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Land Grab and the Viability of Foreign Investments in Sub-Saharan Africa: The Nigerian Experience

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Introduction

In recent times, foreign farmers from all over the world have become increasingly interested in African land and agriculture. Over the past few years, investors from high – and medium-income countries, including state agencies, have started to lease large areas of land in lower-income countries for commercial agricultural production. The pattern is likely to continue due to increasing demand for food in emerging super-economies such as India and China, rising oil prices and scarcity of water and land. Both the numbers of land deals and the size of landholdings being leased or purchased have significantly increased over the past five years. According to the World Bank, the rights to some 50 million hectares in Africa alone have either been acquired since 2006 or are under negotiation, while NGOs like GRAIN estimate that a far greater area is affected. Countries selling or leasing farmland to investors are primarily low-income countries in Africa, and to a lesser extent Asia and Latin America. In Africa, countries selling or leasing very large areas of land include Sudan, Mozambique, Mali, and Ethiopia, and many other countries have seen smaller deals. The Agricultural Investment Agency in Ethiopia is reportedly considering offering foreign firms three million hectares of land over the next two years (Huggins 2010; see also Silver-Greenberg 2009). All across the continent, governments are now selling what is arguably the only factor of production that is under their control and the very basis of their

nationhood: land under various guises. 'Land is at the heart of social, political and economic life in most African economies, which continue to rely heavily on agriculture and natural resources for a significant share of GDP, national food needs, employment [and] export revenue' (Toulmin 2008:10). So intense is this movement that an international conference was recently organised in Groningen Netherlands to address this issue.

From the above, it is clear that although Africa doubtless has food security issues especially given its expanding population, it is not the initiator of these mega land deals currently being struck all around the continent and championed by countries rich in natural resources but with poor agrarian land like Saudi Arabia. The Gulf States (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) have neither the water nor the soil to produce food. But they have plenty of oil and money. Because they depend on food imported mainly from Europe, and their currencies are pegged to the US dollar, the simultaneous rise in food prices on the world market and the fall in the US dollar have boosted their import bill from US\$8 billion to US\$20 billion within the past five years. Given that water is already in short supply, the Saudi government has decided to stop growing wheat, their main staple, by 2016, and instead to grow it elsewhere and ship it back (Mae-Wan Ho 2010). China and India, arguably because of their large population, are also increasingly becoming interested in this market. These investments are principally driven by three key motives. First, investors are attracted by the increasing and shifting demand for food, animal 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 increased by about 16 per cent in Brazil, 31 per cent in Poland and 15 per cent in the US Mid-West in 2007 (von Braun 2008). Agricultural land prices in Africa have not increased on 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 (Castel and Kamara 2009:1).

The essence of this chapter is to explore the possible consequences of foreign investments in the African agricultural sector. Although the African continent has a long history of foreign dominance of its economic space, the rise in interests of foreign businesses and governments in the African agricultural industry is a relatively new phenomenon. In the light of the above there is a need for more studies to help our understanding of the possible dynamics and consequences of such foreign investments in African agriculture. This chapter presents a case study of what is arguably the biggest foreign involvement in Nigerian agriculture to date: the Shonga Farms experiment in Kwara State. Drawing lessons from such an

existing scheme is intended to reduce the potential minefields for foreign investors in African agriculture and enhance the utility value of such investments for both the foreign investors and the concerned African countries. The remainder of this chapter explores the dynamics of food security in Africa; critiques the Shonga Farms experience in Nigeria; and attempts to draw lessons and conclusions from the above experience for local and foreign interests in African agriculture.

Food Security in Africa and India

Agriculture has always been central to the economic and social wellbeing of most African countries. It is both the dominant economic sector and the highest employer of labour in such African countries.

Agriculture, providing 60 per cent of all employment, constitutes the backbone of most African economies; in most countries, it is still the largest contributor to GDP; the biggest source of foreign exchange, still accounting for about 40 per cent of the continent's hard currency earnings; and the main generator of savings and tax revenues. The agricultural sector is also still the dominant provider of industrial raw materials with about two-thirds of manufacturing value-added in most African countries being based on agricultural raw materials. Agriculture thus remains crucial for economic growth in most African countries. The rural areas, where agriculture is the mainstay of all people, support some 70-80 per cent of the total population, including 70 per cent of the continent's extreme poor and undernourished. Improvement in agricultural performance has potential to increase rural incomes and purchasing power for large numbers of people. Thus, more than any other sector, agriculture can uplift people on a mass scale. With greater prosperity, the consequent higher effective demand for African industrial and other goods would induce dynamics that would be a significant source of economic growth (NEPAD 2002).

