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Critical review

Situating global finance in the Land Rush Debate: A critical review

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ABSTRACT

This paper provides a critical review of the literature exploring the growing interest of global finance in farmland and agriculture, which has ensued at a global level since the financial and food crises of 2007/08. It finds that many of the existing works have approached this phenomenon through a more or less structuralist political economy framework that operates with a particular notion of 'financialization'. Despite the insights that work rooted in this intellectual tradition has provided at a macro-level, such a reading exposes several lacunae when it comes to the more practical, sociotechnical dimensions of the finance-driven land rush. After elaborating on these 'black boxes', the review sketches a research agenda that seeks to develop an alternative reading of finance's new love affair with 'real things' from *below* rather than from *above*.

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The Land Rush Debate: what about finance?

No phenomenon of the more recent past has produced such an amount of literature in agrarian studies than what is commonly called the global land rush (or 'land grab' or 'foreign investments in farmland', depending on your perspective) (Borras et al., 2011; Cotula, 2013; Deininger et al., 2011; White et al., 2012; Grain, 2008). Much of this work is rooted in the tradition of a more structuralist political economy, taking inspiration from intellectual traditions such as international political economy (Clapp, 2011), food regime theory (McMichael, 2012), world-systems theory (Ince, 2013), and historical-geographical materialism (Harvey, 2006 [1982]). This work has dissected the global land rush along a variety of dimensions, including its drivers, historicity, political economy, regional trajectories, governance, local impacts, and the forms of resistance levelled against it. Often, this work makes use of powerful concepts such as Harvey's notion of "accumulation by dispossession" (Harvey, 2003) to indicate that the land rush would result in new enclosures that threaten farmers, pastoralists and fisherfolk around the globe, potentially producing new patterns of uneven development, marginalization and disenfranchisement. Alongside state-owned/parastatal corporations from such countries as Qatar or China and agribusiness companies, finance capital is frequently mentioned as one of the main forces hungry for farmland. While finance and agriculture have been entangled in complex ways in countries such as the US for ages, and 'financial markets' had already shown an increasing interest in soft commodities since the early 2000s (Clapp, 2011; Newman, 2009), the subprime shock of 2007/2008 induced great uncertainties among investors. Due to declining or negative returns on mainstream assets, a fear of rising levels of inflation caused by counter-cyclical interventions, money printing and quantitative easing in 'core countries' such as the US (The Economist, 2013), low returns on savings, and a rising general distrust in complex financial products,

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investors searched for new alternative asset classes,[1] which promised higher risk-adjusted and more stable returns than established (alternative) asset classes such as bonds, equities, real estate and soft commodities. What was suddenly in demand was less 'financial engineering' and more 'real things', as legendary investor Jim Rogers put it (cited in The Hera Research Newsletter, 2010).

Farmland/agriculture is such a 'thing'. Indeed, over past years investment brochures and industry intelligence have made a strong case for agriculture as an 'alternative asset class', highlighting a uniform set of market fundamentals that underlie farmland/agriculture. These are a growing world population[2]; changing dietary preferences towards meat and protein in emerging markets such as India or China; a rising demand for agri-fuels (and carbon sinks) in the light of peak oil and climate change; the limited availability of agricultural land ('peak soil'); stagnant to decreasing productivity levels in core production regions and climate change induced crop failures. The financial industry anticipates that these factors will shape future demand-supply dynamics with regard to food and fuel provisioning in crucial ways. In light of those dynamics, a standard narrative has evolved which emphasizes that investments in agricultural operations and the underlying farmland would not only guarantee stable returns on capital invested, but their 'value' is likely to appreciate with growing demand and resource scarcity. Unlike gold, a favorite during times of financial crisis, farmland/agriculture store *and* produce capital. Additionally, investments in farmland/agriculture are said to enhance portfolio diversification and efficiency, thereby increasing the robustness of portfolios in times of crises (Black Sea Farming, 2012; Colvin and Schober, 2012; Sherrick et al., 2013). These promises, combined with the relatively low complexity of farmland-based investment instruments and the tax-allowances granted on farmland investment in many countries, have sparked a hype around farmland/agriculture as a new 'alternative asset class'.

