portucel company will establish (in 2015) two factories in Manica and Zambezia provinces with planned employment for more than a thousand people each. In order to secure enough raw materials, the Government of Mozambique allocated land rights on more than 200,000 ha to Portucel.[12] Not consulted and thus leaving local communities with few refusal opportunities, the provincial Geography and Cadastral services even received letters from the central Ministry of Agriculture indicating that they had to approve the land right allocation for a specific investor.[13]

In addition, this model is an example of what Ferguson (2005) calls "enclave economies". Hall (2011) described these models as "*involving outright takeover of land and related resources and the construction of related infrastructure, partly to provide inputs and process output of a commercial enterprise*." This is certainly the case of the Mkushi farm block in the Zambia's Central province, which – although still dormant for the most part – is an enclave identified for the promotion of large-scale commercial entities. Lastly, and particularly in the case of foreign parastatals aiming at securing access to agricultural commodities, the full production might be exported to the investing country, leaving out local markets and economies.

4 The difficult trajectory of foreign agricultural investments in Southern Africa

Certain models seem to be developing more in specific countries. All models tend to develop in relatively liberal Zambia. Congo tends to rely on a centralized administration, leading to models based on bilateral negotiations such the cooperative model, the nucleus-estate and the agribusiness one. An intermediary dynamic can be identified in Mozambique, where at the national level a more centralized system leads to the larger cooperative/nucleus-estate/asset management ones; however, through its provincial administration, independent, associative and asset management models are established at provincial level.

Despite these divergences, all the models reflect three common tendencies: a high investment failure rate, a tendency to increased value-chain integration and little inclusiveness of local populations.

4.1 The rush back home? A large majority of investments are failing

A consensus exists in the research community on the fact that a high proportion of deals that are reported by the press are never implemented (Anseeuw *et al.* 2012). Indeed, the failure of a project can happened at different stages of negotiation or implementation. A lot of investors expressed interest or even started the process to get access to land but abandoned the project before getting the official recognition of their land rights. Nevertheless, even among the project that managed to obtain their formal land rights and started establishing their project, a high level of failure had been identified. In this case, we consider a failure of the project when the management team of the project left the area for more than a year. A detailed analysis of the agricultural projects approved between 2007 and 2012 in four Mozambican provinces (Sofala, Manica, Zambezia and Nampula)

[12] Interview with the general manager of the eucalyptus plantation, May 2013.
[13] Interview with staff of Geography and Cadastral Provincial Services in a central province of Mozambique, March 2013.

show the failure of 63% of the projects. This level of failure is even higher for the projects dedicated to biofuel production (77%).[14]

According to the interviews conducted with farm managers, four main reasons explaining this high level of failure can be identified. First, the high settling and transaction costs to establish a business in Africa. All the project managers interviewed emphasized the necessity of collecting soil, climate and land use data in details in order to identify the specific location area of the project. On top of these costs, one has to add all the travel expenses, the consultancies, the transaction costs related to the understanding of the business environment, the cost of land access and the bribes. For a project implying a land access of 5,000 ha, this cost is estimated to be between US$500,000 and $750,000. This means, that before acquiring the equipment, preparing the land and planting, the investors must be sure to have these funds available[15] Most of the investors, especially the non-African ones underestimated this difficulty. As a result, South African and Zimbabwean consultants and fund managers are now particularly targeted by investors to reduce these implementation costs. The second reason is the technicality of the projects. Most of the investors underestimate the technical and managerial difficulties related to the implementation of large-scale agriculture in often difficult ecological, political, bureaucratic and socio-economic environments. The case of the South African farmers in Congo illustrates the latter. Being affected by several unconsidered technical issues, such as tropical maize pests, etc., their productivity remains far below expectations leading to difficulties to honor loans and contractual arrangements. Third, the lack of financial resources and services leads the projects into a "cash trap". Financial services used by these projects come from more established economies, such as South Africa or other developed countries. Local financial services are very expansive and often not adapted to settling investors, especially in agriculture. For example, commercial bank's interest rates are 23% in Mozambique for an agricultural company that wants to produce for the domestic market. Fourth, the lack of local markets well developed to buy inputs and commercialize the production. Exports markets are often difficult to reach, transport costs are high and norms and non-tariff barriers frequently impact the individual farmers that can deliver relatively low volume and irregular production (particularly in the early phase).

