



# When companies meet communities: Is this what friendly commercial farming looks like?

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### When companies meet communities: Is this what friendly commercial farming looks like?

Some say the agribusiness Gadco's presence in eastern Ghana is the best thing that's ever happened in the region. Others fear that there are accidents waiting to happen.

By [James Wan](#)



Small-scale farmers in the Volta Region, Ghana, drying their paddy for processing. (Photo by James Wan)

### Sogakope, Ghana:

In the shadow of a small warehouse in the verdant Volta Region of eastern Ghana, Zikpuitor Awuku Atakli, the chief of the local Fievie community, is leaning casually against the side of his Nissan sedan.

He stands with one arm stretched across the top of the open door and looks around as a young employee from the agribusiness [Gadco](#) heaps a 50kg bag of rice onto the passenger seat. Not having to buy rice is one of the perks of Gadco's presence in the area, Atakli explains with the faintest hint of a smile before signing a piece of paper that another employee is tentatively holding in front of him.

As chief of the Fievie – a people largely made up of small-scale farmers living in scattered villages across this region's gentle valleys – Atakli has been the community's main negotiator with Gadco. The firm began growing rice on Fievie-protected land 3 years ago, and relations between the company and community are currently very good.

"Gadco is the best thing that has ever happened to us as a people," insists Atakli proudly, attributing this partly to his strong leadership and principled approach in negotiations. "Subjects have an inherent right to the land and you cannot deprive a subject of his property unless he consents, no matter how profitable the company may be," he says.

Atakli has good reason to emphasise this point. [Stories](#) abound in Ghana of foreign agribusiness acquiring the rights to vast swathes of land, [uprooting](#) locals from their ancestral homes, and building closed-off farms whose produce barely falls to the ground before it is whisked away in huge clattering trucks. These arrangements don't drive local development so much as displacement – a fate that Atakli was adamant would not befall the Fievie – and can also come back to haunt the companies that make them.

In fact, just down the road, the abandoned husk of Prairie Volta Limited (PVL) sits silent and motionless like a real-time cautionary tale of how easily things can go wrong. In 2008, it too had the big idea of growing rice, and its plan to cultivate thousands of hectares as part of a large-scale commercial farm was heralded as being the solution to Ghana's rice woes. However, land disputes quickly [flared up](#), only a [fraction](#) of the rice projected was ever grown, and the company soon plunged into [debt](#). Today, it grows little more than weeds, and its impressive processing plant and equipment sit rusting behind a padlocked metal gate.

Fortunately for Gadco and the Fievie, their experiences over the same period could not have been more different to their rival's down the road. While PVL was failing to meet targets and sinking into debt, Gadco was growing slowly but steadily. While PVL was getting caught up in clashes over land rights with locals, Gadco was

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successfully winning hearts and minds. And although Gadco's operations didn't start with a bang like Prairie Volta's, it has not succumbed to a whimpering end yet either.

In fact, observers are now starting to point to Gadco's project as an exemplar of how agribusinesses can be made to work, and last February, Ghana's newly-appointed agriculture minister spent his very first day in office [touring](#) the company's operations and celebrated the project as an example that ought to be replicated across the country.

But how did Gadco manage to avoid the fate of so many of its predecessors? And is everything really as rosy as it seems?



#### Children on a tractor

*Children ride on the back of a tractor going through paddy fields in the Volta Region, Ghana.*

Gadco was founded in the wake of the global financial crisis when Toks Abimbola and Iggy Bassi, two former high-flyers in the City of London, found themselves itching for a new challenge. They joined forces and – based on their sets of skills and experience – decided rice farming in West Africa was the path for them. At least from a business perspective, it doesn't take a former investment banker to see why.

Rice consumption in the region is booming. Driven by rising incomes and changing lifestyles, the traditional staples of yams, plantains and cassava are increasingly being left in the past, while rice is seen as the food of the young, of the urbanised and of the future. In Ghana, yearly per capita [consumption](#) in 2001 was just 17.5 kg; ten years later in 2011, it had more than doubled to 38 kg; and by 2015 it is estimated to have accelerated to 63 kg.

At the same time, domestic supply is seriously lagging behind this soaring demand. West Africa doesn't produce nearly enough paddy to meet its own consumption, and governments have to [import](#) millions of tons of rice each year from Asia to make up for demand. Not only are these supplies being cut back as consumption in Asia also increases, but this dependency on international markets soaks up precious billions in foreign reserves and leaves populations vulnerable to global food price shocks. In 2007-8, for example, rice prices skyrocketed due a [perfect storm](#) of speculation, protectionism and panic-buying around the world; social tension simmered in West Africa, and after the turmoil finally settled, several governments in the region moved rice self-sufficiency even higher up their lists of [priorities](#).

