

Lars Thunell  
Executive Vice President and CEO  
International Finance Corporation  
2121 Pennsylvania Avenue, NW  
Washington DC 20433  
USA

30<sup>th</sup> of June 2011

## OPEN LETTER

**Object: Pending approval of the Project CalyxAgro, Proj. ref 29137**

Dear Mr Thunell,

The official documents<sup>1</sup> of the International Finance Corporation (IFC)<sup>2</sup> indicate that the IFC is considering providing Calyx Agro with a loan of up to \$30 million.

The September 2010 World bank Report *Rising global interest in farmland*, was highly criticized by many for having failed to identify land grabbing as a serious threat to the food sovereignty and the right to food of rural communities, and for having failed to assess the Bank's own responsibilities in the increasing land deals by promoting market-based approaches to land management through its lending practices and policy advocacy. Yet the report still managed to document the dramatic increase of investor interest in agricultural land since the 2008 food price spike, emphasizing the exploitative nature of many investments. According to the report, land deals between investors and governments have often occurred in secrecy, marginalizing affected communities and farmers from the consultation phases and consequently leading to the eviction of people from their land without proper compensation.

With the declared aim of counterbalancing these trends, the Bank proposed seven voluntary principles for agricultural investment in developing countries, ranging from respecting existing rights to land and natural resources, strengthening food security, transparency and accountability, full consultation, to generating positive social and environmental impacts.

Even this set of principles, proposed by the Bank to reduce the risks of social backlash of land investments, and again strongly criticized as a substantial legitimization of land grabbing, will fail to be applied in the Bank's own agricultural policies and lending practices, if the loan to the Project CalyxAgro goes ahead:

**•The IFC states it "will be the first financier to provide Calyx long-term financing, without which the Company may have to reduce its expansion plans" and it acknowledges that its "Stamp of Approval" will help Calyx Agro if it pursues an initial public offering on a stock Exchange.**

This implies that the IFC, through the approval of this loan would grant a significant coverage and support to Calyx's further expansion in its field of operation.

CalyxAgro was established in Argentina by Louis Dreyfus Commodities in 2007 as a vehicle for farmland acquisition in southern Latin America. Louis Dreyfus is owned by the Louis-Dreyfus family in France and is one of the world's largest traders of agriculture commodities.

Following the opening of the fund to new investors in 2008, AIG Investments, the asset management

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<sup>1</sup> Available at <http://www.ifc.org/ifcext/spiwebsite1.nsf/0/E4CD528CC457947C8525787E006E382D>

<sup>2</sup> The International Finance Corporation (IFC) is the lending arm to the private sector of the World Bank Group. It provides private sector financing, investments and advisory services to both governments and private sector

vehicle of the insurance company American International Group (AIG) made a \$65 million investment in Calyx Agro that year. Following the AIG crisis as a result of its involvement in the US sub-prime scandal, the company was forced to sell its investment arm to Hong Kong billionaire Richard Li's Pacific Century Group. AIG Investments was then renamed PineBridge Investments in 2010 and its investments in Calyx Agro were maintained.

According to a 2008 report<sup>3</sup> from Brazil's Conselho Administrativo de Defesa Econômica, the other major investors in Calyx Agro are:

- TRG Management, a New York hedge fund operated by The Rohatyn Group, which was founded by former JPMorgan. bankers in 2003 to invest in emerging markets;
- Worldstar Ltd, a subsidiary of Said Holdings, which is an investment holding company, incorporated in Bermuda, that belongs to Wafic Saïd, a Syrian-Saudi businessmen
- Pictet Private Equity Investors, a private investment company based in Switzerland;
- Solvia Investment Management, an investment vehicle for the London-based investment fund Oslow Capital Management.

This loan to Calyx Agro, a company mandated to buy-up farmland in Latin America for wealthy foreign investors, would facilitate a large-scale expansion of the fund's land holdings.

