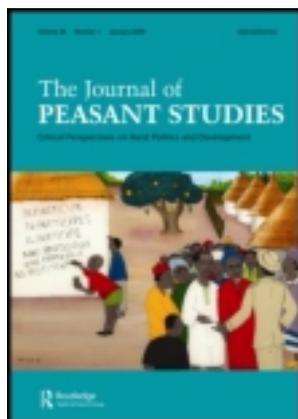


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Journal of Peasant Studies

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/fjps20>

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Oane Visser This article benefited from the research assistance of Natasha Mamonova. We thank the three anonymous referees of JPS which contributed, with their remarks, to improving the final version of this article. & Max Spoor

Available online: 24 Mar 2011

To cite this article: Oane Visser This article benefited from the research assistance of Natasha Mamonova. We thank the three anonymous referees of JPS which contributed, with their remarks, to improving the final version of this article. & Max Spoor (2011): Land grabbing in post-Soviet Eurasia: the world's largest agricultural land reserves at stake, *Journal of Peasant Studies*, 38:2, 299-323

To link to this article: <http://dx.doi.org/10.1080/03066150.2011.559010>

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Land grabbing in post-Soviet Eurasia: the world's largest agricultural land reserves at stake

Oane Visser and Max Spoor

'Land grabbing' in Africa by China, and other populous, high-income Asian countries such as South Korea, has received considerable attention, while land grabbing in post-Soviet Eurasia has gone largely unnoticed. However, as this article shows, foreign state and private companies are also acquiring vast areas of farmland in this region. The article first discusses the factors that make post-Soviet Eurasia such an attractive region for international investment, arguably encompassing much greater agricultural land reserves than most regions of sub-Saharan Africa or Asia. Second, in view of the use of media and web-based data in this article, the methodological limitations of researching land investments are discussed. Third, an overview is given of the processes of land accumulation and farm acquisition. Both domestic and international accumulation of land are dealt with in the domestic context of agricultural development and institutions. Furthermore, the main actors (investors) involved in land grabbing are distinguished (according to their country of origin and legal or institutional form). Fourth, the article outlines the main obstacles (and points of contention) concerning the emergence (and effectiveness/performance) of domestic, and especially international, agrohholdings in the region. Some preliminary findings are presented on the possible effects of land grabbing on local populations in this region.

Keywords: land grabbing; post-Soviet countries; agrohholdings; economic inequality

Introduction

Food security and agricultural development are currently high on the agenda of international development agencies and national governments.¹ With a growing world population, a sharply increasing demand for high-quality food in emerging Asian economies, speculation in international food markets, and competition for land for biofuel production purposes, the agrarian question of land use and ownership has rapidly regained importance. These developments reached critical proportions in 2007–08 when soaring food prices led to food riots and increased

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¹A prominent example is the World Bank's World Development Report 2008 which was dedicated to agriculture, putting it back on the policy agenda for the first time in decades (World Bank 2007).

poverty in various countries in the global South. In the last decades agricultural land has largely been ignored as an essential resource. However, due to an increasing demand for food and biofuel crops (and potential loss of agricultural land due to climate change and urbanization), agricultural land is increasingly seen as a scarce and contested resource in the global political and economic arena (Braun and Meinzen-Dick 2009).

This changed view on agricultural land as a strategic resource is most prominently reflected in the international (corporate) land acquisition strategy adopted by China, and other populous, high-income Asian countries such as South Korea, which has targeted African countries like Madagascar, Mozambique, and Tanzania in particular (Zoomers 2010). On the one hand, attention to this phenomenon is given by analyzing it from a positive angle, focusing on the growing investment in the agricultural sector (see UNCTAD 2009).² On the other hand, there is growing criticism of the increased powers of agribusiness in global 'food regimes', dominated in particular by US-based multinational companies (McMichael 2009), and their role in transnational land grabbing. Until now the new and emerging field of study of (the new geo-politics of) land grabbing has focused almost exclusively on Africa (see, for example, Cotula *et al.* 2009, Zoomers 2010).

Although Africa still has substantial agricultural land that is not yet intensively utilized, it is remarkable that the under-used (and often unused) land masses of post-Soviet Eurasia have practically been ignored, at least so it seems at first glance.³ It is even more remarkable given that this former breadbasket of the nineteenth and early twentieth centuries contains much more fertile and well-endowed agricultural land than the African continent. According to a recent FAO report, only four countries in the world have significant untapped capacity to make a major impact on meeting the growing global food demand, three of which are former Soviet countries, namely Ukraine, Kazakhstan, and Russia—while the fourth is Argentina (Davis 2008). Also in the recently published and widely announced World Bank (2010) report, *Rising Global Interest in Farmland?*, only one of the case studies is from the Central Eurasian area, namely Ukraine. It is clear from the data presented that Russia is one of the largest single nations in terms of available arable land, with an unmatched potential for wheat expansion.⁴ Nevertheless, Russia is not analyzed in this report.⁵

²UNCTAD (2009) contains the comprehensive World Investment Report on Transnational Corporations, Agricultural Production and Development.

³Borras and Franco (2010) rightly criticize the notion that Sub-Saharan Africa contains large 'land reserves', and the implied suggestion that when land is not in agricultural use there are no property rights attached to it and no local claims on it.

⁴According to the World Bank's calculations, only Brazil and Sudan as individual countries have more potential land available in terms of non-forested, non-cultivated land suitable for rainfed production. Of course, Russia has much more fertile farmland with more precipitation than a country like Sudan, thus representing a much larger potential increase in production. Furthermore, Russia together with Ukraine and Kazakhstan took almost 23 million hectares of arable land out of production in the 1990s, representing the largest reduction worldwide in recent history (FAO/EBRD 2008). Of this area at least 11 to 13 million hectares consists of non-marginal lands which could be brought into production without major ecological constraints (2008, 2).

⁵Land availability is defined in a rather awkward manner, namely as farmland in regions where the density of the population is less than 25 persons per square km and that are less than six hours to major markets.

In the following analysis it is acknowledged that there are various processes underlying land investment or land grabbing to be distinguished (see also Zoomers 2010), which may include domestic and international actors, and capital-driven (mostly short-term oriented) or opportunity-driven (long-term oriented) factors. In Sub-Saharan Africa the latter might be predominant, while in Central Eurasia, at least initially, domestic energy companies represented the former.

This article will focus on the vast agricultural land areas in Ukraine, Russia, and Kazakhstan, which are politically and geographically almost literally located in between the global economic powers of the West (with the EU bordering Ukraine), China (south-east of Kazakhstan), Russia (bordering Kazakhstan and the Ukraine), and one possibly could add the Middle East/Gulf States (at the south of Eurasia). Until now research, as well as political interest, in Russia and its (former) backyard has largely focused on energy issues, with the Caspian Sea oil resources and oil and natural gas pipeline transits through the Caucasus and Ukraine as focal points of international contestation.

However, there are ample signs that not only oil and gas, but also land is increasingly becoming a major asset and political priority in this region. Interestingly, domestic oil and gas companies were the first investors from outside agribusiness to invest in land (starting in 1999/2000 onwards). These acquisitions were very often driven by the need to diversify risk and were not without speculative motives, being quite different from the land investments undertaken for the purpose of food, feedstuff, and biofuel production. Although some of these investors have shown signs of backtracking from agriculture, on the whole they still have a great impact on the sector. From the perspective of the Russian state, interest in agriculture and food is quickly rising. In February 2010, Russia announced a new 'Food Security Doctrine', labeling the agrofood sector as a strategically important sector, and setting ambitious goals for self-sufficiency in food production. Various Russian specialists and investors have recently gone as far as stating that arable land is rapidly becoming just as important as oil.

