The SAIS CHINA★AFRICA RESEARCH INITIATIVE at Johns Hopkins University

POLICY BRIEF

CHINESE AGRIBUSINESS ENTREPRENEURSHIP IN AFRICA: CASE STUDIES IN GHANA AND NIGERIA

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Agriculture is an important area of Chinese economic engagement in Africa. Since the 1960s, China has provided aid, sent experts, and trained African farmers. However, there is still little empirical research on recent Chinese agribusiness investments in Africa. Drawing on case studies of a private Chinese agribusiness enterprise in Ghana and a Chinese state-owned enterprise in Nigeria, this brief explores the motivation, challenges, and initial social impact of Chinese agricultural investment in Africa.

China is a traditional agricultural society and has accumulated extensive agricultural knowledge and experience. However, shrinking arable land and declining farming populations have prompted the country to increase overseas farming in recent years. According to statistics cited by Chen, et al. (2009), 40 major Chinese companies engaged in agricultural investment and cooperation in over 30 countries and regions outside China, with a total value of about US$2.43 billion.[1]

In Ghana, agriculture has historically been an important area of Chinese engagement, and the two countries have enjoyed a close diplomatic relationship since Ghana's independence in 1957. Since the 1960s, China has delivered complete projects, sent agricultural experts, and trained African farmers. One of the most famous early projects in Ghana was the Afife irrigation scheme completed in 1983. More recently, China has encouraged investment in agribusiness projects in conjunction with its aid programs, leading to the creation of more than 20 agricultural demonstration centers.

Agriculture is the mainstay of Ghana's economy, contributing about 40 percent of its gross domestic product (GDP), yet ***foreign investment in this sector has traditionally been very limited.*** According to quarterly reports from the Ghana Investment Promotion Center, from 2000 to 2008, Chinese investment in Ghanaian agriculture was US$4.7 million, representing only about three percent of Ghana's total foreign direct investment, and only two percent of China's overall investment in the country.[2]

Although Chinese investment in Ghanaian agriculture is still relatively limited, private Chinese farms in Ghana have begun to flourish since 2009. As of 2012, there were at least four private Chinese farms in operation. These farms are quite small in terms of land area and scale of business, and they predominantly grow Chinese vegetables such as winter melon and cabbage. All of these farms primarily supply local Chinese customers, and their social impact is fairly localized.

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In contrast to the small-scale entrepreneurial model of Chinese agricultural investment in Ghana, the Green Agricultural West Africa Ltd. (GAWA) Farm in Nigeria enjoys support from the government and offers a new model of Chinese agricultural investment in Africa. This investment has a wider impact than the burgeoning farms in Ghana, and may offer an example for replication in other African countries.

The research presented here uses these two cases to examine the motivation, challenges, and social impact of Chinese agricultural investment in Africa.

GHANA: AFIENYA COMMERCIAL FARM

Mr. Lee was originally a farmer and agriculture technician from China's Zhejiang province. His company now owns two of the four privately-owned Chinese commercial farms in Ghana, and his enterprise is the largest and most successful. He initially learned about the business opportunities in Ghana through friends, and in November 2008, he and another technician arrived in Ghana to explore commercial farming prospects. He has since brought about twenty family members and relatives from his home village to Ghana.

Mr. Lee's motivation for establishing farms in Ghana was to serve the rapidly growing demand for Chinese vegetables in the country. In addition to the two farms, his company also owns three of the eight Chinese grocery stores in Ghana. The grocery stores provide vegetables and pork produced from his own farms, as well as foodstuff he imports from China.

Afienya Farm

After a long process of searching for land and registering his business, Mr. Lee chose Afienya as the location of his first farm in 2010. He was approached by a Ghanaian who claimed to be the landowner, and he leased a 13 acre plot for GHS 20,000, or about US$6,000. However, that man turned out to be a fraud; a Ghanaian government official later informed him that the land was actually government property. After lengthy negotiations, Mr. Lee was able to lease the land on a 50 year term for about GHS 6,000 per year. The price is relatively low because the land is located in a flood area.

The Afienya Farm is located about ten miles northeast of Tema along the reservoir between Afienya and Dawenya. In order to prevent flooding, Mr. Lee dug trenches and built a levee around the farm. Mr. Lee says it is more difficult to farm in Ghana than in China due to different weather conditions. Vegetables are highly susceptible to pests and rotting during the rainy season, and it is even harder in the dry season.

