Opinion of the European Economic and Social Committee on 'Land grabbing — a warning for Europe and a threat to family farming'

(own-initiative opinion)

(2015/C 242/03)

Rapporteur: K. NURM

At its plenary session of 20 January 2014, the European Economic and Social Committee decided, under Rule 29(2) of its Rules of Procedure, to draw up an own-initiative opinion on

Land grabbing — a warning for Europe and a threat to family farming (own-initiative opinion).

The Section for Agriculture, Rural Development and the Environment, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 8 January 2015.

At its 504th plenary session, held on 21 and 22 January 2015 (meeting of 21 January 2015), the European Economic and Social Committee adopted the following opinion by 209 votes to 5 with 9 abstentions.

1. Conclusions and recommendations

1.1. This opinion looks at the problem of land grabbing, including land concentration, in Europe and around the world, something that represents a threat to family farms.

1.2. Agricultural land provides the basis for food production and is thus the prerequisite for ensuring food security in accordance with Article 11 of the United Nations International Covenant on Economic, Social and Cultural Rights and with Article 25 of the Universal Declaration of Human Rights.

1.3. The following factors encourage land grabbing: increasing globalisation and the principle of free movement of capital associated with this, population growth and urbanisation, rising demand for foodstuffs and bio-energy, increased demand for natural resources, the negative side of agricultural and environmental policy, as well as possible speculation on the rising value of agricultural land.

1.4. The EESC sees a serious risk arising from the concentration of land in the hands of large non-agricultural investors and large agricultural concerns, including in parts of the European Union. This trend is incompatible with the European model of sustainable and multifunctional agriculture where family farms predominate and jeopardises the achievement of the objectives set out in Articles 39 and 191 of the TFEU. It conflicts with the structural goal of dispersed land ownership, causes irreversible damage to rural economic systems and leads to a type of industrialised agriculture that society does not want.

1.5. Risks associated with food safety and soil degradation are exacerbated by industrialised agriculture, which also reduces food security.

1.6. Apart from producing food, family farming fulfils other important social and ecological functions which cannot be performed by an industrial agricultural model dominated by large companies. Active measures must be taken to protect family farms so that small-scale farming offers a viable alternative to industrialised agriculture and to land grabbing.

1.7. Land is no ordinary commodity which can simply be manufactured in larger quantities. Given that the supply of land is finite, the usual market rules should not apply. Ownership of land and land use must be subject to greater regulation. In view of the distortions that have been observed, the EESC considers it necessary to develop a clear model for agricultural structures at both Member State and EU level, which will have implications for land use and land rights.

1.8. Regulation of the market for farm land varies widely among the Member States. The fact that restrictions exist in some countries and not in others leads to disparities among the Member States.

1.9. Although land policy comes under the authority of the Member States, it is subject to certain restrictions on the basis of the principle of free movement of capital and goods enshrined in the Treaties. The EESC therefore calls on the European Parliament and the Council to discuss whether the free movement of capital in respect of the alienation and acquisition of agricultural land and agribusinesses should be guaranteed, particularly in relation to third countries, but also within the EU.

1.10. The EESC calls on the Member States to organise land use in such a way that full advantage is taken of the possibilities afforded by taxes, aid and CAP funding. The idea is to preserve the agricultural model based on family farming throughout the EU.

1.11. The Member States must be allowed to set upper limits for the acquisition of agricultural land and to create a system of pre-emptive rights to help those whose landed property is below this upper limit.

1.12. The EESC calls on the European Commission and the Parliament to carry out comprehensive impact analyses of policy measures (aid and restrictions) used with regard to land concentration and agricultural production in different countries, based on a uniform method. Research should also look at the risks of land concentration for food security, employment, the environment, soil quality and rural development.

1.13. The EESC calls on all EU Member States to implement the Voluntary Guidelines on the Responsible Governance on Tenure (VGGT) and to report to the European Commission and the FAO on the use and application of the VGGT in their land governance policies.

1.14. Instead of land concentration, policies should encourage a transition from industrial-scale production to smaller production units, by strengthening the family farming model, which would also be conducive to self-sufficient food production.

1.15. The EESC will also continue in the future to closely monitor trends in land concentration, study its effects and be involved in drawing up proposals for containing it.

