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Agricultural systems with pro-poor orientation in Mozambique? ProSAVANA and the forgotten risks of contract farming

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Abstract

Mozambique provides a remarkable example the shortcomings of economic growth that lacks pro-poor orientation. After two decades of macroeconomic success, poverty reduction has stalled. A twenty-year agricultural development programme called ProSAVANA was launched in the Northern region with the intention of reversing this tendency. It supports the spreading of contract farming over the Nacala corridor in order to allow the entrance of foreign investors into Mozambican agriculture without automatically dispossessing local farmers. This article documents some of the programme's practices during its planning phase and analyses its limitations in terms of preventing the inherent risks of contract farming schemes.

Keywords: Mozambique, agriculture, ProSAVANA, contract farming, pro-poor growth
JEL classification: O13, O55, Q 13, Q18

Abbreviations

ABC	Brazilian Cooperation Agency
GDP	Gross Domestic Product
MINAG	Ministry of Agriculture of Mozambique
ODA	Official Development Assistance
PAA	Food Acquisition Programme

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1 Introduction

After two decades of consistent GDP growth and high levels of foreign aid and foreign investments, Mozambique emerges as a remarkable example of the shortcomings of economic growth without pro-poor orientation. From 1993—one year after the peace agreement that ended almost three decades of civil war—until 2012, average real GDP growth has been around 8% a year—one of the fastest in Africa, only behind a few oil-exporting countries. Rates have been especially stable in the last decade, and since 2001, annual GDP real expansion has never dropped below 6% (IMF 2013). Foreign direct investments have also been booming, increasing from US\$ 427 million in 2007 to US\$5.2 billion in 2012, and surpassing levels of foreign aid for the first time in 2011 (UNCTADStat 2013)².

Although experiencing consistent macroeconomic growth, official statistics indicate that extreme poverty has stagnated in one of the poorest countries in the world³. After a fast drop from 1996/97 to 2002/03, consumption poverty rates, as measured using the national poverty line, grew from 54.1% in 2002/03 to 54.7% in 2008/09. Similar patterns can be observed among more long-term food security indicators. Chronic child malnutrition has seen ‘little substantive progress’ according to UNICEF, and acute child malnutrition rose from 5.1% in 2003 to 6.6% in 2008/09 (MPD 2010).

Although the failure in reducing poverty can be partly explained by exogenous shocks, such as international food and fuel prices, it is widely recognized that poverty persistence in Mozambique depends on structural factors, that is, the lack of structural transformation of the economy and the poor performance of its agricultural sector (Jones and Tarp 2013; Arndt et al. 2012; Cunguara 2012; Cunguara and Hanlon 2012; Virtanen and Ehrenpreis 2007; AEO, 2013; MPD 2010). Growth has been associated with few enclave mega-projects financed by foreign investments in mineral and energy sectors, specifically coal, aluminium, and gas. They are capital intensive, rely heavily on imported intermediates, and are almost entirely exported. They create few jobs and have few linkages to the public budget due to widespread tax exemptions (Castel-Branco 2010, 2008; Virtanen and Ehrenpreis 2007; Sonne-Schmidt et al., 2009). The African Economic Outlook (2013: 14) summarizes that Mozambique continues to be an extractive economy, ‘relying on raw-material exports, with minimal economic linkages to other economic sectors’.

Agriculture and, in particular, food production have been neglected and clearly lag behind. During the first phase of the recovery from the civil war, from the mid-90s until the beginning of the 2000s, food production rose and poverty declined at a significant pace due to the expansion of the cultivated area. However, little took place regarding productivity. Once the threshold in terms of expansion of cropped areas using only a hand-hoe was

² Total Official Development Assistance (ODA) has been on average US\$ 2 billion a year from 2008 to 2011, representing 20% of Mozambican GDP in 2010 (OECD 2013).

³ The country had the 3^o worst Human Development Index in 2012, occupying the 185^o place out of 187 countries (UNDP Human Development Data).

reached, agricultural production per person started to decline. In 2008, both food production per capita and per hectare were lower than in 2002 (Cunguara 2012: 193-4).

Declaring intentions to reverse such trends, a twenty-year agricultural cooperation programme called ProSAVANA was launched in 2009 in the Northern region of the Nacala corridor⁴. Comprising nineteen districts in the provinces of Nampula, Zambézia, and Niassa, ProSAVANA affects the life of 4.3 million people. It is a trilateral cooperation programme of the governments of Mozambique, Brazil, and Japan. Its main objectives are improved food security and food production by increasing the productivity of local farmers and 'by engaging private investments in the development of production chains' (ProSAVANA 2013: 5). The programme proposes several projects in order to achieve these objectives, ranging from one large-scale plantation to small projects that intend to support family farming.

