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Leibniz Institute of Agricultural Development  
in Transition Economies

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Martin Petrick

# The rise of global corporate agriculture

# The peasant farm: An established reference in theory & politics

## **Two pillars of the “family farm theory”:**

- No technical scale economies beyond labour capacity of a family
- Growth of labour force beyond family size inhibited by supervision costs

Chayanov 1923; Schmitt 1991; Hayami/Otsuka 1993; Lipton 2009

Long-standing model for agricultural policy making in most Western economies

Blueprint for agricultural reforms in developing countries endorsed by IMF, World Bank etc.

# A paradigm change in the making?

- Unexpected survival of large scale agriculture in East European countries despite the collapse of socialist industrial farming
- Emergence of “agro-holdings” in Russia-Ukraine-Kazakhstan (RUK)
- Argentine & Brazilian mega-farms as a model for Africa
- Increasing land concentration & hired labour in regions traditionally characterised by small scale farms (West Europe, US)
- “Land grabbing” in developing countries
- Family farm model increasingly criticised by academics (Michael Boehlje, Paul Collier)

# Concluded & intended transnational land deals

REGION	FOOD CROPS (MHA)	NONFOOD CROPS (MHA)	MULTIPLE USE CROPS (MHA) <sup>a</sup>	TOTAL (MHA)	TOTAL (PERCENT OF WORLD)
Africa	1.5 / 4.0	7.7 / 0.9	8.2 / 5.7	17.3 / 10.6	47 / 70
Asia	0.2 / 1.8	1.8 / 0.6	3.5 / 1.9	5.5 / 4.3	15 / 28
Latin America & Caribbean	1.1 / 0.0	1.2 / 0.0	3.0 / 0.2	5.3 / 0.2	15 / 1
Europe (Eastern & Northern)	0.4 / 0.0	1.0 / 0.0	4.6 / 0.1	6.0 / 0.1	17 / 0
Oceania	0.1 / 0.0	0.2 / 0.0	2.1 / 0.0	2.3 / 0.0	6 / 0
<b>Subtotal (all regions with information)</b>	<b>3.3 / 5.8</b>	<b>11.8 / 1.6</b>	<b>21.5 / 7.8</b>	<b>36.5 / 15.2</b>	<b>100 / 100</b>
No information				7.4 / 3.1	
<b>Total (all transnational agriculture deals)</b>				<b>44.0 / 18.3</b>	

Notes: Concluded deals are shown in red, intended deals in black. Numbers may not sum correctly due to rounding.

a. "Multiple use crops" includes crops designated as "flex-crops" or "multiple use" in the Land Matrix database.

Source: Land Matrix n.d. Data shown as of 2016.

Data for 2000-2016.

Source: World Resources Report 2019, Creating a Sustainable Food Future, p. 442.

