



Indigenous farmer in the municipality of Sayaxché, department of Petén, Guatemala, viewing the stunted corn crop on his land bordering an oil palm plantation. Photo: Oxfam / Pablo Tosco

SMALLHOLDERS AT RISK

Monoculture expansion, land, food and livelihoods in Latin America

Case studies of large-scale agricultural investment in Paraguay, Guatemala and Colombia show how monoculture expansion is displacing communities, undermining smallholder livelihoods and worsening local food security. Even when companies say they operate responsibly, their business model determines who bears the risks, who has access to capital and where market power lies. Responsibility should mean benefits and costs are fairly distributed and all rights upheld, including land rights. Private agricultural investment is needed, but it should complement rather than undermine smallholders, who are the main investors in agriculture.

SUMMARY

Greater investment in agriculture is needed to reduce rural poverty and improve food security. This means not simply increasing supply but ensuring that adequate, nutritious food is accessible to every person at all times. How investment is made, its context and conditions, is at least as important as how much is invested.

The recent wave of large-scale land acquisitions that has accompanied greater investment in agriculture has raised concerns regarding impacts on food security and rural livelihoods. Case studies from around the world have revealed how negative consequences most often outweigh the few benefits for small farmer communities. To address these problems, strong standards to promote responsible investment are needed. A crucial global process has been launched by the Committee on World Food Security (CFS) to agree on a set of principles for responsible investment in agriculture that support the progressive realization of the right to food.

Thus, it is important to understand how private agricultural investment, even that which appears to be undertaken responsibly, affects smallholder agriculture, access to land and food security. This paper shares the findings from three case studies commissioned by Oxfam America focused on land acquisitions by US-based corporations or companies backed by US capital to produce commodity crops rapidly expanding worldwide: soybeans in Paraguay by Desarrollo Agrícola del Paraguay (DAP), oil palm in Guatemala by Palmas del Ixcán, and corn and soy in Colombia by Cargill.

These three cases, though different in many aspects, share some common features. They all occur in marginalized regions, neglected in the past but today seen as potential hubs for industrial agriculture development to produce commodities for regional and global markets. Governments are paving the way for big companies through incentives, tax policies and targeted public investments, convinced that this model alone is capable of leading the productive and technological transformation required.

While agribusinesses claim that they are expanding onto unused or under-utilized land, Oxfam's field research in Guatemala and Paraguay told a different story, as monoculture expansion is displacing local communities and their traditional livelihoods. In some cases displacement is a direct result, as in Guatemala, where Palmas del Ixcán acquired land from smallholders. In others it is indirect, as in Paraguay, where families virtually surrounded by plantations of Roundup-Ready soy are unable to coexist with the health and environmental problems caused by the intensive use of agrochemicals that also harm their crops and livestock.

Field research in Paraguay and Guatemala showed how large-scale monoculture expansion is competing for land with small-scale basic food production; thus, households which used to be self-sufficient in food now rely on local markets, where nutritious food is not always available. And the limited incomes from seasonal and low-paid jobs in oil palm and soy plantations (the latter employ very few workers) do not guarantee the household's purchasing

power to access adequate food.

Displacement of smallholders can also occur despite regulations to keep land in their hands. In Colombia, land distributed by the state as part of land reform processes is subjected to restrictions to avoid concentration of land ownership. Yet Cargill evaded the rules by creating 36 shell companies, each buying less than the legal limit, in order to acquire over 52,000 hectares in the department of Vichada; 30 times the maximum allowed for a single owner.

Even where more inclusive business models were applied, offering opportunities to participate in agricultural supply chains, farmers ended up worse off in the cases studied. In Paraguay and Guatemala, the companies supported smallholder adoption of mechanization and input-intensive agriculture. Most of the risk had to be assumed by smallholders, while issues of inequity, power imbalances and the lack of sustained finance were not addressed. Simply replicating the production model of large-scale monoculture did not reap benefits for smallholders, who ended up trapped in debt and risked losing their few assets.

Several insights can be drawn from these case studies. Large-scale monoculture expansion, driven by world market dynamics and financial interests, tends to deepen the concentration of land ownership, limit equitable access to resources, degrade the environment, harm the health of the local population, create exploitative working conditions and put at risk the traditional livelihoods of small-scale farmers. Corporate social responsibility delivers little benefit as long as problems generated by the business model are not addressed.

Responsible investment should recognize the centrality of the biggest agricultural investors: small-scale producers, particularly women. It should complement rather than displace the investments made by these producers, addressing their needs and challenges and helping to achieve their full potential. Investment approaches should be grounded in human rights obligations and avoid undermining the rights and livelihoods of small-scale producers and local communities. Social and environmental costs should be internalized by investors or compensated proportionally to avoid generating private profits at the expense of local communities and the society at large.

The responsible agricultural investment principles to be adopted by the CFS should set a global 'gold standard' guiding all forms of investment by public and private actors. This includes addressing the model of investment and partnerships, which makes a big difference to local impacts. The balance of power, how risk is shared, and how access to and control over information, land and other natural resources is affected, will to a large extent determine whether small-scale producers benefit or their rights be undermined. Bilateral assistance and international financial institutions should promote more truly inclusive and sustainable models of agricultural investment and review the efficacy of their performance standards in light of the social and environmental outcomes of their investments.

Finally, the role of the state is critically important in providing a framework for private investment in which policies, regulations and institutions ensure that benefits and costs are fairly distributed and all rights are upheld. Public investment in key public goods, such as rural infrastructure, informal markets,

education, agricultural research and extension services will yield strong economic and social returns that will benefit society at large.

Stagnant rural poverty and extreme inequality in Latin America are the result of biased policies that failed to promote inclusive development. If agriculture is to contribute to sustainable development while reducing poverty and inequality, governments will need to shift their focus from attracting corporate investment to tackling the structural exclusion of smallholders, who are the main investors in agriculture.

1 INTRODUCTION

Enabling every person to have enough nutritious food to eat now and in the future is a major global concern. One in eight people around the world suffer from chronic hunger today. Yet food insecurity is not simply a problem of food supply. Measures to increase agricultural productivity must be complemented by policies to ensure that adequate, nutritious food is accessible to all. This requires increasing incomes, fighting poverty—particularly in rural areas—and establishing effective safety-net programs.

In the wake of the 2007/8 food price crisis, the need to increase investment in agriculture has risen to the top of the global agenda. But a key question confronting governments, farmers, development organizations and the private sector is what mix of investment will best achieve the desired outcomes of increased production and equitable access to food: public or private, small-scale or large-scale, low-input and agro-ecological models or input-intensive and industrial farming. The public policies in place affecting agricultural investment, and the extent to which small-scale producers are empowered to realize their potential, will have a huge impact on outcomes.

Public investment in agriculture and rural development is essential to supply key public goods and to attract and guide effective private investment. Evidence shows significant returns on such public investment in terms of poverty reduction and agricultural growth when it includes smallholder needs.¹ The renewed interest in agriculture has led to increased government spending globally over the last decade, although the actual share of agriculture in overall public expenditure has fallen worldwide, except in South Asia.² But much more investment is needed, particularly to address the challenges facing small-scale producers.

In recent years there has been a shift in focus from the need to increase public investment, to what governments can do to attract more private investment.³ Yet most agricultural investment in developing countries is still made by farmers themselves, exceeding the amount invested by governments and domestic corporations by a ratio of more than three to one.⁴

Farming is dominated by small-scale producers,⁵ a large proportion of them women.⁶ They provide over 80 per cent of the food consumed in a large part of the developing world.⁷ In Latin America and the Caribbean, some 15 million small-scale farms play an essential role in the economies and food security of the region, as well as in the future of the 62 million people who still live in poverty in its rural areas.⁸ Paradoxically, it is these very same small-scale producers who are the most food-insecure.

Investment in smallholder agriculture has the capacity to contribute effectively and significantly to food security as well as to economic growth, employment generation and the reduction of poverty and inequality.⁹ But smallholder agriculture faces big challenges. And a recent wave of large-scale corporate investments involving land acquisitions, particularly in some of the world's poorest countries and regions, has raised real concerns that small-scale producers—farmers, pastoralists, and foragers—may become marginalized and

displaced in the process.

Case studies from around the world have shown how the negative impacts of large-scale land acquisitions in developing countries, which can involve forced evictions of local communities, most often outweigh the few benefits—essentially, job creation.¹⁰ That is why Oxfam has called on the world's largest food and beverage companies to commit to zero tolerance for land grabbing throughout their global supply chains.¹¹ But it is not only investments fitting the definition of land-grabbing¹² that undermine smallholder livelihoods, local food security and the environment.

