FDI IN AGRICULTURE: CHALLENGES AND OPPORTUNITIES

William Speller
UNCTAD Division on Investment and Enterprise

8th Meeting of the Asia-Pacific FDI Network
United Nations Conference Centre, Bangkok

25 September 2018
UNCTAD-World Bank field work over a decade...

http://responsibleagroinvestment.org
## Key findings

- Agricultural investments have a broad range of impacts, positive and negative.
- Pre-investment decisions and processes dictate outcomes; mistakes made subsequently extremely difficult to rectify.
- Investors who seek only financial returns are unlikely to reap them.
- Governments who focus on quantity rather than quality of FDI are unlikely to get the development outcomes.
- Economic linkages, technology transfer are not automatic but require management and dedicated policy and initiatives.
- Job creation is a key benefit but variety in terms of who is employed.
- Business models and the financial viability of the investment are critical.
What went well?
What went wrong?

• Pace of FDI attraction exceeds local government capacity to screen/monitor
• New crops or business models at scale
• Overly generous corporate tax incentives
• Financial failure of investors; lack of contingency plans
• Exposing smallholders to risk early in production phases
• Mega land deals / resettlement issues
• Inadequate attention to social and environmental risks.
Role of FDI in agriculture

- Even countries with very successful agricultural export sectors attract a small proportion of FDI into their agricultural sectors.
- FDI can play a critical role in raising farmers’ income by bringing new technology, market knowledge, infrastructure and/or investing in agriculture-related manufacturing.
- FDI can have a pioneering impact, developing or rejuvenating entire industries.

### % of FDI stock in agriculture: top 10 net exporters of agricultural products

<table>
<thead>
<tr>
<th>Top Agriculture Net Exporters</th>
<th>% of Total Inward FDI Stock in Agriculture, Forestry &amp; Fishery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>0.97%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.06%</td>
</tr>
<tr>
<td>Argentina</td>
<td>5.99%</td>
</tr>
<tr>
<td>China</td>
<td>2.05%</td>
</tr>
<tr>
<td>India</td>
<td>0.26%</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.06%</td>
</tr>
<tr>
<td>Australia</td>
<td>0.21%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3.69%</td>
</tr>
<tr>
<td>US</td>
<td>0.15%</td>
</tr>
<tr>
<td>Weighted Average</td>
<td>0.97%</td>
</tr>
</tbody>
</table>

- Significant investment needs (private and public) in agro-infrastructure, natural resource development, research and food safety nets.
- The role of investment in contributing to SDG2 is limited neither to land-based investments nor to agricultural projects.
Policy Approaches to Maximise Impact of International Investments

- Align investments with the national development strategy
- Screening and monitoring
- Investment promotion and facilitation, including agro-poles
- Infrastructure development is needed; digitalization is transforming the sector and should be supported
- Implementation and wider engagement with responsible agricultural investment principles
- Inclusive business models which empower women, youth and vulnerable groups.
Key lessons for the role of MNEs in developing country agricultural sectors

FDI in high-import categories or processing exports for global markets may sound beneficial, but makes little sense for investors, if they are products that are more economical to produce or process elsewhere.

FDI in some sectors may offer attractive opportunities for investors, but add little value, since local investors have already proven that they have the capital, technology and know-how to operate these without foreign equity investment.

Priority subsectors should be both beneficial for host country and profitable for investors.

Source: Simon Bell, World Bank.
Policy Approaches to Maximise Impact of International Investments

- Target industries where market fundamentals are in place i.e. demand for output and suitable environmental conditions
- Joint industry funds for R&D and marketing
- Investment in other parts of the value chain / linking smallholders to foreign investors
- Expansion / restoration projects preferable to greenfield
- PPPs between research institutes and MNEs
- Good governance – transparency, consultations, contracts
- Government support for agriculture-related infrastructure.
Thank You!

For more information please visit:

http://responsibleagroinvestment.org

Contact: william.speller@un.org
International Investment and Food Security

**FIGURE 1** International investment in agriculture and impact on food security

- Investment dimensions
  - Rural infrastructure
  - Agricultural productivity
  - Competition for resources
  - Domestic production of staple crops
  - Domestic value chain
  - Rural incomes
  - Quality and safety standards, diets

- Food security dimensions
  - Availability
  - Access
  - Stability of supply
  - Utilization and nutrition

[Source: United Nations Conference on Trade and Development (UNCTAD)]