For these reasons and more, Abimbola and Bassi saw that rice could be a potentially lucrative venture. They picked Ghana – one of the most stable and business-friendly countries in the region – and identified the east of the country – through which the mighty River Volta flows and where the government's irrigation schemes are concentrated – as the most promising site for their endeavour.

For many, the next step might have been to acquire a big piece of land, but Gadco was wary of starting down that path, especially given the growing activist push back against foreign companies leasing vast tracts of land – occasionally rivalling the size of entire countries – at absurdly low prices – sometimes as little as [50 cents per acre](#) for 99 years.

These arrangements can of course be highly attractive to profit-hungry business on paper, but Gadco was aware that they can also provoke local animosity, attract the ire of international campaigners, and ultimately lead to the demise of the companies that made them.

"Lots of big businesses have been caught out in so-called land grabs," says Bassi. "They have irresponsible engagement models, destroy reputations, and fundamentally long-term shareholder value is affected. Why would we want to go into large-scale farming in Africa when it has failed so miserably?"



#### Drying rice

*Small-scale rice farmers dry their paddy for processing.*

Instead of going into huge-scale commercial farming therefore, the Gadco team hoped to follow a more sustainable and less controversial model.

Firstly, they decided to set up just a relatively modestly-sized farm, and rather than leasing the land for it, hoped to find a more inclusive agreement. The company began by seeking out communities with whom it thought it could develop a long-term partnership and eventually came across the approximately 10,000-strong Fievie people led by Atakli.

Following some early bumps in the road, a deal was agreed. For the first harvest, Gadco would gain access to 300 hectares of Fievie-protected land in return for 2.5% of the farm's gross profits.

Unlike a lease for a set fee, this arrangement tied the fortunes of community and company together; greater profits for the farm would mean greater profits for the Fievie. All costs and expenditures were to be made publicly available, and the money paid to the community would be deposited into a special account to be used exclusively on local development projects. Meanwhile the handful of people displaced from their land would be compensated and given one hectare of the commercial farm on which to grow rice themselves.

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Also built into the plan was a spirit of cautious growth. The initial 300 hectares was just a tentative first step, and if everyone was happy after the first harvest, more land would be made available. If things continued to go smoothly, Gadco would gain access to 5,000-6,000 hectares, while the returns to the Fievie would also be renegotiated upwards.

The second part of Gadco's grand plan was to supplement production from this nucleus farm – which even at an 6,000 hectares would be small by most commercial standards – by working with smallholders in the region as part of an outgrower scheme.

Rather than relying on a big commercial farm to grow all the produce itself, outgrower schemes allow companies to tap into the productive capacity of existing smallholders. Firms support local farmers by providing things such as seeds, fertilisers and technical assistance, and then buy the crops the smallholders have produced after the harvest.

"Instead of investing in land – which is problematic for many well-documented reasons – these models of African agribusiness invest in people," explains Jane Harrigan, professor in economics at the School of Oriental and African Studies (SOAS), University of London.

As well as allowing agribusiness to side-step the potential controversies involved in acquiring lots of land, outgrower schemes also require considerably lower capital investments than building a huge centralised farm, and labour costs are reduced as labour is essentially outsourced to the smallholders. Meanwhile, those smallholders stand to benefit through improved access to credit, markets and expertise.

For many of Ghana's struggling rice farmers, it was exactly this kind of help they needed, and for those approached by Gadco, the company's promise of credit-free inputs and a guarantee to buy the farmers' rice at market prices was warmly welcomed. Many complained of previously having to borrow at 50-100% interest rates from local moneylenders to buy inputs and lamented their lack of access to markets which left them open to exploitation from rice buyers.

To date, Gadco has recently completed a successful pilot project involving around 500 smallholders, and the aim now is to scale up to 5,000 farmers in the next few years.

With each smallholder running a farm of an average size of one hectare, the outgrower scheme could mean Gadco gets an extra 5,000 hectares worth of production, 5,000 struggling farmers get the support they've long dreamed of, and 5,000 households in the region receive a significant financial boost.

While outgrower schemes are far from new – for example, they have long been common in tea plantations – it is because of developmental possibilities such as this, as well as concerns over other types of farming, that these models are increasingly being endorsed by the likes of the UN.



#### Processing plant

*Gadco's processing plant under construction.*

However, for all the potential advantages of outgrower schemes, they have had mixed results. Several have been scuppered by the same difficulties that face all forms of agriculture – getting margins right, knowing the market, understanding the environment and so on – while many others have failed because they did not take enough care in learning their smallholders' specific contexts.

As Nigel Poole, a researcher in agrifood systems at SOAS, explains, "Africa certainly needs innovative models for linking smallholders with business, but the key is understanding the farmers and their livelihoods, hopes, fears, capacities, motivations and commitment. It involves the economics of business, but also so much more."

