IMPLICATIONS OF LARGE-SCALE LAND ACQUISITIONS BY FOREIGN INVESTORS FOR NIGERIAN AGRICULTURAL POLICY REFORMS AND FOREIGN INVESTMENT DRIVE

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Abstract

Recent reports indicating that large portions (estimated 50-80m hectares) of land have been bought by international investors in middle and low-income countries in recent years and with roughly two-thirds of those purchases occurring in sub-Saharan Africa calls for a cursory appraisal of the implications of the trend of land grabbing for Nigerian and West African food security drive. This study reviewed cases of land grab by foreign investors in West Africa and Nigeria; it identified the possible drivers of large-scale land acquisition by foreign investors in the area and then discussed the policy implications of the findings for agricultural and land policy reforms in Nigeria. Land transactions involving foreign investors have increased in area over the past 10 years. Over 100,000 ha have been documented in Nigeria involving such deals most of which were brokered using the State’s corporation such as NNPC. Land in Nigeria is officially held by the state government and local communities have no say in its allocation. Most lands grabbed in Nigeria and West Africa were profit driven (to biofuel investors) and were made under the guises of using the lands acquired for agricultural investments especially for cassava, sugarcane and sweet sorghum. There were noted dangers in the deals with respect to food security drive, food safety, environmental safety, employment generation, land tenure threats and endangered peace, sovereignty and economic well being of citizens. Recommendations included need for land reforms that will involve the local communities who own the land, stopping long term leasing beyond 50 years and capacity building/awareness creation about land transactions of such magnitudes’ implications to the nation’s economic development among others.

Key Words: Land grab, large scale land acquisition, Foreign Direct Investment in Agriculture, Agriculture, food security, Investment, West Africa
Introduction

Large scale land acquisition deals take many different forms and proceed in a wide diversity of contexts. According to Cotula, Vermeulen, Leonard. and Keeley, (2009) transactions labeled as “large-scale” may involve 1,000 hectares or 500,000 hectares. Increasing reports and evidence are emerging to affirm that the problem of large scale land acquisition by foreign investors in Africa is taking a dangerous trend, which needs to be checked. Global Development (2010) reported that research findings have indicated that a million Chinese farmers have joined the rush to Africa, and that some of the world's richest countries are buying or leasing land in some of the world's poorest to satisfy insatiable appetites for food and fuel. In the new scramble for Africa, the report added, nearly 2.5m hectares (6.2m acres) of farmland in just five sub-Saharan countries have been bought or rented in the past five years at a total cost of $920m (£563m). "Lands that only a short time ago seemed of little outside interest are now being sought by international investors to the tune of hundreds of thousands of hectares," said a recent report by the International Fund for Agricultural Development (IFAD), the Food and Agriculture Organisation (FAO), and a London-based think tank, the International Institute for Environment and Development (IIED). It described the huge deals reported to date as "the tip of the iceberg".

The above scenario is even more disturbing when one further notes that FAO (2010) also indicated that access to arable productive land in Africa had been in decline due to the pressure of growing population trends and worsening land degradation as a result of climate change. Many low income rural households are dependent on land to access limited sources of credit, with land providing the only means to channel into financial markets. Recent high profile land purchases covering thousands of hectares of prime agricultural land have raised concerns over equitable land access, FAO said. Sub-Saharan Africa, especially Nigeria and other Wesyt African countries are not exempted from this development (see Cotula, Vermeulen, Leonard. and Keeley, 2009). Cotula et al observed that despite the spate of media reports and some published research, international land deals and their impacts remain still little understood. This report is therefore a step towards filling this knowledge gap. It specifically focused on discussing key trends and drivers in land acquisitions, the contractual arrangements underpinning them and the way these are negotiated, as well as the early impacts on land access for rural people in recipient countries within West Africa and most especially in Nigeria as gleaned from current
literature with a major aim of formulating useful policy measures for Nigerian agricultural and economic policy reforms. The report looked at large-scale land acquisitions, broadly defined as acquisitions (whether purchases, leases or other) of land areas over 1,000 ha.