Moreover, Russian government representatives used the 2009 International Grain summit in Moscow to introduce the idea of a 'grain OPEC', giving further substance to the idea that food and land compose the 'black gold' of post-Soviet Eurasia in the new millennium. Early in 2010, Kazakhstan announced similar goals of increased food self-sufficiency. Ukraine, which until the recent presidential elections was paralyzed by political rifts, and with a food policy that was arguably less well formulated, is also imposing export bans on cereals to ensure low-priced grain for domestic markets. It is expected to follow in the footsteps of Russia and Kazakhstan.

After the demise of the Soviet Union, in which agriculture was heavily subsidized and relatively inefficient, in late 1991, the successor states experienced dramatic economic decline, with investments in agriculture plummeting. Economic recovery started from the mid-1990s onwards but was halted temporarily by the Russian financial crisis of 1998. Agriculture grew faster after the crisis, as with the dramatic devaluation of the Russian ruble, import prices for agricultural products rose rapidly, stimulating demand for domestic supply. Most recently, investment in the agrofood sector has been accelerating, and the accumulation of land in the former Soviet Union has taken on an international dimension (see Table 1). In 2009 in Ukraine a land deal of around 100,000 hectares with the government of Libya attracted the most attention, but more importantly, Western investors (from the UK,

Table 1. Overview of foreign investors in agricultural land in Russia and Ukraine.

Company	Legal base	Type	Participating investors	Farmland leased/ owned & used
Within RUSSIA:				
AGRICO Ltd	Russia/Israel	Agriculture	Neri Consulting Ltd (Israel)	100,000 ha (lease)
Agrofirma Altay Ltd	China	Private company	Chinese entrepreneur, who operates in Altay (1.5m USD)	n.a.
Agrowill AB	Lithuania	Investment and production	ŽIA valda, Linas StrÅ-lis, and Invalda (Lithuania)	35,300 ha (2009, of which 80 percent is lease)
Appleridge corporation	UK	Private company	SEB AB Finnish (Finland) and Hansabank (Sweden)	27,462 ha (2006)
Aston Lloyd PLC	UK/Gibraltar	Investment and real estate	Appleridge corporation (UK)	n.a.
Alpcot Agro (also in Ukraine)	Sweden	Investment	Sterling Knight Ltd, farm operations are carried out by Eurofarms LLC (Ukraine)	161,000 ha (2009)
Anninskoe	UK	Investment group	Tredje AP-fonden and Nordea Fonder (Sweden)	(owned 91,000 ha)
Black Earth Farming	Sweden	Agriculture	SIX SIS AG and Credit Suisse (Switzerland)	6,408 ha (2006)
			RSM	323,000 ha (2009)
			Kinnevik and Alecta Försäkring (Sweden)	used: 141,900 ha
			Global Farms (BM) - Vostock Nafta (BM/SE)	(2008), 181,000 ha
			SIX SIS AG (Switzerland);	(2009)
			Total investment 350m USD	

(continued)

Table 1. (Continued).

Company	Legal base	Type	Participating investors	Farmland leased/ owned & used
BPT Farm-land Fund	Luxembourg	Investment fund	Baltic Property Trust (Denmark); Planned investment is 150m USD	n.a.
Chinese companies	China	State/private company	Various companies, with subsidiaries in Far East	80,400 ha
Demeter International	UK/S. Africa	Agricultural company	Demeter International (operates also in UK, SA, Namibia)	n.a.
Ekoniwa-agro	Germany	Private company	Ekozem Agrar (Germany)	13,359 ha (2006)
Fuchan-Altay Ltd	China	Private company	Chinese entrepreneur, who operates in Altay	n.a.
Heartland Farms Penza	Russia	Agriculture	Heartland Farms Ltd (UK), part of Monk Group Ltd (Real Estate). In 2009 merger with Volga Farming	18,500 ha (2009, owned) 27,000 ha (2011)
Hyundai Heavy Industry	South Korea	Shipbuilder	2009: Bought majority share of Khorol Zerno from Rukiwi (New Zealand) for 6.5m USD; Planned investment is 9m USD	10,000 ha (2007) 50,000 ha (2009)
Ivolga-Holding LLC	Kazakhstan	Agro-industry		> 1,000,000 ha (overall) 666,850 ha (in Russia)
MTS Agroservice	Estonia	Private company	Wos-Trans	11,994 ha (2006)
RAV Agro-Pro	Russia, UK, USA, Israel	Agriculture	Rodemco Ron Izaki (Israel), RP Capital (UK) Cargill funds (USA)	122,000 ha
Redland Farms	Switzerland/ Sweden	Private company	Lupus Holding (Switzerland, Cyprus, Sweden)	180,000 ha (2010); used: 1,840 ha
Trigon Agri	Denmark	Investment fund	Trigon Capital (Denmark) – has majority share in joint venture with Ramburs Group (United Grain) for trading	144,000 ha
Van-Uan-Plotava Ltd	China	Private company	Chinese entrepreneur, who operates in Altay	n.a.

Table 1. (Continued).

Investment vehicle	Legal base	Type	Participating investors	Farmland leased/ owned & used
Volga Farming	Switzerland/ Sweden	Private company	Lupus Holding (Switzerland, Cyprus, Sweden), Volga farming took over Heartland Farms (UK) in 2009	60,000 ha (2009)
Vostok-Agro	US	Private company	Milverton trading	15,914 ha (2006)
Vostok Zernoprodukt	Sweden	Financial firm	Prime services S.A.	125,330 ha (2006)
Yuznaya	UK	Holding company	Lakemoy (UK)	9,396 ha (2006)
Within UKRAINE:				
Agrisar	UK/Netherlands/ Switzerland	Agriculture	Agrisar (UK) is a joint operation of Sarisan Bank (Switzerland) and its parent bank Rabobank (Netherlands) Rabo FARM. Invests via LLC Eurofarms Ukraine.	n.a.
AgroGeneration	France	Agriculture	Gravitation, A Plus Finance and ALOE Private Equity (France)	20,000 ha (2010) 100,000 ha (planned 2010)
Alpcoot Agro (cf. Russia)	Sweden	Investment	Tredje AP-fonden and Nordea Fonder (Sweden) SIX SIS AG and Credit Suisse (Switzerland)	161,000 ha (2010, owned 91,000 ha)
GAIA World Agri Fund	Switzerland	Equity fund	Invests in e.g. MHP agroholding in Ukraine and Mironovskii (Ukraine)	> 140,000 ha via MHP
Kyiv-Atlantic Ukraine	US/Denmark/ Ukraine	Agricultural enterprise	Operates two agroholdings, Atlantic farms I & Atlantic farms II	3,000 ha (2001) 8,000 ha (2009)
Landkom International	UK	Agriculture	Registered at the Isle of Man, with subsidiaries in Cyprus and Ukraine	115,000 ha (2008), 74,000 ha (2010) used: 19,000 (2008), 29,000 (2009)

(continued)

Table 1. (Continued).

Investment vehicle	Legal base	Type	Participating investors	Farmland leased/ owned & used
Land West Company	Ukraine	Public landholder	Owned by Kremney Public Co. Plc (Ukraine)	186,000 ha
Libyan government	Libya	State company	Shareholders: UA, UK, Northern America, EU, None	100,000 ha (deal announced May 2009)
Maharishi Organic Farm MTB Agricole	Japan/Austria Ukraine/Austria	Agriculture Agriculture	Maharishi Organic Agricultural Farm Ukraine Subsidiary: <i>Ukrzernoprom Agro</i> (Ukraine), investors: MKM Longboat, Julius Baer, Deutsche bank, Renaissance Capital (Russia)	50,000 ha (2008) 96,100 ha (2009) (30,000 ha extra in process) 400,000 ha (2012, planned)
Libyan Government	Libya	State company		100,000 ha (deal announced May 2009)
Morgan Stanley Origin Enterprises	US UK/Ireland	Investment bank Food company	Share in Continental Farmers group (2008)	sold off its 40,000 ha 20,000 ha; used: 12,000 ha (2009)

Source: Landgrab Eurasia Database, Authors' Elaboration.

