

India's Role in the New Global Farmland Grab

**An Examination of the Role
of the Indian Government and Indian Companies
Engaged in Overseas Agricultural Land Acquisitions
in Developing Countries**

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Executive Summary

This report explores the role of Indian agricultural companies that have been involved in the recent trend in large-scale overseas acquisitions of farmland, criticised as “land grabbing”. While many international companies have traditionally grown cash crops abroad, and more recently crops for producing biofuels for global markets, this report is focused especially on the issue of Indian companies that invest in food production overseas.

The report examines the various factors driving the “outsourcing” of domestic food production. Primary among these are the Indian Government’s growing strategic concerns about ensuring the country’s long-term food security, and its concerns about diminishing ground water tables in Northern and Central India. Other factors include the allure for Indian foreign investors of much cheaper land and more abundant water sources in overseas locations and the eager welcome of many developing country governments, many of which have courted Indian agricultural investors. In many cases, such countries have offered special incentives, including the offer to lease massive tracts of arable land at very generous terms, including access to water and the ability to fully repatriate profits generated.

The report also lists the major ways in which the Indian Government has been increasingly pro-active in taking steps to facilitate this trend for overseas agricultural investment by Indian companies, such as high-level trade diplomacy and lines of credit from the Export-Import Bank. India's outward foreign direct investment has been enabled by a series of reforms and modifications over the last decade to India’s rules and regulations on Indian companies investing in overseas operations.

Also reviewed are the pro-active roles played by national Indian business associations such as the Confederation of Indian Industry’s (CII), the Associated Chambers of Commerce and Industry of India (ASSOCHAM), the Federation of Indian Chambers of Commerce and Industries (FICCI), as well as by sector-specific groups, such as the Consortium of Indian Farmers Association (CIFA) and the Solvent Extractors Association (SEA) of India. Such groups have been actively engaged in high-level trade delegations to countries which are interested in luring Indian agricultural firms to invest, and have arranged a series of business conclaves and trade fairs. The groups are all active in lobbying the Indian Government to pursue even further reforms to trade policy, Exim Bank credits and the rules on outward foreign direct investment in order to facilitate the overseas acquisitions of agricultural land by Indian companies.

The report also explores the negative consequences of such a trend. It looks at why critics have called the trend “land grabbing” and reviews the impacts on local peoples on the ground, who are often displaced in the process. It considers the negative ethical, political, human rights and environmental consequences for the people and host countries involved in such investments by Indian companies.

Although information about such overseas operations by Indian companies is difficult to get from the Indian Government, this report used available research and press accounts to explore the details of 19 Indian companies who have made such land acquisitions abroad, including an exposé of the actual contracts of 5 Indian companies operating in Ethiopia. Ethiopia has taken center stage in the story of “land grabbing” because it is one of the developing

countries where some of the largest agricultural land acquisitions by foreign investors have occurred, including by Indian firms.

The report reviews the calls by many advocates for a major shift away from the current model of large, corporate commercial agricultural production based on monoculture, which depends on chemicals and genetically-modified organisms (GMOs), towards an alternative agricultural production model based on a more decentralised approach that favors small holder farmers. Such an approach is based on agro-ecological methods that support and enhance biodiversity, environmental sustainability and community control.

Finally, this report gives voice to those Indian activists fighting for small farmers rights and against the “land grabbing” going on within India, and their call to create international linkages of solidarity with small farmers in other countries who are facing similar problems. They see a “common struggle” everywhere in the world and are calling on Indian citizens to take action to address the problem of land-grabbing by Indian companies operating overseas.

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The New Trend in “Land Grabbing”

India's farms are spreading across the world. In Africa, South America and South East Asia, companies that are Indian or Indian-owned have in recent years bought or leased hundreds of thousands of hectares to grow food grains, pulses and edible oils. In many cases, these goods are meant to be shipped home to India for sale in the domestic market. These land acquisitions by Indian companies are being backed by the Indian Government as a key component of India's food security strategy.

Companies from other food-importing countries such as China, Saudi Arabia, Kuwait, South Korea and the European Union have led the way, and now Indian companies are becoming increasingly involved.

Several major agricultural multinational corporations (MNCs) have already been acquiring prime agricultural land in developing countries for several years for the purpose of producing biofuels to meet increasing global demand in these new international markets. However, the emphasis on growing edible food crops explicitly for the purpose of shipping back home to domestic markets as part of a food security strategy is a relatively recent phenomenon.

The food crisis of 2008 and high food inflation was a shock to many food-importing countries as they were suddenly forced to confront the reality of how fragile the global food situation can be, not just for the poor but also for the rich who do not have sufficient land to grow the food they require. When some global food commodities disappeared from the international market as a result of factors like speculation leading to hoarding, diversion of land for food grains like corn and soybean to biofuels and increased demand for animal feed, the rich food-importing nations suddenly realised that it was not sufficient to just have money. And when the major grain exporters of Vietnam and Argentina put in place export bans, it sent waves of panic around the world. A later ban by Russia in 2010 added to the concern.

To be food secure, many countries decided they could not depend on global markets but must have more direct control over food production. If they do not have enough arable land within their national boundaries, they are simply acquiring this land elsewhere, producing the food there and shipping it home. This allows them to bypass the potential volatility of prices and supply of food in global markets. Consequently, in just the last few years, millions of hectares of land have been either purchased or leased or are currently being negotiated for lease by foreign investors for the purpose of growing food for their home markets (Sahai 2010). It is a trend in which food production is literally being increasingly “outsourced.”

The United Nations Food and Agriculture Organisation (FAO) have reported that rising agricultural commodity prices make the acquisition of land an attractive option. Others beyond the agricultural sector, such as institutional investors and sovereign wealth funds, have become involved in it because of new speculative and investment opportunities. Agribusiness companies which have traditionally been involved in the later stages of food processing and distribution are increasingly entering into direct food production. A recent World Bank report found that 45 million hectares of large scale farmland deals were announced in the two-year period between 2008 and 2009. The majority of the foreign investments in agricultural land have taken place in Sub-Saharan Africa, including in such countries as Sudan, Ethiopia, Ghana, Nigeria, and with Mozambique alone covered 23 percent of the global land investment projects during 2002-2009 (World Bank 2010).

Since 2008, Indian and Indian-owned companies have been counted among a new global trend of acquiring agricultural land in Africa, South America and Southeast Asia for cultivation. India's participation has so far been concentrated in African countries, but South America is seen as a growing new destination for its agricultural investment, while integrated Indian oilseeds firms already have operations in South East Asia from plantation cultivation to the processing of edible oils for export.

Another interesting feature of the new trend is that unlike in the past, when foreign farming investment was traditionally pursued by private investors, today the new deals being negotiated can involve private companies, government-company deals and government-to-government arrangements. In many deals, the acquirers are foreign companies working alone or within larger consortia and the sellers are host governments dispensing land. In other cases, national governments are making the deals with one another. In such deals, the land is usually leased or made available through concessions but sometimes the land is actually purchased.

Although it is difficult to get comprehensive data on this trend from the Indian Government, according to statistics provided by governments of various countries in East Africa in 2010, more than 80 Indian companies have invested about US\$ 2.4 billion in buying or leasing huge plantations in countries in Africa, such as Ethiopia, Kenya, Madagascar, Senegal and Mozambique that will be used to grow foodgrains and other cash crops for the Indian market (Mihretie 2010). See Table 1 for a sample of Indian companies investing in agricultural land overseas, as compiled from available press reports.

In his 2010 commentary, "Responsibly Destroying the World's Peasantry," United Nations Special Rapporteur on the Right to Food Olivier De Schutter wrote that between 2006 and 2009, land equivalent to the total arable area of France was negotiated for sale with millions of hectares passing from state or peasant ownership into the hands of Western investors including Wall Street banks and private hedge funds, entities that have come to view land as an investment safe haven in a time of financial turmoil. De Schutter wrote that the initial attraction to the idea of supporting large-scale land investments was based on the belief that addressing hunger was dependent on increased food production, and that long-term chronic under-investment in the agricultural sectors in many developing countries had led to scarce supplies of food, resulting in the popular conclusion that if private investors could be lured into the agriculture sector, they should be encouraged to stay. However, according to De Schutter, "Both [this] diagnosis and remedy are incorrect...Hunger and malnutrition are not primarily the result of insufficient food production; they are the result of poverty and inequality, particularly in rural areas, where 75 percent of the world's poor still reside" (D'Almeida 2011).

The trend has raised concerns among many research institutes, scholars, and environmental and human rights organisations such as GRAIN, the Oakland Institute, Friends of Earth, etc., as well as generated several critical media reports. Columbia University economist Jeffrey Sachs described the agricultural land acquisitions as "power grabs," in which "The rise in food prices is leading to a land grab, as powerful politicians sell foreign investors massive tracts of farmland, brushing aside the traditional land rights of poor smallholders. Foreign investors hope to use large mechanised farms to produce output for export, leaving little or nothing for the local populations"(Sachs 2011). Serious concerns are being raised about the

Table 1. A Sample of Indian Companies Investing in Agricultural Land Overseas

	<u>Indian Company</u>	<u>Country</u>	<u>Details</u>
1.	Karuturi Ago Products Plc.	Ethiopia	Acquired 100,000 ha in the Jikao and Itang Districts of the Gambela Region for growing palm, cereal and pulses, with conditional option to acquire another 200,000 ha. Karuturi Ago Products is a subsidiary of Karuturi Global Ltd.
2.	Ruchi Soya Industries	Ethiopia	Acquired 25-years lease for soyabean and processing unit on 152,649 ha in Gambela and Benishangul Gumaz States
3.	KS Oils	Indonesia	Acquired 130,965 ha at Kalimantan for palm plantation; This is the third tranche of land acquired by the company after it previously acquired 210,039 ha in two deals in 2008 and 2009
4.	Verdanta Harvests Plc.	Ethiopia	Acquired a 50-years lease for 5,000 ha in the Gambela region for a tea and spice plantation
5.	Chadha Agro Plc	Ethiopia	Acquired up to 100,000 ha in Guji Zone in Oromia Regional State for a sugar development project
6.	Sterling Group	Argentina	Purchased a 2,000-hectare olive farm and another 17,000 ha for growing peanuts
7.	Olam International	Argentina, Gabon, Uruguay	Acquired 17,000 ha in Argentina to grow peanuts, 300,00 ha in Gabon for palm oil and 16,000 ha in Uruguay for dairy farming. Olam is a Non-Resident Indian firm based in Singapore
8.	Varun International	Madagascar	Subsidiary Varun Agriculture Sarl leased or purchased 232,000 ha to grow rice, corn and pulses
9.	Solvent Extractors Associations of India	Latin America (Uruguay, Paraguay)	A consortium of 18 vegetable oil companies was set up to acquire lands in Latin America to grow soyabean and sunflower.
10.	Uttam Sucrotech	Ethiopia	Won a \$100-million contract to expand the Wonji-Shoa sugar factory
11.	Shree Renuka Sugars	Brazil	Purchased sugar and ethanol producer Vale Do Ivaí S.A. Acucar E Alcool in November 2009 for \$240 million, including its 18,000 ha of land for sugarcane; and acquired a 51-percent stake in Equipav SA Acucar e Alcool for \$329 million that owns two sugar mills and has 115,000 ha of cane growing land in south-eastern Brazil
12.	McLeod Russel India	Uganda	Purchased tea plantations worth \$25 million, including Uganda's Rwenzori Tea Investments; McLeod Russel India is owned by BM Khaitan
13.	ACIL Cotton Industries	Brazil, Congo and Ethiopia	Plans to invest nearly \$15 million (Rs 68 crore) for land leases to start contract farming pulses and coffee in Brazil, Congo and Ethiopia
14.	MMTC Ltd (state-owned)	Kenya and Tanzania	Plans to (as of Oct 2010) grow pulses
15.	Adani Group	Africa, Brazil, Argentina, Indonesia and Malaysia	Plans to (as of Oct 2010) set up farms to cultivate edible oil and pulses
16.	Neha International	Ethiopia	Leased land in the Oromia region — in Holetta for floriculture and near Bako for rice, maize, oilseeds and pulses
17.	Sannati Agro Farm Enterprise Pvt. Ltd.	Ethiopia	Acquired a 25-years lease on 10,000 ha in Dimi District, Gambela Region, for the cultivation of rice, pulses, and cereals
18.	Jay Shree Tea & Industries	Rwanda, Uganda	Acquired two tea plantations in Rwanda and one in Uganda; Jay Shree Tea & Industries is controlled by BK Birla
19.	BHO Bio Products Plc.	Ethiopia	Acquired 27,000 ha to grow cereal, pulses and edible oil crops
20.	ACIL Cotton Industries	Brazil, Congo and Ethiopia.	Announced plans in January 2011 to invest nearly \$15 million (Rs 68 crore) to start contract farming of crops like pulses and coffee in Brazil, Congo and Ethiopia.

impact on local residents and small holder subsistence farmers who have been displaced by the creation of vast new corporate agricultural plantations. Reports of human rights abuses and forceful involuntary displacement of small farmers in order to enable the land acquisitions by foreign investors has been referred to as a form of “accumulation by dispossession” (Harvey 2006; Vadala 2011).

