
http://researchrepository.murdoch.edu.au/30004/

Copyright: © 2015 by Nova Science Publishers
It is posted here for your personal use. No further distribution is permitted.
AGRICULTURAL LAND USE CHANGES THROUGH INTER-SECTORAL AND INTERNATIONAL ENGAGEMENT: THE INTERFACE OF MINING AND AGRICULTURE IN MOZAMBIQUE

Mark P. McHenry¹, David Doepel², Emerson Zhou³, Roy Murray-Prior⁴ and John Dixon⁵

¹School of Engineering and Information Technology, Murdoch University, Australia
²African Research Group, Murdoch University, Australia
³Beira Agricultural Growth Corridor (BAGC), Maputo/Chimoio/Beira, Mozambique
⁴School of Management, Curtin University, Australia
⁵Australian Centre for International Agricultural Research (ACIAR), Canberra, Australia

ABSTRACT

This chapter analyses agricultural transformation and change occurring through inter-sectoral relationships as a result of mining activity in the Beria region of Mozambique. We explore the efforts to link the supply chains and capacity building as a means to renew livelihoods and progress towards improved farming systems and land uses. The research includes previously unpublished interviews undertaken by the authors with the Tete Provincial Farmers Union, Beira Agricultural Growth Corridor (BAGC), and a non-profit philanthropic company AgDevCo, for a report from the Australian Centre for International Agricultural Research (ACIAR). The Tete Provincial Farmers Union represent some local smallholder farmers, some of which supply agricultural produce to mining companies through intermediate buyers. Within this context, we discuss the local activities that aim to link the supply chain between the relocated farmers and other local farmers through capacity building and commercial partnering through small-scale private-public partnerships (PPPs). This approach aims to eventually generate sufficient smallholder productive capacity to supply wider local and export market demand for agricultural products on a commercial basis. The research discusses the engagement of

* Email: mpmchenry@gmail.com.
social venture capital partner organisations (SVCPOs) to actively facilitate this process, and semi-structured interviews with representatives of the BAGC supported in part by the non-profit philanthropic company AgDevCo as an example. This chapter is derived from an unpublished report commissioned by ACIAR (Australian Centre for International Agricultural Research) to the Doepel Group Pty Ltd., at Murdoch University, and has been updated, revised, and advanced under the Department of Foreign Affairs and Trade (DFAT)'s Australian Development Research Award Scheme project undertaken by Murdoch University.

Keywords: Land use, agriculture, mining, transformation, commercial, capacity building.

INTRODUCTION

Productivity gains needed to ensure food security for the growing global demand will need to come from both more intensive and extensive land uses and production systems – particularly from lands where low productivity still exists (Thornton et al., 2010). Food security also entails providing food availability, and a protein- and nutrient-rich diets (etc.), in addition to meeting basic calorific intake needs (Palm et al., 2010). Historical agricultural land intensification has led to a situation where more food is produced today in aggregate than the global population requires at historically low prices; the issue is spatial distribution due to income disparities (Hazell and Wood, 2008). From a development perspective, the benefits of increased agricultural land intensification will likely go unharvested in most regions of Africa without a change in the status quo. Traditional forms of rural resilience may not be appropriate in light of climate change and also may be lost during the development process; unless the development process enables and equips them to better adapt (Conway, 2008). Change in agricultural systems in addition to climate include drivers at the global-scale (international trade and policies, market globalisation, high energy prices, low food prices, etc.,) national-scale (incomes, urbanisation, changes in market chains, public policy and land use changes, etc.,), and the local-scale (poverty/wealth, population changes, health, property, technology, infrastructure, market access, and off-farm opportunities) (Hazell and Wood, 2008). Resilience to such changes are at its simplest about learning to cope with these changing circumstances, and developing a means to solve problems to achieve better outcomes over time (Conway, 2008).