**Incidence of Land Grabbing in Nigeria, West African countries and the Forces behind them**

According to Sahel and West Africa Club (SWAC/OECD) (2010) land transactions have increased in many West African countries over the past 10 years. In some countries large scale land acquisition is not new and was even more important in the 70’s. National populations are the most important investors in land in West Africa. The scale of land acquisition by foreign investors varies between West African countries: Ghana and Mali have many significant transactions on land by foreign investors. Several investors have more than 100 000ha Burkina Faso has one significant land transaction (200 000 ha) while Niger and Senegal have relatively small land transactions. Respectively, these transactions have recorded land acquisitions of 600 000 ha (in Ghana), 410 000 ha in Mali, 213 000 ha in Burkina Faso, 16 000 ha in Niger Republic and 12 000 ha in Senegal.

Table 1.0 gives instances of some of the major investors on the West African countries’ lands as recorded by SWAC/OECD) (2010). The investors came from different continents of the world including Europe, Africa and Asia.

**Table 1.0 Major Investors in West African Land**

<table>
<thead>
<tr>
<th>Countries of Origin</th>
<th>Examples of Companies/Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>France</em></td>
<td>Agroed</td>
</tr>
<tr>
<td><em>Germany</em></td>
<td>Flora Ecopower</td>
</tr>
<tr>
<td><em>Norway</em></td>
<td>Biofuels Africa and Scan Fuel Ltd</td>
</tr>
<tr>
<td><em>India</em></td>
<td>Hazel Mecantile</td>
</tr>
<tr>
<td><em>Sweden</em></td>
<td>Svensk Etanolkemi AB (Sekab)</td>
</tr>
<tr>
<td><em>Italy</em></td>
<td>Agroils</td>
</tr>
<tr>
<td><em>China</em></td>
<td>N Sukala</td>
</tr>
<tr>
<td><em>South Africa and UK</em></td>
<td>SOSUMAR/CANCO; LONHRO</td>
</tr>
<tr>
<td><em>Saudi Arabia</em></td>
<td>FORAS, Al Tamini Khaled Alhil International, Groupe Bin Taleb international</td>
</tr>
</tbody>
</table>

Source: SWAC/OECD (2010)

In Nigeria, it has been reported recently by Friends of Earth for Africa and Friends of Earth for Europe (2010) that land acquisitions by the state using foreign capital and expertise in recent times is estimated at over 100,000 ha. Such land acquisitions were mostly brokered by the state owned Nigerian National Petroleum Corporation (NNPC) with foreign capital and expertise, the report added. The examples of such acquisitions are summarized in Table 2.

It was also reported by Friends of Earth for Africa and Friends of Earth for Europe (2010) that in Sierra Leone Swiss based Addax Bioenergy obtained 26,000 ha for sugarcane, while in Ghana...
Italian-based Agroils obtains 105,000 ha, UK company Jatropha Africa acquired 120,000 ha, ScanFuel (Norway) cultivated 10,000 hectares and had contracts for ca.400,000 ha, while Galten (Israel) acquired 100,000 ha. In Benin Republic there is a proposal to convert 300,000 - 400,000 ha of wetlands for oil palm by a foreign investor.

Table 2: Selected Documented Incidences of Land Grabbing in Nigeria and Companies involved

