



# The Next Great Trek? South African farmers head north

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# A few slices of a much larger story

1. AgriSA
2. Sugar
3. Financing

# “AgriSA Africa”: rebranding for the continent

- Agri South Africa has formed an “AgriSA Africa committee... with a view to securing funding for those farmers who wish to extend their farming operations into other African countries”
  - AgriSA newsletter 2010
- “Within Southern African Development Community (SADC) and Africa it is essential to promote regional economies of scale in respect of primary and related development, i.e. joint projects must be developed”
  - Resolution from AgriSA Congress, 7-8 October 2010



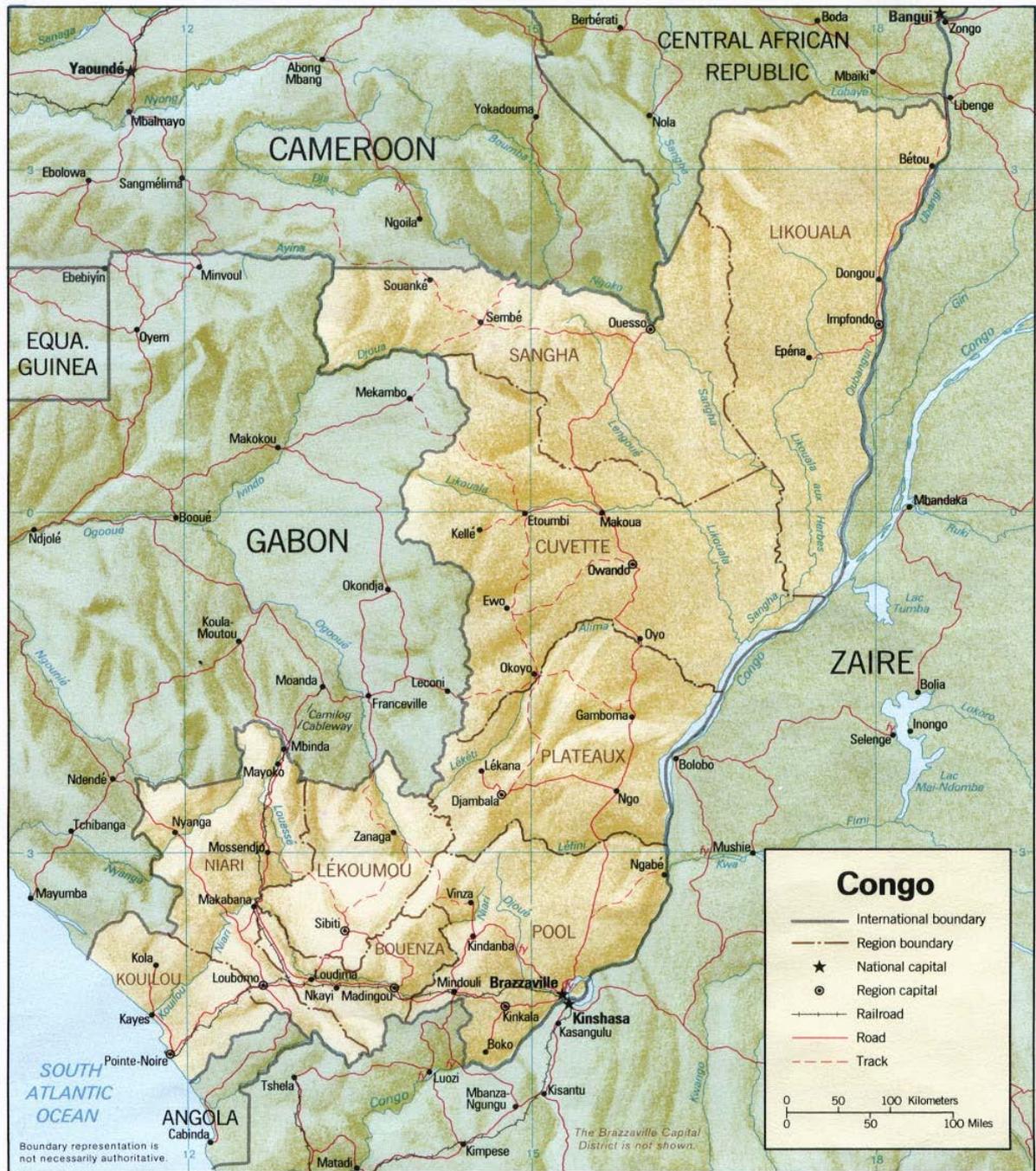
# AgriSA negotiates



# The Congo deal



- October 2009 – AgriSA deal for 200,000 ha
  - In-principle agreement to expand to 10 million
- 8 May 2010 – Bilateral investment treaty concluded between SA and Republic of Congo (expanding terms of pre-existing cooperation agreement dating from 2003 and 2005)
- Government to Farmer contracts – pro forma contracts agreed in September 2010, now being signed