A diverse rural livelihood or agricultural production system is one of the best means to increase resilience (Conway, 2008). Adaptation options will need to be improved at the level of the household and the local community if development and food security targets are able to achieved (Thornton et al., 2010). Women in particular are commonly responsible for diversifying agricultural lands and production systems towards a greater level of resilience through higher value vegetable, fruit, and smaller animal protein production, in addition to other non-agricultural commercial pursuits such as crafts and labour services (Conway, 2008). Within the context of facilitating the transition from subsistence agricultural livelihoods to commercial producers, there is an increasing trend for the private sector to be asked by governments to assist in achieving poverty reduction and sustainable development targets, and improving labour standards, human rights, capacity building, health services, and environmental standards (Kivuiti et al., 2005). In addition to large international companies,
the private sector can include individual farmers, farmer groups, non-governmental institutions (NGOs) and numerous varieties of private and public companies (Werblow and Williams, 1998). Of interest in this chapter is how external entities and partnerships may successfully interact with farmers, farming families, and farm managers to best enhance agricultural land productivity and change towards a commercial level of profitability in the long-term (Lal et al., 2011).

The mixed results of past approaches to support agricultural land development suggest a more detailed understanding of locally appropriate options for public and private collaborations to sustain adoption and wider development objectives (Speielman et al., 2010). A renewed focus on infrastructure, markets, supporting mechanisms, and a ‘critical mass’ of agricultural industry development with ‘development corridors’ is a promising advance (Meeuws, 2004; Woodhouse, 2009). Yet finding a robust mechanism to generate sustained investment and support alongside African national governments, and African-involved non-African governments and donor institutions is a fundamental weakness. This weakness may be ameliorated by attracting commercial business and private enterprise capacity and investment into production systems (McHenry and Cakir, 2013; McHenry et al., 2013). However, a stronger and diversified market demand is also needed to underpin increased agricultural sector investment that aims to generate sustained commercial production and land use change (Woodhouse, 2009), and more consideration should be given to attracting a diversity of private sector interests to maintain links between agricultural inputs, services, and production over the long term (Speielman et al., 2010; Opara, 2011; McHenry et al., 2014). This includes interests and relationships outside of traditional agricultural/rural sector, and this chapter explores those based around another traditional land use: mineral activities.

This chapter seeks to explore the interface of where mining and agricultural interests intersect through catalysing local agricultural land uses that produce the quantity and quality of food required by mining procurement programmes by progressively enabling and building the capacity of farmers over time. This partnering develops an effective level of stability for the local farmers while developing their activities to a stage where they can become commercial suppliers, either by themselves, or within a cooperative. The partnering approach seeks to align national and private resources to gain efficiencies in leveraging strategic involvement in targeted geographical ‘development corridors’ within developing countries to generate sufficient market stability where other private investors have confidence to develop long-term private-public partnerships (PPPs), with mining companies and farmers along the supply chain. The objectives of this chapter are to present perspectives and experiences of Tete’s smallholder farmers, extractive company representatives, and entities involved in fostering PPPs, and explore how linking agricultural supply chains may provide opportunities to smallholders to increase agricultural productivity and land use changes from subsistence to commercial uses.

**METHODS**

The core methodology involves the combination of a multistakeholder process for analysing the value chain to supply the mining companies and other institutional food markets over time (Vermeulen et al., 2008). The multistakeholder process contributes to developing
understanding of changes that are required to improve the context for smallholder farmers to supply mining and other institutional markets. It included meetings was with the Tete Provincial Farmers Union at the Directorates office in Tete, Mozambique, with the National President chairing the meeting, who is a member of the directorate of the BAGC. The meeting was translated into English from Portuguese by Mr. Emerson Zhou, the Manager of the BAGC. The Tete Provincial Farmers Union represents smallholder producers in the Tete region. The multistakeholder process also included interviews with representatives of the non-profit philanthropic company ‘AgDevCo’ who manages the BAGC Catalytic Fund (~23 million USD) social venture capital for agribusiness PPPs in the Beira corridor. AgDevCo seeks to broker corporate partnerships, such as large buyers with small to medium enterprises (SMEs) through selected agricultural supply chains on a commercial basis. All interviews occurred in late 2012 in person by the primary authors.

