Win-Win models in Large Scale Agricultural Land Investments

Workshop Report

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A report of the Eastern Africa Farmers' Federation (EAFF)

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Photo 1 (above): Group photo before the participants departed for Nanyuki. Front row (left to right): Matthias Miburo (Chairman, CAPAD, Burundi); Francis Kamande (Vice Chairman, Co-operative Alliance of Kenya, Kenya); Abderrahim Khecha (African Union, Ethiopia); Hon. Safina Kwekwe Tsungu (Chairperson, Committee on Agriculture, Tourism and Natural Resources, East African Legislative Assembly); Philip Kiriro (President, EAFF); Paluku Mivimba (Chairman, FOPAC, DRC and Board member, EAFF); Devangwa Mmari (Board member, Agricultural Council of Tanzania, Tanzania) Stephen Muchiri (CEO, EAFF)

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Acronyms

ACT	Agriculture Council of Tanzania
AU	African Union
CAK	Co-operative Alliance of Kenya
CAPAD	Confedération des Associations des Productéurs Agricoles pour lé Development
DRC	Democratic Republic of Congo
EAFF	Eastern Africa Farmers Federation
EALA	East Africa Legislative Assembly
EU	European Union
FAO	Food and Agriculture Organization
FOPAC	Fédération des Organisations Productéurs du Congo au Nord-Kivu
HCDA	Horticultural Crops Development Authority
HGG	Hillside Green Growers
HIV/AIDS	human immunodeficiency virus/ Acquired immune deficiency syndrome
HON	Honourable
IFAD	International Food and Agriculture Development
ILC	International Land Coalition
IMBARAGA	Syndicat des Agri-elévéurs du Rwanda
Ksh	Kenya Shillings
LOFEPACO	League of Women Farmers Organizations in Congo
MP	Member of Parliament
MVIWATA	Muungano Wa Vikundi Vya Wakulima WaTanzania
NUCAFE	National Union of Coffee Agribusiness and Farm
PMO	Produce and Market Organization
TAs	Technical Assistance
UGX	Uganda Shilling
UNFFE	Uganda National Farmers' Federation
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development

Introduction and opening remarks

The Eastern Africa Farmers' Federation is a regional farmer organization whose membership consists of national farmer federations, national cooperative associations and apex commodity associations from nine countries in Eastern Africa – Burundi, Democratic Republic of Congo, Djibouti, Ethiopia, Eritrea, Kenya, Rwanda, South Sudan, Tanzania and Uganda. EAFF aims to strengthen the voice of farmers and farmer organizations at the regional level.

Large-scale investments in agricultural land, commonly referred to as "land grabbing", is of interest and concern to a wide variety of stakeholders. While there is agreement that the implications of these investments are far-reaching, opinion is sharply divided on what these implications might be. Inter-governmental agencies and government authorities have proposed principles for responsible land-based investments, while producer organizations and social movements have generally been more skeptical of the possibility of achieving "win-win" outcomes. Consultations on particular proposals have been limited in scope. In addition, alternative proposals have not been widely heard or debated.

EAFF convened a three-day consultative dialogue on win-win models in Nairobi, Kenya, from 20th - 22nd March, 2012, in Nairobi and Nanyuki, Kenya brought together the players in land investments including government officials, producers, community representatives, agribusiness companies, policy-makers from the region and civil society organizations. The dialogue aims to facilitate an open discussion by all the players moderated by the Eastern Africa Farmers' Federation.

EAFF is collaborating with two horticulture exporting companies in Kenya i.e. Hillside Green Growers' Limited and Vegpro Limited, to demonstrate how large agribusiness companies can develop mutually-beneficial business relationships with smallholder farmers. On the second day of the dialogue, the participants travelled to Nanyuki where they visited vegetable out-growers in Timau area to learn more about these business models. The participants also held discussions with some of the farmers with whom Hillside is working, so as to assess the benefits of these operations to the farmers.

Objectives of the Dialogue

a. To assess cases of successful business relationships between small farmers and a large agribusiness company, and discuss how small farmers can work with large investors
b. To discuss possible win-win solutions to the challenge of large scale land acquisitions, in the context of agricultural investment

Opening remarks by Philip Kiriro, EAFF President

EAFF president Mr. Philip Kiriro, welcomed all the workshop participants asking them to fully engage in the dialogue and make it fruitful. He pointed out that land is the most important factor of production in agriculture and that the core problems facing development in the sector is the poor land policies that constrain small farmers from maximizing their land.

He said that EAFF has engaged in various fora on land reform and has a clear position on 'land grabbing i.e. "any investments in land should not jeopardize the rights and livelihoods of small-holder farmers and pastoralists." He declared that EAFF does not support land investments that lead to displacement of the current land occupants, and degradation of the environment. In a broader perspective, Kiriro said that EAFF position on land matters is that "land should be easily accessible to all small-holders and especiallywomen so that they can invest in that land for their livelihoods and source of income."

The president told the participants that in the context of large scale agricultural land investments, building on EAFF's position on land grabbing, intended to comprehensively investigate and validate the business models that exist between large agribusiness companies and small farmers.