When adequate policy and regulatory frameworks are absent and public or private-sector actors fail to recognize their responsibility for fostering sustainable development and the right to food for all, large-scale investment can increase inequalities and lead to land grabbing, worker rights violations, degraded natural resources, higher greenhouse gas emissions and, at the end of the day, more poverty and hunger.

Globally accepted guidelines for what constitutes responsible investment in agriculture do not yet exist. But important efforts are underway to agree such norms. In 2012, the Committee on World Food Security (CFS) launched a global consultation involving governments, international organizations, civil society and private sector stakeholders from around the world. The expected outcome of this process, to be concluded before the end of 2014, is a 'set of principles to promote investments in agriculture that contribute to food security and nutrition and to support the progressive realization of the right to adequate food in the context of national food security'.¹³

As negotiations move forward to establish norms for responsible investment in agriculture, it is important to understand how such investments, in particular those that appear to be undertaken more responsibly, affect smallholder agriculture, access to land and food security.

2 THREE LAND-BASED INVESTMENTS IN LATIN AMERICA

As the scale and pace of large-scale land acquisitions increases globally, evidence has mounted that the price paid by affected communities is unacceptably high. In the context of its GROW campaign, urging governments and companies to promote a more sustainable and fair food system, Oxfam has undertaken research around the world to assess the impacts of large-scale land-based investments in developing countries.¹⁴ These studies have sought to understand the conditions under which such acquisitions occur and how they affect people at the local level—particularly small-scale farmers—and their access to land, livelihoods and food security, as well as the environmental, health and labor conditions on the plantations involved.

This paper shares the findings and insights drawn from three case studies in Latin America commissioned by Oxfam America in late 2012 and 2013. They focus on land acquisitions by US-based corporations or companies backed by US capital to produce some of the key commodity crops expanding most rapidly worldwide: soybeans in Paraguay, oil palm in Guatemala, and corn and soy in Colombia.

The primary research—interviews and evidence from the field—was complemented by secondary information from literature reviews. Qualitative methods were chosen for the field work, including in-depth semi-structured interviews and focus groups with the key actors: company representatives, small-scale farmers, community leaders, plantation workers and former workers, national and local authorities, civil society organizations, national experts and international organizations.

The rest of this section provides a brief overview of land issues in Latin America and describes the context and characteristics of the three land-based investments studied. Full descriptions of the cases can be found in the separate research reports.¹⁵ Findings and lessons learned are described in section 3.

LAND, INEQUALITY AND AGRICULTURAL EXPANSION IN LATIN AMERICA

Latin America and the Caribbean is the region with the greatest economic inequality in rural areas worldwide.¹⁶ The rural poverty rate only declined from 60 percent in 1980 to 52 percent in 2010, despite the region's significant expansion of agricultural exports and its unprecedented economic growth.¹⁷ The proportion of people in rural areas who live in poverty is twice that of urban areas even though two-thirds of the region's poor live in cities.¹⁸

One of the biggest challenges to a sustainable and fair agricultural and food system in the region is the extreme concentration of land ownership. Land is also the source of innumerable conflicts. The struggle over land rights has been at the root of civil wars in Colombia and Guatemala and the 'constitutional coup'

in Paraguay. These three countries have some of the most extreme concentration of land ownership in the world.

Government policies have failed to overcome this problem. Agrarian reforms launched in many Latin American countries over the last two centuries resulted in some democratization of ownership but were systematically opposed by economic oligarchies, lacked continuity or failed to empower smallholders. Then, as the role of the state was reduced over the last two decades, governments reoriented agrarian policies to stimulate land markets, often reversing redistributive processes.¹⁹

Agriculture sector policies in the region have focused on improving access to global markets. Consequently, public investment has prioritized support for products with high global demand, such as tropical fruits, meat, sugar and, more recently, grains and oilseed crops (mostly soybean) for biofuels.²⁰ Production of these commodities is dominated by large agribusinesses that benefit from incentives, tax exemptions, access to credit, market protection, targeted infrastructure improvements and, too often, weak and extremely lax enforcement of environmental and labor regulations. At the same time, the vast majority of small-scale producers depend on domestic markets that have been neglected by public investment and development agencies.²¹ Their rights and needs have not been prioritized by policy and regulatory frameworks that could strengthen their market power and increase their access to land and natural resources.²²

The result has been a two-tiered model of agriculture that increases exclusion by favoring the concentration of land, wealth and power in few hands.

This imbalance is at risk of deepening even more. A new appetite for agricultural commodities, partly sparked by biofuel subsidies and mandates in the United States and Europe as well as in some Latin American countries, has spurred a wave of new investments in soy, oil palm, sugarcane and other 'flex-crops'.²³ These crops are all part of extensive global supply chains dominated by a few companies, fed by input-intensive monoculture that relies on economies of scale in processing, transport and marketing.

The accelerated expansion of large-scale monoculture in Latin America is transforming the region's land use and agrarian structures towards greater concentration of landholdings. The result has been more obstacles to agrarian reform and to policies that seek to reduce poverty and inequality through better access to land and stronger land rights.

PARAGUAY CASE

Paraguay is the sixth largest producer and fourth largest exporter of soybeans in the world. Soy is the basis of the Paraguayan economy, which grew 14 percent in 2010, the highest rate in Latin America and third in the world.²⁴ But national poverty has barely decreased, as this wealth has not been well distributed.²⁵ The rural–urban gap is deep: one in every two Paraguayans living in rural areas is poor, and one in every three is extremely poor—a proportion three times higher than in urban areas.²⁶ Rural poverty in Paraguay is closely linked to the concentration of land ownership, the highest in Latin America: a privileged 1.6 percent of land owners concentrate 80 percent of the land available for

agriculture and livestock.²⁷

During Stroessner's rule (1954–1989), the state distributed approximately 10 million hectares of land (25 percent of the country's total), but much passed illicitly to friends of the regime, while what little was received by smallholders was never titled.²⁸ This has led to numerous conflicts over land, thousands of men and women farmers imprisoned, and more than 130 extrajudicial executions of community leaders since the end of the dictatorship.²⁹

Biased public policies³⁰ and ineffective labor and environmental regulations³¹ have fueled the rapid expansion of soy monoculture over the last two decades. Today it covers three million hectares or 80 percent of agricultural cropland in Paraguay.³² Approximately half of this land had been previously occupied by cattle ranches (today displaced to the north of the country) while the other half was owned by small-scale farmers and indigenous families, many of whom ended up swelling the ranks of the urban poor.³³ This displacement exacerbated the concentration of land ownership and rural poverty.³⁴

Soy in Paraguay is almost exclusively produced on large-scale, input-intensive and mechanized plantations.³⁵ More than half are owned by Brazilian companies, while 80 percent of soy exports are controlled by only six transnational corporations.³⁶ Ninety-five percent of soy seeds are genetically modified to tolerate the herbicide glyphosate or Roundup, whose widespread heavy use has raised much concern³⁷ as well as resistance by smallholders, indigenous people and environmental groups.³⁸

In this context, the company Desarrollo Agrícola del Paraguay (DAP)—a local subsidiary of Bermuda-based NF Developers—acquired or leased 35,000 hectares of former cattle ranches and converted them into intensive, mechanized plantations of soy in rotation with corn and sunflower. DAP raised capital from national and international investors, including the Rohatyn Group and JP Morgan. The World Bank's International Finance Corporation (IFC) also provided US\$28m in credit and venture capital in 2009 and 2011.

DAP has sought to differentiate itself from other soy companies and to avoid resistance from the local population by adopting more responsible practices. In association with national non-government organizations, it has developed community projects and provided support to some smallholder producers. These efforts have gained recognition for DAP's 'unique business model which focuses on building long-term alliances with interested local participants to assure a triple bottom line: social, environmental and economic'.³⁹ The IFC has referred to it as an example of how best practice in sustainable agribusiness development is being implemented effectively.⁴⁰

Oxfam's research aimed to assess these statements *in situ*. Field work examined how DAP investments have been carried out in practice; how they are perceived by local stakeholders; who has benefited; whether there is evidence of adverse direct or indirect impacts; and what outcomes resulted from the community projects promoted by the company as part of its corporate social responsibility policy.