2. Global land grabbing: general context

2.1. This opinion looks at the problem of land grabbing and land concentration, whose consequences are a threat to family farms.

2.2. There is no internationally recognised single definition of land grabbing. Land grabbing is generally understood to mean a process of large-scale acquisition of agricultural land without consulting the local population beforehand or obtaining its consent. Ultimately, this diminishes the scope of the local population to manage a farm independently and to produce food. The owner also has the right to use the resources (land, water, forest) and the profits arising from their use. This can lead to a situation in which established agricultural land use is abandoned in favour of other activities.

2.3. Agricultural land and access to water form the basis for food production. The ability of countries to feed themselves depends on various factors; however, basic prerequisites are the availability of sufficient agricultural land and the right of countries to regulate systems of land ownership and use.

2.4. There is an average of 2000 m^2 of agricultural land for every person on the planet. However, this figure varies considerably from country to country, and some countries therefore try to increase the amount of land available to them for agricultural production by buying up land in other countries.

- 2.5. The following factors encourage land grabbing:
- 2.5.1. increasing globalisation and the associated principle of free movement of capital;
- 2.5.2. population growth and urbanisation;
- 2.5.3. the ever increasing demand for food;
- 2.5.4. rising demand for bio-energy;
- 2.5.5. growing demand for natural resources (fibres and other wood products);
- 2.5.6. the negative side of agricultural and environmental policy;

2.5.7. the possibility of being able to speculate on food products on the international or at least European market;

2.5.8. the potential to speculate on the rising value of farmland and future state aid;

the efforts of big investors to put capital released in the wake of the 2008 financial crisis into agricultural land as a 2.5.9. safe investment.

Such agricultural land grabbing focuses largely on Africa, South America and other regions, including some parts of 2.6 Europe where land is relatively cheap compared with industrialised countries and the international average.

It is difficult to obtain reliable data on the extent of land grabbing as not all land transactions are recorded and there 2.7. is often insufficient transparency on land transactions between companies, for example in the case of purchases by subsidiaries and partner companies. However, some NGOs and research institutions have carried out research on the subject. According to World Bank estimates, in the 2008-2009 period 45 million hectares throughout the world were targeted by land grabbing. A Land Matrix report $(^1)$ describes how 83,2 million hectares of agricultural land in developing countries, amounting to 1,7 % of the global total, changed hands in 1 217 major deals.

Land grabbing was most frequent in Africa (56,2 million hectares, i.e. 4,8 % of the continent's agricultural land), 2.8. followed by Asia (17,7 million hectares) and Latin America (7 million hectares). Investors show a consistent preference for well situated and easily accessible land with a water supply, suitable for cultivating vegetables and cereals, and offering high yields. They are also interested in forested areas. Most investors come from China, India, Korea, Egypt, the Gulf States, Brazil and South Africa; however some of them are from the USA and the EU Member States. Buyers are not interested in countries with high land prices. In such countries land concentration usually takes the form of larger farms buying up land from smaller farmers.

According to a report by the Madariaga Foundation (²) of 10 July 2013, some EU policy areas have direct or indirect 2.9. effects on land grabbing in the EU and worldwide. These include the bioeconomy, trade and agricultural policy. A liberal land policy and the generally accepted principle of free movement of goods and capital are also relevant here.

2.10. A prime example is the EU requirement to increase the share of biofuels and permitting of duty-free and quota-free sugar imports, which are behind certain land grabbing projects in Asia and Africa.

 $[\]binom{1}{\binom{2}{}}$ http://www.landmatrix.org/en

www.madariaga.org

3. Land grabbing and land concentration in Europe

3.1. Europe is embedded in global processes, so these processes also unfold within Europe: in some areas visibly, in others unnoticed. Land grabbing takes place primarily in the countries of central and eastern Europe.

3.2. Apart from conventional purchases, one way of getting control of agricultural land is to acquire companies owning or leasing areas of agricultural land, or to attempt to purchase shares in such companies. As a result, there is increasing concentration of land ownership by large companies, with industrialised agriculture developing in some central and eastern European countries.

