DAVID VS. GOLIATH
THE REVOLUTION IN AFRICA'S FARM STRUCTURE

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The best way to predict the future is to
create
the future we want

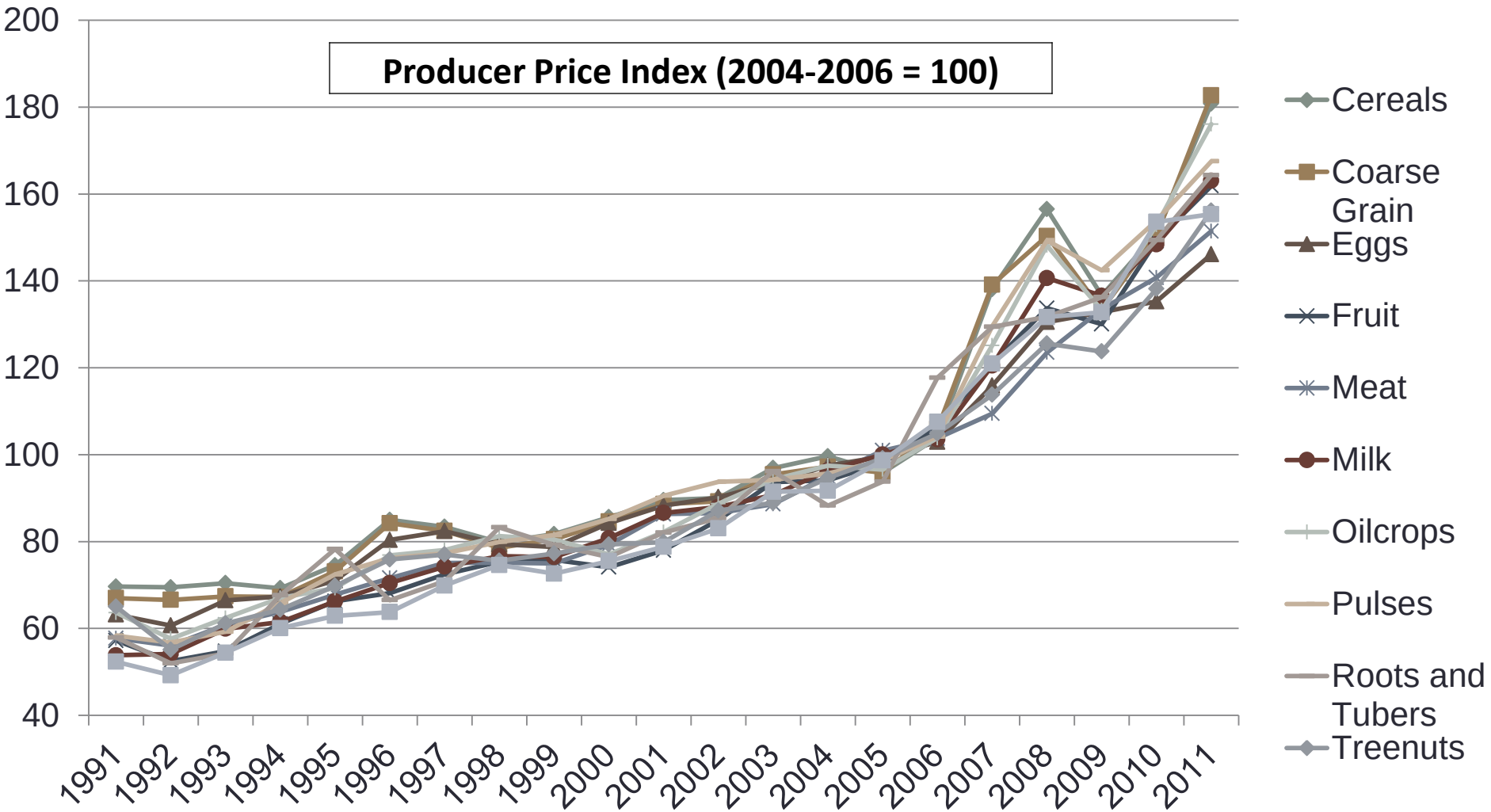
Outline: Drivers of Change

1. Megatrends
   - Global
   - Regional
2. David: natural resource allocation - land
   - How much unused arable land actually remains available in Africa?
   - Who is gaining access to this remaining land?
   - What are the emerging land constraints among smallholder in Africa?
3. Goliath: Private sector investment
   - Large-scale Land Aquisitions
   - Changing investment patterns

Megatrends: Factors Shaping our Future

1. Global Drivers: Rising food and energy prices
   - Underpinned by rising income and urbanization in BRICS
   - Has resulted in a structural shift in global food demand and a new, higher equilibrium price.
   - Question is: can the world's agricultural sector feed the growing global population?
   - All of this has resulted in global demand for Africa's natural resources; i.e. land, water and food.

Global Driver: Rising Food Prices

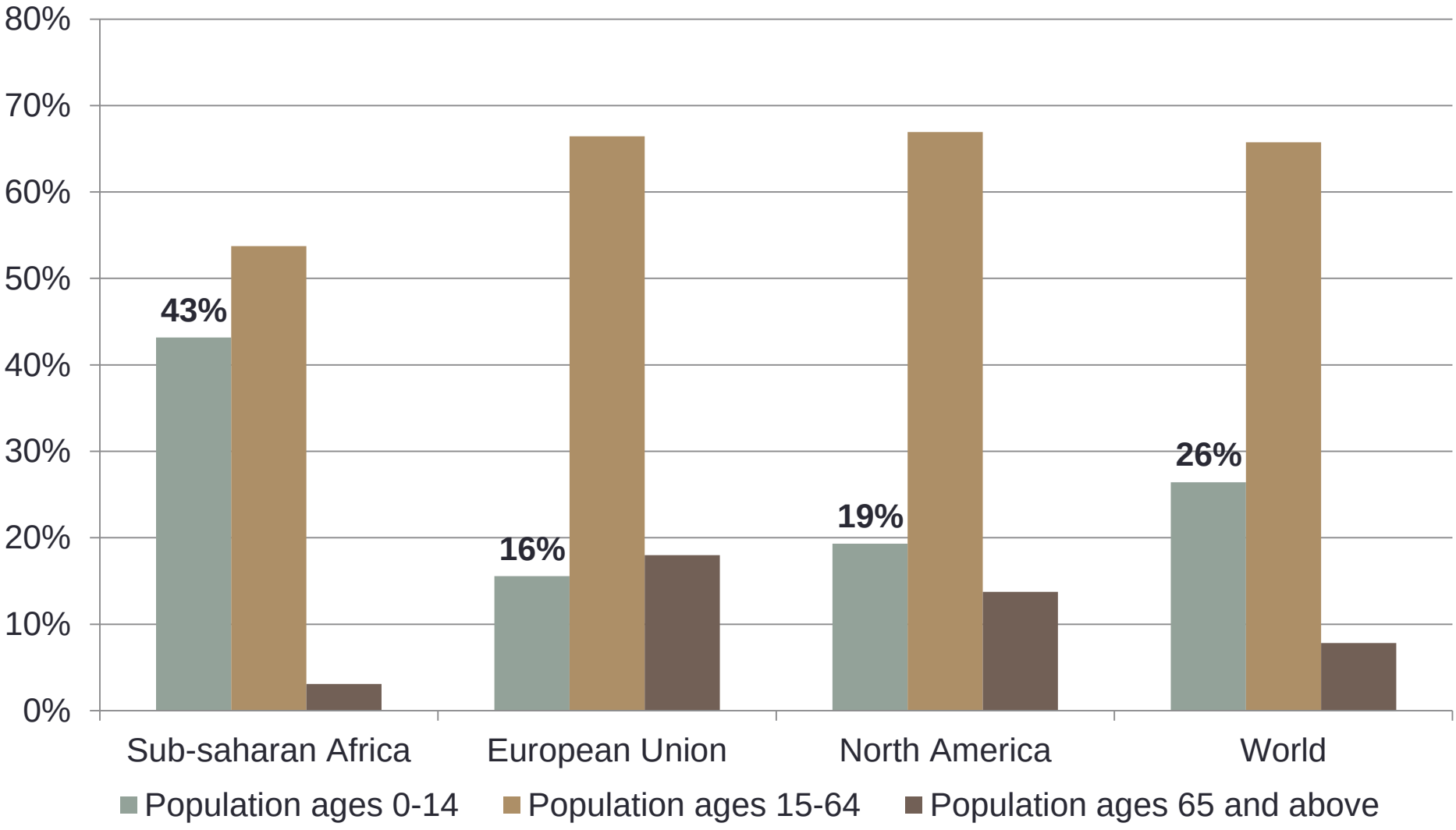


Source: FAOSTAT, 2013

Megatrends: Factors Shaping our Future

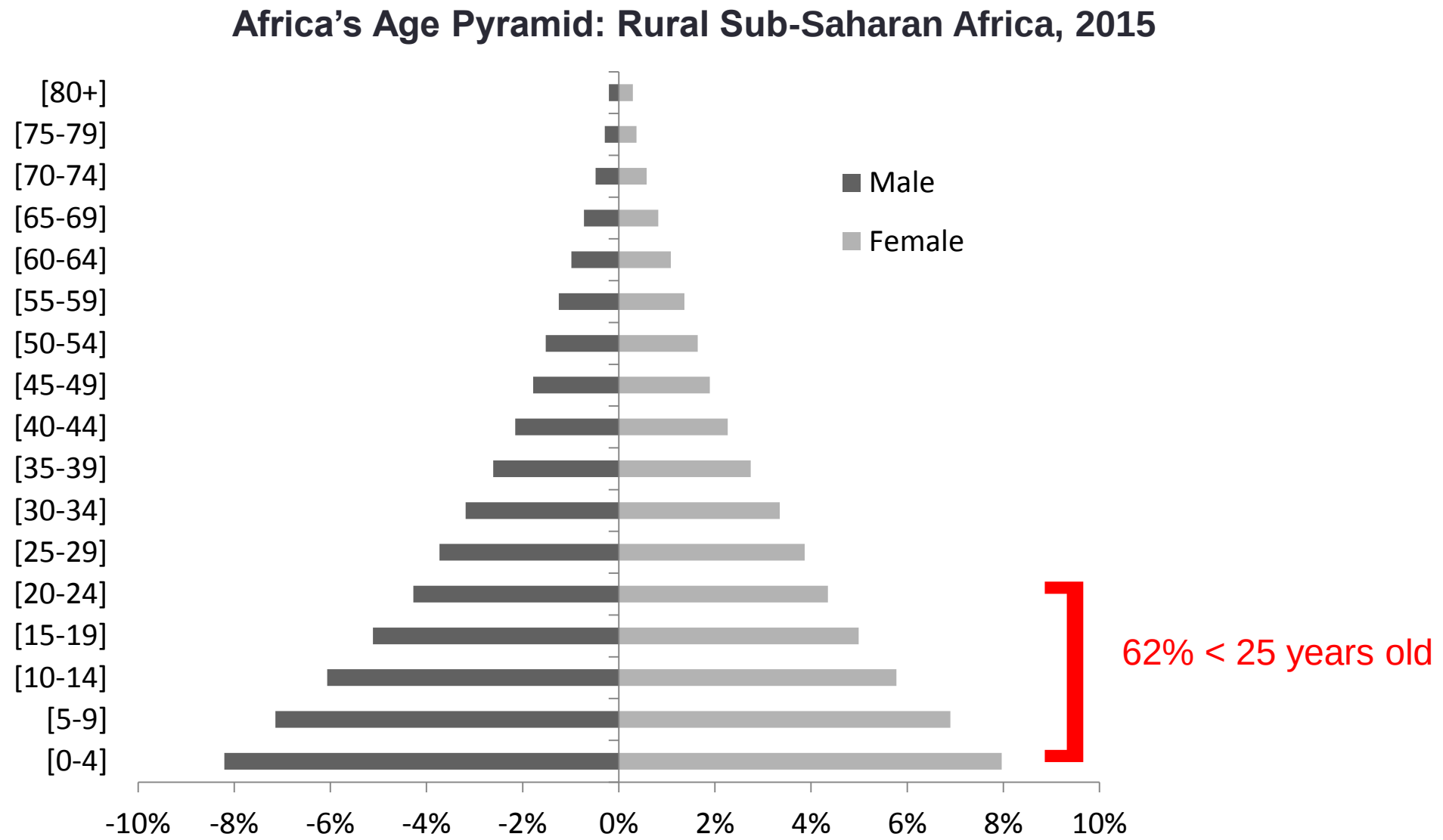
2. Regional Drivers: Unique age demographics
   - 43% of the total Sub-Saharan population is below the age of 14.
   - Implies that between now and 2025 over 330 million young Africans will be entering the labor force.
   - Under the most favorable scenario, the urban and non-farm sectors will be able to absorb only 200 million of the youth into gainful wage employment.
   - What will happen to the other 120 million young Africans?

