

THOMAS KRUCHEM

LAND AND WATER

**THE RESPONSIBILITIES OF INTERNATIONAL INVESTORS
IN SOUTHERN AFRICA'S AGRICULTURE**



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Our world has a problem. Malnutrition is on the rise again. After 30 years of regression, the tide turned in 2008. It's expected that by 2050 the planet will be supporting more than nine billion people, and nobody knows if they will have enough to eat. The most critical situation is in Africa, where in many places half the population is already starving.

Ironically, the problem could be solved by just three countries. Between them Zambia, Mozambique and Tanzania have enough land and water to feed the whole continent. In reality 70 to 80 percent of their joint populations are agricultural smallholders who work themselves to death using methods that guarantee poverty. Agricultural land is used wrongly or not at all. Crops are just a fraction of what could be achieved with high-yield seeds, optimal fertilization and expert soil management. Slash and burn, excessive production of charcoal and hunting by means of fire harm the local environment and the climate.

Why is this so? Can it be that in the 21st century, agricultural smallholders in southern Africa still don't have access to up-to-date know-how, strong support systems and modern markets? Is it possible that half a century of effort and billions of dollars of international development aid have made hardly any difference?

In the face of growing pressure from their frustrated citizens, a number of African governments regard foreign investors as potential saviours of their agricultural industries. It's unfortunate that elsewhere in the world some of these investors have proved to be ruthless land grabbers and that quite a few have been spectacular failures. Have other investors learnt from this? Can they do something to mobilize the huge agricultural and irrigation potential of southern Africa? Can they work with smallholders as partners, give them new perspectives and help them foster food security? Do they promote or retard rural development?

Looking for answers, Thomas Kruchem undertook a lengthy journey. He visited remote villages and investment projects and interviewed those involved, and in addition he talked to government representatives and to a legion of industry professionals and independent consultants. With his sharp analysis and captivating reportage he throws new light on an agricultural reality which in the past has been obscured by whitewash and by stereotypes laden with ideology.

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of International Investors
in Southern Africa's Agriculture

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FOREWORD

This book is dedicated to the malnourished children around the world. They number in the millions and I have met such children many times while researching in southern Africa and elsewhere. Many are caught in a prison of poverty from the time they are born. Many are physically or mentally disadvantaged and have almost no chance of making something of their lives. Such children will die without ever discovering what might be possible for them.

The situation prompts some questions. What makes a country a democracy? Is it enough that it has a democratic constitution and free elections? Or might there be at least one further requirement? Should not it be the top priority of a democratically legitimized government to guarantee proper nutrition for its people? Where food is in short supply, are not freedom and democracy the equivalents of smoke and mirrors?

The most important resources for mankind's food security are land and water. For long-term survival we need to utilize these resources sustainably, adhering to the rules of democracy and making full use of the in-depth knowledge available worldwide. In the young states of Zambia, Mozambique and Tanzania an approach like this is beset with tremendous challenges. Agricultural investors from outside can help to overcome them, but they can also aggravate poverty and injustice.

Together with Nebert Mulenga (Zambia), William Mapote (Mozambique) and Orton Kiishweko (Tanzania) I set out in search of knowledge, experience and perspective on the ground. Each of us was looking for answers to a single basic question. How can land and water provide food security and assist with rural development?

These are matters that have a direct bearing on the way we live our lives and may well be very personal. As we investigated we found that people sometimes regarded us with mistrust, so at times our work was

difficult. It makes me all the more grateful to the many people who had no reservation in sharing their everyday experiences of land and water. They did us a great service, benefiting not just our readers but also democratic decision-making in general.

With the help of my African colleagues and also many international professionals I was able to gain access to the people on the ground who provided the bulk of the information I collected. In spite of this, I take sole responsibility for the book's content. I must emphasise that the views it expresses are mine and mine alone, and there is no suggestion that they represent the official positions of GIZ.

The people in charge of GIZ's programme *Transboundary Water Management in the Southern African Development Community (SADC)* and the SADC secretariat actively and patiently helped me to complete a difficult project successfully. I am greatly in their debt.

Not for the first time I owe special thanks to two people in particular. One is Horst Vogel, who is currently running a GIZ programme in the Caribbean yet provided a careful review of my manuscript. His precise and constructive suggestions have made all the difference as I have laboured to produce a readable book from a rich store of information. The other is my wife Cécilia, who has yet again provided me with the strength I need to bring a project to fruition.