Sweden, and Denmark, amongst others) as well as petro-dollars from the Gulf States are starting to make their way into the Central Eurasian countryside. In Kazakhstan, the involvement of China came to the fore after the Kazakh president recently announced that the Chinese government asked permission to lease up to one million hectares of Kazakh land. In Russia, investors from all those countries are trying to obtain land. However, we do not know exactly how much. The accumulation of land is a highly sensitive issue both for the leasing and the hosting countries, and therefore it is possible that the process of land grabbing in post-Soviet Eurasia has advanced further than official statements and media reports suggest (Billette 2009).

The aim of this article is to give an overview and analyze the largely unnoticed, and partly concealed, process of land accumulation by foreign states and private investors in Russia, Ukraine, and Kazakhstan. The article will describe the magnitude and speed of international, in particular, land grabbing in these countries. Furthermore, it will sketch the types of foreign actors involved in this quest for fertile soil.

The (international) land accumulation drive brings much-needed investment to the countryside of post-Soviet Eurasia, but in this article we will also examine to whom the benefits are likely to accrue. Will they mostly favor the leasing nations and their companies, and perhaps the host nations' governing urban and rural elite, while the local rural dwellers lose out? To what extent is transnational land accumulation likely to lead to socio-economic stratification or even impoverishment?

This article deals particularly with Ukraine and Russia, and to a lesser extent with Kazakhstan.⁶ It draws on media reports and web-sources, complemented by insights from fieldwork carried out by one of the authors in Russia (for a description of the field research see, for example, Spoor and Visser 2004, Visser 2008). The article aims to capture domestic and transnational aspects of land accumulation, and some related socio-economic processes. Naturally, given the newness of the phenomenon at hand and the constraints on sources available (also due to the sensitivity and the consequent lack of transparency of the process), the conclusions are still preliminary and, with such a vast area covered, cannot include the full range of land-grabbing practices occurring in those countries. Nevertheless, the article will deal with some of the most important geographical aspects and differences of land investment in the region.

The structure of the article is as follows. First, the article will discuss the factors that make post-Soviet Eurasia such an attractive region for international investment, arguably with much more potential than most areas in Africa or Asia. Second, the methodological limitations of researching land investments are discussed. Third, the processes of land accumulation and acquisition of farms are discussed. Both domestic as well as international accumulation of land are dealt with in the domestic context of agricultural development and institutions.

Furthermore, the main actors (investors) involved in land grabbing are distinguished (according to their country of origin and legal or institutional form).

⁶There are also instances of international land accumulation in the other post-Soviet countries. The Abu Dhabi Development Fund, for instance, announced in 2008 that it was considering agricultural investments in Uzbekistan, in addition to obtaining land in Sudan (and with plans for Senegal) (Smith 2008), just as the Miro Pharos group announced an interest in wheat production in Uzbekistan as well as in Kazakhstan and Moldova (Khan 2009). Qatar recently made a deal with Georgia to grow corn in that country and to import as many as 70,000 sheep a year (Bedwell 2010).

Fourth, the article outlines the main obstacles (and points of contention) concerning the emergence (and effectiveness/performance) of domestic, and especially international, agroholdings in the region. To conclude, some preliminary findings are presented pertaining to the question of whether this development is a necessary step towards agricultural modernization or whether there are significant disadvantages to land grabbing, although much more in-depth empirical work is required to provide definite answers to this complex question.

Prospects for agriculture in post-Soviet Eurasia

Why did the post-Soviet region attract so much investment in the past few years, and is this likely to continue? Regarding the factors making the region attractive for (foreign) investors, we could distinguish short-term and long-term factors. First, in the short run there are clear advantages. Most of the world's unused agricultural land is actually located here, possibly between 20 and 40 million hectares.⁷ The price of land is very low. The cost of fertile, black earth soil is 10 to 15 times lower than in Argentina and 60 times lower than in Sweden (Popova 2008). Low prices are partly due to the combination of political instability, lack of clarity about property rights or restrictions to sales, and the large supply of unused land. Therefore, the price of fertile (Black Earth) land is particularly low in Ukraine, which, apart from its political instability, also had a moratorium on land sales (Mickey 2009, 3).⁸ Due to the sharply increasing interest in land by investors, the value of land in the Russian Black Earth area roughly doubled from 2006 to early 2008. However, the financial crisis has temporarily halted this rise in prices. Various sources have reported that in Ukraine the lease price of land dropped as a result of the financial crisis. In Russia prices were reported to be down 30 to 50 percent in the autumn of 2008, to below US\$500 a hectare (GAIA Capital Advisors 2008).

There is some evidence suggesting that the potential for growth can indeed be realized within a short period. A clear example is the increase of grain harvests and exports in Russia. For the first time in decades, Russia began to sell grain abroad in 2002 after a bumper harvest the preceding year and quickly became one of the world's top 10 grain exporters.⁹ Currently it is placed after the US and Canada (Popova 2008).¹⁰ In Russia, millions of hectares are lying fallow, and according to

⁷BBC, 1 August 2008. Daniel Fischer, reporting on Russia only, stated that 100 million acres of fertile agricultural land was lying fallow (about 40 million hectares). Other lower estimates speak of about roughly 20 million hectares. A FAO/EBRD (2008) report estimated that 23 million ha of arable land had been taken out of production by 2003–2005 (compared with 1990–1992) in Kazakhstan, Russia, and Ukraine.

⁸There were, however, various constructions for foreign land acquisition (apart from illegal ones), namely the ability to purchase the 'right to produce', with even the possibility of including a clause to purchase the land once the moratorium was lifted. For the moment, however, the moratorium continues, since in December 2009 it was decided to renew it until 2012.

⁹Between 2001 and 2007 the average wheat harvest was around 45–50 million metric tons, with the exception of 2003. This level was substantially higher than that of the 1990s, although fluctuations were also higher then. The increase in production (and consequently the export of grain) was mainly caused by an overall recovery of the economy, but also increased investments in Large Farm Enterprises (LFEs) in the Putin era.

¹⁰In 2007, Russia exported 13.6 million tons of grain (Popova 2008).

former Minister of Agriculture Gordeev speaking at the ‘Green Week’ in Berlin early 2009, Russia could potentially provide food to 450 million people, or thrice its current population.

Infrastructure, such as roads and handling networks, is reasonably developed (Atkin 2009, 112), certainly in comparison with the African countries in which the large food outsourcing countries such as China, South Korea, and the Gulf countries are investing. For instance, the whole grain-handling network in the south of Russia has a large capacity, and it works adequately due to recent investment in its upgrading (FAO/EBRD 2008, 38). Elevators for grain in this region are sufficient and even showing overcapacity (due to the price policies of the companies that own them, which gave farm enterprises an incentive to invest in their own elevators). However, there are still some bottlenecks in the infrastructure. In a recent survey among experts in the agro-industrial sector, 13 percent mentioned transport as the most critical bottleneck (FAO/EBRD 2009, 65). ‘A big problem exists with getting the grain out of the country’, stated Mark Lewis, a British national who served as director of the regional offices of Agro-Invest, a subsidiary of Sweden’s Black Earth Farming (Popova 2008). Indeed, the total port capacity in Russia was not sufficient to handle the increased amounts of grain for export in the last three years. In some cases capacity was exceeded more than twofold (FAO/EBRD 2008, 38). The largest Southern Russian port at Novorossiisk was 18 months behind schedule (Popova 2008), and it was only due to export restrictions on cereals by Ukraine that Russian exporters were nevertheless able to export through Ukrainian ports that were made available (FAO/EBRD 2009, 65).