David Hillam, Deputy Director of the FAO, told a conference in Washington DC in 2009, "Imagine empty trucks being driven into, say Ethiopia, at the time of food shortages caused by war or drought, and being driven out again, full of grain to feed people overseas...Can you imagine the political consequences?" (Bagchi 2009).

Others have referred to the new trend as "land grabbing" and a form of "new colonialism" which is merely a continuation of exploitative trends in previous centuries. This refers to the late 19th century, when many of the European colonial powers took over large tracts of farmland in Africa for coffee and cocoa plantations. In the 20th century, many US-based fruit growing conglomerates similarly appropriated farmland in South and Central America and in Southeast Asian countries like the Philippines to produce bananas, pineapples and other tropical fruits for world markets.

Indian companies reject this characterisation, and insist they are just doing business. Many companies claim the land acquisitions are simply strategies for their expansion and vertical integration. Raju Poosapati, Vice President of India's Yes Bank, which advises Indian investors in Africa, said a government ban on non-Basmati rice exports had driven Indian companies to go abroad in order to be able to grow and sell it in global markets. Sharad Pawar, India's agriculture minister, rejected claims that the government supported a new colonisation of African farmland: "Some companies are interested in buying agricultural land for sugar cane and then selling it on the international markets. It's business, nothing more" (Nelson 2009).

Pointing to the concerns raised by critics, FAO Director-General Jacques Diouf said the recent manner in which such foreign investments in agricultural land have unfolded could become a source of conflict and would be unlikely to be sustainable unless future deals were implemented more equitably. Specifically, Diouf said such investments should "recognise the rights of local stakeholders and domestic food security and rural development concerns," and agreements between governments and foreign investors "should be based on balanced contracts and partnerships safeguarding the interests of all stakeholders" (FAO 2011).

As a means by which to get Indian and other foreign investors to voluntarily improve the terms upon which they engage in such investments, in 2009 the FAO joined with the World Bank, the International Fund for Agricultural Development (IFAD) and the United Nations Conference on Trade and Development (UNCTAD) to draft the Responsible Agricultural Investment (RAI) principles, a set of best practices and principles that foreign investors can pledge to adhere to. The FAO and its partners claim that adherence to the RAI principles can make such investments a "win-win" situation for all parties concerned.

However the RAI principles have been widely criticised by activists and scholars as an insufficient response that can actually result in legitimising a process many feel is rife with exploitation and rights abuses. Critics say the fact that the principles are only voluntary falls far short of actual laws and strict regulations that could be enforced. This has led many small farmers' associations and community organisations to advocate against the RAI principles on the grounds that they mask the shortsighted annexation by transnational corporations for quick profits.

For example, Shalmali Guttal, of the NGO, Focus on the Global South, has said the proposed RAI principles are "dangerously deceptive" for couching the act of annexing land in the language of human rights and corporate social responsibility (D'Almeida 2011). According to

an international statement by farmers' associations and NGOs, these principles will not accomplish their ostensible objectives. "They are rather a move to try to legitimise land grabbing. Facilitating the long-term corporate (foreign and domestic) takeover of rural people's farmlands is completely unacceptable no matter which guidelines are followed" (NGOs 2010).

Factors Driving the Indian Foreign Investment in Agriculture

A. India's Food Security Concerns

India has limited farmland resources and at the same time has a rapidly increasing population. The country is experiencing a "Green Revolution Fatigue" manifested by stagnant yields and marginal or no response to farm inputs in recent years. In the last decade, national food grain production has been more or less stagnant while the population has increased by almost 90 million, thereby increasing the country's dependence on international food imports.

Between November 2008 and September 2009, India's imports of vegetable oils jumped 47 percent to 79 lakh tons (lt) from 54 lt during the same period in the previous year, and these costs are expected to increase (Ramesh 2009). The import of edible oils is the second largest drain on India's foreign exchange after crude oil. The situation is even more critical in the case of pulses (lentils), which provide most Indians their protein component in their food. Official estimates project that India's pulses production will increase from around 14.86 million tons in 2009-10 to around 15.73 million tons in 2011-2012 (a 6 percent increase). But demand for pulses is expected to rise faster from 18.29 million tons in 2009-10 to around 19.91 million tons in 2011-2012 (9 percent). Increasing population and reduction of poverty are both likely to contribute to demand rising faster than these official estimates (Bhaskar 2010a).

When it comes to grains, India's current annual food grain production of 230 million tons is just about what the country needs. However, by 2020, the Planning Commission estimates demand will grow to 240 million tons. There are also other forecasts that put the figure as high as 250 million tons (Hazra 2009). Some of the principle factors that are likely to worsen India's import dependence in the future are: problems with access to water, which is exacerbated by climate change and increasingly erratic rainfall; expansion of intensive livestock production, based on the use of commercial feeds (i.e. soya and corn); and other forms of land conversion, for industrialisation, commerce, transportation and new housing.

Historically, the Indian food grain market was insulated from dependence on global food markets because of the system of domestic public food procurement and distribution. However, during the last decade India has opened some agricultural items to international trade without quantitative restrictions, which has clearly allowed for greater impact of global prices on domestic prices. Additionally, the public distribution system has been increasingly run down in the past two decades. Recently, this has been further complicated by the insistence of the central government on raising procurement prices and procuring more, but not distributing the increased procurement to states to allow them to provide wheat to the defined "non-poor" population in a manner that would restrain prices. Instead, the focus has been on building central stocks, which has turned out to be somewhat counterproductive

because of the lack of adequate storage facilities. As a result, Indian retail wheat prices have been higher than global prices (Chandrasekhar and Ghosh 2011).

Other factors that have hampered domestic food production in India and increased its dependence on imports include a sustained underinvestment in public agricultural support systems for small farmers. Social factors such as corruption, poverty, and lack of access to land also undermine the ability of small farmers in rural India to be more productive.

Despite its growing dependence on imports, India is wary of relying on global markets due to the volatility in supply and prices. Whenever India or China—both large consuming markets—decides to purchase anything in large quantities from spot markets, prices tend to increase dramatically by 25 to 50 percent. In cases when both countries decide to purchase anything—be it oil, oilseed, cement, fertilisers or food grain—at the same time, prices can increase as high as 100 percent. Therefore successfully negotiating long-term import contracts and building new buffer stocks are seen as critical to the country's food security strategy, as are bilateral trade agreements with grain exporters, such as those the country has been negotiating with Kazakhstan, Russia and the US (Bhaskar 2010a).

The volatility of global food market prices is due in part to the increasing dominance of international grain and food markets by a handful of international corporations who use their position to extract windfall profits and by financial investors engaged in commodity price speculation. A new report from FAO on factors driving global food market volatility found that, contrary to popular perceptions, overall food consumption has not risen considerably, nor are recent price hikes due to increased consumption in India and China. The report found that diversion of agricultural land for biofuels production is a key factor, and a recent report by UNCTAD found that financial speculation in global markets by institutional investors has also become a major factor in global market price volatility (Ghosh 2011: UNCTAD 2011).

What Indian government officials and business executives are saying:

“The urgent need, of course, is to find countries where India can grow its pulses and its grain, because India's farms may just not be enough,”

- Pranav Adani, director of Adani Logistics Ltd., (Bhaskar 2010a).

“We are encouraging more Indian companies to come into mainstream agriculture so they can contribute to local demand and food security.”

-Indian ambassador Gurjit Singh, addressing an Ethiopian parliamentary panel (Sharma 2008).

“Let's accept the fact that people from Punjab have always been going abroad. Going to Africa and cultivating land is far superior and remunerative than illegally immigrating to Europe and working as household help or cabbies. At CII, we feel that if fully utilised, the agriculture opportunity can yield far greater returns than the remittances from Punjabi expatriates in the Middle East.”

-Gunbir Singh, head of the Punjab chapter of the Confederation of Indian Industries (Vashisht 2010).

“There is immense scope for collaboration between businesses of India and the Latin American and Caribbean (LAC) region in beefing up India's food security and in areas relating to development of agriculture and agricultural processing.”

-Vivek Katju, Official of the Ministry of External Affairs (Siddiqui 2010a).

“In India, consumption is growing while the land is diminishing but here in Latin America we don't have any such land-shortage problems.”

-R. Viswanathan, India's ambassador to Argentina, Uruguay and Paraguay (Siddiqui 2010a).

Therefore, in an attempt to avoid the fluctuations of global market prices, India is planning to move forward with outsourcing its food production, particularly by investing heavily in Africa, Latin America and other parts of Asia as part of India's food security strategy.

B. Mounting Water Shortages in India

Speaking on "Agribusiness Opportunities in South America," at the India-Latin America and Caribbean (LAC) Conclave hosted by the Confederation of Indian Industry's (CII) in New Delhi on April 29, 2010, Dave Ramaswamy of Allied Venture urged Indian companies to consider South America for agribusiness investment. He stressed that South America has a large amount of what India does not –water. Ramaswamy said India is sitting on "a water bomb" which is already going off, pointing to a 2009 study by NASA on Northern India that found it is losing about one foot of its groundwater each year and studies showing that groundwater levels in Punjab will fall to below 100 feet by 2020 so that the existing pumps and irrigation will stop working (Conclave 2010).

C. The Profit Motive

Food security is not the only factor driving the Indian outsourcing of food production. Indian companies are attracted to Africa because the low cost of farming there. "The cost of agricultural production in Africa is almost half that in India. There is less need for fertiliser and pesticides, labor is cheap and overall output is higher," said S.N. Pandey, director of Agro Technology Division at Lucky Group. Pandey said his firm, which is already operating in eight African countries and plans to increase investment and operations in the region, had already bought 3,000 hectares of land in Ethiopia and 1,500 hectares of land in Sudan (IANS 2011a).

"The cheap cost of land is the main driver for such a trend," says Dileep Choksi, a leading tax and accounting consultant, who has been part of several business initiatives in Africa. "While the firm food prices in India and elsewhere are also a reason, the availability of arable land [in Africa] is a major advantage" (Ramsurya 2010).