In order to allow the entrance and expansion of foreign investors without automatically dispossessing local peasants, the ProSAVANA Master Plan stands for the spreading of contract farming schemes along the corridor. Contract farming is a system in which the buyer (typically an agri-food company) establishes a network of out-growers who supply a certain commodity in the terms previously defined in a contract (more in section four). Pros and cons of such schemes for pro-poor growth have been broadly discussed by specialized literature, as this article will explore later.

This paper discusses the potential limitations of the proposed agricultural system within ProSAVANA to introduce changes to the actual extractive pattern of the Mozambican economy and, therefore, to contribute to inclusive growth and poverty reduction. For the purposes of this article, concepts of pro-poor growth and inclusive growth are employed interchangeably. Favouring the so-called relative approach, this article considers growth to be pro-poor whenever it disproportionately benefits the poor (Negre 2010). In order to trace relations between the programme and its expected results in terms of pro-poor growth, section two describes ProSAVANA's proposed agricultural interventions based on project documents and semi-structured interviews with key informants. Section three identifies and discusses some critical characteristics in the elaboration of ProSAVANA's plan, focusing on the involvement of different actors. Section four reviews the theoretical and empirical literature on contract farming, tracing their possible relations with poverty reduction and inclusive growth, and analyses how the practices identified in the previous section may relate with the inherent risks of contract farming. The last section summarizes the conclusions.

This qualitative research draws upon a literature review and data that has been collected in the field between March and April 2013. These include a compilation of project plans and materials, forty-one semi-structured interviews with key informants, visits to project

⁴ ProSAVANA is embedded in a number of strategy plans that have been developed recently by the Mozambican government placing priority on increased agricultural productivity through development corridors (e.g. PARP 2011-2014, PEDSA 2010-2019).

programmes in the targeted area, and multi-sited ethnography in Maputo, Nampula, and districts around the Nacala corridor. A list of people interviewed is provided in the annex.

2 ProSAVANA and the proposed agricultural development strategy

The rationale of ProSAVANA departs from the diagnostic that Mozambique's failure in achieving food security is due to technological and investment problems, both to be fixed with private investments and technologies inherent in green revolution⁵. A wide range of institutions from Brazil, Japan, and Mozambique are conducting ProSAVANA under the (supposed) coordination of the Mozambican Ministry of Agriculture and Brazilian and Japanese development agencies⁶. The first phase of the programme (2011–2019) is officially organized around three components: technology transfer, formulation of a master plan for the development of the corridor, and elaboration of agricultural extensions and models. Estimated budget for these three components is US\$ 36 million⁷.

The programme is unofficially linked to a large number of infrastructure investments taking place in the corridor. They are being carried out either by Vale, a Brazilian mining corporation and the second largest mining company in the world, or with Japanese credit lines. These investments include: the rehabilitation of 912 km of railroads linking the coal mine that Vale operates in the landlocked province of Tete to the sea port of Nacala; upgrading around 650 km of roads along the Nacala corridor; and modernization and expansion of the Nacala Port (Nogueira and Ollinaho 2013).

Also unofficially, ProSAVANA is linked to an investment fund for large-scale agriculture development called Nacala Fund. Although the official line stresses that the fund has no connection to the development cooperation initiative, it is to be noted that the elaboration of ProSAVANA's master plan and of the Nacala Fund is being conducted by the same Brazilian consulting company: FGV Projetos. What is more, a place is reserved for the fund in the list of projects in the last available version of ProSAVANA's master plan, stating that 'the project sheet will be completed after confirming the situation of the Nacala Fund' (ProSAVANA-PD-QIP 2013: 3-35). The fund aims at raising US\$ 2 billion in ten years to finance agribusiness investors along the corridor. It has so far selected ten Brazilian agri-

⁵ 'In this area, many agricultural lands are not yet developed and small-scale farmers apply traditional and extensive agricultural techniques so the productivities of self-consuming crops and commercial crops are low. Even for middle or large-scale farmers, the applied agricultural technologies are limited and their productivity is not very high. Therefore, enhancement of the agricultural areas by introducing proper agricultural techniques and investment will significantly increase productivity and the produced amount' (ProSAVANA-PD-ITR 2012: 1-1).

⁶ For a discussion on problems in coordination, see Cabral and Shankland (2013). For a more detailed description of the programme, see Chichava et al. (2013).

⁷ The last component does not yet have an approved budget. Estimation is based on non-official technical staff forecast. See Nogueira and Ollinaho (2013) for details.

food companies that should work in cooperation with four medium-sized Mozambican companies⁸.

The master plan lists 32 projects to be carried out by both public and private sectors in order to boost agricultural productivity, none of which are new to Mozambique's recent development cooperation practices. These include better land demarcation, including identification of available land for investment; support to family farmers, including extension services, training of leading farmers, funding schemes, and establishment of cooperatives; and provision of inputs, including subsidies for importing chemical fertilizers, promotion of seed production, and of tractor hire. Funding for these projects is in its formulating phase.