Kiriro was categorical on the purpose of organizing these field visits is to see how large companies engage with small farmers, thus: What services do they offer? How do they build the capacity of the small farmers to consistently supply good quality vegetables for the export market? What are the benefits that the farmers receive in terms of income? Specifically, what are the impacts on the women farmers? What are the contractual arrangements in this business? What are the land tenure systems? Do the farmers own the land in which they farm? How have these business arrangements impacted on the environment? And finally on the policy side, Kiriro noted that EAFF intends to formulate guidelines for large scale investments in agricultural land and that her position is that large agricultural investors should work with small-holder farmers in a way that is economically and socially beneficial for both parties.

Remarks from Hon. Safina Kwekwe

Member of Parliament of the East African Legislative Assembly and the Chair of Committee on Agriculture, Tourism and Natural Resources

Regarding land grabbing consultative dialogue, Hon. Safina said that she would present the outcome of the dialogue to the East African Legislative Assembly (EALA). She informed the participants that 2.6 million of hectares in southern Sudan have been acquired by international investors and that an additional 2.5 million hectares have been acquired from other African countries such as Ethiopia, Ghana and Madagascar and that the "rush" is not yet over as more nations, including Uganda, Kenya, Mozambique, Tanzania and Madagascar have received requests from investors - in some cases for more than a half of their cultivable land.

She said that large-scale investments in agricultural land have far-reaching implications (both positive and negative) and whereas some sectors in society have proposed principles for responsible land-based investments, other groups like producers and social organized movements argue that in the overall, such investments bring more harm than good.

She also gave out risks which come along with land grabbing including displacement of local populations, undermining or negating of existing rights, increased corruption, reduced food security, environmental damage in the project area and beyond, loss of livelihoods or opportunity for land access by the vulnerable, nutritional deprivation, social polarization and political instability.

As a regional parliamentarian, Hon. Safina said she will plead that people's representatives; governments and regional bodies; the private sector and small holder farmers should all work concertedly to ensure that land rights are respected and that both large scale investors and small holder farmers have secure investments.

Remarks from Mike Taylor, International Land Coalition

Dr. Taylor said that the rationale of holding the consultative forum is due to the belief that land tenure is important and that it can reduce poverty by ensuring food security. He noted that in Africa, land is a right and it is becoming valuable every day. This according to him is the reason why people are coming to grab it. He observed that large multi-national corporations are competing for land with small-holder farmers. Dr. Taylor pointed out that approximately 200 million hectares of land have been acquired by large scale investors in Africa, a part of which belong to small-holder farmers.

With the biggest investors in land globally being small-holder farmers, he said that the focus is to look for a win-win situation to address the issue of land-grab. He added that in order to compete effectively between large scale investor and small scale farmers, good land policies must be put in place.

Remarks from Abderahmane Khecha, African Union

Mr. Khecha pointed out that the subject of land grabbing is important for development of Africa because land remains an important resource in continent. He said that the policies on land should be put in place and that there should be right to land for small African farmers and at the same time ensuring that environment is protected. Mr. Khecha also said that there is need to grow capacity for the stakeholders in land sector especially the small-holder farmers. He also pointed out that there should be monitoring and evaluation in land the sector. Noting that many large corporations are coming to acquire land in Africa, Khecha said that consultative dialogue needs to be joined in the discussions to have a voice in land issues

Workshop Presentations

Case study of Tilda Rice Uganda

Presentation by Bayite-Kasule, Consultant

EAFF commissioned Stephen Bayite-Kasule to conduct a study on "win-win models on large scale land acquisitions in Uganda – the case of Tilda (u) Limited." Tilde is the largest rice producing company in Uganda, and works with small rice farmers using an out-grower model. The study revealed the following findings:

- *Out-grower model*: The out-grower schemes around Tilda Uganda Rice Company in Kibimba are of the nucleus estate out-grower scheme type, comprising of Kibimba as a core estate and factory with smallholder farmers in the surrounding communities growing crops on their land which they sell to the factory for processing and onward marketing to domestic and international markets.
- *No contracts with farmers*: Tilda Uganda Rice Company (hereafter referred to as the Tilda) purchases rice from farmers who belong to several outgrower groups, neither the individual farmers nor the out grower groups have any formal contractual business arrangements with Tilda.
- *Contract preference*: The farmers mentioned that they preferred resource-providing contracts which specified the type of crop to be produced, the production practices to be used and provided inputs.
- *Land tenure system:* The predominant type of land tenure around Kibimba is customary tenure with few cases of emerging individual land ownership. The scheme has left some natives dispossessed of land. In addition, the population of the area has increased significantly over the past eight (8) years by 2.8 percent per year.
- *Economic and non-economic benefits:* Tilda Company is the major employer of the rural population in Kibimba although the pay is not as good as it should be. They also reported that Tilda provides land to the landless who can grow maize and soya for sale to external buyers other than Tilda through a land rental arrangement. Smallholder farmers rent in land at a rate of UGX 50,000 (or US$ 20) per acre per season. The average acreage of land rented in by smallholder farmers for rice and maize, the major crops grown were estimated to be 8 and 10 acres respectively. The community does not enjoy any non-economic benefits from Tilda.
- *Low rice prices*: When the produce is ready, Tilda purchases the rice from farmers at a very low price of UGX 700 (about US $0.3) per kilogram, compared to the real market price is UGX 3,200 (about US $1.2).

