



UNDERSTANDING LAND INVESTMENT DEALS IN AFRICA

EIGHT MYTHS AND FACTS ABOUT AGRISOL ENERGY IN TANZANIA

LAND DEAL BRIEF | DECEMBER 2011

The June 2011 publication of the Oakland Institute's investigation into AgriSol Energy's land deal in Tanzania was followed by an indicting televised report from Dan Rather, the involvement of international civil society including the Sierra Club, Tanzanian activists, and a broad array of supporters from around the world. Yet, AgriSol still plans to go ahead with this large-scale agricultural project to produce agrofuel and genetically modified crops for export from Tanzania.

If the deal goes forward, Tanzania will be ceding 800,000 acres of fertile agricultural land already under cultivation by small farmers and feeding local communities. The tragedy of "responsible business" in Sub-Saharan Africa is that corporate partners like AgriSol and investors can go ahead with a project that will displace over 162,000 people,¹ on the sole promise that it will bring wealth and development to the country.

AgriSol Energy and its Tanzanian partner Serengeti Advisors have responded to concerns over their investment, expressed by thousands of people around the world, with a series of public statements. With profits projected at hundreds of millions of dollars per year, it appears that they will do whatever it takes to move forward even under the intense glare of the press and international pressure on them to stop. Yet, PR tactics by AgriSol Energy and Serengeti Advisors can't stand up to the facts and evidence obtained by the Oakland Institute.

Myth #1: "Tanzania has abundant arable land, much of which is not currently being farmed."²

Serengeti suggests that their plans are based on an abundance of productive but unfarmed land in the country. A presentation to potential investors by AgriSol's partner Pharos Global Agriculture Fund, "Africa Projects 2011," (p.

12, 21 & 24,) describes the proposed area as follows: "Large tracts of *uninhabited* savanna non-jungle land with quality soil. Massive *empty* refugee camps provide for quality location to start farming," and in the case of Katumba, the site is referred to as an "*abandoned* refugee camp."

THE FACTS

AgriSol Energy and principal investors were aware of the inhabitants in the lease area from the start of the negotiations as evident from their own documents. Contradicting the above mentioned documents, an August 2010 Memorandum of Understanding, between AgriSol Energy Tanzania and the Mpanda District Council, explicitly indicates that "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." (Article 1.1 of the MOU for Conducting Feasibility Study, AgriSol Energy Tanzania and the Mpanda District Council, August 11, 2010, p.1)

Furthermore, in the presentation made by the investors of the AgriSol Energy project to the Prime Minister of Tanzania, in January 2011, the evacuation of refugees by the government is stipulated as a prerequisite for the investment to go ahead. (AgriSol Energy's report to the Prime Minister of the Republic of Tanzania, January 7, 2011, p. 41)

More importantly, AgriSol's claim that there is such "abundant arable land" in Tanzania, begs the question of why they are targeting areas already inhabited by over 160,000 people? Most of the residents – former refugees from neighboring Burundi – are comprised of several generations of families who have been successfully developing and farming the land for the last 40 years.



Myth #2: AgriSol Is not Involved in the Displacement of Burundi Refugees

“... the decision to repatriate those who wanted to return to Burundi and naturalise those who wanted to become citizens of Tanzania was made before AgriSol ever became involved, and we were not involved in the decisions or subsequent activities.”³

THE FACTS

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 has been celebrated internationally for this generosity, the refugees' citizenship is contingent upon a coerced move from the places they have called home for the past 40 years.⁴

A feasibility study for the investment in Katumba and Mishamo refugee settlements was commissioned and conducted on behalf of AgriSol USA as early as July 2008. This discrete study was done almost simultaneously with the announcement of the government's plans to close down the camps. AgriSol through its MOU and other demands has played a key role in determining the future of the current refugee inhabitants.

The former Minister of Home Affairs, Lawrence Masha, who was in charge of the refugee camps when the relocation plan was decided, has since been hired as a “legal advisor” to AgriSol.