The high failure rate depicts a "not-so–rosy" story concerning the land deals that have been implemented. A large number of projects have failed even before effectively starting to produce. It pushes many to return to their country of origin, representing a rush back home. Others tried to change their investment model (forming associations or implementing activities through the cooperative model) or work for other investors (as subcontracting farmers for asset management companies or nucleus estate models). This pattern of failure leads to rapidly changing strategies of the investors, leading to the typology of models presented being dynamic. Failing investors re-strategize and engage in different models as they seek new financial resources (including from international cooperation agencies). Another implication of this high level of failure is that better-off investors take over the land of failed projects leading to more concentrated agrarian structures but also to first hand negotiations and local population's inclusiveness often to be neglected. Moreover, after the failure of the project the population can stay or come back on the land but with insecure land rights because the land is already identified as a potential area for investors. As generally considered in economic development literature, this pattern of even more insecure land rights will have consequences on agricultural development of local farmers who already complain about the limited access to land to maintain their itinerant farming systems and about the lack of possibilities to buy fertilizer to change this farming system.

[14] Author's calculations based on CPI and CEPAGRI data (2007-2012) and fieldwork monitoring.
[15] Interviews with farm manager of jatropha projects and business consultants, May 2012.

4.2 Vertical coordination - A necessity for success?

An increased tendency towards vertical integration is indeed a common trend observable in all the models identified. Not only is there an increasing degree of integration from the first independent farmer model towards the last agribusiness estate model; the tendency is also observable within each model. Indeed, all of them tend to integrate their activities in an overall vertically integrated entity. Moreover the many difficulties encountered by a large majority of investors reinforce the conviction among investors that vertical integration is the way forward.

This integration process encompasses not only the farm itself, but often integrates the entire chain of agriculture-related activities, including seed supply, processing, machinery, storage, transport, marketing, and in some cases outlets, shops and restaurants. The approach is not new, and several agricultural export sub-sectors (such as coffee, cotton, etc.) are already structured according to this model, particularly in Latin America (Rabobank 2011). However, over the past few years, this strategy has been applied more widely, both geographically (Southern Africa) and across agricultural sub-sectors (meat, cereal, etc.).

This process of vertical integration or coordination is driven by local and international factors. Firstly, according to Vermeulen *et al.* (2010) investors expect a reversal of the risk/profit relationship within the production value chains because of the increased interest and increased commodity prices. Whereas primary production constituted until now the main risk factor, with profits returning to downstream and upstream actors, the increase in agricultural prices now tends, at least according to investors' strategies, to invert this relationship benefiting as such the primary production activities. This leads to agribusinesses or other corporates to integrate primary agricultural production in their portfolios, developing strategies to secure fixed supply and reduce the risk of commodity price volatility. Secondly, avoiding the above-mentioned obstacles is another main reason for investors to vertically integrate. Vertical integration is a frequently applied strategy in order to overcome market imperfections. The more the coordination goes toward integrated forms, the more the risk decreases, resource access is secured and bargaining power is strengthened (Reardon *et al.* 2009).

