

EVIDENCE-INSIGHTS-POLICY

USING NATIONAL STATISTICS TO INCREASE TRANSPARENCY OF LARGE LAND ACQUISITION FOR AGRICULTURE

CONTEXT

Despite the mixed results of a global “rush” for agricultural land by investors following the 2007/08 commodity-price boom, large-scale land-based investment is unlikely to disappear. Benefits have often been below expectations and a sizeable share of investors either went out of business or failed to fully utilize all the land allocated to them. Yet, the conviction that “responsible” agricultural investment is possible and can provide countries that continue to depend on agriculture with capital and opportunities to add value and generate local benefits is still very prominent. To realize such benefits while minimizing negative effects, a clear and enforceable regulatory environment is needed. However, without reliable data on the performance of different types of farms, identifying good practice, quantifying risks, and developing ways to structure and enforce incentive compatible contracts can be difficult.

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Yet, more than a decade on, most countries in Africa still lack the data systems to generate this information on a routine basis. Often, only case studies are available, of which the representativeness is difficult to establish. And these are more suited to describing contextual and process-related issues. This lack of data affects countries' abilities to attract qualified and responsible investors – foreign or local- while avoiding speculators, effectively regulate and monitor this sector and ensure an increase in agricultural productivity with benefits accruing to the host communities.

METHODOLOGICAL INNOVATION

To regularly generate this essential information, Deininger et al (2017) use the case of Ethiopia to explore the scope for routine and systematic data collection efforts that are fully integrated into countries' statistical systems, while complementing and potentially generalizing results from costly one-off surveys and case studies. They test the usefulness of a nationally representative 2013/14 commercial farm survey, assess its policy relevance, and explore ways of satisfying such information needs. They show that building on statistical agencies existing data collection efforts and strengthening capacities allows addressing this challenge efficiently and sustainably. The resulting, routine production of data helps formulate policies that guide the path forward and increase transparency around a sensitive issue. Beyond helping governments to design and implement policy, reliable data on these issues will also help investors by increasing transparency, allowing to quantify and insure against risks, and providing a basis for documenting compliance with global standards.



Formation of new commercial farms is down to pre-2007 levels.
Commercial farms' yields are higher than smallholders.
Commercial farms create few permanent jobs.

LESSONS FROM ETHIOPIA

Ethiopia had already started promoting large farms in the 1990s preceding the recent interest from investors. The country also has a long tradition of collecting systematic data on large (state) farm performance which, due to poor data quality, were often not reported or even stopped intermittently. It also has an extensive national smallholder survey. Deininger et al, (2017) show that despite quality issues, the available data made it possible to document, changes in levels and nature of land-based agricultural investment over time, the direct transfers to local communities it involved, and the extent to which land transferred is actually utilized.

The analysis showed, firstly, that after a peak in 2008, formation of new commercial farms is down to pre-2007 levels and portrays a predominance of Ethiopian nationals. Secondly, for most crops commercial farms' yields, except teff, are higher than smallholders', with a peak in the 10–20-ha bracket. The fact that smallholders often use less inputs than commercial farms that in many cases leave parts of their land fallow, implies that examination of productivity differences based on improved data will be of great interest. Thirdly, commercial farms create few permanent jobs (with just one permanent job per 20 ha), pay limited amounts of rent, and use only 55% of the land transferred to them. With less than 15% of commercial farm area devoted to coffee, most of the area is devoted to crops such as sesame and sorghum that are capital intensive but require little labor.

The Ethiopian case also points to ways in which improved sampling, establishment of explicit links to administrative and remotely sensed data, and improvement in smallholder questionnaire design can further enhance policy relevance.

POLICY IMPORTANCE AND GUIDANCE FOR DATA COLLECTION

These findings clearly show that having reliable data on commercial farms, collected at regular intervals, is important for policy formulation and provides the government with vital information to assess and take regulatory actions aimed at improving performance and attracting higher levels of investment to the sector. These will be of relevance not only in Ethiopia but also hold important lessons for other countries where large-scale land-based investment is an issue.

The Ethiopian case also points to ways in which improved sampling, establishment of explicit links to administrative and remotely sensed data, and improvement in smallholder questionnaire design can further enhance policy relevance. The fact that Ethiopia's statistical agency has already initiated experiments to link survey to administrative and remotely sensed data and explore options for land use and yield monitoring highlights the potential of such approaches for capacity building. Other countries that are also setting up complete inventories of large farms include Malawi and Zambia.