Myth #3: Transparency and Cooperation with Tanzanians

“We have worked closely with our government in developing this project, engaging in transparent consultation at every stage of the process, to ensure that the local and national interests of our fellow Tanzanians are fully taken into account.”⁵

THE FACTS

Despite the rhetoric of transparency, very few people in the country were aware about the AgriSol Energy project until June 2011, when the Oakland Institute released its report, *AgriSol Energy and Pharos Global Agriculture Fund's Land Deal in Tanzania*, along with several company documents.⁶

The September 27, 2011 *Dan Rather Reports*, “Trouble on the Land,” confirmed this secrecy: “The Tanzanian villagers living nearby didn't seem to know much about the pending deal that will supposedly benefit them. We visited one of the villages closest to the land that's been earmarked for AgriSol.

The top elected official there told us no one from the company or the government had ever come to talk to him about the project.”⁷ Interviewed in August 2011, Village Chairman of Isanjandugu said, “I am not sure because we haven't been involved. And no one told us what's coming. ...Why wouldn't you consult with us? You have to involve us because we are your neighbors.”⁸

Asked in August 2011 when would be the right time to involve locals in the process, Iddi Simba, Director of Serengeti Advisors, AgriSol's business partner with a 25 percent stake in the deal, responded candidly “It will be at the time when we already have the deal.”⁹

Not all Tanzanian officials are buying into the investors' rhetoric. Speaking in the Parliament, the Shadow Minister for Agriculture, Food Security, and Cooperatives, Meshack Opulukwa said on October 24, 2011, “The opposition's position that the investor is an important element in food production or that he will create employment...This is no justification in taking away land from villagers.”

Myth #4: Project Benefits Tanzanians

“This project is designed with the explicit goal of benefiting Tanzanians by encouraging the development of a modern agricultural sector.”¹⁰

“Serengeti Advisers and AgriSol Energy are partnering to contribute to Tanzania's long-term food security.”¹¹

THE FACTS

While claiming to benefit Tanzanians and contributing to the country's food needs, AgriSol's internal documents reveal its intent, which includes agrofuel production and export markets.

- “... country still control(s) the market of cereals by introducing export ban as a means to ensure food security. Government will allow food exportation only when all regions in the country have been declared food secured. ... There is need for AgriSol as an investor in food crop production to discuss with government so that the government commits itself to irrevocable guarantee to AgriSol for an export license for Maize.”

– Diligent Consulting Ltd., “Policy and Regulatory Environment to Support AgriSol Project, Commercial Production of Maize and Soya Bean,” *Technical and Business Analysis for Agri-Sol*, Tanzania, 2011, p. 63.



- While pitching the project as in the best national interest of Tanzania, AgriSol's Tanzanian cohorts fail to mention AgriSol's demand for "Strategic Investor Status" to receive incentives including a waiver of duties on diesel, agricultural and industrial equipment and supplies; production of agrofuels, and request of the government to commit and provide a timetable for the construction of a rail link for Mishamo.

– "Critical Government Assistance," AgriSol Energy's report to the Prime Minister of the Republic of Tanzania, January 7, 2011, p. 41.

AgriSol will generate significant profits through the project. While it intends to invest \$100 million over a 10 year period, if corn is cultivated on only 200,000 of the 325,000 hectares, net profits for the company could be \$272 million a year, an amount which nearly equals the total budget of Tanzania's Ministry of Agriculture.¹² If they receive Strategic Investor Status it would include an exemption from corporate tax, currently 30 percent of this amount.¹³

- AgriSol's feasibility studies call for it to negotiate with the government for input subsidies, which for now are targeted for the smallholder Tanzanian farmers. If accepted by the government, such a demand will divert scarce public resources from smallholders to agribusiness.

– Diligent Consulting Ltd., "Policy and Regulatory Environment to Support Agrisol Project," *Technical and Business Analysis for AgriSol*, Tanzania, 2011, p. 64.

Myth #5: Environmentally Responsible

"The project will use world-class, sustainable and environmentally responsible farming methods. Such farming methods will dramatically improve yields of maize and other food crops..."¹⁴

THE FACTS

- AgriSol Energy is demanding that the Tanzanian government approve and provide a "roadmap for legal certainty for use of GMO and biotech."