Thomas Kruchem
Mauer, Germany, September 2013

INTRODUCTION

CAN FOREIGN INVESTORS HELP AFRICA TO UTILIZE ITS LAND AND WATER?

ENCOUNTERS

...IN ZAMBIA:

Lesa is chieftainess of the Lamba people in northern Zambia's district of Mpongwe. She sits on a wooden armchair, plainly dressed and flanked by advisors and a saluting soldier. Softly but forcefully she tells me how Zambia's government and foreign agricultural investors have been taking land away from her people for decades – a total of more than 100,000 hectares. In recent times large-scale commercial farmers have denied Lamba smallholders access to the Kafue River. Now Lesa finds herself unable to fulfil one of her main duties. She cannot assign plots of arable land to her subjects. To sustain themselves, young families have to migrate to town.

Three hundred kilometres from Mpongwe, outside the town of Mumbwa in western Zambia, Forbes Gwirize is on his tractor looking at his well-tended property. For many years the 52-year-old toiled on two hectares of acidic soil with the help of borrowed oxen, seldom available when he wanted them. Today, Gwirize is a contract farmer for the American cotton company Dunavant. He is working almost 50 hectares, rotating between cotton, maize and soya. He has plans to buy an irrigation system which will make it possible to have two harvests per year on some of his fields.

...IN MOZAMBIQUE:

Delfina Sidónio is a young farmer living in Ruace, a sprawling village of mud and straw huts with ten thousand inhabitants. It is situated between the towns of Gurùe and Lioma in the north of Zambezia Province. Sidónio, a single mother of two, cries while we talk. For years she depended on her *Mashamba*, a field of two hectares. Then in August 2008 representatives of the provincial government and the Portuguese company Quifel appeared in Ruace. Quifel needed Delfina Sidónio's field, she was told; they wanted to establish a soya plantation. She was promised that in return for her fields she would receive land of the same value plus a decent amount of money. As yet the promises have not been fulfilled, and the young mother is afraid that her children will starve.

Eighty kilometres north of Maputo I visit Mario Cossa in a pretty house on the fringes of Manhica town. Cossa is a 54-year-old farmer and father of eleven. In 2006 he began growing sugarcane on behalf of the British-South African company Illovo. With the company providing irrigation, Cossa achieved marvellous harvests. Today he grows sugarcane on 20 hectares and vegetables for his family on two hectares, and he has plans to expand further.

...IN TANZANIA:

I am sitting with Ashura Omari, Ali Mrishu and Holuka Koba in a concrete hut painted blue and white – the town hall of Mtamba village. The three men serve on a committee drawn from eleven villages near the city of Kisarawe outside Dar es Salaam. With trembling voices they tell me the sad story of a collapsed agricultural investment. In 2008 the villagers leased several thousand hectares of idle land from the British company Sun Biofuels, which wanted to grow purging nut trees for biodiesel. The company compensated farmers who could prove claims to portions of the land, and promised it would later invest in social infrastructure for the villages. Very soon, a bitter fight broke out over further compensation, and on top of that the purging nut trees did not flourish as well as

expected. In mid-2011 Sun Biofuels declared bankruptcy, and 330 villagers lost their jobs on the plantation.

Next I am in Kiswangwa village near Bagamoyo city at the Indian Ocean. It is a hot and humid morning and I see 25 men and women laughing happily as they labour hard labour with hoes and pickaxes. They are digging trenches for irrigation pipes which will carry water from a pump station on the Wami River to a planned rice field 600 metres away. The district government donated the pump and pipes to the farmers seven years ago, and in all that time they did not know what to do with them. That changed with the arrival of the Swedish company AgroEcoFuel. The Swedes want to help the farmers to establish a cooperative plantation for sugarcane and other crops. AgroEcoFuel will guarantee finance, and a 40-person advisory team will stay in day-to-day contact with the farmers over a number of years. This rice field is a pilot project.

THE WORLD NEEDS MORE AGRICULTURAL PRODUCTS

As these examples show, people in Africa are affected by foreign agricultural investments in very different ways. Experts have identified a boom of such investments over the past few years. Worldwide, around 200 million hectares are involved, two-thirds of them in Africa. Agricultural companies, investment funds and state-run corporations try to buy or lease arable land to produce food or biofuel – often with the intention to meet the demand in the investors' countries.

