

# Finance, risk and the entry of small and medium farmers to global networks

**MICHAEL WOODS AND FRANCESCA FOIS**

ABERYSTWYTH UNIVERSITY

m.woods@aber.ac.uk @globalrural www.global-rural.org



# Context

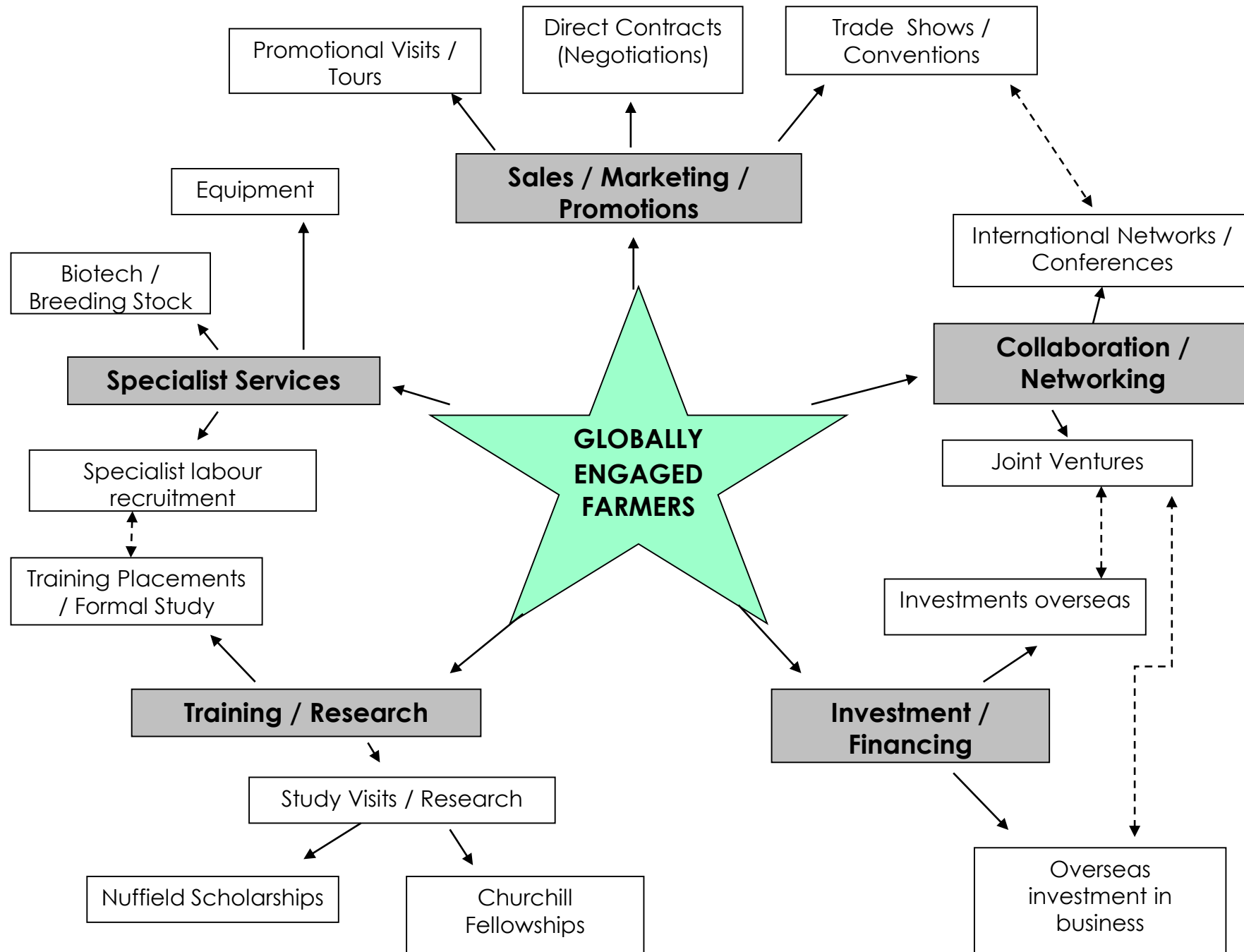
- ▶ Recent research on financialization of agriculture and land
- ▶ Emphasis on international land investments, corporate farming and food speculation
- ▶ Reflects narrative of globalization involving the dispossession of peasants and family farmers by transnational agribusiness

# Context

- ▶ Recent research on financialization of agriculture and land
- ▶ Emphasis on international land investments, corporate farming and food speculation
- ▶ Reflects narrative of globalization involving the dispossession of peasants and family farmers by transnational agribusiness
- ▶ Overplays dichotomy of agribusiness & 'family farmers'
- ▶ Underplays engagement of 'family farmers' in global networks

