

Opinion Box 3: **Prof. Dr. Dirk Loehr** (*Professor in Economics, Trier University of Applied Sciences*) on land deals and food security

➤ Opinion Box 3: With regards to food security, I have a critical view on FDI in land. The background being an increasing monopolisation of value chains. At the top of such chains are powerful supermarkets and international food producers gaining further power through FDI in land. In the long run, this might be at the expense of the farmers, one day maybe even at the expense of the consumers. This depends on the monopolisation of the market access. Moreover, the current FDI activity enters a new stage: In the past, only the beginning (seed and herbicide industry) and the end (supermarkets) of the value chains were subject to monopolisation. With growing direct investments, the production (farming) becomes more and more affected by monopolisation. This means that competitive elements in the value chains of the renewable resources and food sector are continuously removed and options for smallholders as well as consumers are diminished further, as they are becoming increasingly dependent. The positive effects of contract farming are limited due to the exclusion of

many smallholders, while the many negative effects often outweigh the few positive outcomes. This has been discussed above and below. International and highly export-orientated investors own large estates. As a result, a substantial portion of the agricultural surplus is exported. Thus, the surplus cannot be used to develop the local agricultural sector or other sectors in the targeted economies. A rural middle class cannot emerge under such conditions and access to land for subsistence farming might become increasingly difficult. However, such a rural middle class is the potential backbone of the agricultural and economic development of underdeveloped countries. Overall, we have to expect rent-seeking behaviour and corruption, which once again will hamper sustainable development. FDI target countries commonly follow the Latin American development patterns instead of the East Asian patterns. However, the East Asian model (with its emphasis on equal land distribution and access to land) was much more successful (Korea, Japan, China, Taiwan etc.). ◀