Sudan: Can Local Investors Beat Foreign Investment?

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KHARTOUM, Dec 18 (IPS) - Sudan is hoping to use foreign cash to reinvigorate its under-performing agricultural sector, but there is growing disagreement over the extent to which outsiders, rather than local farmers, should be taking control of the industry.

In 2007, the government established a Five Year Action Plan for agriculture. The plan highlighted the dangers of depending on a single commodity product such as oil, due to fluctuations in international prices and limited proven reserves. Sudan's budget for 2009, approved at the beginning of December, forecasts a 43.7 percent fall in oil export revenues next year.

Abdel Dafi, Federal Agricultural Commissioner at the Ministry of Investment, says that the potential of Sudan's agriculture sector is vast, but there are a number of problems that can only be overcome with foreign help. "Most local farmers are familiar with traditional subsistence farming, but don't have the experience with large-scale commercial projects," he told IPS News. "Foreign investment can also help improve transport infrastructure and bring down energy costs."

Dafi says that only 20 percent of the 7.2 million hectares of cultivated land in Sudan is being farmed using modern technology - and most of this is because of foreign investment.

Saudi Arabia's Al-Rajhi Group is one of the largest foreign investors in Sudan's agri-business. Earlier this year, the...
firm negotiated a 40-year lease from the government for 40,000 hectares of land. Usually, the government only grants foreign investors an initial three-year lease, during which time the company needs to prove that it is serious about the project it has signed up to. But such was the strength of Al-Raji Group’s investment (the firm released $70 million straight-away), that Sudan decided to waive the three-year limitation.

But there are concerns that Al-Raji Group is an exception, and that other foreign investors are simply sitting on land that they have leased from the government without doing anything with it. Whilst firms are happy to invest in land, which is cheap at the moment, lack of spare capital and falling food prices makes it unattractive to spend on agricultural projects right now, says Abah Ofon, an agricultural commodities analyst with Standard Chartered Bank in Dubai.

Abdulreza Abbassian, a commodities analyst at the UN’s Food and Agriculture Organisation (FAO), is worried that investors are so reluctant to spend money on developing agriculture.

"Whilst we have seen a sharp drop in international food prices, this is not being reflected at the local level," he says. "We had a good crop yield in 2008, and this helped with supplies, but there needs to be continued investment if we are to avoid a shortfall in subsequent years.

Dal Group, Sudan’s largest private enterprise, believes that there is huge potential in developing large-scale agriculture to supply the local market.

"Whilst many foreign investors are planning to export, we are concentrating on meeting the current needs of the Sudanese," says Mohamed Elshafie, spokesperson for the company. Dal has already launched a number of agricultural projects in the northern suburbs of Khartoum, as well as in the far north of Sudan, and is planning further development in the coming years.

Next year, the company plans to open the largest dairy farm in the country, which will house up to 20,000 cows. Sudan imports four million tonnes of powdered milk each year because it does not have enough cows to meet local demand, according to figures from the Ministry of Agriculture. Elshafie says that the dairy, which should open next year, will help to rectify this shortfall and push down prices.

He adds that Dal’s farms will produce first and foremost on the local market, but will consider exporting once local needs have been met. "The main challenge for Dal during project start-up has been a shortage of skilled labour and machinery.

A number of skilled labourers have been brought over from Kenya, which has a long history of mechanised farming. Some have come from agricultural projects in South Africa and Australia. Dal has also managed to persuade a number of Sudanese nationals, who have been working overseas in places such as Saudi Arabia, to return and employ their skills back home. Elshafie says that Dal Group wants to start training local Sudanese to work on its farms, and is hoping that the foreign expertise can be passed on to its less-skilled workers.

Dal Group enjoys some advantages over foreign investors. Since the company is a Sudanese firm, with a long-term commitment to the country, it is able to purchase rather than lease land from the government. It is also in a position to develop better relationships with the local community. Osama Daoud, the chief executive, is himself a Nubian from northern Sudan.

"What we try to do in many of our projects is to build a new community: to invest in housing projects, build hospitals, build roads, provide jobs," says Elshafie.

Nowhere is this more obvious than in the wheat-growing project they have launched in the far north of Sudan, near Wadi Halfa. In the 1960s, many local Nubian people were forced to leave the region when a large area of agricultural land was flooded by the construction of the Wadi Halfa Dam. New land was allocated for these people in the east of the country, but they struggled to adapt to a markedly different climate. Many have since resettled in Khartoum.

"These people would like to move back," says Elshafie. "They are not happy. They still have memories of the past. They are good farmers of wheat. The investment we are making gives them the opportunity to return home."

In Gezira State, a particularly fertile area south of Khartoum where many foreign projects are being established, there have been some disputes with small landowners, who feel that they have had to give up their land unfairly and without adequate compensation.

"The problem is that there are two kinds of laws -- the government’s laws and the community's laws," says Dal from the Ministry of Investment. "Whilst legally a lot of land in Sudan belongs to the government, it also has a habit..."
value and has often been in the hands of local tribes for generations."

According to the 1970 Unregistered Land Act, any land not formally registered belongs to the government. Dafi estimates that, under this system, only 6 percent of land is privately owned, whilst 94 percent is in the hands of the government.

The current land tenure system is under review at the moment, and the government hopes to make some changes to it in the year ahead, through the launch of a series of Land Commissions.

"This is a very important issue," says Elshafie. "An agricultural project that doesn't have the local community on-side is going to run into problems."

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