Russia is aiming for a significant increase in grain exports to East Asia in the marketing year 2010–2011, but this is severely restricted by the transportation infrastructure. The situation with ports on Russia’s Pacific shore is even more constrained. In fact, there is currently no port on the whole Far Eastern shore that can handle grain. Currently, there is work underway to build a specialized port terminal, and test shipments are starting. Negotiations with Japanese companies are taking place regarding investment in new port facilities (in conjunction with Japanese investment in Siberian farmland) (Paxton and Sukhotski 2009).

Overall the global financial crisis has had a severe impact on the post-Soviet economies, as well as a negative impact on domestic investment in agriculture. Initially it looked as if they would be shielded from the effects of the financial crisis, but when it hit the region at the end of 2008, the impact was much more severe than expected. In Russia for instance, many indicators, including Gross Domestic Product (GDP), decreased dramatically during the crisis, making Russia a high-risk location for foreign investors. As a result, a ‘dramatic capital outflow’ occurred in Russia in the first quarter of 2009 (Kononova 2010), as well as in other post-Soviet countries. As the agrifood sector is regarded worldwide as a safe investment in crisis times, the impact of the financial crisis on investments in the agricultural sector in this region was less severe than in other sectors. However, the financial crisis has made it difficult for farm enterprises to obtain credit, which has offered investors with significant capital an opportunity to buy up weak farm enterprises and further accumulate land resources.

Second, in the long run, the prospects for agriculture are bright for this region. Most forecasts point to a northward shift of the agricultural production zone in the northern hemisphere due to climate change. This is clearly beneficial for agriculture in countries such as Russia and Ukraine, but less so for

Kazakhstan (Minzina *et al.* 1999). Vast tracks of land are opening up for viable agriculture in Ukraine and Russia due to lengthening seasons (Atkin 2009, 112).

Methodological issues in researching land investments

As mentioned above, land grabbing is a difficult phenomenon to study empirically. Statistics on the number of land transactions (and especially those involving foreign investors) as well as data on the number of investors in land and the agricultural sector—let alone the identity of the investors—are incomplete or non-existent in most developing countries and transition economies. Due to the contentious nature of part of these land deals, both authorities and investors have little incentive to increase the transparency of these transactions. Furthermore, the rapid increase in international transactions in agricultural land renders available accounts/statistics quickly outdated. An additional problem is that land acquisitions are often made by (or between) agrohholdings, which control a number of farm enterprises. Statistics on landholdings and land deals are typically collected at the enterprise level and (generally) not available at the level of agrohholdings (Uzun *et al.* 2009, 152).

Web-based and media research, the main method used here, has its limitations but seems to be the only acceptable method in view of the lack of consistent databases on international (and domestic) land investment. Nevertheless, a few remarks on the potential biases and the measures we took to limit them as much as possible are pertinent here. Quite a number of the media reports used could be corroborated with data from company websites (investment companies and banks) and, in a few cases, websites from authorities (government agencies and embassies). As will be shown below, some of the domestic and foreign agrohholdings have conducted public offerings at stock exchanges in Western Europe, which means that they are required to disclose all participating investors. The web research mostly focused on sources in the English and Russian language (but sources in French, Dutch, and German were also included to corroborate the research findings).

The potential bias in underreporting of actual land deal practices applies foremost to the Siberian part of Russia and Kazakhstan, where Chinese investors are active. Data on land deals by Chinese investors is hard to come by due to the non-transparent way in which Chinese investors operate worldwide.¹¹

Domestic and international land accumulation in post-Soviet Eurasia

Domestic land accumulation

Due to a drastic decline in domestic food production after the collapse of the Soviet Union, the pre-Soviet 'breadbasket' of the world became heavily dependent on Western food imports. The first decade of transition was marked by a struggle for assets in the industrial and energy sectors. State policy in the successor states had a strong urban bias. In the meantime, as a consequence of the economic crisis of the early to mid-1990s, the deterioration of livelihoods in rural areas, and the related rural–urban migration, large tracts of land were withdrawn from production.

¹¹In addition, one can assume that Chinese investors and media often do not report in the English language, which further adds to potential underreporting of Chinese investments in land.

In the course of the 2000s, economic recovery and growing demand for food coincided with soaring food prices worldwide. As a result, having already obtained the jewels of the industry and energy sectors in the 1990s, the post-Soviet oligarchs recently turned their gaze to the agricultural sector (Rylko *et al.* 2005).¹² In addition, investments from within agrofood chains (such as processors and wholesalers) intensified. Domestic investors are buying up the large former collectives that still dominate the rural landscape. While officially these collectives or state farms were privatized, with land-shares distributed among the workers on paper, in practice they remained as large scale as before (Spoor and Visser 2001, 2004).

The accumulation of land and investments by agroholdings arguably forms a watershed in post-Soviet agrarian development, and is occurring at a high speed. According to the Russian Ministry of Agriculture in 2003, more than 90 agroholdings were active in 25 regions. By 2006, 319 private agroholdings were already registered in Russia (Uzun *et al.* 2009, 159). While private agroholdings were estimated to control 1.4 to four percent of Russia's farmland in 2003 (Bush 2008, Uzun 2004), by 2006 they already accounted for 8.1 percent of all land controlled by Large Farm Enterprises (LFEs) (Uzun *et al.* 2009, 152).¹³ Moreover, in the Black Earth region they occupy more than a quarter of the farmland (and over one-third in Belgorod; see Didenko 2009).¹⁴ Of course the reliability of such figures can be questioned, but more detailed evidence from several regions confirms that the share of land held by agroholdings has soared. As recently as 2002, membership of a holding in the Moscow region, for instance, was an almost unheard of phenomenon. Two years later about a third of the farm enterprises had been incorporated into these organizations (Hockmann *et al.* 2005, 2). Such growth continued in 2008/2009. For instance, in 2008 the agroholding 'Inteko-agro' doubled its acreage to 250,000 ha, and 'Agroculture' made new acquisitions in three Black Earth regions (Didenko 2009).

In Russia's Black Earth area, the governor of Belgorod started to strongly stimulate the formation of agroholdings in the early 2000s. This region has the largest share of agriculture controlled by agroholdings. Currently, four large agroholdings operate in this region (one of the four, *Orel Niva*, in 2006 already operated 277,000 hectares of arable land and employed around 16,000 people). There were also 37 agrofirms in the region, counting a total 581,000 hectares of arable land (15,700 ha on average per agroholding), 173 agricultural, 37 processing, and 36 service enterprises (Gataulina *et al.* 2006).

¹²Some of the early investments in agriculture by the end of the 1990s and early 2000s were rather experimental and *ad hoc* (see, for example, Rylko *et al.* 2005, Visser 2008). Reasons for investments in this period include diversification of risk and government pressure on companies to invest in rural areas. Sometimes farm enterprises ended up owned by energy companies when they were unable to pay their energy bills. Some of these investors, large energy companies and industrial monopolies, are currently diminishing their operations in agriculture. Gazprom, the largest state-owned gas company in Russia, has reduced its number of LFEs from 91 in 2001 to 55 in 2006 (Uzun *et al.* 2009, 140).

¹³According to the Institute of Agricultural Market Studies this share was as high as 10 percent (Bush 2008).

¹⁴Furthermore, the share in output of some of the largest individual agroholdings is significant even at the domestic level. By 2003, 'Agroholding', for instance, already had a market share of 3.5 percent in Russia's total agricultural output and it controls more than 10 percent of the poultry industry (Zimmermann, n.d.).