Challenges faced by the out-growers

- *Low wages*: The low wages and fixed wages are a major de-motivating factor for the rice farmers. This has led to farmers engaging in other activities such as fishing
- *All rice sold to Tilda*: The farmers are not allowed to retain any of their produce for home consumption. This has negatively impacted the food security situation of the rice farming households.

- *No production contract agreements:* The lack of contracts between the smallholders and Tilda has led to the exploitation of the farmers.
- *Credit constraints:* Credit constraints on the part of the smallholder out growers are a major challenge as they lack capital to increase their level of production and enjoy economies of scale. Although organised as out-growers, with no binding agreements many smallholder farmers sell their rice to Tilda individually undermining their collective bargaining power.

Photo 2: Rice farmer displays the check he received from Kibimba, dated October 2003, for the purchase of hs land. The check has never been banked

- *Lack of agricultural inputs* such as improved seed inorganic fertiliser, and agricultural extension services as well as agricultural training opportunities has redued the productivity of the farmers.

Proposed interventions:

The consultant recommended that EAFF, at the regional level, and through her membership in Uganda at the national level, should pursue the following recommendations:

- Improvements in the business arrangements between the rice farmers and the company. This includes the drafting of contracts for the farmers;
- The contracts should reward farmers for the amount of production that they supply, and not a fixed rate every week;
- Engage with the local government and labour department in the area to explain the plight of the farmers. These government organizations should be fully informed of the challenges faced by the farmers;
- Formation and strengthening of a rice farmers organization in the area to coordinate the farmers' actions and serve as the voice of the farmers with the company;
- Engage with the media and other civil society organizations to highlight the plight of the rice farmers. It is important that their plight reaches the public, so as to trigger a public outcry of their situation;
- Exposing the farmers to other economic enterprise that they can engage in, since rice is not economically viable. The challenge is that most of the farmers do not have any land, because they are currently renting land from the company;
- EAFF should link the farmers to suppliers of improved agricultural inputs such as seeds, fertilizers, and other technologies. This would increase their productivity of the farmers. This

recommendation is only relevant if the farmers are rewarded in line with their production, and not on a fixed wage basis;

- The farmers should be awarded shares in the company, as an incentive for their production efforts.

Horticulture Crops Development Authority, HCDA

James Arin, from HCDA provided an overview of the horticulture industry in Kenya. This was importance as it provided the context in which large investments in the sector are operating.

Contribution of the horticulture sector to Kenya's economy

- Total investment in the sector is estimated between KShs 650 and KShs 700 billion (between US$ 8.125 Million and US$ 8.75 Million);
- The sector employs more than 6.5 million people;
- The sector handles about 7 million metic tonnes of produce annually;
- The sector contributes about 21% of GDP annually;
- Daily exports amount to 1,200 metric tonnes of produce;
- Sector growth is estimated between 15% and 20% annually.

The sector is regulated by various government agencies, shown in table 1 below.

No.	Area	Agency
1	Good Agricultural Practices	Horticulture Crops Development Authority (HCDA)
2	Use of appropriate pesticides	Pest Control Board (PCPB)
3	Use of appropriate planting and fertilizer	Kenya Plant Health Inspectorate Service (KEPHIS)
4	Standards setting	Kenya Bureau of Standards (KEBS)
5	Impact on environment	National Environmental Management Authority (NEMA)
6	Biosafety	NBSA
7	Use of water	WRMA

The sector is guided by the various policies and guidelines:

- National Horticulture Policy, 2011
- National SEA Guidelines, 2011
- National Biosafety Policy, 2011

The private sector has instituted its own regulations and codes to guide their business practice. This code is implemented by the two umbrella associations - Kenya Flower Council (KFC) for flower exporters, and Fresh Produce Exporters Association of Kenya (FPEAK) for fresh produce exporters. The code provides three colour distinctions:

- Critical (red) – Not allowed to draw any quantity of water
- Adequate (indigo) – Draw 50% of quantity stated in the permit
- Excess (green) – Draw 100% of quantity stated in the permit

The sector faced various challenges including:

- Declining investment in smallholder farmer schemes;
- Low investment recovery;
- Smallholder farmer groupings not considered as (i) legal entities, (ii) business entities, and (iii) bankable;
- Business transaction considered exploitative

Hillside Green Growers

Presentation by Ms. Eunice Mwongera, Chief Executive Officer

Hillside Green Growers is a Kenyan private horticulture exporting company, which specializes in *snow peas, sugar snaps, Kenyan fine beans, baby corn, passion fruits, avocado, mangoes* and *Asian vegetables* mainly for export to various countries including United Arab Emirates, Kuwait, Qatar, Lebanon, Norway, Holland, Germany and United Kingdom. The intention of this presentation was to show that agri-business companies can develop viable business arrangements with small-scale farmers. These arrangements can lead to mutually beneficial rewards for both the company and the farmers.

