Interview with Carter Coleman, Founder and CEO of Kilombero Plantation Limited (KPL)

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British Secretary of State Justine Greening visited Agrica's 5818 ha rice farm in Tanzania in June 2013 and then asked AgDevCo to invest.

Interview with Carter Coleman, Founder and CEO of Kilombero Plantation Limited (KPL)

By Skye Lawrence

Carter Coleman is the Founder and CEO of Kilombero Plantation Limited (KPL), Tanzania's leading rice producer. The 5818 ha farm is located in the Kilombero Valley, 450 km from Dar es Salaam. Prior to starting Agrica he founded the Tanzanian Forest Conservation Group, a non-profit focused on preserving local forests. In our conversation he said the need for preserving the rainforest from encroaching villages became evident to him during the two years he spent hang gliding over the mountains and training falcons after he first came to Tanzania as a Rotary International Fellow in 1989. The Tanzanian Forest Conservation Group has grown into a large NGO.

Skye: What is the history of the farm and how did you end up buying it?

Carter: In 2005 I decided to do a farming project. I wanted the farm to be in Tanzania because I'd been there since 1989. I hired a former Commonwealth Development Corporation (DCD) manager who had worked in Malawi and Tanzania. He and I looked around Tanzania for a year until we found this defunct farm which also had a title deed, which is a major advantage.

The farm had originally been a joint venture between the Tanzanian and North Korean gov- ernments, an almost personal project between Kim Il-Sung and Julius Nyerere, the first founding father of Tanzania. In the late 80's, the North Korean army cleared 5,800 hectares in the Kilombero Valley. Because there is no grid they built a little mini-hydro station in the foothills above the flood plain in the foothills of the Udzungwa-Mountains. They didn't put in irrigation which is the most expensive piece of any farm because North Korea ran out of money after the collapse of the Soviet Union.

That's when all the North Ko- reans went home. I remember at the time the North Korean Ambassador was busted with a container full of ivory on his way home. So the farm was left basically defunct and was owned by the Tanzanian government until we came along and signed a purchase contract in 2006. We spent the last of our seed capital on hiring consultants, primarily CDC guys to do studies for our business plan. Then we were like, "whoa, we need about $70 million to have an irrigated 5,000 hect- are farm!"

Skye: How did you fund the proj- ect?

We spent a year raising capital by visiting investment banks and private equity firms who basical- ly said, "Thanks. Good luck with that. See you around." Agricul- ture is capital intensive, has a long time horizon and is high risk with low to moderate returns.

It ticks all the negative criteria. We were very lucky to have been introduced to Capricorn Investments who is our majority shareholder. It is primarily Jeff Skoll's money. Capricorn has a long-term principled investment approach with a small portion of their overall portfolio willing to do high impact investments like our farm.

Getting the first anchor investor like Capricorn Investments is key to getting a project like this going. Now because British Secretary of State Justine Greening we have investment from AgDevCo. She believes in more trade less aide, and that the British should be supporting British companies creating jobs and providing food security in the developing world. She visited the farm in June of 2013 and because it has become a showcase commercial farm with a transformative smallholder program she asked AgDevCo to invest.

Skye: Was your goal to sell locally in Tanzania?

Carter: The goal is to sell within East African Community-Bu- rundi, Kenya, Rwanda, Uganda and Tanzania. Similarly we have always wanted to be as socially and environmentally responsible as possible. The business case for the farm and indirectly for each of the half million small- holder rice farmers in Tanzania across the country is zero-duty trade within the East-African Community protected by the common external tariff. It is impossible to compete as a Tan- zanian rice producer with agricul- turally developed countries such as Pakistan or Thailand. These countries have invested billions of dollars in irrigation over the last 60 years and have a vari- ety of agricultural subsidies for producers. Africa is years away from a similar system so you rely on the common external tariff. I'll get to why that has become challenge later on.

Skye: What are the farm's next steps?

Carter: Next we are completing the pivot irrigation system to cover 3,036 hectares. Our first 500 kilowat, renewable, bio-mass plant that gasifies rice husks is coming online in April. We plan to build a second 1.2 megawatt soon so that we will be totally renewable using hydro and bio- mass, with the exception of the diesel for the tractors and the combines. We will be completely off grid.

We have a strong smallholder program where we've trained 6,527 farmer families and in- creased yields from one ton per hectare to 4.42 tons a hectare this last season.

The Kilombero Valley is a flood plain between two mountain rainforests that gets a huge amount of rain,

The **Declaration of the Global Convergence of Land and Water Struggles** launched in Dakar at the African Social Forum in October 2014 and reworked in Tunis at the World Social Forum in March 2015 is open for signature and engagement.

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it’s hard to grow anything but rice in the rainy season. Everyone in the valley, around 150,000 - 200,000 people rely solely on a rainfed rice crop for their annual income and food security. The intensive rice system that we have introduced has been transformative for farmers.

Skye: How have you increased yields?

Carter: By planting on a grid that is 25 centimeters by 25 centime- ters. This is an unconventionally wide-row spacing and intra-row seed spacing. You get a better yield with these methods and by planting on a grid rather than just broadcast helter-skelter. With an unconventionally wide array of spacing you get deep- er root system, bushier plant, therefore three and four times the grain.

Skye: If yields are increasing what are biggest problems you see for small holders to scale up production?

Carter: Smallholders need crop financing. We need a microfi- nancing organization (MFI) or a need a bank to lend to them, and then KPL can have an off-take agreement. We’ve been working with one commercial bank and one MFI. The commercial bank had a great repayment rate, but then decided it was not worth the trouble because the program was too small, and not scalable fast enough so they pulled out. The MFI had a bad repayment rate, and so they didn’t continue.

Now I’m talking to two banks and AgDevCo about devoting some resources to this issue. Farmers need financing options to lift themselves out of poverty by not pre-selling a portion, or the majority of their crop prior to harvest. If they do this it is worth a fifth of what it is worth if they can hold on until harvest. Pre-selling and therefore losing value is what repeatedly hap- pens in Africa.

Skye: In the US there is the farm credit union. Would something like this system be a model that the Tanzanian government could set up?

Carter: Funding is a key chal- lenge. The Tanzanian govern- ment has this thing called Big Results Now Initiative where they have Key Performance Indicators. They talk about our company, which is a registered Tanzanian Company, as a model project. They want fifteen project like ours by 2017 and 1,000 new warehouses around the country, etc.

When they were announcing their Key Performance Indicators to the private sector I raised my hand and said, “ you don’t have a prayer of hitting your KPI’s until you sort out the market.”

In 2013, with no forewarning or consultation with producers or consultation with the East-Afri- can community, the Tanzanian government allowed 80,000 tons of Pakistani rice to be imported exempt from the common ex- ternal tariff of the East-African community. First the wholesale price of rice plunged 54 % in Tan- zania. Then Uganda, Rwanda and Burundi, which are key export markets for Tanzania’s surplus imposed the common external tariff on all Tanzania rice. It was a major double blow that de- stroyed the domestic market and the export market. Things are now just beginning to normalize.

Skye: Tell me a bit about the Southern Agricultural Corridor of Tanzania? How is Agrica con- nected to SAGCOT?

Carter: KPL is the showcase project because we are in the Corridor and we’re doing exactly what this Initiative wants; a state of the art commercial farm and with a lot of effective smallholder programs. That’s why Justine Greening came to visit us. We get visitors all the time. SAGCOT is a great thing because the SAGCOT Center plays a role in getting the government to stop the duty free rice for example. They play a useful lobbying role for sensible agricultural policy and attracting donor funding for infrastructure projects, roads and power grids.

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