Africa's Unique Age Demographics



Source: UN Pop Council, 2013

Africa's Unique Age Demographics



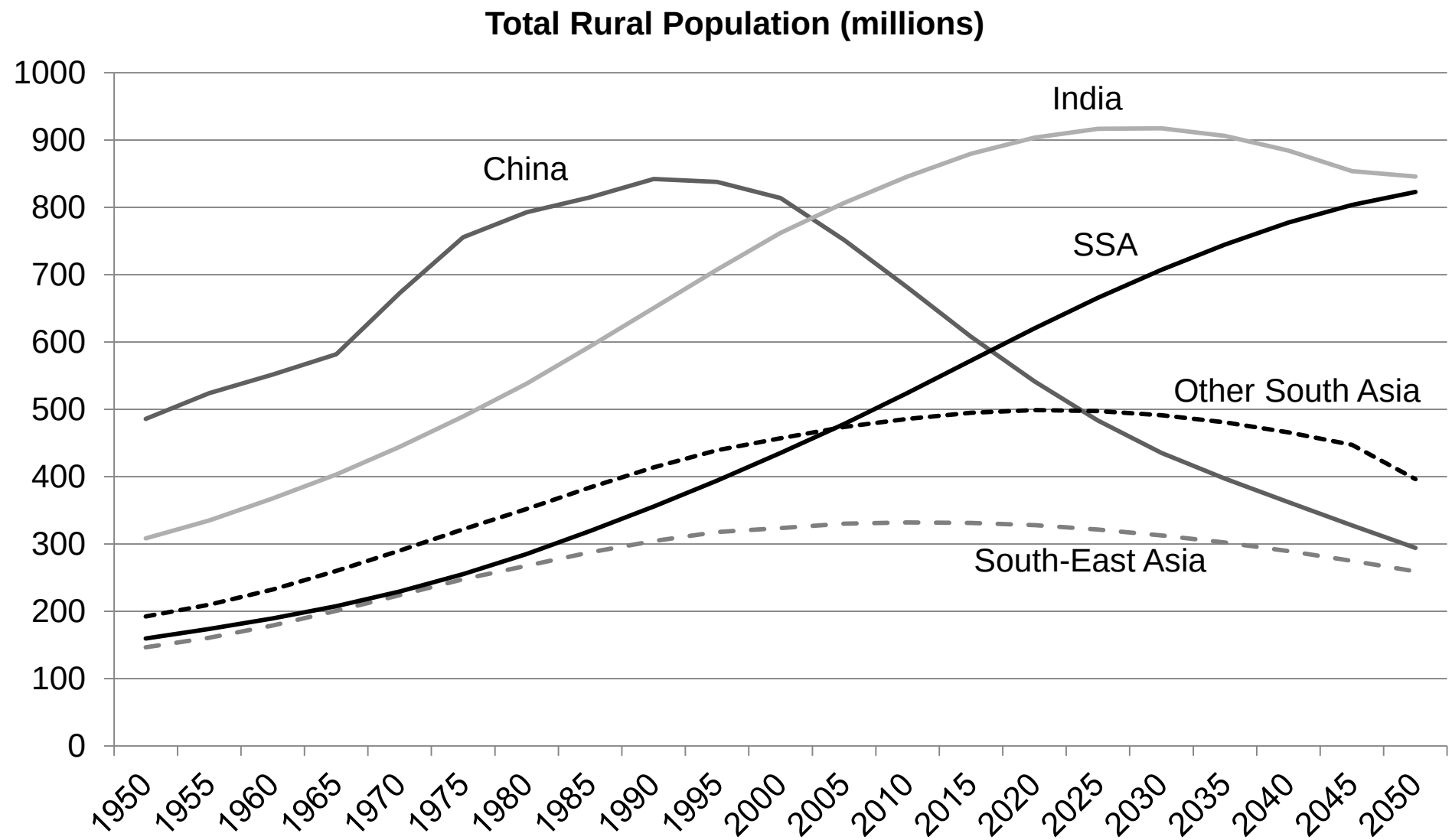
Source: UN Pop Council, 2013

Megatrends: Factors Shaping our Future

2. Regional Drivers: Urbanization

- While the rate of urbanization is often takes as given, the rate of urban population growth is only 2/3rd based on fertility rates among urban families.
- Fully 1/3rd of urban population growth is rural to rural urban migration
- Evidence indicates that migration from rural areas is not random but is driven by rural land scarcity and low profitability of smallholder agriculture
- Raises the question on how can the agricultural sector mitigate the social and political impact of a disenfranchised youth population?

Regional Drivers: Urbanization



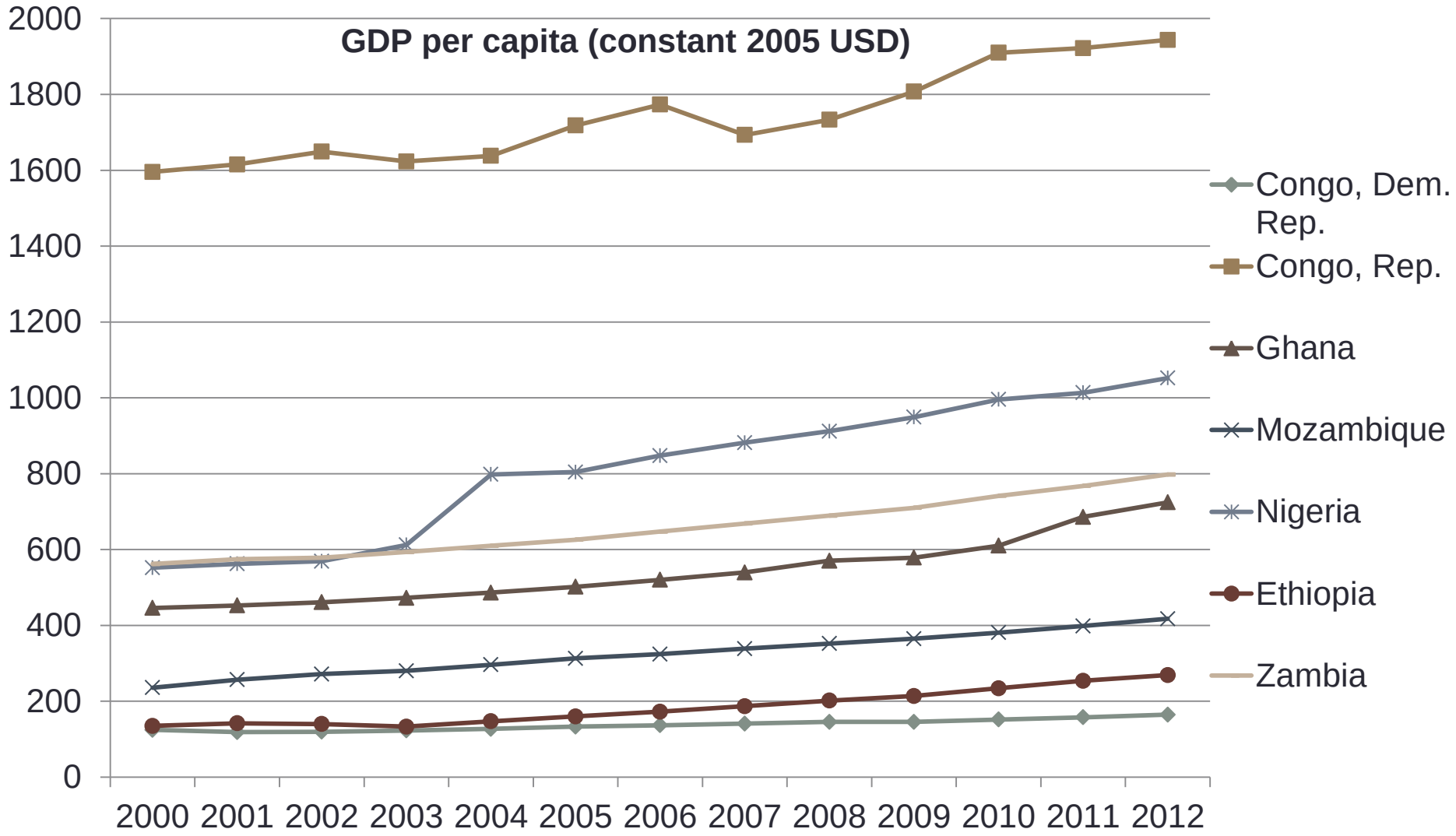
Source: UN Pop Council, 2013

Megatrends: Factors Shaping our Future

3. Regional Drivers: Income growth and distribution

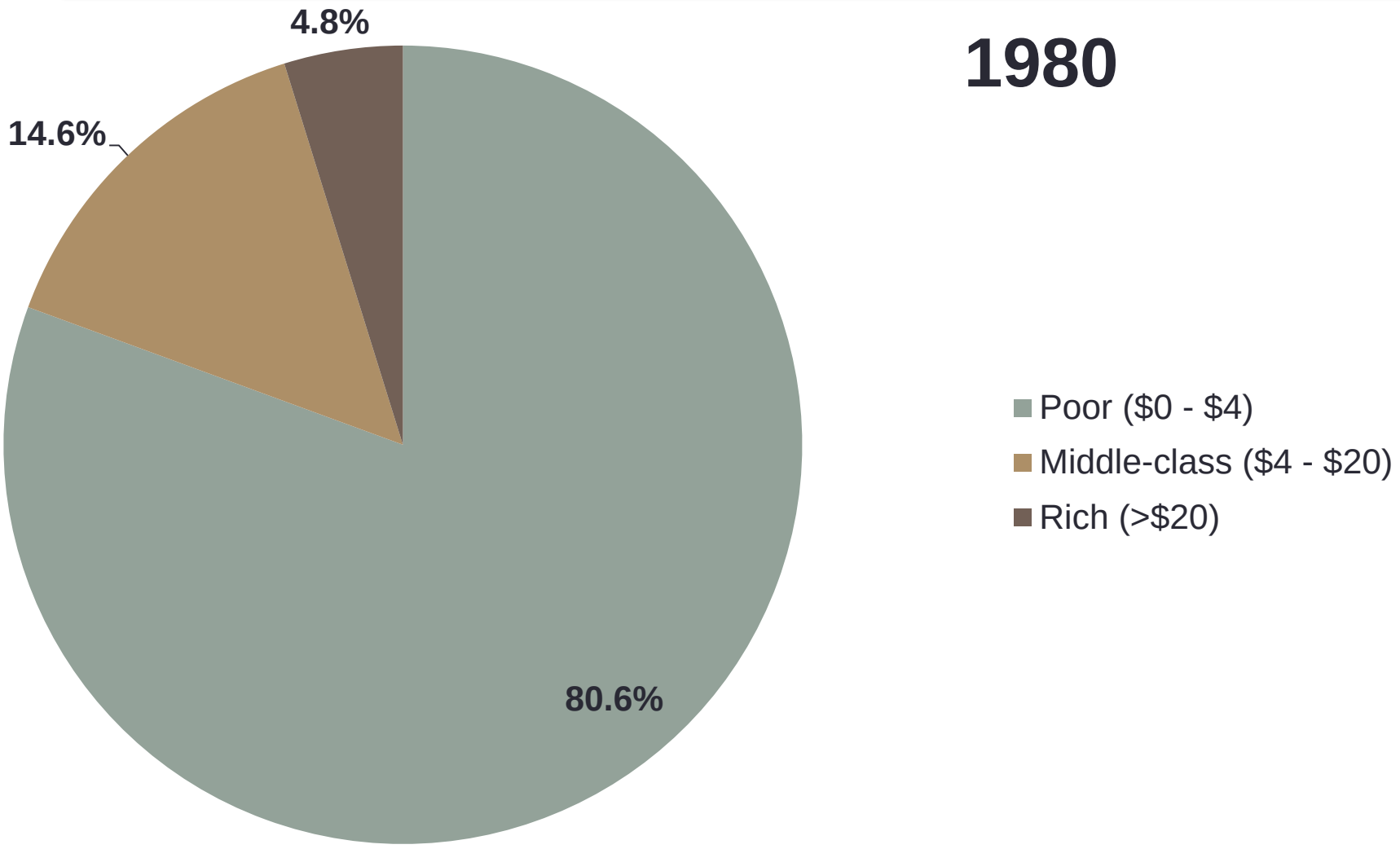
- **Income**
  - Rising income are taken as given but evidence suggests that there is increasing concentration of wealth into the hands of a few.
  - Rising income has resulted in changing consumption patterns among the urban elite, moving away from staple commodities into high-value food items.
    - However, this change in consumption is being largely met by imports from non-African markets.