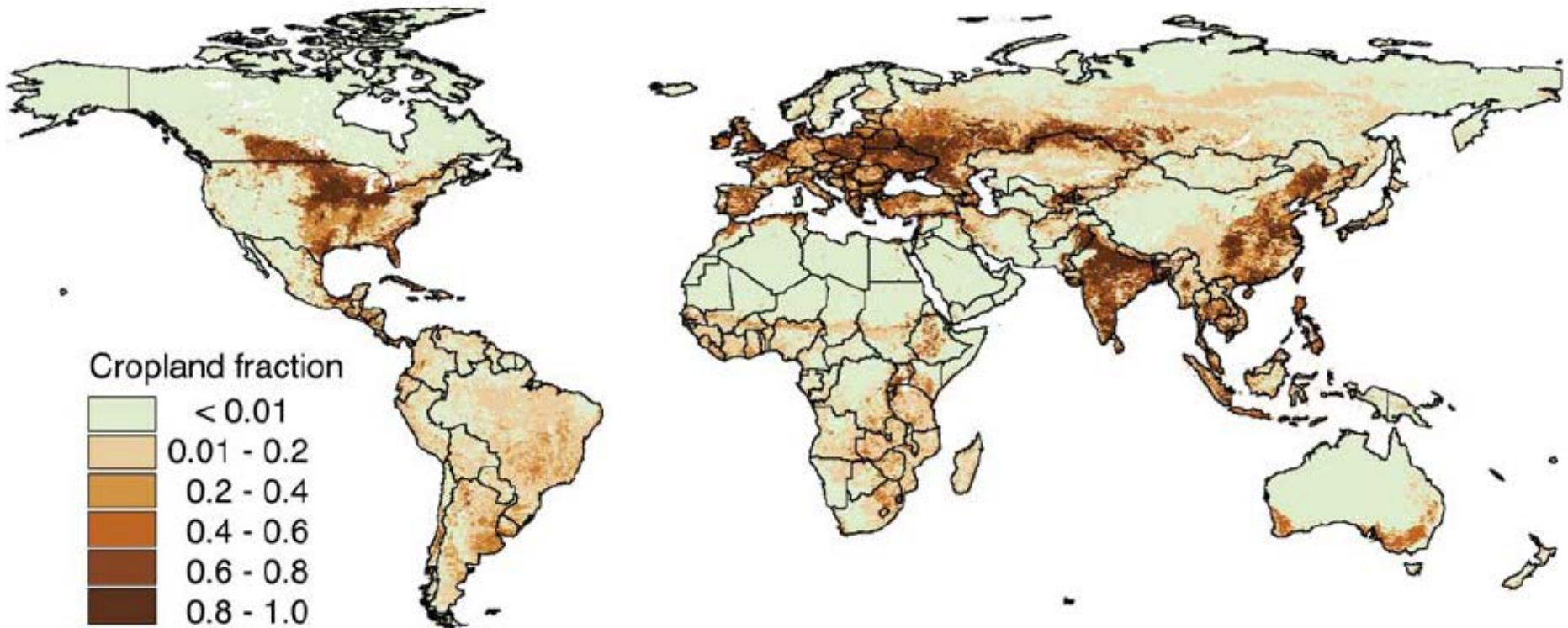
# Five questions

- What is “corporate agriculture”?
- How common is it?
- What are the reasons for the emergence of corporate farms?
- Which are the consequences?
- What should policymakers do?

