

Small farmers or big investors? The choice for Mozambique

Research report 3

Chickens and beer on the road to growth

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Markets are the driving force for small commercial farmers, who seem willing to grow anything that has a good price and assured sale. And there is a growing market for soya (to feed chickens), sesame (for export), beans, peanuts and some other crops. But as we saw with soya in Gurué¹, market is not enough; the second need is the ability to expand area from the 1.5 ha that can be farmed by a family with hoes, which means access to tractors or animal traction, and enough money to hire people to weed larger areas. To be successful, commercial farmers also need credit, technical support, and preferably a long term relationship with a supportive institution or business.

We recently returned to parts of Nampula province which we visited seven years ago doing research for a previous book, *Do bicycles equal development in Mozambique?* Driving along the 40 km from on the main road from Namialo to Nacavala, at least 100 young men are risking their lives standing on the road trying to stop cars in the hope of selling a small bowl of cashew nuts. Rural Nampula is still very poor, and these young people are desperate for a few pennies.

But there are also islands of change – pockets where small scale commercial farming is emerging and being supported. Foreign investors are appearing at different points on the value chain, and these are not simply trading companies buying crops, nor are they companies wanting to grow thousands of hectares of crops and make rapid profits. Instead, they are looking for long term relations with producers and are investing for the future, not quick profits. Another change is that associations are starting to play an important role as intermediaries.

But "we have few professional farmers. There are no role models. Instead, we have people who survive on the land," said António Muagerene, executive secretary of the Nampula Civil Society Platform (Plataforma das Organizações da Sociedade Civil de Nampula).

Chickens and beer

Contract farming has many different shapes, but most involve a farmer signing a contract with a larger farmer or a trading company. The contract company supplies seed and other inputs as well as extension services and technical support, sometimes does land preparation (particularly for larger farmers), may do threshing, and sometimes lends money to hire people for weeding. In

¹ Even the government is inconsistent in the orthography of town names. We adopt the new Portuguese orthography (*Nova Ortografia*) for Gurué, Ribaué, Alto Molocué, Chokwé, etc.

exchange, the farmer must sell some or all of the crop to the contract company at a previously agreed price, and the cost of the services and loans is deducted before the farmer is paid.

There are many arguments about the fairness of contracts, and some scandals about contract companies failing to buy or pay. But at their best, contracts provide the essential credit, inputs, land preparation and markets that allow emergent farmers to expand. There is a long history in Nampula of contract farming of tobacco and cotton. In recent years contract farming has emerged in other sectors, with three larger companies, Novos Horizontes², Corridor Agro³, and Dadtco⁴, as well as growing number of small local arrangements.

It is important to underline that each business is different, which leads to a very wide range of farming contracts. For example, the largest producer of chickens in Nampula, Frango King⁵, controls the entire value chain, from feed through shops selling chickens. Its organises its feed primarily through farming contracts for soya,⁶ although its is now producing some feed on its own farm; it produces its own chickens; and its sells through its own shops. By contrast, the other big Nampula chicken producer, Novos Horizontes (NH), limits itself to producing chickens and eggs. Rather than try to control the entire chain, it buys its food on the market and sells chickens to traders and wholesalers. Its chicken production is done by outgrowers. Both seem successful, despite the very different approaches, and both have important outgrower programmes.

Novos Horizontes (NH) started in 2005 and had some early support from TechnoServe. It went into profit in 2009. It now supplies 40,000 day old chicks per week to 187 outgrower families, who produce 40 tonnes of chicken per week. Families build a chicken house to NH specifications, which includes a biosecurity fence. NH provides day old chicks and feed. Chickens must be vaccinated at days 1, 3, 14 and 18. so NH takes vaccines out to farmers by motorbike. The cycle is seven weeks: five weeks to raise the chickens and two weeks to clean the chicken house. Farmers must sell to NH, which then deducts the cost of the inputs. Profits range from 3000 MT to 30,000 MT (\$100-\$1000) per cycle – 21,000-210,000 MT (\$ 700-7000) per year – depending on size of flock and production quality. The firm has recently expanded into egg production and expects to do that with outgrowers as well. NH head Andrew Cunningham notes that China produces 40% of the world's eggs, largely from family flocks of fewer than 4000 birds. Three aspects of the NH model are usual (although not unique): 1) NS monitors its producers closely and there is an attempt at a personal relationship – contracts are with families, not individuals or associations. 2) There is no debt or credit involved; NH carries all the risk. 3) NH tries to keep a fixed price for feed and absorb the volatility in global grain prices. The current group of farmers is only 30% of those who started, and the company did lose money on the first group of outgrowers. But those who remain have a close and profitable relationship with NH. Cunningham notes that farmers meetings have a high turnout, with many arriving on motorbikes bought with chicken profits.

Corridor Agro⁷ has completed four seasons. Still mainly a company buying grain and oilseeds, it is building a base of contract producers. General Manager Sami Saran said they hope to be as large as MLT, which has more than 100,000 contract tobacco producers. "We are not in a hurry. It has to be done well with good yields and 100% credit recovery. The starting point is to identify the good

² <http://www.technoserve.org/our-work/stories/poultry-promotes-prosperity>

³ http://www.linkedin.com/company/corredoragro-lda?trk=top_nav_home

⁴ Dutch Agricultural Development and Trading Company, <http://www.dadtco.nl/mozambique>

⁵ <http://www.africancentury.co.uk/>

⁶ See Research Report 1.