THERE ARE GOOD REASONS FOR SUCH INVESTMENTS:

- With the worldwide food price crisis of 2008, it became clear that industrial countries, oil states and populous threshold countries like India and China are unable to produce sufficient food on their own land to meet fast-growing demand. Populations grow and the expanding middle classes want to eat more meat, even though producing a

single kilogram requires up to ten kilograms of grain. Furthermore, natural disasters caused by climate change aggravate food shortages. Droughts in South America in 2012 sent the price of soya to a record high. In the same year North America's drought reduced maize harvests in many places by up to 70 percent, and costs US farmers 20 billion dollars.

- In the face of climbing oil prices, the USA and the EU forced car drivers to use a higher proportion of biofuel in their tanks. As a result 40 percent of US maize output is converted to biofuel and one-third of Germany's maize production to biogas. Brazil grows sugarcane for ethanol on hundreds of thousands of hectares, and in many developing countries there is growing demand for arable land to produce biofuels.
- Still, climate change accelerates through the ever-increasing release of greenhouse gases like carbon dioxide. To counteract it, national and international institutions have introduced licence fees and tradable



Fig. 1: A rich variety of fresh food, which is often an exception in Africa. The number of people suffering from malnutrition is again on the rise.

carbon credits in relation to the gases. As an example, credits may be awarded to companies planting forests which store carbon dioxide. The holders may then sell the credits to companies which release the carbon dioxide. For some, the scheme has turned out to be very profitable. In poor countries they lay out large plantations of fast-growing trees like pines and eucalyptus. Then profit twice – first from the carbon credits, and then from the wood.

In view of potential food shortages, the Food and Agriculture Organization of the UN (FAO) has been raising alarm, as have many actors in the field of developmental cooperation. They say that in the long term, increasing food prices will hit the poorest of the poor first, and indeed they are already affected by them. After decreasing for 30 years, the proportion of undernourished people worldwide is again on the rise since 2008. If the world is to feed more than nine billion people in 2050, many of the least developed countries will need to increase their private agricultural investment dramatically. According to the Global Hunger Index of the renowned International Food Policy Research Institute (IFPRI), cultivated areas worldwide (arable fields, fenced pasture and fresh water aquaculture) will need to grow by ten to 20 percent – all at the expense of forests and grasslands.

A high proportion of the affected area is in Africa. In theory, citizens of many African countries should benefit from rising food prices instead of suffering from them. In practice, mobilizing the agricultural potential of the vast idle lands in different countries is not a simple task. Agricultural development in Africa must not cause more harm than good. To be sustainable in the long run, the concerns of the local population have to be considered and the environment and water resources should be handled with sensitivity.

AFRICA BOOMS – BUT NOT AGRICULTURE

For more than a decade, most sub-Saharan countries have experienced an economic boom. Growth rates have been over six percent. This boom has been based on the export of raw materials like copper, coal, gas and wood, mainly to China and India. Export earnings have fuelled the import of cheap consumer goods and the building of ports, roads and high-rise buildings. These developments have been underpinned by billions of Dollars in foreign aid and also in debt cancellations.

Local economic experts tell me that the African boom comes with two qualifications:

1. In nearly all cases only the elite benefit from the boom. The sole advantage for the broader population is the creation of a limited number of badly-paid jobs. An assessment by the consulting company McKinsey & Co. suggests that of nearly 400 million Africans of working age, more than 70 percent are either unemployed or survive in the informal sector. Social time bombs are ticking loudly because the African population is growing – from one billion in 2009 to an expected two billion in 2050. Experts warn that as social conflicts worsen, ethnic and religious tensions tend to thrive.
2. The boom has bypassed agriculture, the economic sector that employs 70 to 80 percent of Africa's workforce. In almost every region, growth in African agriculture has been far below the continent's overall total. Smallholder farmers remain the poorest of all. They are plagued by droughts, floods and pests; they lack good seed, fertilizer and crop protection as well as know-how and access to markets. As a result most African countries are net importers of food, some to a spectacular extent.

In contrast, over recent years African governments have recognized the social tensions inherent in rural poverty and food insecurity. Increasingly they appreciate the opportunities that agriculture brings to their countries. For one thing, agriculture can respond to cities' rapidly-growing

food demand; for another, strong agricultural growth may spur overall economic development, as it has in Asia. It may also spare Africa from having to incur high costs in importing.

