PLOUGHING IN AFRICA: THE STORY OF A CHINESE SISAL FARM IN TANZANIA

By Chen Xiaochen

First published in Chinese in *China Business News* on 21 May 2013

CHEN XIAOCHEN is a senior journalist on international affairs at the Shanghai-based newspaper *China Business News*, and assistant director of the *China Business News* Institute. He has a Master's degree from Peking University and has worked as a journalist for over six years. He participated in the 2011 Wits China-Africa Reporting Project tour to Africa where he travelled the length of the Tazara railway over the course of a month. In 2014 he published a book in Chinese entitled *This Road for Africa: a Chinese Story of the Tanzania-Zambia Railway* about the experience. He is also the author of the book *US Rebalancing at the Next Stage*, in Chinese.

We set off early in the morning from Tanzania's economic capital, Dar es Salaam, and head west along the Morogoro road. 320 kilometres away, in the interior of the Morogoro region, is a Chinese-managed sisal farm.

Sisal is a perennial economic crop, the value of which lies in the sisal fibres found in its leaves. These fibres are not only used as the raw material for marine ropes, sacks and mats, but in recent years have gained wider uses as well, including as the core of the steel cables used in lifts in tall buildings and as the raw material for stainless steel polishing cloths.

At the end of the 19th century, German colonisers brought sisal from Brazil to Tanzania. Due to ideal climactic conditions, Tanzania quickly became known as the 'Kingdom of Sisal', with the Morogoro region becoming the major sisal-producing region because of the Central Line, a railway built by the Germans.

After a three-hour drive, we pass the regional capital of Morogoro and the roads begin to deteriorate. The four-wheel drive begins to buck with the road surface. After another two to three hours, a sign appears beside a large sisal field: China State Farm.

In the 1990s, the China State Farm group began to invest in farms in Africa. In 1999, it identified good market prospects for sisal. Therefore, China State Farm began to search for suitable farms overseas where sisal could be planted. It had technical support in sisal growing (China State Farm's associate enterprises have experience in growing sisal in Guangdong, Guangxi, and Hainan provinces) combined with the support of the Export-Import Bank of China (referred to below as China Exim Bank). Tanzania, the 'Kingdom of Sisal', was their first choice.

Wang Lusheng, 60, is the head engineer of the sisal farm, and was part of one of the first batches of employees sent over to carry out preliminary investigations. He remembers that at first they settled on another farm in Morogoro region, but had to abandon it after negotiations failed to yield a result.

Just as Wang Lusheng was returning home in disappointment, he ran into another Chinese person. This chance meeting created the sisal farm of today.

Hao Jianguo is currently the president of the Tanzania China-Africa Chamber of Commerce, and is acknowledged by the local Chinese community as an expert on Tanzania. In the 1970s and 80s, he worked in Tanzania for a decade, managing farms. In 1997, the heavily populated and land-poor Jiangsu province was the first to unveil the strategy of 'agriculture walking out'. Hao Jianguo, then working in the Jiangsu Provincial Commission of Agriculture, was sent to Tanzania again. At the end of 1999, he chanced to meet Wang Lusheng and his group when carrying out investigations in Morogoro. This tied his destiny to the sisal farm.

With Hao Jianguo pulling the strings, the former Tanzanian ambassador to France finally agreed to sell a total of 6,900 hectares of land and two mismanaged farms in Kilosa county and Rudewa township in Morogoro region to China State Farm for US$1.2 million. In common with many African countries, the state or the community possess the majority of Tanzanian land. Therefore, this so-called 'land purchase' is better described as a lease: the buildings and the right to use the land are leased.

In Tanzania, land could be leased out for 33 or 99 years. For instance, the leasing term for a sisal farm is 99 years. The farm owner must pay land-use taxes to the state, though the tax rate is low enough to be disregarded.

In addition to a land use permit, Tanzanian law also contains a 'de facto possession' regulation meaning that if the owner does not use a piece of land, the state or community has the right to take it back. Therefore, even if the landowner explicitly possesses the property rights, he could still lose the land due to poor management.

Using the sisal farm as an example, currently only around one fifth (1,381 hectares) of the total farm area of 6,900 hectares is planted. In late 2011, the Tanzanian Finance Minister M. Mkulo visited the farm on his campaign. Some local villagers complained that the Chinese had "occupied the land for over a decade without planting anything" and demanded the government return the land to the state and divide it among local villagers.

Mkulo refused this demand on the spot, instead praising the field management of the Chinese and China's development experience. He claimed that retrieving the land would scare off Chinese investors, which would then harm Tanzania's development.