Regional Driver: income growth and distribution



Source: World Bank Development Group, 2014

African Population by Income Class: excluding North Africa and South Africa



Source: Potts, 2012: calculated from the AfDB (2010)

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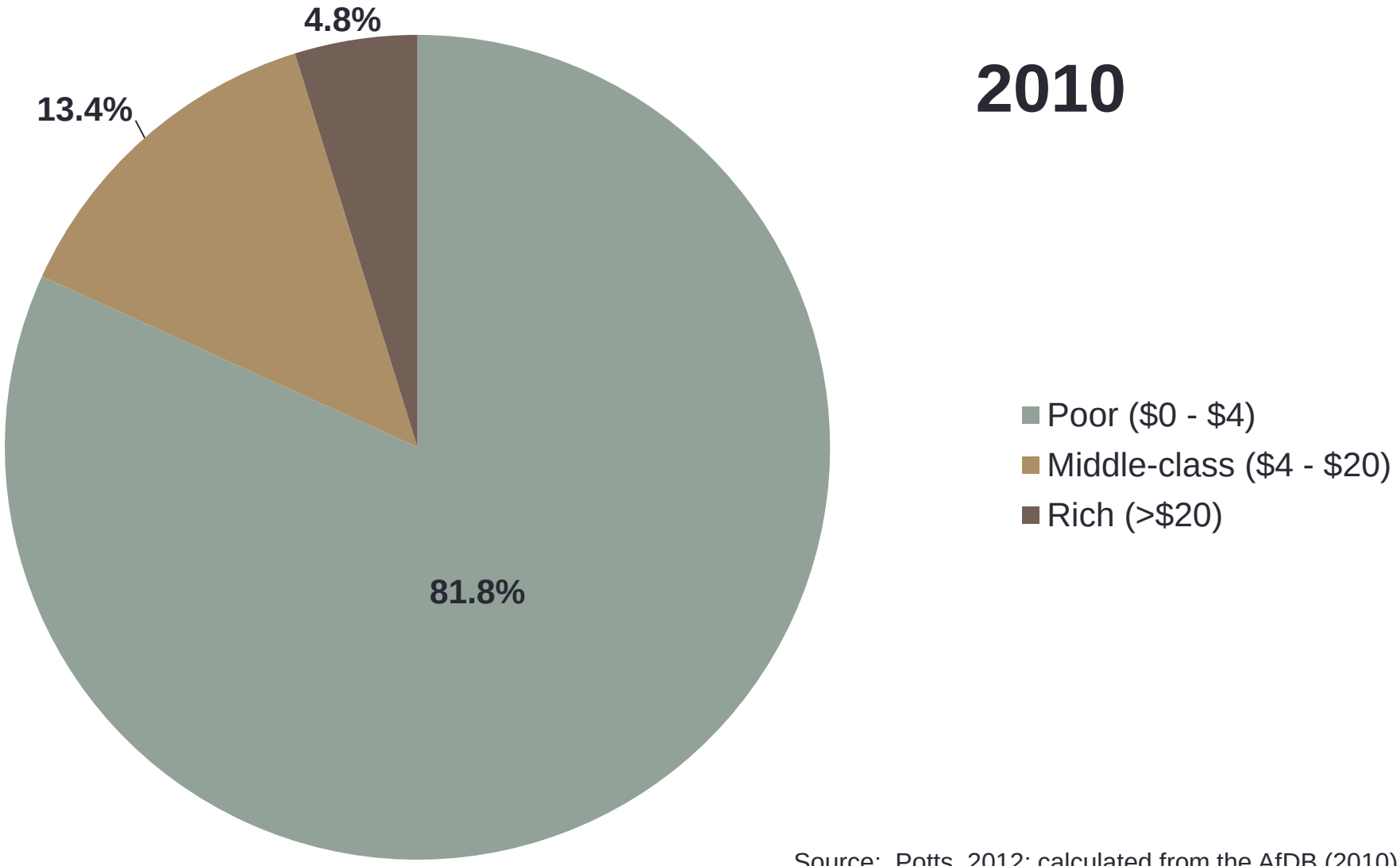
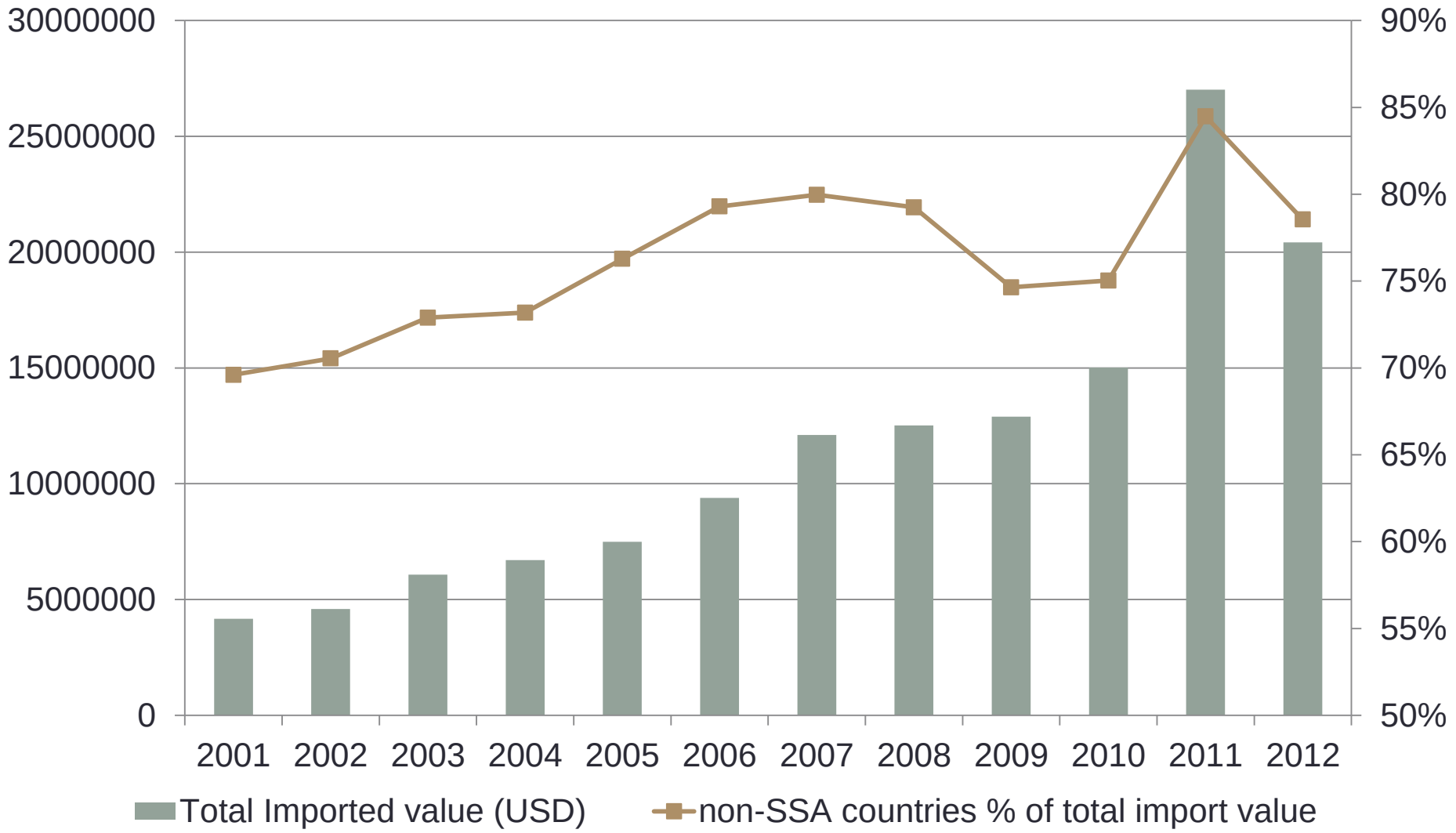


Source: Potts, 2012: calculated from the AfDB (2010)

Non-SSA Countries' share of High-value products imported by SSA



Source: ITC Trade Map, 2014

Recap

- Megatrends shaping Africa's future
  1. Global food and energy prices → driving global demand for SSA's natural resources
  2. Unique population demographics → implications for future unemployment
  3. Income growth and distribution → implications on private sector investments.

How much unused arable land actually remains available in Africa?

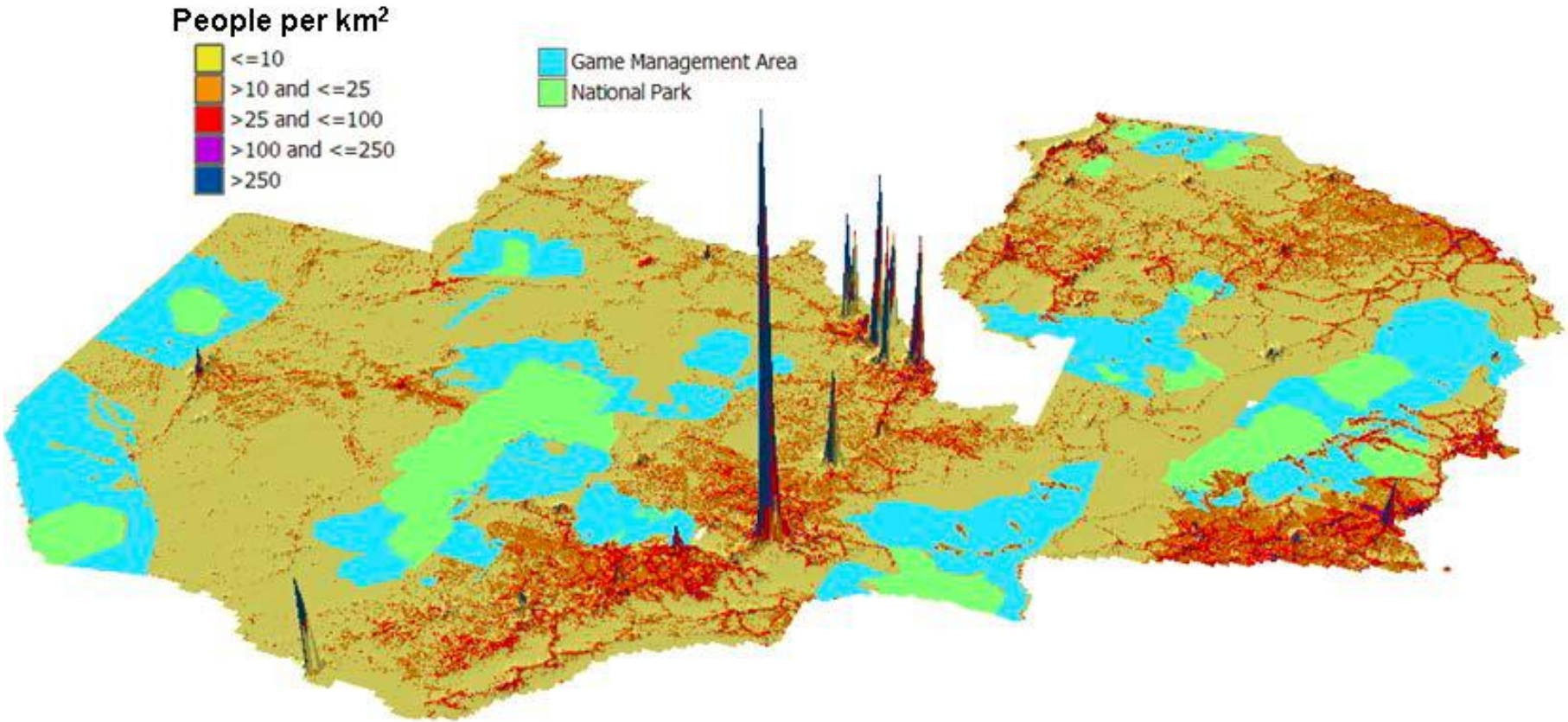
Estimates of potentially available cropland

