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## **PRESS RELEASE**

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### **Land Grabbing – Chance or curse for Eastern Europe’s agriculture**

**Halle (Saale), 02 July 2012 – Agriculture in Eastern Europe and the former Soviet Union underwent significant economic policy reforms and restructuring processes in the past 20 years. The extreme extension of arable land in the Soviet Union, was followed by the abandonment of more than 25 million ha of land after the collapse of socialism in 1990. Eastern European agriculture is still characterised by large farms and by an increasing number of agro-holdings. In Russia for instance, about 30 such mega-farms are managing ca. 6.7 million ha while the 15 largest agro-holdings in the Ukraine are cultivating ca. 3 million ha.**

This year’s IAMO Forum from 20 to 22 June 2012 in Halle (Saale) was titled ‘Land Use in Transition: Potentials and Solutions between Abandonment and Land Grabbing’. On three conference days, renowned academics and decision-makers from politics and economy discussed developments in land use and sustainable food production in transition economies in Eastern Europe, the former Soviet Union and East Asia. ‘The 10th IAMO Forum enjoyed a tremendous response with almost 180 attendees in four plenary sessions and 20 parallel meetings. Exciting research findings and future-oriented prospects were presented and showed that the ‘Land Grabbing’ issue will remain at the focus of academia, politics and economics in the next years’, said *Alfons Balmann*, Director at the Leibniz Institute for Agricultural Development in Central and Eastern Europe (IAMO). *Balmann* added: ‘The growing knowledge intensity in modern agriculture with enormous financing demands and associated high requirements to labour qualification have and will have high priority for successful agricultural development, notably in Russia, the Ukraine and Kazakhstan. Establishment of agro-holdings is reflecting previous deficits in terms of these requirements. Sustainable future success will depend on whether entrepreneurial efficiency, demands by the value chain, local conditions and environmental impacts will be properly handled.’

## Research demand in agriculture

Forum Day 1 was opened with a thematic introduction by *Alfons Balmann*, followed by a plenary session on ‘Land Use Transitions’. *Peter Verburg*, Head of the Department ‘Spatial Analysis and Decision Support’ at the Interdisciplinary Research Institute for Environmental Studies, VU University Amsterdam, pointed out that not only dramatic but also subtle and gradual changes in land use had a decisive impact on food production and global environmental changes. *Verburg* criticized that research and politics almost exclusively concentrated on large-scale changes and drew generalised conclusions based on global analyses without or hardly any reference to local contexts. However, land-use decisions and policy measures are made in coordination with local land users, natural site conditions and socio-economic environs. *Verburg* opined that agricultural development requires advanced collaboration of various academic disciplines and restructuring in disciplinary organisation of academia and incentive initiatives.

*Helmut Haberl*, Institute of Social Ecology, Alpen-Adria-Universität Klagenfurt, discussed key aspects to be considered in sustainable bioenergy production. He pointed out that ongoing climate change and finite availability of fossil energies, particularly mineral oil, made transition to more sustainable and climate-friendly energy systems inevitable. Intensification of biomass usage to generate energy, as substitute of fossil fuels, has considerable potentials but also triggers a marked increase in land consumption and thus large-scale changes in cultivated landscapes. *Haberl* stated that, albeit biomass use could make a contribution to the change from fossil-based to more sustainable energy systems, the potentials are much smaller and in various aspects more problematic for the environment than assumed to date. Achievement of highest possible efficiency from biomass in the form of cascading use and prevention of negative environmental impacts requires spatially explicit analyses and a better understanding of the interaction of food and bioenergy production. *Haberl* suggested that EU bioenergy incentives policies should be designed in such a manner that bioenergy use will actually save greenhouse gas emissions.

## Political clarity for stability in land use

Processes of changes in land uses were discussed on Day 2 of the IAMO Forum. *Johann Swinnen*, Director LICOS and Professor of Development Economics at Catholic University Leuven, detailed differences and problems in Europe agriculture resulting from restructuring of agriculture in recent years. Large differences in land reforms and land values were notably observed in the new European Union member states. Land acquisition by foreign investors was severely restricted in these countries after their accession to the EU. Transitional regulations (which will soon lapse, except in Poland) were in place in the new member states where land acquisition by foreigners should be permitted under EU internal market legislation. But there are no restrictions for land use and lease by foreign investors. Percentages of leased land vary grossly and reflect the existing farm structures in the different countries, in Slovakia and the Czech Republic more than 90 per cent and in Poland about 30 per cent. According to *Swinnen*, restrictions in land exchange have a negative influence on the development. Land ownership laws impact both efficiency and justice. Increases in foreign direct investments mostly have positive consequences for receiving countries due to capital and technology influx. *Swinnen* recommends a full liberalisation of land markets in the new EU member states.