– "Update on MOU Feasibility Study," AgriSol Energy's Report to the Prime Minister of the Republic of Tanzania, January 7, 2011, p. 40.

- AgriSol extols the use of biotech and Round-up to kill weeds as being less labor intensive and without having side effects.

– "Unlocking Potential - GMO and Biotech," AgriSol Energy's Report to the Prime Minister of the Republic of Tanzania, January 7, 2011, p. 8.

AgriSol's claims cannot divert attention from serious concerns over Monsanto's Roundup herbicide which include: reductions in yields; rapidly spreading weed resistance; a rise in fungal root disease; a rise in sudden death syndrome in soy beans; a rise of wilt in corn; proliferation of a damaging microscopic organism; higher incidence of infertility and/or early-term abortion in cattle, hogs and poultry fed on Roundup Ready crops.¹⁵

In contrast, academics as well as UN agencies uphold that organic agriculture can increase agricultural productivity and can raise incomes with low-cost, locally available, and appropriate technologies, without causing environmental damage.

Myth #6: Introduction of Modern Technology to Small Farmers

"For the extension and community development aspects of our projects, we are working with leading agricultural universities in Tanzania, the U.S. and globally to advise us on the small farmer and outgrower elements of the project. We will also consult with them regarding environmental sustainability issues to ensure that we are farming in an environmentally and socially responsible manner at all times.

As we further develop the project, we will continue to bring world-class partners and their expertise to Tanzania, as well as work with established organizations within the country."¹⁶

THE FACTS

The model of "modern agriculture" envisioned by Serengeti and AgriSol links crop production, livestock production, and agrofuel production through partnerships among various agribusiness conglomerates in the value chain. Its partners include Monsanto, Stine, and John Deere, among many others (as evident from the slide presentation to its investors) and the application of this model in Tanzania will basically open the country to a massive influx of the world's largest agribusiness companies.

For its much hailed outgrower scheme, AgriSol boasts of its partnership with the Iowa State University. Kevin Kimle, Chair of Agricultural Entrepreneurship at Iowa State, had this to say about the proposed smallholder outreach program:

"I am not sure who we will do outreach to given the people are being moved out," Kimle said in response to questions from the Oakland Institute about the outgrower scheme on June 4, 2011.



Tanzania Vision – Business Partners

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 best in class and the most cost-effective technology.



Water Efficient Maize for Africa (WEMA)

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Myth #7: A Fair Deal for Tanzania

“... we will be leasing the land from our government. While a final price has not yet been agreed to, we believe the terms and conditions will be fair and competitive, and will result in major, long-term benefits to the people of Kigoma first of all, and to other Tanzanians as well.

We are negotiating directly with our government in an open and transparent manner. AgriSol’s cost for leasing the land from our government involves several components:

1. Actual rent for the land;
2. A major investment in land improvements, farming and processing equipment and infrastructure necessary for the project;
3. A major investment in small farmer, outgrower and community development programs; and
4. Taxes that we will pay to our local and national governments each year.”¹⁷

THE FACTS

In sum, AgriSol Energy will be paying Tanzania .55 cents a hectare in fees and rent. The Memorandum of Understanding for Conducting Feasibility Study, August 11, 2010 provides the following details on the agreement:

- Page 3: “...the Council shall assist AgriSol in obtaining access to public lands and Village lands adjacent to near Katumba and Mishamo that may provide possible irrigation conduits to Katumba and Mishamo.
- Page 6: “The initial term of the Certificate of Occupancy shall be 99 (ninety –nine) years...”
- Page 6: That AgriSol shall as condition on Right of Occupancy:
 1. comply with the conditions as stipulated in the Certificate of Right of Occupancy, including payment of land rent which at the time of this MOU stands at Tanzania Shillings two Hundred (Tshs. 200/=) (**USD 0.11**) per acre;
 2. pay to the Council a fee, initially not to exceed Tanzanian Shillings Five Hundred (Tshs.500/=) (**USD 0.28**) per hectare per year for the land under cultivation to be reviewed and adjusted every three years from the anniversary of the date of the issuance of the Certificate(s) of Occupancy by a percentage amount equal to the percentage increase or decrease over the last three years in the World Consumer Index as published by the International Monetary Fund.