Other regions followed the example of Belgorod, introducing policies to stimulate outside investors to invest in agriculture through agrohholdings. Such policies included special tax breaks and preferential loans. In weaker agricultural regions, of less interest to private investors, regional authorities established state-led agrohholdings (at the regional or municipal level).

In the last two years the focal point of agrohholdings' acquisitions of farmland has shifted from regions like Belgorod (and Lipetsk) to Voronezh and Tambov, where more 'free' land (not yet controlled by an agrohholding) is available (Didenko 2009).

Foreign investment and land accumulation in agriculture

It is a group of medium- and high-income countries in Asia and the Gulf region that have embarked on a worldwide land-accumulation strategy. China, South Korea, and the Gulf States (such as Saudi Arabia) are among the top countries acquiring farmland abroad. In 2008, China announced a five billion dollar plan to develop agricultural assets in Africa.¹⁵ This seems to be only the beginning. South Korea is currently the second most important player (whether at the state or provincial level), as was shown by attempts to move into Madagascar with a large land lease. In these countries, as a rule, it has been the state that takes the lead in land accumulation (although the private sector is also moving in). Japan is an exception, with private actors accumulating land, stimulated by the government. Gulf States like the United Arab Emirates (UAE) and Bahrain have banded together under the aegis of the Gulf Cooperation Council (GCC) to formulate a joint strategy for outsourcing food production (*Grain* 2008, 4). Recently, land accumulation by the Gulf States has been shifting towards the private sector. Partly because investment funds have discovered the profitability of doing so, and partly because the Gulf States have become more aware of the danger of a backlash in the host countries towards foreign states grabbing land.

Agricultural production in most of the Western countries is high, and compared to Asian countries they have a relatively low population density. Therefore, the need for (further) outsourcing of agriculture is not as strong. It should be noted, however, that this has already been done for feed for the intensive livestock sector, not by direct production (through lease or ownership), but simply through purchase of animal fodder in developing countries. In this way millions of hectares of land have been 'outsourced' indirectly. However, the use of domestic agricultural land for biofuels (for example, rapeseed in Germany) might well lead to additional (outsourced) feedstuff production in the Global South (or the 'East', for that matter).

Most major financial institutions (investment banks, private equity funds, and hedge funds) of Western countries have embarked on a strategy of international (and in the US and Canada also domestic) accumulation of land, partly because of the potential for short-term profits and risk spreading (Davis 2008), but also as part of a long-term strategy of investing in food, feedstuff, and biofuels production, in line and in cooperation with the multinational food chains.

In the post-Soviet region, Ukraine, Russia, and Kazakhstan are the countries with the largest tracts of farmland, and thus attract most attention from foreign investors. In other countries limited investment in the food sector also takes place,

¹⁵China earmarks US\$5 billion for food production in the continent', 23 April 2008, allAfrica.com. Available from: <https://allafrica.com> [accessed 7 July 2010].

including land accumulation. FDI in the agricultural sector in Kazakhstan clearly lags behind the other two countries, and we could not (yet) find much evidence of major investments in agriculture in Kazakhstan by Western investors and Gulf States.¹⁶ China, as a neighboring country, already signed a deal in 2003 with Kazakhstan for the lease of 7000 ha for 10 years to produce food for any market (domestic or abroad) (*Grain* 2008). Some 3000 Chinese farmers were deployed from nearby Xinjiang to cultivate soybeans and wheat and to breed livestock. A joint venture was set up to oversee this Sino-Kazakh project (*Grain* 2008). Suntime International is another Chinese company that operates limited farmland holdings in Kazakhstan, and in addition wants to expand further into Central Asia and Russia (*Grain* 2008).

The recent plan for the lease of one million hectares of farmland for the cultivation of rapeseed and soya by China is by far the largest, best known, and also most contested investment in agricultural land in this country. Some observers even suggested that President Nazarbayev intentionally created media hype around this acquisition to raise interest among non-Chinese international investors in Kazakhstan as a target for FDI in the agro sector (for FDI in Agriculture, see UNCTAD 2009). In any case, the president of the UAE has also stated that his country is considering large-scale investments in Kazakhstan (GAIA Capital Advisors 2008, 10). In line with this aim, the UAE's Minister of the Economy stated in mid-July 2008 that agreements for the purchase of farmland had been negotiated with Kazakhstan (*Grain* 2008). In September 2008, Saudi government representatives went to Kazakhstan to explore grain production and cattle-raising investment opportunities (*Grain* 2008). From the side of private investment funds, interest for Kazakh farmland is also growing. A few Western funds have announced that they are searching for opportunities to invest in Kazakh farmland. For instance, according to the *Financial Times*, the British hedge fund Dexion Capital's Global Farming fund is trying to raise US\$280m to buy more than 1.2 million hectares of land in Russia, Kazakhstan, and Ukraine (as well as Australia and Latin America) (*Grain* 2008). Furthermore, the Swiss GAIA World Agri Fund is seeking investment opportunities in Kazakhstan, as well as in Ukraine and Russia. However, in terms of already acquired land, aside from some limited early Chinese investments and the large land deal announced recently, the involvement of foreign investors is (still) limited compared with Russia and Ukraine.

Kazakhstan has several disadvantages compared with Russia and the Ukraine. It has large land reserves but these are less well endowed for agricultural production, as precipitation is much lower than in Russia and Ukraine, and large parts of the country consist of marginal soils (degraded due to unsustainable land expansion in the Khruchev era, known as the 'virgin lands' campaign, amongst other reasons). With regard to production for export, which is mostly the aim of foreign investors, a complicating factor is the country's proximity to international markets. Ships from the Kazakh ports on the Caspian Sea have no direct access to the open seas and they all have to pass through Russia's Don Canal.¹⁷ Moreover, Kazakhstan also has

¹⁶The Kazakh embassy websites mention investments in agriculture by Swiss Glencore and US-based Cargill, but websites of these companies do not mention investment in Kazakhstan, and no other sources were found confirming the investment by these companies.

¹⁷Furthermore, the country, with less than 16 million inhabitants, lacks a significant domestic food consumption market.

fewer enterprises within the agricultural sector that are publicly listed, which makes it more difficult for foreign investors to make acquisitions.

Although it is difficult to find exact numbers on FDI in the agricultural sectors of these countries (due to secrecy and complicated juridical structures), our media and web-based research of both English and Russian language sources showed that there are at least 38 foreign investors that control land or are in the process of closing deals for obtaining land in Russia and Ukraine. An overview of the major land acquisitions by foreign investors in Russia and Ukraine is presented in Table 1.¹⁸ These data exclude some agrohholdings in Russia and Ukraine with their juridical base in Cyprus, as it was not clear if they were just offshore constructions of a Russian or Ukrainian owned company or whether they involve foreign investment.¹⁹ These data also exclude relatively small investments in landholdings—under a few thousand hectares. Furthermore, investors who are seeking to obtain land in this region, but have not yet announced and/or concluded deals on farmland acquisitions and investments, are not included. In sum, the data present real and substantial land acquisitions. In addition, we found numerous cases of states, funds, and companies that are very interested in acquiring farmland in these countries—which suggests that the list of foreign investors with landholdings will soon expand further.

There is a clear geographical division of investors. In the European Black Earth area of Russia and Ukraine, foreign investment is dominated by Western investors (with Middle East oil-producing countries very recently entering the stage). Not surprisingly, in Siberia, Asian countries are most active.