Indian agriculture companies also complain that India's small and fragmented land holdings are unsuitable for large-scale commercial farming, and they claim there are too many bureaucratic hurdles to investment. Recent offers by African governments allow Indian farmers to acquire much larger tracts of contiguous land on lease for 50 years, and in some cases even up to 99 years. And with land prices in Africa much lower than those in Punjab, farmers can think of doing agriculture on a scale that is unimaginable in the state. "The land lease rate in Punjab's Doaba region is a minimum of Rs 40,000 per acre. In contrast, in most African nations, the land lease rate in terms of Indian currency comes to Rs 700 per acre. This means that for every one acre in Punjab, Indian investors can own 60 acres in Africa. With a per capita land holding of 1.5 acres in Punjab, agriculture is ceasing to be a sustainable activity" (Vashisht 2010).

Developing Country Governments Are Inviting Indian Firms to Invest

In addition to the “push factors” driving Indian agricultural companies to go abroad, it is important to note that there are strong “pull factors” at work which are also driving this trend. Primary among these are the eager invitations to Indian companies by many governments in Africa and other developing regions.

India’s Ministry of Agriculture has asked its domestic farmers associations and agri-business organisations to examine proposals it has received from several countries to farm lands in those countries. Countries that have recently invited India, through the ministry, to lease land for farming include Egypt, Ethiopia, Mongolia, Senegal, Sudan, Trinidad and Tobago and Tunisia, among others. “This department is receiving a number of proposals from several countries offering opportunities for acquisition of land for farming by companies, for meeting their commercial objectives, as well as Indian farmers or their conglomeration for taking up smallholdings for agriculture,” states a letter issued in late December 2009 by the joint secretary of the Department of Agriculture and Cooperation, Ministry of Agriculture. “The objective of the offer is to increase agricultural production in the respective countries to reduce their dependence on imports of foodgrains and export of surplus foodgrains to third countries” (Goswami 2010).

On January 5, 2010, the Indian Agriculture Ministry convened a meeting with officials from three ministries –agriculture, external affairs and commerce –and representatives of farmers associations and agri-industry to discuss the matter. The Consortium of Indian Farmers Associations (CIFA) wrote to the Ministry of Agriculture suggesting that a visit by farmers groups to the countries inviting Indian investment should first be arranged so that conditions can be studied directly.

The Department of Agriculture and Cooperation listed a “summary of major incentives being offered by various countries with regard to leasing of land”:

- **Mongolia**

The Mongolian Government offered to lease agricultural land to Indian companies for commercial farming as an important part of its efforts to develop the agricultural sector in Mongolia. The president particularly invited the farmers of Punjab with an offer to facilitate the export of the produce to Chinese, Korean and Japanese markets. The government requested that a MoU be developed to carry forward this arrangement.

- **Sudan**

South Sudan’s new foreign investment policy, explained by Dr. Samson Kwaje, Minister of Agriculture and Forestry of the Government of Southern Sudan, involves leasing (for 8-32 years) a minimum 60,000 acres of land to foreign companies for 25 US cents/year/acre. There is no upper limit. There would be no taxes or duties on inputs and no tax on profits for at least four years.

- **Senegal**

The government of Senegal indicated that land could be acquired under two different procedures namely (i) allocation of land for agricultural use and (ii) regularisation through lease (long lease). Acquisition of land through procedure (ii) would entail financial expenditure including payment of annual rents which could amount to around FCFA 20,000 per hectare (around US\$ 40 per hectare per year). The minimal period for lease is 20 years extendable to 30 years and renewable to 50 years (long lease).

- **Tunisia**

The Agency for the Promotion of Agricultural Investment in Tunisia has offered about 3,000 hectares of land for commercial farming and for setting up agro-processing projects in Tunisia. Arable land is leased and agricultural investments do not require a preliminary authorisation (Goswami 2010).

- **Afghanistan**

During a visit in 2010, Afghanistan's Agriculture Minister Mohd Asif Rahimi said his government would provide Indian companies land on 90-year leases, security, power and easy bank credit and simplified norms (IE 2010).

- **Tanzania**

Tanzania has offered to lease land to Indian private companies for a period of 99 years (IANS 2009).

- **Uganda**

During a 2010 visit to India to discuss opportunities in her country's farm sector, Ugandan Minister for Agriculture, Animal Husbandry and Fisheries Hope Mwesigye said, "Uganda has huge tracts of farmland that could be leased or bought by foreign companies. The government gives land on lease, which are usually long leases ranging from 49-99 years. These can be extended." She also noted that there is no bar on foreign companies buying land from individuals (Mitra 2010).

- **Kenya**

In May 2011, Kenya and India prepared to establish a Joint Business Council as a forum to expand trade and investments between the two countries. The council was agreed upon during bilateral talks that were led by President Kibaki and Indian Prime Minister Dr Manmohan Singh, who was visiting Kenya to attend the 2nd Africa-India Forum Summit 2011. The council will be the structured avenue for joint projects to be undertaken between the two countries and will also facilitate private investors. President Kibaki asked the government of India to help Kenya in the area of value addition of primary products, especially in agriculture. Kibaki said investors from India were welcome to invest in Kenya and the expanded East African region, and emphasised the need to partner with India in the development of agriculture in the Horn of Africa, noting that agricultural development remained core to addressing the challenge of perennial food shortages. "We are keen to learn from India's success story in improving food production and value addition," he said (Daily Nation 2011).

- **Ethiopia**

The Ethiopian government provides land for lease, for less than US\$ 10/ha in many areas. Officially the lease period is between 20 and 45 years (Weissleder 2009); but in practice, land leases to foreign investors can be for up to 99 years (Daniel and Mittal 2010). According to Ethiopia's Proclamation No. 280/2002, foreign investors in Ethiopia who export at least 75 percent of their produce or those that reinvest their profits are exempt from the minimum capital requirements of US\$ 100,000 for independent operations and US\$ 60,000 for those who forge a partnership with domestic investors (Vadala 2011).

In 2011, it was reported that Ethiopia has offered 1.8 million hectares of its farmland to Indian investors –an area that equals nearly 40 percent of the total area of the principal grain-growing state of Punjab (ET 2011). “So far we have transferred 307,000 hectares of land to foreign and domestic investors ... We are now proposing to transfer another 3.6 million hectares of land to investors from overseas,” said Ethiopian Agriculture Minister Tefera Derbew. “How much land will actually go to Indian investors depends entirely on the interest of investors. If they come and take all the land, then also we will be very happy. Indian investors are very welcome in Ethiopia,” Derbew said. According to Derbew, Indian investors have so far committed US\$ 4.7 billion in foreign direct investments in Ethiopia, with most of it related to the farm sector. Indian firms have interests in cotton, palm oil, rubber, oilseeds and horticulture. And according to Derbew, an Indian company was in the process of getting 100,000 hectares of land for sugarcane production. “India has expertise in sugar. We are in talks with several Indian companies to help develop the sugar industry in our country” (ET 2011).

Derbew said his government had also liberalised the norms for allocation of land for all major infrastructure projects, including those for roadways and railways, and was in talks with several Indian companies in this regard. “We target to build over 2,000 km of rail link in the next five years. Similarly, there is also a huge investment potential for road infrastructure ... We hope Indian companies will take advantage of this opportunity as well.” Such infrastructure improvements would facilitate the export of agriculture produce out of the country.

India is the largest foreign investor in Ethiopia with approved investments of US\$ 4.4 billion, out of which 40 percent investment is in the field of commercial agriculture. Already, more than 80 Indian companies have bought or leased land in Ethiopia (Sharma 2011).

At a joint press conference with Indian Prime Minister Manmohan Singh who visited in Ethiopia in May 2011, Ethiopian Prime Minister Meles Zenawi rejected charges of “land grabbing” by critics as “loose talk” and welcomed Indian investment for development. “There is no land grab and there will be no land grab. Indian companies should not be constrained by this loose talk,” Zenawi said. “We have three million hectares of unutilised land. This land is not used by anybody. This land should be developed,” Zenawi explained (IANS 2011b).

Officials present at the meeting said, Mr. Zenawi welcomed the re-emergence of India as a global powerhouse and noted how Indian investment in Ethiopia had shot up to US\$ 4.7 billion in just four years, adding that he hoped to see that figure touch US\$ 10 billion by 2015. “We want to see more Indian companies in every field, from textiles and food processing to IT and agriculture.”

In 2010, India's Confederation of Potato Seed Farmers led a delegation of 16 interested potato growers from Punjab to consider opportunities for farming in Ethiopia. "We will be inking a deal with the Ethiopia government next month for getting at least 50,000 hectares of area for growing crops like pulses and maize, which will be exported to India and Europe," said Confederation President Sukhjot Singh Bhatti. What encouraged these potato growers to try their hand at farming overseas was land availability "at almost throwaway rates," duty free imports of capital goods and the zero duty on farm exports offered by Ethiopia. "Unlike here [India], most of the agricultural land is with the Ethiopian government and it has offered us to acquire land on lease for a period ranging between 25 to 40 years at a nominal rate, which works out to Rs 400 per acre per annum in Indian currency. Moreover, we will not have to pay for the first five years of our operations," he said. Additionally, the Ethiopian government has also assured India that it will not levy any duty on the import of machinery like farm implements and export of agricultural commodities (PTI 2010a).

The Support of the Indian Government

There are a number of ways the Indian government facilitates the process of outsourcing food production overseas by Indian firms. The government has led many trade missions of its farmers to various countries and regions, and supported efforts to facilitate the entry of Indian foreign agricultural investors at major regional trade and business summits. The Indian Government has supported a host of various initiatives to facilitate Indian agricultural companies in their overseas investments in Africa and elsewhere, including through support for conventional new greenfield foreign direct investments, merger and acquisition (M&A) purchases of existing firms; public-private partnerships (PPPs); specific tariff reductions on agricultural goods imported to India; through the negotiation of regional bilateral trade and investment treaties (BITs); and double taxation (avoidance) agreements (DTAs).

Another major way the Indian government has financially facilitated the process is by giving concessional Lines of Credit (LoCs) to various developing country governments, banks, and financial institutions, as well as to regional financial institutions, through the Indian Export-Import Bank (Exim Bank). Often such lines of credit are for the purpose of national development projects, and where these projects involve agricultural development, Indian foreign investors stand ready to win concessions and contracts for agricultural development in the form of their foreign direct investment. The Exim Bank also gives soft loans and lines of credit directly to Indian companies, although it is difficult for the public to obtain details on this activity for specific companies.

Finally, the Indian government has in recent years increasingly adopted a number of policy changes to liberalize its regulations on allowing outward foreign direct investment by Indian companies. Such changes have included increases on the size of overseas ventures and the amount of funding that can be used for such overseas investments and on how that financing is arranged.

In the wake of runaway inflation and the ensuing food crisis, India's prime minister constituted three high-powered committees of chief ministers and central ministers to recommend ways of containing inflation and boosting agricultural production. The Working Group on agricultural production was chaired by Haryana chief minister B.S. Hooda, with chief ministers of West Bengal, Punjab and Bihar as members. Tucked away, largely unnoticed by the Indian media, as recommendation number 33, the Hooda Committee

suggested that, like many other countries who have “shopped for land abroad for growing crops to meet consumption needs,” Indian companies could also be encouraged to buy lands in other countries for producing pulses and edible oils. “We should seriously consider these options,” the Hooda Committee recommended, “for at least 2 million tons of pulses and 5 million tons of edible oil for 15-20 years”(Patnaik 2010).

- **Trade Diplomacy**

In 2010, Indian Commerce Minister Anand Sharma explained, “Agriculture is one of the seven priority sectors of India’s engagement with Africa.... We import pulses and we will be more supportive of more land being brought under cultivation and for value addition –and India is the market” (Bhaskar 2010b).

Mindful of India's long struggle to free itself from British colonial rule, New Delhi has attempted carefully avoided any overt role in this rising wave of “neo-colonisation”. But in the face of China's aggressive push into foreign agricultural lands, India is beginning to shed its reticence, particularly by smoothening the way for Indian firms, mostly in the private sector, to join this new “scramble” for foreign soil. For example, following a 2009 visit by Namibian President Hifikepunye Pohamba, then Minister Shashi Tharoor explained the views of the Ministry of External Affairs: “We are now in talks with Namibia...to use land for our purposes.” Jairam Ramesh, who was in commerce before becoming environment minister, explained, “Yes, we're definitely looking at leasing land in African and Latin American countries. A lot of these countries have asked for Indians to participate” (Bagchi 2009).

