



Out of Africa

K.R. Balasubramanyam

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March 2010: Construction major Shapoorji Pallonji & Co strikes a deal with Ethiopia to raise oil seeds and pongamia pinnata, a feedstock for biodiesel, over roughly 50,000 hectares.

January 2010: Ruchi Soya, a leading edible oils and soya foods company, signs up with the Ethiopian government to grow soya beans, maize and pulses in that country. The Indore-headquartered company acquires 25,000 hectares on a 25-year lease with an option to double the area.

June 2009: Karuturi Global, the world's largest producer of roses, headquartered out of Bangalore, takes possession of 3,00,000 hectares at Gambela, Ethiopia after acquiring 11,700 hectares at Bako the previous year. The company will grow foodgrains and oil palm on 3,11,000 hectares, which is roughly equal to seven times the city of Mumbai.

Indian entrepreneurs landing in Africa to set up rose farms is an old story. The emerging trend is of many of these floriculturists — as well as other entrepreneurs — moving into other agri-products in the world's second-largest continent. Like cereal, for instance, where the size of the global market is estimated at \$500 billion or about Rs 23,00,000 crore — almost eight times that for cut flowers. And it's not just Indian businessmen who are on a land-leasing spree. Some \$60 billion or Rs 2,76,000 crore has been invested in buying up farmland across the globe in the past couple of years, and India, with China and others, is cornering land available on lease in the African continent.

Steep agflation in 2007-08 raised concern over food security in investor countries. A looming crisis — a huge shortfall is expected in India in key food items like cereal, pulses, edible oil and sugar by 2026 — has prompted even those business houses that are not traditionally connected with agriculture to invest in foodgrain. "Everyone is investing in Africa for food just like they are investing in China for manufacturing, and in India for services," says Sai Ramakrishna Karuturi, founder of Karuturi Global, which began as a flower producer.

Now, Karuturi wants to convert his entire land bank — of 3,09,584 hectares — into crop fields over the next five years, with the aim of contributing five million tonnes of foodgrains to the annual global production of roughly two billion tonnes. "We plan to have a 0.25 per cent share of the world cereal market and five per cent of that for globally-traded rice," says Karuturi, who has now made the city of Addis Ababa in Ethiopia his first home, spending two weeks in a month in that country.

Ethiopian Safari

The East African country plans to lease 30,00,000 hectares (74,00,000 acres) of land for investment in agriculture over the next three years to both increase productivity and to earn foreign

exchange. Ethiopia began leasing out land at \$1.19 or Rs 55 per hectare per year in some parts and has been wooing investors with even grace periods on payment. In 2008, according to the Ethiopian Investment Agency, the government set rental prices of rural land for agriculture based on how developed the zones were and how far they were from all-weather roads.

In the western Gambella state, for example, annual rentals range between \$1.48 and \$2.22 a hectare, while in places close to Addis Ababa, it can be more than \$11 per hectare per year. Even this is cheap, compared with India, where farm land with water supply can fetch Rs 18,000-25,000 per hectare per year, in Karnataka, Tamil Nadu and Andhra Pradesh. S. Ayyappan, Director General, Indian Council of Agricultural Research (ICAR) strongly suggests that pulses be grown in Ethiopia and brought into India and urges Indian investors to look at the opportunity seriously.

G. Vinod Reddy, Founder of Neha International, is one of the Indian entrepreneurs who has already moved on the opportunity. He has sold his farm near Pune and taken up land in Ethiopia's Oromia region — in Holetta for floriculture and near Bako for Neha's focus area of foodgrains. He expects to harvest his first crop of rice and maize in November, and will also be looking to export oilseeds and pulses to India and other countries.

Ethiopia is an attractive agri-destination for a number of reasons. One, for the past six years, it has been the fastest growing African nation not dependent on oil. Two, over half of its area is suitable for cultivation, but less than one-fifth is actually farmed. Three, its diverse agro-climatic conditions are ideal for a variety of food and cash crops.

"Eighty per cent of land in Africa is uncultivated and sparsely populated," says Gurjit Singh, Joint Secretary, East & Southern Africa, Ministry of External Affairs (MEA). The soil also has a high degree of organic matter, which translates into higher yields. Small wonder then that agriculture is Ethiopia's biggest engine of growth, by far. Agriculture contributes 47 per cent of the country's gross national product and 60 per cent to its exports, besides employing 80 per cent of the country's population. Cereals, oilseeds and pulses are the main crops grown across the region.

That Africa is a huge market for foodgrain — larger than India — makes Ethiopia even more attractive. For instance, of the 18 million tonnes of non-Basmati variety rice traded globally, 10 million tonnes is absorbed by Africa. While Ethiopia alone presents a fertile market of 85 million people, there is scope for sales in other regions; the Common Market for Eastern and Southern Africa (COMESA) is a seamless trading area with 19 member states from Libya to Zimbabwe.

Together, they spend an estimated \$19 billion or Rs 87,400 crore on food imports. "The Africans could be paying \$700 (Rs 32,200) per tonne of rice exported from Thailand, where it may be selling at around \$400 (Rs 18,400) per tonne. This is where my opportunity lies," says Neha International's Reddy. What also helps is the huge import barriers erected by Ethiopia: about 75 per cent on rice and 50 per cent on maize.

Indian companies are making value addition a critical part of their Ethiopian game plan. Ruchi Soya, for instance, is also putting up a processing plant to meet the demand for edible oil there. "We are entering Ethiopia as part of our backward integration strategy. It makes a good business proposition, and helps us expand our footprint. We are exploring opportunities in other African countries, too," says Ruchi Soya MD Dinesh Shahra.

Foreign direct investment from India is just under \$4.4 billion or Rs 20,240 crore as of now, and is

expected to hit \$5 billion or Rs 23,000 crore by year-end, according to Bhagwant Bishnoi, the Indian Ambassador to Ethiopia. Agriculture dominates the investments, although there's no breakup available. Entrepreneurs like Karuturi, however, embody India's ascendance in agriculture in Africa. Indian investors exploring farming opportunities in Ethiopia make it a point to consult him. He admits he actively bats for Indian investments in Ethiopia and the rest of Africa, and reasons that increased investments mean increased clout for Indian entrepreneurs in the region.

"In fact, I advised an investor not to approach the government for land. I offered 100 acres from my possession," he says. Africa seems to have it all — an ability to address a food crisis as well as the ability to satiate entrepreneurs' hunger for returns.

WHY ETHIOPIA?

- Has diverse agro-climatic conditions
- The fastest growing African nation not dependent on oil
- Political and social stability have helped Ethiopia attract foreign investment
- Of the total land area of 113 million hectares, about 56 per cent is suitable for cultivation. But only 14.8 per cent is under cultivation now.
- Abundant agricultural land and water allows for cultivation of a variety of food and cash crops

— *Additional reporting by E. Kumar Sharma*

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