

'LAND GRABBING': THE GLOBAL SEARCH FOR FOOD SECURITY IN SOUTHEAST ASIA

Figure 1: Harvesting rice in Magelang, Central Java, Indonesia



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- Consortium of NTS Studies in Asia

The Quest for Food Security

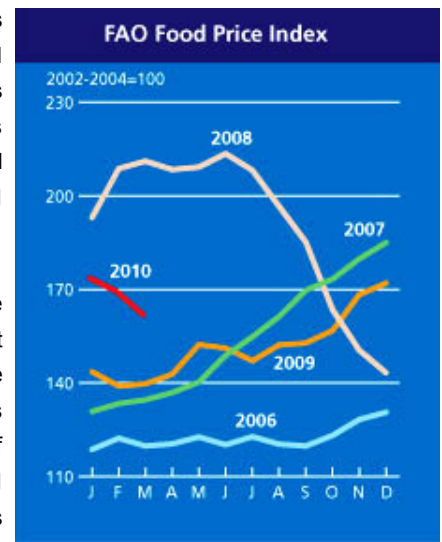
The global food, oil and economic crises which occurred between 2007 and 2008 pushed food security issues back on the policy agenda of many countries particularly developed economies. The surge in global food prices coupled with the global economic crisis in 2008 and 2009 have led to the global increase in the number of people without food security. According to the United Nations (UN) Food and Agricultural Organization (FAO), food security exists when ‘...all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life’. The FAO claims in its report titled ‘The State of Food Insecurity in the World 2009’ that 1.02 billion people worldwide are food insecure. In addition to this, the UN projected that the world would require 70 per cent more food in order to feed the projected 9.1 billion people in 2050.

More importantly, the FAO report also highlighted the *Figure 2: FAO Food Price Index*

fact that the price of international food commodities has generally increased since the global food, oil and economy crises, and that domestic food prices

have been slower to fall. FAO estimates show that the domestic price of staple food has increased by 17 per cent in real terms compared to that in previous years. This means that food in general costs more for households and that it requires a larger share of household expenditure.

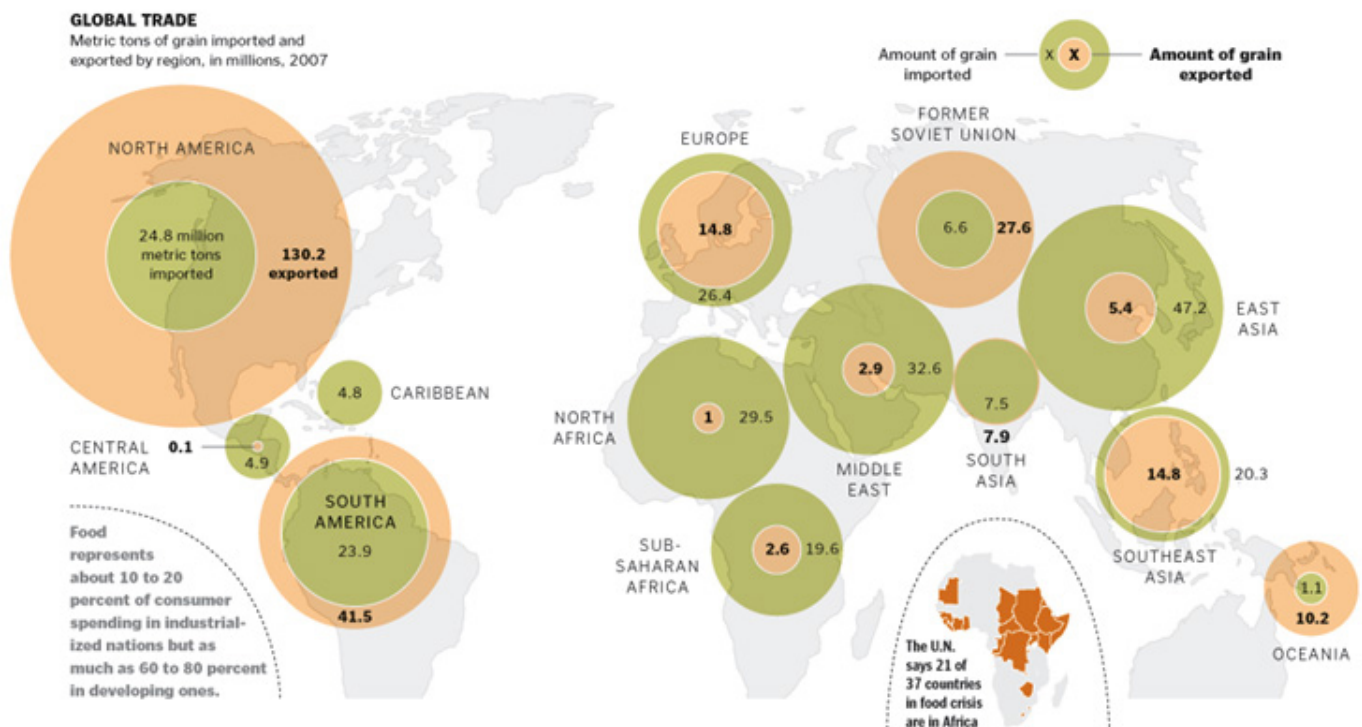
As a consequence of the high food prices, there has been a proliferation of large-scale acquisitions of farmland in the regions of Africa, South America, Central Asia and SEA. A report by the FAO, International Fund for Agricultural Development (IFAD) and the International Institute for Environment and Development (IIED), titled 'Land grab or development opportunity' suggests that food security concerns and strategic investment opportunities are the key drivers of farmland acquisition. Amongst other things, food supply issues and uncertainties, and constraints on agricultural production due to limited water and arable land in investor countries are pushing this land acquisition agenda.



