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Is There Such a Thing as Agro-Imperialism?

By ANDREW RICE

Dr. Robert Zeigler, an eminent American botanist, flew to Saudi Arabia in March for a series of high-level discussions about the future of the kingdom's food supply. Saudi leaders were frightened: heavily dependent on imports, they had seen the price of rice and wheat, their dietary staples, fluctuate violently on the world market over the previous three years, at one point doubling in just a few months. The Saudis, rich in oil money but poor in arable land, were groping for a strategy to ensure that they could continue to meet the appetites of a growing population, and they wanted Zeigler's expertise.

There are basically two ways to increase the supply of food: find new fields to plant or invent ways to multiply what existing ones yield. Zeigler runs the International Rice Research Institute, which is devoted to the latter course, employing science to expand the size of harvests. During the so-called Green Revolution of the 1960s, the institute's laboratory developed "miracle rice," a high-yielding strain that has been credited with saving millions of people from famine. Zeigler went to Saudi Arabia hoping that the wealthy kingdom might offer money for the basic research that leads to such technological breakthroughs. Instead, to his surprise, he discovered that the Saudis wanted to attack the problem from the opposite direction. They were looking for land.

In a series of meetings, Saudi government officials, bankers and agribusiness executives told an institute delegation led by Zeigler that they intended to spend billions of dollars to establish plantations to produce rice and other staple crops in African nations like Mali, Senegal, Sudan and Ethiopia. "They laid out this incredible plan," Zeigler recalled. He was flabbergasted, not only by the scale of the projects but also by the audacity of their setting. Africa, the world's most famished continent, can't currently feed itself, let alone foreign markets.

The American scientist was catching a glimpse of an emerging test of the world's food resources, one that has begun to take shape over the last year, largely outside the bounds of international scrutiny. A variety of factors — some transitory, like the spike in food prices, and others intractable, like global population growth and water scarcity — have created a market for farmland, as rich but resource-deprived nations in the Middle East, Asia and elsewhere seek to outsource their food production to places where fields are cheap and abundant. Because much of the world's arable land is already in use — almost 90 percent, according to one estimate, if you take out forests and fragile ecosystems — the search has led to the countries least touched by development, in Africa. According to a recent study by the World Bank and the United Nations Food and Agriculture Organization, one of the earth's last large reserves of underused land is the billion-acre Guinea Savannah zone, a crescent-shaped swath that runs east across Africa all the way to Ethiopia, and southward to Congo and Angola.

Foreign investors — some of them representing governments, some of them private interests — are promising to construct infrastructure, bring new technologies, create jobs and boost the productivity of underused land so that it not only feeds overseas markets but also feeds more Africans. (More than a third of the continent's population is malnourished.) They've found that impoverished governments are often only too welcoming, offering land at giveaway prices. A few transactions have received significant publicity, like Kenya's deal to lease nearly 100,000 acres to the Qatari government in return for financing a new port, or South Korea's agreement to develop almost 400 square miles in Tanzania. But many other land deals, of near-unprecedented size, have been sealed with little fanfare.

Investors who are taking part in the land rush say they are confronting a primal fear, a situation in which food is unavailable at any price. Over the 30 years between the mid-1970s and the middle of this decade, grain supplies soared and prices fell by about half, a steady trend that led many experts to believe that there was no limit to humanity's capacity to feed itself. But in 2006, the situation reversed, in concert with a wider commodities boom. Food prices increased slightly that year, rose by a quarter in 2007 and skyrocketed in 2008. Surplus-producing countries like Argentina and Vietnam, worried about feeding their own populations, placed restrictions on exports. American consumers, if they noticed the food crisis at all, saw it in modestly inflated supermarket bills, especially for meat and dairy products. But to many countries — not just in the Middle East but also import-dependent nations like South Korea and Japan — the specter of hyperinflation and hoarding presented an existential threat.

"When some governments stop exporting rice or wheat, it becomes a real, serious problem for people that don't have full self-sufficiency," said Al Arabi Mohammed Hamdi, an economic adviser to the Arab Authority for Agricultural Investment and Development. Sitting in his office in Dubai, overlooking the cargo-laden wooden boats moored along the city's creek, Hamdi told me his view, that the only way to assure food security is to control the means of production.