**INTERVIEW WITH TETE PROVINCIAL FARMERS UNION, MOZAMBIQUE**

When asked of the experience so far of the mining involvement generally, and of the direct involvement with agricultural producers, the Tete Provincial Farmers Union representatives stated the experience so far has been quite mixed. The members discussed that on the negative side, mining activity has displaced agricultural land use and farming populations, and reloated them to lands with poorer productive capacity and less resources in terms of infrastructure and services. They stated that many promises have not materialised, although some initiatives were beginning to improve after some years. They stated on the positive side, the railways are running more frequently, and some local roads have been made more functional, there are more schools, health facilities, and other social benefits. There is also more employment, although the workforce is not organised or trained to meet many requirements of the new developments, and at present local workers are only paid the minimum salaries that the government prescribes. When asked about the relationship between the mining company’s food procurement and the local farmers, they mentioned there were some intermediate small-scale contractors that procured food for mining companies. The primary products sought were horticultural produce (e.g. tomatoes, cabbages, carrots, lettuces). The representatives stated that in practice the contractual arrangements enabled the contractors to go to the local farmers without prior arrangement and tell the farmers what price they will offer. The buyer often rejects some of the produce because it does not meet their quality requirements. The farmers are not aware of the price the buyer gets for their produce, and have very little information regarding the quality or quantity that is sought on a day-to-basis, apart from indirectly through what is purchased and what is rejected.

The Tete Provincial Farmers Union stated that they have difficulty meeting quality requirements during the wet season due to horticultural diseases. The representatives were asked if cattle, sheep, goats, chickens, or eggs that are produced in Tete are sold to the mining companies. In response the group stated that Tete is a traditional producer of goats, cattle, and livestock, yet the mines are not interested in sourcing meats and animals since they deem them not of the right quality. For this reason, they do not source the meats locally. The representatives noted that the major issue is not that the farmers do not know how to produce
a better product, as they clearly can grow excellent quality produce (as observed by the primary authors, Figure 1). The issue is that many farmers are not able to buy the correct inputs when they need them, even when they can afford them and it is profitable to do so. What is available is not sufficient for the task, particularly in terms of expensive chemical sprays for horticultural products, which need to be precisely used at particular times to increase their efficacy. The representatives stated that to produce a better product, they expect to get a better price to justify these activities and outlays and a guaranteed commitment to purchase. At the moment, the union representatives are trying to explore with the buyers what it would mean financially if they provide an improved product, i.e., will producers get a better price, rather than simply have their produce rejected or purchased.

When the Provincial Farmers Union representatives were asked about how the buyers have interacted with the farmers and vice-versa, they said that the buyers have not worked with the farmers to discuss options that would enable them to better meet supply requirements and volumes. They also noted that the buyers were selected through an initiative between the mining companies and the Department of Agriculture in Mozambique. There was a meeting to coordinate service providers that supply mines in terms of local agricultural produce. Expectations in these arrangements were that buyers would work with the farmers to improve product quality and quantity of selected produce to meet the mine procurement needs. The union representative stated this has not been the case. The representatives were asked if there are other local opportunities to supply the growing local market through the economic boom related to the mining industry in Tete, such as hotels and restaurants. The representatives indicated that there appears to be ‘invisible supply chains’ that the local farmers do not have access to, and those that do are essentially protecting their competitive advantage to maximise their own benefit.

INTERVIEW WITH AGDEVCO, MOZAMBIQUE

AgDevCo is a non-profit philanthropic organisation established in 2009 seeking to develop the agricultural sector across sub-Saharan African, and is heavily involved in
brokering corporate partnerships between large buyers and small to medium enterprises (SMEs) through selected agricultural supply chains. AgDevCo manages the BAGC Catalytic Fund, which is approximately 23 million USD in funding primarily from the Dutch, UK, and Norwegian governments. The funds are allocated to social venture capital for agribusinesses. The BAGC Catalytic Fund is seen as a ‘custodian of PPPs’ in the Beira corridor. These partnerships are generally with large corporate companies that wish to buy agricultural products, as well as foster broader opportunities in the region on a commercial basis. They are also involved with public institutions in Africa that play a role within the supply chain, such as the technical and vocational education and training (TVET) sector, and also large international aid agencies. AgDevCo representatives stated they were most active in Mozambique although are looking in the long term at wider pan-African opportunities. Mozambique is viewed as a very strategic country, particularly for expanding production supplies from the hinterland countries in southern African markets. The AgDevCo representatives interviewed by the authors stated that “while many other countries in the region have their challenges, many already have a commercial and private sector and a reasonable regulatory environment when compared to Mozambique at this stage in its development after the war. If we can be successful in Mozambique, we’ll likely be successful elsewhere. However, within the BAGC in Mozambique things are different. It has rail, roads, electricity, and you just need the last mile infrastructure that plugs it all together, so that is why we are focusing there first in Mozambique.”