The Indian Government, especially the Ministry of External Affairs (MEA), is now assuring farmers of more help, particularly as overall trade between India and Africa has gone up from \$5 billion in 2002 to about \$40 billion in 2009. Maharani Preneet Kaur, Minister of State for External Affairs said, “During the Green Revolution, our farmers made India self-sufficient in food. There is no reason why they can’t replicate their success in Africa now. I can assure that MEA will play a facilitating role.” In 2010, Kaur, who is an MP from Patiala, brought ambassadors and high commissioners of seven African nations to India for an Africa summit held in Patiala, where she exhorted farmers in Punjab to explore opportunities in Africa. The summit was followed with a visit by Ethiopian Ambassador to India, Genet Zewdie, to Jalandhar, where he met local farmers and invited them to take on land leases in Ethiopia (Vashisht 2010). In trade policy, a number of economic incentives such as duty-free tariff preference schemes have been put in place by the Indian government in order to encourage private companies to invest in land abroad. For example, Ethiopian farm produce entering Indian markets is now taxed less than produce from India, according to Anand Seth, the deputy director general of the Federation of Indian Export Organisations (McConnell and Overdorf 2010; Vadala 2011).

The Ministry of Agriculture, too, is eager to support Indian companies investing in overseas farming operations. At the sixth Agriwatch Global Pulses Summit in New Delhi in 2010, India's Food and Agriculture Minister Sharad Pawar asked the delegates to ponder over the “viability of Indians leasing land abroad for growing pulses and exporting it back to India.” He praised the Indian agricultural entrepreneurs who had already attempted growing lentils in Africa and South America, saying, “Such efforts need to be supported.” The minister made it clear that while the government would not invest in directly buying land abroad, his ministry would act as a facilitator “if the private players show interest in this” (Pawar 2010).

Additionally, many recent trade and investment treaties signed by India include clauses that can further facilitate entry and legally safeguard Indian foreign investors.

In addition to private Indian companies signing deals, some state governments have also become involved in the trade. For example, Andhra Pradesh has signed a deal with Kenya and Uganda to send 500 farmers on a 99-year lease at very reasonable terms to cultivate land and form cooperative societies (Goswami 2010).

- **Exim Bank**

India's Export-Import Bank (Exim Bank) is a public institution designed to offer credit and other forms of support to facilitate for trade with India. It extends Lines of Credit (LoCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services (such as farming) from India, on deferred credit terms. It also offers financing directly for Indian companies to facilitate their equity participation in overseas joint ventures (JVs) and wholly-owned subsidiaries (WOS).

According to the Exim Bank website, as of May 25, 2011, there are 140 Lines of Credit currently being made available to foreign governments or financial entities, with nearly 100 in Africa. Ten of these list agriculture as the main purpose for the credit lines, all of which are to countries in Africa, although agriculture is also key part of many other LoCs for broader national development projects (Exim Bank 2011). Tanzania, for instance, received a \$40 LOC from the Exim Bank, which the government used to buy 1,000 tractors, supplied by India's Agri-Machinery Group, a subsidiary of Escort Ltd (Doya 2011). A sector wise analysis of LoCs shows that financing for agriculture totaled \$1.7 billion in 2009 and \$941 million in 2011 (Modi 2011).

The Indian Exim Bank is due to set up a new representative office in Addis Ababa, Ethiopia, to promote trade and investment flows between India and the East Africa sub-region, marking its third office in Africa. The largest single line of credit approved by the Exim Bank so far has gone to Ethiopia (US\$ 640 million) for its Tindaho Sugar Project, and it is also widely expected to facilitate Indian investments such as that by Karuturi Global Ltd. (Vadala 2011). The soft loans, with an annual interest rate of 1.75 percent, are to be repaid over 20 years.

The Exim Bank LoCs have also gone to regional development bank projects in Africa, such as a line of credit worth US\$ 25 million to the Eastern and Southern African Trade and Development Bank, which is the regional development bank for the COMESA region. Exim Bank has also participated in the equity of Afreximbank, the Development Bank of Zambia, and the West Africa Development Bank. LoCs have also been given to the East African Development Bank and ECOWAS Bank for Investment and Development.

Speaking at the 7th CII-Exim Bank Conclave, India's Commerce Minister, Anand Sharma, said, "While the current volume of India-Africa trade stands at \$45 billion, we have set a target of \$70 billion for 2015. I am confident we will achieve that." The Government of India has stated it will facilitate this by extending the number of available LoCs, encouraging Public Sector Undertakings to enter Africa, and by giving grants and other such measures.

- **Indian Government Policy Changes on Outward FDI**

Overseas investments by Indian companies have more than doubled in the past year, highlighting the rapid and widespread expansion outside of their home market. In June 2011, the Reserve Bank of India released data showing that outward foreign direct investment by Indian multinationals surged to \$43.9 billion in the 2010/2011 fiscal year, compared with \$18 billion in the previous year (Lamont 2011).

The rise reflects a decade-long process of regulatory liberalisation to allow large Indian companies to globalise. It also reflects the ability of Indian companies to raise capital more cheaply overseas at a time when borrowing costs in India are rising.

Since the early 1990s the rules regarding inward FDI have been liberalised by the Government of India, while the rules for outward FDI began to be liberalised in the 2000s. The most recent changes came in May 2011, which further increased the limit within which Indian companies are allowed to invest abroad and allowed them to extend corporate guarantees to overseas subsidiaries (Narayanan and Gokhale 2011).

The liberalisation of the foreign investment policy has evolved as one of the strategies for export promotion and strengthening economic linkages with other countries. These reforms have been crucial to enable the recent trend in Indian agricultural companies investing in foreign agricultural land.

Still, many Indian corporations say it is not enough and would like to see additional reforms. While regulatory reforms have been undertaken in an ad hoc manner to date, business advocates would like to see a clarified national policy on transnational farming developed, supported by a structured legal and regulatory framework that reflects the nuances of overseas farmland acquisition and protects investors against associated risks. And while specific tariff duties have been lowered for imports into India from some countries like Ethiopia, business leaders would like to see a much more comprehensive program of such trade and fiscal benefits and incentives (Kapoor 2010).

The Support of Indian Business Associations

Domestic trade and industry organisations are also helping to push India's outsourcing of food production. In 2010, the Associated Chambers of Commerce and Industry of India (ASSOCHAM), India's leading industry body, sent a proposal to the Ministry of External Affairs for Indian "farmers" investing in Africa. ASSOCHAM secretary general D.S. Rawat said, "Hoping to address the huge issue of food shortage, these countries have begun inviting overseas farmers to come and cultivate their lands. These governments are willing to lease land free of cost for 99 years" (PTI 2010b).

The Confederation of Indian Industries (CII) and the Federation of Indian Chambers of Commerce and Industries (FICCI) have organised several buyer-seller meets between African delegates and Indian businesses where agricultural investments are pursued. The most important initiative in this regard has been the annual CII-Exim Bank Conclave of India-Africa Project Partnership, where officials of African governments are invited to discuss possible business opportunities with members of the Indian business community, with the Government of India working as a catalyst. At the 7th India Africa Conclave in March 2011, organised by the CII and Exim Bank with support from the Ministry of Commerce and the

Ministry of External Affairs (MEA), 204 projects worth more than US\$ 18 billion were discussed (Modi 2011).

Certain Indian business associations are directly pursuing overseas farming investments on behalf of their members. The Consortium of Indian Farmers Association (CIFA), a national umbrella organisation of state level farmers federations, commodity associations and independent farmers associations, has expressed interest in developing agro-businesses in Africa, particularly for export purposes (Goswami, 2010).

The Solvent Extractors Association (SEA) of India, a body of over 800 edible oil-producing companies, is advocating for greater Indian Government support for helping Indian companies establish farming operations in the Southern Cone of Latin America.

In 2010, SEA formed a consortium of 18 of its members that will establish a “special purpose vehicle” to buy or lease land in South America, starting with a US\$ 85 million fund to acquire 10,000 hectares in Paraguay and Uruguay (Goswami 2010). The SEA has also been looking to buy tracts of agricultural land elsewhere in South America, Africa and Myanmar (Ramesh 2009).

Financing for Indian Firms

Many of the Indian companies newly engaged in outward foreign direct investment, such as the Indian agricultural firms, will often take their investments out through offshore centers such as Mauritius or Singapore, which serve as tax havens because they have signed double-taxation avoidance treaties with India and provide other mechanisms for secrecy for investors. The publically available Indian government data on outward foreign direct investment is incomplete and in many cases does not identify the final destinations of such investments, making it appear on paper as though a high level of such investment is only going to these and other offshore centers.

As mentioned above, the recent liberalisation of regulations on outward foreign direct investment by Indian companies also has enabled the companies to secure larger amounts of financing on international capital markets, making it more difficult to identify the major financiers involved in backing such overseas investments.

According to the Singapore-Indian Chamber of Commerce and Industry (SICCI), an increasing number of Indian companies are expected to use Singapore as a springboard for securing finance for their global operations. “We are seeing an increasing number of Indian companies setting up their overseas headquarters in Singapore, especially to invest in global businesses,” said SICCI Chairman R. Narayanamohan. Some of the Indian groups have set up holding companies with investments in agricultural and food processing land as far away as Africa, as well as within the region, in Cambodia and Vietnam. He added, “We have been witnessing Indian participation in the South-East Asian palm oil sector, both in the form of owning plantations and trading” (PTI 2010c).

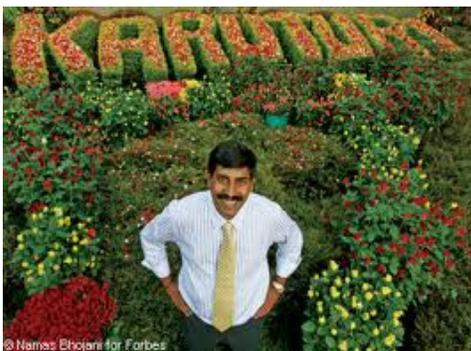
Singapore, being a global transshipment hub, facilitates such regional setups with its low taxes, infrastructure and global air connectivity. It also allows Indian companies to avoid double-taxation (PTI 2010c). For example, Olam International, which has acquired land in Argentina, Gabon and Uruguay is a Non-Resident Indian (NRI) firm based in Singapore.



Sunny Verghese, managing director of the Olam group, acquired 17,000 ha in Argentina to grow peanuts, 300,00 ha in Gabon for palm oil and 16,000 ha in Uruguay for dairy farming.



C. Sivasankaran, investor in KS Oils which acquired 21, 448 hectares in Kalimantan, Indonesia for palm oil plantations and Karuturi Global, which acquired 300,000 hectares in Ethiopia.



Ramakrishna Karuturi of Karuturi Global Ltd created a firestorm of controversy by making one of the biggest overseas land acquisitions by any Indian company – 300,000 hectares in Ethiopia



Kiran Mehta, Chairman and Managing Director Varun International, which attempted to lease 232,000 hectares in Madagascar

In another case, the Indian firm, KS Oils, in October 2009, acquired 21, 448 hectares in Kalimantan, Indonesia, for palm oil plantation, marking its third large acquisition in Indonesia, increasing its total landholding there to 55,846 hectares. The company raised Rs 380 crore for the project, which was funded by KS Oils' wholly-owned subsidiary, KS Natural Resources (KSNR), which is registered in Singapore (Goswami 2010). KS Oils received \$55 million from Siva Group, which is an Indian industrial conglomerate that engages in many sectors including agriculture lands and which is owned by major investor C. Sivasankaran. Another of KS Oils' major investors was Citigroup's venture capital arm, Citigroup Venture Capital International Growth Partnership Mauritius Limited, whose investment into KS Oils marked the first time a private equity firm invested in an Indian edible oil company.