Exploiting and advancing the above advantages has however proved to be difficult for many of these countries. In fact, in most post-independence African countries, the agricultural situation has been getting worse (Reij and Smaling 2008:410).

The consequence is that despite its dependence on agriculture, Africa now has serious food security issues. It has for instance been noted that the continent has more countries with food security problems than any other continent in the world:

One of the most striking phenomena is the gradual marginalisation of sub-Saharan Africa in international agricultural export markets. Even though SSA possesses 12 per cent of the world's arable land, the region's share of global agriculture exports have declined gradually from almost 10 per cent four decades ago to around 2 percent today. On the import side, the opposite pattern emerges: sub-Saharan Africa is the only developing region that has seen its share of world agricultural imports increase rather than decrease (Webber and Labaste 2010:3).

In fact, more than 60 of all countries with food security problems are in Africa. Furthermore, of the 44 countries with poor or critical food security, 30 are in Africa. Also of importance in this equation is the fact that Africa has the highest population growth rate of all the continents in the world. It has therefore been estimated that should present trends continue, the number of constantly malnourished persons in sub-Saharan Africa would rise from 180 to 300 million by 2010. Sub-Saharan Africa has one of the world's fastest growing human populations, with a rate of increase of 2.6 per cent per annum (Otte and Chilonda 2002:1 ; see also Pelum Association and Practical Action 2005).

The major reason is that land in Africa is under-utilised both in reference to the size being cultivated and the yield from such cultivations. Most African countries have been unable to take advantage of their enormous lands, arguably their greatest developmental asset. The preponderance of game reserves across the entire continent is clear evidence of this fact. Even on the limited portion of the African arable land being cultivated, the yields are relatively low.

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 highland mixed system), the highest crop land area per tractor of 773.8 ha/tractor (against 58 at the global level), the lowest use of fertiliser in the world at 11.1 kg/ha (against 89.6 at the global level), and the lowest share of irrigated area (3.7 % of the total cropped land, compared to a global average of 17.9 %). 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 agriculture in Africa (Castel and Kamara 2009:1). In the case of Nigeria, it has also been similarly noted that:

Nigeria's agriculture therefore points to a gross record of under-performance. A recent FAO estimates shows that the average yield for maize in Nigeria is between 0.9 to 1 tonne per hectare. In India, the yield is 1.8 per hectare; in Zimbabwe, 3.0; Pakistan, 1.7; China, 4.7; and the USA, 8.5 tonnes per hectare. Whereas the average yield for rice in Nigeria is 1.2 tonnes per hectare, in India, it is 2.9; Pakistan, 3.0; China, 6.3; Egypt, 8.1; Vietnam, 4.2 and U.S.A, 7.0. The yield per hectare for groundnut in Nigeria is 1.08; whereas in China, it is 3.1 and in the U.S.A, 3.2 tonnes per hectare. Apart from yield per hectare, Nigeria performs poorly in overall level of crop production when compared with many other countries. While Nigeria's annual rice production stands at an average annual of 3,219,333 metric tonnes (paddy rice), Vietnam's is at 31,949,000; Bangladesh produces an annual average of 35,021,000; Thailand, 24,933,000; and China, 190,577,000. This means that Nigeria produces only 10 per cent of Vietnam's rice; 9 per cent of Bangladesh's; 12.9 per cent of Thailand's and 1.68 per cent of China's annual rice production (Saraki 2006).

The consequence is that Africa remains a net food importer. Despite its deficiencies, it is important to note that the current alarm over food security in the world has not emerged from the continent. Rather, it has emerged from countries with concerns about the rising global food prices which have at least in part been occasioned by the global warming (see Food and Agricultural Organisation 2010:15). Since Africa is arguably the continent with the freest under-utilised and, most importantly, cheapest arable land, it has become an instant attraction for countries worried about the possible economic consequence of rising food prices for their various economies. 'Investor interest is focused on countries with weak land governance', a draft report said. Although investment deals promised jobs and infrastructure 'investors failed to follow through on their investment plans, in some cases after inflicting serious damage on the local resource base'. The report also flagged that 'the level of formal payments required was low, thereby fuelling speculative investment' (The Guardian (UK) 2010). Ideally, this would provide an opportunity for African economies to benefit from rising global food prices. This has however not been the case. Most countries interested in African agriculture are simply interested in setting up agricultural enclaves for feeding their home communities. Cheap African labour and cheap African land have the potentials of making it far cheaper for such countries to produce food for their home communities in Africa rather than at home. More worrying however is the fact that such an arrangement may not enhance the food security situation of the African continent. As already stated, most of the countries currently interested in African agriculture are also concerned about their food security position at home. India is no doubt a classic example. Despite the laudable goals of the 2008 India-Africa Forum Summit with respect to all aspects of economic development, the fact remains that India is increasingly worried about its food security at home because of rising production costs and declining land quality (India-Africa Forum 2008). This no doubt influenced the agricultural content of the agreement (Vashisht 2010). Other factors at play include the fact that with falling poverty in India, concerns over food security has been increasing. The country's experience with hunger in the past has made it extremely sensitive to food security issues. In 1943, for instance, the Bengal famine claimed more than two million lives (Chakraborty 2005:1).