In the Black Earth area, among the Western investors, it is especially the UK (at least four) and Scandinavian (especially Swedish and Danish, also at least four) investors that set the tone. Other countries investing in the Black Earth area are Israel (twice), Finland, Switzerland, France, and the US. One of the early investors in the Eurasian countryside was British Heartland Farms Ltd. With operations spanning over 300,000 hectares in Russia, the company is amongst the largest foreign investors in Russian agriculture. Most Western foreign investors only entered the scene in 2006/2007, while others started acquisitions more recently (since 2008/2009), having no traditional focus on agriculture, but probably in part turning to this sector in reaction to insecurity in other sectors such as the financial sector, as a form of risk spreading. These investors include investment banks such as J.P. Morgan (US), which acquired 40,000 hectares of farmland in the Ukraine.²⁰

As mentioned above, the interest by Middle Eastern countries is very recent. It was triggered by the 2007–2008 price hikes in food, and the drive of their

¹⁸The ‘Landgrab Eurasia Database’, on which the Table 1 is based, was composed by the authors. It draws on official information provided by websites of the companies involved, investment brokers, and regional authorities in the host countries. Furthermore, the *Grain* (2008b) land grab list and the related website (www.farmlandgrab.org), the overview of foreign investors in agriculture registered in Russia (Uzun *et al.* 2009), as well as various newspapers and news agency websites have been used—of which articles by Simonova *et al.* (2009) and Fomicheva and Seregin (2009) were particularly useful.

¹⁹Some of these agrohholdings registered in Cyprus are in the process of issuing (or have already issued) some share emissions for foreign investors.

²⁰J.P. Morgan controlled this land only for a short period. The bank curtailed its agricultural operations in Ukraine after the financial crisis set in.

governments for food security and outsourcing of agriculture. The deal between Libya and Ukraine, in which over 100,000 ha of farm land (leased) in Ukraine was bartered for oil, received the most attention.²¹ A representative of the Ukraine Agrarian Federation stated in October 2009 that investors from several countries such as China and Saudi Arabia are 'lining up to buy Ukraine farmland' (Obelisk 2009). Although this statement may be somewhat exaggerated to trigger further interest by other companies and investment funds, it is evident that investors from at least Saudi Arabia and the United Arab Emirates (UAE) are now actively searching for farmland in the Ukraine. RAI from Saudi Arabia established a subsidiary to start agricultural production and trading in the Ukraine. In Kazakhstan (as well as in Uzbekistan), the UK/UAE Pharos Miro Agricultural fund, launched in 2009, is in the process of locating land for wheat production.

However, the financial crisis that hit Eastern Europe and the post-Soviet countries belatedly but harshly in the autumn of 2008 has led to a sharp decrease in FDI. Within the agricultural sector the effect was mitigated. On the one hand, local interest on loans for the agricultural sector rose (such as in Ukraine, see *Kommersant' Ukraina* 2009). On the other hand, the value of land lease rents decreased fivefold in Ukraine as a consequence of the financial crisis, making it attractive to acquire new land.

Some investors in agriculture faced stormy conditions. The British company Landkom, for instance, which operated over 115,000 ha in Ukraine, had problems with financing the new agricultural cycle in the spring of 2009.²² As a result, it was forced to curtail its acreage to 74,000 ha (of which it cultivated 29,000 ha in 2009). The fact that its management staff was replaced in 2009 suggests that not only the financial crisis (manifesting also in lower agricultural prices) but also possibly internal management failure contributed to its decline. It should be noted that the company intends to increase its cultivated area again in the 2010 season to 39,000 ha. The US investment bank Morgan Stanley was disappointed by the results of its farming operations in Ukraine and sold off its whole land bank of 40,000 ha in 2009 (Skoryk 2009). The Russian investment company Renaissance Capital, due to the financial problems of its main company, curtailed its agricultural operations in Ukraine from over 300,000 ha of cultivated land to approximately 60,000 to 70,000 hectares (Skoryk 2009). However, other foreign investors in Ukraine maintained their previous operations or even expanded them (Skoryk 2009). Thus far it seems that quite a number of foreign investors in the agricultural sector of Ukraine and Russia survived the 2008/2009 financial crisis relatively well. When the overall expansion of foreign agrohholdings will resume is of course difficult to predict. Some experts expected that growth would resume in 2010, while others consider a 2–3 year period of stagnation and/or minimal growth more realistic (Skoryk 2009). The recent listings and/or share emissions on European stock exchanges of agrohholdings operating in post-Soviet countries are indications of the continued interest of foreign investors in agriculture in this area. For instance, in March 2010

²¹Most sources mention 100,000 ha. However, earlier Libya announced an interest in acquiring 300,000 ha in Ukraine to grow 1.5 million tons of wheat. On 20–21 July 2009, delegations of both countries met again to work on this deal (*Reuters* 2009). Bokhari (2009) gives a figure of 247,000 ha.

²²See www.landkom.net.

the French agroholding Agrogenation, operating 20,000 ha in Ukraine, was listed on the NYSE Euronext stock exchange (Sinitsyna and Mironova 2010). Further, the Cyprus-based Ukrainian agroholding Sintal Agriculture sold over 17 percent of its shares on the Frankfurt Stock Exchange in October 2009 (*Sintal Agriculture* 2010). As a result, its share of internationally owned equity now exceeds 35 percent.

In Siberia, the origin of foreign investors in agriculture is completely different than in European Russia and Ukraine. According to some sources, China operates 80,400 hectares, which it obtained at a cost of 21.4 million dollars (*Grain* 2008b). Within the Altai region, which borders China, at least three Chinese investors operate farm enterprises, according to the official information of the Russian *oblast* authorities (see Table 1). The Far East of Russia, Korea, Japan (and also New Zealand) are investing in the agricultural sector. In the spring of 2009, the South Korean shipbuilder Hyundai Heavy Industries took a majority stake in the originally Russian farm enterprise Khorol Zerno, now part of a New Zealand consortium. Hyundai plans to increase the current acreage of 10,000 ha near Vladivostok to 50,000 in 2012 (*Finance* 2009).

In Siberia and the Far East the transport of crops for export faces a much more serious bottleneck than in the Black Earth region. Recently, PAVA, the largest Russian grain processor, which also grows grain on over 160,000 ha of land in West Siberia (Altai, Krasnoyarsk, and Omsk), conducted talks with a Japanese delegation interested in trading and investing. However, the Japanese investors considered the excessive transportation cost of grain in Russia a major obstacle hindering the development of trade relations.²³ Therefore Asian investors have also embarked on investments in transportation infrastructure, notably the port facilities in Russia's Far East.

A feature that distinguishes investments by Asian companies as compared to those conducted by Western companies is that the Asian investments are often made by states (or as in the case of South Korea, by provincial-level authorities) or by states guaranteeing private investments. Furthermore, whereas Western investors mostly only ship in Western technology, and sometimes Western managers, in the case of the Asian investors, there is a tendency to also bring in their own workforce (see, for example, Cotula *et al.* 2009). In the Far East the South Korean investors in agriculture try to work with the ethnic minority in Russia that is strongly related to the Koreans. Chinese and Korean workers are employed in agriculture in the Southern Black Earth area (e.g. Rostov) and Siberia respectively, but this phenomenon is sometimes criticized, as the Russian population has fears of the Chinese trying to colonize sparsely populated areas of Siberia. On a smaller scale similar sentiments can be found in the Russian area bordering the Baltics, where rumors emerged that Estonian investors were secretly securing land in the border areas to reclaim former Estonian territory in Russia that was lost after WWII.²⁴

There is also foreign investment that originates from the post-Soviet countries themselves. The Ivolga-holding based in Kazakhstan controls the vast area of one

²³www.1888pressrelease.com, 'Pava conducted talks with Japanese Partners', posted 27 October 2009.

