Meet the new farmers

Large swathes of African farmland are being snapped up by investors. ANURADHA MITTAL goes to see for herself how the 'AgInvesting' Industry is delivering Mozambican fields straight into financiers' portfolios.

This private equity magazine flags up food shortages as the 'investment opportunity of a lifetime'.

The front cover of the November 2010 edition of *Real Deals*.

My journey began at Global AgInvesting in Geneva, 2010. Organized by the Boston and St Louis-based HighQuest Partners in conjunction with SoyaTech, it's aimed at pension funds, endowments, foundations, sovereign wealth funds, institutions and private investors.

In Geneva, ag-managers and agribusiness industry executives spoke the language of aid organizations. They talked of 'helping Africa feed itself', 'improved food security', 'livelihood creation' and even 'Socially Responsible Investments'.

The conference sessions provided perspectives on the 'farmland asset class'. But it was the networking over lunch and cocktail receptions – sponsored by hedge-fund and private equity firms – that were key to doing business. They led to deals that were sealed in the bars and private meeting rooms of fancy hotels such as Geneva's Inter Continental or the Waldorf Astoria in New York.

On the second day I attended an 'African land' session. Here, Susan Payne, CEO of London-based hedge fund Emergent Asset Management (EAM) made her sales pitch. She was joined by Pedro Marques dos Santos, from Quifel Natural Resources – now the largest foreign agriculture operator in Sierra Leone – and Neil Crowder, CEO of British private equity firm Chayton Africa.

Payne's presentation promised two things: employment and support for food security for communities in countries like Mozambique 'where people used to eat coal'. She also promised between 20 and 40 per cent returns on investment.

In a video presentation on Emergent's website, Payne has also hailed the relatively low cost of African land as 'an arbitrage opportunity', saying 'we could be moronic and not grow anything and we think we would make money over the next decade'.

Later, in a private room, I signed up for a three-day EAM-sponsored whirlwind investor trip to South Africa, Zambia, Mozambique and Swaziland.

'Abundance of unused land?'

On the morning of 6 December 2010, in Johannesburg, I met the group I was to travel with – David Murrin, Chief Investment Officer of EAM, Anthony Poorter, Africa Director of EAM and Susan Payne herself, along with three other US-based investors.

We boarded a private plane bound for Zambia. After visa formalities at Lusaka airport, we were soon in a helicopter, flying over the Victoria Falls, witnessing the beauty and splendour of Zambia's wildlife.

While still enchanted by the herd of hippos that I had just seen down below, I began to notice curious circular clearings. They turned out to be a banana plantation, as we came down to land in a muddy field.

We had arrived at Emvest Kalonga, EAM's 3,275-hectare farm project, located 30 kilometres to the west of Livingston town, in southern Zambia.

I didn't expect to see any villagers since foreign investors are supposed to be moving into unoccupied lands. So I was surprised when children, women and men came rushing out into the fields to see the spectacle. The locals are still intrigued by the sight of investors descending from the skies with promises of employment, food security and harmony.

'We could be moronic and not grow anything and we think we would make money over the next decade'

After a hearty lunch in the home of farm manager Koos de Klerk, we took to the skies again. This time we were headed for Maputo, Mozambique, home to three projects operated by EmVest Asset Management, a joint venture of EAM and Grainvest.

We arrived at the EmVest Limpopo food crops farm in Matuba in Mozambique's Gaza province. The company described Matuba to us as a 2,000 hectare 'greenfield' concession. They said the Mozambican government had granted the area to Emergent as part of a 'grand land lease project' to develop the country's agricultural potential.

As we drove up to the farm, I was shocked. Instead of the fallow unpopulated land I had expected, the farm was set amid a vibrant community of villages in a landscape shaped by local markets and food crops in the fields. So much for the 'abundance of unused land' we'd been told about – even the sides of the highway were planted with corn.

The village of Matuba, with its circular thatched mud huts and plots of land cultivated by the locals, is home to EmVest Limpopo. At the farm we were welcomed by a Mr Mugabe, the local district official, and the South African farm manager Pieter de Klerk (brother of Koos de Klerk from Zambia). We witnessed the opportunity that awaited foreign investors.

