Land grabbing: concentration and “foreignisation” of land in Uruguay

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Abstract This article presents extensive data on land purchases and leases in Uruguay in 2000–2010, and complements it with information from interviews with leaders and officials. The evidence points to an acute process of land concentration and “foreignisation” in Uruguay. This process, however, meets only a few of the criteria for “land grab”, in the narrow definition of the term, suggesting that the definition should be widened to include what is taking place in Uruguay. Neither the political system nor broader society has paid sufficient attention to these processes. This is perhaps because the recent surge in economic growth and social wellbeing mask their long-term consequences.

Résulte Cet article présente un important ensemble de données pour la période de 2000 à 2010 sur l’acquisition de par achat ou par bail foncier terres en Uruguay. Ces données sont complétées par des informations issues d’entretiens auprès des d’acteurs des partis politiques, des syndicats agricoles et des associations industrielles. L’analyse montre qu’un processus de concentration foncière et de main mise étrangère sur les terres est en cours dans le pays. Toutefois, ce processus correspond mal à certains critères qui définissent habituellement l’accaparement des terres. Cette observation nous invite à réviser cette définition pour tenir compte de ce qui se passe en Uruguay, soit qu’une part de l’accaparement vise le marché de la pulpe et qu’il ne repose pas sur des investissements provenant de gouvernements étrangers. Ni les autorités politiques ni plus largement la société n’y ont accordé suffisamment d’attention, ce qui est probablement dû à la poussée récente de la croissance économique et de l’amélioration du bien-être social qui occultent les conséquences à long terme du processus de concentration foncière et de main mise étrangère.

Keywords: land grabbing; land concentration; Uruguay; “foreignisation”

Introduction

In the first decade of the twenty-first century, Uruguay’s agrarian structure underwent drastic changes. An intense process of land purchases led to a concentration and possibly a “foreignisation” of control over land and natural resources. Underlying this process was an increase in global market demand for food and fibre; the rise in energy prices and interest in biofuels; and rapid technological changes. In order to understand these interlinked processes, it is necessary to understand the institutional changes that occurred in the 1990s, which liberalised the land market and opened the door to the changes that would occur in the following decade.

Changes in the agrarian structure characterised by the emergence of mega-companies with enormous tracts of land (either purchased or leased) will invariably have an impact on the social structure of the Uruguayan countryside. Starting from the available statistical data on

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land acquisitions, this article seeks to demonstrate the long-term social, political and economic impacts of this process.

**Background on the current state of land distribution**

Throughout the twentieth century, land ownership in Uruguay had been highly concentrated. In the first half of the century, through land parcelisation and distribution policies, the number of farms (establecimientos) increased. Import substitution industrialisation (ISI) policies then stimulated the small and medium-scale production of grains, fruits and vegetables for consumption by a growing urban population. Nonetheless, large farms remained dominant. By mid-century, the dual agrarian structure – composed of large landholdings (latifundia) and small landholdings (minifundio) – was pronounced. In 1956, farms smaller than 100 hectares represented 75 per cent of the country’s farms, but occupied less than 10 per cent of the agricultural area in production. Farms greater than 1,000 hectares made up only 4 per cent of the country’s farms, but occupied 56 per cent of the farmland (Piñeiro and Moraes 2008, 106).

In the second half of the twentieth century, neoliberal policies led to a reduction in the total number of farms: from 87,000 in 1961 to 57,000 in 2000. This process primarily affected farms of less than 100 hectares, while the farms with over 1,000 hectares appropriated their lands. In other words, land concentration has been taking place for well over 50 years.

Available data documents the number of farms and their area according to nationality for the last three decades of the twentieth century. This information shows that non-Uruguayan landowners have generally had little importance both in number (between 4% and 8%) and in land area (between 8% and 10%).

**Legal and institutional background on land tenure**

In order to understand current processes of land purchasing and leasing in Uruguay, we must first look at the changes made to the rules governing land tenure during the 1980s and 1990s. These changes are linked to the broader neoliberal policies of governments in power at that time. The following presents an overview of the three main policy mechanisms that functioned to liberalise and deregulate the land market.

The Forestry Law of 1987 promoted afforestation with species that have commercial and industrial value, and established tax benefits for establishing “high-performing” artificial forests. Forestry companies were given a 12-year exemption on all property taxes, income taxes and production taxes and received per-hectare subsidies covering up to half the cost of establishing a new forest. They were also given tax exemptions on importing raw materials, equipment, machinery, utility vehicles and tools for a period of 15 years.

Under this legislation, pine and eucalyptus forests have grown steadily, reaching one million hectares today.2 While later laws removed these subsidies and tax exemptions, the forest sector continued to grow with resources from private investors.

The Rural Lease Law of 1975 aimed to strengthen rural producers. The law established a minimum of six-year lease periods, with the possibility of extending them for another four years for tenants who are good rent payers. By defining rural lease contracts, the law established a legal framework and timeframe for this type of land deal.

In the 1990s, the provisions concerning minimum lease periods were repealed. This marked a change in the orientation of the law: by permitting shorter-term leases, the land market would become more dynamic, allowing for a more flexible legal framework regarding land use.

Law 13.608/67, on the ownership of rural property, established that agricultural property rights could only be held by individual persons, thus prohibiting ownership by corporations.
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(sociedades anónimas) or other kinds of companies. In 1999, this prohibition on companies was reversed, however, enabling new kinds of land ownership.

Finally, there is one more regulation that had little direct impact on land concentration, but which was important in promoting agro-industrial investments (including in land). Through various economic incentives, the Investment Law (Ley de Inversiones) of 1999 encouraged large-scale investment projects. In recent years, one-third of all investments promoted through this mechanism have been in agro-industry.

Main processes for purchasing and leasing land

This section uses official data to analyse processes of land concentration and “foreignisation” in Uruguay in the first decade of the twenty-first century. First, it is worth briefly reflecting on the underlying causes of these processes. While there are numerous variables, the most important ones for understanding these processes in Uruguay are listed below.

1. The rising global price of agricultural products. Higher levels of consumption in the world’s most populous countries has increased demand for grain, edible oils, dairy and meat, causing an increase in the price of these commodities. As a producer of these goods, and net food exporter, Uruguayan producers have directly benefited from these price increases.