²⁴Fieldnotes, Visser, made during a research visit in 2001 to the Pskov region.

million hectares of land in both Kazakhstan and Russia, while the Moscow-based investment firm Renaissance Capital invests in farmland in the Ukraine.

International land accumulation: tensions and constraints

In the early 2000s, a land code was introduced in Russia and Kazakhstan that allows the ownership, transfer, and sale of farmland, which is not (yet) the case in the Ukraine. In the first two countries, however, foreign companies and individuals, although they are able to buy farm enterprises, are not allowed to own land. In Ukraine a moratorium on land sales still exists, although leasing of land is possible. The acquisition of land shares from individual owners (which, as a rule, are a few hundred people for the average farm enterprise) is a very tiresome process. This of course is true for domestic as well as foreign investors, but due to anti-foreigner sentiments among the authorities and the local population, and lack of political connections with the local authorities, we can safely assume that this process is even more difficult for foreign investors. In some cases, foreign investors have gone the way of accumulating land shares for lease themselves locally, as in the case of the British 'Landkom', which was leasing over 100,000 hectares in Ukraine in 2008/2009.²⁵ Most investors from abroad have chosen to acquire equity within already established Russian or Ukrainian agroholdings, obtaining several farm enterprises with their (mostly leased) land in one go. An investor that has bought up land shares and farm enterprises gradually is for instance Swedish Black Earth Farming, through its Russian based subsidiary Agroinvest. As of August 2009 it holds over 320,000 hectares of farmland. Most investors from abroad have chosen to acquire equity within already established Russian or Ukrainian agroholdings, obtaining several farm enterprises with their (mostly leased) land in one go.²⁶

The sparse evidence that is available indicates that performance of large farm enterprises (LFEs) taken over by agroholdings is not better than that of farm enterprises that are not incorporated into them. Hockmann *et al.* (2005) conducted a rare study on the effectiveness of farm enterprises within and outside agroholdings in the Belgorod region in 2001 and 2003. Belgorod is an interesting case as it is in the Black Earth region where agroholdings have the strongest grip on the sector, occupying over a third of the land in the *oblast* (Hockmann *et al.* 2005). The study found that the performance of farm enterprises within agroholdings was lagging behind those outside such structures. Similar results were found in a publication on both Belgorod and Orel region (Hockmann *et al.* 2005, 2007).

The negative performance of agroholdings could partly be attributed to a negative selection bias (especially in Orel, for example, it was mainly the weak LFEs agroholdings were able to take over), and the fact that investments take some time to yield profits. However, even at present it seems that the return on investment of LFEs within agroholdings is worse than other LFEs (FAO/EBRD 2009). This suggests that there are also more fundamental obstacles intrinsically connected to the organizational functioning of agroholdings that hinder a steady increase in productivity and efficiency.

²⁵Source: www.farmlandgrab.org/7738 [Accessed 5 October 2010] and the company's website: www.landkom.net

²⁶Source: website Agroinvest: <http://www.agroinvest.com/upload/presentations/Presentation11.11.09.pdf> [Accessed 5 October 2010].

These problems seem to hold for foreign-owned agroholdings alike. Gustavsson, the chief executive of Swedish Black Earth Farming operating in Russia, admitted that the challenges remain enormous as the yield from the land cultivated by the company remains relatively low and it will take years of investment to reap the full benefits of the company's investment (Dermy 2009). Due to weak rural infrastructure, the agroholding was spending tens of millions of dollars on new silos to store the grain harvest.

Social consequences and tensions

International attention to land grabbing and corporate land investments has partly stemmed from concern for the farm workers, peasants, and small farmers who are currently occupying land in these countries. A further matter of concern is the fate of farm workers, as investors tend to introduce agroindustrial operations, which sharply reduce the demand for labor. What will happen to these groups in the countryside? Will they benefit or become the ultimate losers? In Ukraine and Russia many farm workers have no legal contracts with their farm enterprises regarding asset shares and land shares/renting/leasing. As Feifer (2003, 1) stated, 'few landowners understand their legal rights. In many cases, regional and local officials have been able to keep land in the hands of collective farm managers and other cronies'. Duma Deputy Viktor Pokhmelkin, co-head of the Liberal Russia party, stated that in most cases in which rural inhabitants tried to defend their property against farm managers or authorities, courts have not ruled in favor of private citizens (Feifer 2003).

In the Russian regions of Pskov (Northwest Russia) and Rostov (Southern Russia), we came across cases where the district authorities appropriated land belonging to private farmers. In the Pskov region one village was visited where several villagers filed a court case to get the land they were entitled to from the LFE. One farmer had been to court four times already, and at the time of this research he was still awaiting the court's final decision. Even when rural inhabitants manage to win a case in court, this does not mean that they have 'won'. For example, in the summer of 2000 we visited a private farmer in Pskov whose land had illegally been impounded by the tax police. With the help of an NGO in the regional capital that offered legal assistance, he was able to get his land back. However, in the meantime he had not been able to work the land for more than two years, and his exceptionally large private farm of about 1,000 hectares had gone bankrupt as a result. During a visit a year later, it was learnt that he had left agriculture highly disappointed, and had started a woodcutting firm.

Major changes are needed to develop a reliable legal system independent from the power of ruling elites, but the prospects are not good. The land code itself leaves much power over the implementation of the regulations to regional and local authorities. In some regions, authorities have created extra rules that hinder the emergence of private farms. In the southern Krasnodar region aspiring private farmers require 300 hectares of land in order to start a farm.²⁷ Such rules curtail the rights of the rural population and leave them little choice but to rent or sell their shares to large farm enterprises, also putting them at a disadvantage in

²⁷Whereas the average size of private family farms in Russia is much lower, at 81 hectares in 2006 (www.gks.ru) [Accessed 1 December 2008].

transactions with foreign or domestic investors. Moreover, local authorities have the right to veto any land sale. The selling process is very cumbersome and prone to abuse (Wegren 2002, 659). Thus, it is likely that farm managers or wealthy investors will (continue to be) the winners of property reform. Indeed, 'it is not difficult to imagine land committee officials, who are not well-paid, being approached (paid) to exercise the right of first refusal to some land deemed desirable, but not other land, on behalf of hidden investors' (2002, 658). In the last years preceding the introduction of the land code, local former communist bureaucrats were already earmarking plots of land in anticipation of legalization of ownership by the land code (Nikulin 2003). A director of a farm enterprise in Rostov that was visited was buying up shares from farm employees. But this was a drawn-out process. He regretted that he had not chosen a smarter way to obtain a majority ownership. He stated that 'many farm workers stick to their shares as a memory of the past'. Such a statement, characterizing the behavior of farm workers as inertia or conservatism, of course hides the real interests of farm employees in share ownership and the power struggles around processes of concentration of shares (Visser and Bidaseca 2010).

It is especially the rank and file workers who have lost their shares. The chairman of a farm enterprise in Krasnodar stated, 'I could have made all into my own property, but to do it one must have no conscience at all' (Nikulin 2003). Less scrupulous farm directors have managed to concentrate farm ownership in their hands (Dvornik 2000). Butuzova and Kassin (cited in Lerman and Shagaida 2007, 22) give an account of various cases in the Kaluga region where outside investors succeeded in buying up shares from farm employees by exploiting their limited knowledge of their rights. Pallot and Nefedova (2007, 117) describe the practices of the company MiG taking over large enterprises in Stavropol *krai*, where shareholders in the LFEs taken over by the company 'receive one ton of cereals per annum for their land share but in recognition of the investments MiG has made in the land they now have to pay for it'.

