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Foreign Land Investments and Traditional Land Ownership Rights in Africa

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Market Report	Yr Ago	4 Wks Ago	6/17/11
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	$90.46	$108.07	$110.53
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.. . . .	130.05	147.66	146.62
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	*	130.33	136.39
Choice Boxed Beef, 600-750 lb. Carcass.	156.70	176.83	172.57
Western Corn Belt Base Hog Price Carcass, Negotiated.	79.24	93.26	94.66
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean..	82.67	97.01	93.03
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct.	130.00	*	207.62
National Carcass Lamb Cutout, FOB.	312.59	401.04	405.72
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu..	3.52	8.19	6.99
Corn, No. 2, Yellow Omaha, bu.	3.46	7.55	6.90
Soybeans, No. 1, Yellow Omaha, bu.	9.72	13.99	13.33
Grain Sorghum, No. 2, Yellow Dorchester, cwt..	5.50	12.05	11.07
Oats, No. 2, Heavy Minneapolis, MN , bu.	2.68	3.64	3.58
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	150.00	140.00	140.00
Alfalfa, Large Rounds, Good Platte Valley, ton..	*	90.00	87.50
Grass Hay, Large Rounds, Good Nebraska, ton..	*	*	72.50
Dried Distillers Grains, 10% Moisture, Nebraska Average.	94.50	215.00	202.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	33.50	80.50	67.50

*No Market

This is the second in a series of three *Cornhusker Economics* articles on the institutions governing the ownership, use and transfer of agricultural land around the world. Last week, the focus was on the difficult transition from social to private land ownership in the countries of the Former Soviet Union. This week, the issue concerns the recent increase in land purchases in Africa by foreign governments and firms, referred to by some as a new colonial land grab.

Beginning in late 2007 world food prices began to increase dramatically, and after a short respite beginning in the second half of 2008, have recently resumed their upward march. The International Monetary Fund (IMF) food price index showed that food prices in May 2011 were 87 percent higher than they were in 2005, with prices for most cereal grains and oilseeds much higher than that. See: http://www.imf.org/external/np/res/commod/Table1.pdf

In countries with limited land resources (e.g., China, Saudi Arabia, Switzerland), some have concluded that a sensible strategy for reducing their vulnerability to rising food prices is to purchase or lease land in the land-rich countries of Africa or Latin America, for use in producing agricultural commodities for the home country. For the low-income countries of Sub-Saharan Africa (SSA), these investments could pay off if they lead to agricultural development and the creation of jobs.

On the other hand, many countries in SSA have ambiguous or poorly defined land ownership rights, allowing corrupt governments and foreign investors to enter into deals that are of little benefit to rural Africans or to overall national development. In Mali for example, the government struck a bargain with the government of Libya, transferring control of land that had been farmed under traditional land tenure arrangements for centuries, with no compensation for the displaced villagers (*New York Times*, December 21, 2010). A report in *The Economist* (May 7,

2011) included the story of some farmers in Central Sierra Leone who had entered into a 50-year lease with a Swiss company that intended to grow crops for biofuels. The promised jobs and rural development programs associated with this deal never materialized. Lester Brown has reported that land purchases in Sudan and Ethiopia by China, Saudi Arabia, South Korea and other high-income or emerging countries have resulted in diversions of water from the upper reaches of the Nile River, threatening Egypt's ability to feed its people (*New York Times,* June 1, 2011). A 2010 World Bank report entitled "Rising Global Interest in Farmland" called attention to violations of traditional land rights in many of these large foreign land purchases.

Traditional land rights governed by village-level authorities are still prevalent in much of SSA. In some regions, property laws created by European authorities during the colonial era have been incorporated into national legislation. These statutory rights generally define land ownership in cities and the nearby countryside. As one moves away from the large cities, land ownership is more likely to be governed by customary rights. Between these two zones there is often a buffer region, with conflicting and unclear land tenure rules (U.N. Economic Commission for Africa, 2004). This creates room for opportunistic behavior, leading to land grabs and other inequitable transactions. It is also frequently the case that the governments of countries in SSA claim ultimate ownership of all the land in the country, and as in the case of the deal in Mali, sometimes sell parcels of land out from under their traditional owners.

The problem is made even worse because the prevailing enforcement mechanisms tend to be biased towards the rich and powerful for settlements governed by statutory law, and towards chiefs and traditional elders in rural communities subject to customary institutions. Either way, the poor and less influential are likely to lose out. Most customary rules distribute land based on caste, seniority and gender, prohibiting women from owning land (U.N. Economic Commission for Africa, 2003). This accounts for the prevailing inequality in land tenure across gender, despite the fact that women do most of the farm work in Africa. Customary systems also lead to land fragmentation, as land cannot be bought and sold freely when it is held communally. The result is small farm holdings and low productivity.

In addition to the potential adverse effects of poorly defined property rights on the well-being of low-income farm households, such ill-defined rights also lead to lowered incentives for farmers to invest in land improvements and other productivity-enhancing innovations. Lower agricultural productivity often has an impact on overall economic growth. A preliminary statistical analysis shows that South Africa, Botswana and Mauritius are substantially different from 14 other SSA countries. They not only have more favorable property rights regimes, but also a higher Gross Domestic Product (GDP). The World Bank report does point to potential benefits from foreign direct investment in land in SSA, as long as the laws and regulations governing such transactions are designed to promote mutual benefits for investors and the country itself, and as long as the traditional rights of individual families are respected. Given World Bank estimates that land deals in 2009 covered over 110 million acres, it is important for the governments of developing countries to make clear and equitable land property rights a high development priority.

Sources:

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