According to HGG, the horticulture industry in Kenya is currently facing several constraints including:

- Lack of systemic government support. There is no agricultural policy that promotes horticulture industry;
- Lack of subsidies for farmers that would reduce the risks faced by both the farmers and the agribusiness companies. As a result, the sector is still high risk;
- There is no government agriculture-specific fund which supports smallholder farmers;
- Underdeveloped infrastructure - especially roads, water and electricity – in the rural areas where most of the agricultural production is undertaken. This constrains growth of the sector, and increases the costs of doing business for both the farmers and the agribusiness companies;
- There is no policy on public-private partnerships that can trigger a collaborative engagement between the government and the private sector to address some of the industry constraints;
- Weak government extension services in most rural areas. This function has shifted to the private sector in many cases, and as a result, it has increased the cost of doing business;
- Numerous taxes, fees and licenses for horticulture companies, leading to a high cost of doing business;

- The post-election violence in early 2008 caused significant losses to the industry as many supply areas were cut off from the export routes;
- High volatility of the Kenyan currency against major world currencies. This can lead to significant losses for companies that are engaged in the export business;
- Social cultural barriers: Kenyans live in a patriarchal society that favours males, yet the majority of farmers are women who are known to be resilient, passionate, and virtuous and have the ability to multi-task. There is an urgent need to empower women farmers

Major successes of the Hillside Green Growers

Despite the numerous challenges in the industry, Hillside Green Growers has registered significant successes in the following areas:

- Acquisition of appropriate technology for application at the farm level, and in post-production activities;
- Reduction of operative costs to maximize profits by improved efficiency;
- Direct job creation for over 300 families. These people are employees in the various operations of the company;
- Poverty reduction targeting smallholder farmers who live on 1.25 a dollar per day. The company is a guaranteed market for many farming families from whom they procure vegetables for export;
- The company has embraced their social responsibility, by supporting families in area of education.

Field visits to Nanyuki and Timau

The participants visited vegetable out-growers in the Nanyuki and Timau areas in Central Kenya, about 3 –hour drive from Nairobi. The intention of these visits was to interact with the farmers and assess their relationship with the companies with which they work. The farmers are out-growers for two vegetable exporting companies in Kenya – Vegpro Limited and Hillside Green Growers Limited.

Field visit to Vegpro Limited

Presentation by Angus Douglas Hamilton, General Manager Vegpro

Mr. Douglas Hamilton delivered a presentation to the participants before they set out to the field sites.

About Vegpro

Company overview: The company is engaged in several businesses including vegetable production and export, flower production and export, food marketing, logistics and freight. The intention is to integrate into all stages of the value chain so as to manage the supply chain. The company started in 1979 trading in Asian vegetables. In 1980, the company started exporting avocados, and now doing 150 containers per year. In the late 1990s, the company started exporting flowers. The head office is located at Jomo Kenyatta International Airport, in Nairobi. In the late 1990s, the company partnered with Fisher Foods, in the UK. The company currently employs 8,000 people, of which only three (3) are British.

Working with small farmers: Vegpro started working with small-holder farmers since the 1980s. Out-growers scheme is independent. The aim is to build capacity of the farmers to stand alone. In the 1990s, they ventured into farming. The company works with farmers through their farmer groups which are registered with the department of social services. In total, Vegpro works with 1,400 small scale farmers in groups of between 100 to 200 farmers each. The groups are usually co-operatives, and they take several years to develop the adequate capacity to meet the export quality requirements. The farmers are located in Naivasha, Thika, Nalomolu and Nanyuki/Timau. The farmers have their own decision-making committees which also receive support from Vegpro. The company uses an out-grower model to complement its own farms. Avocado is grown on 100% out-growers schemes.

Export: The company exports produce to the European union, with the United Kingdom as the main buyer. The company has contracts to supply some of the leading supermarket chains in the UK. Vegpro is the leading vegetable exporter in Kenya, and the second biggest avocado exporter in Kenya. The comany has an annual turnover of about US$ 100 million. However, the company predicts slow growth for vegetables in the UK markets.

Diversification: in addition to vegetables, the company exports flowers. The company only exports roses, of which 43% are exported to the UK; 35% sold to the Dutch auctions, and the rest are sold in various EU countries.

Marketing: Marketing is very important. Vegpro looks for the market, then comes back to look for the produce. Customers are big supermarkets in the UK including Sainsburies, JS, Marks and Spencers (MS).

Value addition: The business used to be purely the export of fresh foods. Now the company has built a factory at Jomo Kenyatta International Airport in Nairobi (JKIA) where the company engages in packaging and processing.

<u>Details of land arrangements</u>

Vegpro balances its operations in terms of sources of produce. Some produce is from own farms, while the rest is from out-growers. The company is convinced that it is very difficult to operate 100% either way. It is very important to have a balance.

Land acquisition: Vegpro has purchased up to 2,500 hectares of land in different parts of Kenya where their seven (7) farms are now located. The company now owns 70% of this land, and rents 30% on a long term lease. The different farms on the different locations are run as independent businesses. This means that the company controls 2,500 hectares of their growing base. This give them an opportunity to maintain standards because they can do trials and when customers come they are able to show them where they produce which give the customers confidence and they in return give the company more business.

Out-grower scheme: The company contracts the farmers, through their groups, to grow certain types of vegetables for export. The farmers retain their ownership of their land, and supply the company using the traditional out-grower model. The company exports more than 250 tons of produce per week from their 7 vegetable farms and the 1,500 small-scale farmers in Kenya alone.

Building capacity of the farmers: Vegrpo acknowledges that it takes a very long time to develop capacity of the communities. The farmers need to be brought to a level where they reliably supply commodities.

Social and environmental concerns

The company has deliberately adopted measures to safeguard the environment, among other socio-economic interventions.

