

---

**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

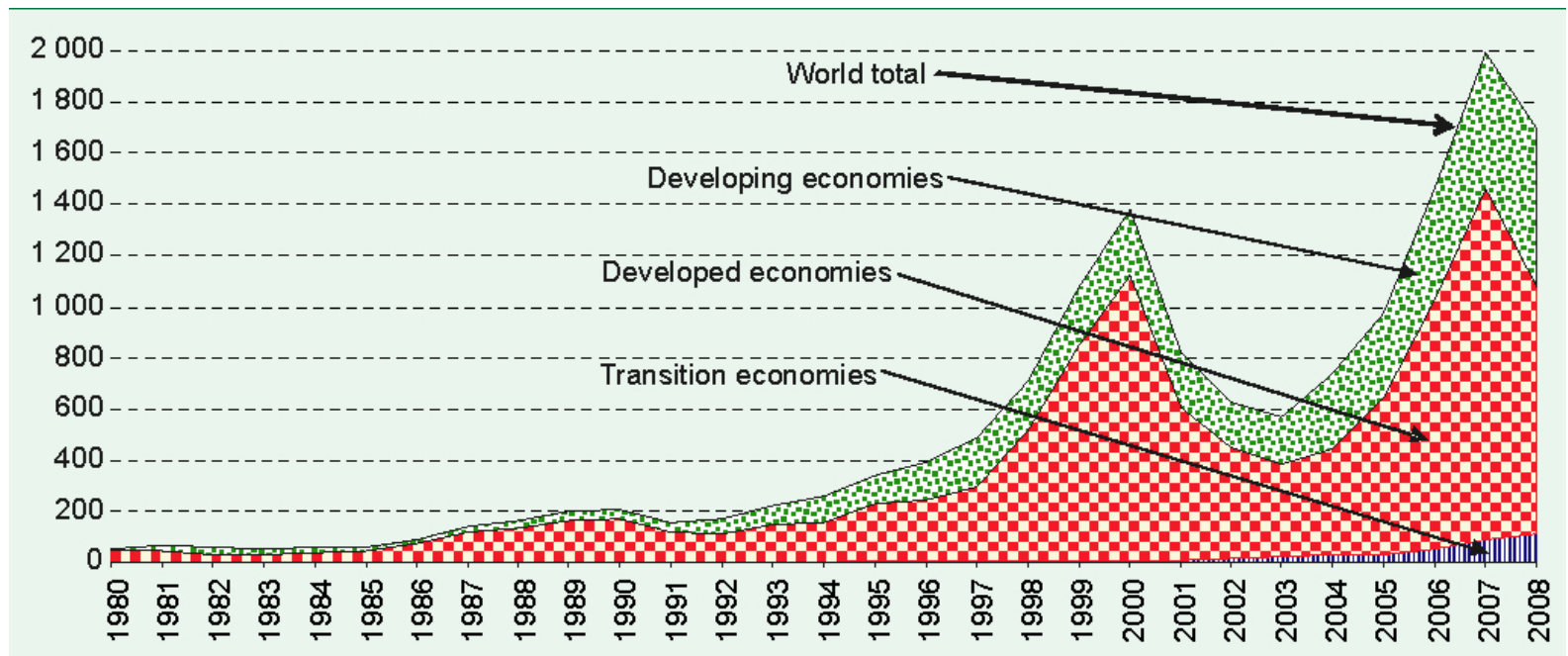
## Main messages II

---

- ❑ 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.

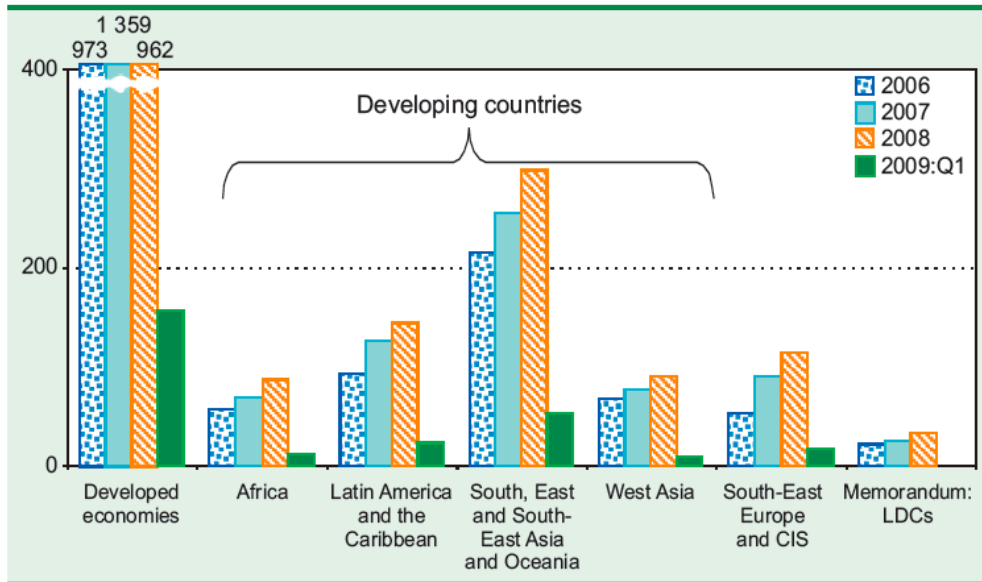
# Global slowdown in FDI prompted by the crisis

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*

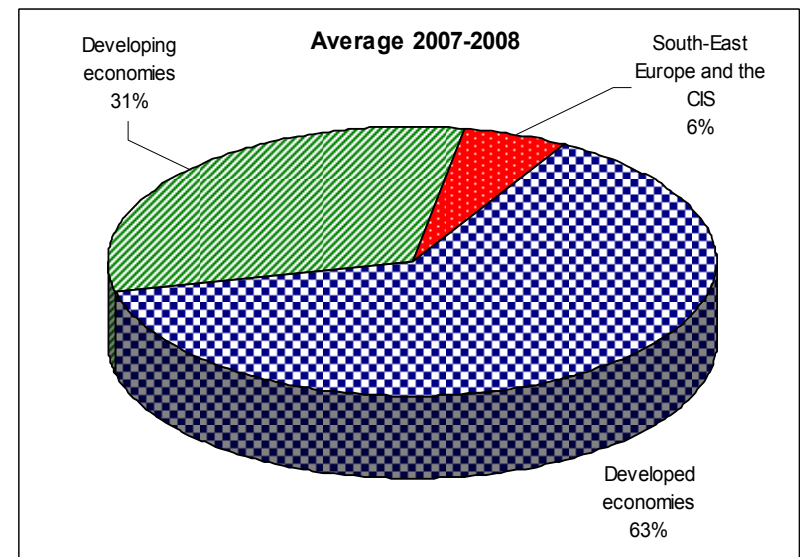
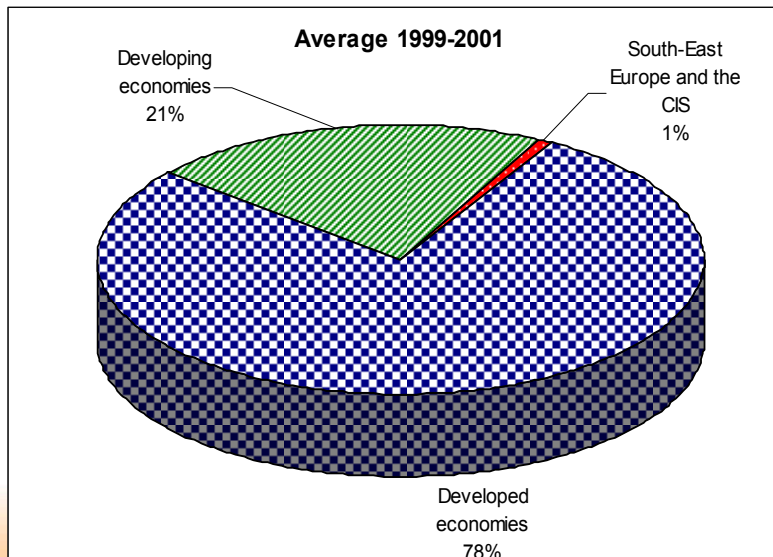
❑ Least developed countries: \$33 billion – *record*