# Alternative ways of organising agriculture

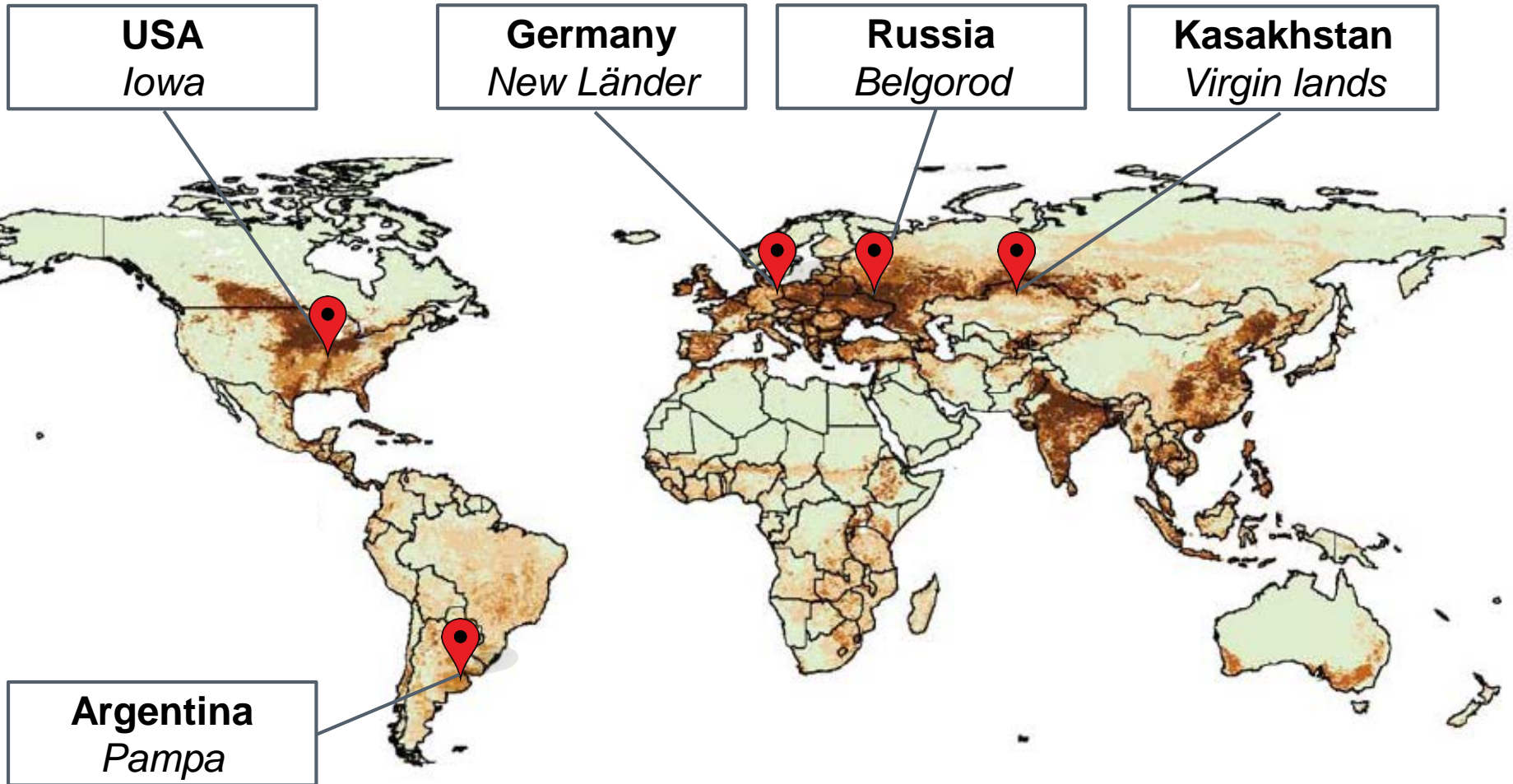
	Family farm	Private partnership	Rental farm	"Corporate agriculture"		
				Cooperative farm	Corporate farm	Holding
Workers = family members	Yes	No	Yes	No	No	No
Workers = owners	Yes	Yes	No	(Yes)	No	No
Capital owners = family members	Yes	Yes	Yes, except land	No	No	No
Vertical / horizontal integration	Low	Low	Low	Low	Low	High

# Global distribution of arable land



Source: Leff et al. 2004.