It is therefore not surprising that Indian farmers with explicit state support have been increasingly interested in exploiting the cheapness of land on the African continent for agricultural purposes. From 2008, Indian and Indian-owned companies have been part of a new global trend of buying agricultural land in African and South American countries for cultivation. India's participation has so far been concentrated in African countries, but South America is seen as a growing new destination for agri-investment, while integrated Indian oilseeds firms already have operations in south-east Asia from plantation cultivation to processing of edible oils and export. Companies and agri-business groups that have leased or purchased land in Africa include Allied Chemicals, AVR Engineering (construction), BP Jewellery, Kankaria

group (manufacturing and textiles), Karuturi Agro Products, Kommuri Agrotech (floriculture and horticulture), KSR Earthmovers, Nelvo International (minerals) and Surya Electrical (electrical products). According to one estimate, more than 80 Indian and Indian-owned companies have invested in large tracts of land and huge plantations in Africa, particularly in Ethiopia, Kenya, Madagascar, Mozambique and Senegal (Goswami 2010). Jaswinder Singh, an Indian farmer commented thus:

The offer from Africa basically means a farmer can take a large tract of land on lease for 50 years, and in some cases even up to 99 years. With land prices in Africa much lower than those in Punjab, farmers can think of doing agriculture on a scale that's unimaginable in the state. ... The land lease rate in Punjab's Doaba region is a minimum of Rs 40,000 per acre. In most African nations, land lease rate in terms of Indian currency comes to Rs 700 per acre. This means that for every one acre in Punjab, we can own 60 acres in Africa. With a per capita land holding of 1.5 acres in Punjab, agriculture is ceasing to be a sustainable activity. During my trip to Africa recently, I saw our farmers owning tracts as large as 2.5 hectares (Vashisht 2010).

It is not however sufficient to dismiss the entire interest in African agriculture by foreign companies and states. Irrespective of the problems such investments may have, the fact remains that African lands for a variety of reasons have remained under-utilised. By increasing the yield per acre of land, Africa will also gain from such cooperation. At the very least, they will earn valuable foreign exchange from the export of such crops. At another level, African countries will benefit from the employment of labour that such investments in agriculture, which is labour intensive, will generate. For this to happen however, foreign businesses and governments that are interested in African land and agriculture must not simply regard this as an opportunity to solve their employment problems at home. Densely populated countries like India and China will no doubt be tempted to exploit this opportunity. Unfortunately, most African countries are content with burying their heads in the sand without proactively dealing with foreign businesses on the rules of engagement. It is for instance not surprising that China, which got a head start in this scramble for agricultural investment in Africa, actually runs such farms on the risible ratio of one African to one Chinese worker. Unfortunately some scholars have actually praised this:

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. Castel and Kamara (2009:2).

This surely cannot be acceptable in an industry that is labour intensive. Given the divergent interests of foreign agricultural investors and their African host communities, it is important that from the very beginning, African governments

should make clear their preferences which should essentially be driven by the need to transfer agricultural skills to Africans. African countries should also be interested in developing the value chain in the agricultural sector rather than just producing and marketing primary products. Interestingly, some foreign farmers having failed at this in their home countries, with regrettable consequences, will be eager to exploit such opportunities in Africa. According to Gunbir Singh, head of the Punjab chapter of the Confederation of Indian Industry:

The mistake that we committed in Punjab should not be repeated there. We succeeded in increasing the yields but failed to set up the relevant food processing industry or infrastructure such as cold storage. This means that agriculture in Punjab is not as remunerative as it used to be (Vashisht 2010).