Source: FAO, 2010.

The International Food Policy Research Institute (IFPRI) estimated that between 15 million and 20 million hectares of farmland in developing and underdeveloping countries have been either identified or acquired by government-backed corporations since 2006. This is the equivalent of a fifth of all farmland of the European Union, and IFPRI estimated that these land acquisition deals are worth between USD 20 billion and 30 billion.

Figure 3: Global trade in grain



Source: FAO, 2007.

According to the FAO, IFID and IIED, 'land grab' refers to the acquisitions (whether purchases, leases or other) of land areas over 1,000 hectares. The Oakland Institute in its 'The Great Land Grab' report refers to it as 'the purchase or lease of vast tracts of land by wealthier, food-insecure nations and private investors from mostly poor, developing countries in order to produce crops for export'. Adopting an advocacy perspective, the Spain-based Non-Governmental Organisation (NGO) Grain, explains 'land grab' as a result of 'increased pressure on natural resources, water scarcity, export restrictions imposed by major producers during critical situations, and growing distrust in the functioning of regional and global markets'. Grain's perspective echoes the general sentiments of other NGOs and civil society organisations that are sceptical and suspicious of these land acquisition agreements.

Nevertheless, it seems that these international land acquisitions agreements will remain on the global agenda in the foreseeable future, considering that it finds resonance and support from a number of international organisations such as the FAO, IFID and IIED. This is primarily driven by the belief that such an arrangement is mutually beneficial for the countries involved. The recipient countries welcome such strategic investments believing that it could improve their economies. In this sense, the recipient states imagine that these foreign-direct investments (land acquisitions) would lead towards socio-economic development and well-being of the country.

Rice is an important export commodity for a number of SEA states such as Thailand, Cambodia, Vietnam and Laos. Naturally, SEA is an

attractive region for any land acquisition projects as pointed out by observations made by IFPRI in its “Land Grabbing” by Foreign Investors in Developing Countries’ report. The following section tracks the development of the acquisition of farmlands in SEA.