2. The increase in oil prices has had contradictory effects. On the one hand, it has pushed up production costs; on the other it has created demand for biofuels, thus opening a new agricultural market.

3. The depletion of native boreal forests in the northern hemisphere and more stringent regulations in the north on waste management, water pollution, wildlife protection, labour rights, replacement of felled forests, and similar activity have caused forestry, paper and timber companies to move to the southern hemisphere.

4. The Southern Common Market (MERCOSUR) has facilitated the movement of goods and capital among member countries. The higher land prices in the border areas of Argentina and Brazil have led Brazilian and Argentine companies to buy land in Uruguay. The Argentine government’s tax on agricultural exports further contributed to this trend.

5. Over the years, the cost of rural labour in Uruguay has remained very low compared to the cost of non-rural labour.

6. Changes in technology have been an important factor in explaining changes in land tenure: for example, no-till farming, genetically modified seeds, new machinery.

Analysis of land purchases nationwide, 2000–2010

Land purchase agreements

This section analyses land purchases and leases in the first decade of the twenty-first century. Strong changes in property ownership occurred during this period; namely, a process of land concentration and “foreignisation” at a scale unprecedented in Uruguay’s history. This analysis draws on extensive data produced by official sources.3

Land purchases experienced a sharp increase over the course of the decade, peaking in 2007 and decreasing in subsequent years, possibly due to the financial crisis in developed countries, which prompted more cautious investments (Table 1).

The number of land purchases during the period comes to 26,276. While these land deals are not exactly analogous to “number of farms” (since a farm could have been sold whole or in parts,
or sold more than once during the period), the number is nonetheless compelling if one considers that, according to the 2000 Agricultural Census, the country had a total of 57,131 farms.

During the period, a total of 6,425,466 hectares were traded, equivalent to 39 per cent of the country’s total agricultural area (16,419,683 hectares). Nonetheless, MGAP indicates that this figure may be distorted, since the data does not account for lands that were sold more than once. Another way to interpret this data is to look only at the lands that changed hands during the period, independently of the number of times this occurred. Using this measurement, the land area that changed owners at least once between 2000 and 2010 is 5,327,800 hectares, or 32 per cent of the country’s total agricultural area.

This information is confirmed by another source, the National Colonisation Institute (INC 2010), which is required to keep a detailed record of all land sales over 1,000 hectares. While leaving out smaller sales, it has the advantage of documenting land transactions since 1970, making it the longest-running record available.

Figure 1 shows an upward trend in the number of transactions of more than 1,000 hectares over 40 years, with a number of fluctuations that can be explained by social and economic factors. In 1982, for instance, the crisis in the exchange rate and subsequent currency devaluation caused a sharp drop in land transactions. Likewise, the 2002 crisis caused a brief drop, but was followed by a dramatic and sustained increase between 2003 and 2007. Transactions once again dropped in 2008 and 2009 due to the financial crisis, but recovered in 2010.

### Land purchase agreements according to the scale of land

An analysis of land purchases during the same period according to the *scale of the land* gives us a better understanding of the land market dynamics. While 60 per cent of the land purchases were for less than 100 hectares, these deals represented only 9 per cent of the traded land area. Land purchases of over 2,000 hectares represented only 1.6 per cent of the transactions, but involved 25 per cent of the traded land area. 64 per cent of the traded land area was for lots larger than 500 hectares.

It is also worth noting the value of the traded land: US$6.7 billion during the period. As we demonstrate below, the prices varied greatly over time as well as with the quantity and quality of land. Nevertheless, this huge amount of money invariably had an impact on the country’s economy, especially the agricultural sector.
The price of land

The behaviour of land prices over 40 years is shown in Figure 2, constructed with data from the National Institute of Colonisation (INC 2010), recording the prices for transactions involving properties larger than 1,000 hectares.

As the chart demonstrates, land prices increased moderately until the late twentieth century. In the first decade of the twenty-first century, a sharp drop occurred due to the national financial crisis, the spillover from Argentina’s crisis and the devaluation of the Brazilian real in 1999. From 2003 onward, land values climbed dramatically with no sign of falling.

The information generated by MGAP allows us to better understand the recent trend. We notice, for instance, a six-fold increase in the average price of land over 11 years. This increase, however, changes based on the scale of land. For instance, in the 10–20 hectare category, the land value increased by a multiple of 3.8. We find that this multiple increases as the scale of land increases: 4.1 for the 200–500 hectare category; 5.5 for the 500–1,000 hectare category; 7.3 for the 1,000–2,000 hectare category; and 12 for properties larger than 2,000 hectares. This indicates a greater demand for larger-scale land deals. In other words, buyers have been willing to pay a higher unit price when larger land areas were being traded. This says a lot about the buyers: that they have sufficient resources to favour the purchase of large areas in order to avoid having to make many small transactions.

Nationality and legal status of those involved in land transactions

According to information provided by MGAP on the nationality of land sellers and buyers in Uruguay for the period of 2000 to 2009, Uruguayan landowners have lost 1,862,000 hectares...
of land. Brazilian landowners have lost 109,000 hectares, and Argentine landowners, by contrast, have gained 40,000 hectares. These results contrast with the perceptions of people and organisations interviewed for this research, many of whom were certain that a strong trend of "foreignisation" was occurring. According to the data, the situation is much more complex: the lands lost by Uruguayans are gained, not by individuals, but by corporations whose nationality is difficult to identify, although one could assume (by analysing other factors) that many of them are foreign.

Table 2 shows that corporations have gained 95 per cent of the lands lost by individuals, which is to say that the strong trend of land purchasing has been led primarily by corporate buyers.

Table 2. Balance of land area bought and sold according to owner’s legal status, 2000–2009.

<table>
<thead>
<tr>
<th>Legal status</th>
<th>Area (thousands of hectares)</th>
<th>Balance (a) - (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sold (a)</td>
<td>Bought (b)</td>
</tr>
<tr>
<td>Total*</td>
<td>6,089</td>
<td>6,089</td>
</tr>
<tr>
<td>Individual</td>
<td>4,615</td>
<td>2,704</td>
</tr>
<tr>
<td>Corporation</td>
<td>1,249</td>
<td>3,073</td>
</tr>
<tr>
<td>Other companies</td>
<td>167</td>
<td>242</td>
</tr>
<tr>
<td>State</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>43</td>
<td>56</td>
</tr>
</tbody>
</table>

Note: *Total differs from that in Table 1 because the information listed here is available only for 2000 to 2009.
In the absence of official data, the following table gives a general outline of the main companies and/or foreign investors that have bought land in Uruguay. The information was assembled from company websites, news articles and interviews. In some cases, the information may be vague or incomplete because of the general lack of transparency that surrounds these deals (within a highly dynamic land market).