⁷ Corridor Agro is owned by Rift Valley, a Zimbabwe-based company owned by family groups, the Austrian von Pezold family (whose interests are managed by Heinrich von Pezold), Hoegh Capital Partners of the Norwegian shipping family, and Matanuska Zimbabwe of the Hildebrand family, with Oliver Hildebrand as director (<http://www.hoegh.co.uk/>); <http://www.globalaginvesting.com/Conferences/Presenters?eventId=10#vonpezold>). In Mozambique Rift Valley owns Grupo Madal, Matanuska Mozambique, Corridor Agro, and has timber interests in Niassa. Grupo Madal is based on a 18th century Portuguese colonial land concession Prazo Madal, which in 1903 was converted into a French company Société du Madal, taken over by the Norwegians in 1913 to become Grupo Madal, then in 2001 abandoned and nationalised, and finally reprivatized in 2004.

farmers," and they are trying to develop a score card to evaluate potential contract farmers. As with all contract farming companies, the first couple of years had high losses as farmers took advantage of them by taking inputs and ploughing, but did not sell to them or repay the loans. But the shakeout leaves a core of good farmers. They have 1850 farmers in Iapala, Ribaué, growing 500 ha of soya and 400 ha of sesame.

Both sesame and soya require some discipline on the part of the farmer. There is typically only a two week window for planting and one week for harvesting (before the seed pods dry out, crack open, and spill the seeds).

Most Corridor farmers are small and are on contracts in which Corridor only provides high quality seeds treated with insecticide and fungicide plus extension services. But Corridor is trying to move to larger farmers. In Iapala, 300 of its contract farmers have more than 1 ha and 30 have more than 4 ha. Larger farmers receive land preparation, seed, fertiliser, crop protection, and sometimes loans for weeding. Corridor has four tractors and ploughed 240 ha last season.

The other Corridor area is Namialo, where the land is not appropriate for soya. For the 2012/13 seasons, they had 136 outgrowers with 1 to 10 ha each. They did 100 ha of Zimbabwean hybrid maize, 100 ha of sesame and 100 ha of mung beans (feijão holoco). Mung beans and sesame make a good intercrop, which about half of the farmers do. Corridor is also moving into cassava (for Dadtco, below) and outgrowers produced it on 10 ha.

Corridor figures suggest that its farmers should have a gross income of Mt 15,000-30,000 (\$500-1000) per hectare, of which one-third to one-half is costs for ploughing, weeding and seed.

The deep poverty in the area slows take-up of improved technologies. Corridor's Indian agriculturalist in Iapala, Anukool Nagi, points out the farmers are extremely reluctant to take on additional debt, and most don't use fertiliser and inoculants (for soya) and some skimp on weeding, even though the profitability is clear.

Corridor did two experiments with block farming. Promoted since the 1970s, block farming involves adjoining farmers have their land ploughed all at once, having extensionists monitor the whole block during the season, and all harvesting and selling at the same time – although each group member keeps their own land and sells their own crop. Handling a block is clearly more efficient, but peasant farmers are rarely willing to cooperate in this way. In Iapala a group of four farmers did not pool their own land, but instead leased a block of 10 ha from the local chief (regulo) to produce soya in the 2012/13 season. This has worked and will be expanded for the 2013/14 season.

Corridor is doing some farming on its own land in Namialo, but faces a problem we have seen repeatedly – the very high cost of an electricity connection. The state company Electricidade de Moçambique (EDM) says it will charge Corridor 8 million MT (\$ 250,000) for a 10 km electricity connection. Although EDM has a lower tariff for agriculture,⁸ this connection cost is so high that Corridor is continuing to use a much more expensive diesel generator.⁹

The third contract company buying in central Nampula is different from the other two because it is based on a new technology. Cassava is a staple crop through much of the province. but is a problem because it deteriorates rapidly – within 48 hours of the root being dug up. Thus its only commercial market is as dried cassava chips. But it has a potentially wide range of uses for flour, starch and alcohol. Dadtco has developed a simple machine, which fits in a large 40-foot container, and which processes fresh cassava root into a cassava cake which can be kept for up to a year. SAB-Miller (formerly South African Breweries) which owns all of Mozambique's breweries, has

⁸ For larger users (more than 500 kWh/month), the tariff is 3.71 MT/kWh for domestic users, 4.17 MT/kWh for agriculture, and 4.64 MT/kWh for other users - \$ 0.124, \$ 0.139, and \$ 0.155.

⁹ Other countries support the cost reducing and job creating investments through long term loans. The United States has done this since the Rural Electrification Act of 1936, in which loans of up to 35 years are given to electricity companies to finance the construction of electric distribution, transmission, and generation facilities. Users then pay the installation costs as part of their bills, but over a very long period.

developed a cassava based lager, first marketed in Mozambique under the Impala brand.¹⁰ Cassava cake is transported to the brewery and replaces 70% of the imported malted barley. The government has given it a duty reduction because it uses local raw materials.

Dadtco has 4200 registered growers in Ribaué and Murrupula, Nampula, who sell an average of 3 tonnes of cassava each. Dadtco pays 1500 MT/t (\$50/t), about \$150 per farmer. Thus Dadtco is putting \$600,000 (19 million MT) per year into the local economy. Most farmers are small, with only a few growing 4 to 20 ha of cassava. All farmers do land preparation with hoes; some intercrop with beans to reduce weeding. Dadtco gives identity cards to its farmers, and pays cash on delivery. The contract does not require farmers to sell to Dadtco, but only requires Dadtco to buy if offered. Farmers notify Dadtco that they plan to harvest and Dadtco sends a truck to collect within 24 hours of harvest.