Something for nothing

EmVest Limpopo offers foreign investors a neat package that includes fertile land handed over for almost nothing and an abundance of water harnessed from the canal for the same price. Perks and enticements include a five-year income tax holiday, exemption from both customs duties and Value Added Tax, and a knocked-down profit tax as well as full profit repatriation for a renewable base period of 25 years.

In return for this generosity, the Limpopo project is supposed to generate jobs and assist with poverty alleviation, through 'majority employment' for the local community of Matuba village that has a population of over 7,000.

Our tour included a visit to the village outskirts in a four-wheel drive. They pointed out an orphanage, supposedly supported by EmVest Limpopo and electricity lines that have been put in to provide electricity to the Matuba farm project.

When I asked EmVest's David Murrin if they planned to run electricity lines through the village, he replied 'no', explaining that it might prove a moral hazard for the villagers to get things for free.

There was a conspicuous lack of greetings from the local community, who stared at the roaring trucks driving us around. When I asked

Unoccupied? So-called vacant land is often being farmed by locals. Smallholders supply 30 per cent of Africa's GDP.

STR New / Reuters

Tanzania, open for agribus iness

The Pharos hedge fund and venture capital business Summit Group have teamed up with investment firm AgroSol Energy, Iowa University and Tanzanian investment firm Serengeti Advisers for an ambitious bio-tech driven industrial farm covering 325,000 hectares on the site of three 'abandoned refugee camps'. But while Tanzania has begun work on a regulatory framework to introduce Monsanto's genetically modified crops, it transpires that the camps are still inhabited by refugees who have farmed there since 1972 – and who do not wish to leave. ■

Oakland Institute Tanzania brief: nin.tl/ptMj3I

Pieter if most of the farm's employees were locals he replied, 'Well… when I look around, everyone here is a potential criminal.'

The other side of the story

Visiting four countries in 72 hours may be nothing unusual for foreign investors in search of lucrative investments. But in my case it raised more questions than answers.

In February 2011, I travelled back to Matuba. This time I was unescorted by the coterie of foreign investors. I wanted to meet the people and communities that they purported to be benefiting.

'Well… when I look around, everyone here is a potential criminal'

Diamantino Nhampossa, Executive Director of UNAC, Mozambique's largest farmers' organization, drove us to Matuba. After a meeting with local farmers' union representatives in the Gaza province, we talked with the farmers, sheltering from an unrelenting tropical downpour underneath the sugar cane crop. They told me about their experiences with the foreign investors.

They spoke about Mia, a subsidiary of Sainsbury's supermarket chain in Britain, which has a concession opposite the Emergent farm. When Mia met resistance from the farmers, who refused to vacate the lands that Mia claimed to own, planes flew over the standing crop of maize. The villagers claim not to know what was dropped. Whatever it was, their crops were burnt and destroyed.

Next we headed to the village itself to see the people who had supposedly signed away their 2,000 hectares to Emergent. The account of the village chief of Matuba and its inhabitants contradicted the claims of consultation made by EmVest.

They said government authorities had forced them to sign papers releasing only 1,000 hectares while a white man by the name of Pieter, who had accompanied the district officials, promised to end their poverty.

'The conflict is because EmVest wants land where people live and farm. But we need this land for our children and to feed ourselves'

They denied having signed away an additional 1,000 hectares, despite pressure to do so. 'We need the land to feed our children and graze our cattle,' they said. The villagers, who claim to have lost their fields, said they had received neither a copy of the land title nor the government legal documents nor EmVest's agreement with the Mozambican government.

Job creation is often cited as another major rationale for foreign direct investment (FDI) in land. True to form, the Matuba investment project summary also promises job creation. However, the project's employment headcount, as reported in May 2011, revealed a mere 232 positions, only 93 of them permanent positions. Agricultural field workers accounted for 97 jobs, 85 of them seasonal. This offered little employment potential for local farmers or the 7,000 inhabitants of Matuba. The largest number of permanent posts – 36 – were in security.

The village Chief confirmed there were limited opportunities on the Limpopo farm. He observed that villagers were better able to feed their families while farming their small plots than working in a limited capacity for EmVest.

Lies and promises

Emergent boasts of Socially Responsible Investment in both personal communications and in materials for investors. For instance, EmVest claims a strong relationship with the local community, to whom they say they have gifted medical facilities, schools and bore-wells. They also mention their support of the local orphanage, and their preparation of 370 hectares of ploughed fields for use by locals from Matuba.