Use of water products: They use waste products from vegetable and flowers for energy production. These wastes are put in an anaerobic digester and generate gas which is put in a generator and used to produce power hence cut power used for cooling the produce in the handling facility.

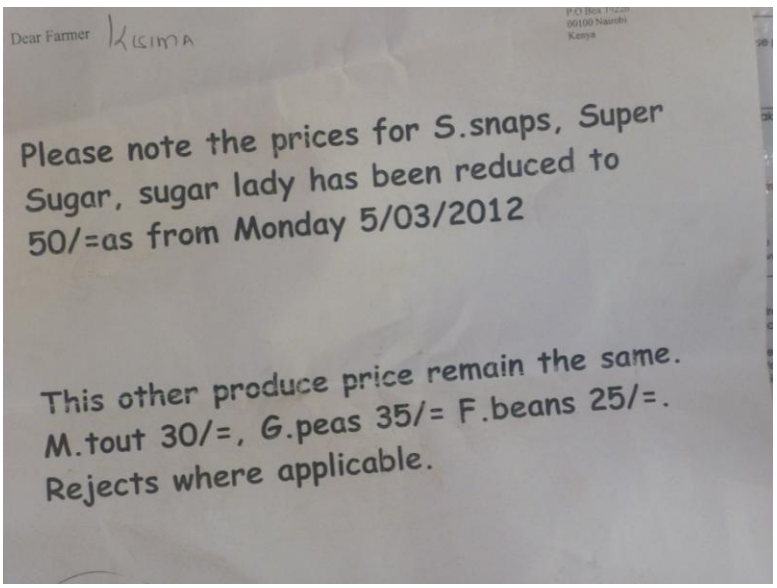

Photo 3: Price annoucement at the notice board of Kisima Wega. The announcement was posted by the Vegpro Outgrowers Manager

Sustainability: Sustainability is viewed as a big part of what the company does. Before starting a project they look at whether they can sustain themselves for a long period of time, not short term. So they let every one in the business to know what their vision is and how to look at the people and the land.

Corporate Social Responsibility: Corporate responsibility is entrenched in the business. This is double armed. One is environmental responsibility where they look after the land. This is in the management of scarce resources e.g. water. Water management entails collecting flood water in the rainy season and using it in the dry season. There is also management of biodiversity within the soil. They have set policies to look after the soil e.g. increasing microflora within the soil, getting the right structures. Soil samples are taken to the lab every week to assess whether they are going in the right direction in the matters soil management.

Social responsibility: Social responsibility is the other arm of the company's corporate responsibility. They look after the people who work for the company properly. Where they come from is well documented so that community development and training projects are done there. Vegpro ensures that their small scale farmers are able to develop sustainably. Not use and dump kind of policy.

Health care: There is free health care within the business, for example, clinics with 15 nurses working full time, HIV/AIDS testing, counseling, free transport, free food. There are working committees elected by workers.

Farmer visits

The workshop participants visited two farmers who are members of a group called *Kisima Wega.* The group has 80 farmers who are contracted by Vegpro. The farmers grow *sugar snaps* which yields 2.4 tones per ha per season. The company ensures that 40 farmers are on production at any time of year to ensure continuous supply to their market. The other half could be growing food for their own domestic use and also facilitate crop rotation to restore soil fertility.

Access to agricultural inputs: The farmers are advised on chemical handling by the agronomists employed by the company. There are central chemical handling stores for proper handling of chemicals. The company also link farmers with chemical dealers. When they are linked they save more than 50% of the money they used at buy from the retail shops. Farmers are supplied with seeds. They are given seeds on credit and they are deducted when they are paid for their produce. The company ensures farmers are global gap certified to ensure that the produce compete in the international market. The company has helped farmers in the construction of green houses with support from USAID.

Photo 4: Vegetable farmer, who is a member of Kisima Wega farmers' group, stands in front of his greenhouse. He grows sugar snaps and snow peas on a contract basis for Vegpro

Extension support: There are technical advisers (TAs) employed by the company who go round advising the farmers on the chemicals to use and when to use it. Farmers are trained on what they take to the grading shed to avoid wastage. There are specifications of what is taken to the export market so that farmers know what is expected of them. The farmers are also trained on Good Agricultural Practices (GAP).

Group formation: The farmers come together, and get registered with the Department of Social Services under the Ministry of Culture and Social Services and get a certificate. If the farmers have land and access to water, they are then advised by Vegpro on how to start their farms.

Price determination: The prices paid to the farmers are determined by the prevailing international market prices. The contract price is placed on notice board to ensure farmers are well informed. Whenever prices are changed, it is written as a memo and printed in

Provision of agricultural inputs: Farmers are supplied with seeds on credit through their organizations. The cost of the inputs is reduced from the final price that is paid. The company ensures farmers are global gap certified to ensure that the produce compete in the international market.

Field visit to Hillside Green Growers

Overview: Hillside Green Growers is a Kenyan-owned vegetable export company. The company has contracted smallholder farmers to produce crops for export using the out-grower model. The farmers are contracted to grow fruits and vegetables including *sugar snaps, mangoes, avocados,* and *snow pies*. Most of the company's produce comes from small scale farmers who work as registered groups. The company exports to the European nion and the Middle East.

Land arrangements: The company contracts farmers using the traditional out-grower model. The farmers retain ownership of their land, as they engage in a business relationship with the agribusiness company.

