

WORKING Paper 19

The Next Great Trek?

South African Commercial Farmers
Move North

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PLAAS

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Abstract

This paper analyses the shifting role of South African farmers, agribusiness and capital elsewhere in southern Africa and the rest of the continent. It explores recent expansion trends, investigates the interests and agendas shaping such deals, and the legitimating ideologies and discourses employed in favour of them. While for the past two decades small numbers of South African farmers have moved to Mozambique, Zambia and several other countries, this trend seems to be undergoing both a quantitative and a qualitative shift. Whereas in the past their migration was largely individual or in small groups, now it is being more centrally organised and coordinated, is more frequently taking the form of large concessions for newly formed consortia and agribusinesses, and is increasingly reliant on external financing through transnational partnerships. As of early 2010, the commercial farmers' association Agri South Africa (AgriSA) was engaged in land acquisition negotiations with governments in 22 African countries.

This paper presents initial findings from a Future Agricultures Consortium (FAC) study to document and analyse major land acquisitions by South African farmers and agribusinesses, the processes through which these have occurred and are occurring, their impacts, and implications for land rights, livelihoods and the changing shape of agriculture. The research considers the changing character, scale and location of South African investments elsewhere in the region and the continent, focussing specifically on the AgriSA-Congo deal (the largest deal concluded thus far), and acquisitions by the two South African sugar giants, Illovo and Tongaat-Hulett, for outgrower and estate expansion elsewhere in the region. The study addresses the degree to which South Africa is no longer merely exporting its farmers, but also its value chains, to the rest of the continent — and what this means for trajectories of agrarian change.

I. Introduction

While for the past two decades small numbers of South African farmers have moved to Mozambique, Zambia and several other countries, this trend seems to be undergoing both a quantitative and a qualitative shift. Whereas in the past their migration was largely individual or in small groups, now it is being more centrally organised and coordinated, and is more frequently taking the form of large concessions for newly formed consortia and agribusinesses, and increasingly reliant on external financing through transnational partnerships.

This paper builds on a review of land deals in Southern Africa (Hall 2011) which noted among other trends:

- the significant role of domestic and regional actors in what has often been considered 'foreign' land grabbing;
- the prevalence of deals for purposes other than food production (specifically biofuels, mining and forestry); and
- the ways in which what is being grabbed extends beyond the land, to water and other natural resources but also, as noted more generally by Li (2011), also the labour with which to exploit these, through a range of institutional forms and business models.

One conclusion of that paper was that South African businesses are not merely relocating elsewhere in the region, but are acquiring land as part of wider business strategies to extend South African value chains. The actors and interests involved, then, are not merely those of 'farmers', but of a wide range of private and public sector actors in South Africa and in 'host' countries.

This paper picks up on these observations and analyses the shifting role of South African farmers, agribusiness and capital elsewhere in the southern African region and the rest of the continent. It explores recent expansion trends, investigates the interests and agendas shaping such deals, and the ideologies and discourses of legitimation employed in favour of them. It presents the first phase of this work — relying on secondary sources, and as a precursor to fieldwork in Congo, Mozambique and Malawi — to document expansion of South African farmers and agribusiness elsewhere in Africa, and reflects on three angles:

- a. negotiations by commercial farmer association AgriSA to secure land leases for consortia of its members;
- b. the acquisition of land for estates and outgrower schemes by the major sugar companies; and
- c. the emerging models through which acquisitions are financed and new actors involved.

The paper does *not* address the totality of South African land-based investments elsewhere on the continent, which include other agricultural ventures and investments (other than by AgriSA and the sugar companies); mining; and coastal and safari tourism, among others.

2. Deregulation and regulation as ‘push’ factors

South Africa’s (still almost exclusively) white commercial farmers have over the past two decades experienced dramatic changes in their political and economic situation. A combination of pressures has put these farmers — once a primary political constituency of the National Party apartheid government — into new difficulties, both objective and subjective. The new pressures have been well documented (e.g. Bernstein 1996, Vink and Hall 2010, Williams *et al* 1998) and arise from dismantling an elaborate architecture of policy and institutional support for commercial farming:

- agricultural deregulation including the removal of direct and indirect subsidies;
- state-controlled marketing boards with floor prices and pan-territorial pricing, cheap credit and tax breaks;
- the rapid liberalisation of trade in agricultural products; and
- sharp price increases of key farming inputs, particularly diesel and electricity.

Further pressures adding to the actual and perceived difficulties of pursuing commercial farming include introduction for the first time of basic labour rights for farm workers in the 1990s and since then also:

- minimum wage regulations;
- extended tenure rights to farm workers and their families (Atkinson 2007); and
- historical land claims to large areas of commercial farmland by former black occupiers, owners and tenants, in terms of the Restitution of Land Rights Act 22 of 1994 (Walker *et al* 2010).

These pressures have elicited several responses from South Africa’s white farmers. Many exited farming, sold their farms and invested in new careers in other sectors of the economy. Indeed, the total number of commercial farming units declined precipitously from about 60,000 in 1996 to about 45,000 in 2002, and is currently just under 40,000; ownership of multiple farms suggests these figures might even under-represent the scale of exit from commercial farming (NDA 2009). Some farmers diversified into non-agricultural sectors, or into up- or downstream activities, and still others (either individually or collectively) moved (or planned to move) elsewhere in Africa.