Hamdi's agency, which coordinates investments on behalf of 20 member states, has recently announced several projects, including a tentative $250 million joint venture with two private companies, which is slated to receive heavy subsidies from a Saudi program called the King Abdullah Initiative for Saudi Agricultural Investment Abroad. He said the main fields of investment for the project would most likely be Sudan and Ethiopia, countries with favorable climates that are situated just across the Red Sea. Hamdi waved a sheaf of memos that had just arrived on his desk, which he said were from another partner, Sheik Mansour Bin Zayed Al Nahyan, a billionaire member of the royal family of the emirate of Abu Dhabi, who has shown interest in acquiring land in Sudan and Eritrea. "There is no problem about money," Hamdi said. "It's about where and how."

A long the dirt road that runs to Lake Ziway, a teardrop in the furrow of Ethiopia's Great Rift Valley, farmers drove their donkey carts past a little orange-domed Orthodox church, and the tombs of their ancestors, decorated with vivid murals of horses and cattle. Between clusters of huts that looked as if they were constructed of matchsticks, there were wide-open wheat fields, where skinny young men were tilling the soil with wooden plows and teams of oxen. And then, nearing the lake, a fence appeared, closing off the countryside behind taut strings of barbed wire.

All through the Rift Valley region, my travel companion, an Ethiopian economist, had taken to pointing out all the new fence posts, standing naked and knobby like freshly cut saplings — mundane signifiers, he said, of the recent rush for Ethiopian land. In the old days, he told me, farmers rarely bothered with such formal lines of demarcation, but now the country's earth is in demand. This fence, though, was different from the others — it stretched on for a mile or more. Behind it, we could glimpse a vast expanse of dark volcanic soil, recently turned over by tractors. “So,” said my guide, “this belongs to the sheik.”

He meant Sheik Mohammed Al Amoudi, a Saudi Arabia-based oil-and-construction billionaire who was born in Ethiopia and maintains a close relationship with the Ethiopian Prime Minister Meles Zenawi’s autocratic regime. (Fear of both men led my guide to say he didn’t want to be identified by name.) Over time, Al Amoudi, one of the world’s 50 richest people, according to Forbes, has used his fortune and political ties to amass control over large portions of Ethiopia’s private sector, including mines, hotels and plantations on which he grows tea, coffee, rubber and japtropha, a plant that has enormous promise as a biofuel. Since the global price spike, he has been getting into the newly lucrative world food trade.

Ethiopia might seem an unlikely hotbed of agricultural investment. To most of the world, the country is defined by images of famine: about a million people died there during the drought of the mid-1980s, and today about four times that many depend on emergency food aid. But according to the World Bank, as much as three-quarters of Ethiopia’s arable land is not under cultivation, and agronomists say that with substantial capital expenditure, much of it could become bountiful. Since the world food crisis, Zenawi, a former Marxist rebel who has turned into a champion of private capital, has publicly said he is “very eager” to attract foreign farm investors by offering them what the government describes as “virgin land.” An Ethiopian agriculture ministry official recently told Reuters that he has identified more than seven million acres. The government plans to lease half of it before the next harvest, at the dirt-cheap annual rate of around 50 cents per acre. “We are associated with hunger, although we have enormous investment opportunities,” explained Abi Woldemeskel, director general of the Ethiopian Investment Agency. “So that negative perception has to be changed through promotion.”

The government’s pliant attitude, along with Ethiopia’s convenient location, has made it an ideal target for Middle Eastern investors like Mohammed Al Amoudi. Not long ago, a newly formed Al Amoudi company, Saudi Star Agricultural Development, announced its plans to obtain the rights to more than a million acres — a land mass the size of Delaware — in the apparent hope of capitalizing on the Saudi government’s initiative to subsidize overseas staple-crop production. At a pilot site in the west of the country, he’s already cultivating rice. Earlier this year, amid great fanfare marking the start of the program, Al Amoudi personally presented the first shipment from the farm to King Abdullah in Riyadh. Meanwhile, in the Rift Valley region, another subsidiary is starting to grow fruits and vegetables for export to the Persian Gulf.

