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A Seismic Change: Land Control in Africa. Is this a Wake-Up Call for Agribusiness?

Industry Speaks

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Abstract

Africa has often been described as the 'forgotten continent' but dramatic changes have occurred in African agribusiness over the last ten years. On the one hand, the greatest transfer of land ownership since the colonial era continues apace. These deals are sometimes seen as a land grab, or new form of colonialism. On the other hand this new investment and the involvement of large scale agribusiness also offers the potential of bringing new technologies and techniques to the region. Could this technology transfer help Africa to replicate the Brazilian 'miracle'?

The wider agricultural community, more familiar with tales of feuds and famine in Africa, has largely overlooked many of these changes, but this paper argues that it behoves the Agribusiness community to understand what is happening, and to ask: is it time for Agribusinesses to invest in Africa?

Keywords: land grab, Africa, Land ownership, development, agribusiness

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Introduction

Over the past decade an unparalleled transfer of land ownership or control has occurred in Africa. Estimates range from about 60 million hectares (twice the size of the UK) [1] to over 230 million hectares (about the size of northwest Europe)[2] has changed hands. Despite conducting business in 128 countries, Alltech, has seen little discussion within Agribusiness about this seismic change and the implications for future food production on the African continent.

There are several possible scenarios of how this unparalleled land transfer will play out:

- First, the investment by Chinese, Middle Eastern, Indian organizations and South African investors could lead to the implementation of improved agribusiness technology, which will in turn result in a better standard of living in Africa as a whole, with sustainable jobs and sustainable prosperity;

- Alternatively, the same investment could result in no appreciable benefit to the locals, who will be removed from the land, and the jobs and wealth will be created primarily for outside investors;

- Third, the investment could result in a short term benefit for local people and governments but suffer from the 'tragedy of the commons', in which the unregulated resources of the country are expended, resulting in a deterioration in the environment and a long term drop in productivity;

- Or fourth, a combination of local government interference, bureaucracy, and corruption could prevent the new African agriculture model from reaching its full potential.

[1] World Bank report: Rising Global Interest in Farmland (2011) http://siteresources.worldbank.org/INTARD/Resources/ESW_Sept7_final_final.pdf
[2] Oxfam report: Land and Power (2011) http://www.oxfam.org/en/grow/policy/land-and-power

The hope is that the agricultural development success experienced in Brazil can be replicated, to achieve the first scenario. It is clear that the changes are widespread, in more than 35 countries, and massive in scale. The broader Agribusiness sector should be aware of these changes, as they are likely to affect global markets.

The Once-Forgotten Continent

Although sometimes seen as the 'forgotten continent', Africa has long been subject to outside interest in its natural resources. News organizations have questioned if this is 'a new land grab'. This time, in addition to minerals, agriculture is drawing foreign interest. Dramatic changes are occurring throughout Africa including South Sudan, Ethiopia, Madagascar, Tanzania, Congo, Kenya, Liberia and Senegal. This time, however, the leading investors are from Asia, particularly China, India and Korea.

Social unrest, political policies and corruption have made some of the developed productive lands in Africa difficult to farm, but countries such as Ethiopia and Sudan, are being re-examined for the potential of their land. These changes are being driven by a combination of a rapid increase in food prices, the need for Biofuels, and developments in agriculture, as well as a need for arable land. For example, Muhammad Abdur Razzaque. Minister of Food and Disaster Management for Bangladesh, has said that:

"Whether from the public sector or the private sector, the government of Bangladesh is fully behind any attempts to seek out unused land beyond its borders," [3]

The abundance of land and (in some regions) water is allowing the production of valuable agri-commodities. Indeed, Peter Brabeck-Letmathe, Chairman of Nestle suggests that a key element in the new wave of land transfers is actually as much of a 'water grab' as a land grab:

"With the land comes the right to withdraw the water linked to it, in most countries essentially a freebie that increasingly could be the most valuable part of the deal." [4]

These resources, combined with eager local governments, has seen the speed and the number of land deals soar. The Chinese have acquired land in Tanzania, while the Koreans attempted to acquire 1.3m hectares in Madagascar. One of the richest companies in Saudi Arabia has purchased land in Ethiopia. The Indians have purchased land in many different countries and the European Swiss company has started producing biofuels in the Congo. Other examples are listed in here.