The South African Agricultural Union (SAAU), formed in 1904 to represent white farmers, renamed itself Agri South Africa (AgriSA) in 1999, a newly deracialised association of farmers’ organisations, keen to recruit black membership and build relations with the post-apartheid political dispensation and the ruling African National Congress (ANC). Deputy president of AgriSA and chief negotiator for commercial farmers Theo de Jager, has led numerous delegations of farmers to meet agriculture and foreign affairs ministers of countries offering land deals.

In contrast to AgriSA, the conservative Transvaal Agricultural Union (TAU) of South Africa refused to join this deracialised union, and represents the agenda of white farmers battling to escape black rule by betting on Georgia in the former USSR as the main new destination for its members. TAU general manager Bennie van Zyl and key advisors were invited on a three-month study tour (TAU 2010) and reportedly concluded an agreement ‘to send farmers who want to leave South Africa to Georgia’ (Bloomberg 2011). A visit in February 2011 by 90 prospective new settlers to inspect land on offer

followed (McGuinness 2011). The terms on which the government of Georgia is offering land have not been made known, though South Africans involved suggest that:

...what the ANC is prepared to expropriate, the government of the Republic of Georgia is willing to give away for free. Is it possible that they know something about the character of the Boer-Afrikaner that the ANC just won't admit. When they [the ANC] lose the Boer, they'll lose the security of their food supply. When they lose that, what will they eat?

Phillips 2010

News headlines and right-wing websites warn of an impending 'exodus' of 'thousands' of white 'boer' farmers, that 'the last of the white farmers are about to depart for greener pastures' (*ibid*). Many predict disaster for food production in South Africa if this small, skilled community decides to emulate its predecessors — who in the 1830s and 40s, embarked on a 'Great Trek' from the Cape colony into the hinterland, and thence established the new Boer republics of the Orange Free State and Transvaal. Harking back to this iconic moment in the contestation between Boer and British — over labour and the abolition of slavery — the narrative implies that these resilient farmers are once again without a secure homeland. Images abound of farmers in khaki shorts and Springbok rugby caps visiting snow-covered Georgia in the former USSR, testing the soils of Libya, and imagining a new life in the Congo.

Such images promote an understanding of those resistant to change in a new South Africa, of racist farmers fearful of a future under ANC rule. Elements of such a narrative may indeed be true to the views of some, including TAU members. Yet, as this paper shows, the current migration is far more complex, largely *not* signifying a threatened 'boer' nation fleeing one regime to establish a new order elsewhere, but rather a web of interlocking strategies: diversification, building political alliances, extending value chains, sourcing patronage and consolidating greater global market share (and days on European supermarket shelves). The phenomenon cannot be understood (or written off) as a desperate knee-jerk reaction by alienated white Afrikaners unable to see a future for themselves in South Africa, but is rather a realignment of domestic and global interests which, as I will show, is producing surprising new alliances.

3. Rebranding for the continent: 'AgriSA Africa'

In 2010, Agri South Africa (2010a) 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'. The committee mandate was to liaise with African governments to acquire land and secure farming support. Two years ago, about 1,000 farmers had signed up to participate in expansion into Africa, according to AgriSA chief negotiator Theo de Jager (Hofstatter 2009a). AgriSA considers the Congo deal a pilot project to guide the format for further AgriSA to government deals (Pienaar in AgriSA 2010c), discursively constructed as development partnerships, with the AgriSA congress declaring in October 2010:

Within [the] 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.

AgriSA 2010b

South Africans have been actively networking with others negotiating for and offering land deals across the continent. A key such opportunity was the *Conference on Large-Scale Farming in Africa* held in Cairo last year (21–22 April 2010). Here, AgriSA president Johannes Möller claimed South African commercial farmers want to move into Africa due to ‘scarcity of natural resources and land redistribution’ (Derby 2009). At this event, South Africa and Zimbabwe were agreed to be the only African countries not safe as destinations for agricultural investment, because of concerns about land reform programmes and labour regulation (*Farmers Weekly* 2010).

South African farmers already have operations underway in Botswana, Kenya, Mozambique, Malawi and elsewhere (Reuters 2010a). The terms vary substantially but, in the past year or two, diplomatic missions of various countries made direct contact with AgriSA, offering preferential investment terms. Zambia, for instance, offered to waive import duties and VAT, invest in roads and extend power grids to attract South African farmers to its two new 150,000 hectare ‘farm blocks’ available for colonisation (Reuters 2010a). Some recent South African farmland deals include sugarcane by TSB sugar company (formerly known as Transvaal Suiker Beperk) in Mali, sugarcane and palm oil in Madagascar, palm oil deal in Benin, jatropha in Mozambique, Tanzania and Zambia, and sugarcane in Zimbabwe and Namibia (ILC 2011). Of sixteen major land acquisitions by South African companies elsewhere in Africa:

- three are largely for food crop production
- one for carbon sequestration under the United Nations’ Reducing Emissions from Deforestation and Forest Degradation (REDD)
- twelve are for agrofuels: either jatropha for biodiesel, sugarcane for bioethanol, or a combination of other feedstocks like maize, soya and palm oil (ibid).