This however may not be easy. The lack of infrastructure in the entire African continent will no doubt complicate matters for such foreign farmers. To overcome these problems, however, African governments must be proactive and provide more infrastructure. Foreign investment in African agriculture can therefore not be the whole solution to addressing African food security issues. The next section, a case study on the Shonga Farms project in Nigeria, will highlight some of the social, political and developmental complexities and difficulties of such foreign investments in African agriculture.

The Shonga Farms Project in Kwara State Nigeria

On the surface, Nigeria does not look like an agricultural country. This is especially so given the role its national oil wealth has played in its social, economic and political development in the past three decades. Prior to 1970, agriculture formed the bedrock of Nigerian foreign exchange earnings. And it virtually dictated and conditioned the economic development of the nation. But suddenly, in the last decade or so, the oil industry eclipsed the economic importance of agriculture and its production has been declining. For instance, the country used to be one of the world's leading exporters of palm oil and groundnuts, but now the production of these crops cannot even satisfy local demand. Similarly, cocoa, an important foreign exchange earner in the 1960s, has dropped by nearly 70 per cent since 1971 (Akinola 1986:224). Despite this, the fact remains that Nigeria is an agricultural community:

Nigeria may be known to the outside world as a major oil producer, but the mainstay of its economy is actually agriculture. Although petro-dollars account for 98 per cent of national revenue, the agriculture sector employs more than 70 per cent of our population. Close to three decades of oil wealth has not changed this equation. With this huge percentage of our people engaged in agriculture, you may however wonder why Nigeria has over the years come to rely heavily on food imports. A simple overview of agricultural practices in Africa's most

populous nation will not only explain this paradox; it will also provide the clue as to why most people in our oil-rich nation live below the poverty line. Nigeria has a total land area of 92.4 million hectares and 91 million of this is suitable for cultivation but only about half of it is put to use for both staple and industrial crops. And because they rely on age-old practices, a majority of the people engaged in agriculture are grossly under-employed and indeed under-productive (Saraki 2006).

Kwara State, where the Shonga Farms are located, is one of the 36 states in Nigeria. It was created from the former Northern Region on 27 May 1967 by the Government of General Yakubu Gowon. It was initially named West Central State with Ilorin as its capital. The name of the state was however later changed to Kwara, a local name for the River Niger. Over the years the land mass of the state, which currently stands at 32,500 km², has been eroded as a consequence of numerous state creations. The state, which has a population of 2.5 million people, comprises rainforests in the southern parts and wooded savannah covering the larger part of the state. The soil is fertile and the entire state is well serviced by the various tributaries of the River Niger. It is therefore not surprising that agriculture has always been the main economic activity in the state (Kwara State n.d.).

The Shonga Farms project in Nigeria started with the inauguration of Governor Bukola Saraki as the Executive Governor of Kwara State in 2003. In his inaugural speech, he made it explicit that one of the priority areas of his administration was agriculture and agro-allied industries (Saraki 2003). This was perhaps not surprising given the fact that his state is endowed with plenty of arable land. At the very beginning of his administration, the governor experimented with the 'Back to Land Programme'. Under this scheme, the government provided credit facilities to farmers in the form of seedlings, fertilisers and land cultivation. This however was not very successful:

Ultimately, the results were not as good as hoped for from this pilot programme. It did serve however, to underline the need for a more radical solution to overcome years of inertia and bad habits ingrained in the local sector. ... What was required was to groom a whole new generation of farmers skilled both in the techniques of modern farming and modern financing, capable of managing a farm as a business with a clear focus on profitability (African Business Series n.d.: 1).

In 2005, the expulsion of white farmers from Zimbabwe provided a unique opportunity for the governor to bring in experienced farmers into the state. He subsequently reached an agreement with thirteen such farmers from Zimbabwe. It was reported that under the terms of the agreement, the Kwara State Government was to make available the following to the participating foreign farmers:

- 1000 hectares of land to each of the Zimbabwean farmers;
- good road network to the farms;
- domestic water supply from a borehole per farm;

- adequate security at the farm house of each farmer;
- electricity supply to all the farms;
- a loan of \$250,000 to each farmer by the Kwara State Government;
- a loan of \$250,000 to each farmer by a bank chosen by the farmer with the Kwara State Government as the Guarantor;
- procurement of entry visas, work and resident permits for the farmers and their families and employees;
- conducive bungalow house of up to 2,500 square feet complete with requisite amenities such as 200 KVA generator, adequate storage sheds; fencing of the farmlands;
- finally, the Kwara State Government is to help such companies secure: pioneer status; exemption from tax liabilities; duty free concession; and other exemptions for financial advantage from the appropriate Government Authorities /Agencies.Elombah Perspective (2010).