[3] Guardian newspaper, 17 November 2011 http://www.guardian.co.uk/global-development/2011/nov/17/bangladesh-shopping-for-land-abroad

[4] Foreign Policy, April 15. 2009, The Next Big Thing: H2O; Peter Brabeck-Letmathe http://www.foreignpolicy.com/articles/2009/04/15/the_next_big_thing_h20

- **Ethiopia**: 815 foreign-financed agricultural projects approved between 2007 to 2010 (Guardian)
- **Ethiopia:** a new 150,000 ha livestock farm (FAO, 2009)
- **Ethiopia:** 300,000 hectares to the Indian company, Karuturi[5]
- **Democratic Republic of Congo**: 2.8m hectares of palm oil for biofuels for China.
- **Gabon**: Olam (Singapore) acquired 300,000 ha to produce Palm oil. **Ethiopia, Kenya, Madagascar, Senegal and Mozambique:** 80 Indian companies have invested around $2.4 billion in buying or leasing huge plantations in these countries
- **Madagascar**: Korea's Daewoo company attempted to lease 1.3 million hectares
- **Liberia:** A Malaysian conglomerate in 2009 signed a 63 year lease for 230,000 ha.to grow palm oil & rubber
- **Liberia**: An Indonesian producer signed a 2010 agreement to develop 220,000 ha. to produce palm oil.
- **Madagascar:** has 452,000ha Biofuel project (FAO, 2009)
- **Mali**: 544,500 ha. (Oakland Institute, 2010)
- **South Sudan** - A former commodities trader leased 800,000 ha near Darfur
- **North Sudan** - South Korean companies have bought 700,000 ha. for wheat
- **South Sudan** - United Arab Emirates acquired 750,000 ha. .
- **South Sudan** - between 2004 and 2009 Saudi Arabia leased 376,000 ha. to grow wheat & rice

Figure 1. Examples of Recent Land Transfers

All of this is part of an unparalleled transfer of land ownership. Skeptics have viewed this as a new form of colonialism. These charges have been denied in some places, such as Ethiopia, which see potential for greater food security. Berhanu Kebede, Ethiopia's Ambassador to the UK, says that

"The phrase "land grab" implies that wealthy foreign investors are misappropriating land and that Ethiopia has no control over the process. In fact, Ethiopia chooses to allocate land to investors depending on best use….In view of rising world food prices, Ethiopia has embarked on sound economic, social and ecological measures, which enable efficient and effective use of all our resources."

While agreeing that *"If all governments capably represented the interests of their citizens, these cash-for-cropland deals might improve prosperity and food security for both sides,"*[7] many rep-

5 http://www.channel4.com/news/africa-succumbs-to-colonial-style-land-grab
6. http://www.guardian.co.uk/global-development/poverty-matters/2011/apr/04/ethiopia-land-deals-food-self-sufficiency
7 http://www.reuters.com/article/2011/07/26/us-investment-land-idUSTRE76P77P20110726

resentatives of African citizens and non-governmental organizations (NGOs) such as Oxfam, Worldwatch have raised concerns as to the intentions of these companies; the impact of removing indigenous people from their land holdings (which they are often farming at a subsistence level) with no alternative jobs or resources provided; the equity of the deals being struck, and the authority of some of the people making the deals. Some question the shift in focus by the World Bank towards development of large-scale agribusiness through encouragement of foreign direct investment rather thank support of small indigenous farmer.[8] The World Bank counters that encouraging governments to regularize land tenure systems helps everybody, including those whose rights have not been formalized, and encourages investment in the land whether by smallholder or large investor.[9]

Either way, when large scale farming operations first come to a region social disruption is inevitable, and the outcomes difficult to predict. Availability and pricing of both labor and the resulting agricultural products are certain to change. Opportunities for entrepreneurs, either as part of a supply chain, or in ancillary goods and services are also likely. The response of the community may also come into play, whether through cooperation or resistance. There are few modern examples of an abrupt transformation of agriculture from small scale farming into large operations, but the experiences of Brazil and India offer some lessons.

The ‘Miracle of the Cerrados’

Brazil’s success at converting previously unusable land into some of the most productive in the world has undoubtedly shaped investor thinking. Modern farming practices have dramatically improved the agricultural outcomes through modern genetics, (including those adapted to the tropics and sub tropics for animals and plants), improved irrigation programs that minimize the waste of water, and technological tools.