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Land Acquired</th>
<th>Crop Type</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>NNPC</td>
<td>Nigeria</td>
<td>200 Sqr Kms</td>
<td>Sugar Cane</td>
<td>Local Information</td>
</tr>
<tr>
<td>NNPC</td>
<td>Nigeria</td>
<td>20,000 ha</td>
<td>Sugar Cane</td>
<td><a href="http://www.tribune.com.ng/18072008/tue/eog.html">www.tribune.com.ng/18072008/tue/eog.html</a> ; Gombe Alternative Source of Energy Biofuel blazes the trail - Fadare, Sola, July 15, 2008</td>
</tr>
<tr>
<td>NNPC</td>
<td>Nigeria</td>
<td>30,000 ha</td>
<td>Cassava</td>
<td>Inyang, Bassey, Cross River and NNPC Partner On Biofuel Plants Daily Independent, (6 February 2008)</td>
</tr>
<tr>
<td>NNPC</td>
<td>Nigeria</td>
<td>10,000 ha</td>
<td>Cassava</td>
<td><a href="http://www.guardiannewsngr.com/news/article19/010606">www.guardiannewsngr.com/news/article19/010606</a></td>
</tr>
</tbody>
</table>
Contractual Arrangement in the Land Deals in West Africa

Although some land has been purchased outright, more often it is leased, with long-term leases, in some cases up to 99 years. There are also cases of “out growing” - where local farmers are contracted to grow a particular crop, such as jatropha (Friends of Earth Europe and Friends of Earth Africa, 2010). The report added that in Nigeria, communities are facing a resettlement programme after the Nigerian National Petroleum Corporation (NNPC) requisitioned a 200 km sq area to grow sugar cane for ethanol. The land is currently used by small farmers to grow food crops. Land in Nigeria is officially held by the state government, and local communities have no say in its allocation, the report further noted. ABN AMRO World Agronomy and VM group (2011) observed that leases are now the preferred method of transaction instead of outright ownership. But striking favourable terms for such leases has not been easy. In eight African countries recently studied by the team it was observed that lease terms varied from 20 to 50 years, with renewals often possible up to 99 years. The FAO report noted: “Most leases involved payment of an annual rental of from less than $2/ha in Ethiopia to $5/ha in Liberia through to $13.8/ha in Cameroon. Some contracts allow for a five-year rental free period and in some cases for adjustment of the rental over time. Where fees are low, investors may be expected to commit capital to develop infrastructure, such as irrigation canals, roads and processing plant. Most contracts make reference to provision of employment, but often in such imprecise terms that it would be difficult to hold the investor to account for non-compliance.”

In most cases, the legal status of land proposed for transfer, or actually allocated to investors, varies across countries and regions within them. As the pace of foreign investment has accelerated in a number of developing countries, many governments have updated their land tenure legislation to clarify rights over land and natural resources, to offer incentives for people to invest in land, and to specify terms for international investor access to national resources. The FAO points out that: “State ownership is common, though government can also invoke eminent domain, on the grounds that it is acting in the public good, and reclassify private or village land to public land.” Ironically, provision of a formal title can actually speed up landlessness as poorer farmers may be forced to sell after a bad harvest, leading to a concentration of land in wealthier sections of the community. In Indonesia and Benin, it has been observed that where land mapping has occurred, there is a greater likelihood that land will be sold to investors. Farmland acquisitions also have important gender implications. The FAO notes that in many farming regions, most agricultural workers are women. “Their work covers planting to postharvest processing on their immediate and extended family’s land making women central to household food security. Yet farming contracts are often with male household heads, with payments made to men even where it is women who do most of the work. And cash crops controlled by men may encroach upon lands previously used by women for food crops.”

Drivers of Land Acquisition in West Africa
In 2007, FDI to sub-Saharan Africa amounted to over US$ 30 billion, a new record level – up from the records of about US$ 22 billion in 2006 and US$ 17 billion in 2005. The distribution of FDI flows and stocks is highly uneven, shaped by cross-country differences in resource endowments. Big shares of investment are concentrated in countries with important petroleum and mineral resources, such as Nigeria (UNCTAD, 2008). In Nigeria, Friends of Earth for Africa and Friends of Earth for Europe (2010) noted that most lands grabbed in Nigeria were profit driven and were under the guises of using the lands acquired for agricultural investments especially for cassava, sugarcane and sweet sorghum which ultimately would become raw materials for biofuel production. This is in agreement with IIED, FAO and IFAD in Cotula, Vermeulen, Leonard and Keeley (2009) who noted that “production of liquid biofuels is a key driver of much recent land acquisition. Internationally, government consumption targets have been the key driver of the biofuels boom, as they create guaranteed markets for decades to come.”