With this in mind, in 2003 Africa's governments adopted the Declaration of Maputo and created the Comprehensive Africa Agriculture Development Programme (CAADP) of the African Union (AU). These aim to encourage agriculture that is socially and environmentally sustainable, responsible development of irrigation and better market access for small-holder farmers. Food security would be improved by higher agricultural productivity, efficient crisis intervention and promotion of agricultural research. Beyond that, all States committed themselves to allocate at least ten percent of their national budgets to agriculture and rural development. The agreements stipulated a deadline of 2008, but so far only a few countries have met the targets.

After all, it is advantageous that during this period a number of regionally coordinated agricultural strategies and national investment plans have come into being. In this context the GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), the German government's agency for international cooperation and development, advises key players.

AGRICULTURAL INVESTMENT – CHANCE OR DANGER?

To put plans like these into action requires a lot of expertise and money. Sub-Saharan Africa is short of both. Budgets for agriculture remain small, and while governments everywhere try to provide education and professional training for their citizens, few African governments do it adequately. On top of that, international developmental cooperation cannot mobilize the resources necessary for the “giant leap” of African agriculture. This is why quite a few governments in Africa now rely on foreign agricultural investment. Their hope is that private investors with capital and expertise will help to utilize vast agricultural lands efficiently.

For quick results, some governments grant generous customs and tax exemptions. In addition, they allow investors to use natural resources including water with nearly no restrictions, and promise them large areas of first-class agricultural land.

Many people in Africa and in industrial countries are cynical about foreign agricultural investment in poor African countries. They describe those involved as land grabbers. Not only that, but they fear a wave of such activities, as foreign investors team up with corrupt local elites to rob and impoverish small-scale African farmers.

Land grabbing of this kind undoubtedly happens. I have seen evidence in several parts of the world. In the Ugandan district of Mubende, I talked to smallholders who had been evicted from their fields and villages by the military for the benefit of a German coffee company and a British-South African forestry company. In northern Argentina, I saw how agricultural companies cleared virgin forests and drove out the natives to plant genetically modified soya. In the Philippine province of Isabela, I experienced how a company producing ethanol acquires its sugarcane fields. Small farmers are cheated with complex contracts. Anyone who protests is threatened and terrorized by soldiers.

Land grabbing with its destruction of communities and environmental resources prevents development and leads to conflict, both locally and internationally. The economic risks it poses can be catastrophic. Again and again, this was brought to my attention by Africans I talked with as well as thoughtful investors. The obvious conclusion is that to ensure long term profits, agricultural investors in Africa must take account of their social and ecological responsibilities. They have to respect land and water rights of affected smallholders and they must negotiate contracts with democratic transparency. These contracts must be judged in the light of their effects on local food security, the environment and water resources. Rules that regulate responsible investment reflect legal norms acknowledged worldwide. Such rules are an essential part of international guidelines for agricultural investments – a case in point being those issued by the World Bank and the United Nations.



Fig. 2/3: Land and water. Using these resources responsibly is the key to food security.

I did my research in Africa together with three local journalists – Nebert Mulenga from Zambia, William Mapote from Mozambique and Orton Kiishweko from Tanzania. We tried to find out what foreign investments actually mean to the affected people in those countries. How do such investments promote or undermine food security, the sustainable use of water resources and rural development? We looked about and asked a lot of questions. The answers we were given are recounted in the following five chapters. These were the basic questions:

1. What is agriculture's present situation in Zambia, Mozambique and Tanzania, in which 80 to 90 percent of the land area is still structured on traditional lines? Why are so many smallholder families still threatened by starvation? What are the effects of traditional farming on soils, environment, water resources and climate? What have local political players and their partners in international development cooperation achieved so far in mobilizing agriculture's real potential? What do the various countries expect from foreign investors?
2. In order to develop their agriculture, Zambia, Mozambique and Tanzania increasingly focus on foreign agricultural investment. They offer investors attractive conditions, but they also expect a lot in return. Which investment criteria will benefit all parties involved, as far as possible? What makes correct and transparent investment a challenge?
3. Land strongly determines the economic, social and cultural identity of smallholder farmers in Zambia, Mozambique and Tanzania. It is their most important resource. Officially, all land is owned by the state, which is responsible for everyone's welfare. What are the legal positions regulating access to arable land? How do foreign agricultural investors try to mobilize the agricultural potential of such land? How far do they cooperate with smallholders, governments and international development agencies?
4. Farmland delivers good yields only when adequate water is available. In many regions of Zambia, Mozambique and Tanzania, rainwater alone is not sufficient to achieve sustainably good yields. Water from