Al Amoudi’s plans raise a recurring question surrounding investment in food production: who will reap the benefits? As we drove down to the waterside, through fields dotted with massive sycamores, a farm supervisor told me that the 2,000-acre enterprise currently produces food for the local market, but there were plans to irrigate with water from the lake, and to shift the focus to exports. In the distance, dozens of laborers were bent to the ground, planting corn and onions.

Later, when I asked a couple of workers how much they were paid, they said nine birr each day, or around 75 cents. It wasn’t much, but Al Amoudi’s defenders say that’s the going rate for farm labor in Ethiopia. They argue that his investments are creating jobs, improving the productivity of dormant land and bringing economic development to rural communities. “We have achieved what the government hasn’t done for how many years,” says Arega Worku, an Ethiopian who is an agriculture adviser to Al Amoudi. (Al Amoudi declined to be interviewed.) Ethiopian journalists and opposition figures, however, have questioned the economic benefits of the deals, as well as Al Amoudi's cozy relationship with the ruling party.

By far the most powerful opposition, however, surrounds the issue of land rights — a problem of historic proportions in Ethiopia. Just down the road from the farm on Lake Ziway, I caught sight of a gray-bearded man wearing a weathered pinstripe blazer, who was crouched over a ditch, washing his shoes. I stopped to ask him about the fence, and before long, a large group of villagers gathered around to tell me a resentful story. Decades ago, they said, during the rule of a Communist dictatorship in Ethiopia, the land was confiscated from them. After that dictatorship was overthrown, Al Amoudi took over the farm in a government privatization deal, over the futile objections of the displaced locals. The billionaire might consider the land his, but the villagers had long memories, and they angrily maintained that they were its rightful owners.

Throughout Africa, the politics of land is linked to the grim reality of hunger. Famines, typically produced by some combination of weather, pestilence and bad governance, break out with merciless randomness, unleashing calamity and reshaping history. Every country has its unique dynamics. Unlike most African nations, Ethiopia was never colonized in the 19th century but instead was ruled by emperors, who granted feudal plantations to members of their royal courts. The last emperor, Haile Selassie, was brought down by a famine that fueled a popular uprising. His dispossessed subjects chanted the slogan "land to the tiller." The succeeding Communist dictatorship, which took ownership of all land for itself and pursued a disastrous collectivization policy, was toppled in the aftermath of the droughts of the 1980s. Under the present regime, private ownership of land is still banned, and every farmer in Ethiopia, foreign and domestic, works his fields under a licensing arrangement with the government. This land-tenure policy has made it possible for a one-party state to hand over huge tracts to investors at nominal rents, in secrecy, without the bother of a condemnation process.

Ethiopia's government denies that anyone is being displaced, saying that the land is unused — an assertion many experts doubt. "One thing that is very clear, that seems to have escaped the attention of most investors, is that this is not simply empty land," says Michael Taylor, a policy specialist at the International Land Coalition. If land in Africa hasn't been planted, he says, it's probably for a reason. Maybe it's used to graze livestock, or deliberately left fallow to prevent nutrient depletion and erosion.

There is an ongoing debate among experts about the extent of the global land-acquisition trend. By its nature the evidence is piecemeal and anecdotal, and many highly publicized investments have yet to actually materialize on the ground. The most serious attempt to quantify the land rush, spearheaded by the International Institute for Environment and Development, suggests that as of earlier this year, the Ethiopian government had approved deals totaling around 1.5 million acres, while the country's investment agency reports that it has approved 815 foreign-financed agricultural projects since 2007, nearly doubling the number registered in the entire previous decade. But that's far from a complete picture. While the details of a few arrangements have leaked out, like one Saudi consortium's plans to spend $100 million to grow wheat, barley and rice, many others remain undisclosed, and Addis Ababa has been awash in rumors of Arab moneymen who supposedly rent planes, pick out fertile tracts and cut deals.

