



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

SMALLHOLDERS AT RISK

Monoculture expansion, land, food and livelihoods in Latin America

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

SUMMARY

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

The recent wave of large-scale land acquisitions that has accompanied greater investment in agriculture has raised concerns regarding impacts on food security and rural livelihoods. Case studies from around the world have revealed how negative consequences most often outweigh the few benefits for small farmer communities.¹ To address these problems, strong standards to promote responsible investment are needed. A crucial global process has been launched by the Committee on World Food Security (CFS) to agree on a set of principles for responsible investment in agriculture that support the progressive realization of the right to food.²

Thus, it is important to understand how private agricultural investment, even that which appears to be undertaken responsibly, affects smallholder agriculture, access to land and food security. This paper shares the findings from three case studies commissioned by Oxfam America focused on land acquisitions by US-based corporations or companies backed by US capital to produce commodity crops rapidly expanding worldwide: soybeans in Paraguay by Desarrollo Agrícola del Paraguay (DAP), oil palm in Guatemala by Palmas del Ixcán, and corn and soy in Colombia by Cargill.³

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

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

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

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

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

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

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

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

Finally, the role of the state is critically important in providing a framework for private investment in which policies, regulations and institutions ensure that benefits and costs are fairly distributed and all rights are upheld. Public investment in key public goods, such as rural infrastructure, informal markets, education, agricultural research and extension services will yield strong economic and social returns that will benefit society at large.

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

NOTES

- 1 See, among others, Cotula et al. (2009) *Land Grab or Development Opportunity? Agricultural Investment and International Land Deals in Africa*, Rome/London, FAO/IFAD/IIED; Deininger et al. (2011) 'Rising Global Interest in Farmland: Can it Yield Sustainable and Equitable Benefits?', Washington DC, World Bank.; Anseeuw et al. (2012) 'Land Rights and the Rush for Land: Findings of the Global Commercial Pressures on Land Research Project', Rome; International Land Coalition and FAO (2013) 'Trends and impacts of foreign investment in developing country agriculture. Evidence from case studies', Rome.
- 2 CFS (2013), 'Terms of Reference to Develop Principles for Responsible Agricultural Investment', October 2012, http://www.fao.org/fileadmin/templates/cfs/Docs1314/rai/CFS_RAI_ToRs.pdf
- 3 A. Guereña (2013) 'The Soy Mirage: The limits of corporate social responsibility: the case of the company Desarrollo Agrícola del Paraguay', Oxfam Research Report, August 2013, <http://oxf.am/U6b> ; A. Guereña and R. Zepeda (2013) 'The Power of Oil Palm: Land grabbing and impacts associated with the expansion of oil palm crops in Guatemala: The case of the Palmas del Ixcán company', Oxfam America Research Backgrounder, <http://www.oxfamamerica.org/explore/research-publications/the-power-of-oil-palm/> ; and Oxfam (2013) 'Divide and Purchase: How land ownership is being concentrated in Colombia', Oxfam Research Report, <http://oxf.am/Uza>

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