Not corporate social responsibility

Three key points should be made about all three bigger companies, as well as Frango King:

1) Outgrowers are an essential part of their value chain. They are not growing tens of thousands of hectares or crops, and doing a bit for outgrowers on the side, to satisfy government and civil society pressure.

2) They are all expected to be in Mozambique for a long time and are expanding slowly. Frango King started in 2001¹¹, Novos Horizontes in 2005. These are not hedge funds expecting high and rapid profits, particularly from selling out quickly.

3) Long term technical support and learning and modifying the production system are essential. Technoserve has played a key role over a decade on both soya and chickens. Dadtco was founded in 2002, is owned by a foundation and has been supported by the Dutch Ministry of Development Cooperation.

These are profit-making businesses, not charities or NGOs. But they have a longer time horizon – what counts is not the quarterly profit or the current share price, but what will be in the ground in a decade. And community relations are central to their profitability, not an add-on to satisfy the complainers.

"Our commercial success depends on our outgrowers. This is not corporate social responsibility." explains Andrew Cunningham of Novos Horizontes. "For the big farmers, the outgrowers don't really matter. But they do for us."

SMEs

Huge stress is always placed in the role of SMEs – small and medium (and often micro) enterprises – in development and job creation. Agricultural SMEs – small commercial and emergent farmers – are usually ignored, yet they should provide the same dynamism and job creation.

With rising youth unemployment everywhere, the world's leaders from Europe to Mozambique demand that young people be more entrepreneurial and create their own jobs. In both the US and UK, half of all new businesses fail in the first four years.¹² In South Africa, where many businesses are started out of desperation, because of the lack of jobs, there is a much higher failure rate.

¹⁰ Cervejas de Moçambique, the local subsidiary SABMiller, has signed a contract with Empresa de Comercialização Agrícola (ECA) to buy 2000 t/y of maize meal starting in September 2013, for the production in Beira of Chibuku, a traditional beer made of sorghum, maize, yeast, and water, with a 3.5% alcohol content. It is drunk fresh, within 5 days of brewing. CDM will continue to produce the alcohol-free, maize-based Maheu. (*Notícias* 31 August 2013)

¹¹ Frango King was started in 2001 by South African Gary O'Connor and his Danish wife Tania Skytte and sold to African Century in 2009-11.

¹² "Start Up Failure Rates: The Definitive Numbers", Scott Shane, 17 Dec 2012, <http://smallbiztrends.com/2012/12/start-up-failure-rates-the-definitive-numbers.html>; "The UK Startup Economy In Numbers", Anton Stout, Nov 2012, <http://www.insidestartups.co.uk/blog/the-uk-startup-economy-in-numbers-nov-2012/>

South African Trade and Industry Minister Rob Davies on 15 May 2013 said that five out of seven small businesses failed in their first year of starting up.¹³

Andrew Cunningham of Novos Horizontes points out that in the US and Europe only a tiny portion of people who set up new businesses are truly entrepreneurial. Most new small businesses are set up for out-sourcing, usually by someone linked to the larger company and starting with a contract, or a franchise. "Why should Africa be any different?" he asks. In the US, more than 1 million businesses are franchises – including McDonalds and Dunkin Donuts. The franchisor supplies an operator, or a franchisee, with a proven business, including technology, marketing, a well known trademark, and close monitoring; the franchisee pays a fee and often must buy inputs from the franchisor. This is very similar to the contract farming system in agriculture.

Thus we should simply see small commercial farmers as SMEs, and contract farming as similar to the contract and franchise system used to start so many new small businesses.

GAPI has granted four loans to Mozambican agricultural SMEs which are contract farming companies, as part of a package of funding for companies operating in the agribusiness value chain in the Nacala Corridor.¹⁴ They are:

- Matharia Empreendimentos, a farm of a colonial settler in Ribaué who stayed at independence, which is now being developed by his son and grandson, through contract farming of soya as well as smaller amounts of beans and peanuts. Matharia is also experimenting with sharecropping (also sometimes called "ingrowing" – an "outgrower" is a contract farmer who uses their own land, while an "ingrower" is a contract farmer using the contract company's land). In colonial times this farm had been a producer of flue-cured Virginia tobacco. The barns were damaged in the war but have now been rebuilt. A group of 17 farmers are now farming 10 ha near the barns and using the barns to cure the tobacco. Each has their own plot of 0.5 ha or 1 ha. Profit in the first year (after deducting all costs) was about 70,000 MT (\$ 2300) per hectare, estimated farm manager Alves Namunana, who stresses this is much more profitable than soya.
- Lozane Farms of Alto Molocué (Zambézia): Does outgrower seed production for soy, hybrid maize, orange fleshed sweet potato, sorghum, and chick peas. Started in 2003 as a seed producer, it has under 100 ha in production, and in 2011 it moved into outgrower soya seed production with 8 associations, with the involvement of Clusa, TechnoServe, and USAID's Agrifuturo. It is one of the Mozambican companies that has signed up with the G8's New Alliance for Food Security and Nutrition.
- Orwera Seed Company: Established in 2011, it does its own and outgrower seed production of maize, beans, sesame and peanuts. It is working with associations which farm 105 ha for Orwera as well as 15 larger individual farmers with 50 ha.
- Santos Agricola: Adventino Santos arrived in Namialo as a Portuguese soldier in 1961 and has never left. He now runs the local guest house and has a large farm. He is developing a 50 ha sharecropping scheme in which each grower, mainly women, will have 0.25 ha. He estimates that each producer could grow 10 tonnes of vegetables a year on 0.25 ha.