1. Potentially available cropland (PAC) estimates for Africa is about 200 million hectares
   - As low as 80 or as high as 160 million hectares- depending on assumptions imposed
2. The region's underutilized land resources are concentrated in 6 countries
   - Many of which are fragile states
3. Between one-half and two-thirds of the region's surplus land is currently under forest cover
   - Conversion of forests to cropland would entail major environmental costs

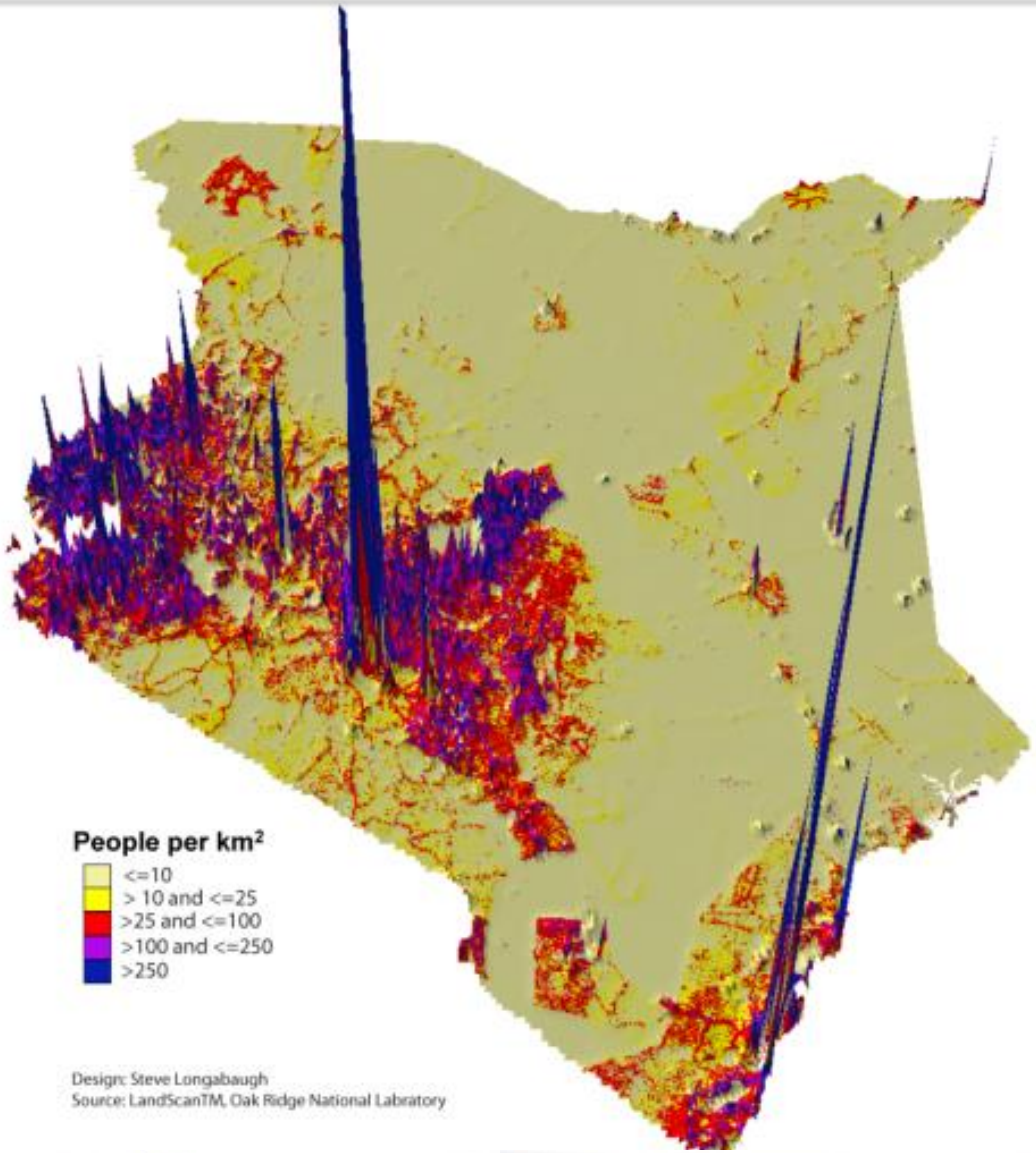
Estimates of potentially available cropland

4. Most of the continent's unexploited land resources are located far from input and output markets, and poor infrastructure
   - Limiting their economic attractiveness
5. Rural populations in rural sub-Saharan Africa are highly spatially concentrated
   - 1% of land carries 16% of the total rural population
   - 20% of land carries 76% of the total rural population

Clustering of rural populations: Zambia



Clustering of rural populations: Kenya



Who is gaining access to this remaining land?

Changing farm structure

Table 2: Changes in farm structure among small- and medium-scale farmers in Zambia (2009 - 2012)

Landholding size Category	Number of farms			% change (2001-2012)	% of total farmland		Share of landholding cultivated (2012)
	2001*	2009	2012		2009	2012	
0 – 2 ha	638,118	916,787	748,771	17.3%	24.1%	16.2%	91.2%
2 – 5 ha	159,039	366,628	418,544	163.2%	33.8%	31.7%	66.4%
5 – 10 ha	20,832	110,436	165,129	692.6%	20.3%	25.0%	49.5%
10 – 20 ha	2,352	35,898	53,454	2272.7%	12.3%	15.0%	36.7%
20 – 100 ha	--	9,030	13,839	53.3%**	9.5%	12.0%	10.9%
Total	820,341	1,438,779	1,399,737	70.6%	100.0%	100.0%	

Source: Ministry of Agriculture Crop Forecast Surveys, 2009, 2012. *2001 figures are land under cultivation. ** Growth rate computed from 2009-2012 only. “na” means not available.

Changing farm structure

- More land cultivated/owned by medium scale than by large-scale (foreign and local)

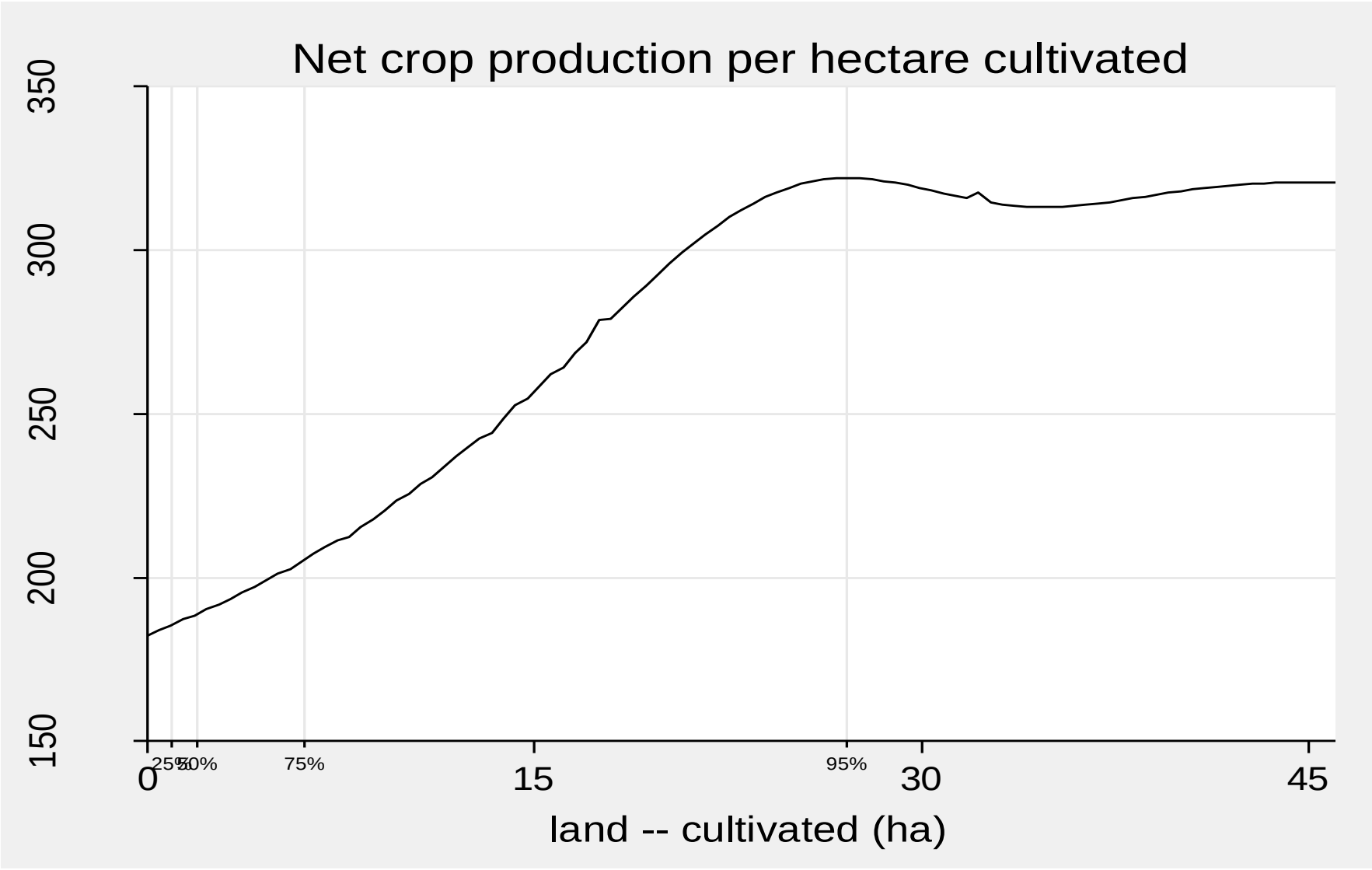
Table 3: Comparing medium and large scale farmers cultivated land

	Large scale (foreign + domestic) (>100ha)	**Medium scale (5-100 ha)**
	Million hectares	
Ghana (cultivated)	3.08	4.21
Kenya (cultivated)	0.69	0.84
Zambia (owned)	2.11	2.47

Characteristics of the emergent famers characteristics

KENYA CASE STUDY	Farm-led growth strategy (n=82)	Non-farm led growth strategy (n=118)
Heads had non-farm job	42%	58%
_civil servant	71%	68%
_private sector	29%	32%
Heads had business	52%	42%
Heads level of education:		
_informal	12%	7%
_primary	43%	24%
_secondary	27%	22%
_post-secondary	18%	47%
Father to household head:		
_landholding owned (ha)	94.7	45.1
_non-farm job	33%	38%
_some formal education	35%	40%

