Twenty Second Meeting of the
IMF Committee on Balance of Payments Statistics
Shanghai, China P.R., November 2–4, 2009

World Investment Report 2009
Transnational Corporations, Agricultural Production and Development

Prepared by the
United Nations Conference on Trade and Development
World Investment Report 2009
Transnational Corporations, Agricultural Production and Development

Masataka Fujita
Officer-in-charge, Investment Issues Analysis Branch
UNCTAD
PART ONE

FDI Trends, Policies and Prospects
PART ONE
Main messages I

- Global FDI flows have been severely affected worldwide by the economic and financial crisis, and the crisis has changed the FDI landscape.

- The agriculture and extractive industries have weathered the crisis relatively well, compared with business-cycle-sensitive industries.

- The crisis has affected all modes and components of FDI.

- FDI by funds has also been hit, in some cases severely.
PART ONE
Main messages II

- The crisis has impacted adversely on TNC FDI plans both directly and indirectly.

- Nevertheless TNCs plans indicate an improvement in FDI in 2010 and substantial recovery in 2011. Thus, though the immediate FDI prospects are bleak, the mid- and long-term prospects are favourable.

- Overall policy trends during the crisis have so far been mostly favourable to FDI.
Global slowdown in FDI prompted by the crisis

Global FDI inflows, 1980 – 2008
($ billions)
Regional developments in FDI inflows in 2008

FDI inflows, by groups of economies, 2006-2009:Q1
($ billion)

For 2008:
- Developed: $962 billion, 29% decline
- Africa: $88 billion, 27% increase – record
- LAC: $144 billion, 13% increase – record
- South Asia, East Asia, South-East Asia: $298 billion, 17% increase – record
- West Asia: $90 billion, 16% increase – record
- Least developed countries: $33 billion – record

Preliminary data for more than 90 countries reveals that FDI inflows plummeted in all regions in early 2009.
The FDI landscape has shifted in favour of developing and transition economies

(Percentage share of inward FDI received by developed, developing and transition economies)
Top recipients of FDI inflows in 2008

- The United States remained the largest recipient country, followed by France, China, the United Kingdom, and the Russian Federation.
- The entry of the Russian Federation and the return of China to the list of top five recipients are symbolic of the changing FDI landscape of 2008.
Cross-border M&As have declined strongly in wake of the crisis

Value of global cross-border M&As, 1988-2009

Data for 2009 are estimated by annualizing data for the first half of 2009.
2008 was a record year for SWFs… but the picture is very different in 2009

- FDI by sovereign wealth funds (SWFs) rose by 16% in 2008 to $20 billion
- The value of their cross-border M&As – the predominant form of FDI by SWFs – shot up 44% to $14.8 billion
- Cross-border M&A data from the first half of 2009 suggests that SWFs are also being strongly impacted by the crisis as exports from their home countries fall

Value of FDI by SWFs and number of deals, 1988-2009:Q2

- Value of FDI by SWFs (excluding SWFs in the United Arab Emirates)
- Value of FDI by SWFs in the United Arab Emirates only
- Number of M&A deals by SWFs
Policy changes towards FDI are still largely favourable

- Favourable measures towards FDI are still far greater than unfavourable changes, despite the financial and economic crisis.
- However, there are some signs of increasing “covert” protectionism in the form of favouring products with high “domestic” content in government procurement and the invocation of “national security” exceptions that stretch the definition of national security.
Preliminary data for 2009 confirms TNCs’ forecasts for the year

- Preliminary data for 2009 suggest that FDI inflows nosedived in across all economic groupings.

- Compared with the same quarter of 2008, FDI inflows fell during the quarter by:
  - 46% in developed countries
  - 39% in developing countries
  - 46% in transition economies
Global FDI Prospects, 2009 - 2011

($ billion)
PART TWO

*Transnational Corporations, Agricultural Production and Development*
Main Messages

- Foreign participation can play a role in agriculture in developing countries to boost productivity and support economic development.

- TNC participation in developing country agriculture is small but larger than in developed countries.

- TNC participation in developing country agriculture can have significant positive and negative impacts.