A fifth GAPI credit is to Corridor Agro for working capital. The final loan recipient in this programme is IKURU, a trading company founded in 2003 and owned by 29 associations, GAPI, and Oxfam-Novib. In the last season, IKURU bought 1500 tonnes of crops, of which 40% was exported; cashew was processed on contract by a local company. For the coming season, IKURU will for the first time do its own seed production on 200 ha and with a surrounding group of 20 commercial farmers as outgrowers. IKURU has Fair Trade certification for cashew groundnuts, and organic certification for soya, groundnuts and sesame. In practice, most soya, sesame and groundnut production in Mozambique is already organic, and IRUKU has 3000 registered organic producers; most are small, although 13 are larger emergent farmers.

¹³ "Business Bill to be revamped: Davies" 16 May 2013 (<http://www.southafrica.info/news/business-bill-160513.htm>) Davies was a *cooperante* in Mozambique in the 1980s.

¹⁴ From the Fund for the Pro-Savana Development Initiative, funded by the Japanese International Cooperation Agency (JICA).

The biggest constraints for emergent farmers are market and land preparation. IKURU and other traders are increasingly providing the market, but there remains a real shortage of tractors¹⁵ – which tend to be large and expensive, and there is a lack of spare parts and maintenance. Also managing a large tractor can be difficult for a new emergent farmer. As a sensible alternative, IKURU is now importing Chinese motor cultivators, which cost 150,000 MT (\$ 5000) with a trailer, plough, seeder and even a water pump. They are used rather like cattle: for ploughing the farmer walks behind the cultivator, but it can also be used to pull a trailer for transport.

For both IKURU and Lozane, the unavailability of agricultural credit and thus the shortage of working capital has been a major constraint, which has limited the amount they could buy – forcing members and contracted growers to sell to larger private trading companies.

Lack of finance both for emergent farmers and for contract farming companies remains a huge bottleneck. Farmers cannot afford the fertilizer, pumps, motor cultivators and other essential things to become commercial farming. It is hard for farmers to operate without subsidy, as they are asked to do in Mozambique. In Brazil, the investment under Prodecet which is the model for ProSavana (see below) was \$1600 per hectare. In Rhodesia in colonial times, the subsidy to white farmers was the current equivalent of \$100 per hectare per year. EU subsidies under the Common Agricultural Policy are \$750/ha/y. Investments at this level would make a huge difference to emergent farmers in Mozambique.

Associations

The other big change in Nampula in the seven years since we last visited is the growing importance of associations. In many parts of the world, farmers cooperatives have become major economic players. So far this is not happening in Mozambique, largely because of the way that associations have been distorted by the aid industry. Clusa, which has been working with associations in Nampula for more than a decade, has identified 18 cooperatives which, with more support, might become serious agribusinesses, but there seem few others.

There seem to be several problems, linked to the way NGOs have been organising and supporting associations as part of short projects. Most are too large – Clusa says co-ops only work with fewer than 20 members. And most have developed simply as ways to receive donor aid and carry out donor projects, which rarely involved markets or commercial production. Thus associations have little sense of costs, profits, and contracts. Many associations also show internal tensions, with mutual distrust and often distrust of the president, who has better contact with donors. Justino Estivao, Corridor Agro coordinator in Iapala, noted that although "associations have been together for a long time, they are not really a union of the members – they do not see a common interest." So associations are for discussion, not business.

But if associations are not becoming agribusinesses in the way many people hoped, they are proving an increasingly important structure for initial contact and then negotiation – at least in some places. Corridor Agro found in Iapala that it was very useful to work through associations – who identified farmers and drew up lists of farmers with enough land to allow tractor ploughing. Corridor is dealing with 43 associations in Iapala, with about 50 members each. Anukool, the Corridor agriculture technician, notes that "we cannot function here without the associations, but we must deal with farmers individually and not through the association." Corridor sets up a buying post for each association, a simple bamboo and thatch structure, usually at the compound of the association head. Farmers with less than 10 bags (500 kg) must bring their produce to the buying post, but Corridor will send a tractor to collect the produce from those who have more.

¹⁵ *Notícias* (31 July 2013) reported that there are only 145 tractors in all of Manica province, and it was headline news that 26 new tractors were being provided to the province, which is far below the needs.



Although associations in Iapala have proved a useful conduit, just the opposite happened in Namialo, where Corridor found associations obstructive and stopped working through them.

The International Fertilizer Development Centre is working with Dadtco to introduce newer higher yielding and higher starch cassava varieties. It is working through associations, but selects a lead farmer in each association. Dadtco mostly contracts individual farmers, but it does have contracts with 14 associations which have agreed to grow at least 15 ha of cassava.

Matanuska – bananas and water

Probably the largest recent agricultural investment in Nampula province is Matanuska¹⁶, a major banana producer in Namialo. Begun in 2008, investment is estimated at 1500 million MT (\$ 50 million); 1426 ha of bananas have been planted and in the year July 2012 – June 2013 they exported 2.1 million boxes (28,000 tonnes).¹⁷ Banana harvesting and packing is labour-intensive and the company now has 2400 workers.

Bananas must be irrigated 14 hours per day, so water is the biggest issue. Indeed, Matanuska chairman Jack Dwyer argues that water for irrigation will be the biggest constraint for agricultural development in Nampula. The company built a dam on Mesica River in Netia and then water is brought down the Mesica and Monapo rivers in an open system (which can be used by others

¹⁶ Named after one of its owners, Matanuska Zimbabwe, which in turn was named after a glacier in Alaska.