The Afienya Farm is relatively small, and thus uses only moderate amounts of technology. The farm has two small tractors and a medium-end drip irrigation system, all imported from China. The farm hires bigger tractors from Ghanaians to plow the land, and then uses smaller Chinese tractors to do more refined plowing. The maintenance of the tractors has been a major challenge since the Ghanaian workers who operate them do not know how to repair them.

RESEARCH METHODS

Data were collected through on-site observations and interviews in both Ghana and Nigeria, as well as published reports. The researcher initially visited Afienya in 2010, and returned for follow-up interviews in 2011 and 2012. Semi-structured interviews were conducted with Mr. Lee, the manager of his grocery store, and his relatives and staff employed on the farm, as well as with Ghanaian workers. Interviews focused on obtaining insight into three main areas: (1) personal demographic details and individual motivations; (2) major challenges to agribusiness in Ghana; and (3) the contribution of Chinese agribusiness to local markets.

Mr. Lee's cousin and her husband are in charge of the Afienya Farm. Other Chinese on the farm include two of their brothers, as well as a technician and his wife. The farm also employs sixteen Ghanaians. The Chinese are responsible for seeding, irrigation, fertilizing, weed control, and harvesting. Some Ghanaian workers receive training to do these jobs as well. Local employees work eight hours a day and six days a week.

Communication between the Chinese and the local workers is difficult since, for the most part, the Chinese do not speak any English. The only Chinese person who can speak some English is the chief agricultural technician. Chinese farmers give instructions primarily through gesturing and demonstrating to Ghanaian workers.

The working conditions on the farm are quite harsh. The Chinese farmers live in a wood hut they built themselves. During the first few months of operation, they had no electricity and no tap water, and endured burning sun, mosquitoes, and biting ants.

Major Obstacles

Chinese entrepreneurs are at a disadvantage when trying to acquire land in Ghana. Many have limited knowledge of the land policies and traditional land processes in Ghana, which often involve confusing rules and explanations. In addition, it can be difficult to find the right person to approach to secure a plot of land. Like Mr. Lee, many Chinese entrepreneurs searching for available land rely on well-connected veteran Chinese businessman.

Mr. Lee wants to expand his farming business in the future to grow rice, but he is still looking for suitable land. After the legal disputes over land ownership that he dealt with during his previous land acquisitions, he reflected:

> *"It is really complicated to find a clean title land to lease in Ghana. When a Chinese lease[s] or [buys] some land from a Ghanaian, the landowner's siblings [will] suddenly show up and make claims. We...learn[ed] that it is extremely important to thoroughly check the land title before signing any lease and a clean titled land is very rare nowadays. If we [are] involved in a land ownership dispute, it is likely to drag us into [a] long-term lawsuit. We, as foreigners, do not have the resource[s] and time to win such cases."*

Mr. Lee's Contribution

According to Mr. Lee, he is providing the local market with a greater variety of high-quality vegetables. About 85 percent of the customers at his grocery store are Chinese, including major Chinese restaurants; five percent are Ghanaian, and the rest are Europeans and expatriate residents from other countries.

Small farms such as Mr. Lee's have also brought Chinese technology and techniques to the Ghanaian agriculture sector, and have provided training for local workers. In the long run, this may inspire Ghanaian small-scale enterprises to engage more in commercial farming.

Finally, these small farms have created local jobs. The Afienya Farm employs eight Ghanaians and two Togolese. Mr. Lee's other farm, Kumasi, also employs eight Ghanaians.

Land Acquisition Experience of Chinese Entrepreneurs

Although large-scale land acquisition by Chinese companies in Ghana has not been extensive, their experiences share a number of similarities. First, the Chinese company typically consults with an intermediary, usually a Ghanaian, to inquire about available land. The Ghanaian government provides Chinese state-owned enterprises (SOEs) with information about government-owned land; private Chinese entrepreneurs rely more on resourceful Chinese businessmen or Ghanaian intermediaries. The intermediary shows the land to the Chinese company and arranges a meeting between the latter and the landowner. The involvement of an intermediary assures the land buyer of the genuine ownership of the land. The Chinese company negotiates terms and price with the landowner, and pays rent to the landowner. The price is usually calculated based on the size of the plot rather than the length of the lease. Finally, the local chief produces a new indenture as requested by the seller of the land, writes the name of the Chinese company on it, and gives the new indenture to the company.