❑ Preliminary data for more than 90 countries reveals that FDI inflows plummeted in **all** regions in early 2009.



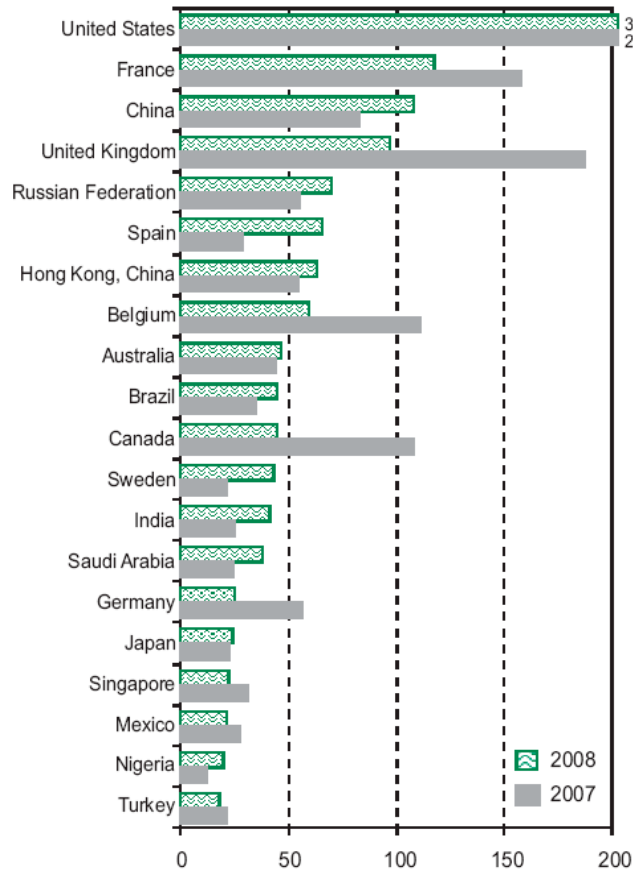
# The FDI landscape has shifted in favour of developing and transition economies

(Percentage share of inward FDI received by developed, developing and transition economies)



# Top recipients of FDI inflows in 2008

**Global FDI inflows, top 20 economies, 2007–2008**  
(\$ billion)

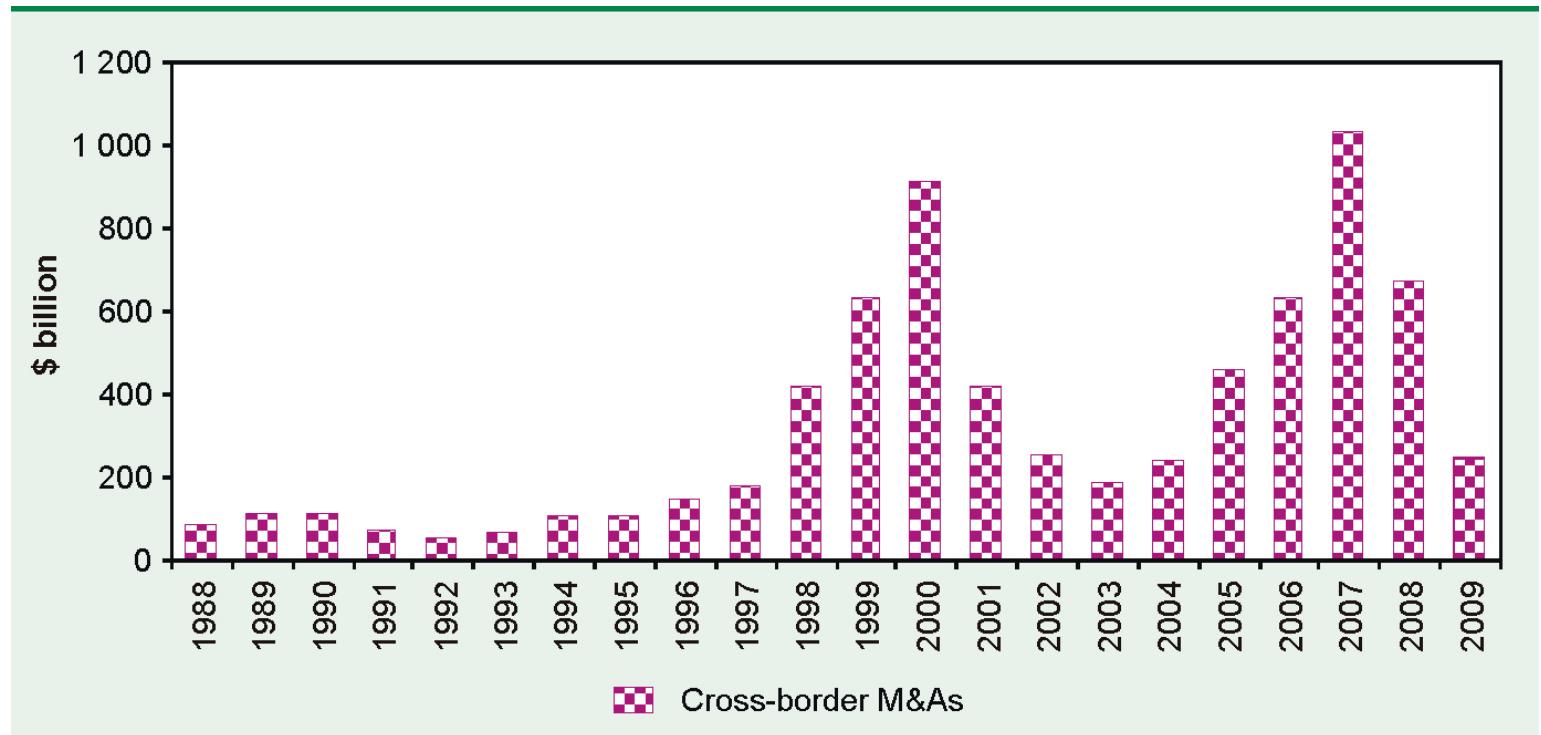


- The United States remained the largest recipient country, followed by France, China, the United Kingdom, and the Russian Federation