¹⁷ Africa exports only 4% of the world's bananas, of which nearly all come from Cameroon and Côte d'Ivoire, which each export about 240,000 t/yr each. So Mozambique is a very small producer. The other main exporter is a group of 13 South African companies with 2724 ha of bananas, mainly in Boane and Namaacha in Maputo province, and which export to South Africa. Several are linked to former security minister Jacinto Veloso.

along the river). The dam is only large enough to hold water to irrigate 3000 ha, so the company is already looking for other possible dam sites.

Matanuska had a rocky start and so far the company is not profitable. It ran into trouble with neighbouring communities. By 2011 there were complaints that it has still not resettled the 56 families forced to move for the new dam, and had not built the health post it promised.¹⁸ It came into conflict with the Ministry of Labour in 2009. A joint venture agreed in 2008 with Chiquita (one of the three biggest banana companies) collapsed in 2011 because, Chiquita says, Matanuska "wouldn't meet the specifications we had laid out at the inception."¹⁹ The company exports to the middle East, and early exports to Iran suddenly stopped when sanctions were imposed. There were early problems, some ongoing, with both customs and erratic electricity. When we visited the electricity had been cut all day; the company has generators for packing and refrigeration units, but not for irrigation pumps.

Bananas are exported green, packed in boxes and then in refrigerated containers, and must arrive at their destination within 30 days of being picked. "We are asking people to treat fruit in a way that they cannot imagine," explains finance officer Tricia Wallace. For Mozambicans, bananas are a cheap food and are bought buy ripe from a market stall and they are often blemished and damaged. But Wallace calls export bananas a "hypersensitive princess." They require extreme care and the cold chain must be maintained. So everyone from packing staff to customs officials has to learn the importance of care and speed. "We are building a customs system. No one asked them to export fragile fresh fruit before," Wallace adds.

Matanuska Mozambique is owned one-third by Norfund²⁰ and two-thirds by Rift Valley,²¹ and so far the owners seem patient as exports finally increase. "Our investors say 'we are going learn what it takes to be successful in the long term.' They expect to be part of East Africa in 50 years. Success is about having a long term view and doing what it takes to have a sustainable business. This is bold but patient capital. That is what distinguishes between those who succeed here and those who fail," Wallace says. Dwyer adds that "family companies have totally different thinking than TNCs. They are not driven by quarterly earnings reports."

Wallace adds a final comment: "We live here and are on the farm 24/7. If you are not owner operated and sitting on top of things and knowing how to get things done, it is easy to overpay and trust the wrong people. The wave of millions of Euros to invest in Africa and simply trying to get someone to make it happen quickly meant the investors were robbed blind."

ProSavana

"ProSavana is a priority of the Government of Mozambique and we are betting everything on the success of this program," Agriculture Minister José Pacheco told a civil society conference in Maputo on 8 August 2013. ("O ProSavana é uma prioridade do Governo de Moçambique e apostamos tudo para o sucesso deste programa.") The unusual phrase "betting everything" underlines both the risk and the importance. But the conference also showed the divisions and confusion over the programme.

¹⁸ @Verdade and Noticias, 28 January 2011.

¹⁹ E-mail from Chiquita press officer Ed Lyod, 16 Sept 2013.

²⁰ The Norwegian government-owned Norwegian Investment Fund for Developing Countries has invested \$ 3.7mn in equity capital and made \$ 4 mn in loans and \$13 mn in guarantees to Matanuska Mozambique. (http://www.emrc.be/documents/document/20111107140315-agri11_-_session_iii-part_i-norfund.pdf and <http://www.norfund.no/southern-africa/matanuska-article351-364.html>) In July 2012 African Century announced it had received a \$3 mn loan for Frango King from Norfund, and in July 2013 it announced it had raised \$ 8 mn of equity from Norfund to fund the expansion of Frango King in Mozambique and fish farming in Zambia and Zimbabwe. Norfund declined to comment further on these investments. In Mozambique, Norfund has also invested in two banks, Banco Terra and Socremo.

²¹ See footnote above.

ProSavana²² is a joint Japanese-Brazilian-Mozambican project in the Nacala corridor²³ which is intended to apply the experience of a Japanese-Brazilian project in the Brazilian cerrado to the Mozambican savannah.²⁴

The Japanese Cooperation Agency (Agência Japonesa de Cooperação Internacional, JICA) reported in 2012 that ProSavana intended "to replicate Brazil's own 'agricultural miracle' which began in the 1970s and helped transform a huge swath of savannah into one of the world's largest breadbaskets."²⁵ This was done through the Prodecer project where Japanese aid over 25 years led to a huge increase in grain production in the cerrado savannah region of central Brazil.