Regarding the financial investors in Karuturi Global Ltd., infamous for the 300,000 hectares it acquired in Ethiopia, there are three foreign institutional investor funds supporting Karuturi: Emerging India Focus Fund, India Focus

Cardinal Fund, and Elara India Opportunities Fund. Together these three funds have purchased 22.8 percent of Karuturi Global by recently converting their warrants issued in mid-2009 into equity. Emerging India Focus Fund has bought a 7 percent stake, India Focus Cardinal Fund an 8.2 percent stake and Elara India Opportunities Fund holds 7.6 percent. These investors purchased the warrants at Rs 12 each, but by February 2011, Karuturi was trading at Rs 17.3 on the Bombay Stock Exchange, giving the investors unrealised gains of almost 43 percent on their one-and-half-year-old investment (Chanchani 2011).

Karuturi Global Ltd. had originally raised Rs 290 crore from its promoter, Ramakrishna Karuturi, and a consortium of four foreign institutional investors, including the hedge fund, Monsoon Capital. In 2010, Monsoon Capital and the promoters had converted warrants into equity and now own around 18 percent of the company. In 2010, Karuturi Global Ltd. also raised Rs 75 crore (US\$ 16.1 million) from funds managed by India's largest private equity firm, IL&FS Investment Managers Ltd, along with US\$ 24 million through an issue of Global Depository Receipts (GDRs are certificates issued by international banks, which purchase shares of foreign companies and deposit it on the accounts) as a part of its game plan to expand its agri and floriculture businesses.

Earlier, other firms backed by C. Sivasankaran's Siva Group had also acquired shares of Karuturi Global through open market purchases in what was apparently a treasury operation for the group (Chanchani 2011). Other shareholders in Karuturi Global Ltd. include Boston-based Sandstone Capital (McLure 2009) and Siva Ventures, the private equity investment arm of the Siva Group. In addition to investing \$8 million in Karuturi, Siva Group has also invested in two other Indian firms involved in acquiring agricultural land overseas, Ruchi Soya (\$49 million) and KS Oils (\$55 million) (Balakrishnan 2011).

India's Yes Bank has also invested in several large African farms, including a \$150 million investment in Tanzanian rice and wheat production that is projected to reach full production in 2011. Listed on the Bombay Stock Exchange, the bank is providing finance to Indian companies eager to invest in farming projects in Africa. Raju Poosapati, vice president food and agribusiness research at the Yes Bank, claimed the Tanzania project was different from other large land acquisitions. "Basically we are looking at a more inclusive model wherein the local farmers can be organised into a producers company, and they would be the suppliers to the processing facility that would be set up. So it's predominantly not to acquire huge tracts of land" (Roelf 2009).

How Local People Are Being Impacted

Of all of the land-grabbing deals in recent years, perhaps none has received as much attention as that of Karuturi Global's massive land leases in Ethiopia's Gambela region. In general, experts in the field say that there is no such thing as "idle land" in Ethiopia, or anywhere in Africa. Several studies have shown that local competition for grazing land and access to water bodies are the two most important sources of inter-communal conflict in most parts of Ethiopia populated by pastoralists. Indeed, in almost every case of recent land leases involving foreign enterprises, complaints have been made by locals who say they lost access to grazing land and water. This has also been the case, for example, with foreign investments in both the Bako and Gambela regions of Ethiopia where many Indian firms operate (Mihretie 2010).

Proponents of the new land rush also often claim the foreign investments in land will create jobs for locals, improve living conditions and increase national GDP. Yet the facts do not support such claims. For example, in Ethiopia, where over 600,000 hectares have been leased out to investors, the average landholding size is about 2 hectares. Thus over 300,000 families have been potentially displaced. But only about 20,000 people are expected to get jobs on the new highly mechanised farms (Bagchi 2009). By its very nature, mechanisation means a lower required labor ratio.

Even worse is the loss of land for local food consumption. In Ethiopia, some of the land now being used by foreign companies had formerly been used for the production of teff, the staple diet of most Ethiopians. Now the land is being used by an Indian company to produce such crops as maize for export. It is believed such shifts have contributed to the recent local price increase in teff, the supply of which has decreased as demand has increased (Mihretie 2010).

The retail prices of pulses such as chickpeas, and cereals such as teff have been increasing in Ethiopia, making shiro wot with injera, the staple food of low-income households, more expensive to the point of becoming unaffordable to some who have begun replacing teff with maize to make injera. According to an FAO analysis of retail and wholesale prices of teff per kilogram in Ethiopian Birr from the year 2000 to April 2011, the wholesale price of a kilo of Teff in 2000 was 2.21 birr/KG and now in June 2011 it is 8.58KG. From February to March 2011, the prices of maize, sorghum, wheat, and teff increased by 21pc, 18pc, 14pc, and 10pc, respectively, according to Global Food Price Monitor of the World Food Programme (WFP). Although there are several factors at work in the domestic production and pricing of teff in Ethiopia, more generally, Olivier De Schutter, UN Special Rapporteur on the Right to Food, recently said, “There is a consensus among international agencies that biofuels production and especially the diversion of land to corn production has been a major factor in the price increases of basic food commodities over the past four years” (De Schutter 2011).

- **Labor Issues**

As for job creation, people in the Gambela region of Ethiopia now working at Karuturi’s palm oil fields as daily laborers have already started complaining that they were much better off working their own land. No sooner had companies started operating than complaints of inhuman treatment began to surface (Mihretie 2010). *The Ethiopian Review* reported, “Hundreds of Ethiopian workers, overseen by Indian supervisors, were bent over rows of corn stalks, cutting weeds tangled around them with small blades,” and “many of the workers were children. The day rate paid is 8 birr, or about 70 cents. Ethiopians cannot own land, instead they hold ‘use certificates’ for their tiny plots, making it difficult to get loans, or to sell or increase holdings. A worker said the company had refused to sign a wage contract and had failed to deliver promised water and power to nearby villages. Supervisors treat them cruelly, he said, and most workers were just biding time until they could go work for a Chinese construction company rumored to pay US\$ 2-4 a day” (Goswami 2010).

The national Confederation of Ethiopian Trade Unions (CETU) has received word that workers’ rights are being infringed upon by foreign investors. In its 26th regular general assembly in 2010, CETU particularly singled out investors from China and India for their notoriety in dealing with workers, such as banning the formation of labor unions, which is against labor law (Dawit 2010; Vadala 2011). Some landless workers seem to be content with the job opportunity, claiming that it is better than nothing, but about 400 people recently

signed a petition saying they were evicted from their land with no compensation (Heinlein 2010).

The working conditions of local employees in some foreign investment projects reportedly leave much to be desired. Buntin Buli, a 21-year-old supervisor at a Karuturi nursery who earns 600 birr a month, said he hopes Karuturi will use some of its earnings to improve working conditions and provide housing and food. “Otherwise we would have been better off working on our own lands,” he said (McLure 2009).

Until last year, people in the Ethiopian settlement of Elliah earned a living by farming their land and fishing. Now, they are employees of Karuturi Global Ltd. Dozens of women and children pack dirt into bags for palm seedlings along the banks of the Baro River, seedlings whose oil will be exported to India and China. In 2009, workers in Elliah said they had not been consulted on the deal to lease land around the village, and that not much of the money is trickling down. At a Karuturi site 20 kilometers from Elliah, one local named Omeud Obank worked as a guard at the site 24 hours a day, six days a week. The job helped support his family of 10 on a salary of 600 birr per month, more than the 450 birr he had earned monthly as a soldier in the Ethiopian army. But Obank reported that the pay was not enough to adequately feed and clothe his family. “These Indians do not have any humanity,” he said, speaking of his employers. “Just because we are poor it doesn’t make us less human” (McLure 2009).

Obang Moe, a 13-year-old girl who in 2009 earned 10 birr per day working part-time in a nursery with 105,000 palm seedlings, called her work “a tough job.” While the cash income supplemented her family’s income from their corn plot, she said that many days they still only had enough food for one meal (McLure 2009).

In response to such criticisms, Karuturi Global Ltd. said it pays its workers at least Ethiopia’s minimum wage of 8 birr, and abides by Ethiopia’s labor and environmental laws. Sai Ramakrishna Karuturi, founder and head of Karuturi Global Ltd., said, “We have to be very, very cognisant of the fact that we are dealing with people who are easily exploitable,” he said, adding that the company will create up to 20,000 jobs and has plans to build a hospital, a cinema, a school and a day-care center in the settlement. “We’re going to have a very healthy township that we will build. We are creating jobs where there were none” (McLure 2009).

In another case of Indian agricultural firms in Africa, a subsidiary of Mumbai-based Indian steel producer Varun International initiated an agri-business project in Madagascar in 2008 to grow rice, corn and pulses. The subsidiary, Varun Agriculture Sarl, wanted to lease nearly 500,000 ha. This plan would affect the regions of Sofia (170,000 ha), Menabe (165,000 ha) and Atsinanana (100,000 ha), where Varun wanted to grow rice (80 percent), corn and lentils. Varun did not look only for uncultivated land, but made contracts with farmers to cultivate their land. An investment of 1.5 billion euros was planned over 10 years. The deal consisted of two contracts: one contract to be signed with the Malagasy Government for about 60,996 ha of state owned land for the production of maize and lentils in the Sofia region; and another contract to be signed with 13 farmers’ associations for about 170,914 ha owned by 250,000 farmers to be used for rice production (GTZ 2009).

The deal with the individual farmers was based on the claim that it would help to modernise agricultural production via mechanisation and high inputs (high-yielding varieties, fertiliser,

pesticides etc.) in order to increase the production. The company intended to have the farmers sign leases that would turn over control of their land to Varun for 50 years (with options to extend to 99 years). Varun claimed the investments would increase productivity from the current 3 tons to 10 to 12 tons/ha.

While the contract between Varun and the government for the smaller portion of land (61,000 ha) was typical of other foreign investors agricultural land leases in Africa, the contract between Varun and the 13 farmers associations on the larger tract (171,000 ha) was more unusual in that it provided an agreement for contract farming, meaning that the land remains the property of the farmer. As rent paid to lease the land, Varun would pay local farmers in the form of receiving 30 percent of the harvest produced, while 70 percent would be controlled by Varun for domestic sale or export.

Due to a lack of transparency involved in the contracting process, local farmers were reportedly unaware that the land would be cultivated by Varun with highly mechanised machinery which would require far fewer workers and lead to a large problem of unemployment for displaced farmers. Today there are 250,000 farmers are earning a living on the 171,000 ha targeted in the lease, but the vast majority of these farmers would not be employed by Varun (GTZ 2009). In Ambalavy in the northwest, an agricultural engineer asked, "What will we do with all the farmers who will no longer have work? Varun told us they would give the people here jobs, but most of them live in the bush and are illiterate." The company promised to employ 10,000 people, or only 1 percent of the affected farmers in a country plagued by unemployment (Le Monde 2009).

- **Weak Governance and a Lack of Democracy**

In some countries such as Ethiopia, where there is a lack of effective governance and democracy, local populations have reportedly suffered evictions with no recourse. For example, in 2010, in some of the areas where land had been taken over by Karuturi Global Ltd., the clearing and cultivation was still in the beginning stages. Yet some people had been told that they should expect to be removed from their homes and land during the dry season which has just begun, but many of these have not yet been forced to leave. Reportedly, they had been told that they can move themselves now or later be taken to a resettlement village. Villagers have been told this in Ilea, in areas around the Openo (Baro) River, and also in other districts; namely, Abobo, Jor, Dimma, Gog. In Goderie, local district and village leaders have received a similar mandate to be resettled elsewhere by officials sent from the regional and federal government. Most of the people in these villages are refusing to cooperate and saying they will never leave their homes and land. However, Ethiopian military troops have become more prevalent in the area and people are fearful that these troops will use force to evict them (Metho 2010).