<http://mappery.com/map-of/Congo-Physical-Relief-Map>

# BITs over past 5 years

- Mauritania
  - DRC
  - Tanzania
  - Cameroon
  - Madagascar
  - Sudan
  - Zimbabwe
  - Angola
  - Gabon
  - Zambia
  - Namibia
  - Guinea
  - Ethiopia
- Mostly cited as “Agreement on Promotion and Reciprocal Protection of Investment” (plus related protocols)
  - Many more “MOU on Cooperation in the Field of Agriculture” or “Mining and Minerals Beneficiation” and agreements to avoid double taxation.

# The sugar



- Illovo and Tongaat-Hulett: 6 countries each
- Three modes of expansion:
  - Estate privatisation: purchase of state-owned estates
  - Outgrower schemes with core estates & mills
  - Contract farming only, to supply mills

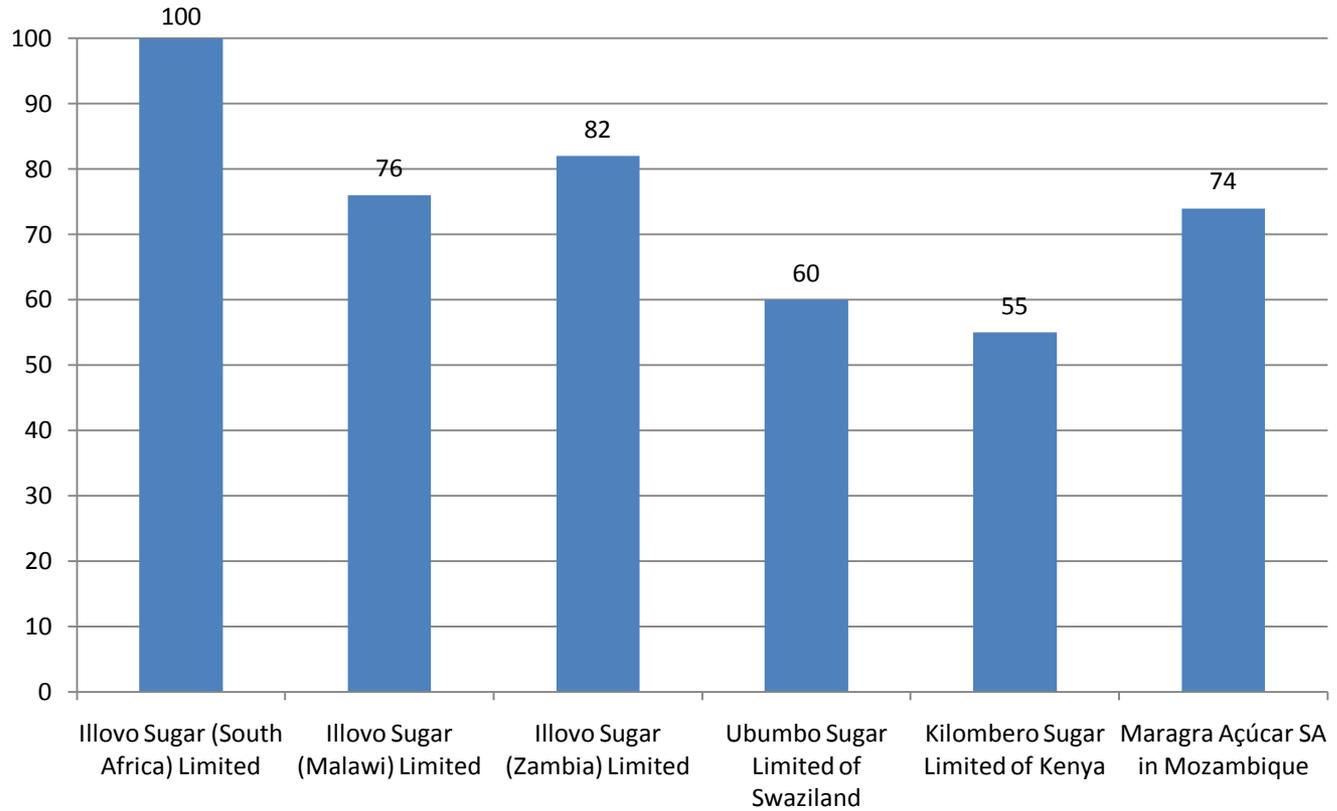


# Sugar factories in Southern Africa



<http://www.sugartech.co.za/factories/groupmap.php?regid=7>

# Illovo



# Illovo production statistics

Sugar cane ('000 tons):