Many more generic accounts of the land rush literature in a way or another have engaged with these dynamics (see, e.g. Cotula, 2013). As of more recently, a more finance-themed body of work has emerged. What this literature has, largely, in common is that it links finance's interest in farmland and primary production to a more general penetration of food production and agrifood chains by 'finance capital', and mostly theorizes it by referring to the now popular yet increasingly fuzzy concept of 'financialization' (Christophers, 2012). Thanks to both university-based academics and researchers working for NGOs or multilateral organizations, we are slowly coming to terms with how global finance, represented by sovereign wealth funds, pension funds, insurance companies, asset management companies, investment banks, family offices, endowment funds, high net-worth individuals and development finance institutions (Bergdolt and Mittal, 2012; Buxton et al., 2012; Humphreys et al., 2013; Wijeratna et al., 2014), has started to capitalize farmland and agriculture more generally: first, by investing in 'non-listed' vehicles such as private equity funds, managed investment trusts or farmland investment funds, in which investors' money is pooled, managed (for a fee) by a specialized asset manager, and channeled into agricultural ventures. This may either involve buying up and leasing out farmland to other farmers, who sometimes were the former owners or the land (Fairbairn, 2014; Gunnoe, 2014; Sommerville, 2013; Williams, 2014), or investing directly into primary production (Daniel, 2012; Dixon, 2013; Silici and Locke, 2013). Second, agriculture has been capitalized by investment in privately held or publically listed companies involved in primary production (Luyt et al., 2013; Ouma, 2014). A third modality of investment has targeted whole value chains from farm-to-fork, comprising companies involved in input production, production, processing, commodity trade, and logistics (Burch and Lawrence, 2009, 2013; Isakson, 2014). Other modalities include by investing in listed vehicles such as mutual funds (Herre, 2010) and by channeling capital into listed exchange-traded farmland funds. As Fairbairn (2014) shows, these investment structures represent a first attempt of securitizing farmland, because they bundle income streams generated from the leasing out of several individual farm properties into a single vehicle (see also Burwood-Taylor, 2014a; Gunnoe, 2014; Leyshon and Thrift, 2007). Thus, they basically mimic listed real estate investment trusts (REITs), which "enable investors to access the commercial real estate asset class indirectly through ownership of equity shares in a company whose assets consist primarily of commercial properties or mortgages and whose revenues derive primarily through commercial property leases or mortgage payments" (Baker and Filbeck, 2013: 9). This makes them tradable on stock exchanges and accessible to the "average joe investor" (Akrofie, 2014), offering more liquidity than other investment vehicles (Burwood-Taylor, 2014a).

While it is difficult to come up with any solid numbers on investment trends (many of the investment structures are part of the non-organized capital market and thus do not require public disclosure), Australian asset manager Macquarie Agricultural Funds Management estimated in 2012 that funds had so far invested in only USD30-40 billion of the USD 1 trillion investible potential in farmland worldwide (Macquarie 2012, cited in Luyt et al., 2013: 32).

Dominant imaginaries associated with the farmland-agriculture-finance nexus

The shape that finance takes in many generic and finance-themed land rush accounts alike is that of a big bad wolf who is hungry for farmland. However, it has remained a rather incomplete story, where the main character is present, and yet largely absent: while we hardly come by a paper, book or report which does not mention global finance as a driver of the global land rush, we are yet to develop a more grounded understanding of how farmland/agriculture is being turned into an 'alternative asset class'. This is not only owed to the fact that this field of investment is still 'in the making', but has also been a result of theoretical and empirical choices made by scholars working on this phenomenon. The existing literature has predominantly imagined and studied the capitalization of farmland/agriculture from *above*. While providing some important insights into its macro dimensions, it also exposes several lacunae: First, while some existing work has unpacked what kind of financial actors are involved in the new land rush, what their strategies are and through which structures they invest (e.g., Fairbairn, 2014), we still need to develop a more comprehensive understanding of each of these themes. Even though financial investments into farmland/agriculture have been motivated by a set of common drivers, the existing investment vehicles, operational models, investment geographies, objects of investments, and experiences of success and failure widely differ (Ouma, forthcoming). This diversity needs to be put under critical scrutiny if we want to understand the processual making of an 'alternative asset class-yet-to-be'. It is a direct expression of the highly idiosyncratic, geographically embedded and often political nature of farmland (and, by implication, agricultural operations). Furthermore, this emergent 'asset class' is not only made up of investors and asset managers, as frequently mentioned in the literature, but of a whole range of intermediaries (Pike and Pollard, 2010), such as information services who provide specific market intelligence to

[1] Traditional asset classes usually include stocks and government bonds. More 'mature' alternative asset classes include private equity (venture, buyout and mezzanine capital), hedge funds, commodities, and real estate investment trusts (REITs) (Cumming et al., 2013, p. 21).

[2] The world's demand for food will increase by approximately 70% by 2050 (Deininger, 2011).