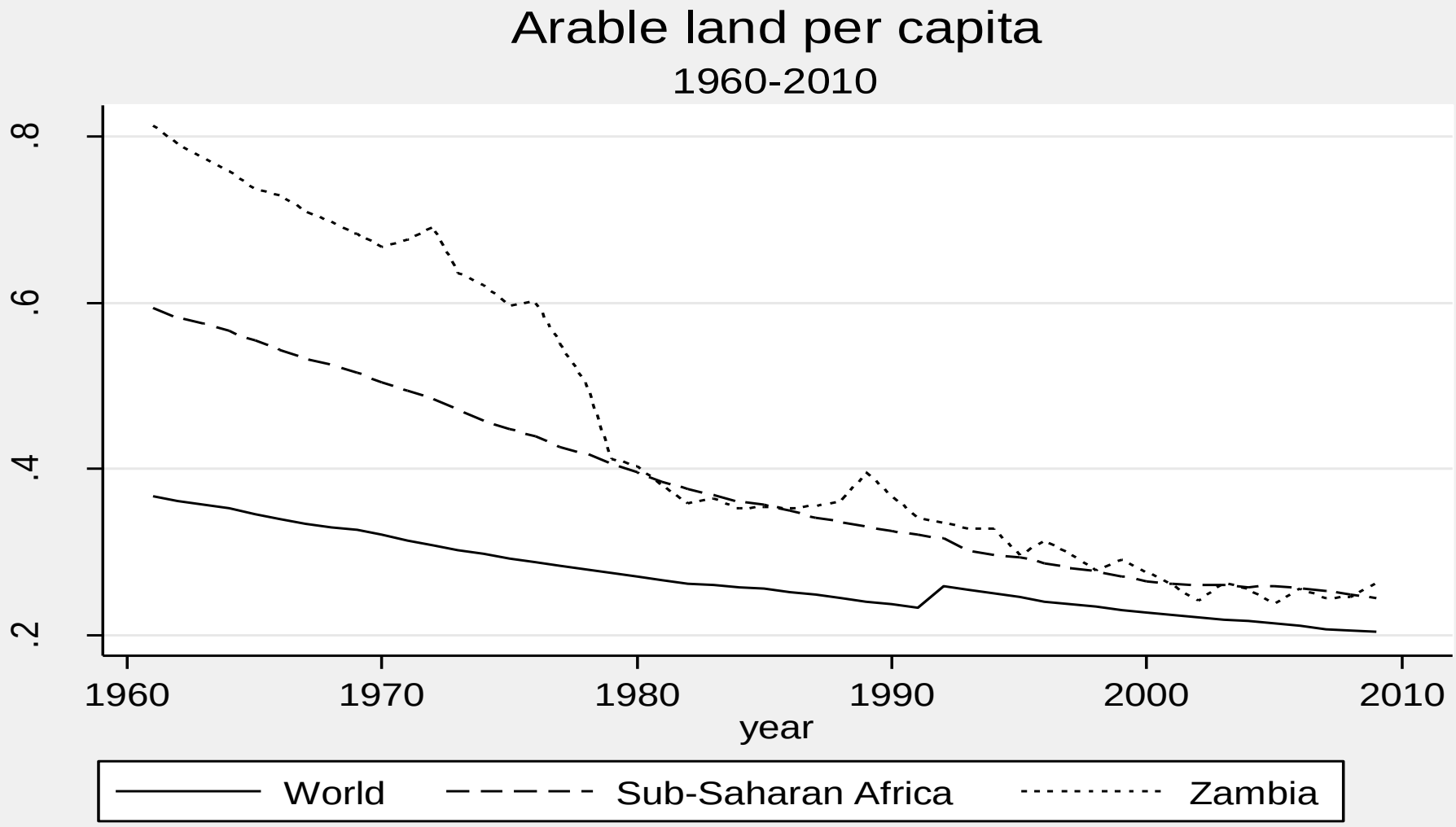
Kenya: Net value of crop production per hectare cultivated



What are the emerging land constraints among the smallholders in Africa?

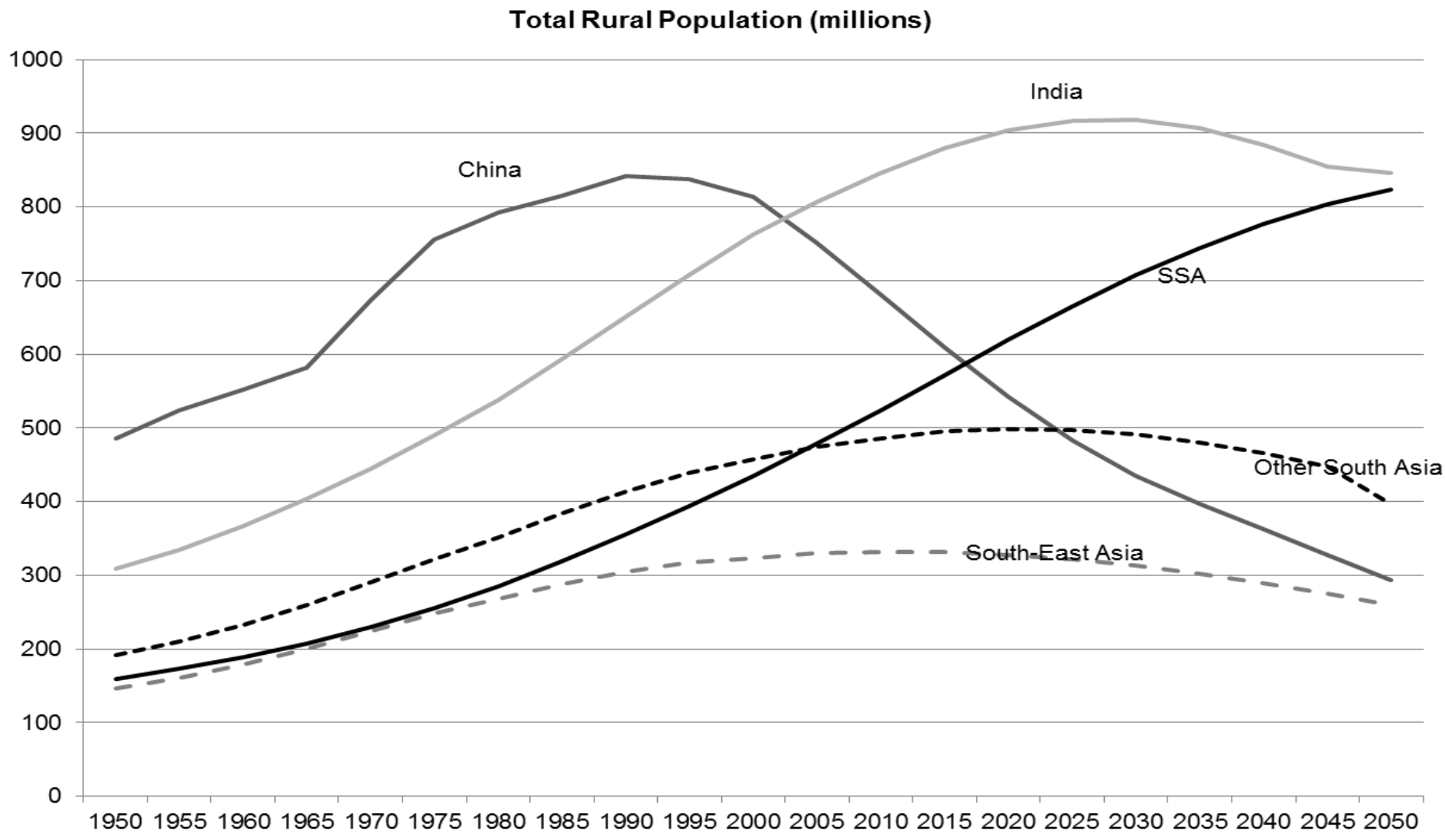
Kenya: Newspaper headlines -- rising land conflicts

Shrinking farm sizes for smallholders as a result of increasing population densities



Source: World Development Indicators, World Bank

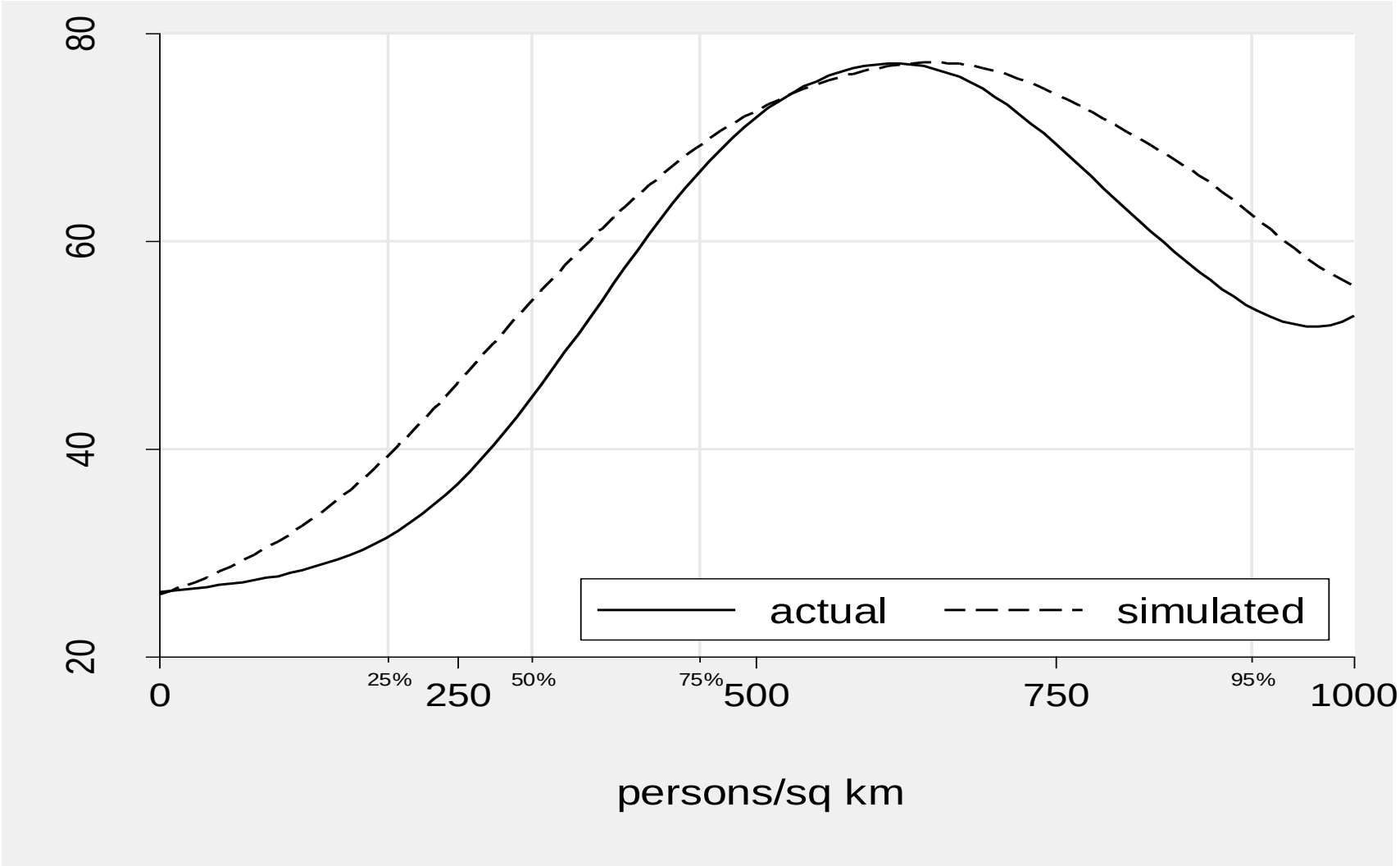
Total rural population projections



Source: UN Pop Council, 2013

Response to increasing population densities: agricultural intensification

Figure 4: Net crop income per hectare cultivated



Large-Scale Land Acquisition Trends and Investment Patterns

LSLA in (2000-2013)

	# deals	Intended ha (millions)	ha under contract (millions)
Oral agreement	66	3.7	1.1
Contract signed	804	50.8	30.6
concluded deals	**870**	**54.5**	**31.8**
Expression of interest	42	5.5	n.a.
Under negotiation	144	9.1	n.a.
Intended deals	**186**	**14.6**	**n.a.**
Negotiations failed	50	5.3	n.a.
Contract cancelled	24	1.6	1.5
Failed deals	**74**	**6.9**	**1.5**