3.3. While agricultural land is dwindling throughout Europe, it is also becoming increasingly concentrated in the hands of certain large businesses. One per cent of agricultural businesses control 20 % of agricultural land in the European Union and three per cent control 50 %. Conversely, 80 % of agricultural businesses control only 14,5 % of agricultural land.

3.4. In Europe, there is a correlation between the dwindling number of agricultural production units and the number of people employed in agriculture. For example, between 2005 and 2010 the number of production units fell most in the eastern European countries, especially the Baltic States (Estonia, Latvia and Lithuania), and at the same time the region saw the biggest drop in labour demand (8,9 % in Bulgaria and Romania and 8,3 % in the Baltic States annually). In Ireland and Malta, however, the number of agricultural businesses has gone up, and with it the demand for agricultural workers.

3.5. Three categories of investor — domestic, from the EU and from third countries — are mainly responsible for land purchases and concentration.

3.6. The most detailed survey of land concentration in Europe, including the European Union, is the report on *Concentration, land grabbing and people's struggles in Europe* (³), published by Via Campesina and the 'Hands off the Land' network in April 2013. According to this report, there is a creeping process of land grabbing and concentration in the European Union, which is impacting on human rights, and especially the right to adequate food. Land grabbing has been most extensive in Hungary and Romania. However, the same process can be observed in other central and eastern European countries.

3.6.1. According to data from various sources, in Romania up to 10% of agricultural land is now in the hands of investors from third countries and a further 20-30% is controlled by investors from the EU. In Hungary one million hectares of land was acquired in secret deals using capital primarily from EU Member States. Although foreigners will not be allowed to buy land in Poland until May 2016, it is well known that 200 000 hectares have already been acquired by foreign investors, mainly from EU countries. In the Bordeaux region of France, Chinese investors have bought some 100 vineyards. After German reunification, agricultural cooperatives in the former GDR were dissolved and both private family farms and legal entities were established. There are now increasing indications that the legal entities are particularly vulnerable to non-agricultural investors.

3.7. The following examples give an idea of the scope of these concentrations in businesses: in Romania, the biggest agricultural enterprise farms around 65 000 hectares of land, and in Germany 38 000 hectares. The biggest dairy farm in Estonia has 2 200 cows, with livestock numbers set to increase to 3 300.

3.8. One reason for land concentration in Europe is the single area payment under the first pillar of the CAP, which gives greater financial leverage to large-scale farmers and thus creates advantages and releases capital for further land acquisition. The single farm payment is applied mainly in the EU-15 and the single area payment in the EU-12. Land concentration is also developing much more slowly in the EU-15 than in the EU-12.

^{(&}lt;sup>3</sup>) http://www.eurovia.org/IMG/pdf/Land_in_Europe.pdf

3.9. In turn, agricultural land concentration concentrates CAP subsidies. In 2009, 2 % of family-run farms received 32 % of CAP funding. There is a difference between western European and eastern European countries. Thus in 2009 large farms, which represent 2,8 % of all holdings in Bulgaria, received 66,6 % of aid. The equivalent figures for Estonia are 3 % and 53 %, whereas they are 3 % and 25 % for Denmark and 5,5 % and 25 % for Austria.

4. Impact of land grabbing

4.1. In those countries where land concentration and land grabbing take place, the multifunctional European farming model characterised by family farms is being crowded out by large-scale industrial agricultural production.

4.2. Existing studies show that the food and non-food crops produced on farmland that has been bought up are mainly exported to the countries of the investors. Only a small fraction of these products are destined for the local market. National food security deteriorates in proportion to the degree of land grabbing.

4.3. Land grabbing and land concentration result in those farms that had been using the land being squeezed out, and consequently to loss of jobs and communities in rural areas. This process is generally irreversible, since it is very difficult for small farmers or even for new businesses (and young farmers) to acquire land and establish themselves in this economic sector without sufficient capital.

4.4. Although the World Bank has made a point of noting the positive aspects of land grabbing — e.g. increased efficiency, innovation and development — many civil society organisations and movements are critical of the phenomenon. They believe it results in harm to the environment, soil degradation and depopulation of rural areas; instead of sustainable agriculture, a mammoth agricultural industry develops based on monoculture.

4.5. Land grabbing has a negative impact on the development of rural communities. The flip side of large-scale cultivation is an increase in unemployment in rural areas, which has social costs.