Relationship with farmers: The farmers confessed to having a good relationship with the company given how the company has enabled them to change their living positively. Initially they used to sell their produce through the middlemen who used to exploit them but after being contracted by the company they are reaping significant benefits.

Price determination: In close collaboration with the company, the farmers negotiate the price of the crop at the start of the season. The farmers receive a fixed price throughout a given season.

Challenges: Like the other groups, the main challenge for this group is access to water. This company has also employed an agronomist who offers extension services to the farmers.

Photo 5 (below): One of Hillside's contract farmers, standing in front of his garden in Timau

Workshop conclusions

These conclusions are drawn from the study report on the Tilda Uganda case, as well as the field visits to Nanyuki. The two cases - Tilda in Uganda and the vegetable exporting companies (Hillside and Vegpro) are very different in terms of their relationship with the farmers, the business models that are used, and the economic environment for the two commodities. The conclusions are criteria or guidelines for potentially successful win-win models in large scale agricultural land investments, and are drawn from these cases.

1. *Farmers or land-users must never forfeit their land:* This is the most important guideline. Since small scale farmers are low income earners, they can easily be coerced into selling their land. This must be prevented for two main reasons: (1) the land investor usually offers a low price for the land, and (2) agriculture is the mainstay of the farmers' livelihood. If this asset is taken away, then his economic wellbeing is significantly affected. Farmers need to be empowered in order to prevent them from selling their land.
2. *Models may work best with high-value crops*: High value crops like vegetables offer higher and more frequent returns per area than low-value crops like cereals. Farmers need to assess the economic viability and profitability of the enterprises that they engage in.

3. *Farmers prefer a stable and guaranteed market (and price) for their commodity*: Farmers prefer a guaranteed market and a stable price for their produce. However this is a double edged sword. On the one hand, this enables the farmers to plan better. On the other hand, they may lose out when prices increase. This was shown in the case of the farmers contracted by Hillside Green growers. The farmers receive a fixed price for the vegetables that they sell to Hillside. When the price falls, Hillside loses revenue. When the price rises, the farmers lose revenue. It is very important that such terms are agreed between the producers and company.
4. *Farmers should be encouraged to diversify their enterprises*: Given that the prices of agricultural commodities fluctuate periodically. Farmers should be encouraged to diversify their production to cater for their subsistence needs as well as their income sources. This was shown by one of the farmers who were visited in Timau. The farmer was growing various vegetables, and he also reared cows. From the field visits, it was evident that a farmer is able to diversify his enterprises on a small piece of land, of not more than 3 hectares, and receive significant returns. However, this depends on the choice of enterprises.
5. *Formation of farmer groups*: Farmers must be mobilized into groups, or associations or co-operative so as to have a co-ordinated engagement with the large agricultural investors. This is preferred for several reasons:
    a. <u>Representation</u>: To prevent exploitation of the farmers, by discouraging them to have a common and unified voice. The farmers' views need to be effectively represented so as to ensure that the benefits of the relationship are mutual.
    b. <u>Coordination</u>: Coordination and implementation of operational issues between the management of the company and the farmers.
6. *Deliberate strategy to build capacity of farmers*: *Structured engagement with farmers*: There should be a structured engagement between the farmers and the large investors. This engagement should cover the following:
    a. Communication and decision-making: The two parties (company and the farmers) should have a structured mechanism for communication between the management of the company and the farmers covering any operational issues regarding the business arrangement.
    b. Capacity building of farmer organizations: The large scale investor must have a deliberate strategy to build the capacity of the farmers so as to enhance their production capacity to supply the business operation.
7. *Importance of supporting regulation and enforcement mechanisms:* There is need for effective regulation to support the business relationship and the necessary enforcement of such regulation. The consultations revealed that contract defaulting can happen by either party. On the one hand, the company may not honour or delay payments to the farmers. On the other hand, the farmers, on being exposure to better prices, may opt for side-selling. Regulation may either be through government mechanisms or through the industry mechanisms.

ANNEXES

ANNEX 1: Opening remarks by Philip Kiriro

Guest of Honour, Hon. Safina Kwekwe Tsungu, MP from East African Legislative Assembly and Chair of Committee on Agriculture, Tourism and Natural Resources;

Abderahmane Khecha, African Union;

Michael Taylor, International Land Coalition;

James Arim, representing the Horticultural Crops Development Authority (HCDA);

Mrs. Eunice Mwongera, the Chief Executive Officer of Hillside Green Growers;

Members of the Board of the Eastern Africa Farmers' Federation;

Leaders and members of staff from EAFF member organizations'

Staff of the secretariat of EAFF;

Ladies and Gentlemen,

I warmly welcome you to Nairobi, and I warmly welcome you to this important three-day meeting on large scale land investments in agriculture.

Land is the most important factor of production in agriculture. One of the core problems facing development in the sector is the poor land policies that constrain small farmers from maximizing their land. EAFF has engaged in various fora on land reform, and we will continue to do so. EAFF also has a position on land grabbing. Our position is very clear that any investments in land should not jeopardize the rights and livelihoods of small-holder farmers and pastoralists. We do not support land investments that lead to displacement of the current land occupants, and degradation of the environment. More broadly, our position is that land should be easily accessible to small-holders and especially women so that they can invest in that land for their livelihoods and source of income.

