

# Fertile fields for India

**The Addis government shows scant regard for the potential local impact of massive Indian investment in floriculture and biofuels**

Ethiopia is renowned more for its famines than for its fertile fields but land leasing has become a burgeoning business in some of the most unlikely locations. Vast swathes of arable land, a permissive government and geographical proximity have garnered interest in agricultural investment in Ethiopia from Saudi Arabia, China and India. India is the current leader in the stakes and, with more than 400 companies with projects in development, cumulative Indian investment in Ethiopia is approaching US\$4.2 billion.

In August 2009, the Addis Ababa government announced a major shift in policy towards land leasing, apportioning as much as 3 million of Ethiopia's estimated 74 mn. hectares of arable land to foreign investors. Warnings about neocolonialism and 'land grabbing' have fallen on deaf ears; Agriculture Ministry officials point out that Ethiopia has the land and the labour but not the financial or technological capabilities to extract benefit from its large tracts of arable land. Prime Minister Meles Zenawi has publicly championed the land leasing programmes, referring to the 'supplementary but vital role' of the private sector in assisting the development of the small-scale farmer who, the governing Ethiopian People's Revolutionary Democratic Front (EPRDF) says, is at the heart of government policy.

The EPRDF government has firm land-use policies with an ideological basis. Private land ownership is technically forbidden but farmers may now apply for certificates of use that are equivalent to long-term leases. However, the government intends to lease as much as 3 mn. ha. to foreign investors over the next three years.

Environmentalists and non-governmental organisations are concerned about the possible environmental and poverty impacts of this agricultural expansion. The Agriculture Ministry also admits that it has neither the policy tools nor the personnel to hold the private sector to account. Workers on some Indian-owned plantations earn less than globally recognised levels of poverty – and locals are not even consulted about land deals.

Karuturi Global, a Bangalore-based firm, is one of the Indian companies which is leasing the largest areas of land. Karuturi has previously been active in floriculture and has leased a 100 ha. farm in Holeta

(40 kilometres from Addis Ababa) since 2004. Karuturi also holds 385 ha. in Woliso (90 km. from Addis), which should be in production within the next two years. Karuturi lauds Ethiopia as the 'stage' from which Karuturi will become 'a complete agriculture production company'.

Managing Director Sai Ramakrishna Karuturi has been very vocal in his support for Karuturi's projects in East Africa. He credits the company's recognition of the potential for floriculture in Ethiopia and Kenya for enabling Karuturi to become the world's largest producer of cut roses.

Ethiopia's floriculture is dominated by Indian companies like Karuturi and Supra Floritech. At the start of 2009, Karuturi Global was just beginning its shift into agriculture, working with a land bank of 311,000 ha. – 100,000 ha. was in the first phase of development for the cultivation of 800,000 tonnes per annum of cereals across 80,000 ha., and 100,000 tonnes p.a. of palm oil on 20,000 ha. By the end of 2009, Karuturi said that it had acquired the rights to more than 760,000 ha.

## CHEAP LABOUR, POPCORN RENT

Profits should be assured. Typically, companies pay less than \$50 per month per worker and Karuturi is paying no rent on the land for the first six years and minimal sums for the rest of its 90-year lease. The bulk of its work so far has been in the Gambella region, where the local authorities look forward to reaping the rewards of increased taxation and employment.

Emami Biotech, a Kolkata-based company, is new to Ethiopia. With a final allocation of up to 40,000 ha. in Oromia, the company began development on 10,000 ha. in August 2009. Emami plans a Rs4 bn. (\$86.3 mn.) plantation and biofuel extraction project on land for which it has a lease of 45 years. Emami will grow crops for both edible oils and biofuels; the biofuel is destined for India and the edible oils are to be sold on the local market. There are also plans to plant maize and soya.

Emami explained its decision simply as based on 'availability' but Ethiopia's cheap labour and stable infrastructure and legal systems are also important factors. Emami's investment is to be spread over five years and 30% of the total investment will be directly provided, while the remaining 70% will

be sourced from financial institutions. Led by Director Aditya Agarwal, the Emami Group is more than 30 years old and has a strong presence in industry and ayurvedic (traditional Indian) medicine. Emami is also conducting feasibility studies for a \$335 mn., 300-megawatt power plant in Ethiopia and expects to make a decision in the next few months. In May, Agarwal said that Emami is also looking at investments in Nigeria and South Africa.

Emami Biotech was closely followed by Shapoorji Pallonji and Co., which signed a 10,000 ha. deal on 9 March. Shapoorji wants to grow *Pongamia pinnata*, a feedstock for biodiesel. Another new player on the Ethiopian agri-scene, Sharpooji plans to cultivate 50,000 ha. *Pongamia* is also new to Ethiopia and Sharpooji's request has caused some consternation amongst researchers because they are not sure how best to work with *pongamia*. It takes years longer than *jatropha* to cultivate and produce, rarer and more difficult to refine.

Like *jatropha*, the *pongamia* tree's seeds produce a non-edible oil which has toxic components and is used in India mainly in the soap-making and tanning industries but also as fuel for cooking and lighting. Sharpooji's officials are centring their efforts in the Southern Nations, Nationalities and People's region.

India's Praj Industries is also getting involved in Ethiopia's biofuels sector. In December 2009, it signed a partnership deal with Ethiopia's Eco Energy to farm 25,000 ha. of *jatropha* plants and castor beans. In March, the Agriculture Ministry also signed a contract with Verdanta Harvest, another newcomer. Verdanta has leased a 5,000 ha. plot near Tepi, also in the Southern Nations, Nationalities and People's region and, like Sharpooji Pallonji, it has only obtained a short lease of less than 20 years. Verdanta focuses on tea. Indian tea growers and diversified companies Dhunseri Group, RPG Enterprises, McLeod Russel, BK Birla and Jayshree Tea and Industries are all in talks to set up or acquire tea plantations from Ethiopia down to Mozambique.

Ethiopia is regularly subject to famine and public opinion is divided over the extensive land programmes under way. The need for agricultural development is universally acknowledged but there are concerns that in its attempt to attract investment, the government is not considering sustainability.

The strategy seems to be working for Indian investors. After more than two months of talks with Ethiopian Finance Ministry officials, in June India's Export-Import Bank announced that it is opening an office in Addis Ababa to support the growing number of Indian companies investing in East Africa. ●