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‘Land grab’ in Southeast Asia

Table 1: Overview of foreign land investments in Southeast Asia from 2006-2009

Target Country	Origin country of Investors	Nature of deal	Status of deal
Cambodia	Kuwait	Land leased for rice	Signed
Cambodia	Vietnam	100,000 ha secured for rubber	Unknown
Indonesia	Saudi Arabia	500,000 ha secured in US\$4.3 billion investment for rice; put on hold by Bin Laden Group	Discontinued
Laos	Vietnam	100,000 ha secured for rubber	Unknown
Philippines	Bahrain	10,000 ha secured for agro-fishery	Signed
Philippines	China	1.24 million ha leased; deal put on hold	Discontinued
Vietnam	Qatar	US\$1 billion joint fund for agriculture	Unknown

Source: Joachim von Braun and Ruth Meinzen-Dick, “Land Grabbing” by Foreign Investors in Developing Countries: Risks and Opportunities’, IFPRI Policy Brief 13, April 2009.

Cambodia

Cambodia has taken proactive steps to lure countries to invest in its farmlands. Out of the six million hectares of land available for cultivation, only 2.6 million hectares are currently in use, which could be expanded to 3.5 million hectares through foreign investment. The Prime Minister of Qatar, Sheikh Hamad bin Jassim al-Thani, on his first official visit to Cambodia in April 2008, announced his country’s plans to invest USD 200 million in developing Cambodia’s farmlands. On 22 August 2008, Cambodian foreign ministry officials announced that Kuwait had agreed to give Cambodia loans totaling USD 546 million. This is the second biggest aid pledge ever received by Cambodia, second only to aid and loans totalling USD 601 million offered by China in 2007. The United Arab Emirates also sent a delegation to Cambodia in October 2009 to explore the feasibility of producing rice by 2010. Meanwhile, Peter Costello, Managing Director of BKK Partners, an Australian financial advisory firm, in an interview to *Phnom Penh Post* on 20 January 2010 revealed that the firm has plans to acquire 100,000 hectares of land to grow crops such as rice, bananas, sugarcane, palm oil and teak at an estimated cost of USD 600 million. Costello also talked of introducing laser technology for levelling fields and a Global Positioning System (GPS) for irrigation, and also contributing five per cent of the cash generated by the land deal to social projects in Cambodia.

Indonesia

Indonesia has recently unveiled an ambitious project to make the country a major food producer by encouraging foreign and local investors to lease fertile agricultural land in the countryside. ‘Feed Indonesia, then feed the world’ was the call from President Susilo Bambang Yudhoyono after the government announced plans to fast-track development of vast agricultural ‘estates’ in remote areas like Papua and Kalimantan. The first of the mega-estates, the USD 6 billion Merauke Integrated Food and Energy Estate (MIFEE) was launched on 17 January 2010. The programme will initially cover 1.6 million hectares and this could be further expanded to 2.5 million hectares. It is designed to make the Merauke Regency in Papua province an integrated food production complex and involves leasing land to both domestic and foreign investors for up to 90 years. The government, however, limits the size of land a company/investor could acquire to 10,000 hectares. According to Deputy Minister Krisnamurthi, the estate is expected to contribute one million metric tonnes in rice production annually and between 800,000 and 1.2 million metric tonnes of sugar. The Agriculture Department revealed on 10 February 2010 that an unnamed South Korean company has already obtained permits to invest in MIFEE. Mitsubishi has also reportedly bid for stakes in the project. The attempt by Saudi Arabia’s Bin Ladin Group to invest at least USD 4.3 billion on 500,000 hectares of land to grow *basmati* rice however has been stalled as it exceeded the 10,000 hectare ceiling imposed by the Indonesian government and also due to resistance from the local people, said an agriculture ministry official on 26 October 2009. Local investors approved to invest in the food estate include PT Sumber Alam Sutra, PT Wolo Agro Lestari, PT Comexindo Internasional, PT Bangun Tjipta Sarana, PT Medco, PT Artha Graha, PT Digul Agro Lestari, and PT Buana Agro Tama. The UAE’s Minerals Energy Commodities Holding (MEC) is also negotiating with the government to lease around 100,000 hectares of farmland, revealed the firm’s vice chairman on 14 February 2010. The proposed farmland is located in East Kalimantan province where MEC also has a railway and coal project worth around USD 1 billion. MEC plans to start the proposed agriculture project by 2011.