In a deal that is now off, Libya offered 35,000ha of former state farms for grapes and olives (Hoffstatter 2009, Reuters 2011). In the second half of 2010, further talks got underway with Angola, Cameroon, Democratic Republic of the Congo (DRC), Egypt, Gabon, Guinea, Mozambique, Namibia, Senegal, Sudan, Uganda and Zambia (Reuters 2010a, Reuters 2011, Bloomberg 2010, Groenewald 2010). By late 2010, ‘AgriSA Africa’ was negotiating land deals with 22 African governments (AgriSA 2010a, Reuters 2010c).

3.1 The Congo Deal

In the most significant recent deal offering African farmland to South African farmers, the Republic of the Congo (Brazzaville, not DRC) signed an agreement with AgriSA in October 2009. The deal allocated a consortium of South African commercial farmers an initial area of 200,000ha of former state farms, with the option of expanding to 10 million hectares — an area twice the size of Switzerland. The land in question (neglected for many years after civil conflict) consists of state-owned farms in the south-west of the country, between the capital Brazzaville on the Congo River and the provincial coastal city of Point-Noire to its west. It occupies much of the fertile Nyari Valley in the *departements* of Nyari and Bouenza (N’Zobo 2011, *pers. comm.*).

The country imports 95% of its food needs and its Agriculture Minister claimed the deal would stimulate agriculture as part of Congo’s New Plan of Action (SAPA 2009). Due to reliance on imports, food prices in domestic markets (particularly for fresh produce) are

high by international standards, which makes production for local markets attractive to prospective settlers — yet their entry will arguably affect those local farmers already supplying the local market, as will be discussed later. Although initially mooted as a 99-year lease, it seems the deal is for a renewable 30-year lease, in terms of which no rental is payable, tariff-free importation of agricultural inputs and unlimited rights to export produce is guaranteed, and these rights are heritable (N’Zobo 2010, *pers. comm.*). De Jager says:

...farmers would pay no import duties or tax on equipment, unlike in SA where we are heavily taxed in many ways; in addition, farmers would be able to repatriate profits to any part of the world, and receive a five-year tax holiday.

Sharife 2010

Soon after the deal was signed, on 8 May 2010, the South African and Congolese governments concluded a new bilateral investment treaty, expanding the terms of pre-existing cooperation agreements dating from 2003 and 2005. Next, *pro forma* ‘Government to Farmer’ contracts were drawn up by AgriSA and Congo authorities:

The contract will apply more specifically to activities of individual farmers, the stipulation of boundaries and terms and conditions for farming activities. The agreement will help farmers... who establish businesses in the Republic of Congo, open bank accounts and start farming, with the protection of the said contracts and with all the benefits for the farmer as negotiated by AgriSA’.

Swanepoel, cited in AgriSA 2010c

The first contracts for 88,000ha were concluded between South African farmers and the Congolese Ministries of Agriculture, Livestock and Land at a ceremony in Point-Noire on 10 March 2011 (N’Zobo 2011, *pers. comm.*). The next step, from AgriSA’s point of view, is to develop an affiliation structure for prospective Congo farmers, so they have a local association of their own through which to voice their interests — presumably ‘AgriSACongo’ or something similar (*ibid*). In protagonists’ many statements about South African motivations for the deal, ambiguities emerge such as:

- a. Who currently occupies the land, if anyone?
- b. What types of production are envisaged?
- c. Where will produce be sold (locally or internationally)?

Narratives based on pan-Africanist developmental discourse and good neighbourliness accompanied the Congo deal (and negotiations elsewhere in Africa), suggesting that South African farmers are fulfilling a government-mandated duty to bring development to other African states. This ‘duty’ focuses on:

- increasing productivity and supply to meet national food demands; and
- transferring skills and technology to enable indigenous small- to medium-scale commercial farming to grow.

According to the Agricultural Business Chamber, explaining the benefits of such deals to the Johannesburg Stock Exchange, Africa can gain through ‘technology transfer, employment creation, infrastructure development, GDP growth’ and increased local food supply or domestic markets (Maluleke 2009). At the same time, AgriSA (and to a greater degree, TAU) emphasise ‘push’ factors: the need to escape government regulation and taxation and the threat of expropriation. Less prominent in the narratives are the obvious economic advantages of cheap deals and preferable terms on offer. Andre Botha, president of Agri Gauteng, a division of AgriSA, encompassed several arguments when he explained:

There are three main reasons we are in the Congo. The first is, of course, to diversify our businesses; the second is to assist local farmers to commercially develop their own land; the third reason is to assist the government of South Africa to fulfill the expectations of the world in stabilising the African continent through the exchange of skills and technology.