The local community, however, denies these claims. According to the villagers I spoke to, the orphanage and school currently operating in the community are built and supported by Caritas, a Catholic charity. The villagers vehemently denied EmVest's contribution to the wellbeing of the village.

The bore-wells were sunk only after local

Anuradha Mittal

Villagers in Matuba, Mozambique, say they were forced to release their land.

people protested that the company's operations had cut off their cattle's access to drinking water. When asked about the 370 hectares of fields prepared by EmVest, the community members spoke only of the 1,000 hectares of farmland they were forced to release and the pressure to relinquish more land. Their conclusion: 'The conflict is because EmVest wants land where people live and farm. But we need this land for our children and to feed ourselves.'

What's happening in Mozambique is not unique.

The Oakland Institute researchers' field trips in seven African countries gave us the opportunity to examine several agricultural, mining and forestry concessions.

We learned that investment in agriculture does not necessarily translate into food security or better livelihoods for smallholder farmers, who form most of the world's poor. Instead, unaccountable investors are brokering secret deals that undermine local food systems, displace local populations and create deeper poverty and political instability. ■

Anuradha Mittal is the Executive Director of the Oakland Institute, a thinktank dedicated to increasing public participation and promoting debate on social, economic and environmental policy. oaklandinstitute.org

South Sudan, another Texan county?

Africa's newest country's largest land deal – some 600,000 hectares, with an option on 400,000 more – was sealed for $25,000, on a 49-year lease. The deal was facilitated by a British former investment banker, Leonard Thatcher, between Dallas-based firm Nile Trading and Development and the Mukaya Payam Co-operative. The land in question is currently home to nearly 90,000 people. Oakland's revelations that the land was signed away by a 'fictitious co-op' put together by 'influential natives' has alerted the communities, which have since managed to stall the deal. ■

Oakland Institute South Sudan brief: nin.tl/nyvpP1

The low down on land grabs

A land grab of monumental proportions is advancing fast. In 2009, nearly 60 million hectares of arable land – an area the size of France – was purchased or leased, 70 per cent of it in Africa.

Studies relate a catalogue of shady deals spanning the African continent from Ethiopia's Gambella region to Sierra Leone's Port Loko. They threaten local food systems, environmental devastation and widespread displacement of small farmers. While smallholders supply most of Africa's food and produce 30 per cent of its GDP, the land being acquired is destined to grow biofuels or crops for export rather than meeting local needs.

Banking on increasing demand for food and fuel in our resource-constrained world, high-finance is teaming up with agribusiness to buy up the means of production – labour, large tracts of land, water – and decide what's grown. Hedge funds are joining forces with companies like Bunge and Monsanto to grow whatever pays on the global market. Carbon-credit schemes and the chance to 'grab' water resources are other draws.

Sovereign wealth funds, from countries spooked by the food price spikes of 2008, are buying up land outside their national borders.

Multinational companies and domestic capital are also in on the game. For the first time, 'South-South' deals involving regional powerhouses like Brazil and South Africa are seeking out land from poorer neighbours. Corrupt élites are 'grabbing' from their own vulnerable citizens. Governments are signing deals that could cede control over food, land and trade for decades to come. Few contracts legally require investors to sell to domestic markets, conserve water resources in times of shortage or to deliver on promises to provide jobs and infrastructure.

The looming threat to the world's most vulnerable has not gone unnoticed, even if – until now – it has gone largely unchecked. The UN Food and Agriculture Organization and the World Bank are among those who have drafted voluntary guidelines for responsible agro-investments (RAI).

But experts say that these rules allow for 'destroying the global peasantry responsibly'.[1] Lurking behind RAI is the idea that small farmers must make way for industrial agriculture, the only viable way to meet global food demand.

But a recent UN study says the opposite is true. It maintains that industrial farming poisons the environment and destroys the soil; and boosts climate change, poverty and disease.[2]

Investment should be channelled instead to smallholders, to give farmers access to the infrastructure, seeds and knowledge they need to feed themselves sustainably and boost production. ■

1 UN Special Rapporteur for the Right to Food, Olivier de Schutter. **2** UN International Assessment of Agricultural Knowledge, Science and Technology for Development 2009.

Sources:
Future Agricultures, *Land Grabbing in Africa and the New Politics of Food*, June 2011.