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Lao People's Democratic Republic (Laos)

At the August 2009 ASEAN Economic Ministers Meeting in Bangkok, Laos's Minister of Industry and Commerce, Dr Nam Vinhaket announced that greater foreign investment in rice cultivation was being considered, with the government hoping that the country could benefit from technology aimed at increasing production of staple foods. Laos specifically proposed that Thailand set up a company with Kuwait to cultivate paddy fields in the country. Vietnam Rubber Group announced its plans to plant 200,000 hectares of trees in neighbouring Laos and Cambodia on 18 March 2009. About 10,000 hectares had been planted in Laos and 3,000 to 4,000 in Cambodia. Laos and Mongolia have also inked an agreement on 19 March 2010 for cooperation in agriculture during a visit to the country by a delegation from Mongolia's Ministry of Food, Agriculture, and Light Industry. Under the agreement, Laos will lease up to 10,000 hectares of agricultural land to Mongolia to produce rice and other crops, and another 20 hectares of land to establish a 'Mongolian Agriculture Cooperation Centre' in the Savan-Seno Special Economic Zone (SEZ) in Savannakhet province. A commercial and industrial park will be developed within the SEZ with the intent to attract foreign direct investments. Among other things, local and foreign companies will be accorded duty-free privileges for the import and export of goods and services.

Also under consideration is a proposal by Mongolia to develop sheep farms in Laos. Laos and Kuwait have also reached an agreement on agriculture cooperation with the Kuwaiti government already allocating funds for a feasibility study on cultivating rice for export in central Laos.

The Philippines

In 2007, the Philippine government, in a deal worth USD 5 million, agreed to a 25-year lease of 1.2 million hectares of farmlands to Chinese companies to grow rice, corn and sugar. However, the deal was suspended in September 2007. Bahrain, on the other hand, signed an agreement with the Philippines government in Manama on 3 February 2009. Under the agreement, the Philippines will provide 10,000 hectares of fertile land for a USD 300 million investment project that will focus on growing agricultural crops that are on demand in Bahrain. A South Korean company Jeonman Feedstock Ltd has also leased 94,000 hectares of farmland in Mindoro to grow 10,000 tonnes of corn a year for 25 years, a provincial government official said on 14 July 2009. During President Arroyo's visit to Qatar in December 2008, officials opened talks over the lease of at least 100,000 hectares of agricultural land to the emirate. Moreover, Saudi Arabia talks of turning the Philippines into the Kingdom's 'food hub' with ten Saudi agricultural companies expressing their interest in making the Philippines their food production hub and distribution centre in the Far East.

Singapore

Singapore imports more than 90 per cent of its food needs. In 2008 alone, it imported food products such as frozen chicken, duck, pork, beef, mutton, and egg from 31 countries (*The Straits Times* 2009). In its quest to ensure a resilient supply of safe food and mitigate the impact of rising food prices, the Agri-Food and Veterinary Authority (AVA), has stepped up its efforts to diversify and approve new sources of food, countries and establishments that comply with Singapore's animal health and food safety requirements. One example is the SG five million Food Fund established on 10 December 2009, aimed at enhancing Singapore's food supply resilience, especially in rice, chicken, pork, fish, eggs and leafy vegetables. The Food Fund will be used to support food diversification (establishing new and stable sources of food supply) as well as food capability (maximising local farm productivity). Although Singapore has not leased lands in other countries, there are signs that it could move in that direction. For example, in a first-of-its-kind for Singapore, SFI Manufacturing Pte Ltd, a wholly-owned subsidiary of the Singapore Food Industries (SFI), signed an agreement with Jilin City government (China) on 18 November 2008 to explore the viability of establishing a safe food production zone in the city. This project is expected to supply some five to 10 per cent of Singapore's demand for pork. On 18 June 2009, *The Phnom Penh Post* quoted the director of the Cambodian Chamber of Commerce (CCC) Mr Nguon Meng Tech as saying that at least six Singaporean companies wanted to start joint ventures with Cambodian partners to invest in the Kingdom's underdeveloped agricultural sector.