GUATEMALA CASE

Eighty percent of agricultural land in Guatemala is owned by only eight percent of agricultural producers; while a half million rural families have no land at all.⁴¹ This extreme inequality was at the root of the civil war that devastated the country over 36 years. And although the Peace Agreement signed in 1996 included provisions to address the problem, the situation has not improved.

The rapid expansion of industrial monoculture—particularly sugarcane and oil palm—is displacing basic food production.⁴² The country's Strategic Plan for Food and Nutrition Security (2012–2016) points out how the rapid increase of non-food crops undermines domestic production of basic grains, raising food security concerns.⁴³ This is serious in a country where one in every two children is chronically undernourished,⁴⁴ and per capita food production has decreased over the last 15 years.⁴⁵

Oil palm cultivation in Guatemala began as an alternative cash crop to cotton in the 1980s. Over the last ten years the area covered by this crop almost quadrupled and it now occupies eight percent of arable land.⁴⁶ The oil palm industry in Guatemala is highly concentrated: six corporate groups dominate the entire value chain from farm to consumer, controlling input supply, production, processing, marketing and prices.⁴⁷ These six companies occupy an area equivalent to the land used by more than 66,000 subsistence farmers.⁴⁸ Most of the palm oil produced in Guatemala is exported—66 percent to Mexico—for use in the food industry and, more recently, biofuel production. Domestic biodiesel production, unlike sugarcane-based ethanol, is at a very early stage of development.

The case study focused on the company Palmas del Ixcán, established in Guatemala as a subsidiary of Green Earth Fuels (one of the main biofuel-producing companies in the United States). Palmas del Ixcán also acquired capital from investment funds, including the Carlyle Group, Riverstone Holdings and Goldman Sachs. But following the withdrawal of Green Earth Fuels from the undertaking in 2011, only national shareholders remain invested. Palmas del Ixcán planned to be the first biodiesel exporter in Guatemala. But financial constraints limited the company's planned investment to direct acquisition of 4,600 hectares (one-quarter of what had been initially projected) and contracts with independent producers on more than 2,100 hectares.

Oxfam's research in the field examined how the company's operations have affected the livelihoods of small-scale farmers and their access to land. It looked at two ways in which the company acquired control over land: direct purchase and contract farming involving smallholders in oil palm production in the municipalities of Ixcán, Sayaxché and Chisec. The research also looked into labor conflicts involving Palmas del Ixcán and other oil palm companies in the municipality of Sayaxché.

COLOMBIA CASE

About 80 per cent of productive land in Colombia is in the hands of 14 per cent of owners.⁴⁹ As in Guatemala, this inequality has been both a root cause and a

consequence of the internal armed conflict. The violence and forced displacement of almost five million people have left an estimated eight million hectares of land dispossessed, more than the surface area currently devoted to agriculture across the country.⁵⁰

Productive land is under-utilized, much of it occupied by extensive cattle ranches. There are no general restrictions on property size, except in the case of land that has belonged to the state. Such public assets (*'baldíos'*) should be distributed by the state to fulfil its constitutional mandate to promote access to land by landless farmers in order to improve the income and quality of life of the rural population. To prevent accumulation of *baldíos*, no individual or entity is permitted to acquire more than one 'family agriculture unit'.⁵¹ That is the amount of land considered necessary for a family to obtain a decent livelihood, varying in different parts of the country according to differing agro-ecological conditions, with a maximum of 1,725 hectares in some municipalities.

However, some view this limit as an obstacle to agricultural development, including the US Department of Agriculture.⁵² The current Santos government has questioned the need for this rule, and has made several attempts to modify its application, which have been opposed by many stakeholders and, in some cases, rejected by the Constitutional Court.⁵³

This case study focused on how Cargill, the world's largest agricultural commodity trader, acquired land in the Altillanura region to produce corn and soybeans. Information was obtained from government registry offices, the chamber of commerce and indirect informants, as significant logistical limitations and security risks prevented direct access to the field or previous owners. The research sought to reveal whether Cargill's land acquisition involved *baldíos*, in the context of an on-going national debate in Colombia over land distribution, and peace talks in which the government has committed to move forward a comprehensive rural reform that includes improving access to land for the rural poor.

3 THE IMPACTS OF INVESTMENT ON SMALLHOLDERS

The cases from Paraguay, Guatemala and Colombia help to illustrate concerns about the impacts of large-scale agricultural investments on small-scale producers and local communities; in particular their effect on food security, access to land, environmental sustainability and poverty reduction. This section discusses seven specific areas of concern.

The insights from these cases cannot be generalized for all such land-based investments. Yet one lesson is broadly applicable: the particular production model and the specific local context are what primarily determine whether impacts are positive or negative for local populations.

The three cases share two basic features. All three countries have invested in large-scale monoculture to produce important globally traded commodity crops: palm oil, soy and corn. And the three agribusinesses involved—DAP, Palmas del Ixcán and Cargill—have publicly stated their commitment to corporate social responsibility and their interest in contributing to economic growth and community development in the areas where they operate. Although these cases are not representative of agribusiness corporations generally, insights from the studies point to issues that must be taken into account in an evidence-based debate on what constitutes responsible investment in agriculture.

MONOCULTURE EXPANSION IS DISPLACING SMALLHOLDERS

The increasing global demand for agricultural and energy commodities has focused attention on the economic potential of transforming formerly neglected regions into agricultural development hubs, connected by international trade corridors. Some Latin American countries are paving the way for large corporate investors, expecting them to lead a productive and technological transformation. They seek to follow the example of Brazil in the Cerrado region, where extensive savannahs have been transformed into high-yielding plantations, though not without high social and environmental costs.⁵⁴

Evidence from the three cases suggests that large-scale monoculture is advancing quickly in regions formerly occupied by indigenous and smallholder communities, leaving them without access to land—a fundamental asset for production. The land considered to be under-utilized often holds great value for the livelihoods of small-scale farmers, pastoralists, women and indigenous people.

In Guatemala, the *Franja Transversal del Norte* (Northern Corridor) received little attention until the government invested in a highway from the Mexican border to the Caribbean, which prompted several agricultural, extractive and energy projects. This region, with a history of intense conflicts over land, was mostly populated by landless farmers who had benefited from a market-based

land reform after the government provided them with credit to purchase small plots.

Lack of public investment in rural development, services and productive infrastructure, as well as barriers to market access, prevented smallholder farming from becoming profitable. Unable to repay their debt to the state, 40 percent of smallholders who had obtained titles through the land legalization process under the 1996 Peace Agreement sold their plots to investors for extensive cattle ranches, oil palm and teak plantations.⁵⁵ In fact, land of particular interest to oil palm growers, including Palmas del Ixcán, seemed to be fast-tracked for legalization.⁵⁶ Instances of indirect coercion to sell were reported during the field work; entire communities had been surrounded by palm plantations and access to their plots blocked by fences and security guards.

Similar circumstances were found in the eastern region of Paraguay. The department of San Pedro is experiencing the rapid advance of large-scale soy plantations, encouraged by national policies that promote transforming cattle ranches to oilseed production and that establish incentives and domestic targets for biodiesel. Public investment in roads is also improving connectivity with Brazil. All this has stimulated new soy plantations in an area which was once occupied by small-scale farms, indigenous communities and cattle ranches. As a result, local communities are being displaced, with cases of forced eviction of indigenous families, who are the most vulnerable.⁵⁷

When not directly displaced, communities suffer indirect expulsion. Most of the families interviewed during field work agreed that it is virtually impossible to coexist with intensive soy plantations due to their harmful health and environmental impacts. In addition to the harm caused to family crops and small livestock, long-term exposure to pesticides and herbicides has caused respiratory illnesses, skin conditions, allergies, headaches and stomachaches, and presents a high risk for pregnant women and children.⁵⁸ Health professionals interviewed in the area reported more frequent cases of leukemia, liver and skin cancers.⁵⁹ The existing government regulations on the use of agrochemicals have proved insufficient to effectively protect the environment and people's health. Under these conditions, many families see their best option being to sell their land and move to escape the toxic environment.

Colombia's Altillanura has similar characteristics to those described in Guatemala and Paraguay. A remote region bordering Venezuela and Brazil, it has some of the country's highest poverty rates, weak public infrastructure and serious human rights violations due to the presence of armed groups and illegal trafficking of drugs and arms. Lacking public investment, its economy has been based on oil extraction and extensive cattle farming.

