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## Foreign Investments in Africa's Agricultural Land: Implications for Rural Sector Development and Poverty Reduction

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### Introduction

Globally, oil and food prices rose rapidly in 2007 and early 2008, reaching their highest level ever in mid-2008. Despite the sharp fall in commodity prices in the second half of 2008, the oil and food crisis seems to have ignited an investment interest in Africa's agricultural sector. The renewed interest is particularly directed at agricultural land acquisition – purchased or leased. This is a new phenomenon.

The novelty in this phenomenon lies in the direct involvement of governments on both sides of the deals, conducted on scales that can be as big as 1.3 million hectares or half of Madagascar's arable land<sup>1</sup> (Cropley 2009; Feon.Ny Tantsaha 2008; Wroughton 2009). The trends are pervasive, not only in Africa, but also in other parts of the developing world, such as Pakistan (UN 2009) (Table 1). Critical to understand are the origins and motives of these foreign investors, and what the phenomenon implies for Africa's future agriculture.

### Origin and Motives of the Investors

These investments are principally driven by three key motives. First, investors are attracted by the increasing and shifting demand for food, feeds, and bio-fuel, which is likely to continue should fuel prices remain above historical levels. Second, due to its relative scarcity, the value of agricultural land is increasing and Africa is the only continent that still has vast unexploited agricultural land. This offers the potential for both intensification and extensification. At the global level, the price for agricultural land has increased by about 16 percent in Brazil, 31 percent in Poland and 15 percent in the US Mid-West in 2007 (von Braun 2008). Agricultural land prices in Africa have not increased to a comparable scale. Third, governments in countries

that do not have enough land and water to feed their populations are making investments in their quest to secure food supply. At the global level, such state-driven investments are reported for several countries, including Saudi



<sup>1</sup> Negotiations for the lease were aborted in 2009.

Arabia, Japan, China, India, Korea, UAE, and Libya. The head of China's export-import Bank, for instance, has urged Chinese farmers to move to Africa to take advantage of agribusiness opportunities. This call resulted in the develop-

ment of "Baoding<sup>2</sup>" villages in many African countries, including Nigeria, Zambia, Sudan, and Kenya, which now host between 400 to 2,000 Chinese farmers (Coonan 2008; Bristow 2007).

Table 1: Foreign Investments in Agricultural Land in Selected African Countries

Country	Investors	Country of Origin	Objectives	Size
Madagascar	Daewoo Logistics	South Korea	Grow food to reduce Asia's dependence on US and South American imports	1.3 million ha (negotiations aborted)
Sudan	Hail Agricultural Development	Saudi Arabia	Grow food	9,200 ha
	Jarch Capital	USA		400,000 ha
	UAE Government	UAE	Grow alfalfa, used in animal feed, and probably corn, beans, and potatoes	28,000 ha
	UAE Government	UAE	Owens farms in several Sudanese provinces, including a farm for wheat and corn	17,000 ha
Tanzania	CAMS Group (energy firm)	UK	Produce 240 million litres of ethanol a year from sweet sorghum.	45,000 ha
	Sekab	Sweden	Bio-fuel production	Establish plantations over the next 10-15 years
	Sun Biofuels	UK	Bio-fuel production (Jatropha)	5,500 ha
Mozambique	Sekab	Sweden	Biofuel production	100,000 ha (under negotiation)
	Sun Biofuels	UK	Bio-fuel production (Jatropha)	
Ethiopia	Flora EcoPower	Germany	Bio-fuel production	13,000 hectares
	Tendaho Sugar Enterprise	India	Agriculture, horticulture and sugar estates	
	Sun Biofuels	UK	Bio-fuel production (Jatropha)	
Angola	Dole Food Co and Chiquita Brands	USA	Banana industry	(under negotiation)
	Odebrecht	Brazil	Sugar and ethanol sector	(under negotiation)
Uganda		Russia	Bio-fuel production (Jatropha)	
Nigeria, Kenya, Zambia, Uganda, Senegal, Sudan		China	Establishment of "Baoding Villages"	

Sources: Copley 2009; Salmon 2009; Clavreul 2009; Baudet and Clavreul 2009; Feon.Ny Tantsaha 2008; Coonan 2008; Bristow 2007; Baguma 2009; UN 2009.

## Implications for African Agriculture

These investments are potentially beneficial to African economies. They expand production opportunities and activities, and create employment particularly for rural populations. Large parts of agricultural lands in Africa remain unexploited despite the fact that many countries on the continent face unsustainable food import bills. They suffer from low intensification of agricultural production systems. Sub-Saharan Africa records the lowest milk and meat production per animal (6.8 kg of meat and 24.8 kg of milk per animal and per year in the high-

land mixed system), the highest crop land area per tractor of 773.8 ha/tractor (against 58 at global level), the lowest use of fertilizer in the world at 11.1 kg/ha (against 89.6 at global level), and the lowest share of irrigated area (3.7 percent of the total cropped land, compared to a global average of 17.9) (FAO 2008; NEPAD 2002; Otte and Chilonda 2002). Sub-Saharan Africa also records the lowest yield for major cereals, which are about a third of global averages. Given this low performance, foreign investment may offer a way of revitalising agri-

culture in Africa. These investments may benefit local farmers by giving them access to technology, connecting them to market opportunities, and enabling them to benefit from foreign experience. The "Baoding" villages, for example, employ locals and Chinese at a one-to-one ratio to ensure local support. Such investments are a potential source of employment, government revenue, and foreign exchange.

In spite of these potential benefits, concerns remain. In particular, there is a

<sup>2</sup> "Baoding" villages are Chinese villages established in Africa. They were named after the home town of their promoter, Mr Liu, the head of Hebei Province's Foreign Trade Bureau in China in 1998.

growing apprehension that such investments and associated land acquisition may be detrimental to efforts in Africa towards poverty alleviation and food security. First, investments are largely market-oriented and do not necessarily contribute to national food security objectives. This is especially true for bio-fuel projects or in cases where production is solely for export. Second, local populations may not benefit from technology transfer as the technologies are not of the scale and types that suit

their production systems. Third, the agreements are often not transparent. They do not involve parliaments or civil society. Fourth, land acquisition, in many cases, causes eviction of local farmers without adequate compensation.

These negative effects may ultimately increase food insecurity and rural poverty. For example, in pastoral land areas in Sudan, Tanzania, and Kenya, seasonal grazing areas for pastoral populations are likely to be lost to foreign

investors, putting their livestock and crop activities at risk. This process is helped by the weak tenure system in numerous African countries, where producers do not hold land titles. In Madagascar, for example, only 15 percent of the plots are titled. About 49 percent of the farmers are not conversant with land titling procedures (Feon.Ny Tantsaha 2008). Under these circumstances, the rural population has no clear legal recourse in case of expropriation.

## Conclusion

Even though foreign investment in agriculture in Africa offers opportunities for business partnerships and technology transfer, it can jeopardise the livelihoods of the poorest, notably by increasing food insecurity. These investments may also create tensions in farming communities, as experienced in Madagascar. In this context, it is important to recall the case of Central America. During the 19th Century coffee boom, the privatisation of

previously customary lands led to a rapid land concentration, and was immediately followed by decades of conflict and civil war which greatly undermined the development of the region (Songwe and Deininger 2009). African governments need to design appropriate legislations and mechanisms to benefit from foreign investment in agricultural land, while preserving the livelihoods and interests of the local population.



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