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The financialization of agri-food in Canada and Australia: Corporate farmland and farm ownership in the grains and oilseed sector

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ABSTRACT

This paper examines new patterns of financial investment in farmland and agricultural production in Canada and Australia, focussing on the grains sector. I situate these trends in relation to the on-going financialization of the global agri-food sector, a process through which finance capital and financial logics exercise increasing influence over food production and distribution. Especially since the "global food crisis" of 2007-8, there has been growing investor interest in farming and agriculture. In the global South, large-scale farmland buy-ups, referred to as the global "land grab", have generated considerable controversy. Less is known, however, about how domestic and foreign investment is affecting patterns of farm ownership and control in the global North. I document recent corporate and financial investment in farmland and farm ownership in each country and how differences in regulatory environments, institutional factors, and politics are shaping the scope and pace of change in each farming sector.

1. Introduction

Agri-food scholars and other commentators argue that the global food economy is in flux. Ever since the "global food crisis" of 2007-8, there has been increasing attention on questions such as global hunger, the biofuels controversy, the ecological sustainability of industrial agriculture, financial manipulation of food stocks and global 'land grabs'. Food crises, and their social and ecological shockwaves, are implicated with the broader restructuring of the global food economy (McMichael, 2012) and, although this restructuring process is multi-faceted, it is clear that financialization – the process whereby finance capital and financial logics exercise increasing influence over food production and distribution – has become one of its leading dynamics (Burch and Lawrence, 2009). Financialization is occurring at many 'nodes' in agri-food chains, including retail, the food commodities trade, agricultural inputs, and farmland and primary production. Scholars of the global 'land grab' recognize financialization as one among several drivers of large-scale land buy-ups in the global South (Cotula, 2012; McMichael, 2012; White et al., 2012). However, less attention has been paid to the ways in which food crisis conditions, financialization, and global restructuring are driving change in the agricultural sectors of the global North.[1]

This article examines new patterns of farm structure and ownership arising from corporate and financial investment in farmland and agricultural production in Canada and Australia. I focus in particular on the grains/oilseed sectors in the Canadian prairie provinces (Alberta, Saskatchewan and Manitoba) and the Australian states of New South Wales and Queensland. In both countries, these sectors have undergone significant restructuring in recent years, with declining farm numbers, the deregulation of statutory grain marketing agencies and a number of high-profile mergers and takeovers in the grain handling system.[2] While the trend towards deregulation, consolidation and corporate concentration has been established for at least 30 years, non-farm investment in agricultural production is a newer phenomenon. Since 2007, a range of corporate and financial interests have invested in farmland seeking exposure to the growth potential of primary production.

The aim of this article is to document the scale and scope of

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[1] I use the term global North as a shorthand for the highly industrialized countries, including the EU, Canada, the U.S., and, despite being located in the southern hemisphere, Australia and New Zealand.

[2] In Canada, the Swiss resource giant Glencore purchased Viterra, the last vestige of Canada's farmer-owned grain companies, for $CA 6.1 billion in 2012. In 2011, Cargill absorbed the privatized Australian Wheat Board. More recently, Australia's largest grain handler, GrainCorp, has been the target of a foreign takeover bid by U.S. based ADM. However, Australia's federal government blocked the purchase in 2013.

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these investments, identify the key actors behind them, and describe the new business models and logics that are being applied to farmland ownership and farm structure in both countries. I begin by reviewing the literature on the financialization of agri-food, a global phenomenon that helps to situate financial investment in Canadian and Australian agriculture. Next, I provide a brief description of the farming sectors in each country, providing a comparative framework for understanding new patterns of financial and corporate investment. In the empirical section of the paper, I document the patterns of farmland and agricultural investment that are reshaping each sector. Finally, I offer a preliminary analysis of the key differences across sectors, reflecting on how historical, institutional, and political contexts are affecting the scale and scope of change in each country. The analysis draws upon semi-structured interviews with corporate officials involved in farmland/agricultural investment in each country, a systematic search of articles related to Canada and Australia on farmlandgrab.org,[3] company websites, and government statistics and reports on land ownership.

2. The financialization of agri-food

While financialization has for some time been recognized as an important dynamic in global capitalist restructuring (e.g., Arrighi, 1994), agri-food scholars have only recently given this phenomenon serious attention. Burch and Lawrence (2009) provided the first clear articulation of agri-food financialization. In this article, they argued that, underpinned by the growing influence of finance in the broader economy, agri-food sectors were in the midst of a transformation “in which finance capital is not simply underwriting the corporate control of land and resources overseas by companies in the agri-food supply chain, but is emerging as part of a wider process in which finance capital is directly and independently applied in a variety of ways – that is, in speculation as well as productive investment” (Burch and Lawrence, 2009: 268). The authors pointed to financial investment in agricultural inputs and logistics, farmland, and agri-food companies as examples of food system financialization, also noting the increasing involvement of the World Bank, sovereign wealth funds, hedge funds and private equity firms in the agri-food chain.