The weak position of farm workers (the rural population) regarding land and farm asset ownership is especially troubling considering the economic inequality that soared with the advent of the market economy. In the 1990s growing inequality was largely an urban phenomenon. However, since the 2000s, with growing investments and profitability in only specific parts of agriculture and rising unemployment due to mechanization (Rylko *et al.* 2005), inequality has also become a feature of the countryside in Russia (Visser 2008, 2009, Wegren 2009) and other post-Soviet countries such as in the Caucasus and Central Asia (Spoor 2009, Arsel and Spoor 2010). Even though poverty has declined dramatically in the 2000s, most of the poor in post-Soviet Eurasia can be found in rural areas. While economic recovery took place in the 2000s in Russia and most other post-Soviet countries, inequality rose further, and the decline in poverty was less than the economic growth would suggest. At the same time, the state has largely withdrawn from providing social security in rural areas. That farm employees did (and do) not suffer from food shortages and have somehow been able to get by despite low wages is due to the food and income generated from their subsidiary household plots, a carry-over of the Soviet period (Visser 2006, 2009). Whether corporate land investments will actually improve the lot of the rural poor, and in particular the peasant, small farmer and former *kolkhoz* farm worker, thus remains to be seen, as after a period of land reform in which

individualization has increased, de-peasantization might well be the next stage of rural transformation.

Conclusions

It has been argued above that international investment in farm and other agricultural land is becoming more important as increasing levels of global food and biofuel production are warranted. A critical analysis of this phenomenon has identified it as land grabbing, and the question was raised as to whether benefits will accrue to the local population or the countries with these land reserves. Until now most attention has been paid to land grabbing in sub-Saharan Africa, in particular by Asian (Chinese and South Korean) companies, often supported by their governments. In this article we have reviewed emerging evidence of widespread land grabbing that is taking place in a different region, namely post-Soviet Eurasia. This region is home to three of the four countries with the largest under or unused agricultural land reserves in the world, namely Kazakhstan, Russia, and Ukraine.

Foreign investment in post-Soviet agriculture, which started in the early 2000s with investments by some Western companies, took off in 2006–2007. Although the financial crisis, which reached the post-Soviet countries by the end of 2008, created financial difficulties for some investors, the temporary devaluation of land (in Ukraine) and the weak(ened) position of domestic farm enterprises that accompanied the crisis offered new opportunities for foreign investors in their quest to obtain new land. By and large, the interest in acquiring land in the post-Soviet countries among investors is growing, and Middle Eastern states and private investors are now also actively seeking to acquire land in Ukraine. In Siberia and the Far East it is especially Chinese and South Korean investors that are acquiring land.

In the middle and long term, larger investments in the agricultural sector of post-Soviet countries are likely to grow, as the amount of farmland reserves is huge. Prices are low and will remain significantly lower than in other emerging (agrarian) economies such as Argentina and Brazil for some time to come, due to the large supply of underutilized and abandoned land. In the long term, the climatic conditions and water resources of Ukraine and Russia are relatively good for agricultural production.

Furthermore, one of the main obstacles to agricultural FDI in this region that is frequently mentioned by foreign investors and their brokers is the weak institutional environment, although this seems also to work in their favor. Indeed, as has been illustrated with reference to examples of domestic private farms in Russia, property rights to land are far from secure. For domestic as well as foreign investors this brings both problems as well as apparent opportunities. On the one hand, the statement by the American-Russian owner of the agroholding 'Russian Farms' that 'every single hectare of my landholdings can be disputed, and is potentially insecure' also applies to foreign investors.²⁸ As the director of 'Russian Farms' also pointed out, good ties with local and regional authorities seem to be essential to safeguard

²⁸Statement by the director of the Russian Agroholding 'Russian Farms' at the 102nd EAAE seminar 'Super-large Farming Companies in Eastern Europe', Moscow, 16–17 May 2007.

your land claims. On the other hand, weak law enforcement also gives the agroholdings opportunities to arrange ‘quick and dirty’ land deals, acquiring large tracts of land through bypassing official regulations, exploiting the knowledge gap *vis-à-vis* the local population regarding land regulations, and infringing on the rights of the local landholders. Therefore, large-scale land grabs are expected to occur increasingly in Kazakhstan, Russia, and Ukraine. Even the moratorium on land sales in Ukraine hardly seems to be slowing down the *de facto* change of ownership from local shareholders to large foreign agroholdings. As the former Ukrainian Minister of Foreign Affairs Boris Tarasyuk disclosed in an interview for World Focus, ‘[it is] no secret that although there is a legislative ban on buying land, the land is being sold’.²⁹ This statement, and other above-mentioned examples, suggest that actual practice in this region is a world apart from the legal-administrative blueprint put forward by the World Bank (2010) report, with its ‘evidence-based multi-stakeholder approach’, stressing transparent investment criteria and procedures, stakeholder consultation, and clear codes of conduct.

In fact, the World Bank (2010) report is rather ambiguous in its analysis of large-scale land acquisition, presenting quite an optimistic picture in its general analysis while in all the six case studies the outcomes show severe problems, such as major conflicts that arose because of lack of stakeholder consultation and proper compensation (2010, 48). Elsewhere, in a section of the report most likely written by someone else, the report falls back on rather simplistic neo-classical and neo-institutional assumptions about the working of markets and ‘good’ institutions, and a minimal regulatory role for the state, fully abstracting from power struggles that appear to ‘rule’ large-scale land acquisitions.³⁰ One of the three case studies of land acquisition from Ukraine analyzed in the report forms a warning against an overly optimistic view of the benefits for the local population, and the value of agreements and guidelines (2010, 48, 108). In the case of the largest portfolio investment in Ukraine, due to economic difficulties, the more labor-intensive livestock operations were closed down, in breach of agreements with the local authorities to ensure employment benefits. Further, most of the land was left fallow and the level of land rent was below the national norm. All in all, this led to court cases, disappointing benefits, and strained relations with the local community.

Large-scale land acquisitions in Post-Soviet Eurasia (whether conducted legally or ‘under the counter’) might well have far-reaching consequences for the livelihoods of the rural population, which already has few rights and low incomes. Exploitation of institutional weaknesses by powerful investors in this process can also weaken the societal support and long-term sustainability of their operations. The protests in Kazakhstan after Nazarbayev’s announcement of the land lease deals with China are a warning in this regard.

²⁹<http://www.youtube.com/watch?v=sfxoPUPfOtE&feature=related> [Accessed April 1 2010].

³⁰If property rights are secure, markets function well, and areas with high social or environmental value are protected effectively (possibly using market mechanisms, such as payments for environmental services) the public sector’s role is mainly regulatory. The public sector takes care of environmental externalities and allows markets, including those for land, to function smoothly and to encourage expansion into low grade pastures and degraded forest rather than into areas already occupied or with high biodiversity value. But if land rights are insecure or ill-defined, large-scale land acquisition may threaten forest or lead to conflict with existing land users. Good institutions and land governance will thus be critical to ensure that the technical potential is realized sustainably’ (World Bank 2010, 62).

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Oane Visser is Assistant Professor at the Department of Anthropology and Development Studies, Radboud University Nijmegen, the Netherlands. His research topics include farm restructuring, rural poverty and livelihoods, social capital and rural social movements, with a focus on the former Soviet countries. He has published on these topics in journals like Europe-Asia Studies, European Journal of Sociology, Focaal and The Journal of Peasant Studies. Email: o.visser@maw.ru.nl

Max Spoor is Professor of Development Studies (in particular regarding economies in transition) at the International Institute of Social Studies, The Hague/Erasmus University (EUR), and Visiting Professor at the Barcelona Institute of International Studies. His research interests are mainly focused on Eurasian transition countries, with special attention to rural and environmental issues, poverty reduction and inequality. His most recent book is: *The Political Economy of Rural Livelihoods in Transition Economies*, London and New York: Routledge (2009). Email: spoor@iss.nl