- 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

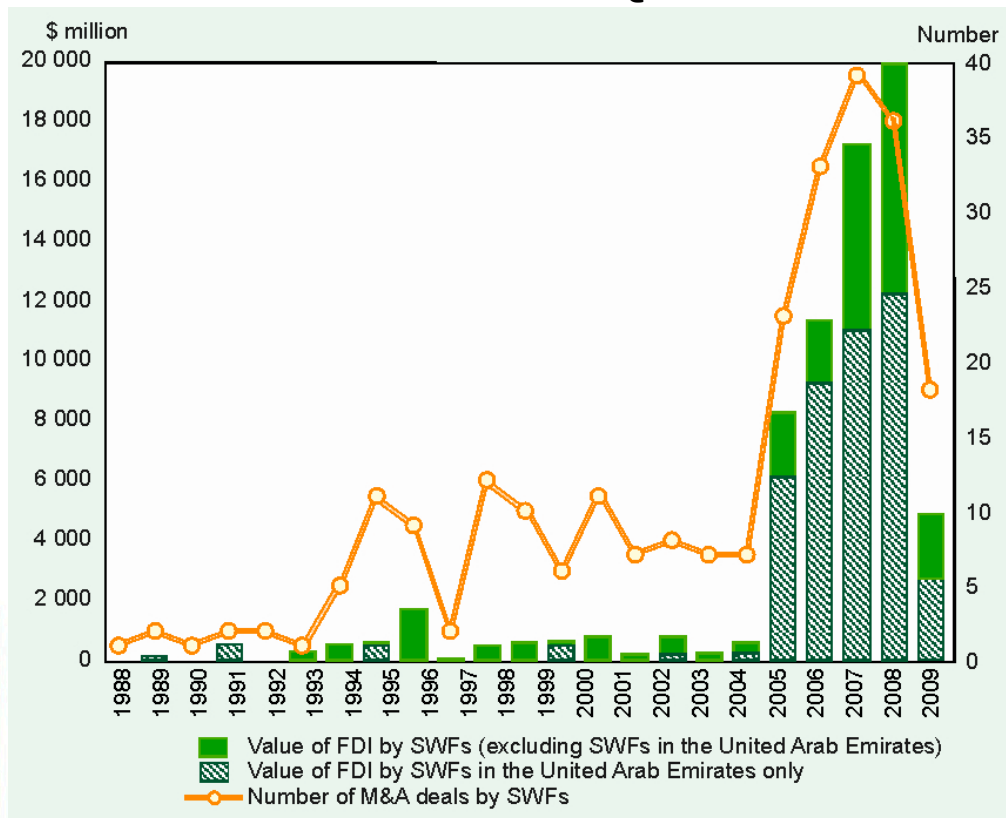
Value of global cross-border M&As, 1988-2009<sup>a</sup>



<sup>a</sup> 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

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

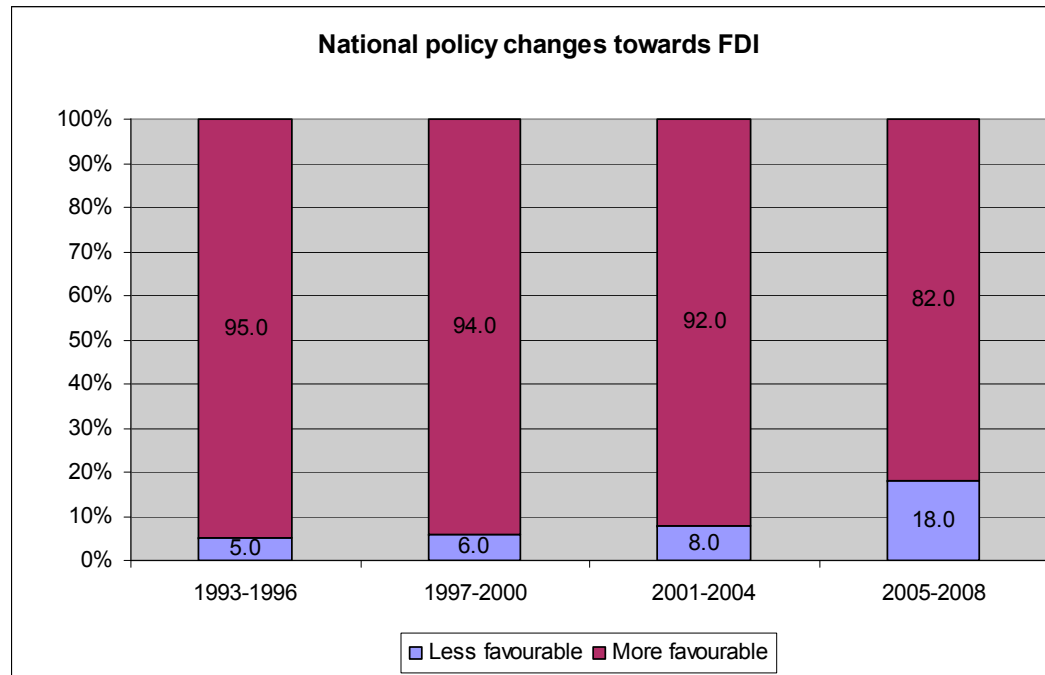


□ FDI by sovereign wealth funds (SWFs) rose by 16% in 2008 to \$20 billion

□ The value of their cross-border M&As – the predominant form of FDI by SWFs – shot up 44% to \$14.8 billion

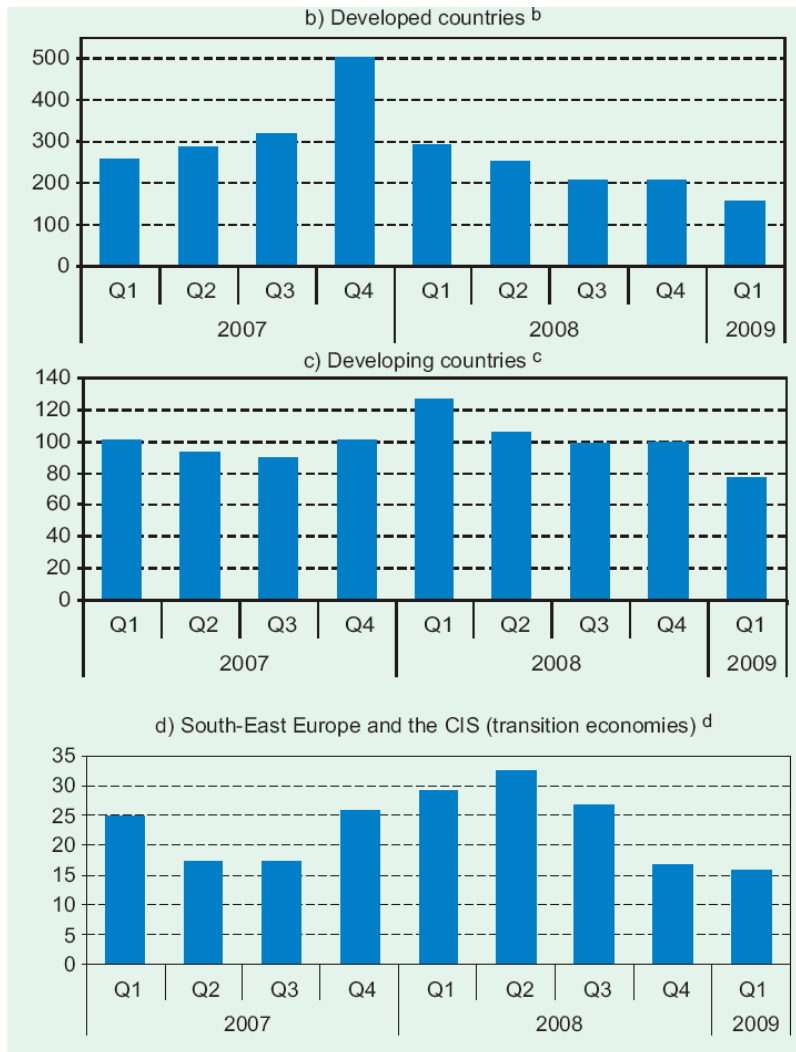
□ Cross-border M&A data from the first half of 2009 suggests that SWFs are also being strongly impacted by the crisis as exports from their home countries fall