AgDevCo is partly funded by the UK Government’s Department for International Development (DFID), which has focused on how to integrate international development activities within the mining sector. These broad opportunities are essentially linking demand with supply of agricultural produce, and procurement arrangements within Mozambique. The principal goal is to increase local agricultural capacity to supply the growing list of extractive industry companies working in Mozambique and from there to export markets.

The AgDevCo representatives were asked what have they learned that has influenced how they themselves have operated in Mozambique? “You need to have someone there on the ground working with the partners. Communication is so important. Clear, consistent, regular communication. They noted that personal communication, “…knowing the people involved, and trust is everything…” is important, yet not isolated to this region. When queried about how AgDevCo will communicate with the spectrum of major players in the region, the representatives noted “It makes sense that AgDevCo development has a diversity of demand by large corporate buyers. However, procurement is two sided. There are sellers and buyers, and the strategy is to strengthen the offer from agricultural suppliers. At the present time the supply base is not sufficiently organised to respond.” The AgDevCo representatives described that over the last few years they have demonstrated that they are able to enable local entrepreneurs to organise themselves to respond to some of the growing demand from large corporate buyers. They stated that “each strategy will be different, some producers have a history, and AgDevCo might be able to reorganise it, but we do not need to start at the same level for each. It is really a simple concept but is very difficult to convey sometimes.” They described that some really good SMEs are supply ready, or very close to it, but some are not, and it will require a long time and effort to get contracts signed and the SME’s being able to meet demand. When queried on what have been the positive developments on the supply side, the AgDevCo representatives noted “For the last three to four years we have plugged the hole in risk capital that exists at the moment, as commercial finance is not available for a number
of worthy entrepreneurs in the small end of agribusiness, traditionally deemed too risky for conventional lenders.” They described how the Catalytic Fund looks for strategic investments in the value chain, including seeds, grains, and feed, for animals such as poultry and other livestock, with the aim to try and join the links in the supply chain. Their objective was to widen the supply base that is available, as buyers wanted to supply produce from the one location, which reduces their logistical costs of buying produce. “The larger buyers have alternatives and an ability to look elsewhere and pay a premium for it. AgDevCo are in the business of convincing the larger buyers that there is another way, and in parallel work to ensure that suppliers can meet the demand”. AgDevCo representatives noted that when attempting to change the existing supply chains, there needs to be consideration of how local producers can meet demand, and that existing food companies want a form of guarantee that this will happen, which requires exploration at a detailed level, even down to cash flow considerations. The AgDevCo representatives said “For AgDevCo it’s not as simple as just ‘buyers and sellers’, there are nodes, chains of buyers and sellers, and that makes it more difficult to get the information we need, and knowing what the incentives and preferences are at each step. There are also notable issues regarding the lack of public goods, such as basic agronomic knowledge, food storage, transport, and also the roads.”