As a result, over the last decade the value of Brazil’s crops more than quadrupled, from $23bn to $108bn. Less than 30 years ago Brazil was a food importer; now it is the largest exporter of beef, poultry, sugar cane and ethanol and the second largest of exporter of soy (after the US).

The soil of the *cerrado*, where this ‘miracle’ has taken place, was thought to be too poor for agriculture. Rather than a ‘miracle’ this success is the result of long-term investment in improving quality; developing new species of plants such as tropical grasses (from Africa) and soybeans, the application of technology from SAP to radio transmitters for weather monitoring, the development of new farming techniques that are better suited to the region, and a return to the oldest farming technique of all: integrated crops and crop rotation.[10] The solutions were developed specifically for the challenges of the *cerrado*, and history has already shown that Africa will require its own solutions, but there are certainly lessons to be shared.

Lessons from India may also be applicable to Africa, particularly those tailored for the millions of small farmers upon which both Indian and African agriculture are currently built. India is

[8] http://www.globalresearch.ca/index.php?context=va&aid=26608
[9] http://www.emergingmarkets.org/Article/2905600/World-Bank-rebuffs-land-grabbing-claims.html
[10] http://www.economist.com/node/16886442

using techniques from consumer marketing and mobile technology to help its farmers. Drawing on Hindustan Unilever's success with very small packets of products for poor consumers, some companies are developing small packets of fertilizer, herbicides and pesticides for farmers with less than a hectare of land, along with training in techniques such as micro-dosing.[11] To reflect the substantial differences between farming areas, as well as poorly educated farmers, mobile phones are used to deliver advice and information to supplement the local extension services.[12] Biotechnology tools are also being brought into play, both for efficiency and to develop sustainable farming practices.[13]

Together, these approaches offer the potential to achieve productivity never seen before in Africa. Without this modern technology, the gap between the yields being achieved in the western world and those in Africa will continue to grow. International capital and technology, alongside the resources of land available in Africa may be bridge that gap.

If that gap can indeed be bridged, the potential for Agribusiness is enormous, yet from the feed industry perspective, and meat production in general, the story of Africa has largely been overlooked. The director of an Indian company currently developing 300,000 ha in Ethiopia notes that:

"My business is the third wave of outsourcing. Everyone is investing in China for manufacturing; everyone is investing in India for services. Everybody needs to invest in Africa for food."

So far, very few of the international feed companies or ingredient companies have a presence in Africa.[14]

With this in mind, the questions posed earlier can be rephrased:

1. Will the investment by Chinese, Middle Eastern and Indian organizations lead to a better standard of living in Africa as a whole and with this a commensurate desire to consume more protein?

2. Will the investments in Africa and in particular South Africans result in sustainable jobs and sustainable prosperity?

3. Will the development of agribusiness in Africa avoid the 'tragedy of the commons', i.e., will the resources of the country be so unregulated that they are expended, resulting in a deterioration in the environment and potential for a long-term drop in productivity?

4. Is it possible that the agricultural development success experienced in Brazil can be repeated? In the case of Brazil, consumption of meat doubled in a ten year period. Can the same story be replicated in an African context?

5. Will the inevitable interferences of government and bureaucracy prevent the African agriculture model from reaching its full potential?

6. And perhaps the most relevant question for the feed industry: what role will the industry play in the new order?

The question for food producers is whether it's time to invest in building integrated meat production systems, feed companies, technology, genetics and, not least—management expertise? From the point of view of the developed world, it appears Africa could well be at a tipping point in its history. As with Brazil 20 years ago, is it the right time for Agribusinesses to invest?

The opportunity for progress in Africa is tremendous if the desires of the developed world can be matched with the resources of the developing world, in a manner that creates sustainable agribusiness models and does not simply become exploitative. Perhaps the 21st century will be the century of Africa establishes itself as an Agribusiness power.

[11] http://www.guardian.co.uk/global-development/poverty-matters/2011/dec/14/mini-pack-revolution-agricultural-development
[12] ibid [13] ibid
[14] http://radicalnotes.com/journal/2010/01/02/ethiopian-farms-lure-bangalore-based-karuturi-global-ltd-as-workers-live-in-poverty/

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