This meeting is timely, as it comes right at the backdrop of the EAFF Strategic Planning process. We recently completed validating our strategic plan, in close collaboration and with very effective and enthusiastic involvement of all our members. I would like to thank all of you who participated in the strategic planning processes. I also request you to pass my gratitude to the people from your organizations who participated in the processes.

The consensus from the validation was that EAFF should place attention to the areas of agribusiness and entrepreneurship for farmer organizations. This means that the EAFF secretariat should design programs that trigger business development within our members at all levels – national level, district level and at the grassroots. We have immediately started implementing this agenda. The intention is for all our programs in the area of trade, markets, knowledge management, communication and policy to have this perspective.

In the context of large scale agricultural land investments, building on our position on land grabbing, we intend to comprehensively investigate and validate the business models that exist between large agribusiness companies and small farmers. The arrangement for this meeting is different from other meetings. This afternoon you will all be travelling to the field – to Nanyuki where you will visit the operations of two vegetable exporting companies. These companies – Vegpro Limited and Hillside Green Growers are employing different models of engagement with small-holder farmers. During these visits, you will interact with the out-grower manager and his team, you will visit the facilities for collection, storage, cleaning, and packaging. More importantly, you will have the chance to meet and interact with the farmers. We are most grateful to the two companies – Hillside Green Growers and Vegpro Limited that given us the opportunity to visit their operations.

The purpose of organizing these field visits is two-fold. First, we would like to see how large companies engage with small farmers. What services do they offer? How do they build the capacity of the small farmers to consistently supply good quality vegetables for the export market? What are the benefits that the farmers receive in terms of income? Specifically, what are the impacts on the women farmers? What are the contractual arrangements in this business? What are the land tenure systems? Do the farmers own the land that they farming? How have these business arrangements impacted on the environment? We strongly urge you to ask these questions and learn from these visits. It is very critical to note that the visit is not an end in itself. We are not going to visit for the sake of visiting. We have expectations from our members. After seeing examples of engagements between large businesses and farmers, the end result we are expecting from our members is that they will now be able to engage with large businesses so as to promote their engagement with small farmers in your respective countries. In the longer term, we expect that your members, who are farmer organizations and cooperatives, would be able to employ the same model with their membership. That is, we expect the cooperative societies to develop business models that improve their capacity to access national, regional and international markets.

The second reason is on the policy side. At EAFF level, we intend to formulate guidelines for large scale investments in agricultural land. Our position is that large agricultural investors should work with small farmers in a way that is economically and socially beneficial for both parties. We believe that the field visits tomorrow and on Thursday will prove that this position is possible. The field visits will also provide practical examples of successful models which we will use in our advocacy. We intend to advance this position to the East African Community and the East African Legislative Assembly. Both organizations are aware of this event. We are very grateful to EALA for sending a very high-level delegate, the Chairperson of the Committee on Agriculture, Tourism and Natural Resources. We also intend to advance this position to COMESA and the African Union. We are grateful to the African Union Department of Agriculture and Rural Development for delegating Mr. Khecha to attend this meeting.

In addition to the field visits, we will receive a presentation from one of EAFF's consultants, Mr. Kasule. We commissioned him to do a study on this topic in Uganda. He visited the largest rice out-grower scheme in Uganda, managed by an agribusiness company called Tilda Uganda Limited. In addition, we will also learn from the perspective of the government regulatory agency in Kenya. We will receive a presentation from the Horticultural Crops Development Authority of Kenya, which is the regulatory agency for horticultural crops in Kenya.

This meeting has been made possible through the financial support of our partners, the International Land Coalition, to whom we are most grateful. Last year, EAFF applied for membership in ILC, and now we are full members. We intend to use that membership by strengthening our networks and learning from the vast array of knowledge from other ILC member organizations.

The EAFF leadership is very confident that this new approach will help us to move in the direction of economically sustainable and business-oriented farmer organizations.

On behalf of the EAFF Board, I warmly welcome you to Nairobi, and I wish you a very fruitful three days.

Philip Kiriro, **PRESIDENT**

ANNEX 2: Opening remarks by Hon. Safina Kwekwe

Mr. Philip Kiriro, President of the Eastern Africa Farmers Federation;

Representative of the African Union Commission, Mr. Abderrahmane Khecha;

Mr. Michael Taylor of the International Land Coalition;

Representatives of the Private Sector here present such as from Tilda Rice Ltd (Uganda);

Representatives from EAFF member countries;

Distinguished Participants;

Ladies and gentlemen.

I am truly honored to be given the opportunity to deliver a statement on this auspicious occasion at the beginning of the regional dialogue on large-scale land investments. On behalf of the Speaker and Members of the East African Legislative Assembly, I wish to register my gratitude for the invitation and state from the onset that I am truly looking forward to three exciting days of sharing experiences and learning.

I am aware that this regional dialogue seeks to achieve dual objectives of;

- Assessing cases of successful business relationships between small farmers and large agribusiness companies, and discuss how small farmers can work with large investors.
- Discussing possible win-win solutions to the challenge of large scale land acquisitions, in the context of agricultural investment.

I am particularly excited that from the discussions and filed visits; the economic, social and regulatory factors that contribute to win-win solutions between small farmers and agribusiness companies will be documented and shared with the relevant regional bodies like the East African Community.