Of course, there have been scrambles for African land before. In the view of critics, the colonial legacy is what makes the large land deals so outrageous, and they warn of potentially calamitous consequences. "Wars have been fought over this," says Devlin Kuyek, a researcher with Grain, an advocacy group that opposes large-scale agribusiness and has played a key role in bringing attention to what it calls the “global land grab.”

It wasn’t until Grain compiled a long list of such deals into a polemical report titled “Seized!” last October that experts really began to talk about a serious trend. Although deals were being brokered in disparate locales like Australia, Kazakhstan, Ukraine and Vietnam, the most controversial field of investment was clearly Africa. “When you started to get some hints about what was happening in these deals,” Kuyek says, “it was shocking.” Within a month, Grain’s warnings seemed to be vindicated when The Financial Times broke news that the South Korean conglomerate Daewoo Logistics had signed an agreement to take over about half of Madagascar’s arable land, paying nothing, with the intention of growing corn and palm oil for export. Popular protests broke out, helping to mobilize opposition to Madagascar’s already unpopular president, who was overthrown in a coup in March.

The episode illustrated the emotional volatility of the land issue and raised questions about the degree to which corrupt leaders might be profiting off the deals. Since then, there has been an international outcry. Legislators from the Philippines have called for an investigation into their government’s agreements with various investing nations, while Thailand’s leader has vowed to chase off any foreign land buyers.

But there’s more than one side to the argument. Development economists and African governments say that if a country like Ethiopia is ever going to feed itself, let alone wean itself from foreign aid, which totaled $2.4 billion in 2007, it will have to find some way of increasing the productivity of its agriculture. “We’ve been complaining for decades about the lack of investment in African agriculture,” says David Hallam, a trade expert at the Food and Agriculture Organization. Last fall, Paul Collier of Oxford University, an influential voice on issues of world poverty, published a provocative article in Foreign Affairs in which he argued that a “middle- and upper-class love affair with peasant agriculture” has clouded the African development debate with “romanticism.” Approvingly citing the example of Brazil — where masses of indigenous landholders were displaced in favor of large-scale farms — Collier concluded that “to ignore commercial agriculture as a force for rural development and enhanced food supply is surely ideological.”

In Ethiopia, Mohammed Al Amoudi and other foreign agricultural investors are putting Collier’s theory into practice. Near the southern town of Awassa, in a shadow of a soaring Rift Valley escarpment, sits a field of waving corn and a complex of domed greenhouses, looking pristine and alien against the natural backdrop. On an overcast July morning, dozens of laborers were at work preparing the ground for one of Al Amoudi’s latest enterprises: a commercial vegetable farm.

“For a grower, this is heaven on earth,” says Jan Prins, managing director of the subsidiary company that is running the venture for Al Amoudi. Originally from the Netherlands, Prins says he assumed that Ethiopia was arid but was surprised to learn when he came to the country that much of it was fertile, with diverse microclimates. The Awassa farm is one of four that Prins is getting up and running. Using computerized irrigation systems, the farms will grow tomatoes, peppers, broccoli, melons and other fresh produce, the vast majority of it to be shipped to Saudi Arabia and Dubai. Over time, he says, he hopes to expand into growing other crops, like wheat and barley, the latter of which can be used to feed camels.

The nations of the Persian Gulf are likely to see their populations increase by half by 2030, and already import 60 percent of their food. Self-sufficiency isn’t a viable option, as the Saudis have learned through bitter experience. In the 1970s, worries about the stability of the global food supply inspired the Saudi government to grow wheat through intensive irrigation. Between 1980 and 1999, according to a study by Elie

Elhadj, a banker and historian, the Saudis pumped 300 billion cubic meters of water into their desert. By the early 1990s, the kingdom had managed to become the world's sixth-largest wheat exporter. But then its leaders started paying attention to the warnings of environmentalists, who pointed out that irrigation was draining a nonreplenishable supply of underground freshwater. Saudi Arabia now plans to phase out wheat production by 2016, which is one reason it's looking to other countries to fill its food needs.