Sharife 2010

The merits of the deal rest on what Cotula et al (2009) call an 'idle land' or 'wasteland' discourse — the claim that the land is unoccupied and unused. AgriSA expects that 'farmers will move into the houses on the property[ies]' (de Jager cited in Sharife 2010). Despite such claims, by both the Congolese government and AgriSA describing it as 'virgin land', evidence suggests that not only do people live there, but also they have been farming this land and consider themselves to have rights to remain there. A Congolese human rights organisation, *Observatoire Congolais des Droits d'Homme* (OCDH), alleges that communities in affected areas, which hold customary land rights, were not adequately consulted (N'Zobo 2010, *pers. comm.*), and though official sources claim the land in this remote valley is vacant and unused, they also promised that local people would benefit from employment (SAPA 2009). OCDH reports that:

... we know that in Bouenza's Dihesse or Mantsoumba [which form part of the initial area leased to AgriSA] local communities have been using this land, which government abandoned decades ago. They had indeed planted manioc, groundnuts, etc. How come government does not provide technical and financial support to encourage this local initiative and increase yields?

N'Zobo 2011, pers. comm.

Ambiguities about the types of production and their destination markets are captured in conflicting reports: Bloomberg (2011) reports that seventeen South African farming syndicates will focus on 'producing grain and red meat for the local market and fruit for export', while AgriSA insists it will produce vegetables and poultry for the local market (Sharife 2010). One motive, though, seems to be to expand market share and shelf space in European supermarkets:

The farmers will grow tropical fruit and hopefully give us an edge against farmers in South America where they traditionally beat us to the European markets by about a week.

de Jager cited in Sharife 2010

Like so many instances of 'land grabbing', the deal is characterised by silence about those on the land — their rights, livelihoods and future — once the South Africans move onto these farms and 'move into the houses' still standing on them. But, as de Schutter (2011: 258–9) points out, even more obscured from view in many deals — and certainly in this one — are the potential impacts the influx of large-scale commercial producers will have on *other* farmers elsewhere in the Congo. Both sides signing the deal are silent about Congolese farmers, who without external financial assistance, tax breaks and other preferential terms offered South Africans, will compete with the new operators for domestic market share.

3.2 AgriSaMoz

In May 2011 AgriSA Africa also launched 'AgriSAMoz' (an association of South African farmers in Mozambique) at a function in Pretoria attended by senior politicians and officials from both countries who affirmed their support. According to AgriSA (2011),

the main motivation for forming AgriSAMoz is to enable individual commercial farmers to get expert advice (and political support) to secure land rights in their new country:

A request received in November 2010 at an agricultural investment conference in Xai-Xai in the Gaza province of Mozambique to the effect that South African farmers should register their interest in writing with AgriSA, had attracted wide response ... Although land is inexpensive in Mozambique, the establishment of land use rights is a lengthy and time-consuming process. The process commences when a prospective land user identifies the land and negotiates with the local traditional leader to register such a right (usually for 50 years).

AgriSA is also negotiating further 50-year land leases in Mozambique to grow sugar for ethanol, tropical fruit and livestock. Authorities in Gaza province in southern Mozambique indicated they could make a million hectares available to AgriSA members (van Burick 2010). De Jager said:

At this stage there are just over 800 farmers who have already established interests in Mozambique and seemingly another 800 are in the process of trying to tie up land, with a deal that is being closed with the Gaza province.

Reuters 2011

A prominent exponent of these deals (and a personal friend of South African President Jacob Zuma) Charl Senekal, declared at the Xai-Xai meeting:

We are very anxious to provide and feed the Mozambican people with affordable food ... Farmers wanting to diversify or who have lost their farms in redistribution have a new opportunity in Mozambique.

Reuters 2010b

He also faces a land claim on his R160 million farm in KwaZulu-Natal. South Africa's High Commissioner to Mozambique Dikgang Moopeloa (not AgriSA) organised the Xai-Xai meeting and said the project aimed to create opportunities for South Africans, strengthen diplomatic ties with Mozambique, and promote development and regional stability across SADC to 'stem the inflow of migrants to SA' (SAPA 2010). The meeting took place against a backdrop of protests about rising food prices, in which Maputo security forces shot several people dead by in September 2010.

4. Government connections: BITs, funding and political support

The lack of bilateral investment treaties (BITs) to secure investors' assets and the right to repatriate profits constrains further deals (Cotula & Vermeulen 2009). South African agribusiness (and partners in the Southern African Confederation of Agricultural Unions which represents mainly commercial farmers' interests) argues this implementation precondition has scuppered (or at least delayed) several in-principle agreements for allocating farmland in other countries in the region (SACAU 2010).

To support business expansion, the South African government has signed and updated numerous bilateral investment treaties just in the last three years — with Angola, Cameroon, DRC, Gabon, Guinea, Ethiopia, Madagascar, Mauritania, Namibia, Sudan,

Tanzania, Zambia and Zimbabwe. These are mostly cited as 'Agreement[s] on Promotion and Reciprocal Protection of Investment' (plus related protocols), but many more memoranda of understanding exist on 'Cooperation in the Field of Agriculture' or 'Mining and Minerals Beneficiation' and agreements to avoid double taxation.