There have been reports of people arrested in Abobo because government officials assumed they were advising the elders not to leave their homes and land. Similarly, there have allegedly been a number of arrests and killings of local people who oppose the recent land investments (Butler 2010). In the Gambela region, the administrator of a kebele was also officially suspended from his duties because he opposed the planned destruction of forests by foreign agricultural investors who wanted to clear the land and start a large-scale tea plantation in his locality (Ethiopian Review 2011).

Another highly sensitive issue is the fact that Karuturi Global Ltd. has cleared an Anuak burial ground in areas they have leased, causing simmering anger among locals. People cannot openly express their outrage due to fear of punitive actions on the part of the government. However, such an absence of public protest in such a political context should not be construed as public approval. All of these issues have taken place without any input from the local people, nor from what rights activists call prior informed consent. Often local people have almost no information on what is going on, even though it greatly impacts their lives and futures. Although Karuturi has commented about providing some kind of compensation to the people, no compensation has been given or even discussed with them (Metho 2010).

Obang Metho of the Solidarity Movement for a New Ethiopia (SMNE) has raised an important question for Indian citizens to consider. “If what is going on in Gambela was happening in New Delhi, India, or in Oxford, England, Bismarck, North Dakota, or in Saskatoon, Canada, this would be unthinkable. If it is not allowed in these places, why is it justified in Ethiopia? Either Karuturi is not being told the ‘real’ story or they are denying what is happening on the ground” (Metho 2010).

Karuturi has promised to bring health clinics, clean water and other benefits to the people but according to the SMNE, so far there is no sign or mention of any of this according to reports from the local people (Metho 2010).

In Ethiopia’s case, the inability or unwillingness of the local and national governments to protect and prioritise the interests of local people over the interests of foreign investors has been striking. In one case, SMNE was able to acquire government documents describing the struggle of the local Mazenger people and other indigenous peoples to protect their ancient forest-covered lands along tributaries to the White Nile that have come into conflict with the lease given to the Indian company Verdanta Harvests Plc., which plans to clear their land and use it for a tea and spice plantation. According to SMNE director, Obang Metho, the documents read “like a drama showing a game of double-talk, manipulation and intimidation being played by this regime with the land, lives and future of the people.”

The indigenous Mazenger people of Gambela were made aware that their ancient lands and “secret forests” were to be leased to the Indian company only in early 2010. The Mazenger depend on the forests for everything, including hunting, gathering and beekeeping.

After hearing about this, the local people sent a team of representatives to the capital, Addis Ababa, where they were able to meet with Ethiopian President Girma Wolde-Giorgis, who mostly has representative powers. Telling the President that their livelihood would be destroyed if the lease went through, they won his support. The documents include a letter from President Girma to the Environmental Protection Authority of Ethiopia (EPAE), recommending the lease project be stopped. The authority investigated the case and on May 6, 2010 sent a letter to the Ethiopian Minister of Agriculture and Rural Development, saying that the short-term benefits of leasing this land would not outweigh the long-term costs to the country and that the lease should not proceed.

However, nothing happened until November 2010, when the local Governor of Gambela Region, Omot Obang Olum, announced that the 3,000 of hectares of forests had already been leased out to Verdanta for 50 years. The Indian company had already paid the government US\$ 19,000 for the lands. Governor Omot told locals not to interfere with the project, which

would provide them with roads, employment and income at the plantations. Any such further disagreement would be labeled “anti-development” (Afrol 2011).

In December 2010, the Mazenger people again contacted President Girma, who again lent them his support. In letters directly to the Minister of Agriculture, with a copy to Prime Minister Meles Zenawi, who holds ultimate power in Ethiopia, Girma attempted to order the Agriculture Minister to stop the project from going any further because this land, with its abundant rain forests, should be protected. However, President Girma was again ignored. In January 2011, Governor Omot ordered the Mazenger villagers to change their leaders, appointing persons more sympathetic to the project. Currently, the project is moving forward and the forests are being cleared. The Indian company is already in full control of the ancestral lands of the Mazenger people (Afrol 2011).

The governance in the case of Varun International in Madagascar was also very problematic. During late 2008 through early 2009, Varun created a domestic Malagasy “study office” named Sodhai to set up the farming contracts in the West part of Madagascar in the Sofia region. Investigations on the ground later found that Sodhai was asked to and succeeded in setting up the 13 farmers associations in just 15 days, offering them the 50-year lease contract (written in English, which was not understood by locals) and getting them to sign it. The lease included a confidentiality clause which proscribed the associations or members from speaking about the contract. As mentioned above, the lease contract provided farmers rent in the form of keeping 30 percent of their produce, while 70 percent had to be sold to Varun at the price decided by Varun. Subsequent reporting by *Le Courrier* found that the Varun’s announcements of job-creation, new housing and public infrastructure have not been fulfilled. Calculations by experts who later examined the contract found that the quantity of rice left to the peasants would not be enough for a year’s consumption by peasant families (Rakotondrainibe 2011; Goswami 2010).

Controversy about the nature of the contract with Varun, the unemployment problems that would result and the lack of adequate compensation was increasing at the same time as an even more controversial and higher profile case involving a Korean foreign investor, Daewoo. In that case, the Korean company sought to buy 1.3 million ha of land in Madagascar and evacuate its inhabitants. The strong public opposition to the Daewoo case coincided with political unrest between factions led by President Ravalomanana and the mayor of the capital city, Antananarivo, and ultimately led to the overthrow of the government on March 17, 2009, and suspension of foreign aid by donors (EchoGéo 2010).

Under the new government, Varun’s deal with the government for 61,000 ha was cancelled. But the larger deal for 171,000 ha with the 13 farmers associations, negotiated through Sodhai, has only been suspended.

- **Environmental Concerns**

One of the most significant concerns about the trend of Indian overseas agricultural investors relates to the environmental impacts of establishing increasing numbers of large-scale, mechanised mono-cropping farms that are dependent on high levels of water usage, involve heavy doses of pesticides and herbicides that can pollute nearby groundwater, and which can rapidly deplete soil quality.

These concerns are based on the growing bodies of evidence which shows that whereas the present capital- and technology-intensive farming systems have been extremely productive and competitive, they also bring a variety of economic, environmental and social problems (Altieri 2011; Conway and Pretty 1991).

Evidence also shows that the very nature of the agricultural structure and prevailing policies have led to this environmental crisis by favoring large farm size, specialised production, crop monocultures and mechanisation. Today the Indian overseas investors in agriculture are representative of a long trend in which as more farmers are integrated into international economies, the imperative to maintain biodiversity and diverse farm production is giving way to monoculture production, which is rewarded by economies of scale. In turn, the lack of crop rotations and diversification take away key self-regulating mechanisms, turning monocultures into highly vulnerable agro-ecosystems dependent on high chemical inputs.

Today monocultures have increased dramatically worldwide, mainly through the geographical expansion of land devoted to single crops and year-to-year production of the same crop species on the same land. Available data indicate that the amount of crop diversity per unit of arable land has decreased and that croplands have shown a tendency toward concentration. There are political and economic forces influencing the trend to devote large areas to monoculture, and in fact such systems are rewarded by economies of scale and contribute significantly to the ability of national agricultures to serve international markets (Altieri 2011).

From an ecological perspective, the regional consequences of monoculture specialisation are multifaceted. Part of the instability and susceptibility to pests of agro-ecosystems can be linked to the adoption of vast crop monocultures, which have concentrated resources for specialist crop herbivores and have increased the areas available for immigration of pests. This simplification has also reduced environmental opportunities for natural enemies. Consequently, pest outbreaks often occur when large numbers of immigrant pests, inhibited populations of beneficial insects, favorable weather and vulnerable crop stages happen simultaneously.

The need to subsidise monocultures requires increases in the use of pesticides and fertilisers, but the efficiency of the use of applied inputs is decreasing and crop yields in most key crops are leveling off. In some places, yields are actually in decline. There are different opinions as to the underlying causes of this phenomenon. Some believe that yields are leveling off because the maximum yield potential of current varieties is being approached, and therefore genetic engineering must be applied to the task of redesigning crop. Agroecologists, on the other hand, believe that the leveling off is because of the steady erosion of the productive base of agriculture through unsustainable practices (Altieri and Rosset 1995).

According to Worldwatch Institute, the trend of international land grabbing can have serious environmental and social consequences. Deals that focus solely on financial profit can leave rural populations more vulnerable and without land, employment opportunities, or food security. “Investors claim that land grabs can help alleviate the world food crisis by tapping into a country’s ‘unused’ agricultural potential,” said Danielle Nierenberg, Director of Worldwatch Institute’s Nourishing the Planet project. “But such investments often do more harm than good, disrupting traditional land-use patterns and leaving small-scale farmers vulnerable to exploitation” (Worldwatch 2011).

The ecological sustainability of land and water resources used in the deals is another important concern, especially considering the relatively short-term orientation of the foreign investors versus the long-term outlook needed in considering the environmental impacts of land uses (Byerlee 2009). Large-scale intensive agricultural production can threaten biodiversity, carbon stocks, and the availability of land and water resources. Land that is perceived as “unused” is often in long-fallow cultivation cycles because its tropical soils are unsuitable for intensive cultivation (von Braun and Meinzen-Dick 2009). If the land is already marginal, more cultivation may lead to further degradation (Cotula, Dyer, and Vermeulen 2008). Moreover, irrigating these large plantations may divert water from local users or from environmental flows (Haralambous, Liversage, and Romano 2009).

Understanding local ecological conditions is necessary to assess whether proposed productivity increases are achievable and sustainable, and whether they will impose positive or negative externalities. Meinzen-Dick and Markelova (2009) ask some key questions to keep in mind when considering the environmental impacts of the foreign investors: Why is land currently not under intensive cultivation? What are the production constraints? How realistic is it that the injection of capital and knowledge that the investors have to offer will spark sustainable production increases? Will there be land degradation over time, as when most tropical forests are cut for cultivation? If irrigation is brought in, does that take water away from local communities? Is the irrigation likely to be sustainable, or will it lead to salinisation over the long term? Will farming practices reduce biodiversity? The latter is a particular concern in forest areas, whereas the diversion of water is a particular concern in dryland areas. Environmental costs need to be weighed against any projected productivity increases, because such costs not only undermine the long-term sustainability of the foreign farms in question, but can also cause harm to other farms (Meinzen-Dick and Markelova 2009).

- **Technology Spillovers to Domestic Farmers**

Ensuring that benefits are afforded to the host country are another major concern. Partially because of the recent nature of the investments and partially because of the lack of transparency and accountability involved in the projects, there are many unanswered questions about the extent to which benefits from land investments spill over into the host-country domestic sector in a way that produces a synergistic relationship with existing smallholder production systems and other key food-production players. Benefits should, in theory, arise from capital inflows, technology transfers leading to innovation and productivity increases, infrastructural provisions, the upgrading of domestic production, quality improvement, income and employment creation (including for local input and service suppliers), export earnings, and possibly an increase in food supplies for the domestic market and for export. Indeed, investments in agriculture should be able to boost food security. However, a major concern is that these benefits will not materialise if investments result in the creation of an enclave of advanced agriculture in a “dualistic system” with traditional smallholder agriculture, particularly if the smallholders cannot attain this advanced agriculture. Studies on the effects of FDI on agriculture show that such benefits do not always come about (Hallam 2009).