The World Bank, through the IFC and the Multilateral Investment Guarantee Agency, is already directly implicated in funding the global land grab and the IFC loan to Calyx Agro would only deepen its involvement. In fact, the IFC has recently provided funding to a Calyx Agro shareholder for similar projects. In 2009, the IFC approved a \$15 million loan to support the expansion plans of NFD Agro Ltd, a soybean plantation company based in Paraguay that owns the company Desarrollo Agrícola del Paraguay (Grupo DAP) and that is heavily involved in the controversial Round Table on Responsible Soy Association<sup>4</sup>. NFD Agro is controlled by Argentinian businessmen and the US bank JP Morgan, while TRG Management, a Calyx Agro shareholder, owns 11.7% of the company<sup>5</sup>. Subsequently, in 2010, the IFC approved a \$25 million equity investment in a Mauritius-based fund managed by TRG called the TRG Africa Catalyst Fund I, which is investing in resources and the consumer goods sector in Sub-Saharan Africa<sup>6</sup>.

At a time when social movements in Latin America and around the world are calling for a stop to the "farmland grab" and where many of the region's governments are pursuing measures to restrict foreign investment in their farmland, it is unacceptable for a multilateral institution like the World Bank to be offering direct support to some of the world's leading actors involved in land grabbing.

**•The IFC states that “Calyx’s agricultural operations include the production of grains and oilseeds in owned and leased farms, including soybeans, wheat, corn, sunflower, and cotton, among others”.**

Calyx Agro is one of several private entities that have been established in recent years, often backed by

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<sup>3</sup> Available at: <http://www1.seae.fazenda.gov.br/littera/pdf/08012005483200877.pdf>

<sup>4</sup> See the report on Grupo DAP by Corporate Europe Observatory: [http://www.corporateeurope.org/system/files/files/resource/DAP\\_articleFINAL.pdf](http://www.corporateeurope.org/system/files/files/resource/DAP_articleFINAL.pdf)

<sup>5</sup> See the IFC's summary of the project: <http://www.ifc.org/ifcext/spiwebsite1.nsf/0/B3A74FCDEC6DC008852576BA000E2DA1>

<sup>6</sup> See the IFC's summary of the project: <http://www.ifc.org/ifcext/spiwebsite1.nsf/f451ebbe34a9a8ca85256a550073ff10/0d4c1019ea516708852576e3005f182c?OpenDocument>

foreign investors, to acquire large areas of farmland in the Southern Cone of Latin America and to convert these lands into large-scale monoculture plantations for the production of soybeans, sugarcane, corn and other commodities for export. The operations of the farms they acquire are typically sub-contracted to specialized farm management companies that deploy highly-mechanized, chemically-intensive farming practices, often based on the use of crops genetically modified to withstand the application of large doses of herbicides.

Such firms have been critical to the regional boom in soybean monocultures, which now occupy a quarter of all agricultural lands in Paraguay and which have grown at a rate of 320,000 hectares per year in Brazil since 1995. In Argentina, where soybeans occupy around half the agricultural lands in the country, 5.6 million hectares of non-agricultural land was converted to soya production between 1996-2006.<sup>7</sup>

The devastating impacts that such farms have had on people and the environment in Latin America are well-documented and acknowledged by multiple actors<sup>8</sup>.

These impacts include deforestation, soil degradation, pesticide poisoning, the loss of biodiversity and genetic contamination. One direct consequence is the explosion of pesticide use. In Brazil alone, the pesticide market is now worth over \$5 billion, four times what it was in 1992<sup>9</sup>.

Socio-economic consequences include the loss of livelihoods for local people, the severe concentration of land and income, the expulsion of rural populations to the Amazonian frontier and to urban areas, often with violence, and worsening food insecurity. There has also been documentation of slavery conditions on many soy and sugarcane farms.

The expansion of these crops diverts government funds otherwise usable in education, health, and alternative, far more sustainable agro-ecological methods. And it reduces the food security potential of target countries. Much of the land previously devoted to grain, dairy products or fruits has been converted to soybean and corn for exports, leading to the rapid proliferation of the associated ecological and social impacts as well as escalation in prices of staple foods in the region.

- The IFC states that “the proposed investment will make a contribution to rural economic development through job creation and linkages with (and in some cases support in the creation of) SMEs (agricultural contractors) in rural areas. The investment is expected to generate a range of social and economic benefits, including economic growth and higher productivity of the farming sector, which includes: (i) Better use of the land; (ii) Transfer of Sustainable Best Practices; (iii) Private Sector Development; and Increased Employment”.