# 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

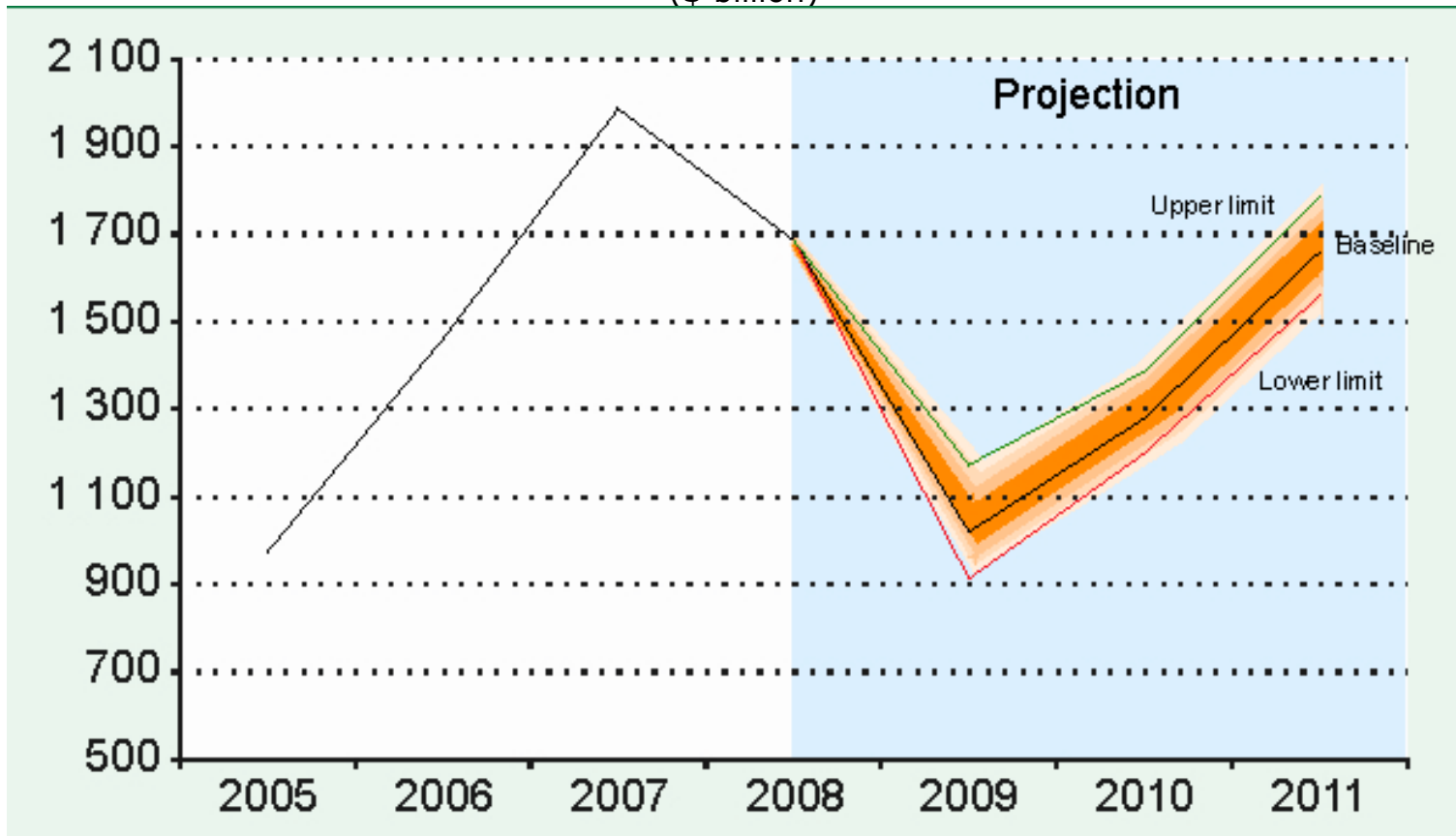


- Preliminary data for 2009 suggest that FDI inflows nosedived in across all economic groupings.

- 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

Global FDI inflows, 2005-2007 and projection  
for 2009-2011  
(\$ billion)