Since this early article, scholars have examined how agri-food financialization is playing out at a variety of nodes along the food chain including retail (Burch and Lawrence, 2013), the food commodities trade (Clapp, 2012), and agricultural risk and inputs (Isakson, 2014, 2015). Through financialization, investors seek exposure to various facets of the agri-food sector and agri-food firms have turned to financial channels for a growing share of their revenues. This literature has documented the negative implications financialization can have for food workers, small farmers, and the world's food insecure people, as financial logics tend to privilege the interests of powerful actors. The financialization of farmland and primary production has received considerable attention, but mostly as it relates to the land rush in the global South (Clapp, 2012; Cotula, 2012; GRAIN, 2010). The causes of the global land rush are complex, as large-scale deals have been pursued by a range of actors with different purposes and motives. While governments or their agents are behind some large-scale deals, private firms – including investment funds, banks, hedge funds, and agribusinesses – represent the largest number of investors (Cotula, 2012: 660). There are several reasons why farmland and farm production has become more attractive to investors. In recent years, the prospect of higher food prices – driven by the growing world population, increasing demand for meat, and the growing biofuels market – have made agriculture more attractive. Volatility in prices and supplies all along agri-food supply chains has led firms to seek new profit-making activities and/or find new ways to manage risks (Cotula, 2012.: 662-3). Farmland has become an attractive investment class as a result of its reputation for serving as a safe way to store wealth, hedging against inflation, and providing a steady income stream via rent payments. As Fairbairn (2014a) notes, financial actors have not only responded to but also actively constructed the purported virtues of farmland investment through investor conferences, promotional materials, and discourse.

Under these conditions, investors have funneled considerable sums of money into farmland and large-scale agricultural projects. In 2010, the total investment by private finance capital in farmland and agricultural infrastructure was estimated to be between $US 10 and 25 billion (Highquest, 2010). Wheaton and Kiernan (2012) estimated that institutional investment in farmland has reached $US 30 to 40 billion in 2012. These investment are made by a range of actors, including hedge funds, pension funds, private wealth management firms, and others, using one of several investment structures/models (Fairbairn, 2014b; GRAIN, 2010; Isakson, 2014). Although most of the recent growth in farmland investment is due to acquisitions in the global South, some investment funds/firms have specialized in acquiring and/or managing farmland in the global North. Of 46 major private farmland and farm infrastructure investment funds identified in 2010, 14 invested in one or more of the EU, Canada, the U.S., Australia, or New Zealand (Highquest, 2010: 28-9). In the U.S., Full Harvest Agricultural Opportunities Fund has $US 65 million worth of farmland under management, and intends to become that country's first real estate investment trust focused exclusively on farmland (Highquest, 2010). Large pension funds have also become major players, with the TIAA-CREF investing $US 340 million in U.S. farmland (GRAIN, 2010: 152).

While scholarship on agri-food financialization and land grabs has expanded rapidly in recent years, there are some gaps in the literature. Relatively little attention has been paid to the financialization of farmland in the global North, though this is beginning to change with reports and scholarly articles on large-scale acquisitions in regions such as Russia (Visser et al., 2012), Western Europe (Franco and Borras, 2013) and the U.S. (Mittal and Moore, 2014). In the Australian context, Lawrence and Campbell (2014) have provided a broad-strokes overview of the financialization of the agri-food sector, including large land acquisitions by foreign firms, sovereign wealth funds, and pension funds. Sippel (2015) has documented Qatar's investment in Australian agriculture as a form of South–North land deal. Her research underscores the complex motives behind agri-investments such as Hassad Foods,[4] a subsidiary of the Qatari sovereign wealth fund, which blends commercial and food security objectives and has had mixed impacts for the rural communities in which it operates. Along with some of my colleagues, I have provided a snapshot of the state of financial investment in farmland on the Canadian prairies (Sommerville and Magnan, 2015; Desmarais et al., 2015).

Some scholars have criticized the literature on large-scale land deals and financialization for addressing these dynamics at a high level of abstraction, without paying sufficient attention to the social actors and on-the-ground dynamics in different contexts. Edelman

[3] Hosted by the civil society organization GRAIN, this website is an indexed repository of news stories related to ‘land grabbing’. Other researchers (e.g., Rulli et al., 2013) have used the repository in documenting and quantifying large-scale land deals.

[4] I return to the case of Hassad Foods below.