The above terms could not have been further from the truth. According to one of the thirteen farmers:

He commended Governor Saraki, who he said made it a lot easier for them to start farming in the state by giving them all they needed for take-off. He said the state did the roads, cleared the farmland and built accommodation for them. He said the state also gave them money to start business, but added that the money was given as loan. He said they would repay the loans they took from banks as soon as they started making profit. Asked when that would be, he said in the next few years' (Nairaland 2009).

The thirteen farmers were all required to register their individual farms. In order to operationalise the above project, Kwara State guaranteed loans. Kwazimbo Enterprises became the operational vehicle for all thirteen farms. Kwazimbo Enterprises, with the guarantee of the Kwara State Government through an Irrevocable Standing Payment Order (ISPO), subsequently borrowed N650 million from the Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB). The ISPO was duly registered with the Federal Ministry of Finance. In a letter sent to the Kwara State governor, Bukola Saraki, on 7 April, 2006, the federal finance ministry stated its support for the loan. The letter, signed by a director of the ministry, J. I Zarewa, said

I am directed to refer to your letter dated March 3, 2006 on the above subject matter and to convey the approval of the Honourable Minister of State for Finance to your request for deduction at source from the State's monthly Statutory Revenue Allocation, in respect of the N650,000,000.00 loan granted to Zimbabwean farmers by the Nigerian Agricultural, Cooperative and Rural Development Bank, in the event of default. Consequently, in the event of inability to liquidate as and when due, any installment of the loan outstanding to NACRDB would be

deducted at source and credited to NACRDB, Kaduna, Account No 1030290146 (Next Newspaper 2009).

With the farmers unable to repay the loan and the banks threatening to execute the ISPO, the Kwara State Government quickly arranged a refinancing of the entire project with five banks: Guarantee Trust Bank, United Bank for Africa, FinBank, Intercontinental Bank and Unity Bank. The consequence of this was that this private sector enterprise was converted into a Private Public Sector Partnership. The Shonga Farm Holdings Company Limited was incorporated as a Special Purpose Vehicle to facilitate the conversion (Tell Magazine 2009). Under the new arrangement, the Shonga Farms Holdings owns 60 per cent of the shares in each of the thirteen farms with the Zimbabwean farmers owning 40 per cent. The Shonga Farm Holdings itself is jointly owned by the five banks and the Kwara State Government at the ratio of 75 per cent to 25 per cent. The implication of the above financial structure is that each of the thirteen farms are jointly owned by the five banks (45 %), Kwara State Government (15 %) and the Zimbabwean Farmers (40 %) (Business Day 2010).

The entire project is centred around three clusters of farming activities namely: mixed farming, poultry farming and dairy farming. Four of the thirteen individual farms are in the mixed farms cluster, while another four and five farms are in the poultry and dairy farms clusters respectively.

There are no doubt clear advantages in having these farms arranged in clusters within the same proximity. The four poultry farms for instance have come together to jointly establish an all encompassing integrated processing plant:

All the poultry farms, in order to be self-sufficient, jointly floated a processing plant which also includes an abattoir and a feed mill. The feed mill is designed to produce feeds for the birds being raised on the poultry farms. Each of the farmers is also into extensive cropping of maize, soya beans, etc. which are largely processed into the animal feeds. The feed mill is also being equipped with machineries for the production of ancillary products such as extracted oil from soya beans. After the birds are raised to maturity stage, they are then processed through the processing plant for sale to buyers. Each poultry farmer is expected to have a capacity of 60,000 birds at a time at the first and second phases of the project (Nation Newspaper 2010).

Such arrangement will no doubt have great economies of scale advantages for the participating farmers. The project is however not just about the Zimbabwean farmers. The government has rightly identified that the success of the project will to a great extent depend on its ability to transfer farming skills and techniques to Nigerians. This should occur at two levels. First, with the employment of locals in such farms, technical know-how is bound to be transferred with time. Unfortunately, the agreement signed by the government with these foreign farmers contained little about limiting their ability to import labour.

A second mechanism for transferring skills is through formal education. In this direction, the state government has already established the Malete Youth Farm as the vehicle for this skills transfer:

The Malete Youth Farm is the vehicle through which the expertise of the Zimbabwean farmers will be passed on to the new generation of Nigerian farmers. ... The course is aimed at young men and women in their twenties interested in pursuing a career in commercial agriculture. They are trained in a wide range of agricultural practices from soil and animal husbandry, irrigation and maintenance of farm machinery, to crop harvesting and storage. They are also thought the necessary skills in labour management, finance and marketing to keep the farms running efficiently. If the youth farm at Malete represents the future of farming in Kwara State, then the Zimbabwean expats (sic) are the bridge. Indeed the farm at Malete was originally managed by one of the Zimbabweans, who are now happy to go by the name New Nigerian farmers. Their techniques and knowledge has laid the foundation for the agricultural revolution... How the rest of the structure emerges will depend on those 100 young men and women that pass through Malete each year (Africa Business Series n.d.: 2).