"The rules of the game have changed," says Saad Al Swatt, the chief executive of the Tabuk Agricultural Development Company, one of the kingdom's largest farming concerns. Al Swatt's company was one of those that met with Robert Zeigler about farming rice; he says that with government encouragement, he is looking at expanding into countries like Sudan, Ethiopia and Vietnam. "They have the land, they have the water, but unfortunately, they don't have the system or sometimes the finance to have these large-scale agricultural projects." Al Swatt says. "We wanted to export our experience and really develop those areas, to help people."

About 10 percent of the more than 80 million people who live in Ethiopia suffer from chronic food shortages. This year, because of poor rains, the U.N. World Food Program warns that much of East Africa faces the threat of a famine, potentially the worst in almost two decades. Traditionally, the model for feeding the hungry in Africa has involved shipping in surpluses from the rest of the world in times of emergency, but governments that are trying to attract investment say that the new farms could provide a lasting, noncharitable solution. ("It's better than begging," one Ethiopian official recently told the African publication Business Daily.) Whatever the long-term justification, however, it looks bad politically for countries like Kenya and Ethiopia to be letting foreign investors use their land at a time when their people face the specter of mass starvation. And many experts wonder whether such governments will go through with the deals. Ethiopia, after all, was one of the countries that banned grain exports during the recent spike in world food prices. "The idea that one country would go to another country," says Robert Zeigler, "and lease some land, and expect that the rice produced there would be made available to them if there's a food crisis in that host country, is ludicrous."

The hyperinflationary spiral that caused the world food crisis had multiple causes. The harvests in 2006 and 2007 were the worst of the decade, hedge funds and other players in the commodities markets appear to have driven up prices and government subsidies for biofuels encouraged farmers to grow crops that ended up as ethanol. But the environment and demography are more lasting issues, and experts predict that prices, which have declined since their peak, are likely to stabilize significantly above precrisis levels. This represents a danger to the developing world, where the poor spend between 50 and 80 percent of their income on food, but it may also present an opportunity. If one good thing has emerged from the crisis, it's a growing awareness of Africa's unrealized agricultural potential. Because where there are appetites, there are profits to be made.

In late June, several hundred farmers and investment bankers came together in Manhattan to survey the landscape at a conference on global agriculture investment. The food crisis has served as a catalyst for the sleepy agricultural sector, spurring financial firms like Goldman Sachs and BlackRock to invest hundreds of millions of dollars in overseas agricultural projects, so the mood was heady for business, though depressing for humanity. There much talk of Thomas Malthus, the 19th-century prophet of overpopulation and famine.

"Beware of 2020 and beyond, because we think there could be genuine food shortages by that period," Susan Payne, the chief executive of Emergent Asset Management, told the audience during a talk on Africa's agricultural potential. She showed a series of slides citing chilling statistics: grain stocks are at their lowest levels in 60 years; there were food riots in 15 countries in 2008; global warming is turning arable land into desert; freshwater is dwindling and China is draining its reserves; and the really big problem that contributes to all the others — the world's population is growing by 80 million hungry people a year. The United Nations Food and Agriculture Organization estimates that in order to feed the world's projected population in 2050 — some nine billion people — agricultural production needs to increase by an annual average of 1 percent. That means adding around 23 million tons of cereals to the world's food supply next year, a little less than the total production of Australia in 2008.

"Africa is the final frontier," Payne told me after the conference. "It's the one continent that remains relatively unexploited." Emergent's African Agricultural Land Fund, started last year, is investing several hundred million dollars into commercial farms around the continent. Africa may be known for decrepit infrastructure and corrupt governments — problems that are being steadily alleviated, Payne argues — but land and labor come so cheaply there that she calculates the risks are worthwhile.

The payoffs could be immense. In a country like Ethiopia, farmers put in backbreaking effort, but they yield about a third as much wheat per acre as do Europe, China or Chile. Even modest interventions could start to close this gap. One small example: the black soil I saw throughout the Great Rift region. Known as vertisol, it's a product of volcanic activity and possesses the nutrients to produce enormous harvests. Because of its high clay content, however, it becomes sticky and waterlogged during the rainy season, which makes it very difficult to plow by traditional methods. With the addition of advanced implements, improved seeds and fertilizer, you can double the amount of wheat it yields. Ethiopia, like all of Africa, is full of such opportunities, which is one reason the World Bank says that investing in agriculture is one of the most effective ways to speed economic development on the continent.