---

## **PART TWO**

# ***Transnational Corporations, Agricultural Production and Development***



# Main Messages

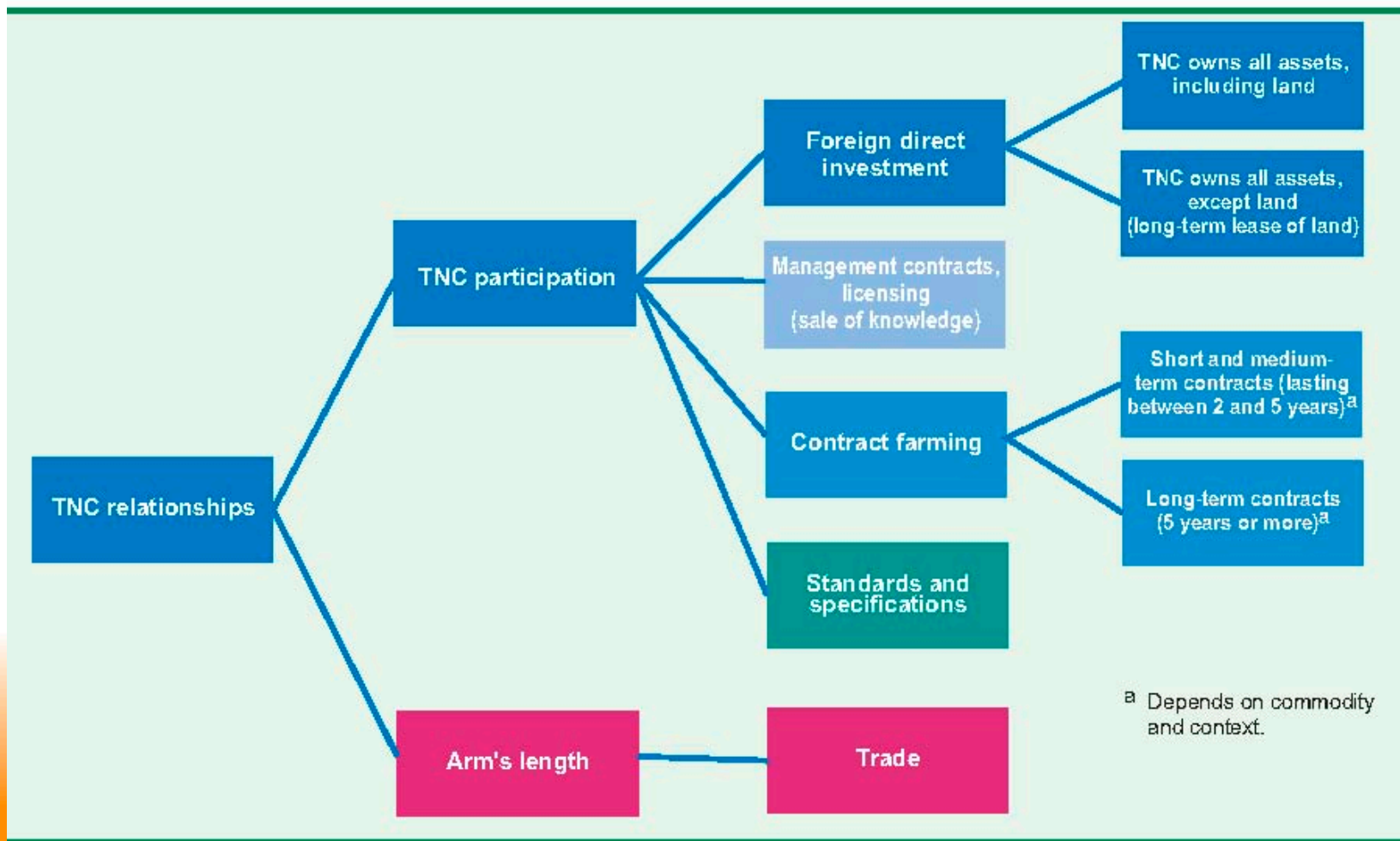
---

- ❑ 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

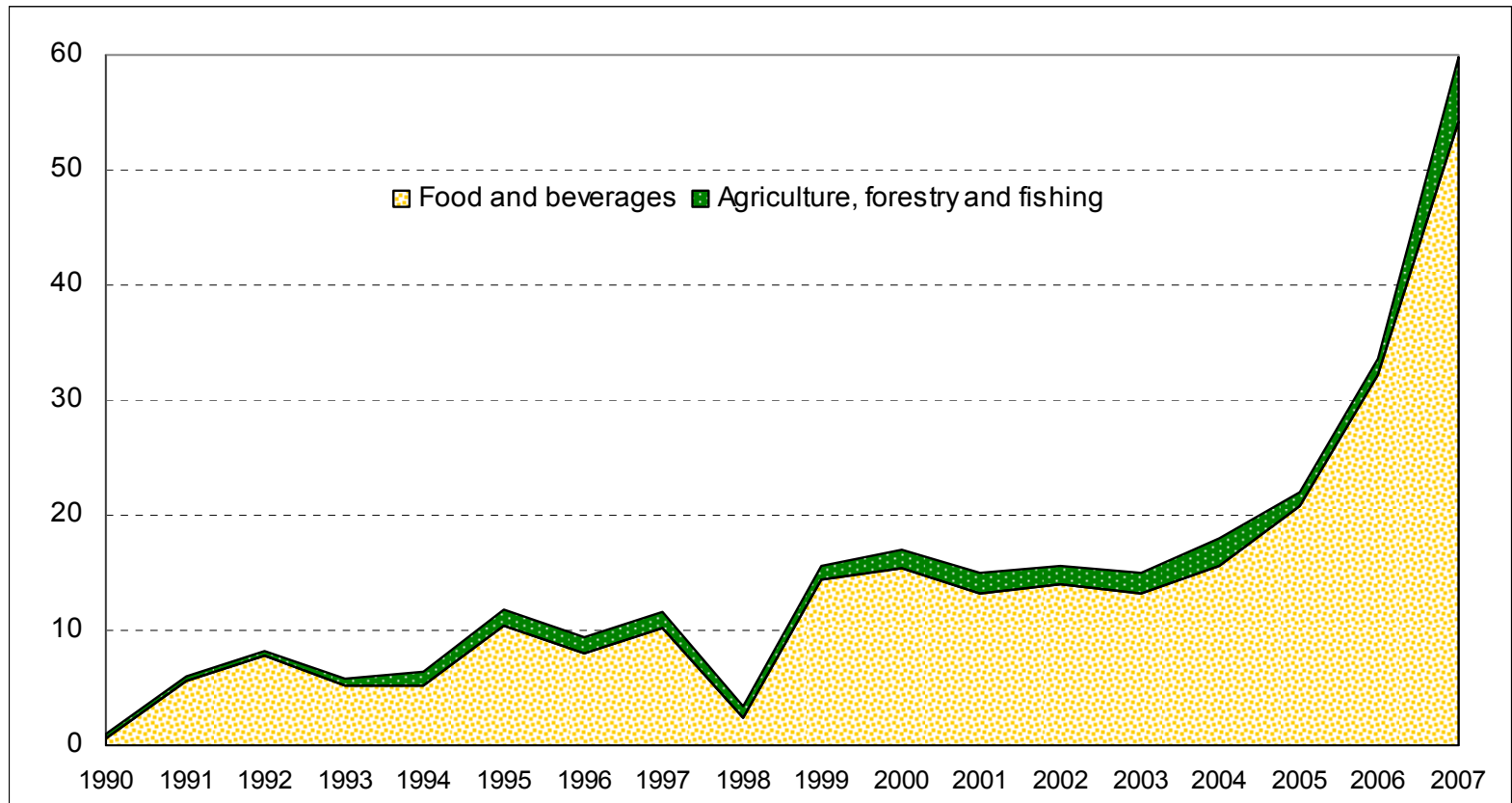
*FDI and contract farming are the most important ones*



<sup>a</sup> Depends on commodity and context.