Subsequently, *Grigory Ioffe*, Professor of Geography, Radford University, presented reasons for large-scale land abandonment in the Russian agricultural sector. The Russian government had vigorously pursued extension of farmland for many decades. Land use in Russia was stepped up from 52 million ha in 1922 to 126 million ha in 1976, even in regions with unfavourable conditions for agriculture. Withdrawal of the government support after 1990 brought about a dramatic collapse in agricultural production and livestock levels in Russia. At least 20 million ha of farmland had been set aside in Russia since 2000. Even in 2009 agricultural production in Russia was below the 1990 level. Decisive determinants for land abandonment and production decline include low population densities, soil qualities and proximity to urban centres. Rural regions in Russia can be divided into areas with functioning agricultural businesses and areas with so-called ‘dying villages’. *Ioffe* predicted that large-scale abandoning of agriculture will continue outside catchment areas of larger towns in northern Russia while agriculture will survive in southern Russia due to favourable conditions. Subsidies for maintenance and extension of arable land are desirable, *Ioffe* stated.

### **Investments with skills and responsibility**

On the final day of the Forum, *Max Spoor*, Professor of Development Studies, International Institute of Social Studies in The Hague, gave a critical assessment of the issue whether agro-holdings in Russia will contribute to solve the global food crisis. He confirmed that Russia is the world market leader in terms of agro-holding numbers and percentage in arable land. There was an increase of family farms in recent years but 80 per cent of farmland is managed by large-scale enterprises. Productivity in the Russian grain sector is very low, particularly in comparison to yield rates in the USA and Canada. Family farms achieve comparable or even higher yields than large farms in various types of agriculture, e.g. maize cultivation. Agro-holdings in Russia have higher supervisory costs, not very high efficiencies and often have ‘post-Soviet’ managements. Recultivation of available fertile land and investments into large farm enterprises were anticipated to increase wheat production rates. This gave rise to the vision that the breadbaskets of Russia, Ukraine and Kazakhstan could make a significant contribution to increasing global food production. But *Spoor*, questioned the existence of an automatism under which Russia’s agro-holdings will contribute to solving global food problems in view of the low efficiency of large agricultural enterprises in Russia and regular crop failures due to water scarcity and aggravating climate changes.

World Bank Economist *Klaus Deininger* pointed in his presentation to the fact that there were many examples for a so-called ‘resource curse’ (paradox of plenty) with negative consequences for affected countries and their populations. Such impacts were frequently attributable to inappropriate behaviour of market participants. Responsible and suitable policies are however required to harness foreign investments in order to achieve positive effects in employment, curbing poverty and food security in a given country. One decisive aspect in the context of ‘land grabbing’ is a responsible consideration of people’s needs by governments and enterprises. Existing land rights should be recognised and formalised, government land management improved and information made more transparent for the general public. According to *Deininger*, governments should especially promote competitive small-and-medium-sized enterprises within the agricultural sector. IAMO’s research priorities and competences can make a considerable contribution to a positive development in this field.

A further highlight of the conference was the concluding panel discussion titled 'Large-scale Farmland Investments and Land Grabbing'. *Max Spoor* and *Klaus Deininger* as well as the President of the Ukrainian Agribusiness Clubs *Alex Lissitsa*, *Christian Ebmeyer* from the Russian agro-holding Ekoniva and *Maren Kneller*, Division Head Rural Development and Global Nutrition at the Federal Ministry for Economic Cooperation and Development discussed the challenges of and appropriate handling of large-scale land acquisitions and leases by foreign and domestic investors. The controversial views of the panellists emphasised different strategies in terms of whether agricultural family businesses or large agro-holdings can provide the most promising solution. The view that was shared by the participants was that the topic of 'land grabbing' would be a wide field for research also in the future and should be oriented towards improved assessments of chances and risks in agriculture and ensuring responsible dealing with people, the environment and the climate.

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### **Further information**

<http://forum2012.iamo.de>

Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO)

### **About IAMO**

The Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO) is an internationally recognised research institution. With more than 60 researchers and in cooperation with other renowned institutes, IAMO scientifically investigates fundamental issues in the agricultural and food sectors and rural regions. Central and Eastern Europe as well as Central and Eastern Asia are the main regions under review. Since its foundation in 1994, IAMO has been a member of the Leibniz Community (WGL) as an extramural research institute.

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