The amount of land held by these companies is 1,068,000 hectares (Table 3). In some cases, this list includes both owned and leased land. For forestry companies, the list may include either the total area owned or only the forested area.

**Producers affected by land purchases**

Over the last half of the twentieth century, the reduction in the number of farmers (from 86,000 to 57,000) is explained by the disappearance primarily of family farmers with fewer than 100 hectares. The available data, however, suggests that land purchases in the first decade of the twenty-first century have affected farmers of all sizes. Table 4 compares land sales of different sizes with information about the number of hectares in production at different scales in 2000. The table shows, for instance, that for farmers with fewer than 200 hectares of land in 2000, 54 per cent of their lands were traded. But in contrast with previous decades, the lands of medium and large-scale farmers were also traded in high proportions. Notably, while farmers with 1,000 to 5,000 hectares sold 27 per cent of the land area they had farmed in 2000, they sold more land overall (34% of total sales) than farmers at any other scale. In sum, there may indeed be a process of land concentration underway, but it is affecting medium and large farmers as well. Consequently, in Uruguay it may be necessary to add a new category beyond that of “large” farmers: that of “very large” farmers.

**Land leasing nationwide**

Land leasing has increased rapidly in recent times, driven by high agricultural commodity prices and facilitated by changes in the laws that affect land leasing, as outlined above.

As shown in Table 5, trends in the number of lease agreements and the area leased behave similarly. They are stable over the first three years, increase in the next three years, and increase strongly in the next three years after that, peaking in 2010 with 15 per cent of all lease agreements (in number and in land area). Demand is reflected by the price paid per hectare, which also peaked in 2010 at an average value of US$128 per hectare.

The total amount of land leased during the period is equivalent to 45 per cent of the country’s total agricultural area. However, it must be noted that lease agreements are often for short periods of time, with leases of one to three years representing 67 per cent of all lease agreements made during the period. It is impossible to determine, based on the information available, the total amount of land leased nationwide at a specific moment in time (for example, in one year), since the records document land deals (which could be for various years) and not the amount of land leased in a given year.5

It is also important to note the amount of money invested in land leases, which ranges from US$11 to US$141 million per year for a total of US$520 million for the period.

In analysing the declared productive uses for leased lands (Table 6), the most common is livestock, followed by agriculture/livestock. This makes sense considering that livestock is the dominant activity in the country, occupying 80 per cent of the national territory. In third place, we find rain-fed agriculture (agricultura de secano) with 18 per cent of lease agreements and 20 per cent of the leased area. However, due to their high value, leases for rain-fed agriculture represent 50 per cent of the total value of leases during the period.
Table 3. Partial survey of foreign capital operating in Uruguayan agriculture.

<table>
<thead>
<tr>
<th>Company</th>
<th>Hectares (has)</th>
<th>Regions</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestal Atlántico Sur (Chilean and Uruguayan capital)</td>
<td>15,000 (forested)</td>
<td>Southeast and Central-Eastern region</td>
<td>Rosario Pou &amp; Asociados 2007</td>
</tr>
<tr>
<td>Forestal Tekoayhu (Investment fund)</td>
<td>50,000</td>
<td>Southeast</td>
<td>Rosario Pou &amp; Asociados 2007</td>
</tr>
<tr>
<td>GMO Renewable Resources (Investment fund administrator)</td>
<td>25,000 (forested)</td>
<td>Rivera, Tacuarembó and Cerro Largo</td>
<td>Rosario Pou &amp; Asociados 2007</td>
</tr>
<tr>
<td>Grupo Forestal (Chilean capital)</td>
<td>16,000 (forested)</td>
<td>Lavalleja, Maldonado, Rocha, Florida</td>
<td>Rosario Pou &amp; Asociados 2007</td>
</tr>
<tr>
<td>RMK Timberland Group (US and European investment fund)</td>
<td>40,000 (of which 20,000 forested)</td>
<td>Lavalleja, Florida. Cero Largo, Treinta y Tres, Durazno</td>
<td>Rosario Pou &amp; Asociados 2007</td>
</tr>
<tr>
<td>Weyerhauser S.A., Colonvade S.A., Los Piques (US capital)</td>
<td>140,000</td>
<td>Rivera, Tacuarembó Cerro Largo, Treinta y Tres</td>
<td>Company website: <a href="http://www.eyerhaeuier.com">http://www.eyerhaeuier.com</a> accessed 15 October 2010</td>
</tr>
<tr>
<td>Montes del Plata (joint venture between the Chilean company Arauco and the Finnish-Swedish company Stora-Enso)</td>
<td>234,000 (of which 126,000 forested)</td>
<td>Durazno, Flores, Río Negro, Soriano, Paysandú, Rivera, Tacuarembó</td>
<td>Company website: <a href="http://www">http://www</a>. montesdelplata.com.uy (accessed 16 October 2010)</td>
</tr>
<tr>
<td>Ernesto Correa* (Brazilian capital)</td>
<td>100,000</td>
<td>Tacuarembó and Cerro Largo</td>
<td>El País (Uruguayan newspaper) <a href="http://www">http://www</a>. elpais.com.uy (accessed 31 August 2010)</td>
</tr>
<tr>
<td>Calyx Agro (Argentinian capital and Louis Dreyfus Commodities)</td>
<td>5,000 (rain-fed agriculture)</td>
<td>?</td>
<td>Author interviews</td>
</tr>
<tr>
<td>Ceres Tolva Group (Argentinian capital)</td>
<td>6,000 (rain-fed agriculture)</td>
<td>?</td>
<td>Author interviews</td>
</tr>
</tbody>
</table>

Source: Constructed by the author (data sources cited in table).
Note: *Ernesto Correa is a Brazilian businessman and one of the few foreigners known (verifiably) to own land in the country. In 2002, Correa invested US$7 million in the meat processing company Frigorífico PUL, acquiring 75 per cent control of its shares (El País, 27 April 2010).
Table 4. Land sales according to farm size (in thousands of hectares).