NIGERIA: THE GREEN AGRICULTURAL WEST AFRICA LTD.

Figure 1: GAWA holding a workshop in Warra for local farmers on seed production and storage

Photo: Yang Jiao, courtesy of GAWA

The Green Agricultural West Africa Ltd. (GAWA) is a registered seed company that was formed by China Geo-engineering Construction Overseas Corporation Nigeria (CGCOC). GAWA represents a new collaborative model between China and African governments, involving African agricultural support programs, Chinese agricultural enterprises, well-established Chinese engineering contractor corporations in Africa, and local farmers.

Founded in 2002, CGCOC is a Chinese engineering contractor corporation that focuses on the African market. The two major shareholders are Sinopec and China Geo-Engineering Corporation. CGCOC operates in over 10 countries in Africa in sectors such as engineering construction, trade and leasing, investment and operation, and agency and consultancy.

CGCOC Nigeria has extensive engineering contractor experience and has committed itself to agricultural development since 2005. In 2006, CGCOC obtained 2,025 ha of land on a 99-year lease from the Kebbi state and established GAWA. In 2008, it formed a partnership with Yuan Longping High-tech Agriculture Co. Ltd. and made seed production its primary business goal. Other business focus areas include agricultural trade, the supply and installation of agricultural processing equipment, and international trade in agricultural processing equipment. After several years of research and experimentation, GAWA was registered as a certified seed company under Nigeria's National Agricultural Seeds Council in 2010, and thus became qualified to engage in seed production, processing, and marketing in Nigeria.

Based in Warra, next to the Kainji reservoir, GAWA currently grows 400 ha of rice during the rainy season and 100 ha of rice in the dry season. GAWA is also experimenting with growing maize and millet. It has partnered with Shandong Denghai Seeds to develop hybrid maize, and with the Millet Institute of the Institute of Agricultural and Forestry Sciences in Hebei to develop hybrid millet. GAWA has also obtained 54 ha of land near Abuja where it plans to build an agricultural industrial park. It will demonstrate hybrid rice and maize development, horticulture, ecological farming, agricultural processing equipment and trade.

GAWA has three ongoing businesses:

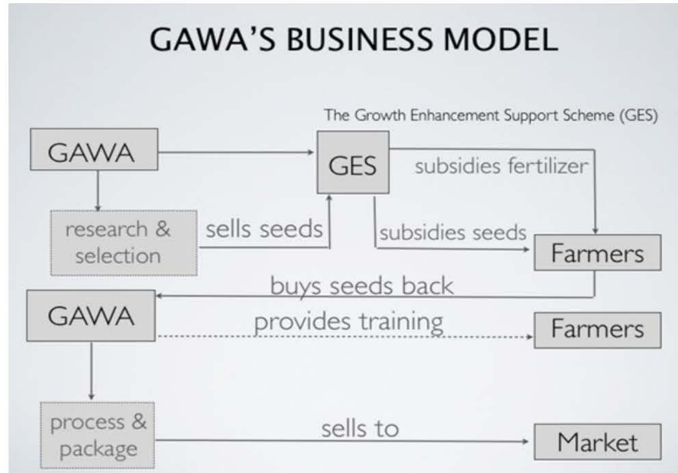
(1) In the first—and most developed—model, ***GAWA sells its rice seeds to Kebbi state.*** Kebbi state then subsidizes these seeds to provide them for free to local farmers who have registered their names into a national database. While providing training on seed production and storage at several outgrower centers, GAWA will buy back the rice from participating local farmers. In the end, GAWA processes and packages these seeds and sells them to the local market (see Figure 2).

(2) The second business conducts ***research and breeding*** for hybrid rice, hybrid maize, and hybrid millet brought from

China. Through the outgrower program, GAWA has become part of Nigeria's Growth Enhancement Support program. Local farmers who participate in this program receive training and their costs of production decrease. At the same time, GAWA sustains its operations through selling seeds to the government and local market.