What can be seen as a novelty brought by the programme is a value chain approach, focusing on establishing certain 'clusters' based on agricultural potentials, land use, and environmental constraints of different zones. These clusters involve different land use systems, from large-scale corporate agribusiness to family farmers. Most of the clusters preview a combination of both types of land use. There are two exceptions for this pattern. One cluster is designed exclusively for family food production concentrating on vegetable cultivation. The other exception is a 60 thousand hectares plantation to be established in Majune district and operated by one single investor for the production of maize, soybeans, sunflowers and poultry (ProSAVANA-PD-QIP 2013: 3-43).

These clusters are to be set in motion by a pioneer core project that a private company develops. Each pioneer project should 'lead growth through increasing motivation of private investment' (ProSAVANA-PD-QIP 2013: 3-4). Priority has been given to quick impact projects that should function as a 'showcase' to 'attract local and foreign companies to invest in agriculture and agribusiness projects in the Nacala Corridor' (ProSAVANA-PD-QIP 2013: 4-1). The objective of these projects is 'to support potential investors on the elaboration of their operating plans and on the identification of available areas' (ProSAVANA ITR 2013: 3-89).

The programme favours contract farming as the agricultural system that can most effectively couple corporate agribusiness investors with Mozambican local producers. Seven out of eight quick impact projects propose some type of contract farming scheme. In most cases, they are based in private sector operations that are already active in the region, thus recommending their expansion. Mozambican policy makers and ProSAVANA technical staff often picture these schemes as win-win partnerships that benefit both transnational corporations and smallholders without depriving locals of their land. Additionally, it is argued that they can be a vehicle for technology transfer and market access for poor peasants⁹.

⁸ Phone interview with FGV Projetos staff on 03/06/2013.

⁹ Interviews with MINAG officials and Brazilian and Japanese consultants on 13.03.2013, 20.03.2013 and 05.04.2013.

However, from a civil society perspective, ProSAVANA has become by far the most contested development cooperation programme in Mozambique. All major national social movements have made public statements against it. They raise concerns over present practices, such as lack of transparency and participation, and over future impacts, notably related to food security, displacement of local farmers, and land conflicts that may be introduced by the arrival of foreign investors. Their mobilization culminated with an open letter signed by 23 national organizations, directed to authorities of Mozambique, Brazil, and Japan, in which they call for the immediate suspension and revision of the programme¹⁰. A common response from ProSAVANA staff and officials is that land will continue to be held by local farmers, and no land-grabbing conflicts will occur. Contract farming is being presented as the pacifying solution to allow the entrance of private investors while preserving locals' rights to land.

The next section briefly reviews some critical characteristics in the formulation of ProSAVANA's master plan that have been detected during the fieldwork, especially in regards to the involvement of local communities, national government, and private actors in the planning phase of the programme. Some of these points have already been highlighted by local social movements, notably the lack of a participatory approach. Other additional characteristics are also raised.

3 The making-off of ProSAVANA: Critical aspects in formulating a plan

Besides the concerns that have been raised by social movements, critical aspects in the formulation and early implementation phase of ProSAVANA have been highlighted by previous researchers. Probably the most criticized aspects are the low level of transparency and high degree of incoherencies in project documents and discourse (Funada-Classen 2013)¹¹. The difficulties in coordination and a lack of unified policy direction from the Brazilian cooperation framework have also been detected (Cabral and Shankand 2013). For the purpose of this article, three associated aspects in the formulation phase of ProSAVANA that have been raised during the fieldwork are especially important due to their potential impacts in addressing contract farming risks. They are: lack of a participatory approach, low involvement of Mozambican government, and foreign private actors having a major formulation role in the planning (for analysis, see Nogueira and Ollinaho 2013).

In first place, the ProSAVANA Master Plan was elaborated by the Japanese and Brazilian consulting teams with very limited participation from local communities and organized civil

¹⁰ 'Carta Aberta das Organizações e Movimentos Sociais Moçambicanas dirigida aos Presidentes de Moçambique, Brasil e Primeiro-Ministro do Japão', 28 May 2013. Available at: <http://farmlandgrab.org/post/view/22136> (accessed 30 June 2013).