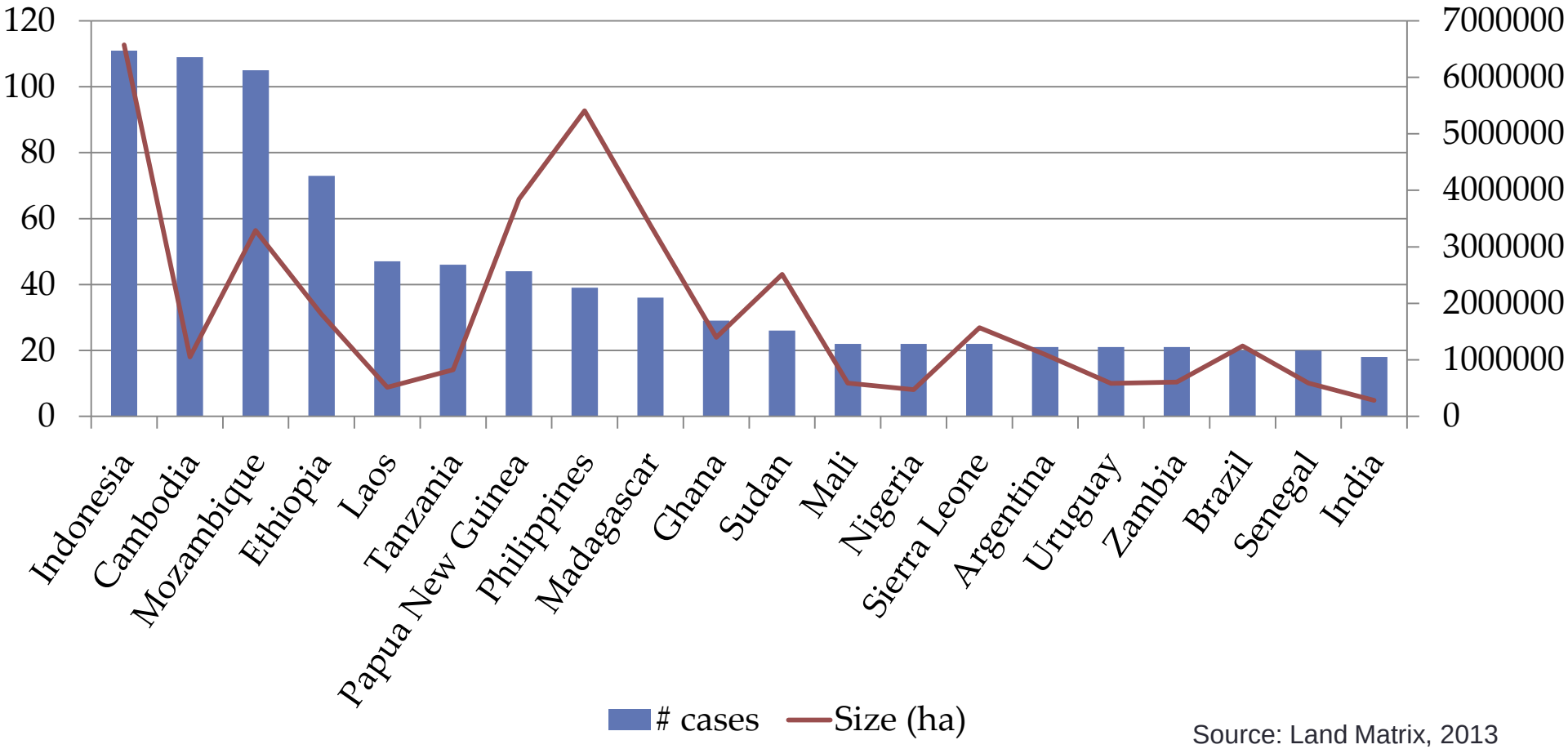
Land deals in the database fulfill these criteria:

- Entails sale, lease or concession
- Area of 200 hectares or more
- In low and middle income countries
- For agricultural production, timber extraction, carbon trading, mineral extraction, industry, renewable energy production, conservation, and tourism (focus in this presentation is on agriculture)

Source: Land Matrix. 2013

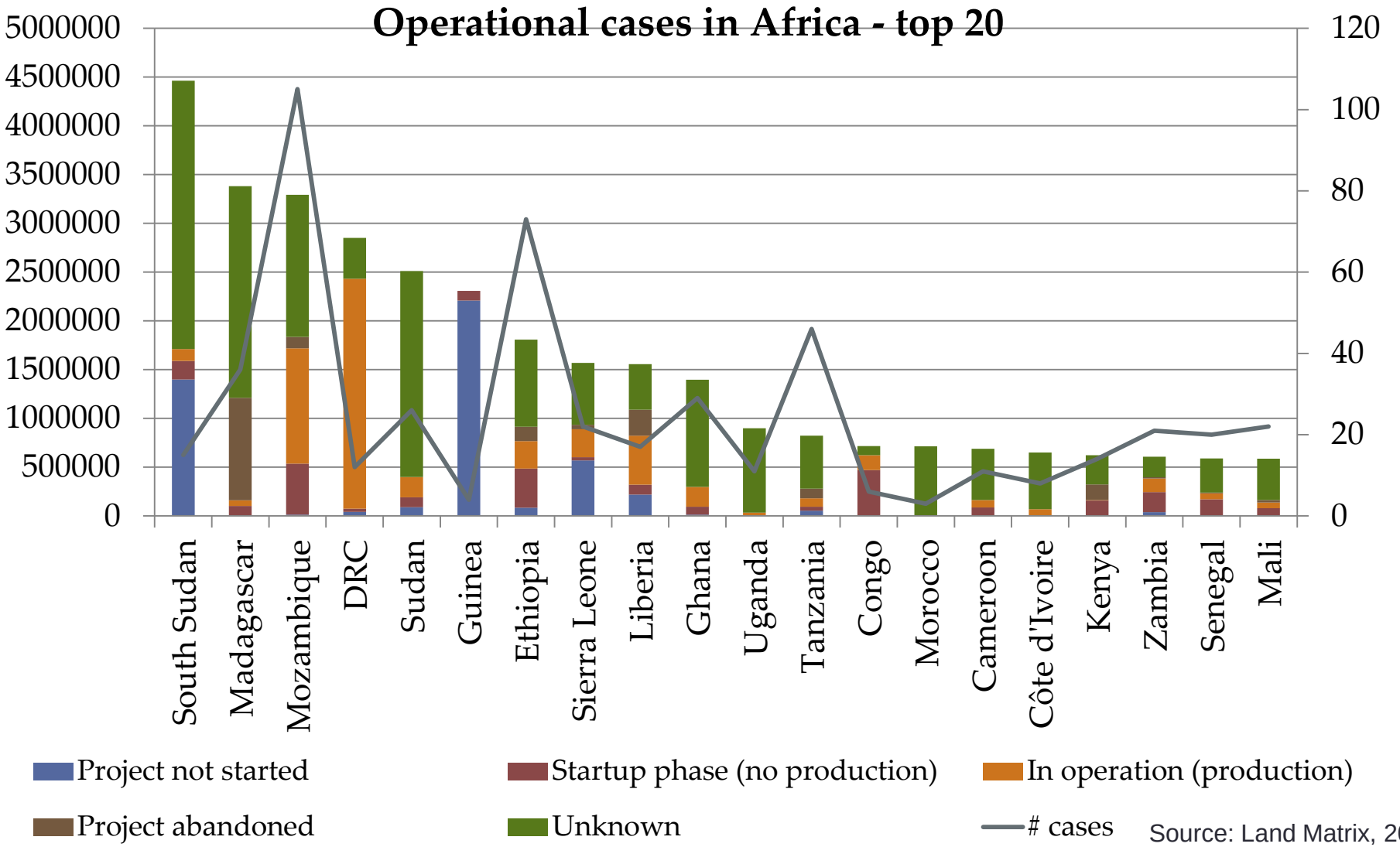
African countries are among the most affected

- Important concentration – top 20 countries, 74% deals, 80% size
- Top 20 – 9 African countries



Source: Land Matrix, 2013

African countries – East Africa is the most affected



Source: Land Matrix, 2013

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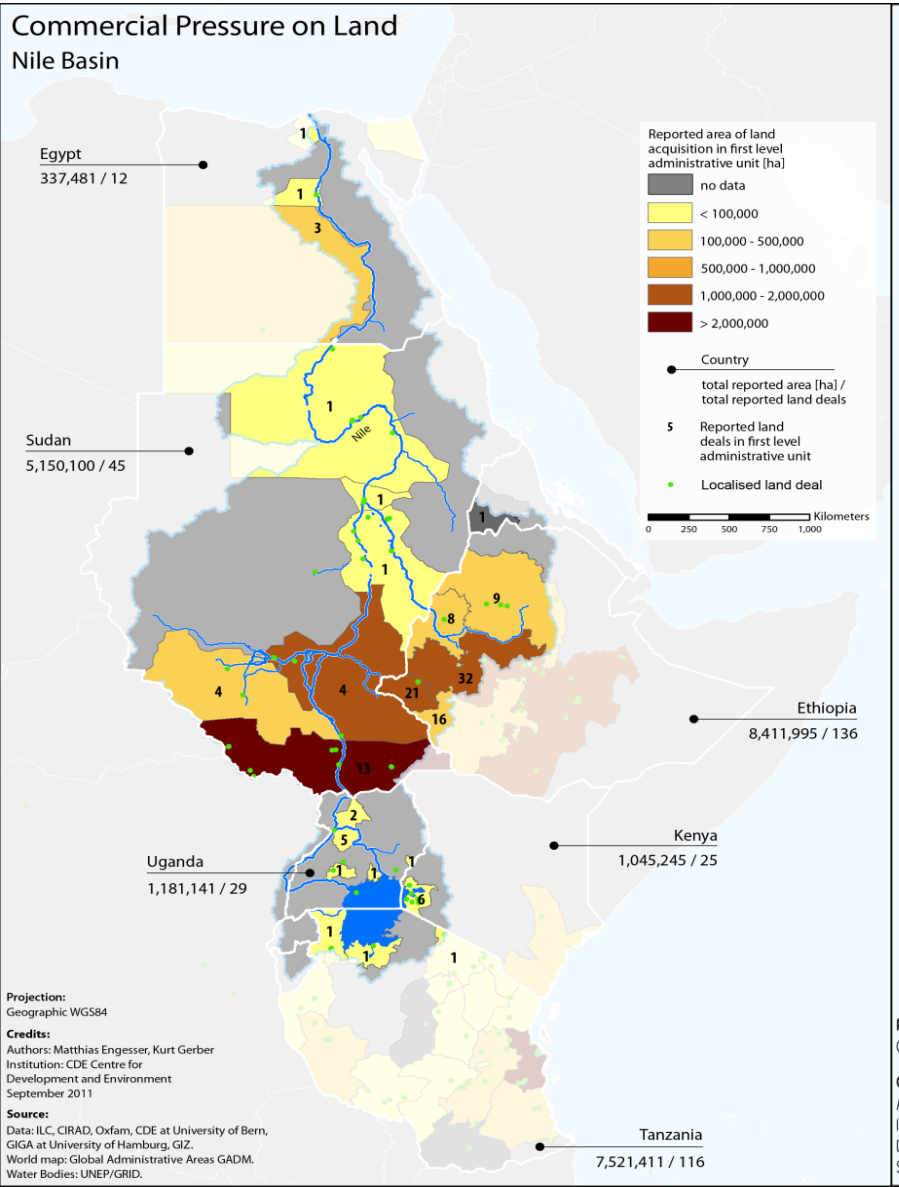
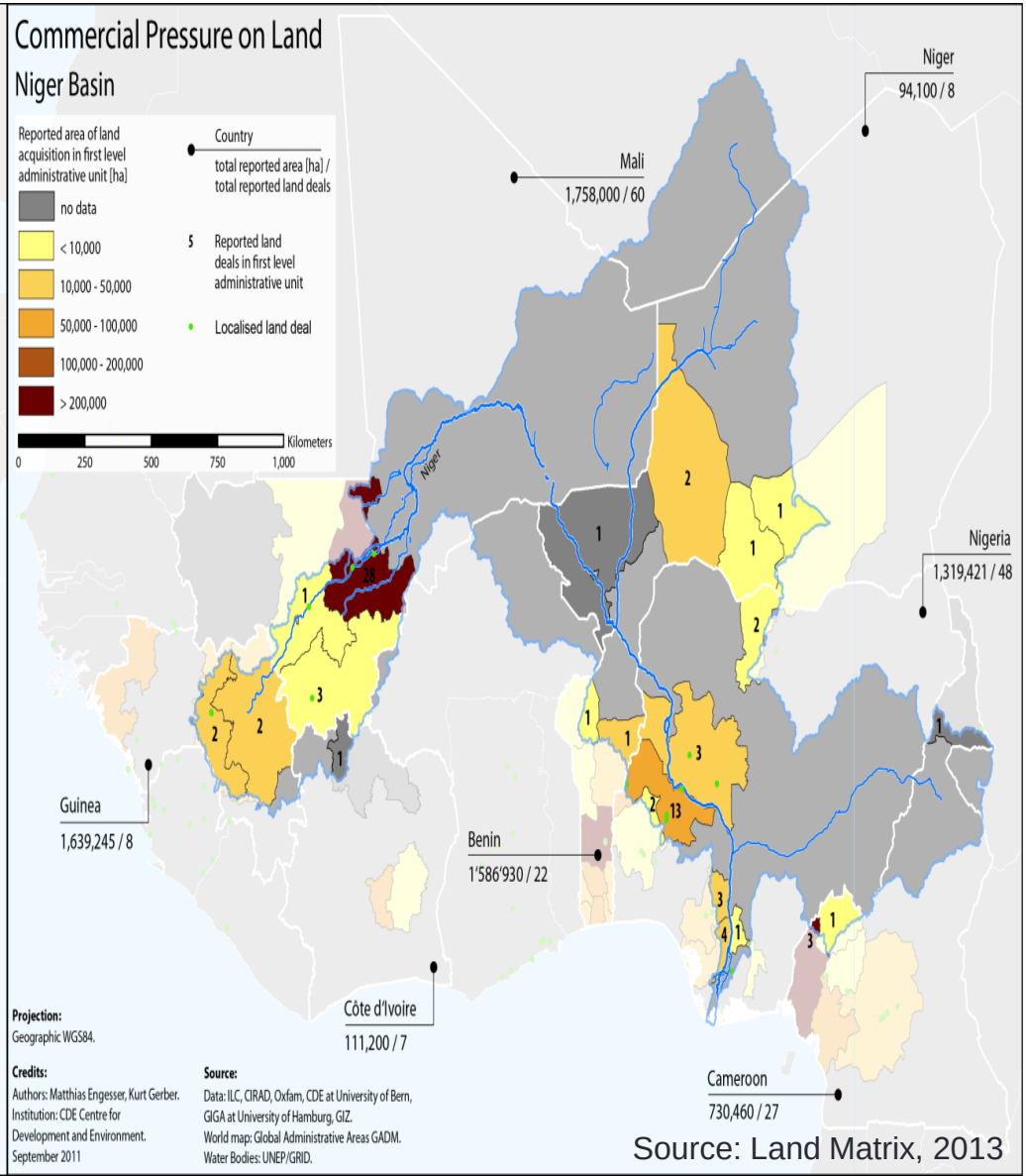
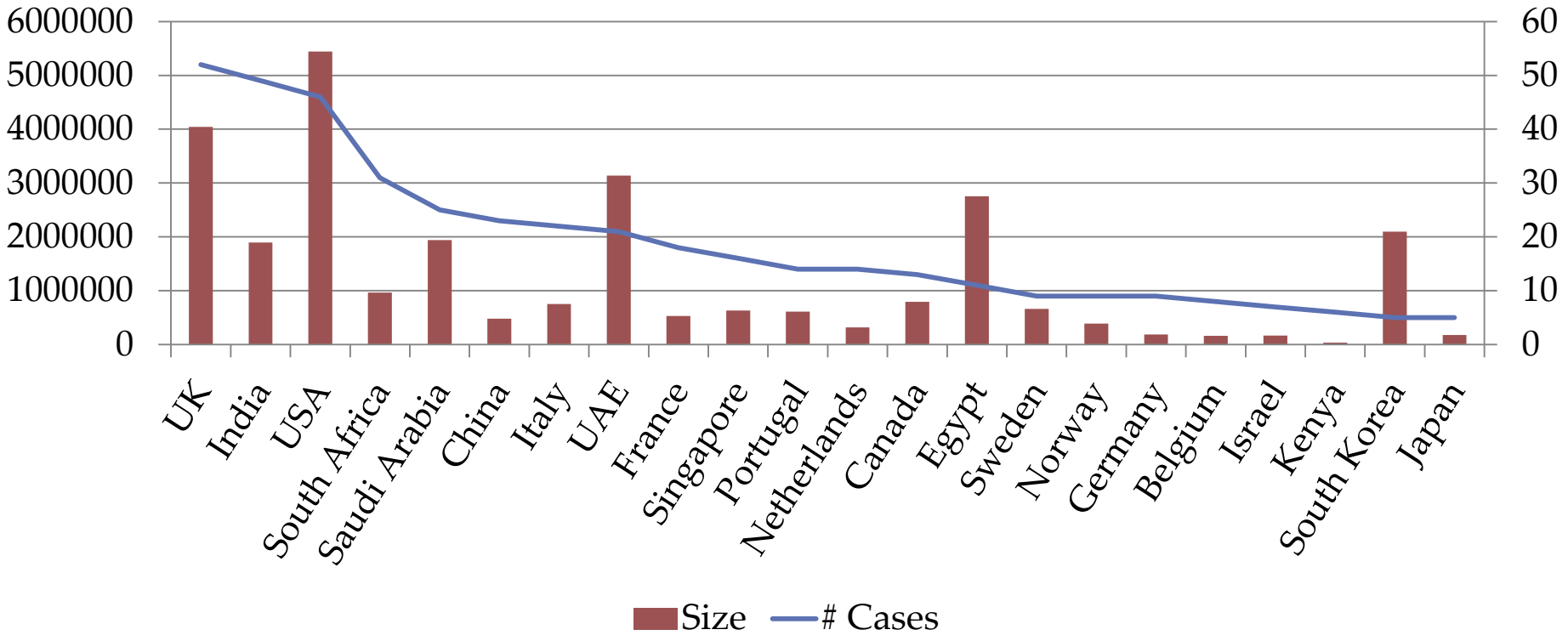