Recently, exporting South Africa's agricultural skills became government policy, when Minister of Agriculture, Forestry and Fisheries Tina Joemat-Pettersson, announced a R6 billion fund to support South African farmers, half of which would be spent on projects beyond South Africa's borders (Farmers' Weekly 2010). She was previously quoted as saying:

If we can't find opportunities for white South African farmers in this country, we must do it elsewhere in the continent

Hoffstatter 2009a

This she characterised as 'an equal relationship between people of the African continent' (*ibid*).

5. The sugar

South Africa's two sugar giants, Illovo and Tongaat-Hulett, are the products of decades of subsidy and trade protection. Both have rapidly reinvented themselves as regional businesses, and now operate in six countries each in southern and east Africa. Sugar has long occupied a special place in South African agricultural policy, being the only commodity which — a decade after the closure of the last state marketing boards — still benefits from state-imposed price controls. Both companies have adjusted to new pressures and opportunities by reconfiguring their asset and production portfolios. Since the 1990s, they have embarked on three modes of expansion:

- purchasing or leasing state-owned estates (e.g. in Malawi, Mozambique and Zambia);
- outgrower schemes where they establish core estates and mills and establish supply contracts with neighbouring small-scale farmers; and
- contract farming only, to supply existing mills.

Together, these companies now account for nearly half the sugar factories in southern Africa (see *Figure 1*). Both Illovo and Tongaat-Hulett have expanded substantially year-on-year through the food and financial crises — their financial statements show no symptoms of the recent global recession (Illovo 2010). The main driver behind the sugar boom in the region is massive increase in global demand, due to a combination of major markets (such as India) becoming net importers, and rising demand for bio-ethanol buoyed by targets (notably in the European Union) for renewable fuel content (Biopact 2010, Richardson 2010). Its fungibility — as food and as fuel — makes sugar a relatively safe hedge against demand fluctuations. Added to this, different institutional models for production (outgrower, estate and combinations) provide options to adapt to local conditions and vary the degree of fixed investment required.

Figure 1: Sugar factories in southern Africa



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

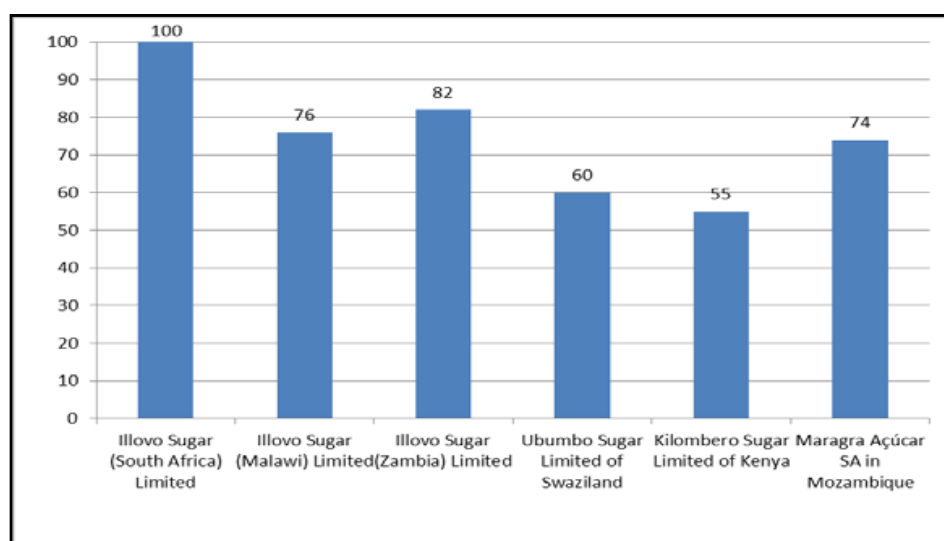
Meanwhile, the South African sugar industry is lobbying hard at home for mandatory renewable content in fuel supplies and for billions in state subsidies so it can meet this demand. Already though, these sugar companies are diversifying far and wide, from the industry's traditional products of sugar and molasses into derivatives like furfural, furfuryl alcohol, diacetyl, 2,3-pentanedione, natural methanol, ethyl alcohol and lactulose, which Illovo now sells to 81 countries. In addition, BioMass Sugar, 'a liquid organic fertiliser derived from sugar cane, is being sold to a growing number of international markets' (Illovo 2010). The next big step to shore up sugar demand (and prices) is producing by-products from the cane — 'co-generation' of ethanol and biomass — to feed into domestic electricity supply. This would be a boon for host governments, but is still largely in the realm of vague promises for the future.

Illovo now owns not only its South African operations, but is a majority shareholder in five other 'Illovos' across the region (see Figure 2). Expansion is largely in partnerships with domestic investors or governments, and its own description of its 'group strengths' emphasises its African (rather than South African) character, and 'geographic diversity' as key to its resilience, when it defines itself as an

African sugar producer with African expertise in sugar cane agriculture, sugar manufacturing and the production of high-value downstream products [with] wide geographic and climatic spread of core interests with good access to secure water supplies for irrigation.