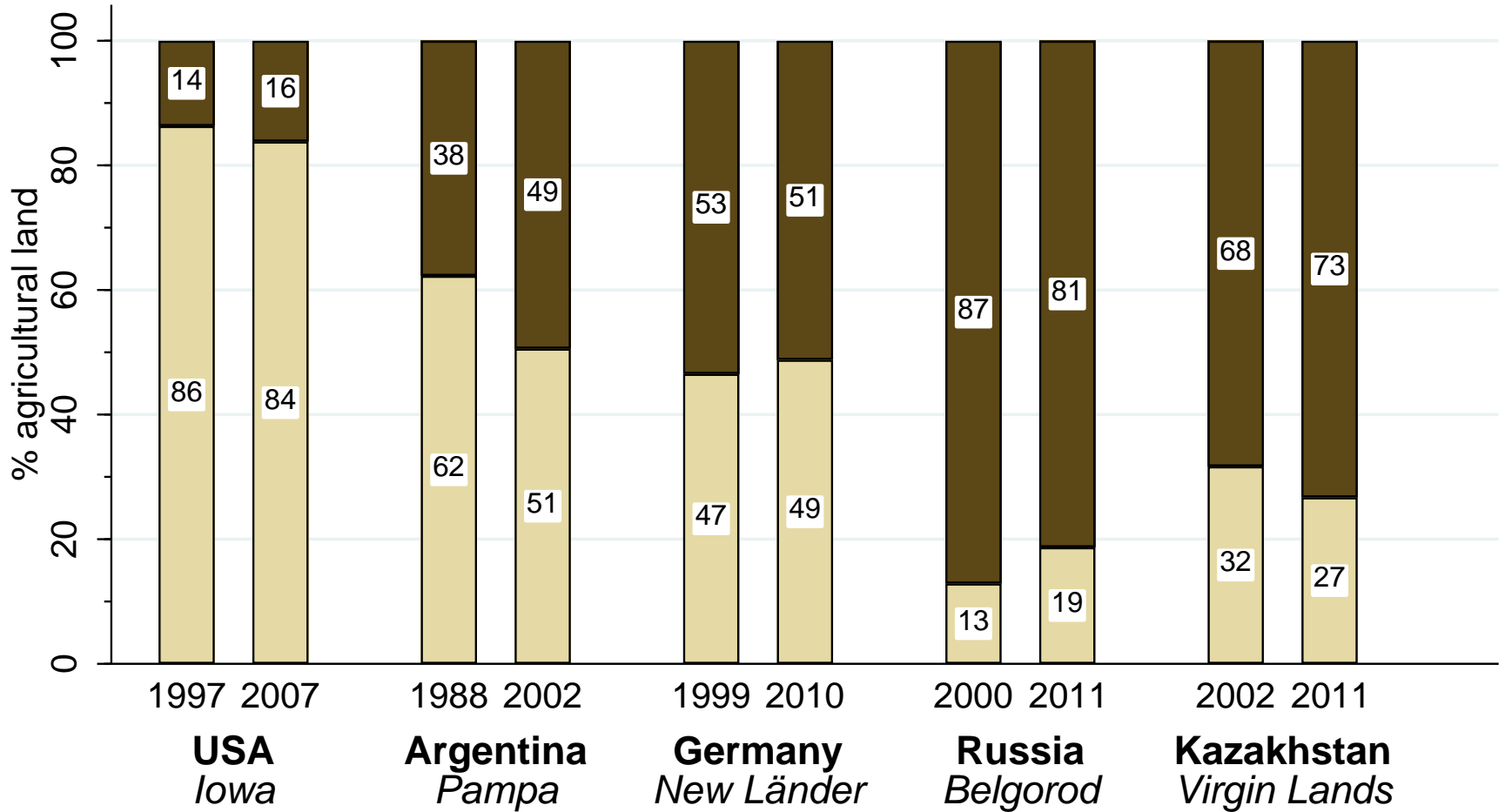
# Selected farming regions





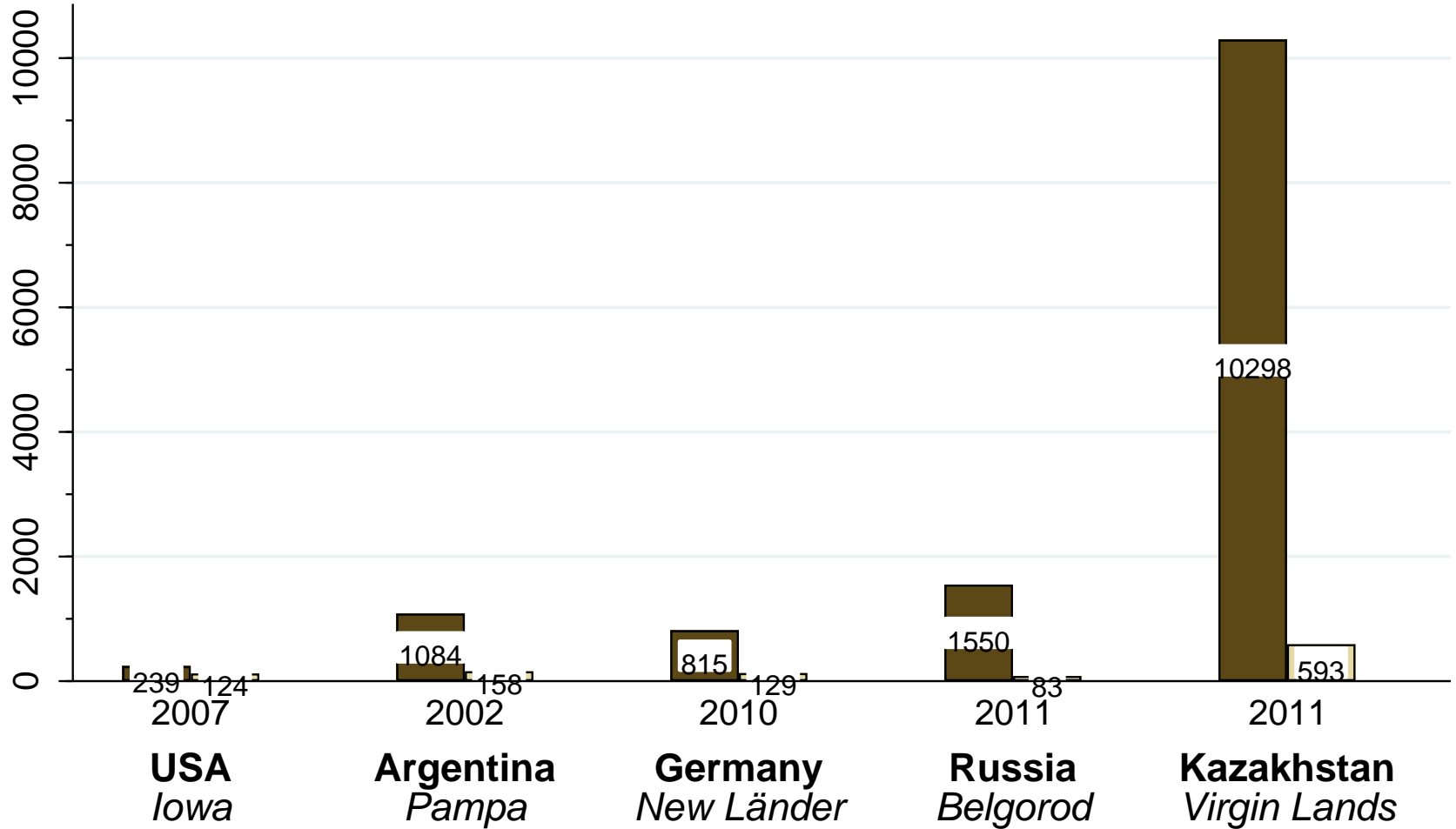