The Colombian government now considers this region its 'final agricultural frontier' and has begun creating incentives to attract large-scale investors, considering them best suited for developing its productive potential and producing commodities in high demand on international markets.⁶⁰ Yet much of the land is in the form of *baldíos* (state land) and had been allocated for small farm production to benefit a rural population with limited resources. Thus, as part of its strategy to facilitate the expansion of large-scale industrial agriculture, the Colombian government has been seeking to weaken or remove legal restrictions on the accumulation of *baldíos* to allow big corporations like Cargill to acquire

large extensions of land, thereby reversing distributive processes and leading to the re-concentration of land ownership.

MORE LAND IN FEWER HANDS

In the cases described, monoculture expansion took place to a large extent on land where ownership had already been highly concentrated. This has led to a process of re-concentration of land ownership from large farms to even larger mechanized plantations.

In Paraguay, huge cattle ranches are being transformed into even larger soy plantations. In Guatemala, Palmas del Ixcán and other oil palm investors have acquired land that originally belonged to indigenous communities and families before they were displaced during the civil war, when new settlers occupied the area for cattle ranches. More recently, indigenous communities that were unable to fully legalize their communal landholdings following the Peace Agreement have become victims of fraud and legal maneuvers which have led to further displacement and concentration of land ownership.

Agricultural investors are also buying land from smallholders unable to make ends meet due to a range of obstacles and shocks. Too often, this land had been previously distributed by the state to vulnerable families. But without adequate support or public services and infrastructure, small farmers are unable to realize their potential and often resort to selling their most precious asset just to get by.

Some countries have enacted regulations to prevent further concentration of formerly state-owned land. This is the case in Colombia, where restrictions apply to *baldíos*—land distributed to landless rural families. However, this has failed to stop Cargill and other companies from accumulating huge tracts of land by dividing their purchases to circumvent the rules.

Between 2010 and 2012 Cargill created 36 shell companies which each bought property whose size did not exceed the legal limit, in order to acquire a total of at least 52,576 hectares in the Altillanura department of Vichada. Cargill evaded the restrictions and concentrated 30 times the maximum size of holding allowed by one household or entity in this department. In Colombia, where the democratization of access to land has been agreed as part of peace talks between the government and the FARC guerrillas to resolve a five-decade-long conflict, cases such as that of Cargill, have created controversy and protests by small farmers.

MORE COMMODITIES, BUT MORE FOOD INSECURITY

Agribusinesses claim that they are expanding onto land that is unused or under-utilized for grazing livestock, and thus are helping improve productivity without competing with food production or deforesting new areas. But field research in Guatemala and Paraguay told a different story.

In addition to taking over old cattle ranches, oil palm production in Guatemala has expanded to areas where family farms once produced corn and beans for local consumption.⁶¹ These areas are some of the most food insecure, as families are no longer able to produce their own food yet lack adequate purchasing power or easy access to markets where nutritious food is available. Field research in the communities near Palmas del Ixcán's plantations revealed that households that had sold the land where they used to grow food must now buy it, but often cannot afford to do so. Plantation jobs are seasonal and low-paying, and with alcoholism a growing problem and men controlling the family income, food insecurity has increased. In addition, many families who used to rent land for their subsistence crops are finding this more difficult and expensive as oil palm companies are renting in the same areas. And even when they retain their land, families working on plantations tend to abandon subsistence crops and small livestock due to lack of time.

Another factor threatening family food production in Paraguay is the proximity to intensively fumigated soy plantations. Rural households usually cultivate the food they eat—corn, beans and tapioca—along with cash crops such as sesame and cotton. But the families living near DAP's soy fields reported that the excessive use of herbicides and pesticides is damaging their crops and animals. They complained about the frequent loss of fruit trees, tapioca and bean crops, as well as the high death rate among their hens. They also indicated that when the soy plantations are fumigated the pests move to their plots, damaging their fields and reducing their productivity.

REPLACING LIVELIHOODS WITH INFORMAL JOBS

Industrial plantations transfer control over land away from small-scale farmers and, in theory, replace land-based livelihoods with employment opportunities. Thus, where large-scale plantations take root, family farmers are gradually transformed into waged agricultural workers. Ancillary businesses may also develop to provide services to the large plantations, but they often require skills or capital investment that farming communities do not possess. In Paraguay, soy companies outsource mechanization services—generally from the Mennonites,⁶² the only local groups who own farm machinery.

Demand for labor on plantations is usually concentrated in the initial investment phase, for clearing the land and preparing the soil. Once the crop is established and mechanized, labor needs decline. Paraguayan communities where cattle ranches had been replaced by mechanized soy plantations agreed that raising livestock created greater demand for labor, as one worker can care for 200 hectares of soy. When additional manual labor is required, in particular for eliminating weeds, plantations recruit temporary workers through local contractors. But working conditions are dangerous, due to the exposure to agrochemicals.

Oil palm, by contrast, is more labor-intensive. It creates approximately thirty times more jobs than other industrial crops such as soy, sorghum, or rubber.⁶³ Palm producers claim their plantations create thousands of jobs. But the quality of these jobs is a matter of concern, as most are temporary, low-skilled, poorly-

paid and expose workers to unsafe conditions.

Testimonies gathered in Guatemala confirm that labor laws and standards are systematically violated on oil palm plantations. In 2011, workers from the municipality of Sayaxché, supported by civil society organizations, filed a complaint with the Ministry of Labor requesting a labor inspection of four companies, including Palmas del Ixcán, for lack of contracts, noncompliance with the national minimum wage and job benefits, violation of the rights of women and minors, and lack of health and hygiene measures or safe transport at work. But the inspection carried out one year later by the Labor Ministry, the Human Rights Ombudsman's Office and the UN Office of the High Commissioner for Human Rights was not allowed to access the plantations or interview the workers. This demonstrates the government's inability to hold corporations accountable for their labor obligations and shows the need for companies to put in place adequate grievance mechanisms.

In both the Guatemala and Paraguay cases, women found fewer new job opportunities than men. On the oil palm plantations, women were working in the nursery and paid lower salaries than men. They travel long distances to work, leaving their youngest children under the charge of the older ones, who often drop out of school as a result. Even when household incomes increased as members became waged workers, the family cohesion was affected and women's workload increased significantly.

In sum, transforming small-scale producers into temporary workers adversely affected the quality of life in the communities surrounded by large plantations of soy in Paraguay and oil palm in Guatemala.

RISK, CAPITAL AND MARKET POWER DETERMINE OUTCOMES FOR SMALLHOLDERS

Inclusive business models that involve smallholders in agricultural supply chains have been presented as alternatives that minimize risks and maximize benefits.⁶⁴ Unlike direct land acquisition, out-grower schemes or contract farming might be viewed as a win-win option, with advantages for both investors and smallholders.⁶⁵ By procuring from independent farmers, companies reduce labor supervision costs and elude the risks of buying land and dealing with production uncertainties. At the same time, small-scale producers retain their land while gaining access to credit, technology and more lucrative markets.

But these models can also lead to exploitative and unbalanced relationships when the negotiating power is very unequal. They also involve high risk for smallholders when the introduced cash crop accounts for a large share of farmers' income, or the company is the only purchaser. The experiences in Guatemala and Paraguay suggest that positive outcomes cannot be taken for granted. When smallholders are not empowered in the process, yet are burdened with much if not all of the risk in a context of adversity that is not taken into account, these deals may result in more deprivation.

In Guatemala, Palmas del Ixcán involved smallholders in oil palm production for

two reasons: the need for raw material to operate its processing plant profitably; and the increasing resistance by local communities to sell their land. The company sought support from the Guatemalan government, which in 2008 launched an agricultural modernization initiative promoting oil palm cultivation as a profitable commercial alternative to basic grains. With publicly-funded credit provided through a local farmers' association, which formerly supported small-scale corn growers, more than 300 independent producers planted 2,100 hectares of oil palm. But the anticipated three years of assistance was suspended after the first year when government priorities shifted, before the palm trees produced fruit (they need at least three years to mature). Without subsidies or technical support, the smallholders were unable to properly manage the trees, which produced lower than expected harvests. Unable to repay their debt, five years later the independent producers interviewed were at serious risk of losing their investment and their land.

Similarly, Desarrollo Agrícola del Paraguay invited several communities to engage in agricultural projects to mechanize their production⁶⁶ and diversify to access new markets. In this case, the company's motivation was to establish good relations with local farmers, rather than to procure from them. With support from development agencies, including the US Agency for International Development (USAID), and the involvement of national organizations, DAP provided technical and financial assistance (to be repaid at harvest) to smallholders in some communities to mechanize their production, acquire inputs and services and market their product. Recognizing that soy would not be profitable at a small scale (10 hectares is the average property size in the area) the company promoted cultivation of corn, beans and sunflower. Many families decided to take part in these projects hoping to improve their income and reduce manual labor.

