



UNDERSTANDING LAND INVESTMENT DEALS IN AFRICA

AGRISOL ENERGY AND PHAROS GLOBAL AGRICULTURE FUND'S LAND DEAL IN TANZANIA

LAND DEAL BRIEF | JUNE 2011

Overview

Iowa-based Summit Group and Global Agriculture Fund of the Pharos Financial Group, in partnership with AgriSol Energy LLC and the College of Agriculture and Life Sciences at Iowa State University, are developing a large agriculture enterprise in Tanzania. The site encompasses three “abandoned refugee camps”—Lugufu in Kigoma province (25,000 ha), Katumba (80,317 ha), and Mishamo (219,800 ha), both in Rukwa province. The Tanzanian arm of AgriSol Energy: AgriSol Energy Tanzania and Serengeti Advisers Limited, a Tanzanian investment and consulting firm, provide the domestic front for this operation.

After the completion of the first feasibility study in early 2011, negotiations are under way with the Tanzanian government involving several issues. These include: land title (ownership of land title is prohibited for foreigners); award of strategic investor status to assure availability of incentives (tax holidays, repatriation of dollars out of the country, waiver of duties on diesel, agricultural and industrial equipment and supplies, etc.); and commitment and timetable for construction of a rail link for Mishamo.¹

The stated goal of the project is to pursue the commercial development of all three tracts, which will include large-scale crop cultivation, beef, and poultry production, and biofuel production.² AgriSol's vision is to accomplish this through industrial-style agriculture employing biotechnology and other high-technology inputs to be supplied by AgriSol's business partners, including Monsanto, Syngenta, and other powerful global industrial agribusiness conglomerates.

The success of the project is contingent on the evacuation of the current inhabitants of the lease areas, which have served as refugee resettlement areas since 1972, as well as on the Tanzanian government's acceptance of creating a regulatory framework for the use of genetically modified crops. Though these issues are yet to be resolved, the process is well underway with the expectation that the title of certificate

of occupancy will be awarded within 3 months (as of April 2011)³ by the Tanzanian government which views AgriSol as part of its *Kilimo Kwanza* (“Agriculture First”) policy initiative to modernize and commercialize the country's agricultural sector.⁴

Parties Involved

Several key players in the global agribusiness and finance industry have a stake in this deal. AgriSol Energy Tanzania, Ltd. was born of a partnership between Iowa-based AgriSol Energy, LLC and Tanzania-based Serengeti Advisers Limited. The former is an investment company that creates agricultural businesses in underdeveloped areas with attractive natural resources but lacking agricultural technology.⁵ The latter is a leading Tanzanian investment and consulting firm led by Iddi Simba (non-executive director) and Bertram Eyakuze (partner and co-founder). Simba, a former Director-General of the East African Development Bank has strong government ties as the former Tanzanian Trade and Industry minister.⁶

Another key partner is Pharos Global Agricultural Fund, managed by Pharos Financial Group, a Dubai-based firm, specializing in emerging markets investment with returns of 13-20% for investors through the acquisition of agricultural land, agricultural infrastructure assets, and distressed operational farm holdings. Peter Halloran, CEO of Pharos Financial Group, serves as the Fund's Managing Director.

Summit Group, (headquartered in Alden, Iowa), an extensive farming and livestock operation, managing and farming nearly 40,000 row crop acres in Iowa, Nebraska, Minnesota and Illinois, is another strategic partner. Summit also has a cow-calf operation with 4,300 beef production spaces, and a 150,000 swine contract.⁷ It oversees Summit Farms, Summit Ag Fund, and AgriSol Energy, among other projects.⁸

Finally, Iowa State University, one of the most respected land-grant universities in the nation, is providing key support for



the project by conducting feasibility studies including soil sampling and climate, rainfall and landscape analysis.⁹ There are also proposed plans for a “farmer outreach and agricultural extension program” in conjunction with Tanzania’s Sokoine University of Agriculture.

A common link among all of these parties is Iowa agribusiness entrepreneur and Republican Party stalwart, Bruce Rastetter,¹⁰ who concurrently serves as CEO of Pharos Ag, co-founder and Managing Director of AgriSol Energy, CEO of Summit Farms and is an important donor to the Iowa State University.¹¹ Rastetter was recently appointed as a member of the Iowa Board of Regents by Terry Branstad, Iowa’s Governor, who received more than \$160,000 from Rastetter for his 2010 fall campaign.¹² In addition, the wealthy businessman provided the seed money to start the American Future Fund, an Iowa-based conservative nonprofit, which spent millions of dollars in the 2010 fall campaign to defeat Democrats who sit on legislative committees that directly affect the ethanol industry and agricultural subsidies.¹³ Prior to joining Pharos Ag, Rastetter was CEO of Hawkeye Holdings, one of the largest ethanol producers in the U.S.