Indeed, outgrower schemes need to be highly sensitive to the specific challenges and hopes of their smallholders, which can vary dramatically from place to place. If the particular farmers being targeted are not interested in the programme, the scheme will never get off the ground; and if farmers do join but aren't happy with it, they will withdraw and the whole thing can quickly unravel.

"Farmers enter the relationship with us completely freely so the only way we can keep farmers loyal to us season after season is to make sure the system works for them," explains Bassi.

As well as offering interest-free credit and a guaranteed market therefore, Gadco also provides its smallholders with technical assistance and ensures farmers are given a clear run-down of all the costs and how they are calculated when they are paid.

This approach seems to be paying off. Although a few farmers who spoke to Think Africa Press had minor concerns at the end of the pilot, they all nevertheless expressed general satisfaction.

"I don't know what the future holds, but the experience with Gadco has been very good so far," says Eric Glate, one of the smallholders involved. "Before they came in, I had lots of problems with growing rice, but now Gadco is helping me out of poverty. I like them a lot."

Enyonam Ankutse, another farmer in the pilot scheme, was similarly hopeful though more cautious.



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"This is the first time. There are some things we don't fully understand yet like the weighing issue," she says, referring to the way in which Gadco deducts the weight of chaff and extra moisture when calculating what to pay the farmers, "but everything else is very good."

Regarding the other part of Gadco's model – the commercial nucleus farm – arrangements have also gone relatively smoothly. The farm has expanded from the initial 300 up to 1,000 hectares, and the Fievie's 2.5% revenue share has gone towards upgrading street lighting, building a school block, providing furniture for a kindergarten, and buying a set of drums for a local youth group.

"Before Gadco came here, our development was lagging behind," says Atakli, "but now many things have improved and we're currently talking to Gadco about them helping us build a water pipeline."

"It may be true that some in the community may not have benefited directly," he admits, responding to the fact that some poorer Fievie were sceptical about Gadco's presence, but adds, "everyone cannot benefit at the same time, and although they don't have direct income flowing into their pockets, they are certainly benefiting indirectly through our community development."



Tractor

*Looking across a neighbouring farm to Eric Glate's.*

However, while happy smallholders and happy landlords make a happy Gadco, not all who spoke to Think Africa Press were as positive as the Fievie leadership and the company's smallholders.

Labourers who were working on Gadco's nucleus farm complained that their boots and equipment were shoddy and that their requests for replacements had fallen on deaf ears. Some who had migrated from other regions of Ghana claimed that the company had failed to provide accommodation as expected, and many said that their wages of 9 cedis a day (\$4) was lower than what they had earned doing the same job elsewhere.

Some also complained that the transportation to take them home at the end of the day was insufficient, and that although one of the perks of the job was that Gadco allowed them to buy some of company's rice at a subsidised price, there wasn't any available. When put to Bassi, he said he would raise these issues with his team and recently reported that some new equipment has been provided.

Nevertheless, the complaints of Gadco's labourers – the one group the company can most easily replace and so arguably doesn't need to try as hard to please – doesn't reflect well, and some might be concerned that although other parties seem happy for now, the more the firm grows, the more it will be able to leverage its power to squeeze greater profits from those other groups too. There is a fundamental power imbalance between Gadco and its small-scale farmers, for example, which will only increase as the company develops a stronger monopoly on inputs and markets.

Bassi, however, vehemently rejects the possibility that Gadco might start changing its practices just because it can. "We're not tree-huggers, but we're not going to go chasing profit in ways that are irresponsible," he says. "We're not going to Africa to farm just for the sake of farming. We want to do it in an inclusive way and we are also trying to move the needle on poverty."

In fact, Gadco's website is full of talk about "sustainability", the need to "transform livelihoods", and the company's "triple bottom line" of financial, social and environmental returns. "We want to make profit and a positive social impact as well," insists Bassi.

These are all undoubtedly positive sounds and, riding on the trend of corporate social responsibility, they have become more common amongst businesses. Bernd Mueller, rural employment specialist at the UN's Food and Agriculture Organisation, welcomes this and emphasises the importance of agribusinesses driving development under such principles, but he also warns against taking mere talk at face value.

"In rhetoric, you see this very often now," he says, "but whether social and environmental goals are actually being fulfilled and whether they are seen to be equal to the drive for profit – and make no mistake about it, private business is ultimately about profit – is another matter."

For example, before joining the UN, Mueller researched rural wage employment on farms across East Africa, one of which, he recalls, branded itself heavily on being socially engaged in contrast to the reality on the ground. "They were the complete opposite of what they painted themselves as – they paid very low wages compared to other employers in the industry, the working conditions were appalling, and there were even reports that social funds were misappropriated," he says. "There are also examples of some very decent employers in the industry, but this shows that there is a huge potential for exploitation. In a situation with limited regulation and oversight, a lot depends on the genuine good will of the investor."