These studies catalogue concerns over highly mechanised production technologies with limited employment-creation effects; a dependence on imported inputs and hence limited domestic multiplier effects; the adverse environmental impacts of production practices such as chemical contamination, land degradation, and depletion of water resources; and limited

labor rights and poor working conditions. At the same time, there is also evidence of longer-run benefits in terms of improved technology, product quality, and sanitary and phytosanitary standards. In considering the question of benefits, it is therefore important to take a comprehensive perspective (Hallam 2009). There has been very little evidence to date that Indian companies are bringing in technological improvements that are being shared with small farmers.

- **The Contracts**

Amid growing controversy around Indian investments in Ethiopia, the Ethiopian Minister of Agriculture and Rural Development recently publically disclosed 12 *Land Rent Contractual Agreements* for land leases between the Federal Democratic Republic of Ethiopia (FDRE) and 24 companies or individuals. Some have speculated that the release of this information was related to a recent high profile debate between the Government and Karuturi Global Ltd. regarding the terms of its contract. There were reports that the government had slashed Karuturi's land concession by two-thirds—reducing it from over 300,000 hectares to 100,000 hectares—claiming it was too much for any one company to develop. However, after suffering price declines in its company stock, this was disputed by Karuturi, which claimed the contract initially provides the company with 100,000 hectares while provisionally giving the option to acquire an additional 200,000 hectares within two years. The disclosed contract appears to support this.

A few days later, the other 11 contracts with foreign agricultural investors were made public. What is noteworthy about the disclosed contracts is their surprising lack of details. According to **Karuturi's** signed lease agreement for the first 100,000 hectares, it has been given the land for 50 years at a total cost of only *100,000,000 birr (\$5,928,758.42 USD)*, or only *US\$59.28 per hectare* for full use of prime agricultural land. According to the terms of the contract, *the yearly rent for this parcel is only 2,000,000 birr (\$118,575.17 USD) or 20 birr per hectare (US\$1.19)* (Metho 2011a).

Of the 12 contracts with foreign investors disclosed, five of the contracts are with Indian companies, including those for Karuturi Ago Products Plc. (100,000 hectares with option for 200,000 additional hectares), BHO Bio Products Plc. (27,000 hectares), Ruchi Agri Plc. (25,000 hectares), Sannati Agro Farm Enterprise Pvt. Ltd. (10,000 hectares) and Verdanta Harvests Plc. (3,012 hectares). See Table 2 for the details. An examination of these contracts for the Indian firms shows they were all for operations in Ethiopia's Gambela Regional State and all ranged for terms between 25 and 50 years, with options for renewal.

All of the contracts specified that the companies were to ensure that environmental impact assessments were undertaken and submitted to the authorities shortly after assuming operations and that the investors would otherwise abide by current Ethiopian conservation laws. They did not specify who exactly would undertake the environmental impact assessments. The quality and scope of such assessments (would they consider impacts on neighboring areas and underground water tables) and transparency of the process by which they are to be undertaken were not mentioned. And if the assessments were to identify environmental problems or threats, it is not clear what remedial actions would be taken by the companies or how such would be enforced.

All five contracts stated that the Indian companies have the “right” to provide power health clinics, schools, etc. However these were not listed under “obligations” of the investors. Nor did the contracts specify for whom these services might be provided—the local population or for those of company workers. The fact that this was not listed is an enforceable obligation of the investors, but merely a non-enforceable right, suggests that the companies may choose to not act on this right and provide no improved infrastructure for their workers or the local

communities. Yet, the provision of such improvements had been a high-profile claim made earlier by the government as to why the investors should be allowed to undertake these investments.

Regarding water usage, each of the 5 contracts specified that the companies had the right to build dams, water boreholes and irrigation systems as they see fit. Only the smallest contract for Verdanta Harvests PLC.'s tea plantation did not mention water rights. Interestingly, only the biggest contract for Karuturi Agro Products Plc. included the additional clause that the company also had the right to "use irrigation water from rivers or ground water." But there were many other crucial factors that were not detailed in the contracts, such as no mentions of paying for this water, how much water would be used or over what period of time, how the usage would be monitored, or what the environmental impacts would be on surrounding areas regarding the water that would be diverted for use by the companies. The length of leases also has a bearing on this, with relatively short term leases possibly encouraging over exploitation for short-term gains, while longer-term leases may involve excessive use of groundwater, thus depriving the neighboring farmers and affecting the water table over time. As many Indian small farmers know from experience, such questions about access to and control over water resources are extremely important, and yet these contracts were extremely vague on this issue.

On taxation, all of the 5 contracts included clauses which stated, "In view of the importance of this proposed major investment," the company is provided with "Special investment privileges such as exemptions from taxation and import duties on capital goods and repatriation of capital and profits granted under the investment laws of Ethiopia."

None of these five contracts for the Indian companies mentioned labor laws or specified any wages or working conditions for their local employees. Nor was there anything in these contracts that would oblige the companies to necessarily dedicate any portion of the produced crops to the domestic market for local consumption. The absence of detail on these points is alarming given the potentially negative impacts they can have on local populations and the local environment in terms of work, decent wages, workers' rights and protections, and local food security issues.

Nor did the contracts seem to address one of the high-profile claims by the companies and government regarding the increase in agricultural productivity and transfer of such new technologies to local farmers. If the omission suggests that the Indian companies alone shall retain the higher value technology, then it is unclear how this will help other farmers in Ethiopia in the future.

Furthermore, in one of the most disturbing aspects of the contract for Karuturi, it suggests the Government will evict any local people who are in the way of the commercial project, by force if necessary. Although this land has been or still is home to thousands of Ethiopian citizens, Article 6.1 of the contract states: "The lessor [Government of Ethiopia] shall be obliged to deliver and hand over the vacant possession of leased land free of impediments." Arguably local people who are unwilling to leave their land could be construed as "impediments" and the lessor is now contractually obligated to ensure they are not a problem for the company. Article 6.6 seems to suggest the Government will provide police or military action against any resistance: "The lessor [Government] shall ensure during the period of lease, the lessee [Karuturi] shall enjoy peaceful and trouble free possession of the premises and it shall be provided adequate security, free of cost, for carrying out its entire activities in

the said premises, against any riot, disturbance or any other turbulent time other than force majeure, as and when requested by the Lessee.”

Table 2. Features of Disclosed Contracts with Indian Agricultural Companies Operating in Ethiopia

	Company	Location	Crops	Land Size	Water	Taxes	Rights to Build	Term
1.	BHO Bio Products Plc.	Gambela Region	Cereal, pulses and edible oil crops	27,000 hectares	Company has the right to build dams, water boreholes and irrigation systems	Exemptions from taxes on imports of capital goods and from paying taxes on repatriated profits	Company has the “right” to provide power health clinics, schools, etc.	25 years
2.	Karuturi Ago Products Plc.	Gambela Region	Palm, cereals, and pulses	100,000 hectares, with rights to conditionally acquire another 200,000 hectares	Company has the right to use water from rivers or ground water; to build dams, water boreholes and irrigation systems	Exemptions from taxes on imports of capital goods and from paying taxes on repatriated profits	Company has the “right” to provide power, health clinics, schools, etc.	50 years
3.	Ruchi Agri Plc.	Gambela Region	Soya beans	25,000 hectares	Company has the right to build dams, water boreholes and irrigation systems	Exemptions from taxes on imports of capital goods and from paying taxes on repatriated profits	Company has the “right” to provide power, health clinics, schools, etc.	25 years
4.	Sannati Agro Farm Enterprise Pvt. Ltd.	Gambela Regional State, Agnua Zone, Dima District	Rice and rotational pulses & cereal crops	10,000 hectares	Company has the right to build dams, water boreholes and irrigation systems	Exemptions from taxes on imports of capital goods and from paying taxes on repatriated profits	Company has the “right” to provide power, health clinics, schools, etc.	25 years
5.	Verdanta Harvests Plc.	Gambela Regional State, Mezhender Zone, Godere District	Tea and allied products (spices)	3,012 hectares		Exemptions from taxes on imports of capital goods and from paying taxes on repatriated profits	Company has the “right” to provide power health clinics, schools, etc.	50 years

According to SMNE Director, Obang Metho, the Government has already shown its willingness to commit human rights crimes related to punishing those who oppose these land leases and those resisting resettlement. This disclosed contract now shows the direct relationship between these crimes and this land agreement (Metho 2011a).

Nowhere in the Karuturi contract, which is similar to the others, are there any statements regarding any compensation or other benefits to the indigenous Ethiopian people or communities affected by these land leases. Early on, the Government promised that such investment would benefit the people in terms of jobs, clean water, improved health care and

schools, but within the contracts, investors are not obliged to offer any services to the people. As mentioned above, Karuturi is simply “given the right” to build infrastructure as they want and need. Nowhere does it state that such services should be extended to the local people. More recently, the Government has been backtracking from its earlier promises about benefits to locals.

In addition, Indian companies are afforded legal protection from nationalisation of their investment properties and other benefits under a bilateral investment treaty (BIT) signed between Ethiopia and India. According to India MEA Annual report for 2008-2009, the Bilateral Investment Promotion and Protection Agreement (BIPPA) was signed on July 5, 2007, and went into effect as of August 13, 2008. The agreement provides Indian investors with tax holidays of up to five years, exemption from import duties, government guarantee against nationalisation, duty incentives and foreign exchange remittances are among the major benefits given to investors (Financial Express 2006).

In sum, these five contracts suggest that the Indian companies are being given everything and being asked for very little in return that would benefit Ethiopian small farmers and workers or safeguard the environment. Indian citizens must ask what they would say had the Indian government allowed foreign investors into their local communities to use their agricultural land and their water under such circumstances. If the Indian companies have any documented and verifiable evidence that they have in fact provided jobs with decent wages and working conditions, infrastructure improvements for local communities and are to be responsible and enforceable caretakers of the water and surrounding environment, they should make such evidence publicly available to both Ethiopian and Indian citizens.

Activism Against the Trend

National and international coalitions of smaller farmers’ associations and advocacy organisations are stepping up their critique of the global corporate monoculture model of large-scale production that Indian companies have adopted and advocating instead for the implementation of alternative smaller-scale agro-ecological approaches. Contrary to popular misconceptions and claims by global agricultural companies, there is in fact a well known inverse relation between size and productivity, in which yields per hectare are actually generally higher on smaller farms. Many scientists who have studied the issue as well as farmers’ and indigenous peoples’ organisations, social movements and civil society groups largely agree that what is needed are policies and regulations to stop the land grabbing and ensure steps are taken to protect and enhance the efficiency of small farmers:

- Keep land in the hands of local communities and implement genuine agrarian reform in order to ensure equitable access to land and natural resources;
- Heavily support agro-ecological peasant, smallholder farming, fishing and pastoralism, including participatory research and training programs so that small-scale food providers can produce ample, healthy and safe food for everybody;
- Overhaul farm and trade liberalisation policies to embrace food sovereignty and support local and regional markets that people can participate in and benefit from;
- Promote community-oriented food and farming systems hinged on local people's control over land, water and biodiversity;
- Enforce strict mandatory regulations that curb the access of corporations and other powerful actors (state and private) to agricultural, coastal and grazing lands, forests, and wetlands (NGOs 2010).

Similarly, the international NGO, Friends of the Earth International, is demanding an end to all forms of land grabbing, which governments and international institutions can achieve by:

- Ensuring equitable access to land and natural resources - keeping land in the hands of local communities and implementing genuine agrarian reform;
- Supporting agro-ecological peasant, smallholder farming, fishing and pastoralism, including participatory research and training programs so that small-scale food providers can produce ample, healthy and safe food for everybody;
- Overhauling farm and trade policies to embrace food sovereignty and supporting local and regional markets;
- Promoting community-oriented food and farming systems hinged on local people's control over land, water and biodiversity;
- Enforce strict mandatory regulations that curb the access of corporations and other powerful actors (state and private) to agricultural, coastal and grazing lands, forests, and wetlands;
- Halting the expansion of industrial corporate led agriculture and ensure food sovereignty - peoples' right to control their own seeds, lands, water and food production through just and ecological systems; which ensures enough, diverse, nutritious, locally produced and culturally appropriate food for all.