The AgDevCo representatives were asked what mechanisms did they use to engage with local farmers, and stated: “We assist the process, including how to engage without alienating people, and by finding suitable partnerships in the region, and also looking at agro-finance. In simple terms, to minimise coordination failures when they occur”. AgDevCo representatives noted that in the beginning they used to have open calls for proposals on their website and invited people to come forward, which established their initial smallholder contacts. AgDevCo also visited established larger farmers in the region to identify some ‘ripe’ projects that they could support, and where it would be possible to play a positive role. The AgDevCo representatives stated “we’ve essentially tried to jointly identify opportunities with farmers. Local entrepreneurial farmers present to our people on the ground their business ideas. The entrepreneurial farmers have their own money, and they come to us to co-finance their idea.” Out of this experience, AgDevCo have been able to identify particular local constraints, such as the unavailability of suitable finance. “We basically put the word out that there is competitive funding available, and there is a large element of advocacy involved. There are clear funding criteria, as they need sound management, they need to be commercially viable, and they also need to have impact in the region. We also do our own due diligence assessments, and undertake a lot of scoping for opportunities. There are some cases where we have a large ‘hands on’ approach, but in the main the entrepreneurs themselves manage the opportunity.” AgDevCo representatives stated categorically that when it came to entrepreneurs, they did not want to “hold their hand too much”, and they view the Catalytic Fund “not as a grant, it’s an investment. It is very much focused on ensuring entrepreneurs exit the facility. We want the Catalytic Fund money back so we can recirculate it, so loans do have to be repaid. It’s not the 20% and up return on equity that commercial finance expects, it’s more like 5 to 10%. While we exit from projects, we do not exit from the market.” They further clarified “essentially one can summarise our approach as a social venture capital investment model, where we provide risk finance, not just loans. Equity that requires incubation, some handholding, but the aim is to provide support up to the point where they become bankable where they can attract commercial finance. We are there to ensure that they
become a strong catalysing effect towards a local commercial industry that brings up the rest of the community. It’s the business model that we believe is a solution to this.”

The AgDevCo representatives were asked if they believed this was a new model for agriculture in Mozambique? They clarified the question by explaining there are existing financial institutions that operate at different levels. “For example, some financial institutions have either short or long term loans, but it is not at the incubation level, and they don’t provide ‘patient’ funds that can help people pull through various stages.” They also noted that they see that actively collaborating with these other organisations is part of their role of brokering partnerships, and are flexible with their own funding model. “Sometimes we take a commercial management fee, such as for a large irrigation PPP for example.” The AgDevCo representatives were asked how they approached the various partners in the region. They explained that they are at present focused on trying to establish long-lasting partnerships. “We also work with other entities that we do not financially support. For example, we go to a large company and talk about an opportunity to work with small to medium sized agribusinesses linked up to the same supply chain. Take for example, a large established international food company. We can broker smallholder produce that suits their needs, or farmer development activities, such as establishing outgrowers. Those relationships are going above and beyond traditional finance with the Catalytic Fund projects that establish relationships outside of normal commercial supply chains.” They noted that they also engage other financial institutions to help them improve their services, and target institutions that are complementary to each other. “At present we are looking at providing funds into other institutions to manage on a commercial basis. When some institutions have a particular expertise and resources that we do not necessarily have, we seek to partner with them, and our objectives are achieved by those means.” The AgDevCo representatives stated that their “stakeholders don’t just want to talk, we need to deliver meaningful partnerships. They want us to implement practical things.” They noted that structured documentation of what AgDevCo is doing is important so others need to learn how to implement productive activities. “The BAGC Catalytic Fund is a new initiative and we want to generate lessons, but our partners also expect us to generate business. If we spread ourselves to thin, we risk being misunderstood.”

**DISCUSSION: LAND PRODUCTIVITY AND PROCUREMENT**

Discussions with the Tete Provincial Farmer’s Union identified that while the presence of new market opportunities with the extractive industries was a positive development, challenges still remain with regard to quality specifications and reliability of purchasing. Procurement is price-dependent, with the price set by the buyer, and no premium paid for meeting higher quality standards. Rather, sub-standard produce is simply rejected. These procurement activities can be described as the default procurement activities in the region, and much additional work is required to develop suitable mechanisms for workable solutions. As such, there is an opportunity for farmers who are already organised or associated through the union to themselves supply new market opportunities. For example, there could be an arrangement to take aggregated quality produce to a collection point, or market, on a regular basis to facilitate buyers (This is occurring to an extent with the growth of some local markets along major roads and intersections in the region). There is also a need to understand in detail
what the mining food procurement contractors and other buyers are looking for, and how the farmers might be able to better meet their needs on a seasonal basis. Additionally, for local markets to work efficiently when farmers can meet quality and volume targets, they subsequently need to have assurance that they will consistently receive a higher price than comparably lower quality and variable quantity produce. Farmers need this assurance that they can invest with confidence in their land uses and associated infrastructure and practices to consistently provide higher quality produce and be rewarded by a higher price, particularly when supplying mining company subcontracted buyers.