Although the Finance Minister supported the Chinese, the risk of losing the land still bothered the Chinese on the sisal farm. If enterprises that have ploughed the land for over a decade worry about losing it, then the idea of 'overseas land banking' – buying land without farming it – is not even worth bringing up.

Arduous pioneering work

The farm is located in a grassy area in a forest. Underneath an eye-catching baobab tree are two old, ramshackle single-storey buildings – the dormitories of the Chinese managers. Behind the dormitories is thick forest. The Chinese people who live on the farm are therefore good friends with African insects.

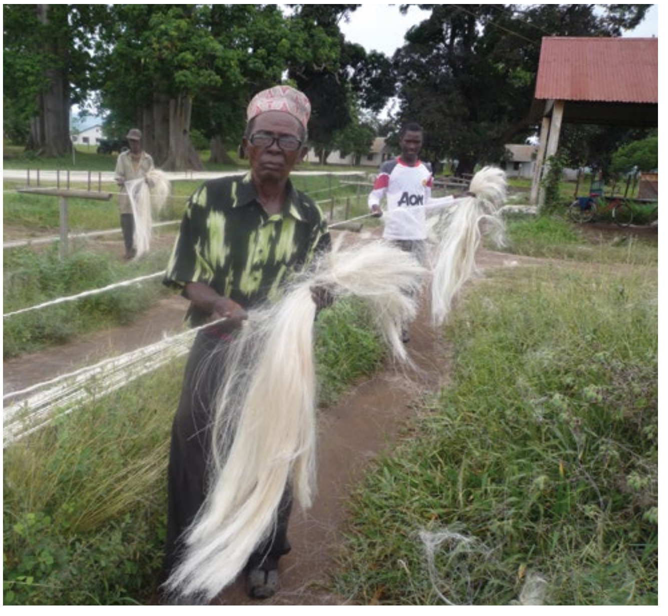
By 6 am, the general manager of the farm, Guan Shanyuan, is already out of bed. Making breakfast – fried chilli peppers – washing the dishes…he has to do everything himself. He even has to generate his electricity himself. "It's been over a decade, and conditions have always been very tough," he says.

At half past seven, the Chinese management team get in the vehicle to go to work, right on time. This happens nearly every day. Wang Lusheng says, "We don't really have days off. We work on Tanzanian national holidays. We even work on Chinese New Year's Eve."

Wang Lusheng entered this dormitory for the first time in March 2000. There was no water and no electricity, and he had to wash in rainwater. It was in these conditions that he put together the sisal farm's Chinese management team and started the arduous labour of the next decade.

Before this, the land had been unused for more than 10 years. The biggest difficulty in reclaiming it as farmland was clearing obstacles, including tall trees, thorny bushes, and weeds taller than a man.

In order to recultivate the land, the Chinese engineering and technical employees led local employees, toiling in the bushes for over six months. They cut down trees, removed grass, filled in ditches and flattened slopes. Finally, in the second half of 2000, just before the *mvuli* or 'short rain' season arrived, they opened up the first parcel of land. That year, they planted around 100 hectares with sisal.



Making sisal ropes at the Chinese sisal farm in Tanzania.

However, at that moment the funding supply was suddenly cut off.

Prior to this, the China Exim Bank had undertaken to provide the sisal farm with a US$9 million loan package. Hao Jianguo remembers that when they saw conditions on the ground at the farm, the China Exim Bank decided that the gap between reality and their expectations was too great. They adjusted their loan policy, requiring China State Farm to produce a security for the loan. However, at that time China State Farm lacked anything suitable to put up as security, and so from 2001 the funding supply was cut.

Sisal is a unique crop. As it grows, it must go through a 'juvenile period'. It must be nurtured carefully for three years after planting, during which time it cannot be harvested. This means that in these three years there is only the hard ploughing, without the reward of the harvest.

At that time, the farm was preparing to continue planting. Wages were not paid – only living costs. At the hardest time, even money for living costs had to be handed in and paid as wages to local employees in order to keep the farm running.

Even today, Hao Jianguo and Wang Lusheng are moved when they remember that arduous period.

In these difficult circumstances, the sisal farm's parent company moved funds from China State Farm in Zambiato, Tanzania. Combined with US$500,000 subsequently lent by the China Exim Bank, the situation stabilised somewhat. By 2004, the planted area had reached 1,000 hectares and the first batch of sisal was harvested.