4.3 Few inclusive agricultural development models

These failures and the necessary vertical integration lead to few inclusive agricultural development models. This leads to three direct consequences. The first one is related to the challenges for local farmers to participate and benefit from the present land and agricultural investments as the latter tend to be more and more integrated. This integration, and by consequence the increasingly closed nature of the developing value-chains, implies large-scale land acquisitions to represent exclusive rather than inclusive development models. Related to this, the second one concerns the 'isolation' of many of the foreign investments. Indeed, as very few inclusive models are being developed, and a lack of relationships being created with local farmers and stakeholders, many of the foreign investments remain isolated and are developed as "enclave economies" poorly integrated to their surrounding society and economies (Ferguson 2005). The third one concerns overall agricultural development, in particular for local economies and populations. Based on the present observations, success of these investments does not necessarily mean the development of local agricultural economies. Although some models and specific projects do endeavor to integrate local development objectives in their model, several avoid it, particularly since the core establishment of the projects tends to be difficult. When some projects include certain social aspects, the capacity of such measures to structurally change local economies remains limited.

Where local populations are excluded from development initiatives, an escalation of competition into conflict is a significant risk. In many cases, popular discontent has so far taken the form of peaceful advocacy and protest movements (Matavel *et al.* 2012). Where injustice is seen as

unresolved, the risk that such disputes and movements lead to direct and violent confrontations is real (Madagascar being the major example in Southern Africa) (Andrianirina-Ratsialonana *et al.* 2011).

5 Conclusion: Towards major agrarian transformation in Southern Africa?

The global land rush has profound economic and social implications for agrarian societies. Some are direct, such as the loss of land as well as the loss of livelihood; other are indirect and concern, among others, women's land rights (Daley 2011, HLPE 2011), water access (Woodhouse 2012, Adamczewski *et al.* 2013), environmental degradation through intensification (Horne 2011), and loss of biodiversity (Deininger *et al.* 2011). In addition to these already well-described, case-study illustrated consequences, the analysis detailed in this paper reflects profound economic and social transformations in agricultural structures and contextualizes the large-scale land phenomenon according to broader agrarian dynamics. Besides Borras *et al.* (2012), detailing emerging dynamics of changes in land use and property relations, the above presented typology of large-scale land acquisition models and their dynamics provide a strong basis to illustrate the dynamics that can trigger agrarian transformations in Southern Africa.

A first significant element of Southern Africa's agricultural structural transformation is the far-reaching **vertical integration** process, related to integration of the different value-chain segments. As illustrated through the different models presented in this paper, large-scale land acquisitions go along with the increasing control over the various segments of a value-chain. Either implemented voluntarily or as a necessitating strategy used by investors, it results in the establishment and development of structures and enterprises that are significant in size. On one hand, it leads to the "**corporatization**" of agriculture. This dynamic is not related to mechanization *per se* but rather to a transformation of the production structures (Anseeuw *et al.* 2011). As such, the agricultural value-chains are increasingly controlled by a few dominant actors, mainly corporates. On the other hand, in the presence of advanced vertical integration through which companies not only control the primary production but also the upstream and downstream activities, closed value-chains tend to be developed. Not only does it result in companies controlling the productive cycle and its markets (for example, export of total production (McMichael 2012)), it also results in these companies intervening as a regulator within these value-chains, directly controlling supply quotas, price setting, production norms, etc. (Bernstein 1996).

A second element is related to the "**financialization**" of the agricultural sector. As emphasized by the different models presented in this paper, investment in land and in agricultural production is not just engaging agribusinesses and farmers solely; financial investors, asset management funds and companies are now important stakeholders in the agricultural sector. As such, originating from industrial or financial sectors, engaging as entrepreneurs, investors or even as pure speculators, the suppliers of capital seem more and more exogenous to the agricultural sector. These new actors import into the agricultural sector new practices, business logics, modes of actions and outside experiences. Their interactions and inputs alter the sector's "traditional" modes of action, investment and production. Through the increasing role and direct engagement into the sector of investors and financial actors, and their use of advanced financial instruments (such as future markets), "financialization" of the agricultural sector is taking place, which is redefining the traditional borders of the agricultural sector (Anseeuw *et al.* 2011).