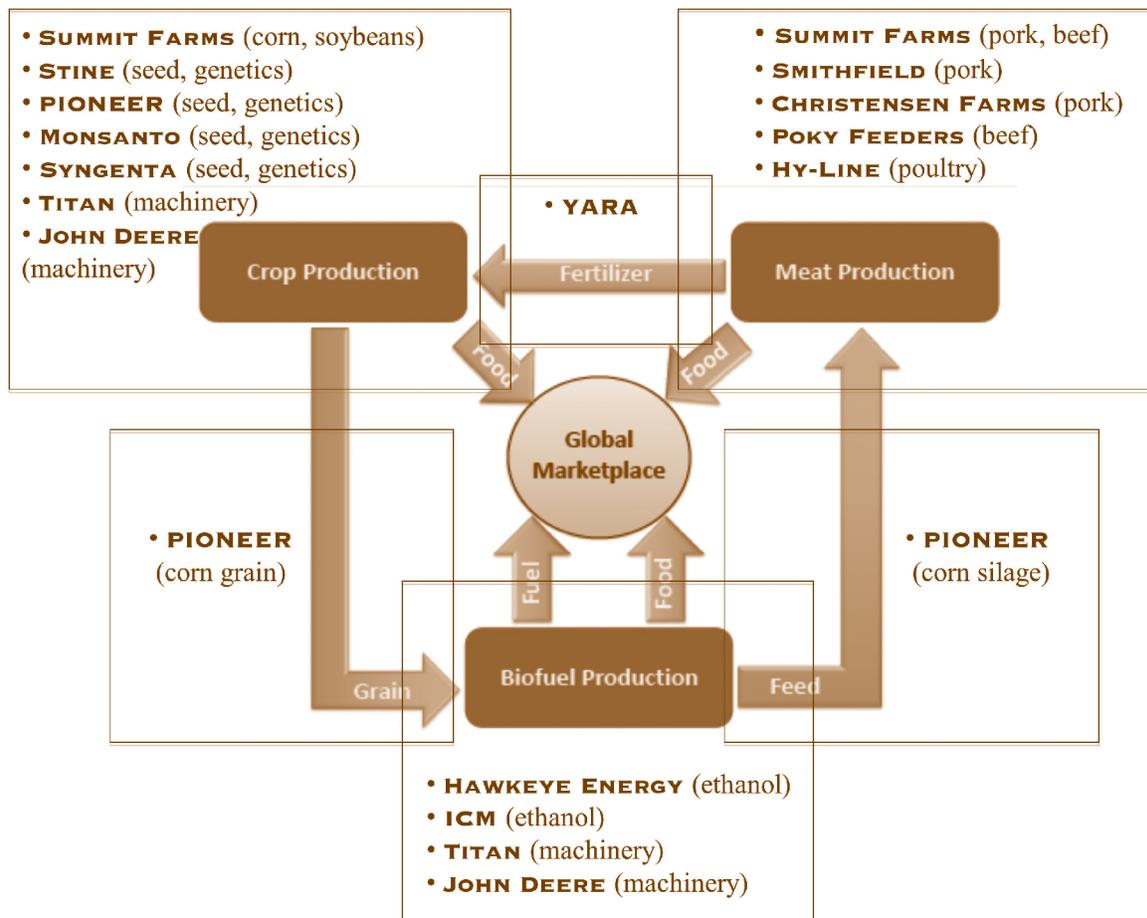
Ground Reality

OPENING TANZANIA TO AGRIBUSINESS CONGLOMERATES

The stated goal of the project is to transform Tanzania into a “regional agricultural powerhouse” by combining the country’s abundant agricultural natural resources with “modern” farming practices.¹⁴ AgriSol promises to “unlock the potential” through the use of GM and other technologies to increase yields and reduce labor-intensive agricultural methods.¹⁵ AgriSol claims that Tanzanian (non-GM) maize yields are 17.5 bushels per acre (bu/acre), while Iowa (GM) maize yields are 195 bu/acre.

An ardent advocate of ethanol and biotechnology, Rastetter promotes the industrial agriculture agenda to address the ever-increasing worldwide demand for food. In a recent speech, he claimed biotech seeds would double production by 2050 to feed an estimated global population of 9 billion people. He spoke of his efforts to persuade officials in Tanzania to embrace genetically modified crops, arguing that the country has 25 million acres of farmland that is producing virtually nothing.¹⁶ According to Rastetter, “For the world, the embracing of that modern approach is pretty critical, in terms

Figure 1. Value Chain Capture of Tanzania’s Agricultural Sector



of producing low-cost enough food...in particular for the poor to be able to afford that, rather than the higher cost of all-natural or organic food.”¹⁷ In fact the chances of the project moving forward depends on the Tanzanian government creating favorable policies supporting the cultivation of GM crops in the country.