Country	2010	2009
South Africa	361	464
Malawi	2 136	2 122
Zambia	1 705	722
Swaziland	804	741
Tanzania	614	555
Mozambique	488	450
<b>Total</b>	<b>6 108</b>	<b>5 054</b>

Sugar ('000 tons)

Country	2010	2009
South Africa*	663 <sup>^</sup>	922
Malawi*	295	304
Zambia*	315	194
Swaziland*	211	210
Tanzania*	120	118
Mozambique	81	76
<b>Total</b>	<b>1 685</b>	<b>1 824</b>

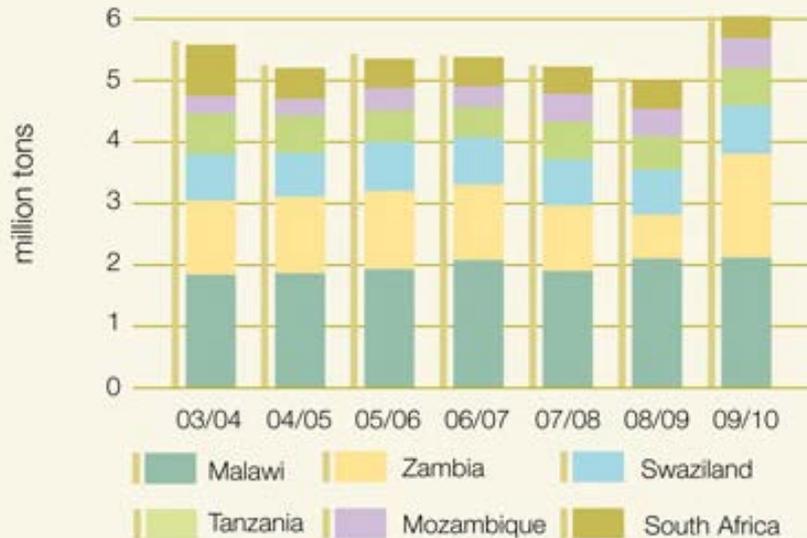
\* - Sugar cane supplied by the group's own agricultural operations and private growers

<sup>^</sup> - Excludes Pongola and Umfolzi - sold



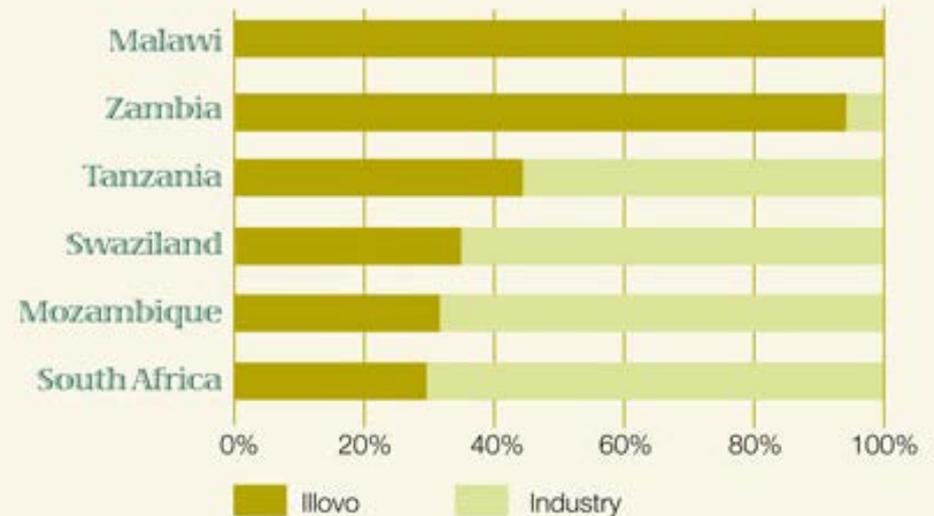
# Illovo's production statistics

## CANE PRODUCTION



Cane production in 2009/10 increased by more than one million tons compared to last year primarily due to the recent expansion of Zambia Sugar's area under cane, together with its acquisition of Nanga Farms. Increased cane production was also achieved in Malawi, Mozambique, Swaziland and Tanzania.

## ILLOVO SHARE OF INDUSTRY PRODUCTION



Consistent with its Strategic Intent, Illovo commands a significant share of production in each of the countries in which it operates.