¹¹ Government officials and programme's staff have admitted that problems of communication are an important failure, and have stated that they are trying to fix it through meetings at village level and dissemination of information to civil society. Nonetheless, even the second version of the master plan was made publicly available only by Mozambican social movements through a 'leaked' copy.

society. Only after sound criticism have teams of consultants started to visit districts to present ProSAVANA to local communities. The methodology, however, focuses on *presenting* the project as it has already been planned, rather than offering locals a role in formulating. According to a Mozambican focal point in Nampula, there has been ‘divulcation’ to local communities to avoid ‘disturbance’. The methodology, according to him, is to ‘spread information’ and ‘explain’ the program¹². A member of the Japanese study team shared this view: ‘We have started the divulgation of ProSAVANA in local communities as a way to oppose the criticism’¹³. Only one consultant interviewed reported some knowledge of a participatory approach: ‘I ask them about their dreams. How do they see themselves in the future?’¹⁴ In fact, a participatory approach was not an official orientation of the Brazilian Cooperation Agency at the formulating phase of the master plan, and it was left to consultants to decide their approach. ‘If we had asked for it to be participatory, there would be no chance to conclude the study within the period defined in the contract for the delivery of the final product’, reported a staff member of the Brazilian Cooperation Agency (ABC)¹⁵.

Secondly, as of the March 2013 draft, the involvement of the Mozambican government in the formulation of the master plan has been marginal. Various consultants from both Brazilian and Japanese sides reported problems in ‘engaging’ Mozambican officials. A high official from the Ministry of Agriculture of Mozambique (MINAG) openly confirmed their role in the planning phase: ‘We haven’t got much involved [in the formulation of the master plan]. We are waiting to see what they are going to propose.’¹⁶ Another focal point from MINAG also shared his difficulties in participating: ‘We have limitations of budget, personal, and so forth. And the planning was not designed according to our country’s reality so we are having difficulties in participating (...). The master plan ended up being with the Brazilian and Japanese consultants, unfortunately.’¹⁷

Thirdly, from a Brazilian perspective, the programme’s planning has been carried out by private sector actors directly interested in the region. The critical aspect to be highlighted is not the presence of foreign private capital in development strategies per se, but the centrality it has gained in policy formulation and operationalization and in terms of self-regulation, as opposed to state regulation (Nogueira and Ollinaho 2013). From the Brazilian agribusiness sector, an influential figure in conceptualizing the programme has been the current coordinator of the FGV Center for Agribusiness, Roberto Rodrigues, also a former Minister of Agriculture and former president of the Brazilian Agribusiness Association¹⁸. FGV Projetos’ presence and its large-scale approach to agricultural modernization are evident in different ways. Besides being responsible for the elaboration of the master plan from the Brazilian side, the consulting company is also elaborating the Nacala Fund

¹² Interview with Nampula’s Directorate of Agriculture staff on 21/03/2013.

¹³ Interview with a member of the Japanese consulting team on 01/04/2013.

¹⁴ Interview with a member of the Japanese consulting team on 27/03/2013.

¹⁵ Phone interview with ABC staff on 17/05/2013.

¹⁶ Interview with MINAG staff on 09/04/2013.

¹⁷ Interview with MINAG staff on 08/04/2013.

¹⁸ Interview with members of Brazilian and Japanese consulting teams on 18/03/2013.

mentioned above. FGV Projetos did also the first agricultural potential zoning of Mozambique in 2010/2011. These studies were requested by the Brazilian government and sponsored by Vale, the same Brazilian mining corporation that is operating the Nacala railway (Nogueira and Ollinaho 2013).

As it will be argued in the next section, the low participation of local communities, the lack of involvement of the state in setting conditionality to foreign investors, and the great leeway investors have in project planning and implementation pose serious risks to inclusive growth, especially in a context of dissemination of contract farming schemes.

4 Contract farming and poverty reduction: Mainstream discourse and the forgotten risks

Contract farming is an agricultural system in which a central processing or exporting unit establishes a network of out-growers who supply a certain commodity according to conditions previously defined in a contract. These purchases can supplement or substitute the company's production. Typically, the company provides inputs and technical advice to farmers to be discounted in the final price and retains the right to reject substandard production (Glover 1987: 441-2). The terms of such schemes vary considerably from case to case, especially in regards to the decision-making power of the growers (Watts 1992). Advocates usually point to three advantages for local farmers: assured market, easier access to inputs and technological assistance, and higher stability of income (Silva 2005; William and Karen 1985 and Morrissy 1974 *apud* Clapp 1994). In theory, uncertainties would be reduced once market outlet would be secured for the contracted production and inputs would be provided by the agribusiness company, therefore favouring income stability. Also, access to credit could be enhanced once contract firms can either offer financing directly or serve as a guarantee to the banking system (Silva 2005: 15-16). Following a *laissez-faire* approach, a World Bank 2011 report argues that as long as property rights and a proper regulatory framework are in place under these schemes, 'productivity and welfare-enhancing transactions can occur without the need for active intervention by the state' (Deininger et al., 2011: 34). However, as a tool for reducing poverty and promoting inclusive development, contract farming is a highly controversial issue¹⁹.