After this, the farm gradually entered a period of stable development. In 2008, the farm's sisal fibre production reached around 1,900 tonnes, which not only balanced revenues and losses, but resulted in a slight profit. In 2011 production reached a peak of around 2,600 tonnes. At a price of US$1,100 a tonne, gross income reached around US$2.86 million.

In 2006 the third Forum of China-Africa Cooperation (FOCAC) summit was held in Beijing, which influenced the sisal farm deep in the African interior. In 2007, ownership of the sisal farm was transferred to the China National Agricultural Development Group Company (CNADC) in order to help implement the agricultural 'walking out' policy.

One result of the FOCAC summit was that China Development Bank funded and established the China-Africa Development Fund (CADF) in 2007. In 2010, CNADC and the CADF jointly established the China-Africa Agriculture Investment Company (CAAIC), and the sisal farm was brought under its ownership to become CAAIC Tanzania (however, it will continue to be referred to as 'the sisal farm' below).

By now, the sisal farm had already left its original agricultural system behind to become a market enterprise under the 'agriculture walking out' policy, supported by CADF. The farm itself now entered a period of stable development.

Currently the sisal farm ranks in the top three of the 32 sisal farms in Tanzania in terms of estimated value. In recent years, the total annual sisal fibre production of the whole of Tanzania has only been around 20,000 tons. The production of the CAAIC sisal farm accounts for around a tenth of this.

However, even after more than a decade of development, the sisal farm is still too small. Although its development has been stable, progress has been rather slow. The scale of its assets, turnover and profits are far smaller than other large enterprises involved in the 'walking out' policy.

Over more than a decade, the cumulative total investment in the sisal farm has reached around US$7 million, but the ploughed area only accounts for around one-fifth of the total farm.

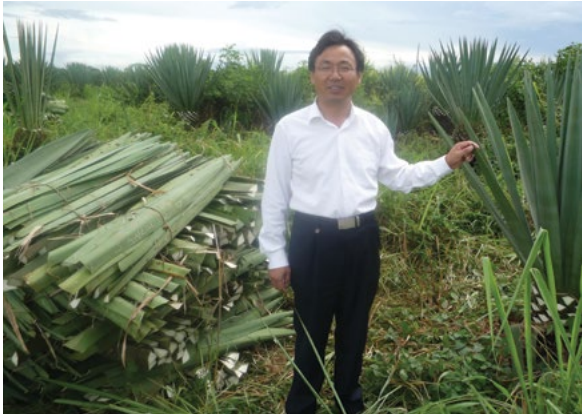
Evidently, it is not easy to operate a farm in Africa, and farming in Africa is not the cash cow that many suppose. The most challenging question is how to manage local employees.

Six people managing more than 1,000 employees

When our reporter visited the sisal farm, there were a total of six Chinese managers on the farm. In addition to the general manager, Guan Shanyuan, and the head engineer Wang Lusheng, there was also the secretary, financial controller, machinery manager, and general manager's assistant.

Sisal farming is a labour-intensive industry requiring the hiring of several hundred to over a thousand employees. However, under Tanzanian law there is a limit on the number of foreigners that can be middle managers or above. These six Chinese managers have to manage over 1,000 local employees. Evidently, they have to rely heavily on a local management team.

The 64-year-old head accountant, Mr Migeto, is a key figure in management. From 1990 on, he worked for the former owner of the farm, and knows the land like the back of his hand. The farm has also hired a team of five local middle managers – an HR manager, repairs supervisor, field supervisor, workshop director, and head of security.



General manager Guan Shanyuan.

Under them, foremen are responsible for helping to manage tthe fields as well as the workshop, warehouse, and other areas. There are four sisal harvesting foremen, two weed removal foremen, two decortication foremen and two sisal drying foremen. In addition, there are over 100 people employed in the finance, administration, warehouse management, machine repair, security and health aspects of the business.

These people make up the sisal farm's local management team. They have signed an employment contract with the sisal farm and are formal employees. Their salary and benefits are clearly stipulated in their contracts. Most are paid a fixed salary with a certain results-based bonus.

In addition to the formal employees, the farm employs temporary staff, whose numbers range from a few hundred to over 1,000 based on the season and electricity supply situation. These employees carry out a series of physical tasks ranging from harvesting, transport, processing (decortication), sun drying, polishing, threading, and warehousing. They are mostly paid by the job.They are mostly paid daily wages according to the tasks they perform; they are an itinerant group that is difficult to manage.

These temporary workers are arranged in teams with a dozen to several dozen members, which are managed by a foreman. The attendance register is one of the main tools for managing temporary workers.