The authors believe there are three major opportunities in the smallholder/food procurement interface: Firstly, understanding what land uses and products farmers can and cannot successfully adopt to meet the extractive industry and export food procurement standards; Secondly, affirmative action in the mine food procurement process is needed to determine effective methods for influencing food procurement contractor1; Thirdly, there is a need to invest in mechanisms to generate supply response from SMEs. The authors note that some progress at local procurement has already begun in the region for selected produce. For example, in Tete, Amerigo Americo de Conceicao, the Provincial Director of Agriculture has organised for goats to be directly procured to meet the local needs of mining operations. Nonetheless, there exists much scope for additional linkages and agreements to more effectively procure a broader range and larger quantity of local quality produce already available in the region.

THE ROLES OF MINING COMPANIES AND SOCIAL VENTURE CAPITAL PARTNER ORGANISATIONS (SVCPOs)

Mining company corporate social responsibility (CSR) has historically hinged on company reputations in the areas in which they operate, the concept that a ‘social licence’ is as important as a regulatory licence draws in a higher level of participation and consideration for large mining company engagement in a wider region (Solomon et al., 2008). Re-aligning extractive industry’s CSR activities towards capacity building of local smallholder farmers fostered by intermediate SVCPOs may derive more sustainable benefits, particularly from the more engaged SVCPO catalytic investment in farmers to become commercial food suppliers viewed as ‘SMEs’ rather than subsistence land users involved in CSR activities. These SMEs can utilise the networks of food companies to ensure greater supply opportunities. In this scenario, mine food procurement contractors are given suitable key performance indicators and facilitated to ensure that local farmers/SMEs capture a growing proportion of the mine agricultural produce demand through the further introduction of intermediate commercial food companies. The fundamental role of the SVCPOs is to look for strategic investments in

1 This may be undertaken using unconventional means. For example, actively exploring mine chefs willingness to be innovative with ‘non-conventional’ local produce as a displacement of imported equivalents. The primary author site visits demonstrated that high-quality produce and unique flavours that the farmers are currently growing can meet some of the needs of the mine chefs in the region. Increasing the demand for the local quality produce can be as simple as modifying the mine food menus to utilise seasonal produce cultivated at scale and to surplus. (In the Tete region this produce includes fresh horticultural produce, maize, rice, cassava, sorghum, millet, groundnuts, cattle, goats, and chickens). These opportunities, if enabled, create the possibility of exploring opportunities for the mine chefs to create new modern African cuisine based on traditional produce and methods.
the value chain to minimise coordination failures when they occur. This necessitates a detailed understanding of the incentives and preferences for each player in the supply chain, and barriers to the development of local markets. The social venture capital partner organisation will require funds to jointly invest with selected entrepreneurial smallholder farmers to be repaid in time. A SVCPO may be privately and publically funded, but is managed as a private business. By actively investigating local opportunities with selected entrepreneurial SMEs and jointly co-financing opportunities with small loans with clear funding criteria, sound management and due diligence assessments, the SVCPO can ensure the focus remains on small and medium size entrepreneurs exiting the loan facility by making profits. Funds must be recirculated and maintained by ensuring a real (after inflation) return on equity that is fair – approximately 5 to 10%. SVCPOs will exit from funding specific projects, but remain engaged in the market to facilitate business incubation with some commercial support to enable a business to become bankable to attract commercial finance. The objective is to catalyse the local commercial agricultural sector to accelerate productivity and development that assists the local community. There is a higher chance of smallholder producers and related supply chain SMEs achieving sustained commercial success when a partner management team follows a rigorous selection process with suitable conditions for loan contracts and commercial due diligence procedures using experienced private equity and banking professionals and commercial farming advisors.