But more than five years later, outcomes for small farmers did not match expectations. Once the initial start-up support from DAP ended, smallholders were unable to manage the input-intensive production and the risk entailed. As a result, yields declined and farmers fell into a cycle of indebtedness. Today, more than one-third of the approximately 120 families who joined the project in 2008 are still struggling to get out of debt. Most have returned to their traditional practices and abandoned input-intensive, mechanized production, unable to cover the expenses with lower margins, as they are price takers without bargaining power. DAP's own evaluation of the results has led the company to reassess its projects and instead consider supporting organic production, which is less input-intensive and which it deems more appropriate to smallholder conditions.

In sum, industrial agricultural practices—which require highly intensive use of external inputs and mechanization services—cannot simply be replicated by small-scale producers. This model is very dependent on access to capital, requiring smallholders to go into debt to introduce it. Yet the high risk associated with climate and market conditions means that one bad harvest can easily trap farmers in a cycle of indebtedness, at peril of losing everything. The cases in both Guatemala and Paraguay clearly indicate that even well-intentioned initiatives to help small farmers improve their income and productivity can leave them worse off.

CORPORATE SOCIAL RESPONSIBILITY SHOULD BE MORE THAN SOCIAL MARKETING OR PHILANTHROPY

Agribusinesses are increasingly interested in demonstrating that they operate in a responsible way. This can help position them more successfully in niche markets where consumers are concerned about sustainability issues. Voluntary standards and certification processes offer a plethora of environmental and social labels that add value to the product and in some cases are a prerequisite to enter the market, such as the requirements of the European Renewable Energy Directive.

Palmas del Ixcán in Guatemala joined the Roundtable on Sustainable Palm Oil in 2008, although at the time of the study it was not certified. The company had initiated a certification process with the Rainforest Alliance (RA), whose standards are based on 10 principles set by the Sustainable Agriculture Network. These principles focus mainly on environmental impacts but also include other issues, such as working conditions and community relations. In order to obtain certification, the company had developed a 'good practices' plan that RA would help them implement.⁶⁷ When asked to explain its corporate responsibility policy, the company pointed out that it pays the salary of one school teacher, has donated school desks and school materials, and constructed children's parks with recycled material.⁶⁸

In Paraguay, DAP was one of the first companies to incorporate responsibility more centrally in its business model. The company is a member of the Roundtable for Responsible Soy, and at the time of the study it was beginning the certification process. DAP has invested in the local communities neighboring its plantations from the beginning of its operations, through philanthropic actions as well as productive investments. The local population expects businesses that operate in the area to help satisfy their basic needs, thus filling a vacuum left by lack of public investment in rural areas. DAP made an effort to identify these needs and has financed medical services and school supplies, as well as well pumps, seeds and small animals for family farms. This relationship of patronage perpetuates a practice previously established by cattle ranchers in the area.

DAP has also supported production projects with smallholders to improve agricultural practices. While the projects were initially well received, they have had little success in improving small farmer livelihoods because key issues of access to capital, risk management and power imbalances were not addressed. To its credit, the company has recognized the problem and is trying to re-focus its efforts to adapt better to local conditions.

In the case of Cargill, the company publicly expresses its commitment to corporate responsibility throughout its supply chain and to promoting food security, environmental sustainability, and community development.⁶⁹ Cargill asserts that its investment in Colombia's Altillanura region contributes to the country's national food security, creates new jobs and improves rural infrastructure.⁷⁰ But its land purchase operation in this region evaded the legal restriction on land accumulation, as the land acquired had been previously distributed by the state to landless families. And while the company's

infrastructure investments in the area have some spillover benefits for the local population, they are essential to its core business operations.

These examples show how corporate social responsibility is often confused with philanthropy and social marketing. But charitable actions cannot replace fair and transparent policies and practices with regard to environmental and labor conditions, or substitute for a strong commitment to national frameworks governing land tenure.

Responsible investment should internalize ‘external’ environmental and social costs, preventing them where possible and compensating for damage to public health and natural resources, and for negative socioeconomic impacts. Where investment seeks to support smallholder production, responsibility implies understanding local needs and conditions, especially the capacity to deal with climate and price risks, in order that outcomes actually improve smallholder livelihoods.

It is not philanthropy that will help ensure that investment has a net positive effect on communities. What matters is adherence to strong principles that should be inherent in the core business model—including respecting national laws and regulations, as well as international norms—and ensuring truly empowering and more balanced partnerships, which share benefits and risks in a fair and transparent manner.

THE PRODUCTION MODEL AND THE CONTEXT ARE BOTH IMPORTANT

In all three case studies, the land-based investments applied a model of capital-intensive industrial agriculture that is not always adapted to the conditions of small farmers. It takes advantage of economies of scale in the application of inputs, processing and transport in order to produce high volumes of a single commodity, mostly for the global market.⁷¹ It ignores power imbalances in supply chains and markets. And it externalizes the social and environmental costs that result, including water pollution, soil depletion, biodiversity losses and carbon emissions, while competing with traditional livelihoods.

The field research in Paraguay revealed how environmentally unsustainable this model is. Soy plantations in the country are having a serious environmental impact, whose costs are fully externalized. Weak government regulations and institutions are unable to protect the country’s natural resources or the health of its population. Regardless of the fact that DAP is more respectful of the law than other agribusinesses, the accumulative impact of the company’s operations contributes to degrade water, soil and biodiversity resources that are already under pressure.

In Guatemala, communities neighboring Palmas del Ixcán plantations reported social and economic problems that have made their lives even harder since the company began its operations in the area. Instead of the promised development, oil palm plantations have led to greater socioeconomic vulnerability and food insecurity for people who already lived below the poverty line.

In both cases, evidence shows how these investments have undermined the

lives and livelihoods of communities near the plantations. These impacts are intrinsically associated with the production model. But they are not simply a by-product of the model. The impacts generated by any production model are also context specific and are contingent on local realities with regard to land tenure, government policies and institutions, power imbalances, history and culture, as well as demographic factors.

In the Colombia case, Cargill ignored the full context of its land-based investment, failing to take into account national policies on land distribution and acquisition, or to consider the long-term impact of its interventions on highly complex and sensitive processes of agrarian reform.

The policy and legal frameworks define the context for investments. But social, economic and cultural factors also determine how those investments will affect the population, particularly the most vulnerable. Insights from the cases studied illustrate the social and environmental costs of a large-scale industrial model of agriculture that operates virtually without limits. In a context of inequitable access to land, failure to uphold the rights of the local population, inadequate environmental and labor regulations and enforcement, and lack of public support to improve small farmer livelihoods, the benefits of such a model tend to accrue to the few who control the investment. Yet the costs are borne more widely, particularly in local communities. Private investments under these conditions are likely to favor the concentration of land, wealth and power.

4 CONCLUSION AND RECOMMENDATIONS

The land-based investments reviewed in Guatemala, Paraguay and Colombia, while different in many regards, are singular expressions of a broader phenomenon: the flow of private capital from corporations, investment funds and international financial institutions to a sector that is increasingly attractive due to rising demand for agricultural commodities and competition for arable land. This should be good news for the millions of rural people living in poverty, as it could offer opportunities to increase their production and income, generate employment and promote technology transfer. Yet the research findings told a very different story.

In the cases studied, expansion of large-scale monoculture occurred in regions considered under-developed, where small farmers and indigenous people are struggling to subsist, often on land distributed by the state as part of land reform processes. This agricultural expansion, encouraged by governments with incentives and targeted investment, is displacing local communities and their traditional livelihoods. Even when land is not acquired, smallholders are virtually unable to coexist with large industrial farms due to environmental and health problems associated with the intensive use of agrochemicals.

The announced benefits at the local level in terms of poverty reduction, food security and better livelihoods were for the most part not realized in the cases observed in the field in Paraguay and Guatemala. To the contrary, the rights of the most vulnerable people were undermined, exacerbating inequality in some of the most unequal countries in the world. In Colombia, land allocated through agrarian reform processes to landless farmers ended up in the hands of Cargill, the world's largest agricultural commodity trader. In Guatemala, farmers were transformed into low-paid, seasonal workers in unsafe working conditions, and oil palm displaced cultivation of basic grains for household consumption, exacerbating food insecurity. And in Paraguay, intensive application of pesticides and herbicides to grow Roundup-Ready soy is harming the health and livelihoods of families living near plantations.