Yet agriculture has historically been a tiny item in foreign-aid budgets. For years, governments, private foundations and donor institutions like the World Bank have been urging African governments to fill the spending gap with private investment. Now, at the very moment a world food crisis has come along, creating the perhaps fleeting possibility of an influx of capital into African agriculture, some of the same organizations are sending conflicting messages. The Food and Agriculture Organization, for instance, co-sponsored a report calling for a major expansion of commercial agriculture in Africa, but the organization's director-general has simultaneously been warning of the "neocolonial" dangers of land deals. "We're making them feel that it's sinful," says Mafa Chipeta, a Malawian who oversees Ethiopia and the rest of eastern Africa for the organization. "Why are we not saying, here is an opportunity?"

One focus of agricultural investment in Ethiopia is the region of Gambella, near the border with Sudan. The World Bank says it has more than four million acres of irrigable land. "It's emerald green, the whole place is fertile and they have only 200,000 people down there," says Sai Ramakrishna Karuturi, head of an Indian commercial farming company. Earlier this year, Karuturi signed an agreement with the government to lease close to 800,000 acres on which he will grow rice, wheat and sugar cane, among other crops. Karuturi told me he doesn't have to export the food to make money; there's plenty of profit potential in the East African market. He has flown in John Deere tractors, agricultural experts from Texas A&M and commercial farmers from Mississippi to help him get things going. He says he's raising $100 million in capital from private equity firms for the first phase of the project, which he estimates will ultimately cost well over a billion dollars. "Recently, I saw a lot of articles . . . where they referred to me as a food pirate," Karuturi says. "This whole thing is so elitist, it's ridiculous. They want Africa to remain poor."

But the argument against enormous land concessions needn't be based solely on appeals to human rights, environmental warnings or romanticism. It's possible to be a believer in development without endorsing Paul Collier's view that the small landholders stand in its way. In fact, there's a whole school of economic thought that says that Collier is wrong, that big is not necessarily better in agriculture — and that the land deals therefore might be unwise not because they're wrong but because they're unprofitable. A recent World Bank study found that large-scale export agriculture in Africa has succeeded only with plantation crops like sugar and tea or in ventures that were propped up by extreme government subsidies, during colonialism or during the apartheid era in South Africa.

This record of failure is one reason that the government of Qatar, in addressing its food-security concerns, has chosen to concentrate on investing in existing agribusinesses rather than just acquiring land. That's just one of many ways to invest in farming without removing the African farmers. On a bright Rift Valley afternoon, I went to see another option, a cooperative scheme under which a group of around 300 Ethiopians, working plots of 4 to 10 acres, were getting into export agriculture. During the European winter, they grew green beans for the Dutch market. The rest of the year, they cultivated corn and other crops for local consumption. The land had been irrigated with the help of a nonprofit organization and an Ethiopian commercial farmer named Tsegaye Abebe, who brought all the produce to market.

As a breeze riffled through a tall field of corn, a group of farmers, wearing sandals made from old tires, told me the arrangement, while not perfect, was beneficial in the most crucial respect: they weren't toiling for someone else. Not far away, a Pakistani investor had taken over a government cattle ranch, once an area free for grazing, and had put fences and trenches in place to keep out the local livestock. The Ethiopians who worked there were miserable.

The farmers had heard rumors that foreign investors were eyeing still more Ethiopian land. Imam Gemedo Tilago, a 78-year-old cloaked in a white cotton shawl, shook his finger, vowing that Allah would not allow the community to remain passive. But that was a problem for the future, and the farmers had more grounded concerns. I noticed, driving down the rural paths that led to this farm, that the earth looked parched in places, and the cattle were showing their ribs through their dull brown hides. The worried farmers told me that this year, the seasonal rains were late in coming to the Rift Valley. If they didn't arrive soon, there'd be hunger.

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