Rather than being a passive recipient of traditional subsidised agricultural RD&E, in this model SMEs are attracted as an active participant in implementing measures to improve yields and produce quality products on a commercial basis. Through the SVCPO they have greater access to business and agronomic professionals, agricultural inputs, transport and other post-harvest technologies. As it is also in the interest of the SVCPOs to ensure that their commercial reputation and funds are maintained, they have an incentive to ensure SMES produce the required consistent quality and quantity. This commercial supply chain provides the continued impetus, funding, and capacity to increase smallholder productivity that is often unavailable to governments and aid agencies. In theory, smallholders can achieve ‘best practice’ production to further supply international and local food markets. Fundamentally, this activity and model is underwritten by mining companies becoming the anchor ‘market shaper’, rather than procuring food from outside the region, they are able to incorporate these activities within their CSR arrangements, with the aim to eventually have local SMEs providing commercial quality food products for the mine operations under commercial agreements. The benefits that these activities and partnerships may engender for the region include land use change, agricultural advancement, and economic development are potentially very large, and are a worthy advance in the challenging environment for development in Mozambique.

CONCLUSION

Mining companies are increasingly viewed as the ‘anchor customer’ suited to provide the bulk of demand that underpins the commercial ability for smallholders and other supply chain participants to create a sustained commercial agricultural sector investment in the region. As a ‘patient procurement partner’, there is an opportunity to meld extractive industry CSR
elements with traditional local procurement strategies to underpin local regional development and associated land use changes, particularly from aggregated smallholder farmers. This can be achieved through partnership with commercial social venture capital partner organisation (SVCPO) interventions. This has the potential to occur at no significant additional cost to the mining company or their food procurement contractors - depending on the pre-existing circumstances in the region. It is possible provided that mine food procurement contractors are given suitable key performance indicators, and facilitated direction to ensure that local smallholder producers will capture a growing proportion of the mine agricultural produce demand through the intermediate commercial partners with catalytic investment from SVCPOs.

Even if they have paid employment, typically local Mozambicans meet much of their food requirements from their own farming activities. Therefore, it is vital to consider the agro-ecological potential of the land, in addition to access to infrastructure, and proximity to urban markets. Greater transparency and development of appropriate compensation models need also to be addressed. As a means to incorporate these considerations, the authors believe that a ‘patient procurement partner’ model of engagement in Mozambique is an opportunity where smallholder farmers with the willingness and ability to become commercial agricultural producers are facilitated through commercial partnerships with SVCPOs and mining companies as a means to facilitate economic transformation and land use change from development in the region. The authors note that this model is dependent on commercial food company’s willingness to adopt this unique expansion model, and also high-level support from mining company management. To maintain the fundamental elements of cross-supply chain knowledge and extensive networking will likely require the engagement of SVCPOs with experienced private equity and banking professionals and third-party commercial farming advisory capacity.

Long-term projections of the economic impact locally, regionally and nationally suggest that the current 7+% GDP growth will continue and underpin new opportunities for supplying new markets in Mozambique. However, the current level of commercial agricultural production and capacity is low, and clearly major investment and new approaches are needed. Yet, activities that are not underpinned by a commercial imperative are unlikely to be sustained, as long-term public policy support is economically difficult to secure and maintain. As history shows, after any research and develop program, support policy, subsidy, or government/NGO funded project ceases, smallholder farmers in the region are likely to revert to being justifiably price sensitive and risk averse land uses, and any productivity gains are quickly lost. The authors believe that active and ‘patient’ commercial partnerships and guaranteed off-take agreements with anchor investors can provide the means necessary to catalyse a sustained investment in traditionally agricultural lands to diversify and develop into modern commercial goods and service markets and infrastructure and land use.

ACKNOWLEDGEMENTS

This chapter is derived from an unpublished report commissioned by ACIAR (Australian Centre for International Agricultural Research) to the Doepel Group Pty Ltd., at Murdoch University, and has been updated, revised, and advanced through the Department of Foreign
Affairs and Trade’s (DFAT’s) Australian Development Research Awards Scheme (ADRAS), agreement number ADRAS201201000, undertaken by Murdoch University. The original research interviews contracted by ACIAR to the Doepel Group are used and reproduced with permission from both parties.

REFERENCES