(3) The third model focuses on ***marketing*** Chinese agricultural processing equipment. By partnering with GAWA, Longping High-tech, Shandong Denghai Seeds, and Hebei Millet Institute have gained a well-established partner who is familiar with African markets and has an advantage in both infrastructure inputs and human capital. Such a partnership thus helps them fulfill their "Go Global" goal of exporting Chinese technologies.

Figure 2: GAWA's business model



Source: Yang Jiao

POLICY LESSONS AND RECOMMENDATIONS

The cases in Ghana and Nigeria represent two different models of Chinese agricultural investment in Africa (see Table 1):

- ***The Afienya Farm in Ghana is a typical small-scale entrepreneurship that relies on family networks, local contacts, and has had a difficult time acquiring land.*** The farm has created jobs and facilitated knowledge transfer, but its social impact is relatively small and localized.
- ***In contrast, in Nigeria, the Chinese participate in government agricultural programs and enjoy a good relationship with the government through engineering contract works.*** This public-private partnership helps reduce land conflicts between the Chinese and local communities in Nigeria. Compared to the Afienya Farm, CGCOC has a larger social impact in terms of job creation, seed production, and knowledge and technology transfer. According to GAWA's manager, CGCOC also aims to export Chinese agricultural technologies to and replicate this model in other African countries in the future.

Table 1: Comparing the Afienya Farm and GAWA

	Ghana: Afienya Farm	Nigeria: CGCOC and GAWA
Investor	Individual – farmer	Chinese SOE – an engineering contractor company in partnership with agriculture companies in China
Size of Operation	Small-scale – less than 30 acres	Medium/large – more than 500 hectares
Land Acquisition	Difficult – rely on local contacts	Relatively easy – government lease
Policy Support	No	Yes - through government agricultural development programs
Impact	Limited to the local Chinese community and creation of local jobs	Regional and national through government programs
Goal	To expand its capacity to provide food for urban markets in Ghana	To engage in full-fledged seed production, to export Chinese agricultural technologies, and to replicate this model in other African countries

Regardless of the model utilized, agricultural investment is actually a relatively small percentage of China's overall investment in Africa. For example, Chinese agricultural investment in Ghana has been quite limited, despite the fact that it has a long history of providing agricultural aid to the country. ***Why is this?***

- According to a manager of a Chinese SOE, agricultural investment requires a large amount of capital investment and capital turnover is quite long. Consequently, only SOEs have the capacity to invest in large-scale agribusiness projects. However, most Chinese SOEs in Ghana operate in the construction sector; few are interested in agriculture from a strategic development perspective.

- Another reason for the relatively limited Chinese agricultural investment in Ghana is the lack of consistent and comprehensive government support for agricultural development. In contrast, the Chinese in Nigeria seem to have the support of the Nigerian government, which allows them to have a wider impact and grander goals of expansion.

One of the main challenges in land acquisition in Ghana is identifying the rightful owner from whom to lease a plot of land. In response to this challenge, Chinese companies have devised a number of strategies:

- To avoid legal disputes over land ownership prior to acquiring land, Chinese buyers can seek to verify land ownership through the Land Commission. However, not all land is registered at the Land Commission. Chinese companies generally consider such land to be more risky investments, and therefore prefer family land or stool land (chief's land).

- Another strategy to find the right owner is to build a perimeter wall around the land before undertaking any infrastructure construction. Usually the genuine owner will appear once work is underway on the land.

Moving forward, a number of reforms can help encourage further investment in the Ghanaian agriculture sector:

(1) Further ***land policy reform*** is needed to reduce risk for foreign investors in agriculture. Not all land titles are properly registered in Ghana's land ownership system, and the risk of being involved in land ownership disputes is still high for foreign investors. In addition, compensation for local farmers in large-scale land acquisitions must be better enforced.

(2) Agriculture ***infrastructure*** should be improved to attract more investment. In Nigeria, an established Chinese construction company (CGCOC) has used its expertise in infrastructure and joined forces with agriculture companies to make agricultural investments viable. Such partnerships between Chinese companies can help to advance agricultural investment in Africa.

(3) Finally, the model of Chinese ***agricultural entrepreneurship*** in Ghana, combining production and distribution of food and produce for local markets, should be used as an example for Ghanaian entrepreneurs.

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