The reasons for the trend in large scale land acquisition for farming in West Africa do not differ from the drivers in other parts of Africa. Increasing rate of return in farm investments could be one of the reasons for this acquisitions noted. A FAO report in ABN AMRO World Agronomy and VM group (2011) refers to anecdotal evidence suggesting that while normal rates of return on capital might be considered around the 6%-7% level, recent investors claim they have been securing annual returns of between 20%-30% and in some cases, where little competition exists, the returns can be as high as 50%-60% a year. The report noted that over the past two decades, the driving forces behind large-scale land investment in developing countries have become increasingly diverse. Foreign governments have dipped their toes into African and South American land markets in the hope of securing long-term food supplies, while well-intentioned biofuel producers have cleared thousands of acres for palm oil plantations. Throw in a good measure of extractive industries developing coal and metal reserves, add in commercial farmers expanding their activities into neighbouring countries and embellish the whole lot with financial institutions looking to broaden their portfolios, and the scene is set for wholesale changes to national landscapes. Estimated 50-80m hectares of land have been bought by international investors in middle and low-income countries in recent years, with roughly two-thirds of those purchases occurring in sub-Saharan Africa. Ostensibly, the logic behind purchasing agricultural land has been to grow crops or exploit underlying natural resources. But there are also other factors at play. The FAO makes the point that water and water rights are becoming more important in land purchases: “Water scarcity is a major driver of international flows of investments in land. It has been argued by some that water is the hidden agenda behind many land acquisition deals. Thus investors may be seeking to gain control of water resources in states perceived to have a surplus of water today instead of land.” When this is the case, there is every incentive to acquire long-leases or freeholds but not necessarily commit significant capital to develop the land as a producing asset in itself. Evidence suggests that many land deals have not been followed up with productive investment with, according to the FAO, “only 20% of investments that have been announced actually being followed through with agricultural production happening on the ground.” According to Cotula, Vermeulen, Leonard and Keeley, (2009) several factors seem to underpin these land acquisitions. These include food security concerns, particularly in investor countries, which are a key driver of government-backed investment. Food supply problems and uncertainties are created by constraints in agricultural production due to limited availability of water and arable land; by bottlenecks in storage and
distribution; and by the expansion of biofuel production, an important competing land and crop use.

Increasing urbanisation rates and changing diets are also pushing up global food demand. The food price hikes of 2007 and 2008 shook the assumption that the world will continue to experience low food prices. While grain and other food prices have dropped from the highs seen in the summer of 2008, some of the structural factors underpinning rising prices are likely to stay. Government-backed deals can also be driven by investment opportunities rather than food security concerns. In addition, global demand for biofuels and other non-food agricultural commodities, expectations of rising rates of return in agriculture and land values, and policy measures in home and host countries are key factors driving new patterns of land investment.

With regard to biofuels, government consumption targets (in the European Union, for instance) and financial incentives have been a key driving force. It is possible that the recent decline in the oil price from the highs of 2008 may dampen enthusiasm for biofuel investments. But given the projections of diminishing supplies of non-renewables, biofuels are likely to remain and increase as an option in the longer-term, unless policies shift in response to concerns about the impacts of biofuel expansion on food security.

As for rates of return in agriculture, rising agricultural commodity prices make the acquisition of land for agricultural production look like an increasingly attractive option. Some agribusiness players traditionally involved in food processing and distribution are pursuing vertical integration strategies to move upstream and enter direct production.

Although political risk remains high in many African countries, policy reforms have improved the attractiveness of the investment climate in several countries – including through a growing number of investment treaties and codes, and through reform of sectoral legislation on land, banking, taxation, customs regimes or other aspects. These policy reforms also drive the land grabbing trend in Africa.