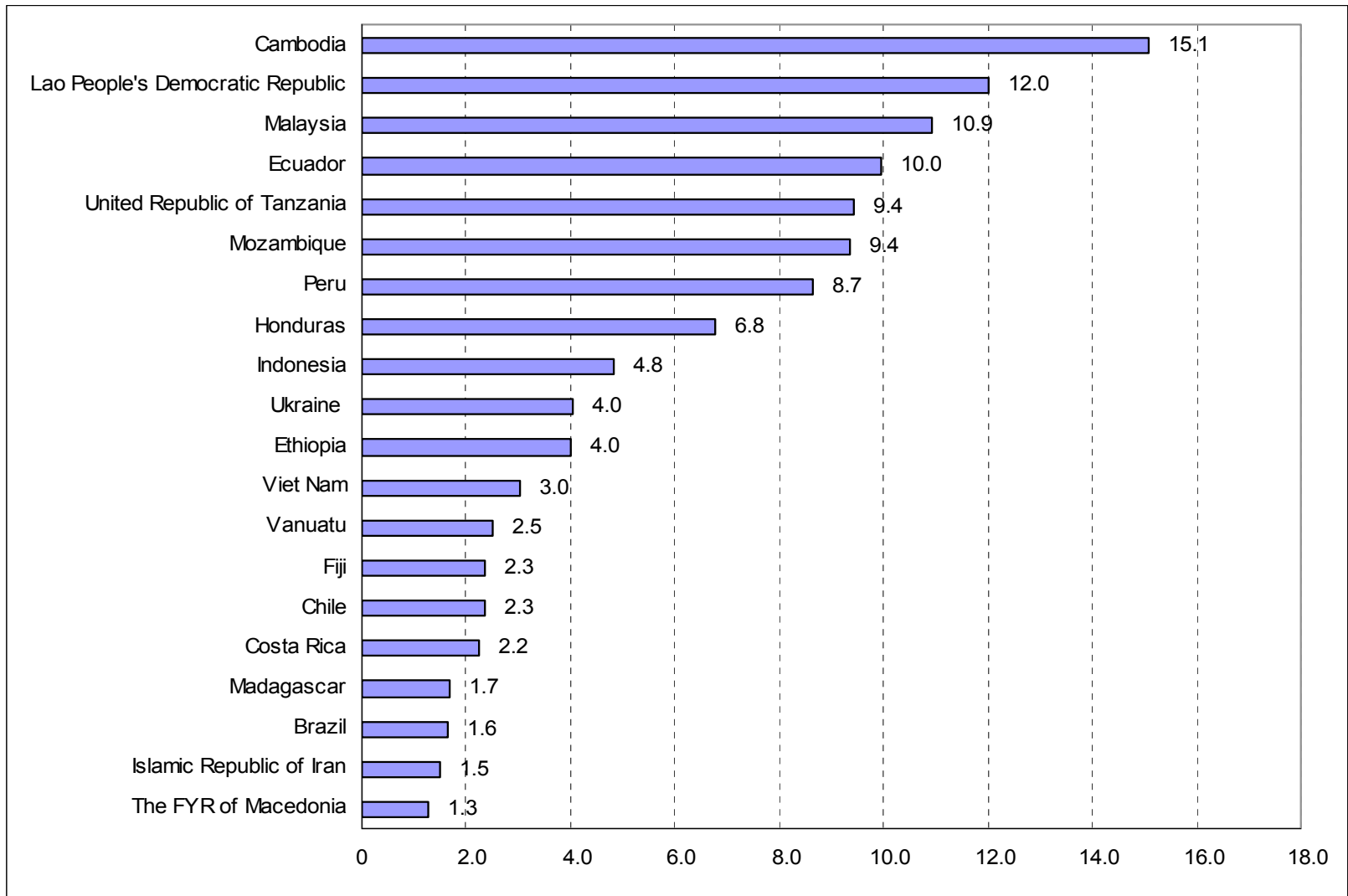
# FDI in agriculture and in food and beverages: rising; the latter is larger

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*



# 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

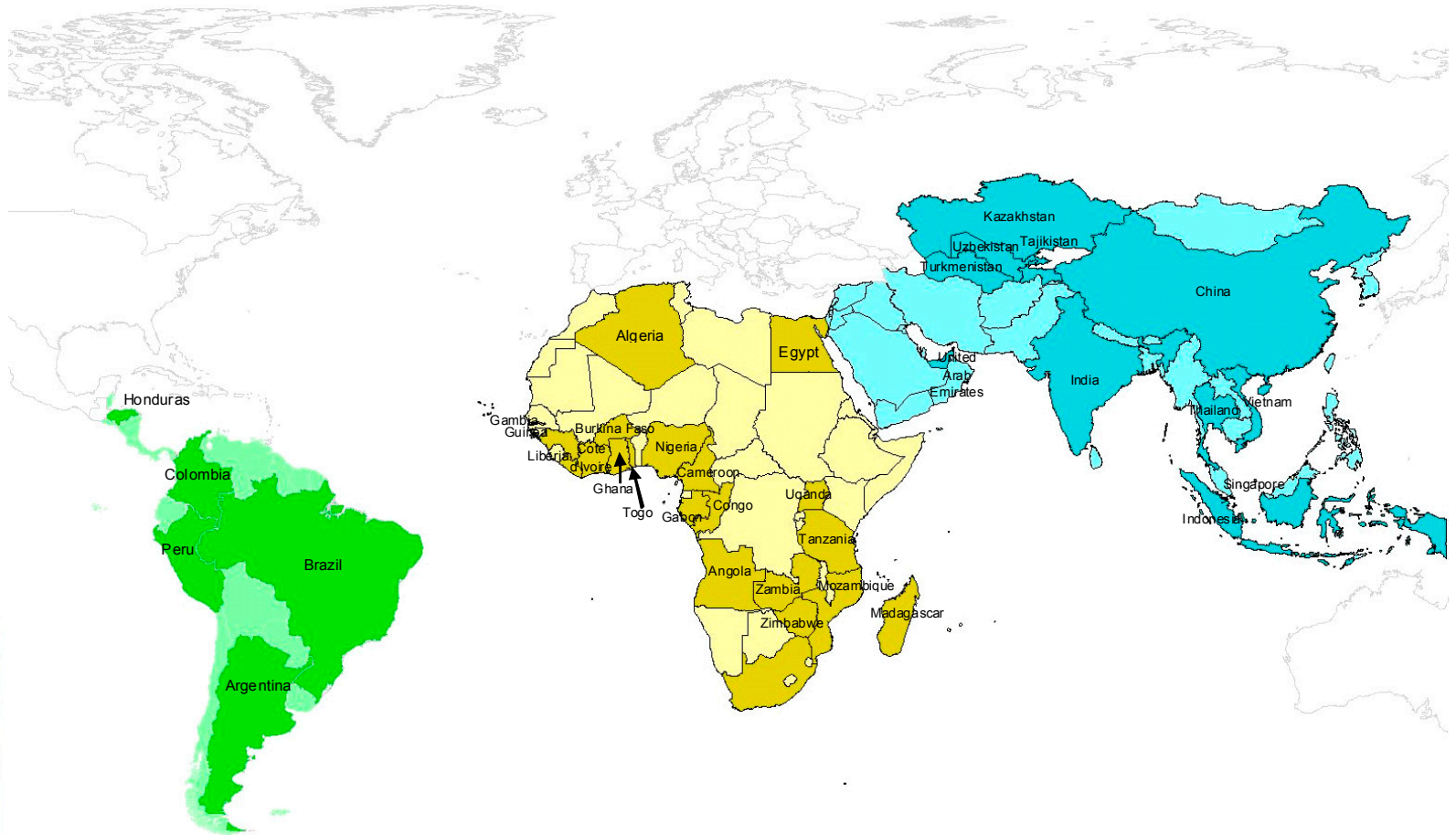
*Top 25 TNCs in agribusiness industries (developing-country TNCs in green), 2007\**

