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ADDIS ABABA, October 26, 2012

Indian firms reap bitter harvest in Africa

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Have Emami and Karuturi bitten off more than they can chew in their land quest?

Indian companies which invested in controversial deals involving hundreds of thousands of acres of land in Ethiopia have found themselves out of their depth in a fast-growing African economy that is still in the process of building critical transport and irrigation networks.

Documents related to one such transaction reveal how Emami Biotech, a subsidiary of the Rs.2,200-crore Emami Group, pulled out of a Rs. 400-crore, 40,000-hectare, bio-fuel plantation only a year after the project was announced.

Indian companies are the second largest investors in the Ethiopian economy with approved investments worth nearly \$5 billion.

While a majority of the businesses are small manufacturing and trading enterprises run by business families long settled in East Africa, the big money has come with the recent entry of large Indian investors.

A number of Indian companies have signed agreements to lease more than 4,40,000 hectares of land across Ethiopia, 1,00,000 hectares of which has been granted to a single Bangalore-based company, Karuturi Global Ltd. International. Rights organisations and NGOs have characterised the deals as instances of land grab and have accused the government of forcibly resettling pastoral communities.

The Ethiopian government has denied these allegations, insisting that large-scale commercial agriculture is a vital part of an ambitious project to transform the national economy. Yet, the failure of Emami Biotech's plantation and the glacial progress of Karuturi's 1,00,000-hectare project in Gambella have led some to question the ability of these companies to manage such large plots of land.

"We think [that] before making necessary preparations, they just express interest, get investment licences, get land and then preparations take more time," said Federal Minister for Industries Mekonnen Manyazewal. "Once they start operations, obviously there will be challenges but we are prepared to solve their problems."

A senior Ethiopian bureaucrat said the government had taken considerable political risk by embarking on such sensitive projects ...involving the displacement of thousands and felt that the Indian investors had not done their homework. Emami Biotech's project in Oromia, he said, was a case in point.

In August 2009, the company announced it was investing Rs. 400 crore to acquire 100,000 acres to plant Jatropha and other oil seeds and to set up an oil extraction plant. Mott McDonald, a reputed engineering and development consultancy, conducted a feasibility study. The Ethiopian government welcomed the investment and even appointed Emami Director Aditya V. Aggarwal as Honorary Ethiopian Consul at its newly opened Consular Office in Kolkata.

Pulling out

The following year however, Emami was ready to pull out. On December 22, 2010, the company wrote to the Oromia Investment Commission, claiming that only half the land initially allotted to Emami was suitable for agriculture, and even that land didn't have enough

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water.

As per the letter, the company invested \$1.5 million in the project, dug several bore wells, and constructed a check dam. It also tried to grow maize, pulses, soya bean and sunflower, "but all our hard works becomes in vain [sic]," the letter said. The other parts of the land, the company claimed, lay along a disputed border between Oromia and the neighbouring province of Somaliland.

The letter lists seven additional problems, including crop damage by local villagers and their cattle and a lack of cooperation from the local administration. While Oromia officials said there were no clashes between the company and the local villagers, a researcher acquainted with the project said the company and the villagers had clashed over scarce water supplies.

The Ethiopian government is sceptical of the company's claims. "It is a matter of due diligence, they must have known [about the water]. I don't think that has led to the withdrawal," said Mr. Mekonnen, the Minister for Industries, noting that the company had conducted a feasibility study.

Global recession

Analysts said the global recession could have led to a slump in demand for biofuels, affecting the viability of Emami's project.

"Since Jatropha plantation does not require [much] water, the land allocated was arid and the lease rental was extremely low," said an analyst, adding Emami realised that the Jatropha plantation was not lucrative and tried to cultivate other crops, "This led Emami to request the government to reallocate the land and give them land that has much better water resources."

"[In Ethiopia] the cost of clearing land and making it into a farm is about \$1,500 per hectare," said Bharat Kulkarni, Director, Stalwart Management Consultancy Services, a firm that advises those looking to invest in Africa. "Unfortunately, investors land up in Ethiopia without actually realising this challenge." Other factors include the high internal cost of transport, the absence of trained labour, government inefficiencies and the high costs of equipment.

"We have returned the 30,000 acres of land handed over to us but are in talks with the government for alternative land," said a spokesperson from Emami Biotech, but refused to share the reasons for this decision. Asked whether the Ethiopian government would reallocate land to the company, Mr. Mekonnen was non-committal. "We will think twice," he said.

Keywords: [India-Ethiopia business ties](#), [African economy](#), [Ethiopian economy](#), [Indian investments](#)

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Companies from US, UK eat into Indians, we in turn do this to Ethiopians. Its a cycle.

from: *Raja*
Posted on: Oct 27, 2012 at 13:45 IST

It only proves that Indian enterprises are more trade oriented happy living on margins - fair or unfair - than creating value by due diligence and persistence in Project execution - only recently seen in the sloppy corruption ridden Commonwealth games. There is I fear also an undeniable colonising attitude in Indian investment in Africa. Par for the course - ask any African student in Delhi U !!

erosion comes as a boon to boat operators of AP coastal regions



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from: *rsrinivasan*

Posted on: Oct 27, 2012 at 13:16 IST

These two firms have brought bad name to India in the African continent. The question now is whether the MEA and Ministry of Commerce and Industry have been watching the developments; if so could they not have averted this development. And lastly, more importantly, what do our various ministries do to avert such bad names to the companies that may be rushing in to Myanmar. Our public and private sector have both their obligations to ensure timely completion of projects and they are required to follow all canons of justice and fair play and standards for good and ethical governance.

from: *s subramanyan*

Posted on: Oct 27, 2012 at 12:37 IST

Emami Biotech should have taken up Pongamia (karaj / Indian beech) instead of Jatropha, as Pongamia is more drought resistant than Jatropha. Added to this, Jatropha poses several other problems such as very high frequency of male flowers which bring down the seed yield under conditions of high temperature, drought and low soil fertility. Jatropha is also attacked by a wide range of pests and diseases which cause considerable yield losses. The improved grafted strains of Pongamia have all the desirable attributes that render them suitable to be grown on drylands of Africa and India with scanty moisture. The elite grafted strains of Pongamia are available with VAYUGRID.

from: *Dr M.V.R. Prasad*

Posted on: Oct 27, 2012 at 11:56 IST

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