Land prices in Africa are in many places “very cheap” compared with the international market and land values are rising, suggesting the potential for investment. Where the host country is supportive, as it is in Nigeria, land can also be acquired on favourable terms. With a guaranteed market, cheap access to land and cheap labour, agrofuel development can be seen as a good business opportunity for European companies, and this can explain the sudden rush of “land grabs” taking place (Friends of Earth Africa and Friends of Earth Europe, 2010).

UNCTAD (2008) observed that over the past decade, economic liberalization, the globalization of transport and communications, and global demand for food, energy and commodities have fostered foreign investment in many parts of Africa – particularly in extractive industries and in agriculture for food and fuel. What are the implications of these developments?

Implications of Land Grabbing for Nigerian Agriculture, International Trade and Economic Development

The companies and governments promoting agrofuels in Africa promise locally grown fuel supplies, jobs and economic development, but how real are these promises? A cursory review of literature (See Friends of Earth Africa and Friends of Earth Europe, 2010;; UNCTAD, 2008;
SWAC/OECD, 2010; and Cotula, Vermeulen, Leonard and Keeley 2009) will uncover so many hidden dangers the trend of land grabbing in Nigeria, and indeed Africa as a whole portend to food security drive, food safety, environmental safety, employment generation, land tenure threats and endangered peace, sovereignty and economic well being of citizens. Dangers inherent in land grabbing that border on threats to environment when perceived threats by individuals that are likely to be victimized by the arrangement can in turn can lead to communal conflict that may threaten the fragile security situation in Nigeria thus jeopardizing attainment of a conducive business environment that can boost Foreign Direct Investment either in Agriculture or Industry. For instance, it was reported that plans for large sugar-cane plantations in Gombe State, Nigeria had raised concerns over pesticide use and the impact on surrounding farmland leading to agitation by some members of the community who felt threatened by the looming implications of the deal (Salihu, 2008 in Daily Independent).

Food security is an issue in Nigeria at the moment and indeed in Africa as a whole. The UN FAO noted that there are 307 million hungry people in Africa, with most of these living in Sub-Saharan Africa (265 million). A recent FAO statistic (FAO, 2011) indicated that at least 9.4 million Nigerians were undernourished and that out of Nigerian’s 147.7 million citizens, 6 percent were highly undernourished. Instead of facing food supply or food security problem in Nigeria at such a critical time the country is selling off arable lands to foreign investors prospecting in biofuels production to the extent of losing above 136,000 ha of land from only 8 deals that could have been used in producing food crops (See Table 2). The implication of this is that food security drive will still be a farfetched dream as long as attraction of Foreign Investment in agriculture is only with the aim of producing biofuels for profit. The auctioning of fertile farm lands for this purpose also portends danger of losing job opportunities, increasing poverty in the country and also helping the growth of foreign companies to the disadvantage of the poor land owners in Nigeria. The overall implication of these will include increased poverty, unfavourable terms of trade against Nigeria, desertification, increased global warming and its adverse consequences of climate change, disempowerment of the indigenous citizens who will now be left with only few pieces of land that may not reach 1 hectare. The number of land fragmentation and land disputes that may arise in future will be unimaginable if these issues are not addressed and incorporated in Nigerian agricultural and land policy now. FAO country studies suggested that in many rural areas, most land is used or claimed by somebody, regardless of how it may be labelled officially. In Ghana, development agencies have reported that the spread of jatropha is pushing small farmers and particularly women farmers off their land. Valuable food sources such as shea nut and dawadawa trees have been cleared to make way for plantations. Some 50 per cent of the Ghanaian population work on the land, mostly growing food for local consumption a report showed (See Friends of Earth Africa and Friends of Earth Europe, 2010). Furthermore local community may agree to the land transfer in exchange for promises from the company to improve facilities in the area. But such promises are not always fulfilled, leading to resentment from the community (Ambiental and União, Mozambique, 2009). These are close reasons to why there are lots of unrest in the oil rich Niger Delta region of Nigeria in the past few years. Do Nigerian government who has just granted a costly amnesty to militants that were terrorizing the country another excuse to go back to the creeks and start the ugly incidents of bombings and kidnapping again as they bring in another form of land grabbing and pollution window into the region again? There are reports of land being given to more than one person as a result of confusion over who actually has the right to allocate land use. This can
precipitate communal clashes. All these incidents will discourage foreign investment in the country and consequently lead to retarded growth rate.