The companies analyzed have publicly expressed their commitment to corporate social responsibility, so are not representative of the broad universe of soy, oil palm or corn growers. But the evidence indicates that their positive efforts in support of small-scale producers and communities are more of a social marketing approach than a serious commitment to social and environmental responsibility. Their well-intended efforts fail to compensate for the problems caused by a production model that tends to deepen the concentration of wealth and land, limit the access to and use of resources, degrade the environment, harm the health of the local population, create exploitative labor conditions and put at risk the traditional livelihoods of small-scale farmers.

Where more inclusive business models were applied, offering opportunities for direct involvement of local farmers in agricultural supply chains, the results were disappointing. In the cases reviewed, the companies supported the adoption of mechanization and external input-intensive agriculture. But market power

imbalances, structural barriers to access capital, and lack of risk management tools were not addressed. Most of the climate and price risk had to be assumed by smallholders, who ended up in more debt and risked losing their few assets.

RECOMMENDATIONS

While greater investment in agriculture is critically needed, in order to avoid these negative effects it is essential to ascertain what kind of investment is desirable.

The responsible agricultural investment principles that will be adopted by the CFS should set a global 'gold standard' guiding all forms of investment by public and private actors relating to agriculture and food systems in order to foster sustainable development and help achieve the right to food for all. It is critical that these CFS principles surpass existing international standards in scope. They should set a new baseline that will guide investment practices as well as other more focused standard-setting initiatives addressing specific aspects of public and private investment. The CFS principles should be specific and comprehensive, covering all main issues that affect smallholders, including land-related impacts, and should provide clear and concrete guidance on what the different actors, notably private sector companies, should or should not do.

Responsible investment in agriculture should recognize the centrality of the biggest investors in agriculture—small-scale producers, particularly women. It should complement rather than displace investments made by producers themselves, addressing their needs and challenges and helping to unleash their full potential. Investment approaches should be grounded in human rights obligations and should in all cases avoid undermining small-scale producers' and local communities' livelihoods and rights, including access to and control over land and other natural resources.

Social and environmental costs should be internalized by companies and investors or compensated proportionally, to avoid generating private profits at the expense of communities and the society more broadly. Effective policies and binding regulations are needed in this regard. Companies and investors should also ensure respect for core labor standards and obligations under the International Labor Organization (ILO) and pay workers a living wage.

There is a need to address the models of investment and partnership, such as contract farming, as these make a big difference with regard to local impacts. The balance of power, how risk is managed and shared, and how access to and control over information, land and other natural resources is affected, will to a large extent determine whether small-scale producers will benefit or their rights be undermined.

Bilateral assistance and international financial institutions, including the World Bank Group's International Finance Corporation, should promote more truly inclusive and sustainable models of agricultural investment and review the efficacy of their performance standards in light of the social and environmental outcomes in cases like the one in Paraguay. In all cases, third-party social, environmental and human rights impact assessments should be carried out during the design phase of an investment with the full participation of affected

communities, in order to avoid negative impacts on the rights and livelihoods of small-scale producers and to enable positive outcomes. There is a clear need to improve the capacity of governments and farmers to negotiate deals that respect the rights of local communities, as well as their ability to monitor and enforce those rights.

Finally, the role of the state is critically important in providing the right framework for private investment. A strong policy, regulatory and institutional environment is essential to ensure that benefits and costs are fairly distributed and all rights are upheld. Public investment in key public goods—such as rural infrastructure for transport and storage facilities in remote areas, informal markets, education, agricultural research, and extension services that promote agro-ecological approaches—will yield strong economic and social returns that benefit the whole of society. And most importantly, the vast majority of small-scale farmers will not invest adequately unless the public sector fosters appropriate conditions to enable them to overcome the obstacles to their development, including strengthening their capacity and providing them with the right tools to deal with climate and price risks.

The stagnant rural poverty and extreme inequality in Latin America are the result of biased policies that failed to promote inclusive agricultural development and are focused on economic growth by fostering exports. To insist on developing marginal regions through large-scale commodity production while neglecting the role of smallholders is a recipe for more poverty and inequality. If agriculture is to contribute to achieving sustainable development while reducing poverty and inequality, then government policies will need to do more than attract corporate investment. Governments will need to recognize smallholders themselves as the main investors in agriculture and tackle their structural exclusion.

NOTES

All web links given here were last accessed in February 2014, unless otherwise stated.

- 1 FAO (2012) *The State of Food and Agriculture 2012: Investing in agriculture for a better future*, Rome; and S. Fan and N. Rao (2008) 'Public investment, growth and rural poverty' in S. Fan (ed.) *Public expenditures, growth and poverty: Lessons from Developing Countries*. Baltimore, Johns Hopkins University Press.
- 2 IFPRI (2010) 'Statistics of Public Expenditure for Economic Development', Washington, quoted in Committee on World Food Security (2011) 'Policy Roundtable on Increasing Food Security through Smallholder-Sensitive Investment in Agriculture', CFS, Thirty-seventh Session, Rome, 17–22 October 2011.
- 3 See the 2009 Statement by the G8 'L'Aquila' Joint Statement on Global Food Security: L'Aquila Food Security Initiative', versus the 2012 Statement by the G8 'Camp David Declaration' and the World Economic Forum (2013) 'Achieving the New Vision for Agriculture: New Models for Action. A report by the World Economic Forum's New Vision for Agriculture initiative'.
- 4 According to FAO, farmers in low and middle-income countries invest more than US\$170bn a year in their farms – about US\$150 per farmer. See <http://www.fao.org/investment-in-agriculture/en/>
- 5 The terms 'small-scale producers', 'smallholders' and 'family farmers' are often used interchangeably. Their main attributes are farm size and reliance on family labour. But farm size does not consider disparities among regions. While IFAD and the World Bank take two hectares as the maximum, the government of Paraguay takes 20 hectares, and in Colombia, the law defines the 'family agriculture unit' as the amount of land considered necessary for a family to obtain a decent livelihood. Source: A. Guereña (2011) 'Right to produce: Investing more and better in South America's Small Scale Farming', Oxfam Research Reports, October 2011.
- 6 Women constitute over 40 percent of small farmers in the developing world and even more in some regions. Source: FAO (2011), *The State of Food and Agriculture 2011: Women in agriculture. Closing the gap for development*. Rome, FAO.
- 7 IFAD and UNEP (2013), *Smallholders, Food Security and the Environment*, Rome: International Fund for Agricultural Development.
- 8 J. A. Berdegué and R. Fuentealba (2011), 'Latin America: The State of Smallholders in Agriculture,' paper presented at the IFAD Conference on New Directions for Smallholder Agriculture, 24–25 January 2011, Rome.
- 9 HLPE (2013) 'Investing in smallholder agriculture for food security'. A report by the High Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security, Rome.
- 10 See, among others, Cotula et al. (2009) *Land Grab or Development Opportunity? Agricultural Investment and International Land Deals in Africa*, Rome/London, FAO/IFAD/IIED; Deininger et al. (2011) 'Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?', Washington DC, World Bank.; Anseeuw et al. (2012) 'Land Rights and the Rush for Land: Findings of the Global Commercial Pressures on Land Research Project', Rome; International Land Coalition and FAO (2013) 'Trends and impacts of foreign investment in developing country agriculture. Evidence from case studies', Rome.
- 11 Jodie Thorpe (2013). *Sugar Rush: Land rights and the supply chains of the biggest food and beverage companies*. Oxfam Briefing Note, 2 October 2013, <http://oxf.am/Urw>
- 12 'We define [land grabbing] as acquisitions or concessions that are one or more of the following: (i) in violation of human rights, particularly the equal rights of women; (ii) not based on free, prior and informed consent of the affected land-users; (iii) not based on a thorough assessment, or are in disregard of social, economic and environmental impacts, including the way they are gendered; (iv) not based on transparent contracts that specify clear and binding commitments about activities, employment and benefits sharing, and; (v) not based on effective democratic planning, independent oversight and meaningful participation.' Tirana Declaration, International Land Coalition, Global Assembly, May 2011.
- 13 CFS (2013), 'Terms of Reference to Develop Principles for Responsible Agricultural Investment', October 2012, http://www.fao.org/fileadmin/templates/cfs/Docs1314/rai/CFS_RAI_ToRs.pdf
- 14 See B. Zagma (2011) 'Land and Power: The Growing Scandal Surrounding the New Wave of Investments in Land', Oxfam Briefing Paper 151, <http://oxf.am/4LX>; K. Geary (2012) 'Our Land, Our Lives: Time out on the global land rush', Oxfam Briefing Note, October 2012, <http://oxf.am/3kd>; and N. Tandon and M. Wegerif (2013) 'Promises, Power and Poverty: Corporate land deals and rural women in Africa', Oxfam Briefing Paper 170, April 2013, <http://oxf.am/Uov>
- 15 A. Guereña (2013) 'The Soy Mirage: The limits of corporate social responsibility: the case of the company Desarrollo Agrícola del Paraguay', Oxfam Research Report, August 2013,