- TNC involvement for long-term agricultural development requires an integrated policy approach aimed at generating development benefits.
TNCs and agricultural production in developing countries
TNC participation in agricultural production in host countries can take various forms. FDI and contract farming are the most important ones.
FDI in agriculture and in food and beverages: rising; the latter is larger

1990–2007, billions of dollars
In some developing and transition economies, the share of agriculture in FDI inflows is relatively high

% of 2005–2007 inflows

- Cambodia: 15.1
- Lao People's Democratic Republic: 12.0
- Malaysia: 10.9
- Ecuador: 10.0
- United Republic of Tanzania: 9.4
- Mozambique: 9.4
- Peru: 8.7
- Honduras: 6.8
- Indonesia: 4.8
- Ukraine: 4.0
- Ethiopia: 4.0
- Viet Nam: 3.0
- Vanuatu: 2.5
- Fiji: 2.3
- Chile: 2.3
- Costa Rica: 2.2
- Madagascar: 1.7
- Brazil: 1.6
- Islamic Republic of Iran: 1.5
- The FYR of Macedonia: 1.3
Contract farming is a significant component of TNCs’ participation in agricultural production

- **Why contract farming?**
  - *For TNC*: better control over quality than spot markets; and less capital-intensive, less risky and more flexible than FDI
  - *For farmers*: predictable income, access to markets, and TNC support in areas such as credit and know-how

- **Extent of TNCs’ contract farming: over 110 countries across Africa, Asia and Latin America**

- **In some developing countries, share of contract farming in output is high:**
  - *Brazil*: 75% of poultry production and 35% of soya bean
  - *Viet Nam*: 90% of cotton and fresh milk, 50% of tea and 40% of rice
  - *Kenya*: 60% of tea and sugar
TNCs from developing economies key players in agricultural production, but not in related industries