Illovo 2010

Figure 2: Illovo ownership, 2010



Illovo 2010

In fact, Illovo's rise was on the back of cheap buy-ups of ailing government estates in the 1990s in Malawi, Mauritius, Swaziland and Zambia (Richardson 2010), based on which it undertook a second-wave expansion in the past five years. At the same time, production in South Africa is declining and rapidly being eclipsed by other countries (see *Tables 1 and 2*). Milling capacity (for sugar refining) is still highest in South Africa, but elsewhere increases in sugarcane output are largely for ethanol rather than sugar.

Table 1: 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
Total	6 108	5 054

Table 2: Illovo production statistics: Sugar ('000 tons)

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

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

[^] Excludes Pongola and Umfolzi [sic] — sold.

Illovo 2010

Illovo data shows robust growth in regional operations and substantial dominance of the sugar industry in several countries, notably Malawi and Zambia (see *Figures 2, 3*).

Figure 2: Illovo cane production (by country & financial year) in million tons

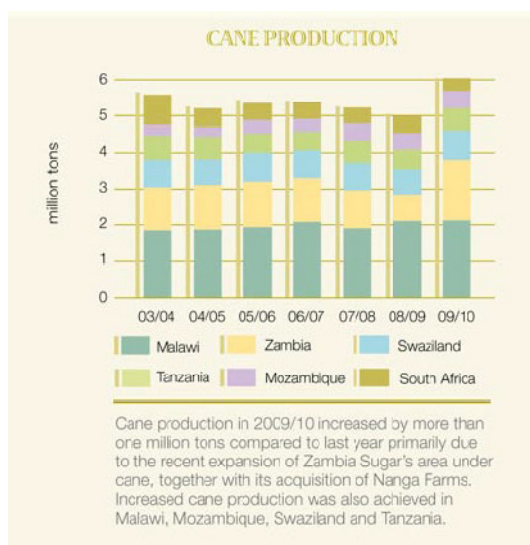
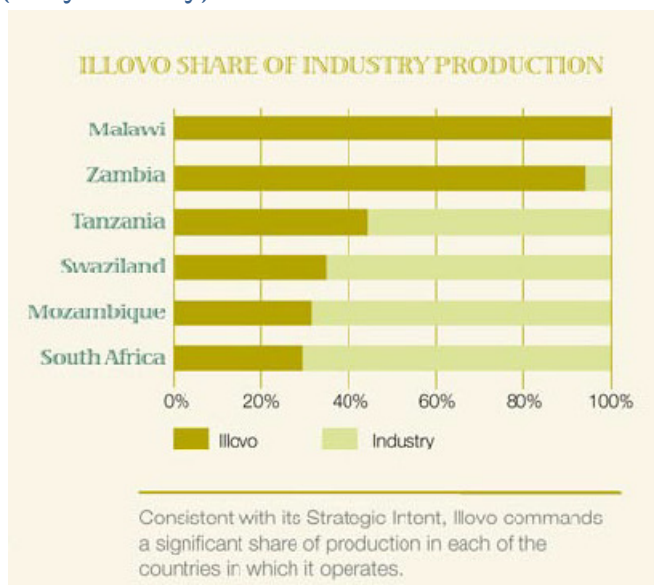


Figure 3: Illovo share of industry production (% by country), 2010



Illovo 2010, http://www.illovo.co.za/World_of_sugar/Sugar_Statistics/Illovo_Group.aspx

Equivalent information on Tongaat-Hulett is not publicly available, but Biopact (2007) reported that through the mid-2000s they were expanding:

- their Zimbabwean estates, aiming for one metric tonne per year at the Triangle and Hippo Valley plants and converting these into bioethanol plants; and
- in Mozambique at Xinavene and Mafambisse.

Rather than simply increasing output, one motive for expansion seems to be improved access to international markets. Producing and exporting from Mozambique and Malawi, for instance, enables South African companies to benefit from the EU sugar reforms that offer preferential trade terms with least developed countries (LDCs) (Biopact 2007). South African, Malawian and Mozambican governments jointly lobbied the EU (and its Environment Committee) to relax proposed biodiversity requirements, arguing it was punitive to force LDCs to demonstrate that changes in land use:

...should not disproportionately penalise countries rich in biodiversity with unjustified, wide-ranging restrictions on the sustainable use of their territories.

ibid

Similarly, de Jager explains:

The [South African] farmers in northern Sudan should be able to utilize a preferential sugar trade agreement between Arab nations.

Bloomberg 2011

The Better Sugarcane Initiative (BSI), is a pre-emptive response driven by the South African Sugar Association (SASA) to criticism of the expanding sugar industry (including concerns about unfavourable terms for contract farmers). Defining the industry corporate social responsibility (CSR) standards, the initiative is equivalent to 'roundtables' on soy and palm oil, initiated by the World Bank's International Finance Corporation (Daniel & Mittal 2010). The Corporate Europe Observatory (2009) describes BSI's multinational character thus:

Most of BSI's members come from industry and the steering committee is dominated by big companies including Cargill, Tate and Lyle, Coca Cola, British Sugar, and the oil giants Shell, and BP, alongside European and American NGO's such as WWF and Ethical Sugar. No trade unions or rural community organisations from sugar-growing areas are involved.

