BRICS investment in African agriculture: Friend or Foe?

Growing international investment in African agriculture raises questions why, how and to what effect foreign money is shaping the sector's future.

In China, the most populous country on the planet, and the leader of the BRICS pack, consumers had to pay almost 5% more for goods on the back of such rising food prices in December alone. The economic crisis and changing weather patterns have exacerbated food price volatility and pressure on the BRICS to meet future food needs is growing faster than local production capacity. Meanwhile, Africa is home to great areas of fertile but underused land, while food scarcity on the continent persists due to underdevelopment.

"Africa desperately requires capital and skills to elevate food security," Standard Bank research analyst Simon Freemantle and economist Jeremy Stevens, who have been writing a monthly briefing notes on BRICS involvement in Africa since 2009, say. They stress an "acute need" for investment in Africa's agricultural sector. A joint study by the IIED, FAO and IFAD echoes this, saying that such investments can bring development and improve livelihoods in rural areas.

Well-managed agricultural deals can help leapfrog such development, Standard Bank's research suggests. But this depends largely on the nature of deals struck. Media have repeatedly warned against "land grabbing" by BRICS in Africa, which refers to the international large-scale buying up of arable land.

Freemantle thinks that such reports are exaggerated, particularly in terms of China's involvement on the continent. In total, the NGO GRAIN has counted 417 such 'land grab' deals, of which China accounts for only around 30. "The critical point here is that Chinese investors have not been active in the large land leasing deals that some media reports have suggested."

While China is still careful to sign land deals and explicitly participate in African agriculture, it is already spearheading investments in large dam projects, offering an opportunity abroad for Chinese construction companies. Some say these dams will help offset the uncertainty that climate change will bring to African rainfall, thereby boosting fuel and food security. But while such dams store water that can facilitate large-scale irrigation, for instance of cash crops, they can come at a cost to poor agricultural communities that have inhabited the land for decades.

NGOs have repeatedly raised concerns over the impact that such dams have on rural communities that depend on African rivers for their livelihood, such as subsistence farmers or fisherman. “In many cases, downstream citizens are left with less secure access to live-giving water,” the IIED’s Jamie Skinner, principal researcher of its natural resources group and team leader on water, has said. Where people have been compensated for this loss, measures are often only short-term despite the long-term impact. “Future dam projects urgently need to make resettled people tangibly better off as a result of the project,” Skinner warns.

One of the most contentious projects has been Ethiopia’s planned Gibe III Dam on the Omo River. The International Union for the Conservation of Nature warns that localised development is often sacrificed for national interests and the Brookings Institute highlights that indigenous populations do not hold formal rights to the land they live off and are frequently excluded from the deals between BRICS and African governments. The IIED says that the Gibe Dam will divert water to irrigate around 150,000 ha land downstream, that the government has already granted to foreign investors, while NGO Friends of Lake Turkana estimates the size to be around 2,450 ha.

The impact on the downstream Omo Valley and Lake Turkana’s communities and their local agriculture may be disastrous. “The dam will interrupt the annual flood of the Omo River, which sustains the agriculture, grazing lands and fisheries of the region,” says NGO International Rivers. The communities that depend on the Lake’s flood area practice “flood retreat cultivation” and rainfed, shifting cultivation, in addition to hunting fish and game and keeping cattle alongside the water. The dam poses a direct threat to their existing food production.

“The filling of the Gibe III reservoir will lower the water level of Lake Turkana by two metres. The sugar plantations will divert at least 28% of the Omo River’s annual flow, and lower the lake’s water level by at least 13 metres.” Other estimates predict a drop of 22m, likely turning half the Lake’s water saline and unusable for agriculture, putting 100,000 tribal people at risk of food shortage. NGO Survival, which represents the interest of tribal people, says that the communities have not been consulted on the dam’s building and that no deals have been struck to compensate them for their loss of livelihoods. “They diverted the water to their fields and there is nothing left for our animals to drink, not to mention us! We have no choice but to go in the mountains; but it’s dangerous, we might lose some cows,” a member of an affected tribe told Survival.

The Gibe Dam demonstrates that African governments need to define water rights well, if the continent’s agricultural sector and its people are to benefit from the BRICS investment, both Skinner and Freemantle stress. But the current trend is alarming. Some African governments are signing water rights over to investors for decades to come, while ignoring the impact this will have on small-scale users such as subsistence farmers, pastoralists or fishermen, IIED research shows. The governments of Mali and the Sudan, for instance, have already signed deals that give investors unlimited water access.

Often this is so that foreign investors can grow “water thirsty” cash crops in Africa, only to export these back home. Crops such as cotton, rice, wheat and Gibe III’s sugar cane are the most common of such “thirsty” crops that absorb an unsustainable amount of water when farmed as cash crops in river basins, according to WWF. While Chinese investment in African agriculture focuses on infrastructure projects, other BRICS and large emerging economies have wholly outsourced their food production to African soil and water. This may not benefit Africa in the long-run as its water, one of the world’s increasingly scarcest resources, is effectively exported via crops elsewhere at an unsustainable rate.

Large emerging economies, not only the BRICS, are not only hungry, but also thirsty, to invest in Africa for this reason. And as climate change starts to bite, the competition for arable land is getting heated. Saudia Arabia, one of the globe’s most water-stressed countries, has phased out local stresses on its scarce water resources as well as circumventing volatile prices on global food markets by growing its food in Africa, striking long-term deals for land and water use. It is hard to quantify the exact size of Saudi Arabia’s investments in African agriculture to date, Freemantle and Stevens say, but Standard Bank’s own research and that of the NGO GRAIN show it to be “substantial”, particularly along water-rich Nile River Basin. “For African countries courted by Saudi agribusiness firms, a clear appreciation of the value of the asset on which they rest is necessary. Under-selling of agricultural assets (both land and, perhaps more critically, water) remains a profound threat.”

Until Africa counts all the costs, and not just gains, of international investment the continent’s poorest communities are paying the real price.