Distinguished participants;

You are aware that the majority of our people in Africa and this region depend on agriculture and depend on the portions of land owned by small farmers for food security and livelihood options. You are also aware that Africa has observed a new wave of investors eager to capitalize on rising food and energy prices coupled with the desire to ensure their country's food security as manifested by the leasing or buying of huge tracks of cheap land in developing countries. It has been reported that 2.6 million of hectares in southern Sudan have been acquired by international investors and that an additional 2.5 million hectares have been acquired from other African countries such as Ethiopia, Ghana, Madagascar, to name but a few. This "rush" is not yet over as more nations, including

Uganda, Kenya, Mozambique, Tanzania and Madagascar have received requests from investors - in some cases for more than a half of their cultivable land.

Large-scale investments in agricultural land have far-reaching implications (both positive and negative) and whereas some sectors in society have proposed principles for responsible land-based investments, other groups like producers and social organized movements argue that in the overall, such investments bring more harm than good.

Those that argue for Private investment in the agricultural sector believe that it offers significant potential to complement public resources. Countries with reasonably functioning markets can derive significant benefits from it in terms of better access to capital, technology and skills, generation of employment, and productivity increases. In fact, new technology, the emergence of value chains, demands for traceability, the need to adhere to rigorous standards, and consumer demands arguably favor greater scale and integration. Some large investments have managed to achieve broad-based benefits via contract farming, other out-grower arrangements, and joint ventures with local communities, by leasing rather than acquiring the land or by formulating innovative schemes for sharing both risks and rewards[1].

Skeptics on the other hand argue that where rights are not well defined, governance is weak, or those affected lack voice, there is evidence that such investment can carry considerable risks of different types. Risks include displacement of local populations, undermining or negating of existing rights, increased corruption, reduced food security, environmental damage in the project area and beyond, loss of livelihoods or opportunity for land access by the vulnerable, nutritional deprivation, social polarization and political instability. Moreover, many large farming ventures attempted in the past have proven unsuccessful. Sometimes mistaken beliefs in economies of scale in agricultural production rather than value addition and better linkages to markets have saddled several countries with subsidy-dependent large farm sectors that provided few economic or social benefits.

Host countries appear eager to accommodate investors who bring promises of modernization of agricultural production, infrastructure, technology and employment. However, unless this is negotiated, planned and executed well, other painful consequences can accrue like loss of small holder farmers access to productive lands and water for crop and animal farming; food scarcity; increased landlessness; marginalization of the poor; social unrest; unsustainable resource use and environment degradation. Therefore, it is paramount that emerging economies do proceed with caution with regard to this "global land rush" by **all of us** ensuring that our respective governments and regional bodies put in place sustainable agricultural development strategies that benefit all their citizens instead of settling for narrower and more immediate gains that could cause harm to local communities. Fortunately, there are

[1] " Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources" (2010), FAO, IFAD, UNCTAD and the World Bank Group

examples within the region like Tilda Rice Uganda, Dominion farms (Kenya), several sugar cane out-grower schemes in Kenya, Tanzania and Uganda etc that have demonstrated how large-scale land investments can either be a cause of pain or be of benefit not only to host governments and investors but also to local communities including small scale farmers. It is from such existing investments that Eastern Africa countries should draw lessons, both positive and negative. When all is said and done, the local people should be at the center of such investors just like the East African Community Treaty prescribes - that real and sustainable development processes should be people centered and market driven.

Distinguished Participants;

As a regional parliamentarian, I plead that people's representatives; governments and regional bodies; the private sector and small holder farmers should all work concertedly to ensure that land rights are respected and that both large scale investors and small holder farmers have secure investments. Moreover, it is important to encourage small holder farmers to invest in their own lands and improve their harvests as they work in partnership with large scale land investors. Otherwise large-scale land investments will continue to be viewed with skepticism and suspicion. Embracing the Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources as advanced by international bodies like FAO, IFAD, UNCTAD and the World Bank Group should be a mandatory pre-requisite to any investment in agricultural land. These include putting in place mechanisms (policy, legislative and regulatory) which ensure that:

- Existing rights to land and associated natural resources are recognized and respected.
- Investments do not jeopardize food security but rather strengthen it.
- Processes for accessing land and other resources and then making associated investments are transparent, monitored, and ensure accountability by all stakeholders, within a proper business, legal, and regulatory environment.
- All those materially affected are consulted, and agreements from consultations are recorded and enforced.
- Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically, and result in durable shared value.
- Investors ensure that projects respect the rule of law, reflect industry best practice, are viable economically, and result in durable shared value
- Investments generate desirable social and distributional impacts and do not increase vulnerability
- Environmental impacts due to a project are quantified and measures taken to encourage sustainable resource use while minimizing the risk/magnitude of negative impacts and mitigating them.

May I conclude by registering my pleasure in the fact that public debate on large scale land acquisitions for investment is widening and that the participation of public, private and civil bodies is deepening. Let this debate continue so that countries within our region can be ready and confident enough to negotiate as equals with large scale land investors for the benefit of all concerned parties especially the small holder farmers who constitute the bulk of both our populace and the rural poor.

Ladies and gentlemen, I thank you for your attention and wish you very fruitful deliberations.

ANNEX 3: List of workshop participants

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