It has also further been noted that:

Due to large rates of unemployment across the state, we decided to engage youth[s] in farming. We have trained over 300 young school leavers and graduates in all aspects of commercial farming. The Malete centre is responsible for the transfer of technology and the training of this new Generation of Successor Commercial Farmers. Upon completion of training, these youths are provided cleared land and start up funds to establish their own farms. They have not only become self-employed on their own farms, but they have become self-sufficient agents of change and employers of labour (Saraki n.d.).

Another potential advantage of the project is the huge reductions in the importation costs of agricultural products. In the context of the Shonga project, the dairy milk cluster makes this point well. Up until now, Nigerians have been fixated with unhealthy imported milk which currently costs the country US\$1.5 billion annually. 'Over the years, due to neglect of agriculture, Nigeria has been a country of powdered milk. Powdered milk is not healthy. If you go to America, it is a small percentage. You don't even see powdered milk in Europe. You don't see powdered milk in developed countries. If you compare the two, powdered milk is not as healthy as fresh milk but because you cannot import fresh milk, that is why powdered milk became the alternative. There is a law in Saudi Arabia. The country is not allowed to consume more than 10 percent of powdered milk' (NBF News 2010). This is so because, although 6.6 million litres of milk daily are consumed in Nigeria, only 5 percent of it is produced locally. The Shonga Farms Dairy project, which is the largest dairy farm in Nigeria, is however beginning to have a little impact in changing this process (Saraki 2010). It has already set up the West African Milk Company, arguably the country's biggest importer of

milk to begin to source some of its milk locally. The farm is capable of producing 60,000 litres of fresh milk per day (Vanguard Newspaper 2010). The impact and future potentials of the Shonga Farms has been summarised thus:

Do you imagine what it would look like if we have about 3,000 of this Shonga Farm scattered all over Nigeria? Here alone, they employ about 50 people per farm. If you talk about 3,000, it means you are already giving 150[000] people employment. Then you have factories processing the milk and you need about 100 of such factories at full production. We have about 600 cows at Shonga, that means you need 300,000 to meet the total demand. You have got to feed these cows. They need maize, soyabeans. You need farmers to produce maize and soyabeans for the cows. You are going to give people employment. If we have the right policy, which we are beginning to have. We can [give] the importers a five-year plan. Today, we are only doing five percent locally produced milk, and 95 per cent imported. Next year, let's go to may be, 15 per cent, then following year 30 per cent. Hopefully, within the five-year period, we will achieve our target. Once you have that in place, and it is abiding, it does not mean government intervention. It is going to be a business on its own (NBF News 2010).

Such arrangements will also have positive national health implications. WAMCO's strict safety checks and controls also helps ensure that farms like Shonga adhere to very strict health standards. It is unlikely that traditional sources of milk supply in Nigeria regularly meet such high standards (Nation Newspaper 2009).

Despite the potential benefits of this programme, problems remain. Arguably the greatest threat to the entire project is the secrecy surrounding the entire agreement of the farmers with Kwara State Government. A former Commissioner for Agriculture in Kwara State once described the project as a fraud (*Tell Magazine 2009*). The financial relationship between the two parties has been of great concern to critics of the project. It has, for instance been alleged that the entire project was designed for the benefit of the governor and his family:

The Sarakis gave the first set of fifteen of their Zimbabwean employees \$250,000 USD each and each also obtained \$250,000 USD from Intercontinental Bank PLC/Guaranty Trust Bank PLC with the Kwara State Govt as the Guarantor. Not done, Saraki also used their rubber stamp, the Kwara State House Of Assembly, to pass a 'RESOLUTION' using the state monthly allocations from the Federation Account to guarantee another loan of N650,000,000.00 obtained by the Zimbabwean farmers in the name of KWA Zimbo Enterprises Ltd from the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB). KWA Zimbo Enterprises Ltd defaulted in the repayment of the principal and interest and when the NACRDB wanted to enforce the Irrevocable Standing Payment Order (ISPO) given by the Kwara state govt on the state monthly allocations, the Sarakis arranged and obtained a re-finance Loan from the First Bank Plc in the sum of N650,000,000.00, this time in the name of Shonga Farm Holdings Nig. Ltd. (Elombah News 2010).