Contract farming schemes were already a popular recommendation in the multilateral and donor community in the wake of the structural adjustment in Africa (World Bank 1981). Throughout the 80s and 90s, they were perceived as an efficient way to accelerate the entrance of the private sector and to reduce public interventions in agriculture. They were also presented as a solution to incorporate peasants into the emerging global agro-industrial food/energy complex (Little and Watts 1994). In recent years, contract farming has again gained momentum as part of the mainstream response to the wave of criticism against land-grabbing. Studies on land-grabbing have raised concerns over issues including

¹⁹ See also Smalley (2013) for a detailed review of the literature.

food security, land conflicts, the incapacity of past land deals to reduce poverty, and their concentrated benefits in terms of corporate profits²⁰. As a response to these criticisms, some opportunities were identified in the 2011 World Bank report (Deininger et al. 2011), whereby large investors' resources and interest in land would be used to help low-income countries to increase smallholder productivity and improve local livelihoods. Large-scale foreign direct investments are now presented as part of the response to low agricultural productivity in Africa if coupled with certain cautions, including schemes that allow the integration of small-scale farmers into food value chain production without dispossessing their land (Borras and Franco 2010)²¹.

As an agricultural production system, contract farming can take various forms depending on land ownership, contract conditions, and the engagement of various actors, including the state, development agencies, and private sector²². Many of these contract farming models have a long history in Mozambique and in the Nacala corridor. All regional production of cotton and tobacco, for instance, has been based on a centralized model of contract farming in the past twenty years, in which the processing companies have the concession over a territory and the monopsony—equivalent to monopoly but from the buyer's perspective²³.

Important non-concessional examples of contract farming have been emerging rapidly in recent years in the Nacala corridor, especially for the production of soybeans. At least four foreign agribusiness companies have contract farming schemes in Gúruè and Lichinga districts for soybean production, including a partnership between a Brazilian company and the Mozambican president (Hanlon and Smart 2012)²⁴. They operate or are starting to operate in a 'nucleus-out-grower' model, meaning they practice contract farming at the same time that they run their own plantation. Companies, therefore, maintain a certain guaranteed production while contracting from smallholders (Smalley 2013: 9-11). Finally, a few cases that don't involve a large foreign investor can be found around the city of Nampula. In one case, farmers' associations, with support from donors and a national development financing institution, were transformed in a private contractor and

²⁰ For a review, see Fernandes et al. (2012).

²¹ As Borras and Franco (2010: 509) summarize: 'The dominant storyline of land grabbing as a threat is slowly ceding ground to a new storyline – that of the new land deals as a potential opportunity for rural development, if they can be harnessed properly to minimize or avoid possible negative social and environmental effects.'

²² Eaton and Shepherd (2001) created a typology of five models to describe contract farming schemes: centralized, nucleus estate, multipartite, informal, and intermediary. This article follows this typology with the exception of 'nucleus estate' model, employing 'nucleus-out-grower' model instead, following in this case a terminology used by Smalley (2013).

²³ In the cases of tobacco and cotton, multinational companies receive the concession, or privilege of exclusive right over a part of the territory, not facing any competition, and only having to observe a minimum price previously agreed with farmer's cooperatives and the Mozambican government.

²⁴ The companies are Hoyo Hoyo (Portugal), Africa Century Agriculture (UK), Rei do Agro (US) and Agromoz, a partnership between Grupo Pinesso (Brazil), Grupo Américo Amorin (Portugal) and Intelec Holdings, owned by the Mozambican president, Armando Guebuza (Hanlon and Smart 2012). Systematic studies on the impact of these initiatives for poverty reduction and inclusive growth in Mozambique are urgently needed, once only a few observation notes are so far available.

processor²⁵. All these different types of contract farming that already exist in the Nacala corridor are present in ProSAVANA planning documents. The only deviation from actual practices is that the programme does not consider the use of concessions as a means to motivate the entrance of foreign investors.

As an agricultural development tool for reducing poverty in Africa, contract farming is a highly controversial issue. The potential threats for farmers in low-income countries are rather extensive, and past experiences show that these schemes can also be a powerful mechanism leading to 'excluding' growth. Several advocates tend to be quite careful and discretionary in their recommendation for contract farming due to their potential disadvantages for poor peasants (Liversage 2011; Silva 2005; Anseeuw et al. 2012; Singh 2002; Porter and Phillips-Howard, 1997; Little 1994). The risks briefly reviewed below are: abusive power imbalances and exclusion of poorer farmers; food insecurity due to monoculture cultivation and exports; and dependency, indebtedness and disruption of cultivation methods. Without explicitly designing policies with pro-poor goals and facing these threats, contract farming may deliver more of the same and keep Mozambique far from inclusive growth.