<table>
<thead>
<tr>
<th>Farm size</th>
<th>(a) Area in production in year 2000</th>
<th>(b) Area sold from 2000 to 2008a (% in brackets)</th>
<th>Proportion (b)/(a) x100 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>200 hectares or less</td>
<td>1,766</td>
<td>948 (16)</td>
<td>54</td>
</tr>
<tr>
<td>201–500 ha</td>
<td>2,163</td>
<td>1,069 (19)</td>
<td>49</td>
</tr>
<tr>
<td>501–1,000 ha</td>
<td>2,726</td>
<td>1,285 (22)</td>
<td>47</td>
</tr>
<tr>
<td>1,001–5,000 ha</td>
<td>7,278</td>
<td>1,949 (34)</td>
<td>27</td>
</tr>
<tr>
<td>More than 5,000 ha</td>
<td>2,421</td>
<td>514 (9)</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>16,354</td>
<td>5,766 (100)</td>
<td></td>
</tr>
</tbody>
</table>

Note: *Information in column (b) concerns the area of land sold, but the same property may have been sold more than once during the period 2000–2008. See Table 1.

Table 5. Lease agreements, area leased and land value, 2000–2010.

<table>
<thead>
<tr>
<th>Lease agreements</th>
<th>Area leased</th>
<th>Value (price paid)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands of US$)</td>
<td>%</td>
</tr>
<tr>
<td>Year</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>2000</td>
<td>1,131</td>
<td>6</td>
</tr>
<tr>
<td>2001</td>
<td>1,166</td>
<td>6</td>
</tr>
<tr>
<td>2002</td>
<td>1,287</td>
<td>6</td>
</tr>
<tr>
<td>2003</td>
<td>1,440</td>
<td>7</td>
</tr>
<tr>
<td>2004</td>
<td>1,577</td>
<td>8</td>
</tr>
<tr>
<td>2005</td>
<td>1,423</td>
<td>8</td>
</tr>
<tr>
<td>2006</td>
<td>1,547</td>
<td>8</td>
</tr>
<tr>
<td>2007</td>
<td>2,222</td>
<td>11</td>
</tr>
<tr>
<td>2008</td>
<td>2,820</td>
<td>14</td>
</tr>
<tr>
<td>2009</td>
<td>2,091</td>
<td>11</td>
</tr>
<tr>
<td>2010</td>
<td>3,125</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>19,829</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Constructed by the author with data from MGAP-DIEA (2011).

The amount paid per hectare is telling. The high price paid for lands dedicated to rain-fed agriculture indicates that these lands are likely used to grow soybeans and wheat or possibly corn and sunflowers. Only the high global price for these crops could justify such high rents. These crops are also associated with the country’s best lands. In the case of livestock, lower rents (US$33/ha) are linked to the lower profitability of livestock, but also to the lower quality and poor accessibility of these lands.

The rising value of land leases for rice cultivation (US$129/ha) has had a smaller impact on producers, since it was accompanied by an increase in the global price of rice (and since 90% of rice production in Uruguay is sold on the international market). In the case of dairy production, most producers lease land in order to expand the area they already own. While they generally pay lower rents (US$105/ha), they have been negatively affected by rising land values driven by agriculture (which occupies the same ecological areas), thus displacing many smaller dairy producers.

Finally, lease agreements for forestry are an interesting phenomenon. While currently occupying 72,000 hectares, they are anticipated to increase as a result of recent modifications to the Lease Law that extend the maximum lease period from 15 to 30 years for forestry.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Number of lease agreements</th>
<th>Total (hectares)</th>
<th>Average (hectares)</th>
<th>Total (thousands of US$)</th>
<th>Average (US$/ha/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livestock</td>
<td>3,094</td>
<td>1,538,138</td>
<td>497</td>
<td>51,434</td>
<td>33</td>
</tr>
<tr>
<td>Rain-fed agriculture</td>
<td>1,292</td>
<td>571,877</td>
<td>442</td>
<td>129,590</td>
<td>227</td>
</tr>
<tr>
<td>Rice</td>
<td>358</td>
<td>125,346</td>
<td>350</td>
<td>16,136</td>
<td>129</td>
</tr>
<tr>
<td>Dairy</td>
<td>333</td>
<td>41,329</td>
<td>124</td>
<td>4,326</td>
<td>105</td>
</tr>
<tr>
<td>Forest</td>
<td>111</td>
<td>72,325</td>
<td>651</td>
<td>7,584</td>
<td>105</td>
</tr>
<tr>
<td>Agriculture/livestock</td>
<td>1,538</td>
<td>393,911</td>
<td>256</td>
<td>41,324</td>
<td>105</td>
</tr>
<tr>
<td>Agriculture/dairy</td>
<td>53</td>
<td>4,284</td>
<td>81</td>
<td>602</td>
<td>141</td>
</tr>
<tr>
<td>Other/information not available</td>
<td>319</td>
<td>140,162</td>
<td>439</td>
<td>10,509</td>
<td>75</td>
</tr>
<tr>
<td>Total</td>
<td>7,098</td>
<td>2,887,372</td>
<td>407</td>
<td>261,505</td>
<td>91</td>
</tr>
</tbody>
</table>


The perception of social and political actors of changes in land tenure

This section presents the views of social actors that are linked to agriculture in various ways. Out of the many organisations interviewed, a few are highlighted here: the major political parties, the major agricultural unions and industry associations, and the National Confederation of Trade Unions. Data was collected from author interviews and media articles.

The views of agricultural unions on the phenomenon of land concentration and “foreignisation”

The Rural Association of Uruguay

Created in 1871, the Rural Association of Uruguay (Asociación Rural del Uruguay) is an industry group that promotes the interests of the agribusiness sector. It is dominated by large cattle ranchers and breeders (cabañeros).