Myth #8: Responsible People Involved

While Agrisol Energy and Serengeti refer to their university credentials and government ties, they fail to mention in their PR materials the shady records of several principals involved.

The AgriSol deal brings together powerful, connected, and wealthy individuals from the U.S. and Tanzania into one very profitable enterprise.

As mentioned earlier, Lawrence Masha, former Minister of Home Affairs, was in charge of the refugee camps when the relocation plan was decided. He has since been hired as a “legal advisor” to AgriSol. In recent years, Mr. Masha has been accused on several occasions of conflicts of interest, including in the multi-million dollar national identity cards (IDs) project, which his ministry oversaw. His law firm, IMMA Advocates, has been linked to a controversial gold-related project, Deep Green Finance, which is alleged to have siphoned \$122 million from the Bank of Tanzania.¹⁸

Serengeti is headed by elite Tanzanians including Iddi Simba, former Director-General of the East African Development Bank and former Tanzanian Minister for Industry and Commerce, a position he had to resign from in 2001. He came under fire as reports surfaced about him having issued sugar import licenses to 44 companies instead of only 10, in an environment surrounded with circumstantial evidence of graft.¹⁹ A more recent scandal, which has tainted the entire government, involves the sale of the city transport firm Usafiri Dar es Salaam (UDA) to a local company Simon Group

Ltd for \$1 million. Simba is being investigated since the first installment of \$200,000 was credited to his own bank account.²⁰

A common link among various U.S. parties involved is the Republican party stalwart, Bruce Rastetter, who concurrently serves as CEO of Pharos Ag., co-founder and managing director of AgriSol Energy, and CEO of Summit Farms. Rastetter is an important donor to the Iowa State University, he was appointed to the Iowa Board of Regents (which governs Iowa’s public universities) by Iowa’s governor, Terry Branstad, a recipient of more than \$160,000 from Rastetter in his 2010 election campaign. Iowa State University, one of the most respected land-grant U.S. universities, has provided key support to the project by conducting feasibility studies including soil sampling and climate, rainfall and landscape analysis.²¹

In addition, Rastetter provided the seed money to start the America Future Fund, a Des Moines-based group that spent millions targeting Democrats and supporting Republicans in congressional races during the 2010 election cycle. Rastetter was also the CEO of Hawkeye Holdings, one of the largest ethanol producers in the U.S.

Melanie Sloan, executive director of a watchdog group called Citizens for Responsibility and Ethics in Washington, described Rastetter as “a new breed of ultra-rich individuals who can secretly exert influence by pouring unlimited amounts of money into campaigns.”²²



ENDNOTES

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- 2 Serengeti Advisers, "Why Is Serengeti Advisers Partnering With AgriSol Energy To Invest In Large-Scale Farming In Tanzania?" October 28, 2011, <http://www.serengetiadvisers.com/agrisol-energy-qa/why-is-serengeti-advisers-partnering-with-agrisol-energy-to-invest-in-large-scale-farming-in-tanzania/> (accessed November 1, 2011).
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- 7 "Trouble on the Land," *Dan Rather Reports*, Episode Number 631, HD Net, September 27, 2011.
- 8 Interview in "Trouble on the Land," *Dan Rather Reports*, Episode Number 631, HD Net, September 27, 2011.
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- 10 Serengeti Advisers, "Who Are The Developers Of The Agrisol Project?" op. cit.
- 11 Serengeti Advisers, "Why Is Serengeti Advisers Partnering With AgriSol Energy To Invest In Large-Scale Farming In Tanzania?" op. cit.
- 12 Calculations completed by OI, based on data from Diligent Technical and Business Analysis for AgriSol, using May 2011 prices. Budget of the Ministry of Agriculture was Tsh 463 billion in 2009-2010, <http://uwazi.org/uploads/flash/budget-visualization-000/>.
- 13 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.
- 14 Ibid.
- 15 GM Watch, "More Experts Raising Concerns Over Roundup," August 13, 2011.
- 16 Serengeti Advisers, "Who Are The Developers Of The Agrisol Project?" op. cit.
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