# Illovo 'group strengths'

- “Core focus on the production of low-cost, high-quality sugar and downstream products
- African sugar producer with African expertise in sugar cane agriculture, sugar manufacturing and the production of high-value downstream products
- Wide geographic and climatic spread of core interests with good access to secure water supplies for irrigation
- Sugar markets:
  - 78% of sugar production by volume is sold into domestic or premium-priced export markets;
  - 8% of production is sold into regional markets where premiums to the world price are earned;
  - Balance sold on the world free market.
- Good people”



# An aside: engineering & construction interests



- PGBI consulting engineers – SA firm
- Commissioned by International Finance Corporation (WB Group)
  - to produce a guide for investors in sugar industry – how to deal with land, social, environmental issues (to the satisfaction of financiers)
- But also: one of the top recipients of contracts to build sugar mills and ethanol plants in Africa (pers. comm.)



# The banking connection



Standard Bank

- Major financiers of AgriSA expansion are Standard, ABSA and Standard Chartered.
- South African banks have been acquiring substantial acquisitions of shares in banks in Africa (and beyond)
  - 90% of Uganda Commercial Bank
- Standard Bank – Chinese stake growing
  - 20% stake at \$5.5 billion by Industrial & Commercial Bank of China in 2007
  - Club loan by 5 Chinese banks for \$1 billion in 2009

# The China connection



- Chinese research and funding for South African research into GM seed, crop varieties, water management, and through parastatal institutions
- “They asked us to find land for them, so that if we all reach an agreement, they can immediately start with experimental work,”
  - Theo de Jager, Oct 2010
- Bilateral relations between SA and other African states framed as regional and Pan-African integration, as opposed to land grabbing and Sino neo-imperialism.

# The investment funds



- Emergent Asset Management
  - A UK/SA management firm, previously focused on hedge funds, now specialising in farmland investments in Africa
- African Agricultural Investment Fund established late 2008.
  - Further funds launched 2010, including The African Land Fund.
  - Partnership with Grainvest, one of the top 5 companies on SAFEX, to form Emvest Agricultural Corporation (operational side of investments)
- A vehicle for South African, UK and other investors to diversify their investments into African agriculture.
  - Angola, Botswana, DRC, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe



# African AgriLand Fund

The Fund brings together the key themes of agriculture/food security, Africa, socially-responsible investing (SRI) and economic sustainability, purchasing and managing a wide spectrum of agricultural properties across the sub-Saharan region, with investments diversified across both geographically and across agricultural sectors - including crops, biofuels, livestock, game farming and timber. Returns, based on those successfully achieved through a 4-year pilot project, are projected to be approximately 30% per annum over the Fund's 5-year term.

Interested investors are invited to contact the Head of Marketing, ... for more information.

Please note that the minimum investment size is €500,000 for private investors and €5m for institutional investors.

The Manager buys agricultural land and manages a wide spectrum of agricultural projects, spread across different commodities.

# Conclusions

1. 'Land grabbing' discourse focused on foreign companies; here what we see is the rise of intra-regional grabbing.
2. Narrative of 'expert commercial farmers under tough African conditions', a narrative actively promoted by SA farmers and agribusinesses.
3. Much expansion is not on communal land but taking over ailing, under-capitalised state farms – public-private partnerships or takeover models.
4. The role of investment funds, whose nationality it is often hard (or irrelevant?) to pin down, has been understated.
5. This is global capitalism.

Thank you



# Land grabs for what, how, where?

Dimension	Range of experiences documented
Size	Available data on deals over 1,000 hectares; huge variation ranging up to deals of 500,000 hectares and plans of deals up to 10 million hectares
Duration	Short to medium term, but mostly long-term 15-25 year (often renewable) leases, and up to 50 or 99 year leases
Source	Domestic private investors, foreign private investors (both being individuals or large companies), parastatals, foreign sovereign wealth funds,
Commodity	Jatropha, sugar, rice, other foods, forestry, various minerals, also tourism experiences.
Business model	Enclave model, colonist model, large commercial estates, nucleus estates with outgrowers, outgrowers and processor, smallholder model
Tenure arrangements	Lease, concession, illegal enclosure, or purchase (rare)
Resource access	Land, water, minerals, marine resource, wildlife, forestry ( <i>and labour</i> )
Lease / compensation payments	Value, method of calculation, timing (once-off or repeat, eg. annual payments) and distribution to local communities, traditional leaders and local, district, provincial and national government
Displacement	'Vacant' and 'unused' land, claimed land, grazing land, cultivated lands, lands used for natural resource harvesting
Labour	Locally hired labour, imported labour, self-employment as outgrower (gendered changes)
Settlement	Changes in settlement (eg. villagisation), de-agrarianisation
Infrastructure	Investment in infrastructure for production, processing transport (roads, ports), and social infrastructure (schools, clinics)