6. Multiple connections beyond sugar

6.1 Engineering and construction interests

While Richardson (2010) talks of 'Big Sugar' to describe the conglomeration of multinationals that dominate the industry, I argue that it is important to recognise that interests behind this expansion include not only sugar companies, but also a complex of commercial interests spanning different sectors. Many who stand to profit from large-scale land deals are not involved in farming at all, but instead are part of a substantial industry involved in constructing and managing new sugar mills and related estates and outgrower schemes. Those involved with logistics, transport, cold storage, financial services, and so on are also worth mentioning.

A notable example of this wider set of interests in the sugar industry is PGBI consulting engineers — a South African company and top recipient of contracts to build sugar mills and ethanol plants in Africa (Eweg 2010, *pers. comm.*). The International Finance Corporation also commissioned them to produce a guide for sugar industry investors on how to deal with land, social and environmental issues to satisfy financiers. PGBI works in Zimbabwe, Swaziland, Tanzania, Mozambique, Zambia, Mali, Ghana, Ethiopia, Kenya (for Mumias, the continent's largest sugar factory) and Sudan (for the Saudis) and soon, likely also for the South Africans (PGBI website 2010). Providing professional services to sugar companies, PGBI also works for sugar company financiers and governments, and is listed as a shareholder in the 10,000ha Caprivi, Namibia land allocated for sugarcane production (ILC 2011). Beyond sugar companies themselves, associated service and consulting industries result in an enormous circulation of people between industry and their consultancies, including those auditing conditions — and much of this is far from public view. It is worth looking into how these interests work out in practice.

6.2 The banking connection

With the decline of South Africa's state-owned Land Bank, and withdrawal of access to subsidised credit for white farmers as part of the wider deregulation process of the 1980s and 1990s, South African commercial banks emerged as primary lenders to agriculture. Three commercial banks may support AgriSA's continental expansion: Standard, ABSA and Standard Chartered (Reuters 2010a), with Standard Bank at the forefront. At the same time, the 'South Africanness' of these banks — and the financial backing behind the farming expansion — are becoming more questionable, as several South African banks have acquired substantial shares in African banks, e.g. Standard Bank recently acquired 90% of Uganda Commercial Bank, taking over its loan book and clients. Shareholding of these once 100% South African-owned banks is also now diversifying. For example, the Industrial and Commercial Bank of China in 2007 acquired a 20% stake (for \$5.5 billion) of Standard Bank, which went on to secure a club loan from five Chinese banks for \$1 billion in 2009. In these deals, the Chinese acquire existing and new shares — and so apparently fund new expansion.

6.3 The China connection

More direct China–South African partnerships are under negotiation — not only for finance but also for more substantive cooperation. The multilateral policy context for these new partnerships is the Forum on China–Africa Cooperation (FOCAC) concluded between the African Union and China, and established in 2006 with \$35 billion to finance Chinese investment in Africa.

One proposal under discussion is Chinese research and funding, through its parastatal institutions, for South African experimentation with genetically modified seed varieties, crop varieties and water management in its landholdings elsewhere on the continent. As Christie (2010) explains:

They're aware South Africa has a research problem at the moment and they know they need farming skills for the land they're acquiring in Africa.

The breakthrough in the partnership between AgriSA and China was at the Cairo conference; as AgriSA's lead negotiator for African land, de Jager, confirmed:

They asked us to find land for them, so that if we all reach an agreement, they can immediately start with experimental work.

ibid

Through such bi- (and multi)lateral agreements, agricultural investments between South Africa and other African states are framed as regional and Pan-African integration — as opposed to land grabbing and Sino neo-imperialism:

Agri SA deputy president Theo de Jager also said the farmer's group would within the next two months visit China to conclude an agreement over joint investment ventures with Chinese public firms in agriculture on the African continent.

Shacinda 2010

It has not been possible to verify whether this visit took place and, if so, its outcomes.

6.4 Investment funds

Investment funds further allow South African actors and interests to be involved in large-scale land acquisitions elsewhere on the continent. Emergent Asset Management — a jointly registered UK/SA management firm — previously focused on hedge funds in international financial markets, but now specialises in farmland investments in Africa. Two of its flagship products are the 'African Agricultural Investment Fund' established in late 2008 and the 'African Land Fund' established in 2010. The latter, through a partnership with Grainvest — one of the top five companies listed on the South African Futures Exchange (SAFEX) — has formed Emvest Agricultural Corporation as the operational side of these two funds' investments in land and agriculture. Together, these funds offer a vehicle for South African, UK and other investors to diversify investments into African agriculture. By late 2010 they had secured land holdings in Angola, Botswana, DRC, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe (EAML 2010). Remarkable increases in value and yields would be generated through 'modern farming techniques and technologies, while agglomerating farms to increase efficiency and generate economies of scale' (*ibid*). The African AgriLand 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.

ibid

The European report on financial speculation and private equity funds as drivers of land deals, *The Vultures of Land Grabbing* concludes:

In short, private equity funds not only have a speculative business model, but also represent a conveyor belt for shareholder capitalism from the financial to the real economy.