4.6. Willis Peterson, a researcher at the University of Minnesota, actually claims that small family farms are at least as efficient as large-scale producers. The assertion that land concentration leads to larger yields is also inaccurate (4): FAO data show the opposite to be the case: 90 % of the world's farms are family concerns, farming 75 % of all agricultural land and producing 80 % of the world's food.

4.7. Scotland offers a cautionary tale with respect to land grabbing. Two hundred years ago an area the size of Holland was divided up into parcels of between 8 000 and 20 000 hectares and sold to investors. Some 1,5 to 2 million people lived in this area, and it is still depopulated today as a result of industrial-scale agriculture. The Scottish parliament is currently working on a project to repopulate the region, but this will be a lot more expensive than if the small-scale farming model had been preserved.

5. The role of family farms for society and food security

5.1. The EESC welcomes the United Nations' designation of 2014 as the International Year of Family Farming. The Committee has been involved in various ways in drawing attention to the strategic role of family farms for food security and the development of rural areas, and in encouraging public debate about the issue.

^{(&}lt;sup>4</sup>) http://familyfarmingahap.weebly.com/family-vs-corporate-farming.html

5.2. Although we do not have a generally recognised definition of the family farm either in the EU or internationally, the EESC calls on the European Commission, the Parliament and the Council to define this term. The EESC suggests that a farm should meet the following criteria in order to qualify as a family farm.

5.2.1. Operational decisions are taken by family members.

5.2.2. Most of the farm work is carried out by family members.

5.2.3. Both the property and most of the capital belong to the family, or the land is in the hands of a local community.

5.2.4. The family also controls farm operations.

5.2.5. The farm is passed down from one generation of the family to the next.

5.2.6. The family lives on land which is part of the farm or nearby.

5.3. In most parts of the world, life and work in agriculture and rural areas, which is based on family farming and is respectful of social and environmental concerns, has a tradition dating back thousands of years. Where there is legal certainty and political stability, family farms have throughout the world proved as stable as, or superior to, other agricultural systems.

5.4. Apart from producing food, family farming fulfils other useful social functions which cannot be performed by an industrial agricultural model dominated by large companies and resting on employees.

5.4.1 Family-run farms, and also agricultural cooperatives, play an active role in the economic make-up of rural areas. Membership of cooperatives and professional organisations is very important for their stability and flexibility. Farms preserve cultural heritage and the rural way of life, they densify the social life of countryside, they generate high-value products, they adopt a sustainable approach to natural resources and ensure that ownership in rural areas is widely dispersed.

5.4.2. Family farms do not complain that there are no jobs available, but create jobs themselves and are open to innovation.

5.4.3. The farm offers an ideal environment for children, where key knowledge and skills can be passed on from generation to generation, ensuring the continuity of these businesses.

5.4.4. Agricultural production from family farms is typically diversified and decentralised. This ensures competition on the market and reduces the risks associated with land concentration.

5.4.5. The plenitude of operations is in itself an asset from the point of view of human survival, since it ensures that more people have skills and knowledge in relation to food production and so ensures that subsistence skills and knowledge are also available during times of crisis. To protect family farms so that small-scale farming can offer a viable alternative to industrialised agriculture and to the land grabbing that this entails, active measures must be taken to protect family farms, including aid measures for producer organisations and measures to combat unfair trading practices. Policy measures at EU and at national level can help to make family farming more sustainable and more resilient (5).

 $^(^{5}) http://www.europarl.europa.eu/RegData/etudes/note/join/2014/529047/IPOL-AGRI_NT(2014)529047_EN.pdf$

6. Ways of regulating the market for agricultural land and preventing land grabbing and land concentration

6.1 Land forms the basis of food production. Article 11 of the UN International Covenant on Economic, Social and Cultural Rights (⁶) together with Article 25 of the Universal Declaration of Human Rights (⁷) obliges countries to recognise the right of each individual living in their own territory to adequate and safe food and it is directly linked to the access to land.

The paucity of oil and gas reserves in the EU jeopardises its food security. Sustainable agriculture and family farming 6.2. must therefore be maintained.