Gadco does not refute this last point. "Personal objectives are fundamental to our inclusion of social goals," admits Bassi, before pointing out that Gadco has also integrated ethical safeguards into the firm's architecture.

The company's board includes a mixture of business-minded and development-oriented people; its chairperson, for example, is Lord Mark Malloch-Brown, the UN's former number two under Kofi Annan. And in setting up the outgrower scheme, Gadco deliberately sought partners from the development world – such as

the Syngenta Foundation for Sustainable Agriculture, the [Alliance for a Green Revolution in Africa \(AGRA\)](#), and the World Bank – as well as private investors.

These safeguards are no doubt promising, though again, their actual significance should be approached with a degree of caution. The World Bank, for instance, has supported several projects that campaigners say [fail](#) to take full account of social and environmental concerns; the Syngenta Foundation is linked to the [much-maligned](#) agrochemical giant Syngenta; while AGRA – which is in fact chaired by Annan himself – has been [accused](#) of being a shield for biotech corporations and of undermining the sovereignty of local farmers.



#### Paddy field

*Julius Ameku, Gadco's community manager, gazes across the company's nucleus farm.*

For many observers, however, the biggest danger faced by those involved with Gadco is not so much that the firm will start acting in an intentionally malign manner. Rather, they fear that as this one company integrates itself into so many locals' lives, the potential fallout if there are any setbacks – or if the firm collapses completely – could be huge.

"It bodes well the farmers seem very happy, but we also need to see what happens if things go wrong," warns Harrigan.

This is particularly true regarding the smallholders. Indeed, one of the main dangers with outgrower schemes is that while they may provide an excellent opportunity for smallholders, they can also heap all the associated risks on those farmers too. "Sometimes what these outgrower schemes are doing is transferring all of the risks to the farmer so the commercial entity doesn't have to bear any," says Harrigan.

When everything is going well, everyone is happy; but when things go badly – for example, if there is a crop failure or shock in international markets – smallholders still have to repay the costs of inputs, even if they have produced nothing or made no profit at all. If the farmers were wage labourers on a commercial farm, they would still go home with their salaries while the company would pay the costs of a failed harvest. But under an outgrower arrangement, it is the company that is protected from losses, while smallholders are the ones that stand to take the hit of a bad season.

On a larger scale, there are also concerns about what might happen if Gadco were to fail completely once it had integrated itself in the region. Smallholders who had put their trust in the firm would lose their links to inputs and markets, while the implications for the broader local economy could be disastrous.

"There is an issue of insecurity due to dependence," says Mueller. "Power relationships can be very unilateral, and while the initial agreement might be very positive and beneficial on many fronts, the problem could be that if anything goes wrong, it goes wrong for a lot of people who have no safety nets."

Indeed, despite the firm's strong emphasis on sustainability, Bassi concedes that the possibility of Gadco collapsing can never be ruled out, though he rejects the notion that the company would leave a decimated and abandoned community in its wake.

"Even if Gadco falls tomorrow," he says, "that transfer of knowledge – that professionalisation, commercialisation and change of mindset in farmers – has already happened, and that's really significant in the potential performance of that farmer in the future – whether that future is with Gadco or not."

He also points out that thanks to the Fievie's development projects, paid for by their revenue from the Gadco nucleus farm, the community would be left in better standing than before Gadco appeared on the scene.

Indeed, true sustainability refers not just to the longevity of a company's presence, but what it leaves behind.



#### Zikpuitor

*Zikpuitor Awuku Atakli leans against the door of his car by the Gadco offices.*

Back in the shadow of Gadco's warehouse, Atakli is expounding the importance of ensuring its deals with the company are "equitable" and "people-centred" rather than "individual-centred." To guarantee this, he describes how the Fievie's open communal meetings where agreements are discussed are "purely democratic."

"We allow the people to ask any questions they want and we have to give clarifications," he says. "After all, I am just a trustee; we are all just trustees in charge of the community's resources. It's not my land, it is our land. And whatever I do, I have to account for it."

Atakli reveals that he is highly sceptical when it comes to unfettered market forces, revealing that he's a proud reader of the left-leaning UK newspaper The Guardian. "I know that if you don't stand up to companies, they will take you for a ride," he warns.

But at the same time, the Fievie leader also asserts, more than once, that Gadco's presence has transformed the region for the better. He recognises that the road ahead could be bumpy and strewn with risks, and acknowledges that Gadco is ultimately a profit-making venture following the dictates of the market, but he nevertheless concludes:

"I'm certainly not a big pro-capitalist, but I know that if we allow this company to develop, in 5 or 10 years, things will be so different to what they are like now."

*The trip for this article was organised by the [Guardian's International Development Journalism Competition](#) and was hosted by the [Syngenta Foundation for Sustainable Agriculture](#).*

*Photographs by James Wan.*

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