Merian Research & CRBM 2010: 1

Head of EAM Susan Payne was previously at JP Morgan and also executive director at Goldman Sachs (an institution at the forefront of the new model of hedging against international market fluctuations by investing in farmland). The Fund demands a minimum investment of €500,000 from private investors and €5m from institutional investors, and offers secure and diversified investment packages. Its selling point is explicitly as a vehicle to capitalise on cheap ('undervalued') African land:

EmVest has been created as a dedicated agricultural operating and fund management company to execute the strategy. It is based in Pretoria, South Africa and is dedicated to the development and management of the Fund's assets. EmVest is establishing farming hubs throughout the region, working with national and local authorities to develop large scale agriculture on a commercial basis, within a socially responsible framework, at a consistently high level of execution... The Manager buys agricultural land and manages a wide spectrum of agricultural projects, spread across different commodities. It invests across 14 countries in sub-Saharan Africa, where land is substantially undervalued compared with arable real estate on other continents.

EAML 2010

Questions for further research must include: precisely where, how and via whom funds are invested; what kinds of land use and social relations are being produced through the influx of global capital; and importantly, to what extent is capital focused on shorter speculative landholding, or on investment in durable production? Promises of spectacular profits — 30% returns to investors per annum — hint at the latter.

7. Conclusions

While the 'land grabbing' discourse has tended to focus broadly on 'foreign' actors (governments and companies) and, in the context of Africa, on actors from outside the continent, this paper demonstrates a rise of *intra-regional land grabbing*. Powerful narratives used to describe large-scale land acquisitions in Africa and elsewhere in the developing world emphasise historical precursors and suggest a return to old patterns of colonial enclaves and mercantilist colonialism. Yet growing evidence suggests new

dynamics and different actors in the latest phase of 'land grabbing'. Most obvious is the rise of South–South deals, led by emerging powers like the Brazil, Russia, India and China (BRIC countries). Also the Gulf States are widely acknowledged to be moving away from reliance on costly and intensive irrigated production at home and risky global commodity markets to meet their national food needs, and towards offshore production instead. But a further dynamic that merits further empirical investigation and theorisation is the intra-regional character of many such land acquisitions and investments. It is not surprising, in the context of 'rising global interest in farmland' — the euphemistic phrase deployed by the World Bank — that politically and economically well-placed regional powers acting as initiators and brokers might be among the most significant beneficiaries of the new wave of transnational land leasing. South Africa is undoubtedly one such country.

This paper interrogates the discourse promoted by commercial farmers that they are seeking greener pastures elsewhere in Africa because the new democratic government is driving them out of business — by embarking on land reforms, threatening land expropriation, imposing labour regulation and minimum wages, increasing taxes and exposing them to competition from imports, while setting high prices for key inputs (in addition to labour) like diesel and water. There is a certain poignance in what has been called the 'white tribe of Africa' — predominantly white (male) Afrikaner farmers — finding or claiming they are not valued in a new South Africa, who see the expressed demand for their skills as affirming their 'African-ness' and their place and role in the future of Africa as a whole. Andre Botha, a livestock and maize farmer who heads AgriSA's Gauteng branch, said it should *not* be seen as

...another Groot [Great] Trek. This is not running away — it is a calculated process of helping Africa take up its rightful place in the world. All over Africa the message we get is: we are looking for South African farmers, which is incredibly important for us. It means that our contribution to the future of this continent is valued.

Hoffstatter 2009

This discourse is useful to them — and perhaps true in the view of some — but a far more economically and politically nuanced strategy seems to be at work: on the economic side, farmers are diversifying rather than leaving South Africa. None of the farmers signing up for land in the Congo intend to sell their South African operations, and of those considering Libya (in 2010), most intend to remain based in South Africa and employ managers (Libyan or South African or other, it was not clear) to manage their operations (Hoffstatter 2009, Sharife 2010).

What exactly then might South African 'farmers' be bringing to the rest of Africa, if (as in some cases so far) they get the land for free, do not bring capital, and do not manage the farms? That they might contribute social (even political) capital seems somewhat far-fetched, but clearly there is an agenda about building a platform as 'African farmers' in the eyes of their own government and in the eyes of global investors to whom they look for finance. In this context, South African farmers and agribusiness have actively cultivated a narrative of Afrikaner farmers as hardy, innovative and enduring to convince African governments that, unlike European or Asian investors, these are 'expert commercial farmers' accustomed to operating 'under tough African conditions' (Hoffstatter 2009).

Explicitly, the South African farmers are *not* going elsewhere on the continent to secure food supplies for South Africa. They are going to find cheap land, water, labour and

more lenient tax conditions from which to export to whichever markets seem most lucrative — though they may be constrained by deals that require some domestic sales, and by financiers that demand that some/all output be exported to financing countries like China. Though this trend takes the form of South African deals elsewhere on the continent, the phenomenon cannot be fully understood as ‘South African imperialism’ in Africa. The interests shaping it, the financing and the destination markets, extend far beyond South Africa. This is global capitalism.

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