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## Mozambique: Industrial tree plantations generate profits for investors, negative impacts for peasant communities

According to figures from the United Nations Food and Agriculture Organization (FAO), there were 62,000 hectares of industrial monoculture tree plantations in Mozambique in 2010. However, the country has recently been targeted by financiers eager to significantly increase this area. Actors from Europe, the United States, Brazil and South Africa have set their sights on expanding it to roughly 1.4 hectares of tree plantations, primarily of eucalyptus and pine, but also oil palm, according to a study on land grabbing conducted in 2011 by the local peasant farmer organization UNAC and Environmental Justice/Friends of the Earth Mozambique. (1)

To guide investors, the Finnish forestry consulting firm Pöyry noted in 2011 that there is growing interest in investing in Africa because of the availability of land, low labor costs and fast rates of tree growth. Tree plantations in Africa could help to meet the growing demand for biomass as an energy source in Europe, to supply the pulpwood and timber markets in Asia, and to develop local markets, it adds. According to Pöyry, these represent “attractive opportunities for forest investors.” The firm also states that for a fee of 7,000 British pounds – around 11,000 U.S. dollars – potential investors can acquire a full study on tree plantations in Africa with detailed information on 24 countries, including Mozambique. (2)

Northern European countries with large corporations in the tree plantation and wood processing sectors – Norway, Sweden and Finland – are the source of a large part of the investments in industrial tree plantations in Mozambique by companies and investment funds. For example, Green Resources of Norway plans to invest in approximately 180,000 hectares of pine and eucalyptus plantations in the provinces of Nampula, Cabo Delgado and Niassa, on its own plantations and others owned by third parties, for a range purposes, including “carbon sequestration” and the sale of carbon credits through mechanisms like the CDM and REDD. The company’s strategy is to offer its shareholders important long-term returns, with the promise of bigger profit margins than those offered by other investors. Green Resources’ biggest shareholder is the investment company Phaunos Timber Fund Limited, which owns a 29.5% stake in the company. (3) Phaunos has approximately 519 million dollars in assets and specializes in so-called “timberland” and timber-related investments, such as tree plantations. (4, 5) Another major Green Resources shareholder is NewAfrica Ltd., an investment fund that holds 20.7% of shares, while the rest are divided among other investors with smaller stakes in the company, such as Storebrand, one of Norway’s biggest insurance companies.

This Nordic interest in Mozambique is also reflected by the Global Solidarity Forest Fund (GSFF), an investment fund based in Sweden, which manages investments from the Lutheran Church of Sweden and the Lutheran Church of Norway through the Norwegian Lutheran Church Endowment (OVF). Another investor in the GSFF is APB, the Dutch pension fund for government employees, education and public sector workers, and one of the world’s three largest retirement funds. Regarding its involvement in the tree plantation business in Mozambique, APB stated, “We have made this investment [in GSFF] because of the potential for attractive investment returns” – in other words, for

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the potential profits. APB currently manages a whopping 362 billion dollars in assets. (6)

Companies from other countries involved in the tree plantation sector in Mozambique include the UK-based New Forest Company (NFC), which has invested in the country through the Malonda Foundation, a Mozambican government agency that promotes rural development in the province of Niassa – with a special emphasis on the expansion of tree plantations and the establishment of different companies, like Chikweti. Through its joint project with the Malonda Foundation, NFC is to establish 40,000 hectares of tree plantations, of which 3,200 hectares were planted between 2007 and March 2011. NFC also offers “attractive returns” to its investors. (7) According to Oxfam, NFC has attracted investment from such institutions as the European Investment Bank and the Agri-Vie Agribusiness Fund, an investment fund that focuses on agribusiness in Africa. Agri-Vie itself is backed by, among others, the International Finance Corporation (IFC), which is the private sector lending arm of the World Bank, and the transnational bank HSBC. (8) From the neighbouring country of South Africa, home to a number of large companies in the industrial tree plantation sector, Komatiland Forests Ltd. purchased 80% of the share capital in the formerly state-owned Mozambican company IFLOMA in 2004. IFLOMA's plantations are located in the province of Manica, which Komatiland considers to be an ideal location from which to serve the South African market, although it also considers Zimbabwe and Mozambique as potential markets. (9)

There are also a number of plans for investments in industrial oil palm plantations in Mozambique. For example, MedEnergy Global – a company that is based in the UK, but is owned by an Italian family that made its fortune in the energy sector – is undertaking a 10,000-hectare oil palm plantation project in the province of Cabo Delgado. (1) Meanwhile, the Brazilian transnational mining company Vale and Embrapa, the Brazilian government's agricultural research agency, announced in 2011 that they would jointly establish 30,000 hectares of oil palm plantations in Mozambique. (10) Vale, one of the world's biggest mining companies, is already involved in oil palm plantations in Brazil, geared to the production of “green” fuel for the trains that transport its iron ore from the Amazonian state of Pará to export ports.

Finally, the Swedish International Development Cooperation Agency (SIDA) has provided funding to the Malonda Foundation in Niassa for the promotion of tree plantations. Niassa is, without a doubt, one of the provinces that have attracted the most interest for the expansion of industrial tree plantations in recent years. The expansion of pine and eucalyptus plantations in the region has already resulted in various negative impacts, particularly land conflicts between local communities and companies like Chikweti, which have taken over areas that are essential to these communities for food production. The expansion of industrial tree plantations therefore threatens food sovereignty while deepening inequalities in this region of a country where 64% of the population is rural and 55% lives below the poverty line. There have also been conflicts between the workers and companies over working conditions.

According to SIDA, Mozambique is one of Sweden's main countries for international cooperation because of “the Mozambican government's methodical work on poverty issues.” (11) However, organizations like UNAC, which represents Mozambican peasant farmers, have denounced that investments in large-scale industrial tree plantations have the opposite effect: they increase poverty. In Sweden, the development of the tree plantation sector for pulp and paper production and other purposes represented one of the main sectors of the country's economy. In Mozambique, however, this type of investment can have a very different impact, as stressed by UNAC at its most recent assembly: “The government's insistence on promoting mega projects will disproportionately benefit the big transnational corporate powers, while threatening the essence of our life as peasant farmers. Some people and certain institutions mistakenly believe that mega projects will reduce poverty. But

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UNAC believes that unless the profits from these projects result in an equitable national distribution of income, aimed at promoting other sectors such as family agriculture (food production), the outcome could be the exact opposite, because the mega projects could displace and worsen the precarious situation of peasant farmers.” (12)

This brief overview of the financing of industrial tree plantations in Mozambique demonstrates the significant participation, both direct and indirect, of various types of investment funds, which, with the authorization of the Mozambican government, invest millions of dollars and euros in the acquisition of land and the establishment of monoculture plantations in the country. However, more detailed study is needed to determine exactly what these funds are, who is behind them, and how they operate. One conclusion we can safely draw is that what all of these investors have in common is the search for “attractive returns”, that is, the potential profits, the main reason that investors become involved in tree plantation projects, and the main message and promise of consulting firms like Pöyry.

However, for the rural population of Mozambique – who have never been consulted about whether they want this investment which is increasing the area of land occupied by industrial tree plantations around their communities – this expansion has resulted in a series of highly negative impacts, in regions like Niassa, for example. And, as UNAC has pointed out, the continued expansion of large-scale industrial tree plantations will undoubtedly make the Mozambican peasant farmers’ struggle for survival even more difficult.

Sources:

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