Conclusion and Recommendations

It has been established in this review that land grabbing in Nigeria and West Africa is taking a dangerous dimensions but the citizens were being deceived that there were necessary for economic development, job creation, safe environment and food security attainment. In Nigeria, the state collaborated with foreign investors to grab large hectares of land using its organ called Nigerian National Petroleum Company, NNPC. Land grabbing in Nigeria were driven by the state’s drive to encourage economic growth through liberalization of trade and the quest for profits by foreign investors who find cheap and fertile land in Nigeria and other African countries. The terms of sale of these lands are unfavourable to the indigenes and portend dangers in the area of food security, wealth of the citizens, land tenure and availability of arable land for future use by even generations yet unborn, in addition to threat to environment and health of individuals. More importantly the trend will lead to aggravation of conflicts in the region and in Nigeria where national security is at the moment threatening foreign direct investments and national peace. Based on the above findings the following recommendations are hereby made:

1. Nigerian agricultural policy should discourage the promotion of cash crops over food crops and reform the Land Use Act to enable the indigenes who own the land have inputs in designing the terms of leasing or land tenure that may involve foreign investors. Outright purchase of land by foreign investors for agricultural activities should be forbidden in the new land policy and indeed more emphasis should be given to strengthening the protection of local land rights, including customary rights – even where land is state owned or vested with the state in trust for the nation as it is currently in Nigerian Land Use Act.

2. However, Nigerian Federal Government should as a matter of desideratum, balance investment protection with public interests (for instance, with regard to tensions between commercial confidentiality and public oversight in investment arbitration, and should reconcile the investor’s need for regulatory stability with host state capacity to regulate in the public interest in any land deal. This is to ensure that the goal of attracting direct foreign investment in agriculture under the current globalization and liberalization policies of Nigeria is not jeopardized.

3. Nigerian environmental safety standards must be strengthened and estimated impacts of projects that the land will be used for (in monetary terms) be properly factored in to such land deals so that communities bearing the environmental effects of the project can use such funds (the monetary value of the impact cost) to fund projects that will reduce or abate the environmental hazards inherent in such investment.

4. Even when land is being leased for production of biofuels Nigeria must ensure that a reasonable percentage of the production of such crops, at least 35 percent of the produced crops, be devoted to supplying food for Nigerian economy, not only for biofuel production. This way, the danger of abandoning the food insecurity issue can be averted.

5. Long-term land leases – for 50 or even 99 years should not be tolerated since they are unsustainable unless there is some level of local satisfaction. In this context, therefore, innovative business models that promote local participation in economic activities may
make even more commercial sense. These include outgrower schemes, joint equity with local communities and local content requirements.

6. The international community or agencies should assist in providing expert advice, capacity building and other support for governments, private sector and civil society, for instance with regard to the negotiation of contracts, to tackling food security issues, to promoting innovative ways to provide legal support to local people, and to developing business plans that build on know-how of the wide range of business models for agricultural production beyond plantations.

7. Economic Community of West African States (ECOWAS) and Nigerian Federal Government should bring the issue of land grabbing and its inherent dangers to the economies of the member states to the front burner of their agenda. They should enact treaties that will discourage land acquisition that are of large scale with unfavourable implications on their citizens. A regional approach if well enforced will be a better way of stemming this ugly trend of African land auctioning in the name of opening doors to foreign direct investment.

8. ECOWAS and Nigerian Federal Government need also to promote and fund studies on investment trends in the agricultural sector within the region in order to understand the dimension of dangers posed to their agricultural land and recommend action to increase investment in agriculture without jeopardizing their sovereignties and future livelihoods of their citizens.

REFERENCES