Source: Land Matrix, 2013

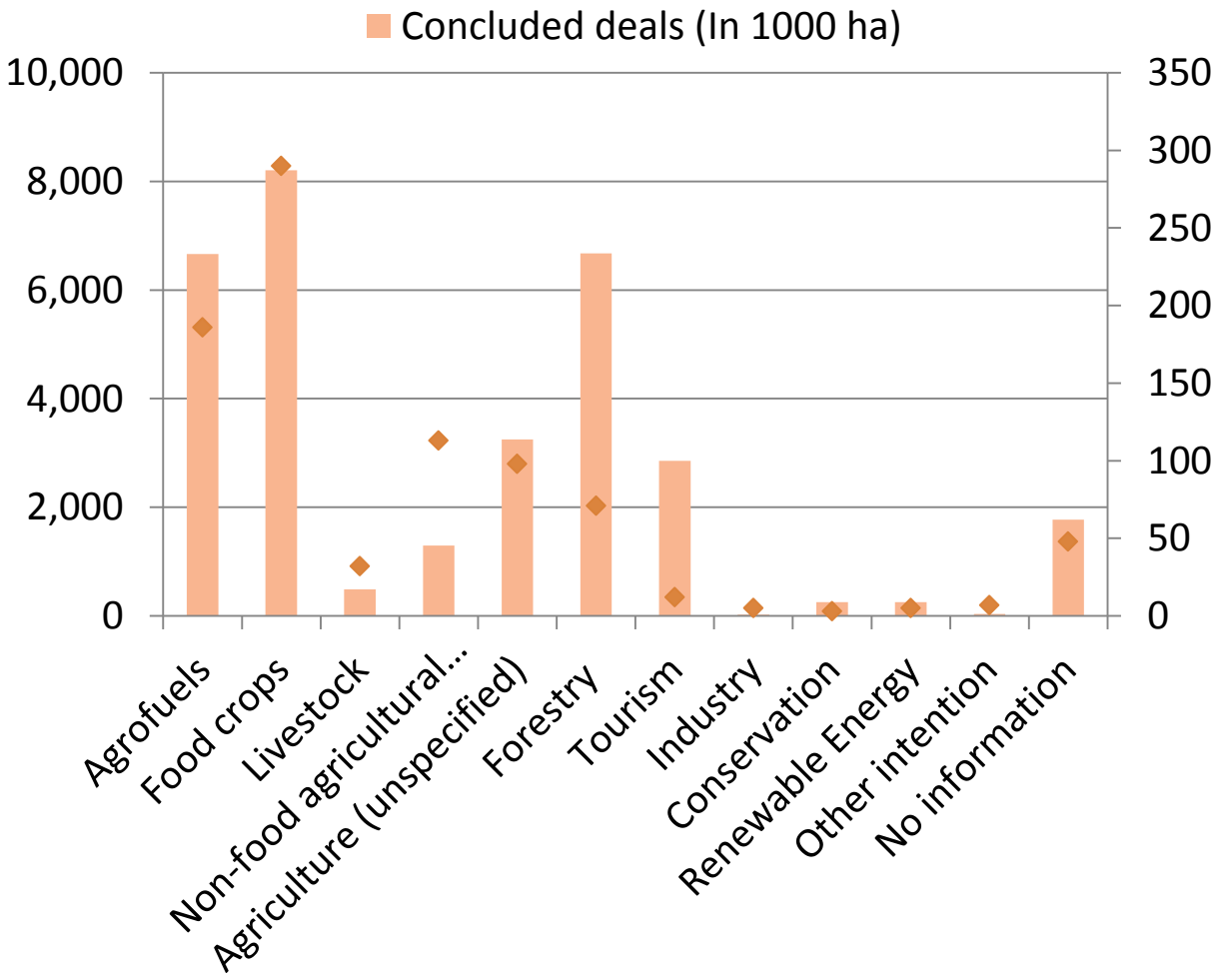
Who are the primary investors in Africa?



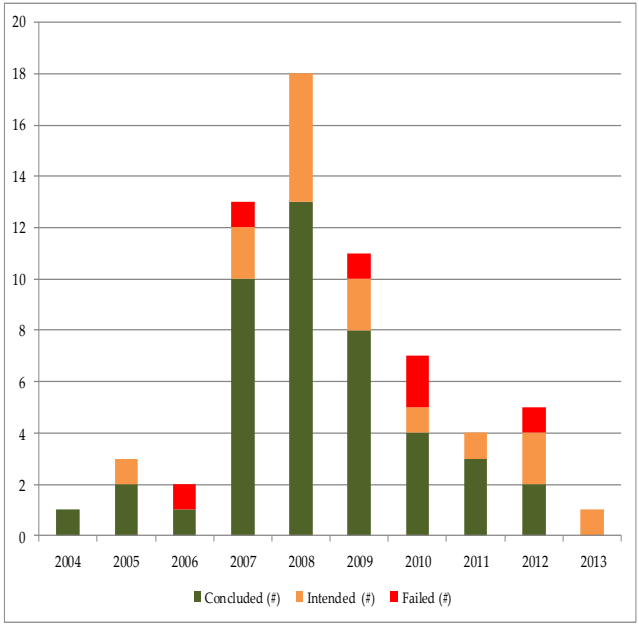
Source: Land Matrix, 2013

North Africa	West Africa	Central Africa	East Africa	Southern Africa
Saudi Arabia	UK	USA	Egypt	South Korea
UAE	India	Malaysia	UAE	South Africa
South Africa	Italy	Canada	USA	UK
Japan	Liberia	Singapore	Jordan	Brazil
-	France	Belgium	Saudi Arabia	India

