

RETHINKING AGRICULTURE – WORLD AGRICULTURAL FORUM CONGRESS 2011

CONGRESS THEME II: RETHINKING AGRICULTURE – THE POTENTIAL SOLUTIONS

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Breakout Session I: View from the Land - Principles for Responsible Agricultural Investment

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I am a crops and beef farmer from the Parisian area of France, and also a producer of bioenergy. I am a member of the French Agricultural Society (SAF) that produced a report earlier this year calling for a new land policy.

The cost of land is becoming a major issue in the competitiveness of farm businesses

With the growth in population, competition for land is increasing. Every year in France, more than 75,000 hectares of farm land is lost to urbanization. Land prices are rising.

For young farmers starting up in agriculture, or for existing farmers wishing to develop their operations, the amount of capital required to buy and develop land is becoming a real burden.

This problem is becoming more acute with the ageing of the present farm population. Many well-structured farms will be up for sale in the next few years. It will be difficult for them to find successors, given the current state of financing mechanisms.

A new land policy is needed

The French Agricultural Society (SAF), looked at this problem in its work program last year, and developed a new land policy.

So what is in this new land policy?

The basic idea is to separate the cost of land from the business of running a farming enterprise. It proposes new forms of financing the acquisition of land, including through the use of external capital from investment funds.

This may be controversial, in the light of the present discussion about ‘land grabbing’. However, the critical thing for our farmers – and I am a farmer - is that this external financing must be made in a way that the farmer keeps control over the decision-making on his farm. Also, the financing has to be made in a long-term time frame.

Funding for agricultural development is not only a problem in France or in Europe. In developing countries, especially in Africa, the size of the investment needed to develop agriculture is way beyond the capacity of the agricultural sector, or indeed the capacity of national governments, to finance¹. For any lasting solution to hunger and poverty in the world, it is a necessity to attract private funds into agriculture. The key issue is to do it the right way.

Five strategic proposals from SAF

SAF has proposed a new land policy in 5 parts. These are:

1. Recourse to new capital
2. Expanded liquidity in the land market
3. Development of alternatives to tenant farming
4. Keeping good farm land in agriculture
5. Improving the governance of land at the local level.

What do these proposals mean in practise?

First proposal, recourse to new capital.

SAF believes that farmers should be able to propose to investors that they purchase the land they are farming with a view to renting it back to them. Such investors could be: mutual investment funds, limited companies specialized in land acquisition, land groups of the investor type specializing in property management for agricultural use.

An important condition for farmers is that investment in agricultural land should come from ‘socially-responsible investment funds’. These are funds that practice ‘ethical investment’. In return, farmers who receive this investment have to demonstrate that they meet certain ethical, social and environmental criteria. In the case of farmers in France and the European Union, these criteria could be those applied for cross-compliance to receive direct payments under the Common Agricultural Policy.

Investment funds must leave farmers free to manage the land and their businesses as entrepreneurs. In addition, lease agreements should always be conceived in a long-term perspective. Farming is a long-term activity and farmers need clarity for the long-term.

Second proposal, expanding liquidity in the land market.

This means, for example, that leases should be transferable. At the time of the transfer of agricultural land, and only then, all leases related to the farm would be transferable, even outside the family.

Third proposal, encouraging alternatives to tenant farming

At the present time, the only choices open to a farmer to acquire land are through a rental lease or through owner-occupation. SAF wants farmers to have more options. For example, the possibility of using lease-management agreements in agriculture, as is the case for commercial property. Lease-management allows a farmer to have access without the need for

¹ FAO estimates that the development of agriculture worldwide requires investments of 83 billion dollars per year

heavy investment. At the end of a minimum period, the landowner takes back his property or offers it for sale.

Another example is the use of 'trusts'. A property would be placed in trust to be managed by a trustee (the farmer) when the owner cannot or no longer wants to manage it himself. In this way, an individual or corporation could transfer agricultural land or property to a trustee who would be responsible for managing it. Terms and conditions would be laid down in a contract.

Fourth proposal, preserve farm land

SAF proposes several measures to keep land in agricultural production. These include:

- Development of a market for offsetting the effects of bringing farmland under urban development. For example, in the case of a shopping mall or a motorway being built on farm land, the developer would be obliged to carry out 'ecological restoration' on an equivalent size of land in another area.
- Better regulation of residential construction to control urban sprawl
- Developing high-value activities on farms, such as direct selling, open days, farm holidays, or the production of renewable energy so that the farming enterprise can better compete with added-value from urbanisation.

Fifth proposal, changing the governance of land at the local level

Good land management requires rational planning of the different uses of land. SAF wants an integrated territorial, or landscape, approach. The public authorities in each landscape area would work to integrate agricultural development, food security, ecosystem management and climate programs and policies. They would also link the diverse sources of financing related to land management.

Principles for responsible agricultural investment in land

The 5 proposals that I have outlined may seem a bit technical for an international audience. However, they are of vital importance for developing the future potential of agriculture.

At the global level, I understand that there are at least 8 different initiatives to establish principles for responsible agricultural investment in land. In SAF, we do not pretend to have developed the 9th set of principles that will trump all the others. There is no need since all these initiatives reflect a common consensus around: respecting land and resource rights, ensuring food security and sustainable development, and promoting participatory processes and good governance.

Conclusion

For centuries, successive generations of farmers have been buying land, and the agricultural sector has been advancing on its own capital. This will no longer be possible in the future. Given the rising price of land and the increasing size of farm business that is required to stay competitive in the future, farmers will have to accept capital from outside of agriculture. This is a revolution for farmers, as it goes against years of practice. And it will mean that they have to accept outside participation in their farms.

The proposals made by SAF in its new land policy show how important it is to organise this outside participation. It must be done in a way that leaves farmers in control of their farm businesses, and gives investors – not speculators – the assurance that their money is in a safe place on a long-term basis.