A third point deals with **foreignization** of space (Zoomers 2010). In South Africa the dominant investors, which include commercial banks, investment funds and certain former cooperatives, are domestically based. However, the different entities (agribusinesses, investment funds, etc.) investing in other Southern African countries are often foreign based, even if domestic elites are involved as

partners in the projects (Fairbairn 2013). But in both cases, the financial structures of these bodies are increasingly globalised (McMichael 2012). The fact that investors are foreign is not a problem in itself. It can however become an issue as these actors are acting within closed value-chains, according to principles (such as the financial ones) borrowed from other sectors. As foreign economic powers control more and more land and segments of value-chains, they transfer regulatory powers on domestic issues such as local rural development and agricultural development abroad, raising questions as to the decisions over standards, norms and regulation mechanisms applied within these value chains and countries. It leads to a foreignization not only of the sector, but also of its regulatory mechanisms (Bülher *et al.* 2012).

The fourth element of agrarian transformation is linked to a **concentration** and **dualization** process of the agricultural sector. On one hand, the establishment of large-scale projects inevitably leads to concentration in the Southern African agricultural sector. Indeed, the dual processes of vertical integration and financialization/corporatization leads to an agricultural sector characterised by the dominion of a few large international food-business groups (Huggins 2011). This pattern of concentration is reinforced by the high level of failure of the projects because the better-off investors buy-out the projects that are failing. On the other hand, as shown through the non-inclusiveness of the investment models, the large majority of the rural masses and smallholder farmers are excluded from the investment processes (intentionally in order to avoid risks and transaction costs or due to the negative results achieved and the refocus on core activities). Here too, marginalisation is intensified through often biased competition and unequal power relations. This results in agrarian economies that are developing at dual speeds and in different directions, with concentration, marginalization and dualization processes at stake. With mega-structures being established, that are swallowing medium-sized entities (mainly taking over the land from the many failures), and with smallholders being excluded, the present large-scale land acquisition process is leading to a sector characterised by extreme dualization.

Finally, the fifth element is related to **social transformations**. While the emergence of these production models has the potential to generate numerous economic related transformations, social impacts should also be highlighted. Not only are many excluded from these processes, leading to the transformation of dispossessed peasants to “surplus people” (Li 2011). Those able to access these value chains find themselves incorporated into production chains in which they are isolated actors with no decision-making or orientation power. The incorporation process of family-based producers by macro-actors and corporates thus modifies their relationships with the sector. As such, this situation not only changes the social relations of property and land, as emphasized by Borras *et al.* (2012), but also changes the social status of the farmers. Although in some cases they remain the owners of the land, their situation is increasingly similar to that of proletarian agricultural employees or even just rent-seekers. Generally, the technical capital used, characterized by ever-increasing costs, does not belong to them but is made available, owned and managed by the management company (Anseeuw *et al.* 2012).

Is Southern Africa effectively undergoing large-scale and profound agrarian transformations? The question is all the more relevant as, on one hand, large-scale land projects remain relatively small in number (all models included, Zambia counts 13 reported deals; Mozambique 124 and Republic of Congo 7 (Land Matrix 2011)) and, on the other hand, most of these deals, as detailed in this paper, are failing. This being said, several elements allow us to emphasize the significance of the trends detailed here above and the large-scale implications of the process on the sector. Firstly, since it concerns large-scale initiatives, it does concern a significant proportion of the arable land of these countries. As such, in Mozambique for example, large-scale land right attribution for agriculture to foreign investors between 2007 and 2011 accounted for at least 955 000 ha,[16] representing 15% of

[16] This total number does not include the forestry concessions as well as the project for wildlife breeding.