This group is generally in favour of the current changes that are occurring in the agrarian structure. The association is a strong advocate of free markets and thus does not support establishing restrictions on the free movement of capital. While not entirely against state involvement in the regulation of the land market, it is sceptical of any restrictions that could inhibit or discourage foreign investment in the country. The association considers foreign investment to be a determining factor in the growth of the agribusiness sector, and therefore believes it is necessary to have a clear and secure set of rules for those investing in Uruguayan land.

From the perspective of this group, the state should be assertive in protecting private property and in defending national sovereignty, but not in establishing any regulations that discriminate against foreign investors.

It believes that excessive regulation can end up jeopardising private property rights. This includes the recent legislative changes that have liberalised the land market, as in the case of the Lease Law that allows for shorter lease periods, a law seen as having enabled the current agricultural boom. Nonetheless, the president of the association opposed the law on behalf of the corporate sector, arguing that it could function to discourage foreign investment and discriminate against foreign investors.
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The Rural Federation of Uruguay

Medium and large-scale ranchers and rural companies are organised under the Rural Federation of Uruguay (Federación Rural del Uruguay or FRU), which was founded in 1915. The organisation occasionally has contradictory areas of interest that generate internal differences in their positions.

The federation can be understood as holding a moderate position. From the FRU’s perspective, foreign investments in agriculture have had contradictory effects, tending to undermine their vision of rural development. Miguel Bidegain, president of the FRU, commented:

On one hand we are worried about the rapid implementation of crop rotations in soybeans and rice and laws prohibiting monocultures, and on the other hand, laws promoting a strong livestock sector. As a small country, Uruguay has to support value added production; it has to bet on excellence and on promoting nature. (Author interview, September 2010)

Regarding the role of the state, Bidegain said he would not oppose laws designed to regulate land ownership and halt the process of land concentration. However, his position is in no way based on an argument about the social productivity of the land, but rather stems from the point of view that land concentration has displaced cattle ranching as the country’s most important economic activity and reduced profit margins in this sector.

The National Commission on Rural Development

The National Commission on Rural Development (Comisión Nacional de Fomento Rural or CNFR), founded in 1915, includes hundreds of rural enterprises and cooperatives and represents Uruguayan family farmers. The organisation makes the claim that family-based farming is the driver of rural development. Its political demands seek to revalue and defend family farming, placing it at the centre of rural development policies.

This organisation is critical of the process of land concentration and “foreignisation”, arguing that this problem is at the heart of the debate over the country’s development:

What kind of productive model do we want for this country? A large, exclusivist, corporate (and often foreign) model? Or a model based on family farming that promotes demographic balance, job creation and higher productivity per unit of land area; that is respectful of natural resources and food sovereignty? (CNFR, 2008)

Regarding the role of the state, the organisation believes it is urgent to enact legislation to stop the process of land concentration and “foreignisation” driven by the expansion of large-scale agriculture and forestry, which is responsible for displacing family farmers. They consider it essential to create legal mechanisms to prevent corporations from buying land and to establish regulations that guarantee the protection of land.

The National Confederation of Trade Unions

The National Confederation of Trade Unions (PIT-CNT) includes all of the country’s unionised workers and has a strong political influence. While the organisation is primarily oriented towards urban workers, rural unions also participate in the organisation. The organisation is critical of the process of land concentration and “foreignisation”, in the context of a development model that they oppose. They put forward the need for agrarian reform as a vehicle for agricultural development that sustains family farmers and rural workers.

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Hebert Figuerola, a leader in PIT-CNT, commented that: “Our concern with land concentration is linked to a broad concern about the country’s development policies. In this context, we believe that agrarian reform is fundamental” (Author interview, September 2010). From Figuerola’s point of view, agrarian reform must be an integrated policy that applies across value chains and reclaims spaces captured by multinational companies.

The organisation believes it is necessary to enact laws that limit land acquisitions by foreigners and that restrict the control of multinational capital over value chains. These trends are seen as threats to national sovereignty and sustainable development. The organisation sees the state as having a central role in revitalising the National Colonisation Institute as a tool for promoting agrarian reform and stopping the process of land concentration that threatens their bases. While the organisation is radically opposed to land concentration and “foreignisation” in its declarations, it has not been able to effect policies in support of its demands.

The views of political parties on changes in land ownership
The Frente Amplio: between the party and the government

The land issue has historically been a rallying cry of the Uruguayan Left. And although processes of land concentration have been part of current political debates, the Left’s positions are far from unified and have strong dissenting voices.

For Senator Ernesto Agazzi, the central issue is not property size, but how the land is used:

There are very successful small farms and there are large farms that are merely latifundista [control vast tracts of land]; there are also disastrous small farms and large farms that aren’t latifundios […] The goal of public policy is to encourage the private sector to create as many jobs and as much wealth as possible in a sustainable way. That’s why we can’t just see agrarian reform from the point of view of property size. (La República, 22 December 2007)

When the Frente Amplio (FA) party was in power (2005–2009), it proposed a law prohibiting foreign ownership of land in border areas, citing biosafety concerns in livestock. A number of critical voices emerged from certain factions of the FA, arguing that this violated the equal treatment of investors guaranteed under the Investment Law. The recent comments of Senator Agazzi fall in the same camp. He stated:

Investments are not good or bad because they are foreign or national. Some national investors bankrupt their companies. And there are foreign investments we don’t want because they’re merely speculative. The main concern is for all investments to serve the development of the country and the needs of its people. (La República, 11 December 2007)

Within the spectrum of opinions on the topic of foreign land ownership, the FA can be seen as moderate. Its primary concern is not who the landowners are, but rather what they do with the land. They understand land as a public good and insist that agricultural investments should be sustainable and promote the country’s productive development.

The Colorado Party: discourse of the opposition

The opposition Colorado Party views land concentration favourably, as an opportunity to increase profitability in agriculture. It views this process as driven by: the greater efficiency of economies of scale; the low profitability of smallholder production because of technological advances and
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The cheapness of land; and the identification of land as a secure investment in a context of global financial instability.

The Colorado Party understands the process of land “foreignisation” as part of a historical process, and also as the outcome of a globalised economy. Its discourse is uncritical vis-à-vis foreign investment in the land market, since it interprets investments as increasing agricultural profitability through greater insertion in the global economy. Nonetheless, it believes that the state should intervene to prevent “abuses of power” and to create an equal playing field for Uruguayan and foreign investors (Author interview with Senator Pedro Bordaberry, September 2010).