- <http://oxf.am/U6b> ; A. Guereña and R. Zepeda (2013) 'The Power of Oil Palm: Land grabbing and impacts associated with the expansion of oil palm crops in Guatemala: The case of the Palmas del Ixcan company', Oxfam America Research Backgrounder, <http://www.oxfamamerica.org/explore/research-publications/the-power-of-oil-palm/> ; and Oxfam (2013) 'Divide and Purchase: How land ownership is being concentrated in Colombia', Oxfam Research Report, <http://oxf.am/Uza>
- 16 The majority of the countries for which there is data have Gini coefficients for rural income that are higher than 0.5, thus confirming that rural areas in Latin America and the Caribbean have higher levels of inequality than rural areas on other continents. Source: J. A. Berdegue and R. Fuentealba (2011), *Op. Cit.*
 - 17 In the early 1980s there were 124 million rural inhabitants in Latin America and the Caribbean, 74 million of whom were poor and, of these, 41 million could not even meet their food needs; 30 years later, the numbers are 119 million, 62 million and 35 million, respectively. J. A. Berdegue and R. Fuentealba (2011), *Op. cit.*
 - 18 The rate of poverty in urban areas is 26.0 percent, compared to 52.6 percent in rural areas. Source: UN Habitat, ECLAC.
 - 19 For more information, see the International Land Coalition (2011) 'The concentration of land ownership in Latin America: An approach to current problems', January 2011.
 - 20 G. Alcaraz (2013) From Promises to Priorities: Putting small-scale family producers at the centre of a fair food production system in Latin America and the Caribbean, Oxfam Briefing Note, 23 July 2013, <http://oxf.am/U72>
 - 21 J.A. Berdegue and R. Fuentealba (2011) *Op cit.*
 - 22 Bill Vorley, Lorenzo Cotula and Man-Kwun Chan (2012) Tipping the Balance: Policies to shape agricultural investments and markets in favour of small-scale farmers, Oxfam Research Report, December 2012, <http://oxf.am/3Ma>
 - 23 'Flex-crops' applies to crops with multiple and flexible uses within the agro-food, animal feedstock and energy sectors, depending on the fluctuation of subsidies and international prices. Borrás et al. (2012) 'Land grabbing in Latin America and the Caribbean', in *The Journal of Peasant Studies*, Vol. 39, Nos. 3–4, July–October 2012, 845–872.
 - 24 Only behind Singapore and Qatar. Source: World Bank Data Base, <http://data.worldbank.org>
 - 25 Although the national poverty rate decreased from 41.2 to 32.4 percent between 2007 and 2011, extreme poverty only decreased from 23.2 to 18.0 percent during that same period, according to the Permanent Household Survey. General Directorate for Statistics, Surveys and Census of Paraguay, 2011.
 - 26 Data corresponding to year 2011. Source: General Directorate of Statistics, Surveys and Census of Paraguay. Permanent Household Survey 2011.
 - 27 National Census of Agriculture and Livestock, 2008, of the Ministry of Agriculture and Livestock of Paraguay.
 - 28 According to the 2008 National Census of Agriculture and Livestock, two-thirds of farms with less than 20 hectares do not have final land titles.
 - 29 Estimate from the Paraguayan Human Rights Coordinator in August 2013.
 - 30 Between 1995 and 2000 more than 70 percent of public spending in agriculture went to subsidies that mostly benefitted large-scale agro-export production. De Ferranti et al. (2005) 'Beyond the City: The Rural Contribution to Development'. Washington, DC. The World Bank, Washington. The fiscal system also gives preferential treatment to corporate industrial agriculture, with Paraguay being the only country in Latin America where soy exports are not taxed.
 - 31 The European Commission warned that 'the extension of the soybean production limit has led to serious social and environmental conflicts in a country where rules are rarely complied with and where specific development policies are scarce', Source: European Commission Country Strategy Paper 2007–2013 for Paraguay, p. 9.
 - 32 Based on estimates from the Paraguayan Association of Soy, Grain and Oilseeds Producers and the 2008 National Census of Agriculture and Livestock.
 - 33 BASE Investigaciones Sociales (2007) 'Los refugiados del modelo agroexportador', in *Repúblicas Unidas de la Soja: Realidades sobre la producción de soja en América del Sur*. Coordinator: Gabriela Rulli.
 - 34 The Gini index (where 1 represents maximum inequality and 0 represents maximum equality) increased from 0.91 in 1991 to 0.94 in 2008.
 - 35 In 2008 almost 90 percent of soy was planted on farms larger than 100 hectares and 63 percent on farms larger than 500 hectares. 64 percent of plantations are owned by Brazilian investors. National Census of Agriculture and Livestock, 2008.
 - 36 Cargill, ADM, Bunge, Noble, Louis Dreyfus and the Grupo Favero (in order of importance,

- according to the 2012 ranking of exporters). Interview with the national expert Luis Rojas, February 11, 2013.
- 37 The United Nations Committee on Economic, Social and Cultural Rights has warned that ‘the expansion of soy production [in Paraguay] has brought with it the indiscriminate use of agrochemicals, provoking death and illness in children and adults, water contamination and the disappearance of ecosystems while affecting the traditional food resources of the communities.’ See 39th session of the Committee on Economic, Social and Cultural Rights. Geneva, November 5–23, 2007.
 - 38 Conflicts between the soy production companies and affected communities are frequent. In 2008 and 2009 alone, 819 people were arrested for organizing in opposition to soy plantations. Palau et al (2012) ‘Los impactos socioambientales de la soja en Paraguay’. BASE Investigaciones Sociales. Asunción, Paraguay. July 2012.
 - 39 Philippe De Lapérouse (2012) ‘Case Studies on Private Investment in Farmland and Agricultural Infrastructure’. High Quest Partners. January 2012.
 - 40 Interview with Edgar Restrepo, IFC officer for Paraguay, February 22, 2013.
 - 41 Information from the Government of Guatemala, IV National Census on Agriculture and Livestock quoted in the Strategic Plan for Food and Nutrition Security (PESAN) 2012–2016.
 - 42 United Nations Human Rights Council (2010). ‘Report of the Special Rapporteur on the right to food, Olivier De Schutter. Addendum. Mission to Guatemala’.
 - 43 The government’s Strategic Plan for Food and Nutrition Security 2012–2016 warned: ‘The accelerated growth of cultivated areas with non-food products constitutes a risk for the production of basic grains. In the northern region of the country, the advance of oil palm production has already substituted a significant area of corn production, while in the southern region sugarcane and tobacco have expanded to the detriment of corn production’. See Government of Guatemala, Strategic Plan of Food and Nutrition Security 2012–2016, p. 24.
 - 44 ‘Guatemala: V Encuesta Nacional de Salud Materno Infantil, 2008–09’, November 2009. For some indigenous communities this rate is more than 90 percent.
 - 45 Based on FAOSTAT statistics.
 - 46 Based on data on available cultivatable surface area in the national Census on Agriculture and Livestock, estimates of oil palm area (120,000 hectares in 2013) by the Guatemalan Palm Producers Association (GREPALMA), arable land by FAO Statistics (1.5 million hectares) and L. Hurtado (2008) ‘Las plantaciones para agrocombustibles y la pérdida de tierras para la producción de alimentos en Guatemala’ ActionAid, Guatemala.
 - 47 The six companies are: Repsa, Agrocaribe, Naturaceites, Tikindustrias, Hame and Naisa. Source: interviews with national experts Laura Hurtado and Luis Solano, August 2012.
 - 48 According to the last Census on Agriculture and Livestock, subsistence farmers own an average of 2.6 manzanas (1.8 hectares).
 - 49 Figure for 2010, in Ibanez and Muñoz (2011) ‘La persistencia de la concentración de la tierra en Colombia: ¿Qué pasó entre 2000 y 2010?’, Notas de Política 9, Centro de Estudios sobre Desarrollo Económico (CEDE) of the Universidad de los Andes, Bogotá, August 2011.
 - 50 Figures of the Monitoring Committee of Public Policy on Forced Displacement (2011), cited in FAO (2011) ‘Concentración y Extranjerización de la tierra en América Latina’.
 - 51 Act 160 of 1994 states: ‘No person shall acquire ownership of land initially allocated as baldíos, if the expanse exceeds the maximum limits indicated by the Board of Directors for the Family Agriculture Unit in the respective municipality or region. Also null and void are any acts or contracts under which a person cedes to a company or association of whatever nature the ownership of land awarded as baldíos, if as a result such companies or associations consolidate ownership of such land in surface areas exceeding that fixed by the Institute for the Family Agriculture Unit.’
 - 52 For the USDA, the limit of the family agriculture unit is ‘the largest barrier to development of commercial, large-scale agriculture in Colombia’, as it limits the agricultural area that an individual or company can own. See USDA (2009), ‘The Altillanura - Colombia’s Next Agricultural Frontier’, GAIN Report, Global Agricultural Information Network, USDA Foreign Agricultural Service, 28 September 2009.
 - 53 The Santos Government Plan refers to the family agriculture unit as ‘a bureaucratic limitation which slows agricultural progress’.
 - 54 Agricultural development in the Cerrado transformed thousands of hectares of savannah into large-scale intensive soy plantations, driven by favourable government policies and subsidies. But social benefits from cheaper food and investments in health and education fuelled by economic growth came at a cost. Indigenous peoples and settlers lost their lands, livelihoods, and in some cases their lives as the result of the expansion of large-scale mechanized agriculture. And increasing inequality resulted from concentration of landholdings and job loss for unskilled agricultural workers. In addition, the intensive production model has been blamed for destruction of natural ecosystems and loss of biodiversity in the region. See L. Wegner and