the available land suitable for agriculture.[17] Secondly, as described in the paper, the establishments finally developing are structures that are strongly integrated, controlling important parts of the agrarian economy or of specific commodities through closed value-chains. As is the case in Brazil and Argentina (Rabobank 2011), and to a lesser extent in South Africa (Anseeuw *et al.* 2013), the few corporate structures tend to concentrate power and develop an oligopolistic sector. Although small in number, the trend of land rights attributed to them and thus the implication for the sector are significant. Lastly, these restructurings could be long term and strongly embedded, as the large-scale farm development paradigm is presently openly promoted. Not only do smallholders benefit little from present agricultural investment dynamics, but also agricultural policies and support measures tend to shift away from the former towards the facilitation of large-scale investment. In most cases, smallholders tend to be more than ever excluded from present dynamics and policies. As such, a new agricultural development paradigm has been emerging (De Janvry 2010), or rather a new one has become dominant in official discourses, manifesting itself both at the national and international levels. Agricultural development centered on large-scale commercial and corporate farming has become the reigning paradigm. Conveyed by investors, it is presently being promoted by the different governments in the region, as well as being spread across the continent through public development agencies.

So, although Southern Africa's agrarian transformations are not broad-based, the control by a few has wide-ranging implications for the agricultural sector. These implications are directly related to the transformation of the countries' agrarian societies through corporatization, financialization, concentration, dualization, and foreignization. They also cause a shift towards a dominant corporate-based paradigm and lead to questions regarding the future of small-scale commercial farming within agricultural development.

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A convergence of factors has been driving a revaluation of land by powerful economic and political actors. This is occurring across the world, but especially in the global South. As a result, we see unfolding worldwide a dramatic rise in the extent of cross-border, transnational corporation-driven and, in some cases, foreign government-driven, large-scale land deals. The phrase 'global land grab' has become a catch-all phrase to describe this explosion of (trans)national commercial land transactions revolving around the production and sale of food and biofuels, conservation and mining activities.

The Land Deal Politics Initiative launched in 2010 as an 'engaged research' initiative, taking the side of the rural poor, but based on solid evidence and detailed, field-based research. The LDPI promotes in-depth and systematic enquiry to inform deeper, meaningful and productive debates about the global trends and local manifestations. The LDPI aims for a broad framework encompassing the political economy, political ecology and political sociology of land deals centred on food, biofuels, minerals and conservation. Working within the broad analytical lenses of these three fields, the LDPI uses as a general framework the four key questions in agrarian political economy: (i) who owns what? (ii) who does what? (iii) who gets what? and (iv) what do they do with the surplus wealth created? Two additional key questions highlight political dynamics between groups and social classes: 'what do they do to each other?', and 'how do changes in politics get shaped by dynamic ecologies, and vice versa?' The LDPI network explores a range of big picture questions through detailed in-depth case studies in several sites globally, focusing on the politics of land deals.

Unraveling "land grabbing": Different models of large-scale land acquisition in Southern Africa

Since much of the focus on large-scale land acquisitions is predominantly political and ideological, different models and practices embedded in the phenomenon and, by consequence the diverse implications they imply, tend to be overlooked. This is supported by the use of the term "land grabbing": while it implies large differences in forms of organization of the production, investment processes and outcomes these land deals might take, the existing body of literature misses the economic and institutional nuances of investment models embedded in "land grabbing". The objective of this paper is to present the diversity of investment models implemented in Southern Africa and to analyze their differentiated implications in the framework of the region's broader agrarian trajectories. Based on intensive empirical research in Southern Africa and using a theoretical framework based on institutional economics (focusing on the institutionalized forms of agricultural production, the investment implementation processes and the extent of the implications), the results show that beyond the classical institutionalized forms of agricultural production (independent commercial farming, estate farming) new investment and production models are developing in the region. Six models with several sub-models have been identified: independent farmers (independent farmers, delocalized auxiliary farm model, Resource pooling farmers), cooperative, 1,000-day speculative, asset management, contracting (nucleus-estate, reverse tenancy, ingrower schemes) and agribusiness models. Besides the lack of inclusive business models, another important commonality of these models is the high failure of the investments – unless strongly integrated structures and value-chains are developed – leading to the establishment of few corporate structures. The paper reflects on Southern Africa's agrarian transformations, which, although not broad-based, are mainly characterized by the imposition of a dominant corporate-based paradigm.

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