"We have to prove with this project that the African savannah can follow the example of the Brazilian cerrado," said Marco Farani, the director-geral of the Brazilian Cooperation Agency (Agência Brasileira de Cooperação, ABC), in an interview with the Brazilian magazine *Dinheiro Rural (Rural Money)*. He continued that transforming the cerrado should be a great inspiration for ProSavana, and the article continues that "the focus of this project has to do with the similarity between the soil and climate of the cerrado and the Nacala corridor."²⁶

This alleged similarity between the cerrado and the Nacala corridor has been a core justification of ProSavana, and many Brazilians and Japanese have been surprised to discover it is not true. The cerrado had extremely high acidity and aluminium concentration and few nutrients in the soil, and thus was suitable for various high-tech solutions. It also meant there were relatively few farmers living there, and they could be easily moved under the then military government. By contrast, the Nacala corridor has good soils, a high population density, and a land law that makes it difficult to move people. Prodecer was aimed at large farmers. Between 1979 and 1999, 758 families were resettled on 334,000 ha of cerrado land, 440 ha per family.²⁷ Project investment was nearly \$900,000 per family.²⁸

The Brazilian Cooperation Agency (Agência Brasileira de Cooperação, ABC) has contracted a Fundação Getulio Vargas company FGV Projetos to draw up the ProSavana master plan (plano diretor). FGV Projetos then set up Fundo Nacala, which hopes to attract \$2 billion (60,000 million MT) in Japanese and Brazilian investment which will earn high rates of return at low risk.²⁹ "This is perhaps the best area for agriculture development on the continent, with estimated returned of 18% to 23% per year," said the coordinator of FGV Projetos, Cleber Guarany.³⁰ <"Essa talvez seja a melhor área para desenvolver agricultura no continente, com retornos estimados entre 18% e 23% ao ano", diz o coordenador da Fundação Getulio Vargas Projetos, Cleber Guarany.>

²² <http://www.prosavana.gov.mz/> and <http://www.prosavana.com/> Many reports on ProSavana are on tinyurl.com/mozamb

²³ The government has prioritised six east-west "corridors": Maputo, Limpopo, Beira, Zambeze valley, Nacala, and Pemba-Lichinga. Two are major rivers, and the other four are along existing transport corridors which are being upgraded.

²⁴ "Experiências do Serrado Brasileiro vão ser Aplicados na Savana Moçambicana", http://www.minag.gov.mz/index.php?option=com_content&view=article&id=148:serrado-brasileiro-savana-mocambicana&catid=49:noticias, no date, citing the Permanent Secretary of the Ministry of Agriculture, Daniel Clemente.

²⁵ "Why do millions of people still go hungry", *JICA's World*, Tokyo, June 2012, p 10. See also "Japan and JICA's work in the cerrado of Brazil", *JICA UK Newsletter*, London, Oct-Nov 2012.

²⁶ Cristiano Zaia, "Rumo à África", *Dinheiro Rural*, August 2012.

²⁷ <http://www.campo.com.br/proceder/>

²⁸ "Análise da efetividade socioeconômica do Prodecer III no município de Pedro Afonso, Tocantins", Waldecy Rodrigues, Silvio Jucá Vasconcelos, Alan Kardec Barbiero, *Pesq. Agropec. Trop.*, Goiânia, 39(4), pp 301-306, out./dez. 2009.

²⁹ "FGV lança fundo pioneiro de investimentos em agronegócio", http://www.agroanalysis.com.br/materia_detalhe.php?idMateria=1313

³⁰ Cristiano Zaia, "Rumo à África", *Dinheiro Rural*, August 2012.

The large farm bias of Prodecer, the role of FGV Projetos, a campaign in Brazil to promote investment by large Brazilian soya farmers, and then in 2012 pressure on Nampula provincial officials to find land near the railway for big foreign investors combined to trigger a reaction by local community groups worried that they were going to lose their farms to a Brazilian land grab. There were a number of local and international statements by peasant groups opposed to ProSavana. Meanwhile, would-be Brazilian investors who arrived in Mozambique found they could not assemble large parcels of land in Nampula province, because the good land was already occupied. So ProSavana has been expanded to cover four districts of Niassa, outside the Nacala corridor, where more land might be available. Meanwhile, the Mozambican Ministry of Agriculture has been paying more attention to support of local farmers.

So far, three large investments have been reported under ProSavana. Pinesso³¹, which has more than 100,000 ha in Brazil, is in partnership with Intelec, part owned by President Armando Guebuza, and Américo Amorim³² of Portugal to farm soya in Lioma on former state farm land. The company is called AgriMoz. There are unconfirmed rumours of large land concessions to a Brazilian company in Niassa and to a Mozambican company in Malema, Nampula. But the *Financial Times* notes that Brazilian agribusiness SLC Agricola has reversed its plans to invest in the Nacala Corridor.³³ "We found out that in Mozambique we would lease the land from the government, because it's not possible to buy the land, and we would also need to negotiate terms of the leasing with the local tribe. So that means two negotiations. We also thought that the infrastructure projects would be more advanced," SLC said. Also, Brazilian companies cannot use GM seed in Mozambique.

Major divisions within both government and civil society over the giant ProSavana programme became apparent at a meeting Thursday 8 August in Maputo, organised by community groups from Mozambique, Brazil and Japan.³⁴ The Ministry of Agriculture took the meeting seriously; minister José Pacheco spoke and three national directors attended.

Divisions on the government side are clear. The draft master plan being drawn up by FGV for the ProSavana office has not yet been shown to the Ministry of Agriculture or to local communities, but has been leaked and posted on the web. (<http://farmlandgrab.org/post/view/21996>) One of the highest priorities is to "promote large scale investment in each province" and the plan accepts that there will be some involuntary resettlement of peasant farmers.

But Raimundo Matule, National Director of Economy in the Ministry of Agriculture, made a detailed presentation, in which he stressed that while the target of the Brazilian cerrado programme was to promote big industrial agriculture ("latifúndios"), the target in Mozambique was to support tiny, small, and medium farms. And in a clear criticism of the ProSavana office, he agreed with community groups that "there is a clear lack of information on ProSavana and everyone is starting to speculate."