Global Land Use Patterns

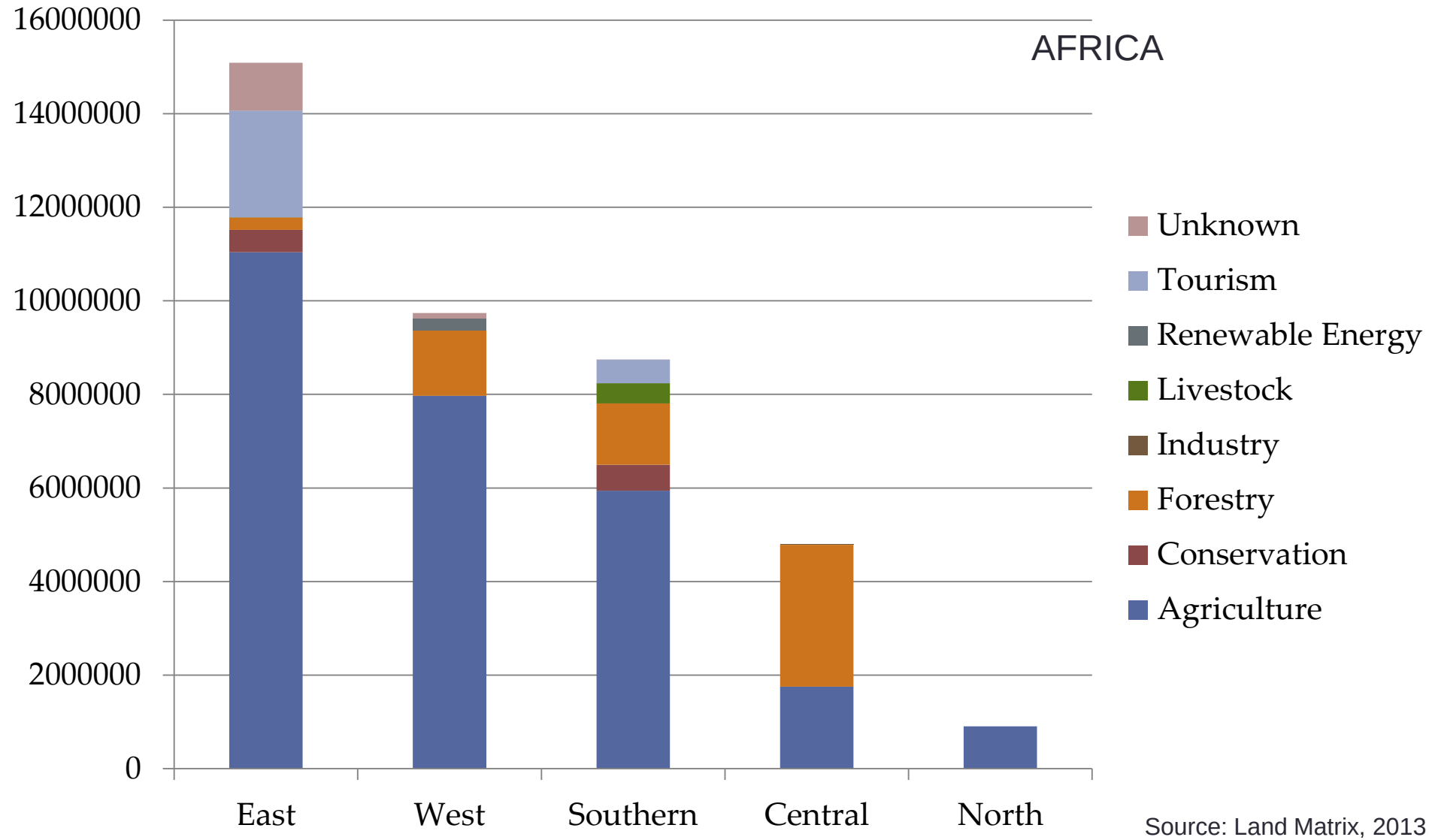


The Jatropha hype



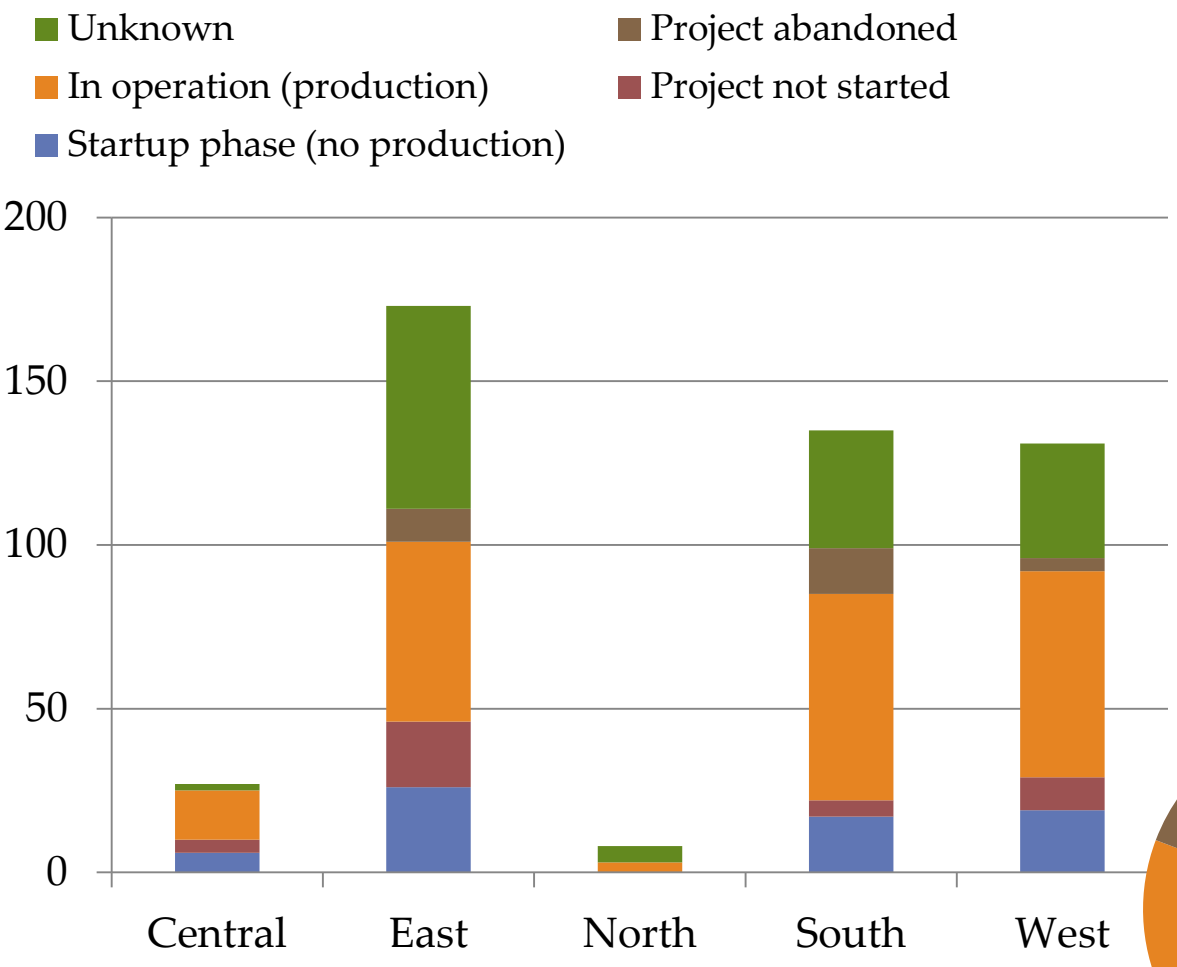
Source: Land Matrix, 2013

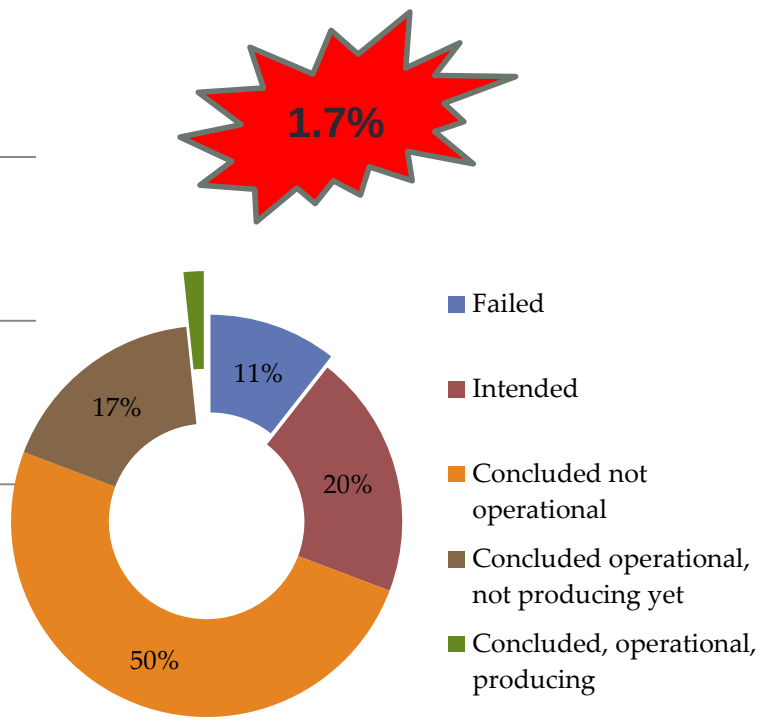
Land Use Patterns: Africa



Source: Land Matrix, 2013

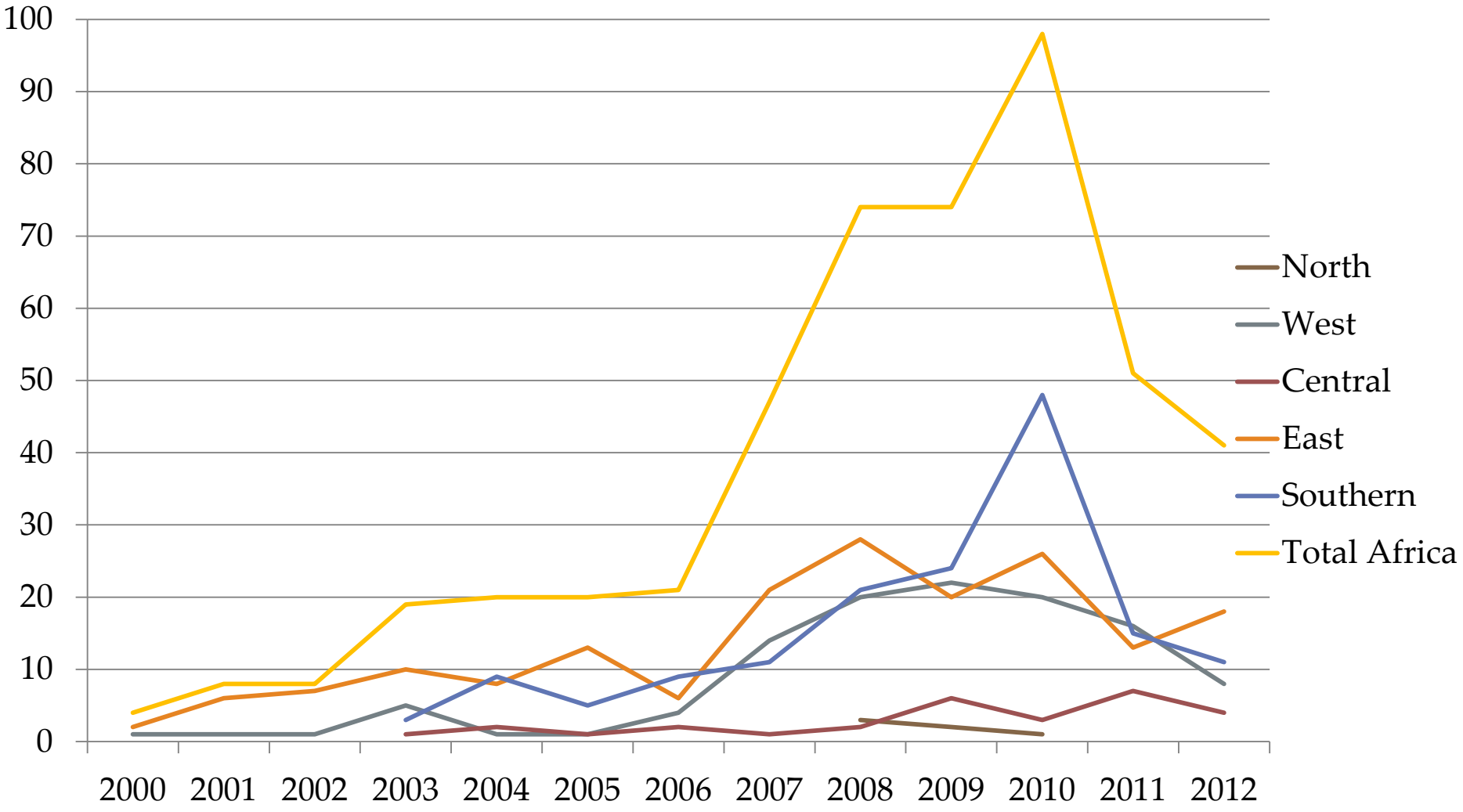
Little effective production: Africa





Source: Land Matrix, 2013

Slowing Land Investments



Source: Land Matrix, 2013

Investment models and agrarian change

Towards new opportunities for Africa?

Changing LSLA and Outcomes

Independent farmer model	Associative farmer model	Cooperative farmer model	Speculative 1000-day model	Asset management and Investment funds model	Nucleus estate model	Agribusiness Estate model

- *Uncertain institutional environments and the difficulty of doing business*
- *Technicality of the projects*
- *The lack of markets*
- *Lack of financial services*
- *High settling and transaction costs*

Source: Boche and Anseeuw, 2013

Changing LSLA and Outcomes

Independent farmer model	Associative farmer model	Cooperative farmer model	Speculative 1000-day model	Asset management and Investment funds model	Nucleus estate model	Agribusiness Estate model

High failures

Strategy change

- *Uncertain institutional environments and the difficulty of doing business*
- *Technicality of the projects*
- *The lack of markets*

Increased integration

- *Lack of financial services*
- *High settling and transaction costs*

Few inclusive models

- *To overcome high risks related to settlement in less developed agrarian economies*

Source: Boche and Anseeuw. 2013

Implications for agrarian development and restructuration

- Corporization of agriculture
- Closed value-chains and foreign powers
- Concentration and dualization within the agricultural sector
- Proletarization of the agricultural society

Concluding Thoughts

- Agrarian change in Africa?
  - Yes, probably
  - Very little # - With very few ‘positive’ results
  - Change not there where expected/announced, by the promotors of LSLA
  - But enduring model/paradigm – tipping point

- Lack of LT reflection, “alternative” development trajectories
  - Inclusive of sectors and actors
  - Roles of different actors


THANK YOU