Furthermore, it has been noted that both the initial government loan and government guaranteed loan totalling US\$500,000 per farmer were all supposed to be paid back according to the agreement with the farmers, over a period of three years. But four years after take-off, the farmers have not only failed to pay back the money given to them by the state, they are also asking for more.

The farmers have explicitly admitted their indebtedness to the banks and have blamed Nigerian bureaucracy and import delays for this. Mr. Retzcaff, one of the farmers asserted that they:

had to contend with delays in importation of raw materials and some of their machinery, which made it difficult for them to meet set target. You know we have delays in importation of some raw materials and some machinery. Some of them are delayed at the Lagos port. This kind of thing increases the cost of operations but the banks don't want to hear this. Their concern is that we gave you what you asked for, so why are you asking for more instead of repaying us. We are just asking the banks to give us a little more money, just a fraction of what they've given us before (Tell Magazine2009).

The implication is that should the project collapse the entire loss will fall on the Government of Kwara State. The farmers simply do not have any financial commitment.

Aside from the above guarantees, the government has extensively supported the project. Some government support was clearly documented in the terms of the contract cited earlier. But it has also been reported that the Kwara State Government budgeted 2.65 billion naira for irrigation in the state. Of this 1.8 billion naira went to Shonga Farms alone. It was arguably because of this that the government, in its 2010 budget, asserted that 'We have also awarded the contract for the construction of Shonga irrigation project to ensure all-year farming and remove one of the major impediments that the project has confronted' (Saraki 2009).

Irrespective of such support, lack of transparency in the agreement between the farmers with the government, which may at least in part be responsible for the rising debts of the farms, may torpedo the entire project. While government has a duty to provide infrastructural support for foreign investors, its guarantee of private loans to such enterprises is questionable.

Lessons for Local and Foreign Interests in African Agriculture

It is clear that the most important lesson from the Shonga Farms project for addressing increasing foreign interests in African agriculture is the need for transparency in both operations and agreements. At the very least, this will help reduce both the perception and reality of government corruption to a minimum. While it is important that the government should provide infrastructural support for such foreign farmers, care must be taken to ensure that local farmers are also supported.

A second lesson is the need for African governments to be more careful in dealing with the expropriation of local lands by foreign farming businesses. Given the size of these farms and the relatively extensive government support they have been receiving, it is likely that the farms will grow even bigger. More foreign farms are already being attracted to the state. The implication is that the pressure on the domestic population to give up more land has only just begun. The land takeover experience for the Shonga Farms has been documented thus:

In line with the agreement, Saraki forcefully took the lands of the people of Tsonga District of Edu L.G.A. in the name of acquisition. The attempts by the natives to resist the illegal and unlawful takeover of their lands for transfer to foreigners met brutal suppression [from] the law enforcement agents who were savagely and ruthlessly deployed by Saraki. In the process some of the natives were killed, many maimed or injured and many sent to prison. The acquisition and transfer of the natives' lands to the Zimbabweans was against the Land Use Act 1978 which allows government to take over lands from people only for Overriding Public Interest and Forbids government from taking from one person for the purpose of transferring same to another Nigerian talk less of foreigners (Elombah Perspective 2010).

Specifically, the greatest concern of locals is the belief that these new investments may jeopardise the livelihood of the local inhabitants who, aside from being among the poorest and most vulnerable Africans, depend solely on these lands as their source of livelihood. In order to put this point in context, it is important to appreciate the fact that the land given to the thirteen Zimbabwean farmers belonged to thirty-three local farming communities in the state and represented their major source of livelihood (*Tell Magazine 2009*). The consequences of such land expropriations, especially when not thoroughly thought through are well known in history. The ugly experiences of Central American countries with the privatisation of indigenous lands should be avoided at all costs.

As more and more local lands are being excised for the benefits of big farms, such conflicts are bound to intensify. One way of mitigating them is to involve the local community in such investments. Their land should, for instance, be able to give such communities some shareholding in the company structure. Representation of the community on the board and management of such foreign farms will no doubt greatly reduce potential conflict. It will also help enshrine the ancillary benefits of the location of big farms for such communities. These include: employment opportunities and the provision of social facilities like schools, hospitals and drinking water. If need be, government should provide generous tax breaks in order to ensure that such facilities are provided.