Peasants attacked Matule and accused him of lying, pointing to the draft master plan. But it became clear that Matule has not been given a copy of the plan, and probably only read the leaked copy on the web.

Matule stressed that his presentation "is government policy on ProSavana". But is it? In a recent interview, a senior Ministry of Agriculture figure told us "ProSavana is big scale, and that is essential. We must have large scale monoculture production. We must consolidate land into large blocks."

³¹ <http://www.pinesso.com.br/>

³² Also in partnership with Guebuza in Banco Unico.

³³ Eleanor Whitehead, "Lessons from Brazil in Mozambique's Nacala Corridor", *This is Africa* (published by the *Financial Times*, London), 27 Feb 2013. <http://farmlandgrab.org/post/view/21714>

³⁴ Sergio Schlesinger, *Cooperação e Investimentos do Brasil na África – O caso do ProSavana em Moçambique*, Rio de Janeiro: FASE - Federação de Órgãos para Assistência Social e Educacional, 2013, http://issuu.com/onfgfase/docs/caderno_prosavana_fase/3?e=4383667/4356427

Meanwhile, civil society is also divided. The strictest line is taken by Justiça Ambiental (FoE Moçambique), which defends the right of peasants to continue shifting cultivation ("agricultura itinerante") and is strongly opposed to contract farming, which it says "will never improve the life of small farmers".³⁵ Their goal is to stop ProSavana.

"There is a difference of opinion," admitted an activist from the Nampula Civil Society Organisations Platform. "Activists in Maputo say there is nothing to talk about so you cannot negotiate. But we want to prevent ProSavana making the mistakes of Prodecer and direct the money to small producers, so we want to continue dialogue."

However all agree that the biggest problems are the secrecy surrounding ProSavana and the master plan, and the apparent big foreign investment bias.

History, trust and confidence

It is a rare opportunity for writers to be able to return to visit the subjects of previous books. In *Do bicycles equal development in Mozambique?* (Chapter 3) we talked about Associação de Ehiquite-lapala in Ribaué district. On a main road, it was a model association which received many visitors. Having produced sunflower and paprika as the suggestion of donor NGOs, it had given up and was then trying onion – but always with the same problem – no market. But what made it a donor tourist attraction was that CARE had promoted fish farming, and in 2006 when we visited, it has 26 tanks of tilapia. Members made the standard presentation, with a flip chart, about how onions and fish were helping them to "overcome absolute poverty". But as we talked, a different reality emerged. One woman said that the donors and government officials kept coming, but "we are still poor; there is no improvement." Jaime Agostinho, then treasurer of the association, said "we hope to produce 40 tonnes of onions. But who will buy them? We have no transport to take them to market." After more discussion, he also admitted they had not sold any fish: "it is difficult to sell the fish because they are hard to catch and we do not have a net." Also, in central Nampula province there was no experience of eating and marketing fresh fish, and no sales network.

We went on to talk to CARE in Nampula city. Tim Russell said simply: CARE gives fish, but "we are not in the business of providing nets". It reminded us of the Chinese proverb used by Oxfam a few years ago: "Give a man a fish and he will feed himself and his family for a day, but give a man a net and teach him to fish and he will feed himself and his family for a lifetime." But as Russell also admitted, "I don't think anyone ever thought about nets. I never did." But CARE's target was only setting up fish farms, and its target was met.

Seven years later Agostinho is now association president. The association has now been renamed after the wife of the President, and it is still on the development tourist trail; two deputy ministers have visited recently. One big change is that traders are now coming to lapala, and Associação dos Produtores Maria da Luz Guebuza as well as several others along the road are selling their onions.

The association now has 34 fish tanks, but it still has no net! Earlier this year yet another visitor was asked for a net, and sent a bed cover (manta). For Agostinho, that was the last straw. "We will do without help. We know what we want to do." He plans to go 400 kilometres to the port of Nacala and buy a net – something association members could not even conceive of seven years ago when we first visited. The shift in attitude is real, if slow. In the past year, the association sold 875 kg of fish, worth 70,000 MT (\$ 2300) – much less than could have been sold. For the present, Agostinho explained, they are treating the fish like cattle – "this is our bank", he said. They are selling fish only when they need money – to buy seed, to upgrade the fish tanks, or to pay wage labour at peak time such as weeding. The local butcher in Ribaué came with a tank and offered to

³⁵ "Fuga de um exemplar do Plano Director para o programa ProSavana ao Norte de Moçambique confirma o pior", signed by Justiça Ambiental, two other Mozambican organisations, and 21 international organisations, 29 Apr 2013.

buy 10,000 MT of fish, but they would only sell him 5,000 MT. A Mozambican technician visiting with us had twice tried to buy fish, but had been refused because it was a time when the association did not need money.



But the visit of the butcher set them thinking. He paid them 80 MT/kg and sold the fish for 140 MT/kg, so they have pushed their price up to 90 MT/kg. And they have also realised that butchers and others with refrigeration are an obvious market for fresh fish. The next step is the 21 members of the association who run the fish farm are forming a company, and plan to sell fish on a regular basis, probably draining one tank at a time and selling all the fish, and going around the tanks in rotation.

The association has slowly realised that ten years of performing for visiting government officials, NGOs, and donors, and even hosting foreign students, has brought them very little. Most offers of help proved to be empty promises. Growing self-confidence and a very basic understanding of business has finally led to more commercial thinking and they are becoming commercial farmers.