Much evidence in support of such alternative models has been published by many highly credible and comprehensive scientific studies that confirm the value of small-scale agro-ecological approaches, and which have been documented in detail by civil society organisations, farmworkers and farmer associations, grassroots groups, health and consumer organisations, environmental groups, scientists and academics (Meinzen-Dick and Markelova 2009; Ong'wen and Wright 2007). These groups share “a recognition that hunger, poverty, and climate change are inter-related through the medium of agricultural policies” and have distributed widely the evidence against the global corporate model of commercial, high-input farming that employs biotechnology and genetic engineering to fulfill commercial market objectives (Goswami 2011).

For example, Worldwatch Institute's Nourishing the Planet project is a multi-year evaluation of environmentally sustainable agricultural innovations to alleviate hunger and poverty. Researchers traveled to 25 countries across sub-Saharan Africa to meet with more than 350 farmers groups, NGOs, government agencies, and scientists, highlighting small-scale agricultural efforts that are helping to improve peoples' livelihoods by providing them with food and income. The findings are documented in the Institute's “State of the World 2011” report (Worldwatch 2011). Robert Engelman, Executive Director of Worldwatch, said, “If all governments capably represented the interests of their citizens, these cash-for-cropland deals might improve prosperity and food security for both sides. But that's not often the case. It's critical that international institutions monitor these arrangements and find ways to block those that are one-sided or benefit only the wealthy.”

But it is not so much about the science as it is about politics and who has the political power to push their model. The vast body of research in favor of smaller-scale agro-ecological approaches has been roundly ignored by many of the global corporate agricultural investors and their institutional supporters, such as the Bill and Melinda Gates Foundation's Alliance for a Green Revolution in Africa (AGRA). Given that the current financial and political power of the international agriculture industry and its financial institutional investors are

increasingly pitted against growing local and international civil society resistance, it remains to be seen which side will win in this battle over agricultural models.

For Indian citizens, local political resistance to foreign corporate takeovers of local farmland is nothing new. Many have watched over 5 years as local residents in Orissa have protested against the US\$ 12 billion deal signed between the Government and the South Korean Pohang Steel Company (POSCO) to set up a primarily export-oriented steel plant on the east coast of Orissa that includes its own port, power plant and mine. Local citizens have been resisting the deal on the grounds that they have a prosperous bio-diverse economy, where food is produced according to the needs of the people, and they claim the POSCO project would threaten this. Unlike citizens in Ethiopia and many other developing countries, Indian citizens can legally object under the decentralised democracy of Panchayati Raj as well as India's Forest Rights Act.

While researching POSCO, environmental rights activist Vandana Shiva of the Research Foundation for Science, Technology and Ecology found that since the Asian financial crisis of the late 1990s, the ownership of POSCO had passed largely into the hands of financiers like Warren Buffet and Goldman Sachs. "So as a result of this so-called globalisation and multilateralism, what does democracy in India look like today?" Shiva asked. "The poor people fighting a company owned by Wall Street are refusing to give up their land, saying 'we will face bullets, we will face killings, but we will not give up'" (D'Almeida 2011).

Local Indian activists recently demanded improved local consultation and democratic consent for land deals as they rallied in New Delhi in August 2011. Thousands of adivasis, farmers, laborers, forest dwellers, fish workers, hawkers, small traders, urban and rural poor from across 15 Indian states and over a hundred grassroots movements met at Jantar Mantar for three days in August for a high-profile Sangharsh (Struggle) with rallies and meetings with government officials. They demanded their right to life and development and an immediate end to the historical injustices inflicted upon the nature-based, marginalised and disadvantaged communities of rural India. In particular, they criticised new draft Land Acquisition and Rehabilitation Bill for failing to address the core concerns raised by advocates for many years (NAPM 2011).

According to the National Alliance of People's Movements, small farmers have long been displaced by dams and canals, threatened by thermal and nuclear plants, evicted from urban bastis and hawking spaces, coastal development and tourism projects, and removed from forest lands. They came to New Delhi to represent "the real India," pose tough questions and demand justice. The groups criticised the priorities of the new draft legislation, which considers urbanisation and industrialisation as "inevitable", but not social justice and equity as necessary. They demanded a complete halt to acquisition and diversion of farmland across the country, or at least to a bare minimum, when for legitimate public purposes (NAPM 2011).

Primary among their concerns is that the new draft land acquisition legislation and the next five-year national Planning Commission formally recognise the primacy role of the Gram Sabhas / Basti Sabhas – the direct democratic units of local communities – in determining policies through a legitimate bottom-up approach. They also presented an alternative paradigm for urban housing, water, energy and other sectors, that ensures equity and justice and addresses climate change.

There is now a need for local Indian activists fighting for the rights of small farmers to link internationally with small farmers and advocates around the world to stop the trend in corporate land-grabbing.

Activists and critics such as Raj Patel have pointed to socioeconomic crises long plaguing small farmers in both India and abroad. He says the “win-win” language of Western style agribusinesses conceals the fact that, “as lands have fallen before the banks, repossessed and repurchased, suicide rates for farmers across the world have soared” (Patel 2007). While records of suicides among African small farmers are unknown, it has been documented that between 1997 and 2007, the official number of Indian farmers who have committed suicide reached 182,936. Often such farmers had fallen deeply into debt as part of a larger trend in which the number of indebted peasant households doubled in the first decade of the neoliberal economic reforms in India (Sainath 2009). Pan-Africanist and scholar Dr. Ama Biney, noted, “It is ironic that while Indian farmers commit suicide, the Indian government is seeking to purchase land for growing food in Ethiopia and Sudan” (Biney 2009).

The Oakland Institute’s Anuradha Mittal says, “In its new avatar as an economic superpower, India has also joined the neo-colonial race to take over land in poor African nations to outsource food and energy production. Through direct and indirect facilitation, including financial assistance to make agricultural products for export to India, and schemes like 'Duty Free Tariff Preference Scheme,' the Indian government is encouraging its corporations to turn into 21st century versions of the British East India Company, that enabled the British empire to occupy India for nearly two centuries. Yesterday's colonised has become today's coloniser.” She posed a challenge to Indian citizens: “What does India want to be remembered as having achieved in the 21st century: exploitative colonisation of less powerful nations and peoples, or leadership in the welfare of all humans in peace with the earth?” (Mittal 2011).

On the need to build cross-border advocacy linkages, she said, “Given the devastating impact of such deals on local communities and the environment, and accompanying egregious human rights abuses in places like Ethiopia, it is urgent that we use our political voice and forge alliances with the grassroots activists, organisations, and movements within India who are challenging this ruthless takeover of land and resources both in India and Africa.” (Mittal 2011).

At the Sangharsh in New Delhi, Medha Patkar of the Narmada Bachao Andolan and the National Alliance of People's Movements, addressed the need for Indian farmers, advocates and citizens to address the problem of Indian companies involved in overseas land-grabbing. “We are very concerned about what the Indian international companies are doing overseas, and we want to see international linkages of citizens get together to address this. Indian citizens must get involved with their partners in Africa and Southeast Asia to address this common crisis” (Patkar 2011).

Developing such solidarity linkages among advocates in India and elsewhere is precisely what Obang Metho, Director of the Solidarity Movement for a New Ethiopia (SMNE), called for in a June 2011 “Open Letter to the People of India” in which he asked for the citizens of India to take steps to stop the harmful land grabbing by Indian companies in Ethiopia:

“I come to you first and foremost as a fellow human as I call you to join our effort to stop the plundering of Ethiopia and Africa by African dictators, their cronies and their foreign partners—some of whom are Indian—who are hungry for our resources but care little for our people. In light of this, I must warn you that those who are ‘doing business’ in Ethiopia, are partnering with an

illegitimately elected dictator and his authoritarian regime built on the brutal suppression of the rights of its citizens. The intent of my open letter is to expose the dark underside of these ‘deals’ with the hope of joining forces with those in India who demand justice and human rights for all. ...Anticipating resistance from the displaced, the regime also promises to provide ‘security’ to these companies. We Africans have been the target of colonisation, slavery and exploitation in the 17th, 18th and 19th centuries and a target of African dictators and their foreign cronies in the 20th century. We have had enough and will not tolerate this new onslaught of exploitation and dehumanisation in the 21st century! ...Will you help work within India to bring greater transparency and compliance with whatever protective laws and safeguards are in place in India? Will Indian individuals, social justice groups, the media, policy making groups, religious groups and all other stakeholders join us in our struggle for freedom from a dictatorial regime robbing us of our future?” (Metho 2011b).

In addressing what is to be done, there are a number of actions and sites of struggle to be initiated. Firstly, citizens everywhere must work to pressure governments to make food sovereignty for their own people a top policy priority, and foreign investment in agriculture must be strictly regulated accordingly. Increased national agricultural investment in local small holder areas is a necessity and number one priority, as is the need to help small farmers produce greater yields to stem both rural and urban hunger. Governments must be politically pressured to adopt and invest in smaller-scale agro-ecological approaches.

Additionally, African and other small farmers and workers need to be provided with decent livelihoods for producing food for the nation as a first priority and not for foreign investors. Secondly, civil society groups should expose and raise awareness about the true nature of such land deals. Ultimately, “we need to fight for a numbers of ways and mechanisms that can secure local peoples’ right to control their land and other critical resources” (Biney 2009).

The issue of agricultural land-grabbing by foreign investors is a cross-cutting issue that confronts all civil society groups working on climate change, water issues, land rights, human rights, hunger, genetically-modified organisms (GMOs), etc. Advocates can no longer stay focused on one single issue without working together on the larger political environment, including developing local-national-international linkages of political solidarity and coordinated action. The Oakland Institute’s Frederic Mousseau explained, “Our partners amidst the Ethiopian diaspora, in Sierra Leone, Mali, Tanzania, and other countries are taking on the biggest challenges, taking on their local and national leaders. It is important for international civil society to push and support those national mobilisations. National groups in these countries are demanding public hearings, moratoriums on these deals. And internationally we need to be backing and supporting those efforts” (Pambazuka 2011).

In addition to taking steps to give local community activists greater political, financial, legal and technical and media support in their local struggles, the Oakland Institute’s Jeff Furman suggests other steps that citizens around the world can take to address the land grabbing crisis: “We need to determine where our pension funds, university endowments, and sovereign wealth funds invest. These cannot be guided by merely high returns; it has to be about quality of life, and livelihoods of people. This has to be about not once again colonisers rushing in to Africa to colonise at the expense of the people and environment of Africa. We simply must say we cannot invest in schemes like this that are promising 25 to 40 percent returns. Student groups, faculty organisations, and pension funds should all be saying, ‘no way!’” (Pambazuka 2011).

Ashok Choudhary of the National Forum of Forest People and Forest Workers, who was also active in the Sangharsh in New Delhi, said of the international land-grabbing problem, “As

Indians, it is our responsibility to be sensitive to Indian companies taking other countries' land overseas." He noted that the rallying call to "reclaim the lost space" used today by the Indian groups was actually coined by local peoples in Africa hundreds of years ago during European colonialism. Choudhary said the only legitimate way land deals can go forward – anywhere – is with the involvement and approval of a democratic process involving local village councils. He said there must be a "trifecta" of government, the company and the local community. "Today the corporates are going everywhere, so we all have a common struggle." Speaking of the National Forum of Forest People and Forest Workers and other groups assembled for the rallies in New Delhi, he said, "We stand in solidarity. We don't think our struggle in India is any different from their struggle" (Choudhary 2011).

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