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

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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 rose sharply in the late 1990s (Krippner [2008](#)).

³ Domestic markets in Latin America have been characterized by smaller firms and they are often more fragmented (2008). The process is unfolding in emerging markets as retailers and supermarkets have entered their national markets (e.g., Carrefour, Aldi, and Lidl). The process is unfolding in emerging markets as retailers and supermarkets have entered their national markets (e.g., Carrefour, Aldi, and Lidl).

⁴ An oligopoly means, in this context, a market structure where a few large firms (in this case, retailers) dominate the market. An oligopoly is a market structure where a few large firms (in this case, retailers) dominate the market.

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 Hsiao ([2013](#)) for a discussion of the role of intermediaries in the agro-food supply chain. Amy Cohen discusses the implications of these findings with

⁹ See Brinkmann (2014) for a discussion of different types of intermediaries.

¹⁰ Ellen G. Carr (2014) discusses the purported benefits of intermediaries, rather than the direct relationships between producers and consumers. She also discusses the Clapp and Helleiner (2013) findings about the role of intermediaries in the agro-food supply chain. Keynesian economics is also discussed in the context of the agro-food supply chain.

¹¹ As discussed in Friedman (2014), Milton Friedman's theory of the firm is also relevant to the agro-food supply chain.



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 the enthusiasm of some investors, the market for land remains highly speculative and highly volatile. ✕ Enthusiastic investors are flocking to land.

¹⁸ In an effort to grab to the global land market, governments are increasing the number of workers and increasing the number of workers.

¹⁹ It is important for agricultural credit providers to have control over agricultural conditions under which agricultural production takes place.

²⁰ Given the importance of agricultural production to the agricultural sector, it is important to have control over agricultural production.



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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