Rank	Agriculture-based	Suppliers	Food and beverages	Retail	Privately owned (ranked by agri-food sales)
1	<b>Sime Darby Bhd. (Malaysia)</b>	BASF AG	Nestlé SA	Wal-Mart Stores	Cargill Inc.
2	Dole Food Company, Inc.	Bayer AG	Inbev SA	Metro AG	Mars Inc.
3	Fresh Del Monte Produce	Dow Chemical Company	Kraft Foods Inc	Carrefour SA	Lactalis
4	Socfinal SA	Deere & Company	Unilever	Tesco PLC	Sunjoy Ltd.
5	<b>Charoen Pokphand Foods Public Company Ltd. (Thailand)</b>	EI Du Pont De Nemours	Coca-Cola Company	McDonalds Corp.	Dr August Oetker KG
6	Chiquita Brands International, Inc.	Syngenta AG	SAB Miller	Delhaize Group	Louis Dreyfus Group
7	<b>Kuala Lumpur Kepong Bhd. (Malaysia)</b>	Yara International ASA	Diageo Plc	Koninklijke Ahold NV	Barilla
8	KWS Saat AG	Potash Corp. of Saskatchewan	Pernod Ricard SA	Sodexo	Ferrero
9	<b>Kulim (Malaysia) Bhd. (Malaysia)</b>	Kubota Corp.	Cadbury PLC	Compass Group PLC	Keystone Foods LLC
10	Camellia PLC	Monsanto Company	Bunge Limited	Seven & I Holdings Company Ltd.	McCain Foods Ltd
11	Seaboard Corp.	Agco Corporation	Heineken NV	<b>China Resources Enterprise Ltd. (Hong Kong, China)</b>	OSI Group Companies
12	Sipef SA	The Mosaic Company	Pepsico Inc	Yum! Brands, Inc.	Perdue Farms Inc.
13	Anglo-Eastern Plantations PLC	ICL-Israel Chemicals Ltd	Molson Coors Brewing Company	Autogrill	Bacardi Ltd.
14	Tyson Foods Inc	Provimi SA	Kiirin Holdings Company Limited	Alimentation Couche Tard Inc	Groupe Soufflet
15	<b>PPB Group Bhd. (Malaysia)</b>	Bucher Industries AG	Archer-Daniels-Midland Company	Safeway Incorporated	Golden State Foods
16	<b>Carsons Cumberbatch PLC (Sri Lanka)</b>	Nufam Limited	Associated British Foods PLC	Sonae Sgsp	Groupe Castel
17	<b>TSH Resources Bhd. (Malaysia)</b>	CLAAS KGaA	Carlsberg A/S	George Weston Limited	J.R. Simplot
18	<b>Multi Vest Resources Bhd. (Malaysia)</b>	Sapec SA	HJ Heinz Company	<b>Dairy Farm International Holdings Ltd. (Hong Kong, China)</b>	Schreiber Foods
19	<b>Bakrie &amp; Brothers Terbuka (Indonesia)</b>	Terra Industries Inc	Danone	Jeronimo Martins SA	Muller Gruppe
20	PGI Group PLC	Aktieselskabet Schouw & Co. A/S	Anheuser-Busch Companies Inc	<b>Kuwait Food Company (Americana) (Kuwait)</b>	Bel
21	Firstfarms A/S	Genus PLC	<b>Wilmar International Ltd. (Singapore)</b>	Kesko OYJ	Perfetti Van Melle
22	<b>New Britain Palm Oil Ltd. (Papua New Guinea)</b>	Scotts Miracle-Gro Company	Sara Lee Corp.	Starbucks Corp.	Rich Products
23	<b>Karuturi Global Ltd. (India)</b>	Kverneland ASA	Constellation Brands Inc	Burger King Holdings, Inc.	J. M. Smucker
24	Nirefs SA	Sakata Seed Corp.	<b>Fraser &amp; Neave Ltd. (Singapore)</b>	Maruha Nichiro Holdings, Inc.	Haribo
25	<b>Country Bird Holdings Ltd. (South Africa)</b>	Auriga Industries A/S	Danisco A/S	Familymart Company Limited	Eckes-Granini

# An example of South-South investment: Olam's (Singapore) agricultural commodity global network

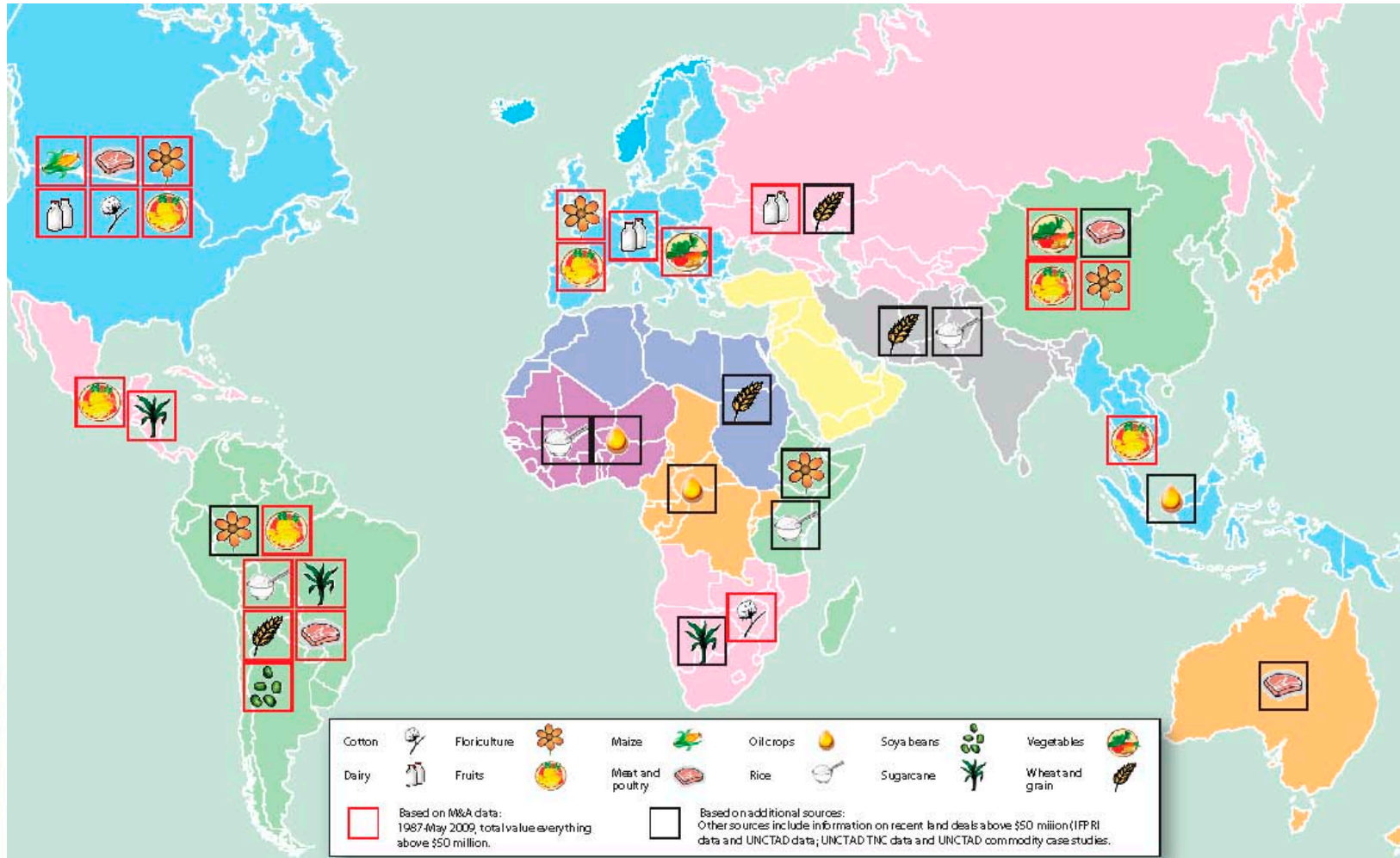
*Locations where Olam has a significant presence are highlighted by darker shading*