How have ProSAVANA formulating agents been relating to the potential risks of contract farming now that the programme is in its early stages? How can the programme address the inherent imbalance of contract farming if the aim is inclusive growth and inclusion of poorer farmers? The 'magic bullet' the programme has found to discipline investors is a voluntary international code of conduct for investors, that is, a self-regulation guideline that should orient investors towards 'good practices'. In the ProSAVANA Master Plan, this is materialized as the Principle of Responsible Agricultural Investment (PRAI), essentially a reproduction of seven principles prepared by the FAO, IFAD, UNCTAD, and World Bank Group (FAO et al., 2010), which 'private investors interested in agricultural development in the Nacala Corridor will be *requested* to comply with' (ProSAVANA-PD-QIP, 2013, p. 5-3, emphasis added). Besides these voluntary guidelines, measures to avoid the above risks from materializing are explicitly missing from project documents.

4.1 Power imbalances and exclusion of poorer farmers

The empirical literature shows that the effect of contract farming to local smallholders' livelihoods varies significantly (Li, 2011; McCarthy 2010; Smalley 2013; Zen et al. 2008; Cramb and Ferraro 2010; Little and Watts 1994; Watts 1992). It depends much on the terms under which smallholders are incorporated under these schemes, more specifically on the terms that they relate with the agri-food corporation and with the overall value chain. Two crucial aspects are farmer's relative bargaining power and the role of the state, donors, and farmers' organizations. Past empirical studies also indicate uneven impact among scheme participants (Singh, 2002; Glover 1987; Little 1994). Poorer farmers are often not even eligible to become a contractor because agri-food corporations prefer to

²⁵ Interview with Ikuru staff.

work with already emerging farmers, where transaction costs are lower. In these cases, contract farming does not offer pathways out of rural poverty, and instead only consolidates the access of emerging farmers to agri-food commodity chains (Akram-Lodhi 2009).

Based on comparative research on palm oil schemes in Indonesia, where smallholder contract schemes have a long history, three different researchers (Li 2011; McCarthy 2010; Zen et al. 2008) came to similar conclusions: where pro-poor government interventions were present, contract schemes tended to deliver better benefits to local smallholders. Moreover, in places where farmers were given other options for commercialization or where other economic activities were available, their bargaining power was higher, thus reducing the effect of the asymmetric market relationship. In conditions where poverty prevailed and no other alternatives were given to local farmers, the dominant agent in the agri-food commercial chain was able to structure the operation to its own advantage, consolidating a predatory process of primitive accumulation. 'An impoverished population surrounding is the ideal situation for maximum profit. The last thing a plantation company needs is for the surrounding population to prosper' (Li 2011: 291).

ProSAVANA project documents, however, do not address the need of specific pro-poor interventions, and the lack of arrangements designed to foster inclusive schemes is evident. Due to the central role of private actors in the formulation phase, the master plan often resembles more to a business plan than to a development plan. Incredible emphasis has been given to business operation feasibility, and a business-oriented socioeconomic impact analysis is proposed. In the case of the large-scale plantation farm suggested for Majune district, 'feasibility indicators, at a discount rate of 10%, show that the project has high profitability and the IRR was calculated at 20.3% and the payback is nine years' (ProSAVANA-PD-QIP, 2013, p. 3-43). The expected internal rate of return is presented in nearly all quick impact projects proposed for the private sector. The socioeconomic vulnerability classification was built in a way to reflect rural population density and availability of land (ProSAVANA-PD-QIP, 2013, p. 2-2), suggesting an approach that favors foreign investment capacity of penetration in the country rather than expected impact over food security, gender imbalances, social inequalities, and poverty reduction.

In a context in which local communities and local and national governments have been kept out of planning and formulation, as in the case of ProSAVANA, the already challenging possibilities of setting conditionality to foreign investors, strengthening the bargaining power of growers, and defining favourable terms for poorer farmers are even more limited. Li (2011: 288-289) argues that 'poverty reduction cannot be left to corporations'; it is against the prevailing capital-logic to expect private investors to take the lead in designing and managing schemes that reduce their profits in favour of the labour of their attached smallholders' suppliers. Inclusive agricultural systems require careful modelling by states and by donors to set conditions to investors in which smallholders can prosper. But this inclusive modelling did not seem to be a motivation in the elaboration of the ProSAVANA Master Plan.

4.2 Food insecurity

From a food security perspective, the crucial question is what happens to aggregate regional food supply once contract farming is introduced. Mozambican researchers have already raised their concerns over the tension that emerges once land and labour must be divided between cash crops for export under contract farming and food crops for local consumption (Mosca 2012). The risk is that the amount of marketed food surplus would decrease, potentially affecting regional food availability and prices. This tends to be a problem for non-scheme farmers, raising the need to investigate food security and income generation of contract farming in a regional, off-scheme level (Singh 2002, Little 1994). Given that non-participants are likely to include the very poorest families, the scenario of reduced net availability of food in the local area is especially concerning (Smalley 2013: 49). Past evidence from Kenya, for instance, showed cases of local food shortage and high inflation for food staples in contract farming areas (Smalley 2013: 49; Little 1994: 228-229).