Perhaps we should not be surprised. As we have seen elsewhere in Mozambique as well as in Zimbabwe, it often takes a decade for peasant farmers to dominate new agricultural and business skills. But there is a point when they become both knowledgeable and confident, and can move forward – as seems to have happened in Ehiquite.

Mozambican peasants are still extremely poor. The median rural cash income is less than 900 MT (\$ 30) per person per year – and that is only enough to buy half a bag of fertiliser. The money must pay for clothing, some food, cooking oil, and other necessities. Peasant farmers are necessarily conservative because a failed crop means the family goes hungry. Thus peasants are very cautious about spending time or money on a new and risky crop, or making unproven changes to their systems.

Two decades of aid, an unfettered free market and patronage politics have created a distorted sense of commercial farming. Seeds, equipment, and even "loans" are seen as coming free, as gifts from Frelimo, the government, or donors. There may be talk of repayment, but the only payment usually required is to chant "Viva Frelimo" or sing the praises of the donor and say how much the donor is doing to reduce "absolute poverty" and raise the standards of women. This is compounded by the history of the "7 million", the money provided for small economic projects in rural areas which was supposed to be a repayable loan, but which everyone knew did not really need to be repaid.

On the other hand, everyone seems to have stories of promises made – by traders, NGOs, or the government – and then not fulfilled. Too many farmers have seen NGOs and traders promote crops and promise to buy, but then never return, or come back late or pay less than promised. Loans and inputs, supplied both by government and by contract companies, are sometimes too late to be well used.

This has two effects. First it creates an understanding that useful things come irregularly and go mainly to privileged groups and people (such as senior party officials) and thus cannot be planned for, but are free. This mentality is real. We visited one 100 ha farm where the farmer is producing some horticulture and could invest and expand, but he is not, and instead he said to us "I am asking for help" ("Estou a pedir ajuda"). Second, the concept of "contract" becomes very distorted, because the contract may say that repayment or delivery of a product is required, but in fact what is required is some form of praise singing and political activity.

This makes it very difficult to create a commercial agriculture culture. There is little sense that inputs are paid for (at least eventually) and that crops are planted, weeded and harvested at the right time (which is more important for the new commercial crops than for traditional maize, cassava and beans). There is still little trust that inputs will be delivered on time and that contract companies will actually arrive on time to buy and pay a fair price. Crops are sold to whomever comes to the door, with no sense of a contract tying the farmer to sell to the contract company.

In 2013, Commercial farmers and their associations were being asked to learn very new practices, just when the radio announced more donations of seed and tractors to the privileged recipients and piles of cotton remain unsold because contract companies were not buying.

Although sales to Dadtco are increasing, the company is finding a residual distrust, with farmers still not yet convinced that Dadtco will continue to buy over the long term. Thus they have been slow to make the two shifts that Dadtco would like – leaving the cassava in the ground for up to one and a half years, to increase the starch content and reduce fibre, rather just a year before most farmers harvest, and selling wet newly harvested cassava to Dadtco rather than dried cassava chips to traditional customers. Both would increase income, but small farmers are keeping their options open.

This is compounded by other layers of distrust. Association presidents, traders and government officials are all dealing in volumes of money which are incomprehensible to a person on 9000 MT/y. Few associations are cohesive, as members distrust each other and all often distrust the president. Land squabbles seem permanent and there are widespread reports of senior Frelimo and government people demanding good land, which puts pressure on present occupants. And ProSavana is often seen as a government-backed land grab for big agro-business.

So how do we think about Jaime Agostinho in Ehiquite? Do we see a decade of aid which has produced very little? Or do we see a group of people in a very contradictory environment who have developed the skills and confidence to move ahead. Is a decade too long to wait, or is it inevitable and needs to be planned for?

By way of a conclusion

Compared to seven years ago when we last visited, rural Nampula remains very poor although there is now some commercial agriculture where there was none before. Only islands, to be sure, but they are spreading new ways of thinking and a more business-like approach. A growing number of individuals and associations are becoming small commercial farmers. It has taken a decade, but the seeds planted by the more hands-on and practical agencies like Clusa and TechnoServe have produced at least an initial crop.

Three players seem absent here. The government and the domestic banking sector have played very little role so far – although their support could be very useful to spur on these changes. And the much hyped big private investors demanding tens of thousands of hectares for industrialised farming are nowhere to be seen.

Instead, a key motor has been the domestic and foreign private sector with a long time horizon. Mozambican traders are more active and this has produced a market. But satisfying that market requires inputs, ploughing, technology, and credit which is not readily available. The companies making the most impact are those that are willing to invest for 10 or 20 years ahead, who are building businesses for their children and grandchildren, and who are building businesses that depend for their success on Mozambican commercial farmers. This is partly about different kinds of capital. US and UK style finance capital, with hedge funds and investors who want quick profits in months or a year or two, and claim to be able to do massive and hugely productive industrial farms very quickly bringing in global systems, have promised much but delivered nothing. However another group is having more success: Nordic, German, or family capital, or companies with a history of investment in Africa, and that treat 10 years as the minimum start up time, are ready to build up slowly and learn local lessons, and are investing for the long term. They are responsible for the beer and chickens that are driving the new group of emergent farmers that are spurring agricultural growth in Nampula.

Foreign investment is useful, but Mozambique needs to be more cautious. Hedge funds and giant agribusinesses which are only looking for cheap land in Africa have not been successful in Mozambique and seem unlikely to be. Government will need to be more careful and to select those whose own commercial success depends on their willingness to support Mozambican commercial farmers.