Another issue concerns the transfer of skills. The conventional wisdom is that this should be immaterial in a labour intensive industry like agriculture. This is however not true under all circumstances. It is for instance well known that

highly populated countries like China and India are constantly under pressure to employ their excess workforce abroad. There are now allegations that China, for instance, has even gone to the extent of exporting its prison labour to Africa. For foreign engagement in African agriculture to be sustainable in the long run, there is need for clear agreements with respect to allowable foreign labour within such businesses. This is even more the case given that most of the emerging foreign agricultural businesses in Africa, especially those from populous capitalist states like India, are likely to be family businesses. The tendency will therefore be for family members to control all the key sectors of such businesses. Under such a scenario, there will be very little room for skills transfer to locals. With respect to the Shonga Farms project, for instance, a pertinent question is: why were the Zimbabwean farmers unable to transfer skills to local Zimbabweans after several years of operating in that country? Although Zimbabwe benefited from their good agricultural practices, the post-expulsion performance of the agricultural sector in Zimbabwe is evidence that very little transfer of technology and skills took place throughout the period that the white farmers dominated the agriculture industry of that country. Addressing such matters is important if Africa is to benefit from the emerging foreign investments in its agriculture.

A final issue that needs to be agreed from the outset concerns the use of the locally cultivated agricultural products given that the incentives for the Zimbabwean farmers and for farmers from countries with food deficits at home like India, China and Saudi Arabia will be different. While the Zimbabwean farmers are essentially commercially independent companies, with little relationship with any home country, the same cannot be said of the farmers from many other countries operating in Africa. With strong support from their home governments, it should be expected that reducing their home country's food deficits would be one of the objectives of such farmers. Furthermore, the ban of some agricultural product exports in countries with an agriculture product deficit like India has created a market that can be satisfied by international farmers from such agricultural production deficit countries. At the time of writing there were some eighty Indian companies trying to get land in Ethiopia. All their products will be exported to India. A government ban on non-Basmati rice exports has also driven Indian companies to grow such rice in Africa in order to sell it overseas.

It is therefore unlikely that African food security would be the objective of the foreign farmers in Africa. There are great potentials for conflict in the near future. In order to minimise such conflicts, African countries need to engage proactively with the foreign farmers from the very beginning in order to establish clear agreements.

Conclusion

The Shonga Farms project in Kwara State Nigeria presents lessons for both foreign farmers and Africans in the plan to get such foreign farmers to assist with agricultural development in Africa. For such ventures to last, they must be mutually beneficial to all stakeholders. Specifically, the host communities should be compensated for lands taken from them. Arguably the best way of doing this is by making such communities stakeholders in the business ventures concerned. Rules regarding transfer of skills and foreign labour restrictions must be spelled out from the beginning. Notwithstanding, the government must grant generous concessions to these foreign farmers in order to help them overcome the extensive bottlenecks of doing business in Africa. However, under no circumstance should this include loan guarantees. Whatever concessions and agreements are arrived at must be transparent and publicly available for scrutiny and criticism. Similar concessions should also be available to local farmers. The current situation in Shonga Farms where the real interests and obligations of the state in such projects have been subject to wild degrees of speculation must be prevented. Such secrecy and lack of transparency may endanger the future of the Shonga Farms project especially now that the tenure of the Saraki administration has ended. Iyiola Oyedepo, a former commissioner for agriculture in the state, publicly asserted that the foreign farmers came to the state without any form of capital to set up a farm business in Shonga, stressing that the government had to do everything for the farmers, including paying compensation on land acquired by private businessmen... The whole arrangement is a fraud. If a foreign investor is coming to any country, they ought to come with their capital. This would include their resources and skill. But I know that these people did not come to Kwara with any capital. Anything you find in Shonga farm today was paid for by the state government. It is like Julius Berger coming to Nigeria and asking the federal government to buy all the equipment it would need! That is why I say the arrangement is a fraud, and the truth would become clear when Bukola Saraki vacates power.

Interestingly Saraki has now left office. Should the new administration in Kwara State have cause to unravel this entire project, the state and the local communities will no doubt be far worse off than they were before the project. The acrimony is unlikely to do future foreign investments in the state any good. African countries and foreign investors in the continent's agriculture can avoid such outcomes by making all the relevant agreements in their agricultural cooperation transparent from the beginning. If this can be done, African economies that depend mainly on agriculture will no doubt immensely benefit from such ventures because 'for the poorest people, GDP growth originating in agriculture is about four times more effective in raising incomes of extremely poor people than GDP growth originating outside the sector' (Webber and Labaste (2010:1).

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