Land is no ordinary commodity which can simply be manufactured in larger quantities. Given that the supply of 6.3. land is finite, the usual market rules should not apply. The EESC is convinced that there needs to be in-depth discussion in the Member States and at EU level about a clear model for agricultural structures. This can and must be the only basis for determining policy implications and measures. One example of this is the legal evaluation of the acquisition of shares in agricultural companies (known as 'share deals'). Ownership of land and land use must be subject to greater regulation.

6.4. Organisations of various political persuasions have discussed land ownership regulation and the framing of appropriate policy measures, and they emphasise that good governance is essential for this area. The FAO has drawn up its 'Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forestry' (8). The aim of these guidelines is to achieve regulated, secure land-use rights ensuring equal access to resources (land, fisheries, forests) and thus reducing hunger and poverty while promoting sustainable development and a healthier environment. Unctad, FAO, IFAD and the World Bank have jointly developed principles for responsible agricultural investment (9) respecting rights, livelihoods and resources. The Organisation for Economic Cooperation and Development (OECD) has drawn up a Policy Framework for Investment in Agriculture (PFIA) (¹⁰). The aim is to guide states in framing policy measures to encourage private agricultural investments.

The EESC considers the FAO/UN guidelines on land use rights to be an important milestone, and calls for them to 6.5. be resolutely and precisely implemented. The Committee believes that unclear property rights for farmers are an indication of poor governance and even an incentive to land grabbing.

The Factor Markets paper (¹¹) published in 2012 examines land sales regulation in EU Member States and candidate 6.6. countries. It seems that several Member States have national regulation preventing forced land concentration and purchases by foreigners, e.g. granting of purchase options. In some countries, all purchases of agricultural land require official authorisation, regardless of the purchaser's country of origin. Such countries include France, Germany and Sweden. At the same time, there are countries such as Hungary and Lithuania where an upper limit has been set on the amount of agricultural land that can be held by a single owner.

In France, land transactions are monitored by regional land authorities (Sociétés d'Aménagement Foncier et 6.6.1. d'Établissement Rural, SAFER). SAFER is a regional body with the task of supporting farmers, especially young farmers, in the process of restructuring land ownership, and of ensuring transparent agricultural land markets.

6.6.2. In Sweden, land purchases in sparsely populated areas require permits. When granting such permits, the authorities take into account the purchaser's training or previous experience; sometimes there is also a requirement for residence on the purchased land. In Sweden, only natural persons can acquire agricultural land.

http://www.ohchr.org/en/professionalinterest/pages/cescr.aspx

http://www.un.org/en/documents/udhr/index.shtml#a25

http://www.fao.org/docrep/016/i2801e/i2801e.pdf

 $[\]binom{9}{10}$ http://unctad.org/en/Pages/DIAE/G-20/PRAI.aspx

http://www.oecd.org/daf/inv/investment-policy/PFIA_April2013.pdf

http://ageconsearch.umn.edu/bitstream/120249/2/FM WP14CEPSonSalesMarketRegulations D15.1 Final.pdf

6.6.3. In Lithuania legal persons deriving at least 50 % of their total income from agricultural activity are allowed to purchase land. Domestic natural and legal persons can own up to 500 hectares of land.

6.6.4. In Belgium, Italy and France, lessees of agricultural land have pre-emptive rights in cases of alienation.

6.7. As the above summary shows, agricultural land market regulation varies considerably from one EU Member State to another. The fact that restrictions exist in some countries and not in others leads to disparities among the Member States. This can help to explain the decision of the Bulgarian Parliament to anticipate direct threats to Bulgarian agricultural land and extend the moratorium on agricultural land acquisitions, due to expire on 22 October 2013, up to 2020, in defiance of an EU warning, since in Bulgaria land prices — but also farmers' purchasing power — are considerably lower than in more prosperous countries.

6.8. An analysis by Factor Markets in 2012 (¹²) notes that dominance by large corporations of the agricultural land market prevents it from functioning normally. Large corporations practicing land grabbing use their weight on both local and regional agricultural land markets to influence land prices and lease conditions.

