Twenty-first Century Land Deals for Agro-Investment in Ethiopia

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In 2008, I stumbled upon a fascinating article that detailed an attempted deal between the government of the Madagascar and Daewoo Logistics. Daewoo wanted access to more than 3 million acres of Madagascar's' arable land, which it intended to use to grow palm oil and maize. Further complicating the story was the fact that Daewoo was planning to staff its plantations with a South African workforce. In this strange tale, Daewoo was not acting as an automobile company; rather, it was a South Korean state-owned enterprise that was attempting to establish a secure source of food supply for the Korean citizenry by renting land in a developing country.

The article made my head whirl with its mix of globalization taken to its logical conclusion, potentially unequal relations of power between the Malagasy government and Daewoo, and the possible effects of such an arrangement. In the end, the deal was canceled when the residents of Madagascar's became informed of the agreement, which resulted in widespread protests that culminated in the ouster of the sitting President.

Weeks after I had read the story, I found myself unable to shake the sense that such an attempted land deal might signal that other such land deals were occurring in the global South. Global food and commodity prices were skyrocketing worldwide as crop failures erupted worldwide and as the global recession took root. I began to comb through alternative news outlets and came upon more stories of attempted or completed land deals for agriculture between developing country governments and various actors: corporations, equity funds, other national governments, etc.

Ethiopia figured prominently in these first articles in what has become known as popular literature as "landgrabbing” and in the academic literature as “large-scale land acquisition.” In the last decade, the typical narrative about Ethiopia has been that the Ethiopian government is leasing land at incredibly low rates to foreign companies and governments for exported-oriented commercial farming.

There were many concerns that accompanied reports of land deals that were occurring in Ethiopia. For one, agriculture remains the backbone of the Ethiopian economy and 85% of the Ethiopian population is employed in agriculture. The vast majority of Ethiopian agriculture is subsistence agriculture being performed by smallholder farmers and one question that arose was how would smallholder farmers be affected by these land acquisitions? Would they be evicted or displaced from their land? Another looming question was about food security. These new commercial farms were supposed to be producing crops for export, so was domestic food security going to end up being compromised?

These questions led me to the first investigations about these questions in 2012. On that research trip, I found that power relations and power negotiations between agricultural investors and the Ethiopian were actually quite complex. The Ethiopian government seemed to be trying to regulate and discipline some investors in the hot, peripheral, lowlands area of the country where agricultural investors sought land. Food security didn't seem to have been strongly affected by the commercial farms, but I did find displacement of pastoralist ethnic minority communities in the same regions where investors were obtaining land. I also found discovered that most of the agricultural investors I met where Ethiopian or from the Ethiopian diaspora. This came as a surprise to me as many of the reports about land acquisitions in Ethiopia concentrated on the *foreign* corporations and investors in commercial farming. These investors of Ethiopian heritage were mainly engaging in cash crop production, and many of them were growing cotton.

These findings led me to my current dissertation project, where I explore the role of diaspora Ethiopia agriculture investors in the cotton value chain in Ethiopia through participant observation, interviews, and archival/document analysis. With the assistance of the Sylff SRA fellowship, I traveled to Ethiopia in 2014/2015. In its second Growth and Transformation Plan (GTP), Ethiopia is focusing heavily on industrializing as it strives to become a lower middle-income country within 10 years. In order to meet that goal, Ethiopia is heavily promoting soft manufacturing like its nascent textile and garment sector. In response to this industry-heavy policy direction, large textile and garment companies from around the world, including H&M and Primark, have established textile and garment plants, mainly on the outskirts of Addis Ababa. And Ethiopia has now found itself with very high demand for the cotton needed to fuel this sector's growth.

During my dissertation research, I discovered that agricultural investors from the Ethiopian diaspora in the cotton value chain were most drawn to commercial cotton production, and not to textile/garment manufacturing. The start-up costs and the strongly competitive nature and highly technical nature of the textile/garment industry posed extremely high barriers to entry to investors from Ethiopia or its diaspora. But commercial cotton production also proved to be a daunting task. Many of these investors were new commercial farmers and underestimated the myriad difficulties associated with starting a farming business in hot, remote areas of the country with underdeveloped infrastructure. These diaspora investors' farms were largely rain-fed and they found themselves worried about rain and then worried about the pests and fungal problems that could decimate their crop. Perhaps most unnervingly, they found that the cotton produced on their farms was not being purchased by textile factories because the cotton was of the wrong staple-length, or was of quality that was too low for the factories to be able to purchase. And if their cotton was purchased, it was usually purchased at a very low price. These problems made

In addition to facing challenges on their cotton farms, diaspora investors faced the challenge of integrating back into an Ethiopian cultural and economic landscape that was both familiar and unfamiliar to them. Some investors from the diaspora had moved back permanently to Ethiopia while others lived transnational lives, moving back and forth between their adopted homelands and their native Ethiopia. Some viewed themselves as return migrants, others as “Ethiopians” (irrespective of their nationality), and others as serial or first-time entrepreneurs. Diaspora investors espoused a heady mix of reasons for becoming commercial farmers in Ethiopia: they were interested in helping their country develop; they thought cotton farming would be a good investment because the textile/garment factories were supposed to be a “guaranteed” market for their product; they wanted to create job opportunities for Ethiopians; they thought it would be a good investment for their long-term financial security; as they had always been interested in farming and wanted to try it. Commercial cotton farmers who were domestic investors were similar to the diaspora cotton investors in their reasons for becoming commercial cotton farmers, but some of them didn’t have the same capital as their diaspora counterparts. There were exceedingly few foreign investors who worked in commercial cotton farming.

The Ethiopian state played another interesting role in cotton investor’s lives. Many of the investors from the diaspora viewed the government as playing an important role in the Ethiopian economy, but they didn’t see their commercial farming as part of a nationalist style development project. The vast majority of investors – diaspora, domestic, and foreign – were also frustrated with the government for what they perceived to be inattention to their concerns. Lack of road infrastructure was hurting many of the commercial cotton investors and they said they had pleaded for help with road development in the remote areas in which their farms were located to no avail. They also bemoaned the lack of electricity and water infrastructure in their farms’ areas, but lack of roads was the most serious problem they faced.

These findings are important because they point to Ethiopia’s struggle to commercialize agriculture as it tries to move towards an industrialized economy. Even in value chains – like cotton –that are considered a national priority, domestic, diaspora, and foreign investors are struggling to produce quality cotton of sufficient quantity to meet the textile/garment industries’ demands. My research also raises questions about the role of the private sector is in a country like Ethiopia where the public sector is extremely strong and how domestic and diaspora investors can contribute to this country in transition.