SAUDI FARMS TURN SOIL FOR SEEDS OF CHANGE

By Andrew England

As the tractor chugged a steady path through lines of vegetables, leaving clouds of dust in its wake, labourers bent to pick fat white onions and pack them into sacks. Similar scenes were being repeated with the potato and grape crops elsewhere in this 36,000-hectare corner of north-western Saudi Arabia being cultivated by the Tabuk Agricultural Development Company.

Two months earlier, wheat and alfalfa, a livestock fodder, were being harvested. This is farming Saudi-style in a nation that lacks rivers and lakes. For a quarter of a century Tadco, one of the country’s leading agricultural companies, has been plying its trade in the kingdom’s north-west, where the climate is less harsh than other parts of the desert nation and the soil enriched by the volcanic mountains and hills surrounding the lowlands.

The water comes not from rain - there is hardly any - but is pumped up from aquifers and piped to sprinklers. Now, however, Tadco is having to adjust to a new environment. With a view to protecting its finite water resources, the kingdom announced last year that it would phase out domestic wheat production by 2016, with farmers having to reduce their production by 12.5 per cent annually from the 2.5m tonnes produced in 2008. Shortly after that decision was taken, the world food crisis peaked, sending the kingdom’s inflation soaring and triggering concerns about food security as producing nations put in force export restrictions, including those growing the Saudis’ favoured basmati rice.

The result was the conception of the highly ambitious “King Abdullah initiative” under which the government hopes to secure sources of wheat, rice, soyabean, corn and alfalfa by investment in overseas agricultural projects. The plan is for the private sector to take the lead with support from the government, which has launched an $800m company to back the initiative.

Both issues affect Tadco. It produces about 40,000 tonnes of wheat domestically and has already begun venturing overseas for land by being the lead investor in Jannat, a limited liability company that brings together seven Saudi companies. Jannat has a target of securing 200,000 to 215,000 hectares of land abroad, including $300m in African investments, says Mohammed Abdul al-Rajhi, chairman of Jannat and deputy chairman of Tadco.

So far, it has initiated a project in Egypt in a venture with a local company that is producing wheat, barley and alfalfa on 10,000 fedans (approximately 10,000 hectares) and it has a provisional agreement with a Sudanese company that is expected to lead to the development of between 10,000 and 15,000 hectares in that country.

Jannat is also in talks with Ethiopian officials and is considering banana and rice projects in the Philippines, Rajhi says. The plans of Saudi Arabia, as well as other Gulf states, have become enroiled in controversy, particularly because of the notion of oil-rich nations using their petrodollars to harvest crops in poor countries plagued by food shortages and shipping the produce home.

Rajhi, however, says Jannat’s policy will be to ensure “mutual benefits and fair partnerships with host countries and local partners”. Back on Tadco’s farm, about 60km outside Tabuk, preparations have started for the new era. As well as 22,000 tonnes each of potatoes and onions annually, the farm produces peaches, pears, plums and apricots. The idea is that the company protects its income stream by growing high-value crops, which are more labour intensive but offer better returns, on smaller areas as wheat is phased out.

Saad Al Swatt, Tadco’s chief executive, says there is a future for agriculture in Saudi Arabia but acknowledges that the industry will have to adapt.

Source: Financial Times