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Thailand

Thailand is developing itself to be a major food supplier to the world and yet it does not allow foreign investors to hold more than 50 per cent of a farming business. For example, several Arab countries sought permission from the Thai government to rent farmland to grow rice in 2009 but the proposal was turned down. *The Nation* quoted Director-General of Business Development Department, Kanissorn Navanugraha as saying on 23 June 2009 that 'If foreign investors want to ensure their food security, they should focus on trading under a contract rather than investing here'. Meanwhile, Thai agriculture companies are seeking opportunities abroad, particularly in neighbouring countries. Large companies such as Charoen Pokphand Group (CP) and Thai Charoen Corporation Group (TCC) have farm investments in Laos, Cambodia and Vietnam. Plantheon Co, a subsidiary of TCC, has formed joint ventures with local partners to grow coffee in Laos and palm oil in Cambodia. CP is among the first Thai corporations to grow maize in the region to support its livestock business. It plans to increase its plantation area in Laos, Cambodia, Vietnam and Myanmar in the future. Meanwhile, Africa has become a major destination for Thai rice and a number of Thai rice companies. There have also been invitations by local governments in Africa to invest in milling, processing and even growing rice. Nigeria's Minister of Commerce and Industry, Chief Achike Udenwa announced on 14 December 2009

that Nigeria and Thailand had commenced negotiations and the signing of bilateral and investment agreements in commercial agriculture in Nigeria particularly in rice production and processing. The deal could pave the way for the establishment of rice farms by Thailand in Nigeria's Free Trade Zones.

Vietnam

Vietnam, the world's second-largest rice exporter, is also keen to attract foreign direct investments in its rice cultivation industry. During President Nguyen Minh Triet's visit to Saudi Arabia in early April 2010, the Vietnamese officials met with Saudi business leaders to discuss the terms and conditions for future investment agreements. The *Gulf Times* also reported on 2 September 2008 that Vietnam had signed agreements with Qatar to set up a joint fund with a capital of USD 1 billion to facilitate investments in both countries. This could lead to Qatar investing in a 25,000 hectare rice growing project in the Mekong Delta province of Tra Vinh.

At the same time, as Vietnam is wooing foreign investment, Vietnamese firms are also investing in the farmlands of neighbouring countries. The Vietnam Rubber Group, for example, announced its plans to plant 200,000 hectares of trees in neighbouring Laos and Cambodia on 18 March 2009. About 10,000 hectares had been planted in Laos and 3,000 to 4,000 in Cambodia. Thus Vietnam, like Thailand, is one the main regional players in farmland acquisition and is likely to become more prominent in the future. Unlike Thailand however, Vietnam has welcomed foreign investments and hopes that an infusion of foreign funds will contribute towards more agricultural productivity.

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Conclusion

Although the acquisition of farmlands has occurred in Southeast Asia, there is a notable lack of discussion and dialogue between state and non-state actors on the issue. In the absence of such discussion, it is somewhat unclear whether the governments in Southeast Asia could adequately address the concerns of all stakeholders, given the sensitivity surrounding land ownership issues particularly in conflict and post-conflict areas. Another issue worth investigating is the effect of land acquisitions on the food security of the people in a region where poverty and socio-economic underdevelopment is still widespread. These are some of the issues that will be addressed in the next Issue of the NTS Alert.

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The Centre for NTS Studies, based in the S. Rajaratnam School of International Studies, was inaugurated by the Association of Southeast Asian Nations (ASEAN) Secretary-General Dr Surin Pitsuwan in May 2008. The Centre maintains research in the fields of Climate Change, Energy Security, Health Security, as well as Internal and Cross Border Conflict. It produces policy-relevant analyses aimed at furthering awareness and building capacity to address NTS issues and challenges in the Asia Pacific region and beyond. The Centre also provides a platform for scholars and policymakers within and outside Asia to discuss and analyse NTS issues in the region.

In 2009, the Centre was chosen by the MacArthur Foundation as a lead institution for the MacArthur Asia Security Initiative, to develop policy research capacity and recommend policies on the critical security challenges facing the Asia-Pacific.

The Centre is also a founding member and the Secretariat for the Consortium of Non-Traditional Security (NTS) Studies in Asia (NTS-Asia). More information on the Centre can be found at www.rsis.edu.sg/nts