The party views corporations, both foreign and national, as the necessary vehicle for channeling investments. Therefore, the liberalisation of the land market is seen favourably within the country’s agricultural development. The party opposes changes to the Corporations Law (Ley de Sociedades Anónimas) that would establish a system of identification for landowners.

The National Party: discourse from the opposition

Senator Luis A. Lacalle,⁶ from the National Party, is in favour of the foreign ownership of land. Lacalle argues that liberalisation has generated higher returns in agriculture and increased investments by positioning Uruguayan lands as an attractive investment opportunity. He comments:

We are not against foreign ownership; we are all children of immigrants. We know that nobody can take the land away; those who come in to invest in land bring investments, jobs and foreign exchange. (El Observador, 10 August 2009)

This argument identifies the “foreignisation” of land as a constitutive process in the country’s history, identifying foreign investment and entrepreneurialism as the main engines of the country’s development. Lacalle observes:

I think there’s been a significant change in the ownership of agricultural land. Those who come from the business world into the countryside immediately become producers who are much more progressive and entrepreneurial. Sometimes we call any rural landowner a “rural entrepreneur” even though they lack the true profit motive that defines an entrepreneur. (Author interview, September 2010)

Lacalle views foreign investment and changes in land ownership as factors contributing to the development of industrial agriculture. His party opposes any policy that would discriminate based on the origin of capital, especially for investments that advance the consolidation of the industrial model.

Another argument the party puts forward is that foreign investments have led to an increase in land values. Thus, it maintains that investments in land have generated foreign exchange and helped the country pay off its debts. They are against any modification of the Corporations Law that would require corporations to register their capital stock.

Conclusions and final reflections

The wealth of available information on land purchases and leases between 2000 and 2010 illustrates an unprecedented phenomenon in Uruguay’s agrarian history.

Between 2000 and 2010, 26,276 land purchases were made, representing 6,425,466 hectares, equivalent to 39 per cent of the country’s agricultural area. As discussed in detail above, the same piece of land may have been sold or leased more than once during the period. However, it is
possible to confirm that at least 32 per cent of the land was sold at least once. Over the course of the decade, land leases numbered 19,819, covering 7,283,664 hectares or 45 per cent of the country's agricultural land. 60 per cent of the lease agreements were for periods of one to three years. The available data does not permit us to determine repeated lease agreements.

In the first decade of the twenty-first century, land values increased six-fold. In 2000, prices tended to decrease for larger landholdings, possibly due to the fact that smaller farms had better soils or better locations. The lower value of large farms indicates that they may have been of lower quality, dedicated primarily to livestock, or located in remote access with poor access to communications infrastructure. Thus, the quality and location of the lands generated differential rents.

However, when looking at land values in subsequent years (beginning in 2003) the trend is reversed: the larger the size of the land area sold, the higher the price per unit of land. Consequently, while average land values increased six-fold from 2000 to 2010, for small landholdings they increased four-fold, and for large landholdings (of more than 2,000 hectares) they increased up to twelve-fold.

What explains this change in the relationship between price and scale of land? One could advance at least two hypotheses. The first is that the larger transactions (in both land area and price) are concentrated in forested lands. Therefore, the value of these lands responds to the demand from companies in the forestry sector. The second is that, in some cases, the land holds value for investors (that is, as investment funds\(^7\)), independent of their capacity to generate productive income. In both cases, buyers would prefer to purchase large tracts of land, in order to quickly consolidate control of a large area, rather than make multiple smaller purchases.

What can be said, then, about the process of land concentration? This article has raised a number of issues pointing to a dramatic process of land concentration that has affected farmers of all sizes. Without a doubt there have been land purchases greater than 1,000 hectares, but there is no official record that these deals were made by foreign governments or foreign companies. We know, however, that they have been made primarily by corporations, as well as private investors, investment funds, pension funds and agribusiness firms.

The concentration of land not only occurs through land purchases but also through lease agreements (and other forms of ownership) and frequently through a combination of purchase and lease. This occurs primarily on land used for rain-fed agriculture (soy, wheat, corn, sorghum, sunflower). This has been the strategy of Argentine companies, for instance, and probably emulated by others: buying a tract of land; establishing a base of operations and machinery on that land; and leasing surrounding lands on which to expand production. This strategy reduces the capital investment in land, but insures control of a large area. For very large companies, this strategy can be repeated in various regions throughout the country in order to lower the risk of climate-related losses.

Rain-fed agriculture has been the driving force behind leasing. Lands leased for the purpose of rain-fed agriculture represent only 20 per cent of the area leased but 50 per cent of the value of lease transactions. Interviews suggest that this trend is associated with a change in land use, although it is difficult to tell to what extent. Large landowners (estancieros) engaged in agriculture and ranching on the western coast, where the best agricultural lands are located, have been leasing their lands to Argentine investors. The latter bring with them a technology package that had previously not been used in Uruguay. In turn, the Uruguayan landowners lease lower-priced lands in the far north-east (the so-called basalt zone) where they relocate their cattle. The difference between the average value of land used for livestock (US$33/hectare) and rain-fed agriculture (US$227/hectare) provides a wide profit margin, allowing landowners to profit from both ends. It is possible that a similar dynamic has taken place in the case of land purchases.
To sum up, there have been a number of processes over the last 15 years that have increased the profitability of commercial agriculture in the country. Unlike Argentina, Uruguay did not establish a tax on exports nor on production. Thus land values have increased and landowners have benefited. Regional and global economic instability may also have attracted capital investments in Uruguayan land and land hoarding to obtain higher profits.

We now turn to the question: has there been a “foreignisation” of land in Uruguay? While it is difficult to arrive at a conclusive answer, evidence suggests that there may also be an increasing occurrence of foreign land acquisitions (purchases and leases).

Information collected from different sources confirms that at least 1 million hectares are in the hands of a dozen foreign companies. The two largest landowners in Uruguay today are in the forestry sector. The first is a joint venture between the Finnish-Swedish company Stora Enso and the Chilean company Arauco, with 234,000 hectares. The second is the Finnish company UPM-Kymmene, with 200,000 hectares. As mentioned above, Uruguayan landowners lost a total of 1,800,000 hectares in the balance between land purchases and sales over the course of the decade. This land has been taken over by corporations, though it is impossible to confirm where their capital originates. It is highly probable that a large number of them are foreign. In any case, the verifiable fact that 1 million hectares of Uruguayan land are now in the hands of a dozen foreign companies is a major change in the country’s agrarian history.