Our reporter examined the attendance registers carefully and discovered three interesting aspects. Many people are absent more often than they are at work. Block absenteeism is common – that is, if one person is absent, the people next to them in the register are also absent at the same time. Absenteeism is often greatest on Mondays.

Mr Migeto says frankly, "Us Tanzanians are not hardworking…" The local people's attitude to work is not comparable to that of the Chinese, but it is often worse even than that of neighbouring countries. "They just want to lead a simple life."

In Chinese eyes, the locals' attitude to work makes management very difficult. The method adopted by the farm's Chinese management is to let locals manage locals in a local way. For example, locals habitually leave work as soon as their job is done, even if it is not yet time to go home. The Chinese management have accepted this habit. In this way, though some production is sacrificed, they maintain relatively harmonious labour relations. If labour relations are generally smooth, this keeps production orderly, which in turn allows production volumes to rise steadily.

Guan Shanyuan emphasises that ultimate decision-making authority still rests with the Chinese, such as who to hire and what position they will be placed in. "We discuss it with them only as a way of respecting and listening to their opinions."

Mr Migeto also emphasises two points – legal operation and local management. He believes that it is only by respecting the law and having the support of the local management team that six Chinese managers can manage more than 1,000 people, enabling the farm to develop in a stable manner.

A good climate and good people

One weekend afternoon, the sound of drums fills the farm's leisure club. There is a grand gathering underway.

However, Guan Shanyuan remains tense while he enjoys the entertainment. He constantly asks Wang Lusheng, who speaks Swahili, "What are they singing about? What do the sketches mean? Are they against us?"

Guan Shanyuan's concerns are by no means groundless. The star of this happy gathering is potentially a source of trouble.

When the gathering had been going on for around half an hour, the male lead appeared. He was the previous HR manager at the sisal farm. This gathering was held to celebrate his retirement. One day in May 2010, a scale disappeared from the farm. The farm's Chinese management believed that various signs pointed to him being involved. Moreover, he was responsible for security.

The farm suspended him, giving poor security as the reason. However, the former HR manager refused to accept this and sued the farm. The incident was reported in the local media, and the Chinese management decided

Chief accountant Mr Migeto.

to calm the situation as fast as possible. They settled on this method – holding a grand retirement ceremony and using natural retirement to end this dispute, which had dragged on for over a year.

At the ceremony, the former HR manager gave a valedictory speech, thanking the general manager Guan Shanyuan for his care and attention. Finally, the former HR manager, the Chinese management and our reporter were all invited on stage to dance. With boisterous dancing on the stage and happy whoops off it, the atmosphere reached a peak.

The next day, several farm employees said that the matter had been handled successfully.

"Why did we come here? Was it to increase conflict, or to promote friendship and boost development?" This is the question that Guan Shanyuan asks himself all the time. "If it is to increase conflict, then we should be tough in our responses. But if it is to promote friendship and boost development, then we should take a different approach to problem solving. If we change our approach, then many things get better."

After the former HR manager retired, he was replaced by Rhoda Kiwambe, a young lady who had just turned 27. In June 2010, she was promoted to HR assistant after the HR manager was suspended due to the 'scales affair'. That year, she visited China for training along with mechanic Mr Majaliwa. Now she has assumed some of the duties of the HR manager.

The first matter for Rhoda to attend to in her new job was the problem of sisal processors slacking off. She looked pained and said, "Some of them are old enough to be my father." The only way is to invite the union, the local management, and the Chinese management to sit down together for talks. "Without the cooperation of the union, the managers would be unable to keep the farm running."

Unions play a key role in Africa's political and economic life. In Tanzania, the organisation leading agricultural unions is the Tanzania Plantation and Agricultural Workers Union (TPAWU). The union at the sisal farm is subordinate to the TPAWU and accepts its instructions.

According to the chairman of the sisal farm union, A. Majuto, the union currently has around 600 to 800 members. Membership fluctuates with the number of temporary workers, and the majority of the workers (including temporary workers) on the farm are members.

Mr Migeto entered into a deep discussion with Guan Shanyuan on the problem of sisal processors slacking off. Mr Migeto put forward three opinions: 1. Subsidies and benefits for sisal processors should be increased; 2. Weeding should be carried out in a timely manner in order to improve their working environment; and 3. The opinions of Tanzanian management should be sought in the event of any issues, especially those related to dismissals.

The collective minimum wage for Tanzanian agricultural workers is 73,450 Tanzanian shillings per month (around RMB280). The lowest wage at the sisal farm matches this level. Guan Shanyuan explained that the farm pays out around US$60,000 per month in wages for all employees. In addition, they must pay for employee social security, and provide benefits such as meals and medical care.