6.9. National authorities are responsible for land policy: the Member States can set restrictions on transactions if national energy or food security is at risk and if restrictions are overwhelmingly in the public interest. Restrictions are permissible to prevent speculation, maintain local traditions and ensure appropriate land use. Such restrictions also impinge on the principle of free movement of goods and capital laid down in the Treaties. The EESC therefore calls on the European Parliament and the Council to discuss whether the free movement of capital should always be guaranteed in the case of alienation and acquisition of agricultural land and agribusinesses, particularly in relation to non-EU countries, but also within the EU. Allowance must be made for the fact that farmland prices and people's income vary widely between the Member States. We need an answer to the question whether the free movement of capital and free markets are compatible with equal access to land acquisition for all natural and legal persons.

6.10. In the EESC's view, the Member States must be given more opportunities, based on a sustainable farming model, to regulate and limit their respective markets for agricultural land with an eye to food security and other legitimate objectives. At the same time, the EESC calls on all EU Member States to use all of the opportunities available to them in forming legislation. It is clear that in some countries there is a lack of clear policy objectives, or the objectives tend to be discriminatory.

6.11. If the European Parliament and the Council conclude that restrictions on the movement of capital are justified in the interests of food security, discussions at international level will be needed since free movement of capital is safeguarded under various international agreements.

6.12. The legal and political options available to the EU and the Member States enable them to influence land use through subsidies or taxes. Skilful use of CAP instruments and land policy can ensure that farming remains feasible and economically viable, even for smaller businesses, thus preventing land concentration.

6.13. Under the reformed CAP, it would certainly be possible to introduce capping and adjust direct payments so as to give stronger weighting for the first few hectares. At the same time, investment grants and direct payments for small farms could be simplified. However, the Committee doubts that existing restrictions are having much effect in preventing land concentration or that Member States with major structural differences between farms and the highest levels of land concentration use this option sufficiently. The EESC urges Member States to make full use of such options and calls on the European institutions to introduce a more robust mechanism for reallocating aid.

^{(&}lt;sup>12</sup>) http://ageconsearch.umn.edu/bitstream/120249/2/FM_WP14CEPSonSalesMarketRegulations_D15.1_Final.pdf

6.14. Agricultural land is a limited natural resource, and land grabbing therefore jeopardises achievement of the objectives set out in Articles 39 and 191 TFEU. The EESC therefore calls on the European Commission and European Parliament to actively address the issue of land use governance.

6.15. The EESC recommends that the introduction of an upper limit on the acquisition of agricultural land by both natural and legal persons be permitted in all EU Member States, with pre-emptive purchase rights for persons below this limit. The competent authorities may exercise pre-emptive purchase rights only for farmers who are below this upper limit.

6.16. Local communities should be involved in land use decisions; this would mean giving them more rights and opportunities.

6.17. Food production should be prioritised over biofuels in agricultural land use.

6.18. Instead of land concentration, policies should encourage a transition from industrial-scale production to smaller production units, which would also be conducive to self-sufficient food production. EU Member States should have state institutions with an overview of agricultural land ownership and use structures. To this end, national databases should include information not only on landowners but also on users. With this kind of data, it would be possible to carry out vital research and to respond to changes.

6.19. The EESC calls on the European Commission and the Parliament to carry out comprehensive impact analyses of how policies and prevailing restrictions affect land concentration in different countries, based on a uniform method. Research should also look at the risks of land concentration for food security, employment, the environment and rural development.

6.20. The EESC calls on all EU Member States to report to the EU Commission and FAO on the use and application of the Voluntary Guidelines on the Responsible Governance on Tenure (VGGT, adopted by the FAO in 2012) in their land governance policies. The VGGT have a global scope (Article 2.4) which includes Europe. The VGGT call on States to set up multi-stakeholder platforms, with the involvement and participation of those most affected, to monitor the implementation of the Guidelines and bring their policies in line with them (1^3) .

6.21. The EESC will continue in the future to pay close attention to trends in land concentration, examine its impact and contribute to proposals to limit it. The World Forum on Access to Land and Natural Resources (WFAL) also supports this initiative and is calling on the European Commission and the Parliament to support these efforts.

Brussels, 21 January 2015.

The President of the European Economic and Social Committee Henri MALOSSE

^{(&}lt;sup>13</sup>) See Article 26.2 of the VGGT: http://www.fao.org/docrep/016/i2801e/i2801e.pdf