So, has “land grabbing” occurred in Uruguay over the last decade? The answer depends on how one interprets the information presented in this article. Some of the conditions of our initial definition of a land grab were indeed met: there have been numerous land acquisitions of over 1,000 hectares and we know that in many cases the buyers were foreign. But while a portion of the land acquisitions was used for food production (grain, meat, dairy), a large number have been for the production of pulpwood. Moreover, the process has not met the condition of the participation of a foreign government.

It may be necessary to conclude that our initial definition of land grabbing is too restrictive, failing to account for the profound changes taking place in the Uruguayan countryside. Even though foreign governments did not participate directly, land acquisitions have nevertheless had a profound effect on the country’s agrarian structure. The main buyers have been multinational companies, investment funds (with thousands of unnamed shareholders), and agro-food companies (like Louis Dreyfus), as well as Argentine, Brazilian and even Uruguayan companies. They have acquired enormous land areas, making it now very common to see landholdings of over 10,000 hectares, an amount of land previously owned by very few companies. Moreover, purchasing land is not the only way to gain control over large areas. It is becoming increasingly common for companies to lease (or enter into other kinds of contracts), which gives them control over the land without having to invest large amounts of capital. There is thus a split between the landowner and the landlord: they are no longer the same person. This division has always existed of course, but now it has reached a new magnitude.

While this article has focused on land grabbing, it is difficult to delink this phenomenon from parallel processes that contribute to the consolidation of ownership and control over the production of food and fibre. Four of these processes will be addressed briefly here. The first is the shift from agricultural companies with sole proprietorship and/or family-based companies with roots in the land to “networked companies” (empresas en red; Arbeleche and Carballo 2007; Errea et al. 2011) and corporations. Networked companies are companies that are connected to one another to carry out production. One company acts as the central node, with control of key elements of the productive process. This form of organisation avoids freezing capital in the land (because it is leased), in machinery (because it is rented), or in silos or other storage systems (also rented). They also do not need to come up with all
of the capital, since it comes from trusts or other financial instruments. The main advantages of this type of networked business model are the tremendous flexibility to adapt to changing market conditions and futures markets, and to reduce the risks inherent in the production process.

The second type of company to emerge in the Uruguayan countryside is the large transnational corporation that invests in both land and agro-industrial processes. They are few, but very large, with investments in forestry, pulpwood, dairy, intensive beef production (feedlots) and meat processing. The emergence of these new types of business organisation are linked to the ownership of large tracts of land, making them both the cause and consequence of land grabbing, a link that requires further research.

The second process, which relates to the first, is the growing investment of foreign capital in processing activities throughout the value chain. In some cases value chains are global, but in others they develop within the country and are subsequently linked into global value chains (Bisang, Anlló, and Campi 2008). It is estimated that one-third of all foreign investments in Uruguay in 2008 were in the agro-food sector (Salgado et al. 2009), with investments in new processing plants and equipment as well as existing facilities owned by national capital. For example, Brazilian capital now controls much of the rice industry and meat processing plants. Companies have also invested in certain activities in the value chain. The best example is forestry: forestry companies, today the largest landowners, argue that in order to feed their pulp mills, they need large volumes of timber, for which they must control large amounts of land and forest. Land grabbing is thus linked to investments in agro-industry.

The third issue is the debate over employment and jobs created by the companies responsible for grabbing land. This is an important political issue because “job creation” is one of the primary justifications used for granting tax exemptions to foreign direct investment (FDI). First, it is important to remember that, in general, the grabbed lands were previously used for livestock, which only requires one worker per 300 hectares. Second, there is very little information about this issue. The Social Security Bank tracks the number of employees claimed by companies, but these numbers are notoriously under-reported. Nonetheless, the number of registered rural wage labourers has almost doubled in the last decade (Bruno 2008; Tommasino and Bruno 2010). But this cannot be solely attributed to new investments in agro-industrial value chains. The reasons are many and exceed the scope of this study. Better statistics and more research are needed before making any firm conclusions about land grabbing and rural employment.

The fourth and last point is the link between land ownership and political power. The history of Latin America (and Uruguay is no exception) shows that there has always been a close correlation between these two variables. Therefore, although land grabbing in this early stage appears to be largely driven by foreign capital, the question is: how long before this process translates into a change in power relations? For example, some companies have filed constitutional motions to nullify the recently-enacted Tax on the Concentration of Rural Properties (ICIR). It is possible that in the future, the interventions of these economic actors will have an impact on the political system. This issue also requires further research.

How has Uruguayan society reacted to these changes in land ownership? It is striking to note the low level of concern and lack of opposition to this social, economic and political phenomenon. There are a few reasons for this. First, we cannot forget that Uruguay is the most urbanised country in Latin America, with only 9 per cent of the population living in the countryside. For most Uruguayans, rural problems are a distant concern.

Second, we should recall the brutal effects of the 2002 economic crisis, which had a major impact on agriculture. The crisis—magnified by the 1999 Brazilian currency devaluation and the 2001 Argentine economic collapse—affected the entire society.
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Agribusiness leaders were heavily indebted to the banks and some companies went bankrupt. The recovery of agricultural prices and profitability since that time has allowed many producers to settle their debts by selling all or part of their lands, which had increased tremendously in value (see Figure 2).

Third, the process of land concentration and “foreignisation” has greatly affected family farmers. Many sold or leased their land, while others continue farming in a more competitive environment. But the average family farmer is 55 years old with an average farm size of 150 hectares. By selling his land, he could make half a million dollars and retire early. Alternatively, he could lease the land and earn an annual income that allows him to live quite comfortably. None of these producers would complain about land values going up as they did.

Fourth, we should remember the political context in which changes in land ownership occur. Since the end of the dictatorship in 1985, the Frente Amplio (FA) party has grown with each successive election. In 2005, FA won the presidency with 51 per cent of the vote in the first round. The FA once again won the presidency in 2010. While the process had already begun when the party first took power, the biggest changes in land ownership occurred during the first FA term in office.