- G. Zwart (2011) 'Who will feed the world? The production challenge', Oxfam Research Reports, <http://oxf.am/43Q> ; and WWF 'Save the Cerrado' http://www.wwf.org.uk/what_we_do/safeguarding_the_natural_world/forests/forest_conversion/cerrado.cfm?src=cerrado
- 55 G. Günberg et al. (2012) 'Tierra e Igualdad: Desafíos para la Administración de Tierras en Petén, Guatemala', Final Report to the World Bank, December 2012, Guatemala.
 - 56 It was reported that Palmas del Ixcán used its influence to speed the titling process in areas of the Northern Corridor where the company would later acquire land Based on Hernández and Castañeda (2011). 'El Programa de Palma Africana: ¿Un programa de seguridad alimentaria y nutricional?' Centro Internacional para Investigaciones en Derechos Humanos and Facultad Latinoamericana de Ciencias Sociales (FLACSO), Guatemala, and confirmed through interviews in the field with local organizations and smallholders.
 - 57 Several cases of forced eviction have been documented: see the case of the community Nembiara in the department of Caaguazú in 'Informe alternativo de sociedad civil al Alto Comisionado de Derechos Humanos de Naciones Unidas', 2007 available at <http://www2.ohchr.org/english/bodies/cescr/docs/info-ngos/pidescopy1.pdf> and the community of Campo Agua'ë, department of Canindeyú, see Palau et al (2012), Op. cit., at http://www.baseis.org.py/base/adjuntos/Informe_Impacto_Soja_PY.pdf
 - 58 Based on field interviews to households and health professionals and, among others, the study carried out by the Pediatrics Department, Mother-Infant Care Center and the Department of Medical Sciences of the University of Asunción, Paraguay, which shows the relationship between exposure to pesticides and frequency of congenital birth defects. Benítez et al. (2009) 'Malformaciones congénitas asociadas a agrotóxicos' in Archivos de Pediatría del Uruguay 2009, 80(3).
 - 59 Interviews in the Department of San Pedro on February 16, 2013.
 - 60 The region's agricultural growth potential is estimated at over five million hectares, equivalent to the amount of land currently under cultivation nationwide. The National Development Plan 2010–2014 includes the formulation of a policy for the development of the Altillanura, which mandates 'the creation of conditions for productivity and economic competitiveness of the Altillanura, by: improving road infrastructure, communications and marketing; promotion of research; and strategies to ensure sustainable development.'
 - 61 Over one-third of the land today occupied by oil palm plantations was planted with corn ten years ago, according to IDEAR study quoted by the Central American Network to Monitor the DR-CAFTA (2011) 'Centroamérica: ¿Mercados o naciones? Impactos del DR-CAFTA en la región a cinco años de vigencia', Guatemala City.
 - 62 Mennonite settlers came to Paraguay from Germany, Canada and Russia in the 1920s and 1930s. The total number of Mennonites varies according to the source, between 30,000 and 60,000. They are large landowners and their cooperatives have grown to dominate a large part of Paraguayan agriculture, livestock and especially dairy production.
 - 63 This is because harvest time is longer (three to five months) and work is done manually, World Bank (2011) 'The World Bank Group's Framework for Engagement in the Palm Oil Sector', Draft for consultation. International Finance Corporation.
 - 64 See, for example, FAO (2013) 'Trends and impacts of foreign investment in developing country Agriculture: Evidence from case studies', Food and Agriculture Organization of the United Nations, Rome, 2013.
 - 65 For a literature review of different positions on contract farming, see HLPE (2013) 'Investing in smallholder agriculture for food security'. A report by the High Level Panel of Experts on Food Security and Nutrition of the Committee on World Food Security, Rome.
 - 66 Mechanization involves clearing trees and preparing the land, as well as paying contractors for all labor required to plant, fertilize, apply pesticides and herbicides and harvest their fields.
 - 67 When the Guatemala case study was carried out, the process was in the first stage of technical assistance, so the diagnostic study had not yet been carried out by RA. Interview with Mario López, in charge of the oil palm plantations certification program at the Rainforest Alliance, October 4, 2012.
 - 68 Interview with the head of corporate social responsibility of Palmas del Ixcán, September 2, 2012.
 - 69 See corporate position on Cargill's website, <http://www.cargill.com/corporate-responsibility/index.jsp>
 - 70 See 'Cargill FAQ: Responding to Oxfam report on Colombia land purchases' <http://www.cargill.com/news/company-statements/cargill-response-to-oxfam-report/colombia-land-purchase/cargill-oxfam-faq.jsp>
 - 71 In the case of Cargill in Colombia, the company asserts that corn and soy are produced for the domestic market. See previous note.

© Oxfam International April 2014

This paper was written by Arantxa Guereña and Stephanie Burgos. Oxfam acknowledges the assistance of Luca Chinotti, Oscar Lopez, Verónica Heilborn, Ricardo Zepeda and Adriana Rodriguez in its production. It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

For further information on the issues raised in this paper please e-mail advocacy@oxfaminternational.org

This publication is copyright but the text may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured and a fee may be charged. E-mail policyandpractice@oxfam.org.uk.

The information in this publication is correct at the time of going to press.

Published by Oxfam GB for Oxfam International under ISBN 978-1-78077-580-7 in April 2014.

Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

OXFAM

Oxfam is an international confederation of 17 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty:

Oxfam America (www.oxfamamerica.org)
Oxfam Australia (www.oxfam.org.au)
Oxfam-in-Belgium (www.oxfamsol.be)
Oxfam Canada (www.oxfam.ca)
Oxfam France (www.oxfamfrance.org)
Oxfam Germany (www.oxfam.de)
Oxfam GB (www.oxfam.org.uk)
Oxfam Hong Kong (www.oxfam.org.hk)
Oxfam India (www.oxfamindia.org)
Oxfam Intermón (Spain) (www.oxfamintermon.org)
Oxfam Ireland (www.oxfamireland.org)
Oxfam Italy (www.oxfamitalia.org)
Oxfam Japan (www.oxfam.jp)
Oxfam Mexico (www.oxfammexico.org)
Oxfam New Zealand (www.oxfam.org.nz)
Oxfam Novib (Netherlands) (www.oxfamnovib.nl)
Oxfam Québec (www.oxfam.qc.ca)

Please write to any of the agencies for further information, or visit www.oxfam.org.

www.oxfam.org

GROW
FOOD. LIFE. PLANET.