However all evidence on the expansion of large-scale industrial agriculture has shown it has overall negative impacts on jobs and rural populations. In Brazil for example, 85% of farm establishments are

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<sup>7</sup> Walter Pengue and Miguel Altieri, “GM soya bean: Latin America’s new colonizer”, Seedling, January 2006, <http://www.grain.org/seedling/?id=421>

<sup>8</sup> PM Fearnside (2001), “Soybean cultivation as a threat to the environment in Brazil”, *Environmental Conservation* 28: 23-28;  
PF Donald (2004), “Biodiversity impacts of some agricultural commodity production systems,” *Conservation Biology* 18:17-37;  
Walter Pengue (2005), “Transgenic crops in Argentina: the ecological and social debt,” *Bulletin of Science, Technology and Society* 25: 314-322;  
Jane Rissler and Margaret Mellon (1996), *The ecological risks of engineered crops*, MIT Press, Cambridge, Mass.  
GRAIN, “Corporate candyland”, April 2009: <http://www.grain.org/seedling/?id=589>

<sup>9</sup> IBGE (2009b). Censo Agropecuario 2006. Agricultura familiar. Brasil, Grandes Regiões e Unidades da Federação. IBGE, 2009. Available at: [www.ibge.gov.br/home/estatistica/economia/agropecuaria/censoagro/agri\\_familiar\\_2006/default.shtm](http://www.ibge.gov.br/home/estatistica/economia/agropecuaria/censoagro/agri_familiar_2006/default.shtm). Accessed September 17 2010.

family-based, but they occupy just 24.3% of the area occupied by Brazilian farms as a whole. Family agriculture is recorded as providing work for 13 million people - around 80% of the total rural workforce<sup>10</sup>. That employment is threatened by the further expansion of industrial agriculture and land acquisition. In Brazil, only two jobs are created for every 100 hectares of soybean plantations.

The above mentioned WB's report itself highlighted how often investors have not created the number of jobs they promised, and have failed to effectively invest in purchased land either due to lack of agricultural expertise or because they were more interested in speculative gains rather than in growing crops. And it continues stating that "case studies illustrate that in many instances outside investors have been unable to realize this potential, instead contributing to loss of livelihoods. Problems have included displacement of local people from their land without proper compensation, land being given away well below its potential value, approval of projects that were only feasible because of additional subsidies, generation of negative environmental or social externalities, or encroachment on areas not transferred to the investor to make a poorly performing project economically viable".

On March 11, 2010, nearly 100 civil society organizations from 38 countries have commented on the Social and Environmental Sustainability Policy, Performance Standards and Disclosure Policy of the IFC, already demanding the World Bank Group lending to private corporations to be much more responsive to environmental and social concerns. The letter described that IFC 's lack of transparency and supervision, failure to recognize human rights, and inadequate climate change policies, undermine WB 's ability to achieve its poverty alleviation mission.

We hereby want also to reaffirm that land acquisition by private corporations do not solve the imminent problems of poverty, hunger, and need for land reform but it further jeopardizes the already fragile livelihoods of rural communities. The IFC, by promoting investors' access to land instead of prioritizing these basic human rights, is also failing in its mission.

As international civil society organizations, strongly committed with the food sovereignty discourse and advocating for the right to food and land management of rural communities worldwide, demand to the IFC Board of Directors to refrain from granting the loan to CalyxAgro.

We denounce strongly this loan as it marks a blatant contradiction between the Bank's stated mission of poverty elimination and sustained development, and its policies and lending practices. We will continue to provide more detailed submissions on these and other topics of concern,

Signatories:

Acción Ecológica, Ecuador  
Acción por la Biodiversidad, Argentina  
Campagna per la Riforma della Banca Mondiale (CRBM)  
Centro Ecológico, Brasil  
COECOCEIBA-Amigos de la Tierra Costa Rica  
Confédération Paysanne  
Corporate Europe Observatory  
Focus on the Global South  
Friends of the Earth International  
GRAIN  
La Via Campesina  
Land Research Action Network (LRAN)  
Red de Coordinación en Biodiversidad, Costa Rica  
REDES-AT, Uruguay  
SOBREVIVENCIA, Amigos de la Tierra Paraguay

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<sup>10</sup> Brazilian Forum of NGOs and Social Movements for the Environment and Development (FBOMS): "Agribusinesses and biofuels: an explosive mixture", Rio de Janeiro, 2006, p. 6.