# Land use by corporate farms

## % in selected world regions



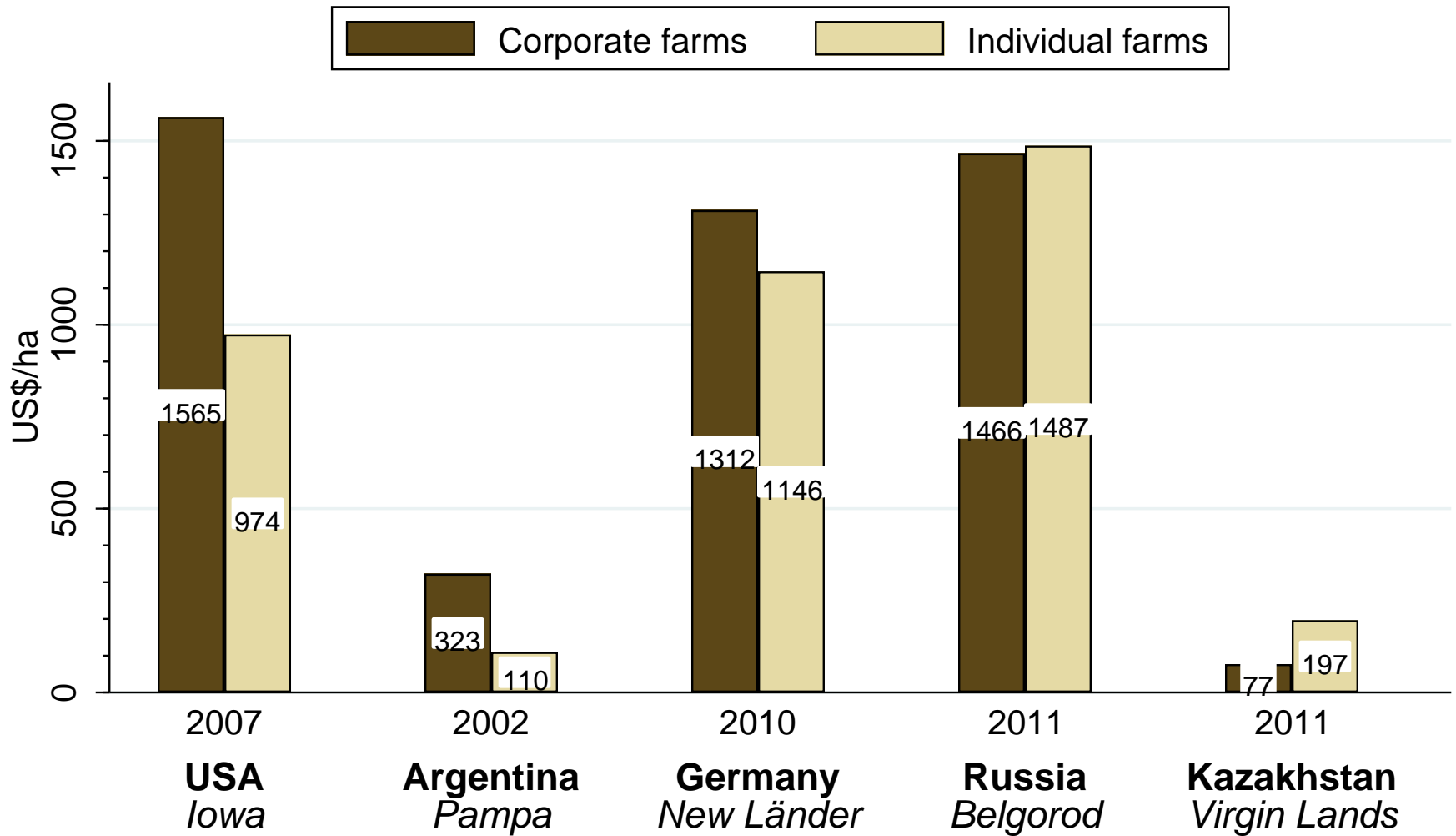
Source: national ag censuses.