The local demand-side of agricultural systems and policies to increase food security have been categorically ignored by ProSAVANA planning. As argued in the previous section, the relationship between producers and agri-food companies is deeply unequal, and it will remain so unless farmers have a variety of channels through which to sell their produce (De Schutter 2011). Local food systems and public procurement schemes that support local small-scale food producers can play an essential role here. 'The more farmers are given real choices, the stronger their position will be (...). It is not simply a matter of boosting supply to meet growing needs. It is about who produces, for whom, in which conditions; it is about reducing the gap between farm gate prices and retail prices to ensure affordable food; it is about empowering the most marginal food producers, and allowing them to capture a greater portion of the value of their produce' (De Schutter 2011: 21).

Not coincidentally, the demand-side policies of agricultural systems have been an important request from Mozambican civil society²⁶. Once again, this shows the relevance of a participatory approach in programme planning. Brazil is itself a showcase in one of these local demand-side policies, known as the Food Acquisition Programme (PAA in Portuguese). This programme also exists in Mozambique and is supposed to be supported through Brazilian cooperation, but it has an irrelevant budget, 70 times lower than ProSAVANA (Nogueira and Ollinaho 2013), and no serious political support despite local civil society requests.

4.3 Dependency, indebtedness, and disruption of cultivation methods

Through contract farming, peasants tend to be incorporated into the global agro-industrial complexes in a highly dependent manner, without autonomy over what will be produced, methods or inputs to be used and without possibility of advancing in the value chain

²⁶ See the open letter from civil society at mentioned in footnote number 10.

(Akram-Lodhi 2009; Clapp 1994). This is something clearly noticeable in the cotton production schemes in Nampula province. Organized local producers who have been working on a contract farming basis for decades have reported to be locked in a dependent relation. 'We continue to be dependent. We have no chance to become a small rural entrepreneur. The companies will never allow it.'²⁷ This situation seems to echo Smalley's (2013: 4) argument that 'it might be over-optimistic to expect contract farming to stimulate commercial agriculture and to tolerate the emergence of competitive producers and markets.'

One key characteristic of contract farming is that some inputs and services are typically advanced by the firm on credit do be repaid with interest by participating farmers (Smalley 2013: 9). When an arrangement that was initially favourable to growers deteriorates, farmers locked in by debt, specialization, or the disappearance of other markets or production methods tend to find it difficult to extricate themselves (Glover 1987). Farmers that have started to work on a contract farming scheme in Gúruè in 2011 already had to sign a letter accepting that they have a debt to the largest contract farming company in the district in order to be able to renew their position in the scheme for a second year (Hanlon and Smart 2012).

Singh (2002) sees dependency as a natural result of contract farming schemes due to 'agribusiness normalization' logic. This refers to a process wherein agribusiness firms, in their start-up, tend to offer higher prices, low quality standards, and generous credit and inputs to attract contract growers. By the time growers have committed substantial resources to contract crops and incurred in heavy debts, profit maximization objectives lead firms to raise quality standards and reduce procurement prices. Firms also begin to rationalize grower numbers by retaining only those growers who can supply better quality produce at lower prices, and squeeze growers as they become dependent on contract farming operations. 'This process is an inevitable dynamic of processor-grower relations' (Singh 2002: 1632).

Contract farming also leads to disruptions in traditional cultivation methods once local farmers abandon past practices in favour of new introduced foreign technologies. As Silva (2005: 18) puts it, 'patterns that emerged from the optimal utilization of locally available resources might be irreversibly lost.' These results can be especially traumatic in cases when the contractor company leaves the region, but they are also felt daily through higher levels of dependency. Clearly, ProSAVANA has a priori dismissed the possibility of development pathways options other than the conventional green technology package in the name of exporting a technology that can enhance Brazilian leading position in tropical agriculture. It has once again ignored demands from local social movements to include agroecological methods, such as the strengthening of native seeds, that may curb the disruption of cultivation methods and that may foster local autonomy.

²⁷ Interview with cotton association producers in Nampula on 29/03/2013.

5 Conclusions

Contract farming has re-emerged as a popular prescription given by donor communities and multilateral institutions as part of the response to the wave of criticism against land-grabbing. These agricultural schemes are often pictured as vehicles for technology transfer and market access for poor peasants while at the same time they are supposed to preserve local farmers' right to land. ProSAVANA is a fitting example of this trend, and stands for the spreading of contract farming schemes across the Nacala corridor as a way to allow the entrance of foreign investors in Mozambican agriculture without dispossessing local farmers.