Changes in land ownership have sparked debate within the FA party. Notably, the 7 per cent growth in the agricultural GDP in recent years has contributed to tax collection, export promotion, income and employment. The government fears that any restrictions on investment (even foreign investment) could slow economic growth and jeopardise those in power.

Despite these difficulties, the FA government has proposed two laws to curb the process of land concentration and “foreignisation”. The first argues that in order to preserve the agronomic value of the land, it is necessary to know who is using it. Therefore, it proposes a modification in the Corporations Law, requiring corporations to register all capital stock as registered shares (acciones nominativas). Second, the president proposed the Tax on the Concentration of Rural Properties (ICIR) in order to discourage ownership of large tracts of land. The law passed by a narrow margin with dissenting votes from every member of the opposition. The law applies a tax of US$5 per hectare per year to properties larger than 2,000 hectares, and US$16 per hectare per year to properties larger than 10,000 hectares. The proceeds will fund the reconstruction of rural road networks and provide resources for the National Colonisation Institute to purchase lands for redistribution to the landless.

Within the traditional parties (Colorado Party and National Party), there is no criticism of current agrarian changes. These parties are linked to agribusiness and have rallied in support of the revitalisation of agriculture. Despite land concentration and “foreignisation”, they argue that capital investments in agriculture are necessary to increase productivity, income, exports, and tax revenues.

In the agricultural unions, opinions are closely related to the type of producer they represent. Large farmers’ associations accept and even emphatically defend changes in land ownership. Unions representing family farmers are vehemently opposed to land concentration and “foreignisation”, processes that directly threaten their constituents (even though increased land values have, for some family farmers, meant the ability to sell their land and get out of debt).

The National Confederation of Trade Unions (PIT-CNT) has publicly voiced concerns about changes in land ownership. Agrarian reform and nationalisation of agribusiness are two of the organisation’s core principles. However, as a union that primarily represents public employees and industrial workers, agriculture is not a central priority. Moreover, the recovery of the agricultural sector – despite processes of land concentration and “foreignisation” – has increased government revenue and stimulated government welfare programmes, thus lowering poverty and unemployment rates. Consequently, its approach to this issue has been cautious.
Acknowledgement
Victoria Menéndez contributed research and helped conduct interviews.

Biographical note
Diego E. Piñeiro is a professor of rural sociology at the University of the Republic (Universidad de la República) in Uruguay. The author of numerous books, chapters and academic articles, he has been President of the Latin American Rural Sociology Association and Dean of the Faculty of Social Sciences (2007–2010) at his university. He holds a PhD in sociology from the University of Rio Grande do Sul (Brazil).

Notes
1. Original Spanish text of this article was translated by Tanya Kerssen.
2. Uruguay has a total of 16 million hectares of agricultural land.
3. In 2006 the Ministry of Livestock, Agriculture and Fisheries (MGAP) reached an agreement with the Office of the Ministry of Education and Culture, through which the latter would provide all of the property registration information for rural real estate from 2000 to the present. With this information, MGAP regularly publishes information on land purchases and leases according to different sets of variables.
4. Uruguay’s agricultural GDP reached a record US$2.93 billion in 2008, representing 9.1 per cent of the economy according to the 2009 Yearbook (Anuario 2009) of the MGAP’s Office of Agricultural Planning and Policy (MGAP 2009). This means that the total value of land purchases from 2000 to 2010 is equivalent to twice the annual agricultural GDP, without even considering the value of lease agreements.
5. Assuming a proportional distribution of the lease periods, it can be estimated that approximately 1.5 million hectares are leased in a given year.
7. In the interview with Senator Agazzi, for instance, he mentions that the fund of the New York Firefighters purchased property in the north of the country.
8. In late 2011, a Tax on the Concentration of Rural Properties (Impuesto a la Concentración de los Inmuebles Rurales or ICIR) was introduced. However, the amounts (between US$8 and US$16/ha/year) have not been sufficient to affect land prices, which continued to rise in 2011.
10. The unemployment rate is currently at 6 per cent, the lowest it has been in 50 years.

References
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Land concentration and foreign land ownership in Argentina in the context of global land grabbing

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ABSTRACT This analysis of the role and dynamic of land concentration and foreign land ownership in Argentina describes the scale of concentration in the agricultural sector, focusing on large domestic firms, foreign companies and capital, and the possible presence of land grabbing. The examination of large units shows the different forms that access to land may take, the importance of factors other than the size of farm properties and the diversity found among these companies. Our examination of the various characteristics of land grabbing indicates what effects these processes may have both on family farms and on the global food supply.

RÉSUMÉ Cette étude de la dynamique de concentration des terres et de la propriété foncière étrangère en Argentine décrit l’ampleur de ces tendances dans le secteur agricole en mettant l’accent sur le rôle des grandes firmes nationales, sur celui des firmes et des capitaux étrangers, ainsi que sur la présence possible d’un phénomène d’accaparements des terres. L’analyse des grands holdings met en lumière les formes variées de l’accès à la terre, l’importance de facteurs autres que la taille des exploitations agricoles ainsi que la diversité des sociétés impliquées dans les changements agricoles en cours. Après examen de la diversité des formes d’accaparements des terres, l’article s’interroge sur les conséquences des dynamiques d’accaparement pour les exploitations familiales et pour l’approvisionnement mondial en produits alimentaires.

Keywords: land grabbing; land concentration; “foreignisation”; “pools”; soybean

Introduction

This study analyses the role and dynamic of land concentration and foreign land ownership in Argentina. This phenomenon is of special importance to those interested in the agriculture sector, both to further our understanding of the current extent of large land holdings and to explore the consequences of this for family farms with small and medium-sized holdings, which represent 75 per cent of all farms in Argentina (Obschatko 2010).

In recent years, concern over this trend has been expressed in the concept of “land grabbing.” The FAO 2010 study in Latin America and the Caribbean, of which an earlier version of this article was part, employed a strict definition of land grabbing: namely, large-scale land deals by governments who act as buyers and sellers in order to produce basic staples. In this study, we look into businesses engaged in large-scale farming in the context of a high degree of land concentration and “foreignisation”. Although we do not detect any realised practices of land grabbing based on the definition employed by FAO, we identify negotiations that highlight the...