This model of “modern agriculture” envisioned by Rastetter and AgriSol links crop production, livestock production, and agrofuel production through partnerships among various agribusiness conglomerates in the value chain. (Figure 1.) “Pharos Ag, together with the AgriSol team and Summit, will call on their global network of agriculture and agribusiness partners to ensure the effective development of this project using the best in class and the most cost-efficient technology.”¹⁸ Partners, whom Pharos refers to include Monsanto, Stine, and John Deere, among many others and the application of this model in Tanzania will basically open the country to a massive influx of the world’s largest agribusiness companies.

The “modern agriculture” model, while a profit-generating enterprise for agribusinesses, has widely documented negative social and environmental effects. For instance, internationally recognized Independent Assessment of Agricultural Knowledge, Science, and Technology for Development (IAASTD), a multi-stakeholder assessment of agriculture, concluded that a systematic redirection of investment, funding, research, and policy focus towards the needs of small farmers – and away from large agribusiness – is needed to address social inequities and environmental sustainability questions.¹⁹

AgriSol promises Tanzania the same development benefits experienced by Iowa’s agricultural sector. In Iowa, the introduction of industrial agriculture reduced the number of farms by over 50 percent since 1950. Small farmers can no longer compete with giant companies and according to Neil Harl, an Iowa State University agricultural economist, “Their role as independent entrepreneurs is endangered. It means even less income for them. It means less management by them. It is the road to serfdom.”²⁰

BENEFITS FOR LOCAL COMMUNITIES OR THE “IOWAZATION” OF TANZANIA?

Among the benefits promised by AgriSol Energy Tanzania are opportunities for local farmers, food security, energy security, sustainability, world-class commercial farming, and opportunities to buy commodities at production cost. All supposed direct benefits to local farmers are to be realized through the Iowa State University-designed

Tanzania Smallholder Outreach program, which is to be funded by USAID, Gates Foundation, and the Rockefeller Foundation, among others.²¹ However, the status of economic independence of smallholders is doubtful and unclear. While the local farmers will have access to a limited number of inputs (certain seeds, certain fertilizers, certain technologies) and a limited market, AgriSol, as their buyer, will effectively control prices. Locals will have little to no bargaining power, and any development opportunities for local farmers will be on terms set by AgriSol.

To connect nearby farmers into the AgriSol business model, the company will develop an outgrower scheme that would allow access to quality seed, fertilizer, credit, access to value-added processing facilities, and technical training. Crops could be purchased by AgriSol for processing and outgrowers can be stakeholders of the enterprise.

— Africa Projects – 2011, Pharos Global Agricultural Fund PowerPoint presentation, March 2011

Forced Resettlement of Small Farmers

The most concerning aspect about the AgriSol Energy Tanzania land deal is that the sites encompass refugee settlement areas. While Lugufu is now empty, Katumba and Mishamo sites are being evacuated by the Tanzanian government to make way for the project. The Katumba and Mishamo inhabitants are Burundian refugees who fled to Tanzania in 1972 and who have been farming and building up strong communities on this land ever since. The Tanzanian government began a naturalization process in 2008 with a plan to grant citizenship to 162,000 refugees in April 2010. Yet, while the Tanzanian government is being celebrated internationally for this generosity, the refugees’ citizenship is contingent upon a coerced move from the places they have called home for the past 39 years.²²

According to media reports, phone interviews with the former refugees, who had apparently received citizenship in 2010, revealed that their legal status and actual certificates of citizenship were being withheld until they relocated to other areas of Tanzania.²³

AgriSol is aware of the inhabitants in the lease area. The MOU between AgriSol Energy Tanzania and the Mpanda District Council (a Tanzanian local government authority) states in Article 1.1, “Katumba and Mishamo are currently under the process of being closed as refugee settlements and the refugees are being returned to their country of origin (Burundi) or, in the case of those who have opted to stay in Tanzania, being resettled away from Katumba and Mishamo.”²⁴

AgriSol is also aware of the local cultivation of crops that supports these farmers’ livelihoods. A presentation based on the Iowa State University feasibility studies indicates that “current land use” in two of the four survey areas in Katumba, and of all four survey areas in Mishamo, are classified as “cultivated.”²⁵ Yet, according to AgriSol, “Social issues may not be as big of an issue as other Africa agricultural developments because of lack of population density near production sites.”²⁶ When asked if AgriSol had considered potential job creation for local populations in the lease areas,

the response to the Institute was:

“You know, we haven’t done that...what I appreciate, from a practical standpoint, is how he [The Tanzanian Prime Minister] understands the country and the capabilities and what we’ll need to bring in. They quite frankly think we’ll need to [bring in outside farmers], and they’re fine with bringing in South African farm managers...the white South African farm managers, to be able to provide that general expertise...”²⁷

These comments directly contradict claims made by Pharos that AgriSol is in the process of “identifying *local* farm project managers.”²⁸

As the project (more than likely) moves forward with special laws enacted to allow for foreign ownership and favorable regulation regarding the introduction of GM crops, local farmers, coerced from their homes under the threat of losing citizenship, will benefit the least from innovative, modern agribusiness.