**Top 25 TNCs in agribusiness industries (developing-country TNCs in green), 2007***

<table>
<thead>
<tr>
<th>Rank</th>
<th>Agriculture-based Suppliers</th>
<th>Food and beverages</th>
<th>Retail</th>
<th>Privately owned (ranked by agr-food sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sime Darby Bhd. (Malaysia)</td>
<td>BASF AG</td>
<td>Nestlé SA</td>
<td>Wal-Mart Stores</td>
</tr>
<tr>
<td>2</td>
<td>Dole Food Company, Inc.</td>
<td>Bayer AG</td>
<td>Inbev SA</td>
<td>Metro AG</td>
</tr>
<tr>
<td>3</td>
<td>Fresh Del Monte Produce</td>
<td>Dow Chemical Company</td>
<td>Kraft Foods Inc</td>
<td>Carrefour SA</td>
</tr>
<tr>
<td>4</td>
<td>Socfin SA</td>
<td>Deere &amp; Company</td>
<td>Unilever</td>
<td>Tesco PLC</td>
</tr>
<tr>
<td>5</td>
<td>Charoen Pokphand Foods Public Company Ltd. (Thailand)</td>
<td>El Du Pont De Nemours</td>
<td>Coca-Cola Company</td>
<td>McDonalds Corp.</td>
</tr>
<tr>
<td>6</td>
<td>Chiquita Brands International, Inc.</td>
<td>Syngenta AG</td>
<td>SAB Miller</td>
<td>Delhaize Group</td>
</tr>
<tr>
<td>7</td>
<td>Kuala Lumpur Kepong Bhd. (Malaysia)</td>
<td>Yara International ASA</td>
<td>Diageo Plc</td>
<td>Koninklijke Ahold NV</td>
</tr>
<tr>
<td>8</td>
<td>KWS Saat AG</td>
<td>Potash Corp. of Saskatchewan</td>
<td>Pernod Ricard SA</td>
<td>Sodexo</td>
</tr>
<tr>
<td>9</td>
<td>Kulin (Malaysia) Bhd. (Malaysia)</td>
<td>Kubota Corp.</td>
<td>Cadbury PLC</td>
<td>Compass Group PLC</td>
</tr>
<tr>
<td>10</td>
<td>Camellia PLC</td>
<td>Monsanto Company</td>
<td>Bunge Limited</td>
<td>Seven &amp; I Holdings Company Ltd.</td>
</tr>
<tr>
<td>11</td>
<td>Seaboard Corp.</td>
<td>Agco Corporation</td>
<td>Heineken NV</td>
<td>China Resources Enterprise Ltd. (Hong Kong, China)</td>
</tr>
<tr>
<td>12</td>
<td>Sipef SA</td>
<td>The Mosaic Company</td>
<td>PepsiCo Inc</td>
<td>Yum! Brands, Inc.</td>
</tr>
<tr>
<td>13</td>
<td>Anglo-Eastern Plantations PLC</td>
<td>ICL-Israel Chemicals Ltd</td>
<td>Molson Coors Brewing Company</td>
<td>Aubgrill</td>
</tr>
<tr>
<td>14</td>
<td>Tyson Foods Inc</td>
<td>Provi SA</td>
<td>Kiim Holdings Company Limited</td>
<td>Alimentation Couche Tard Inc</td>
</tr>
<tr>
<td>15</td>
<td>PPB Group Bhd. (Malaysia)</td>
<td>Bucher Industries AG</td>
<td>Archer-Daniels-Midland Company</td>
<td>Safeway Incorporated</td>
</tr>
<tr>
<td>16</td>
<td>Carson's Cumberbatch PLC (Sri Lanka)</td>
<td>Nufam Limited</td>
<td>Associated British Foods PLC</td>
<td>Sonae Sgp</td>
</tr>
<tr>
<td>17</td>
<td>TSH Resources Bhd. (Malaysia)</td>
<td>CLAAS KGaA</td>
<td>Carlsberg A/S</td>
<td>George Weston Limited</td>
</tr>
<tr>
<td>18</td>
<td>Multi Vest Resources Bhd. (Malaysia)</td>
<td>Sapec SA</td>
<td>HJ Heinz Company</td>
<td>Dairy Farm International Holdings Ltd. (Hong Kong, China)</td>
</tr>
<tr>
<td>19</td>
<td>Bakrie &amp; Brothers Terbuka (Indonesia)</td>
<td>Terra Industries Inc</td>
<td>Danone</td>
<td>Jeronimo Martins SA</td>
</tr>
<tr>
<td>20</td>
<td>PGI Group PLC</td>
<td>Aktieselskabet Schouw &amp; Co. A/S</td>
<td>Anheuser-Busch Companies Inc</td>
<td>Kuwait Food Company (Americana) (Kuwait)</td>
</tr>
<tr>
<td>21</td>
<td>Firstfarms A/S</td>
<td>Genus PLC</td>
<td>Sara Lee Corp.</td>
<td>Wilmarn International Ltd. (Singapore)</td>
</tr>
<tr>
<td>22</td>
<td>New Britain Palm Oil Ltd. (Papua New Guinea)</td>
<td>Scotts Miracle-Gro Company</td>
<td>Starbucks Corp.</td>
<td>Perfetti Van Melle</td>
</tr>
<tr>
<td>23</td>
<td>Karuturi Global Ltd. (India)</td>
<td>Kverneland ASA</td>
<td>Constellation Brands Inc</td>
<td>Burger King Holdings, Inc.</td>
</tr>
<tr>
<td>24</td>
<td>Nirefs SA</td>
<td>Sakata Seed Corp.</td>
<td>Fraser &amp; Neave Ltd. (Singapore)</td>
<td>Maruha Nichiro Holdings, Inc.</td>
</tr>
<tr>
<td>25</td>
<td>Country Bird Holdings Ltd. (South Africa)</td>
<td>Auriga Industries A/S</td>
<td>Danisco A/S</td>
<td>Familymart Company Limited</td>
</tr>
</tbody>
</table>

* Ranked by foreign assets
An example of South-South investment: Olam’s (Singapore) agricultural commodity global network

Locations where Olam has a significant presence are highlighted by darker shading.
Main agricultural produce targeted by TNCs varies by subregion
Land acquisition is important for new investors

Investor and target regions/countries in land investment for agriculture, 2006–2009, number of deals
Thank You!

Visit UNCTAD websites:

www.unctad.org/diae
and
www.unctad.org/wir
www.unctad.org/fdistatistics