The impacts of contract farming for inclusive growth are rather indefinite, as a vast body of literature shows. Several contract farming advocates tend to be discretionary in their recommendations for these schemes due to their potential disadvantages for poorer farmers. Risks reviewed in this article are based on theoretical literature and past empirical cases. Such risks include abusive power imbalances, exclusion of poorer farmers, food insecurity, dependency, indebtedness, and disruption of cultivation methods. As very little is known about the impact of existing contract farming schemes over poverty reduction in the Nacala corridor, future research in this area is urgently needed. This is especially pertinent because all of these risks have been categorically ignored by ProSAVANA's project documents.

This article has argued that ProSAVANA has not so far been characterized by building an inclusive agricultural system. The programme's formulation has been marked by three critical factors: very low level of participation of local communities, lack of involvement of the state in setting conditionality to foreign investors, and large space given to private investors in project planning and implementation. In such a context, the challenging mission of setting up inclusive contract farming schemes becomes highly unlikely.

Inclusive agricultural systems require careful modelling by states and donors, including setting schemes and conditions to investors in which smallholders can prosper, offering assured alternatives for commercialization to local producers (such as public procurement schemes), and supporting the development of production methods that enhance farmers' autonomy. In addition, taxes over land use by foreigners need to be carefully re-planned, especially to avoid the fiscal incentives that have marked the investments in mega-projects in Mozambique's mineral sector. Motivated by the aim to build inclusive agricultural systems that foster pro-poor growth, a new approach to ProSAVANA is pressingly needed. Programmes that reinforce the actual extractive economic pattern tend to deliver more of the same: high growth rates with little or no positive impact on poverty reduction.

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Annex

List of people interviewed

Institution	Name/position
ABC (Brazilian Cooperation Agency)	Marco Farani, former Director
	Thais Braga, Coordinator of Technical Cooperation Programs in Agriculture in Mozambique
	Paulo Lima, Coordinator for Lusophone Africa

	Wofsi Yuri Souza, General Coordinator
AENA (National Association of Rural Extension), Nampula	António Lourenço Mutoua, Executive Director
African Century Mozambique	Sérgio Gouveia, Agriculture Director
Embrapa (Brazilian Agricultural Research Corporation)	José Bellini Leite, General Coordinator Embrapa Mozambique
	Edson Guidcci, Embrapa Hortaliças
Fonpa (National Forum of Cotton Producers), Nampula	Américo Cândido, Coordinator
	Maurício Muarope, Coordinator
Forum Terra Nampula	Luisa Hoffman, Executive Director
GAPI (Financial Institution for Development), Nampula	Jorge Gonçalves, Technical Staff
IIAM (Institute of Agrarian Research of Mozambique)	Antonieta Nhamusso, Plataforma Coordinator
	Jacinto Mafalacusser, Soil Researcher
IKURU (Commercial Enterprise of Associated Producers)	Gerson Daniel, General Manager
	Moseis Raposo, former General Manager
JÁ / Friends of Earth Mozambique	Vanessa Cabanelas, Technical Staff
	Renê Machoco, Technical Staff
Ministry of Agrarian Development, Brazil, International Affairs	Francesco Pierri, Head
Ministry of Agriculture, Mozambique, Directorate of Agrarian Services	Mahomed Valá, National Director
Ministry of Agriculture, Mozambique, Directorate of Economics	Raimundo Matule, National Director
Ministry of Agriculture, Mozambique, Office of the Minister	Ventura Macamo, Minister Adviser
	Fernando Songane, former Minister Adviser
Ministry of Planning and Development, Mozambique	Salim Valá, Permanent Secretary
Nacala Fund / FGV Projetos	Frederico Dimas de Paiva, Consultant
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	Calisto Ribeiro, Coordinator for Agriculture
	Luís Huamasse, former Executive Secretary
Polytechnic University of Mozambique	João Mosca, Professor
ProSAVANA	Calisto Bias, National Coordinator
	Inácio Nhancale, National Focal Point for Rural Extension
ProSAVANA PD Project / Provincial Directorate of Agriculture Nampula	Júlio Nunes de Carvalho Júnior, Focal Point
ProSAVANA PD Project / FGV Projetos	Francisco Rollo, Consultant
ProSAVANA PD Project / JICA	José Tashimori Nakane, Consultant

	Mário Yoshimi Inoue, Consultant
UCM (Catholic University of Mozambique), Cuamba	Miguel Benjamin Antonio, Professor
UNAC (National Peasant Union), Mozambique	Augusto Mafigo, President
	Vicente Adriano, Technical Staff
UGCAN (General Union of Agricultural Cooperatives), Nampula	Gregório Ali Abudo, President
	Elísio Taniquera, Executive Secretary
	Daniel Ábaco Mario, Coordinator