# Cultivated area per farm (ha)



Germany incl cooperative farms. Russia & Kazakhstan excl household farms.  
 Source: Official agricultural statistics.

## Gross agricultural output per ha in 2002-2004 US\$



Germany incl cooperative farms. Deflation using the FAO food price index.  
Source: Official agricultural statistics.

# Trends in corporate agriculture

- Dominating organisational form in some regions
- Expanding esp. in Argentina & Kazakhstan
- Much more land per farm than individual farms
- Higher land productivity (except in former Soviet countries)

# Causes of corporate agriculture

## Basic economics

- Scale effects in processing, logistics, standards, capital access
- Internalising development cost in virgin lands
- Lack of workers (in thinly populated regions)
- Reduction of negative scale effects via technology (GPS; Precision agriculture)

## Bad economics

- One-sided political support of certain farm types (estates, latifundia, collectivisation) & their consequences

## Beyond economics

- Ideology, faith in technology, megalomania

Modified from Byerlee 2012.

# Impacts in the investors' view

- Technical & organisational upgrading of production
- Reporting duties may increase transparency
- Improved rural infrastructure (logistics, storage)
- Yield increases
- Activation of regional land markets
- Stabilisation of rural economies, multiplier effects
- Local employment effects
- Increasing local tax base

Based on HighQuest Partners 2010; Luyt 2013.



# Civil society scepticism

- Displacement of peasants & former land users
- Loss of landscape diversity, monocultures
- Increasing use of agrochemicals
- One-sided political influence of investors / large farmers
- Lack of transparency
- Exploitation of workers

FIAN; farmlandgrab.org; La Via Campesina; ...



# What policymakers should do

- Securing property rights in land for incumbent users
- Adequate land evaluation & taxation
- Promote competition on land markets to allow adjustments
- Set land management standards
- Set labour standards
- Strengthen local public
- Promote transparency

Deininger/Byerlee 2012; Petrick et al. 2013.



# Session papers

Stephanie Domptail (Justus Liebig University Giessen):

“Claims of land grabbing in Germany: an attempt to make space for environmental-friendly and agroecological agriculture?”

Eduard Bukin (Justus Liebig University Giessen):

“The role of corporate farms in recent land market reforms in Ukraine”

Jakhongir Babadjanov (Justus Liebig University Giessen & Tashkent Institute of Irrigation and Agricultural Mechanization Engineers):

“Cluster formation as a strategy of vertical integration: insights from cotton in Uzbekistan”

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