---



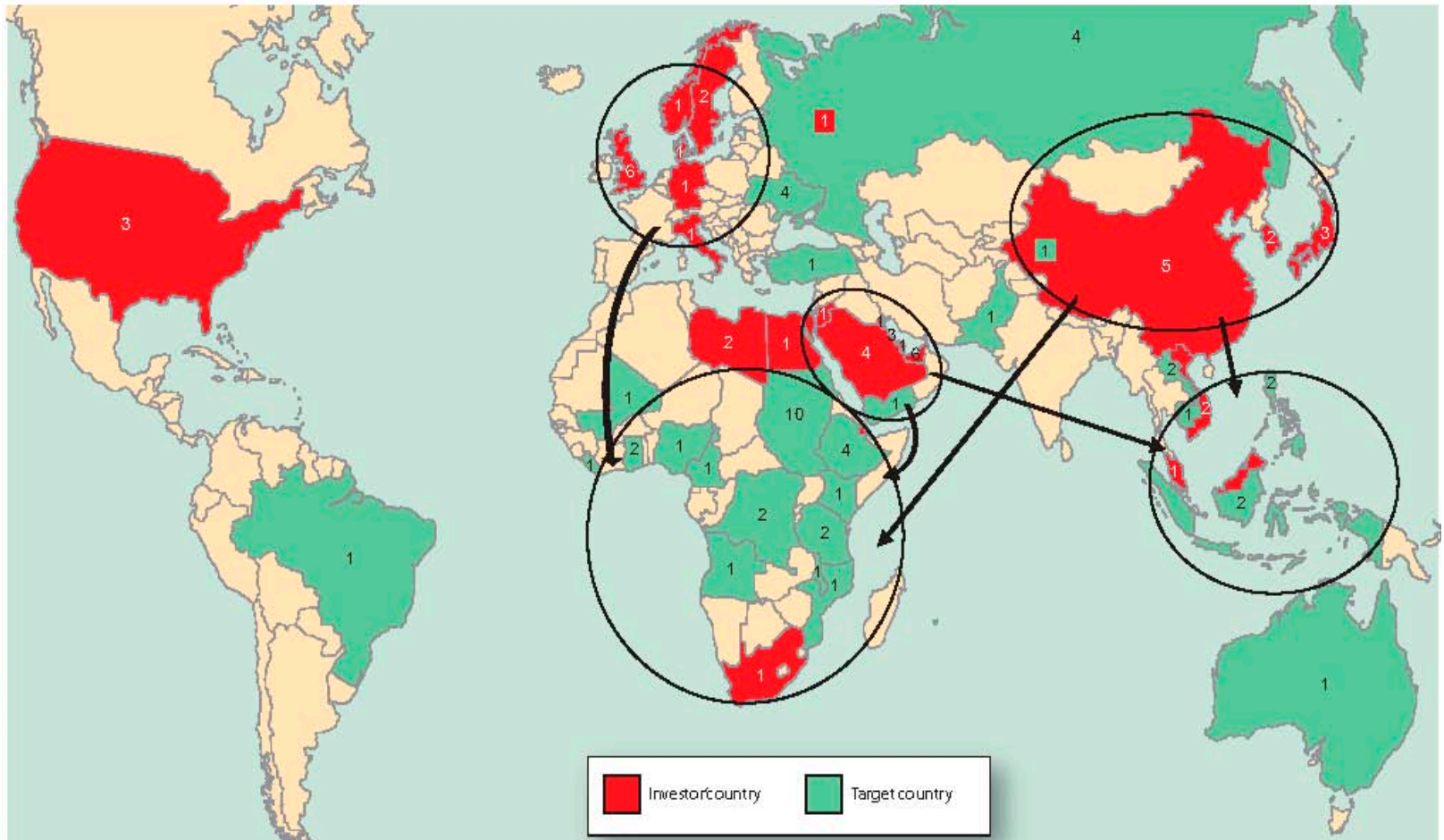


# Main agricultural produce targeted by TNCs varies by subregion



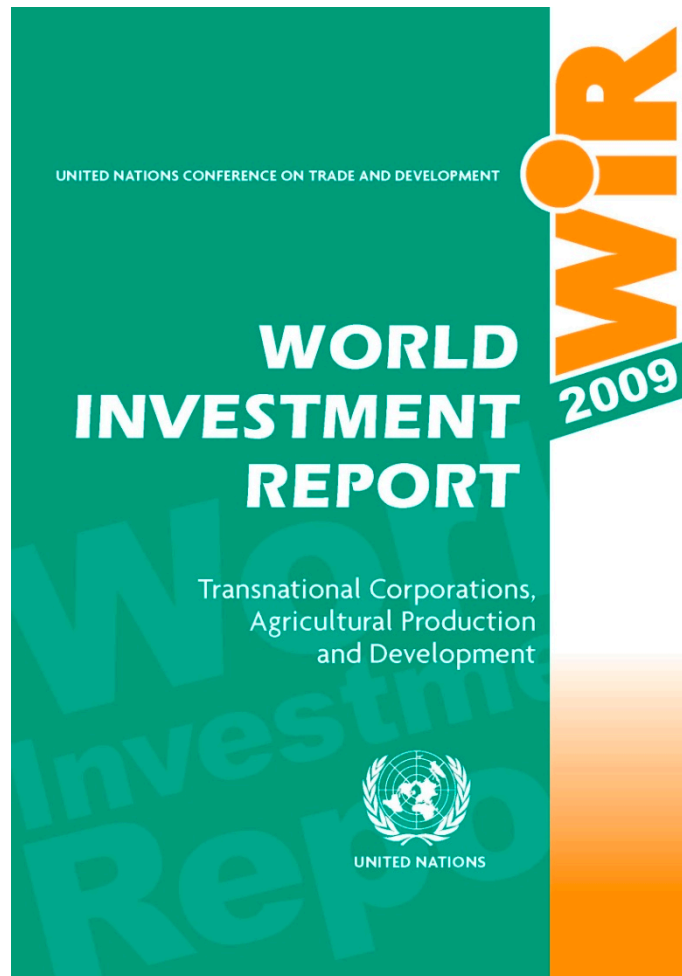
# Land acquisition is important for new investors

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





# Thank You!



**Visit UNCTAD websites:**

[www.unctad.org/diae](http://www.unctad.org/diae)

**and**

[www.unctad.org/wir](http://www.unctad.org/wir)

[www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)

