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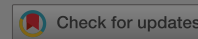
Articles

Food and finance: the financial transformation of agro-food supply chains

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Abstract

This article draws upon existing literature to document and describe the rise of finance in food production, distribution and consumption. It examines the role of finance in the food crisis and the impact of financialization on the agro-food supply chain. It identifies the nodes in the supply chain that are most vulnerable to financialization and the actors who are becoming increasingly powerful. It argues that the financialization of the agro-food supply chain is leading to the marginalization of small-scale farmers and the concentration of power in the hands of a few large agribusiness firms. It also discusses the implications of financialization for food security and the environment.

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have been especially hard hit by financialization, as their livelihoods have become even more uncertain due to increasing volatility in agricultural markets, they have become weaker vis-à-vis other actors in the agro-food supply chain, and they face growing competition for their farmland. The paper concludes by identifying themes for future research and asking readers to reimagine the role of finance in food provisioning.

Keywords: financialization food agriculture finance capital agrarian transformation

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Notes

¹ In the United States, the ratio of financial to non-financial profits rose from 20 percent in 1983 to 50 percent in 2001, a 150 percent increase (Krippner [2011](#), 41).

² In the US, for instance, financial assets as a share of non-financial firms' tangible assets remained fairly steady at around 35 percent from 1952 to 1983, but have sharply increased since then and, as of 2003, were around 100 percent (Orhangazi [2008](#)).

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Once again, the small number of buyers gives them economic power over sellers (in this case food retailers have power over food processors and traders). In other words, food retailers hold economic power over both their upstream and downstream counterparts in the agro-food supply chain.

⁵ As described in Fairbairn ([2014](#)) and below, REITs are one mechanism through which farmland is financialized.

⁶ Listed in order of their total revenues, the top 10 retailers are Wal-Mart, Carrefour, Metro, Tesco, Kroger, Costco, Target, Home Depot, Sears and Ahold. All but Home Depot and Sears generate a significant portion of their revenues from food sales.

⁷ The degree to which food retailers have financialized their assets varies considerably. Among the major food retailers analyzed in Baud and Durand ([2012](#)), Carrefour, Ahold, Metro and Target were the most financialized, with financial assets accounting for 30–40 percent of their total asset holdings. Kroger and Wal-Mart were the least financialized with, respectively, 13 percent and 10 percent of their assets in finance. Baud and Durand observe that the most financialized retailers have benefitted the least from the internationalization of the sector and hypothesize that they have tried to appease shareholders by substituting financial revenues for their relatively weak sales abroad.

⁸ See Hsu ([2013](#)) for a description of Wal-Mart's new produce strategy and Amy Cohen ([2013](#)) for a fascinating discussion of why small farmers prefer informal dealings with intermediaries over more direct interactions with large supermarkets.

⁹ See Br... different types of

¹⁰ Ellen... purported intention... rather than... Clapp and Helle... ories about Keynesia

¹¹ As dis... Milton Friedma



¹² Worldwide, the number of futures and options contracts traded on regulated exchanges increased threefold between 2002 and 2008 while the value of non-exchange listed contracts increased more than 14-fold, to US \$13 trillion (Mayer [2009](#)).

¹³ A study conducted by Lehman Brothers revealed that the volume of speculation on CIFs increased 1900 percent between 2003 and 2008 (De Schutter [2010](#)).

¹⁴ As discussed in Clapp and Helleiner ([2012](#)), the US led this initiative with the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, and the EU is following suit, albeit with rules that are likely to be less stringent. Yet even with the passage of the Dodd-Frank bill in the US, there is still significant uncertainty about how the rules will apply to grain traders who, despite their recent speculative activity, are also legitimate end users with an interest in the physical product.

¹⁵ The Syngenta Foundation, the nominally philanthropic arm of the giant agro-chemical and seed enterprise, is promoting weather derivatives in Kenya (Breger Bush [2012](#), 43). The extent to which the suppliers of agricultural inputs are profiting from the sale of such financial instruments is ripe for investigation.

¹⁶ Deininger et al. ([2011](#)) also observe that only a few sovereign wealth funds are directly involved in land transactions, noting that most funds prefer to channel their funds through private institutional investors.

¹⁷ Despite growing interest, Fairbairn ([2014](#)) notes that even the most enthusiastic investors commit no more than one percent of their overall portfolio to farmland.

¹⁸ In an attempt to grab to the global land grab to the workers of increase of n -

¹⁹ It is also for a agricultural under w credit providers control over conditions

²⁰ Given agro-fue crops to the agricultural productivity.



²¹ It is also worth noting that investors are rarely interested in acquiring the most marginal, unproductive lands. Instead, they have a preference for the best quality land in terms of soil fertility, proximity to markets, water availability and irrigation potential, and the availability of other infrastructure (Cotula [2012](#)).

Additional information

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