On the surface, although African people have a radically different value system to Chinese people, in reality the problem is fundamentally socioeconomic – poverty. Although Africa is known as 'the continent of hope', the reality of poverty will not be changed immediately. Therefore, Chinese-owned enterprises that 'walk out' must first consider how to adapt to this situation, then how to change it.

Poverty alleviation, profit, or strategy?

Investing in African agricultural projects is a strategic move.

China has many people but not much land, and an uneven distribution of water resources. It needs to utilise overseas land and water resources. Chinese enterprises have been encouraged to invest in agriculture overseas, particularly since China formally unveiled the 'walking out' strategy in 2002.

However, until now there is still no overall state-level strategy or planning mechanism on agriculture 'walking out', although this is coming. In addition, the strategy as it appears on paper is often rather different to the reality on the ground.

The sisal farm has its own corporate strategy. CAAIC general manager Zhao Yuqin says that the company sees good prospects ahead for the sisal industry, and is preparing to expand its sisal production capability in Tanzania. This includes preparing to build another sisal farm, in Tanga.

However, the sisal farm currently has book assets of RMB40 million and annual sisal fibre production of around 2,500 tonnes, with a value of around RMB20 million. Its annual profits are RMB2.4 million and it owns 6,900 hectares of land (of which 1,381 hectares are planted), employing around 1,000 local employees.

All of these numbers are under targeted values by a factor of 10 or more. Our reporter understands that this is the current state of not just this sisal farm, but of many agricultural enterprises that are 'walking out' into Africa.

Interviewees repeatedly stressed the strategic nature of agriculture and sisal. They complained that agriculture in Africa takes a long time to bear fruit and involves high risks. With no policy support, and relying on the strength of one enterprise alone, it is very difficult to get the momentum to make a success of agriculture in Africa.

Hao Jianguo says frankly that the state ownership system lacks flexibility. Some state-owned enterprises exercise overly rigid control over fund disposal rights for overseas projects. Insufficient delegation of authority is not beneficial to enterprise development. In addition, there is still a lack of deep processing with high added value.

A more fundamental problem is now confronting the highest policymakers: What is agriculture 'walking out' for? Is it for poverty alleviation and aid, to enhance China's international image? Is it strategic, in order to solve China's problems with a lack of land and water resources? Or is it for corporate profit?

Moreover, how do these enterprises that are 'walking out' adapt to the African context? How do they handle Africa's land issues? How do they organise the local farmers, who are vast in number but used to freedom and unused to discipline, without inciting opposition? How do they resolve labour disputes? How do they discharge their corporate social responsibility (CSR) and forge good relations with local communities?

The farm, and its people, grows

In March 2013, President Xi Jinping visited Tanzania. In April, the Finance Ministry asked China Enterprise Appraisals to assess six enterprises that are 'walking out' into Africa. One of these was the sisal farm. The farm finally has a new sisal decorticator that is expected to begin field tests in July this year. The farm has also purchased a new earth mover, so that opening up more land for cultivation does not need to be done manually any more.

Hao Jianguo formally left his post at the sisal farm, where he worked for many years, in 2010. He has settled down in a pretty villa on the outskirts of Dar es Salaam. He is currently the head of the Tanzania China-Africa Chamber of Commerce and is throwing his energies into this, in order to attract more Chinese people to invest in Tanzania.

Guan Shanyuan's Chinese zodiac year arrived, and he was promoted to assistant general manager of the sisal farm's parent company CAAIC while continuing to serve as the general manager of the sisal farm. He divides his time between Beijing and Tanzania.

Wang Lusheng was promoted to standing assistant general manager of the sisal farm, responsible for the daily running of the farm, while continuing to serve as head engineer. He spent Chinese New Year at the farm again this year. He is approaching retirement age, and cannot decide whether to stay or go: staying might be exhausting, but he cannot bear to leave.

After the former HR manager's 'honourable retirement', he was re-hired by the farm as a supervisor overseeing the construction of a perimeter wall. The troubles between him and the farm have ended.

Rhoda worked hard after becoming HR manager. However, she did not have a great deal of experience, which limited her capabilities. She sometimes found it difficult to handle older male workers. Faced with a strike by farm workers, she felt that her hands were tied. Now she has become a mother and is on maternity leave. The farm has hired a new HR manager to take over her duties.

Mr Migeto continues to devote his remaining energies to the farm, acting as a bridge between the Chinese and the Tanzanians. His son has gone further – to Beijing, where he has been accepted into China Agricultural University to study for a Master's degree.