The views and conclusions expressed in this publication are opinions of the Oakland Institute alone.

ENDNOTES

- 1 Bruce Rastetter and Peter Halloran, direct communication, April 26, 2011.
- 2 AgriSol Energy website, “Our Projects,” <http://www.agrisolenergy.com/projects> (accessed 26 April 2011).
- 3 In a conversation with the author, Bruce Rastetter claimed, “There is very small chance for it to fail. Fundamental government support is there.” April 26, 2011.
- 4 For more information on the *Kilimo Kwanza* initiative, see: <http://allafrica.com/stories/200909180244.html>
- 5 AgriSol Energy website, “About Us,” <http://www.agrisolenergy.com/us> (accessed 29 April 2011).
- 6 Serengeti Advisers website, “About Us,” <http://www.serengetiadvisers.com/about-us> (accessed 2 May 2011).
- 7 Pharos Global Agricultural Fund, “Africa Projects – 2011,” PowerPoint presentation, March 2011.
- 8 For details on all Summit Group projects, see: <http://summitag.com/projects> (accessed 1 May 2011).
- 9 A. Manu and J. Jordan. “Climate, Landscape, and Soil Characteristics of Agrisol Sites in Tanzania,” presentation made to the Oakland Institute, April 26, 2011.
- 10 For a more complete biography on Bruce Rastetter, see: http://www.raflp.com/site/epage/90389_864.htm
- 11 Rastetter is an important donor to Iowa’s universities, including a \$1.75 million commitment in 2007 to the entrepreneurship program in Iowa State University’s College of Agriculture and Life Sciences and a \$5 million pledge in 2008 to the University of Iowa Foundation for the school’s football program.
- 12 Board of Regents is a group created by the Iowa General Assembly to oversee the “quality and accessibility” of five state educational institutions, including The University of Iowa, Iowa State University, University of Northern Iowa.
- 13 L. Gerard, “Republicans Don’t Trust Americans,” *Alternet*, 15 October 2010.
- 14 Pharos Global Agricultural Fund, “Africa Projects – 2011,” PowerPoint presentation, March 2011.
- 15 Agrisol Energy “Report to the Prime Minister of The United Republic of Tanzania regarding Proposed Development of Katumba, Mishamo and Lugufu Former Refugee Hosting Areas,” PowerPoint presentation, 7 January 2011.
- 16 L. Hicks, “Rastetter: Blame fuel costs, not corn, for food prices,” *Des Moines Register*, 7 April 2011.
- 17 Direct communication, April 26, 2011.
- 18 Pharos Global Agricultural Fund, “Africa Projects – 2011,” PowerPoint presentation, March 2011.
- 19 A. Mittal, “Food Price Crisis: Rethinking Food Security Policies,” G-24 Discussion Papers, UNTAD, 2009.
- 20 R. Wolf, “Agriculture and Law,” *The North American Review*, 1 May 2000, <http://business.highbeam.com/4395/article-1G1-63165824/agriculture-and-law> (accessed 2 May 2011).
- 21 Pharos Global Agricultural Fund, “Africa Projects – 2011,” PowerPoint presentation, March 2011.
- 22 L. Hovil, “Naturalisation of Refugees in Tanzania - A New Home?” *Pambazuka News*, 29 April 2010, <http://allafrica.com/stories/201004290885.html> (accessed 25 April 2011).
- 23 Ibid.
- 24 Mpanda District Council and AgriSol Energy Tanzania, Ltd., “Memorandum of Understand for Conducting Feasibility Study,” signed 11 August 2010, p 1.
- 25 A. Manu and J. Jordan, “Climate, Landscape and Soil Characteristics of AgriSol Sites in Tanzania,” Iowa State University, PowerPoint presentation, 2011.
- 26 AgriSol Energy “Report to the Prime Minister of The United Republic of Tanzania regarding Proposed Development of Katumba, Mishamo and Lugufu Former Refugee Hosting Areas,” PowerPoint presentation, 7 January 2011.
- 27 B. Rastetter, direct communication, 26 April 2011.
- 28 Pharos Global Agricultural Fund “Africa Projects – 2011,” PowerPoint presentation, March 2011.