# Family Farmers & Globalization

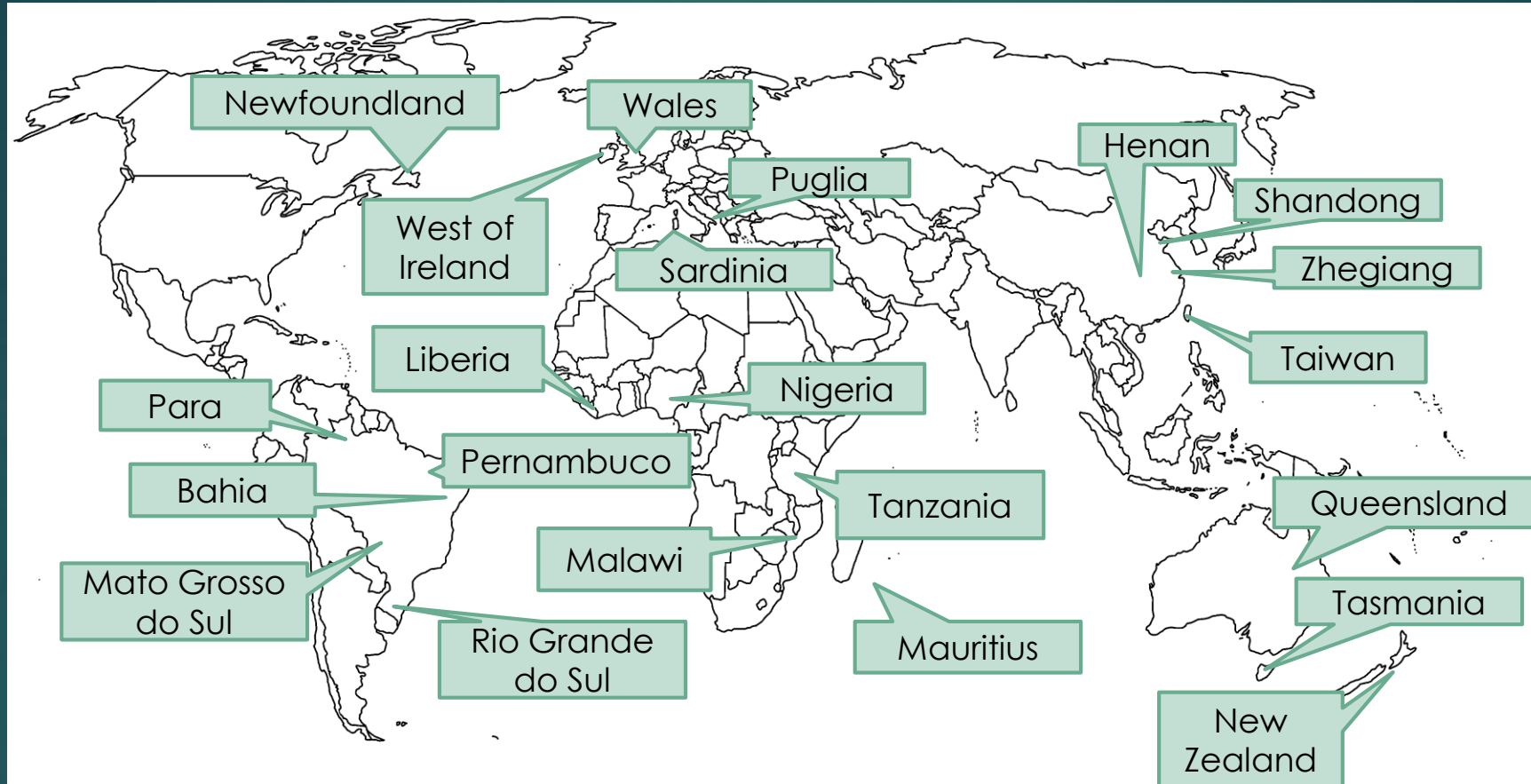
- ▶ Problem of defining 'family farmers'
- ▶ 'Family farmers' are not an homogenous group
- ▶ 'Entrepreneurial family farmers' (Pritchard et al., 2007)
- ▶ 'Globally-engaged farmers' (Cheshire & Woods, 2013)



# Finance and Family Farmers

- ▶ Financialisation also extends to some family (or non-corporate) farmers
- ▶ Financial capital enables family farmers to engage with and participate in global networks and markets
- ▶ Terms of financialization discipline the practices of family farmers and connect them to external vulnerabilities (market conditions, macroeconomics, geopolitics)
- ▶ Family farmers may themselves be investors in farms and/or land, at home or internationally

# GLOBAL-RURAL



**European Research Council Advanced Grant**

Exploring globalization in rural regions

Applying an assemblage approach



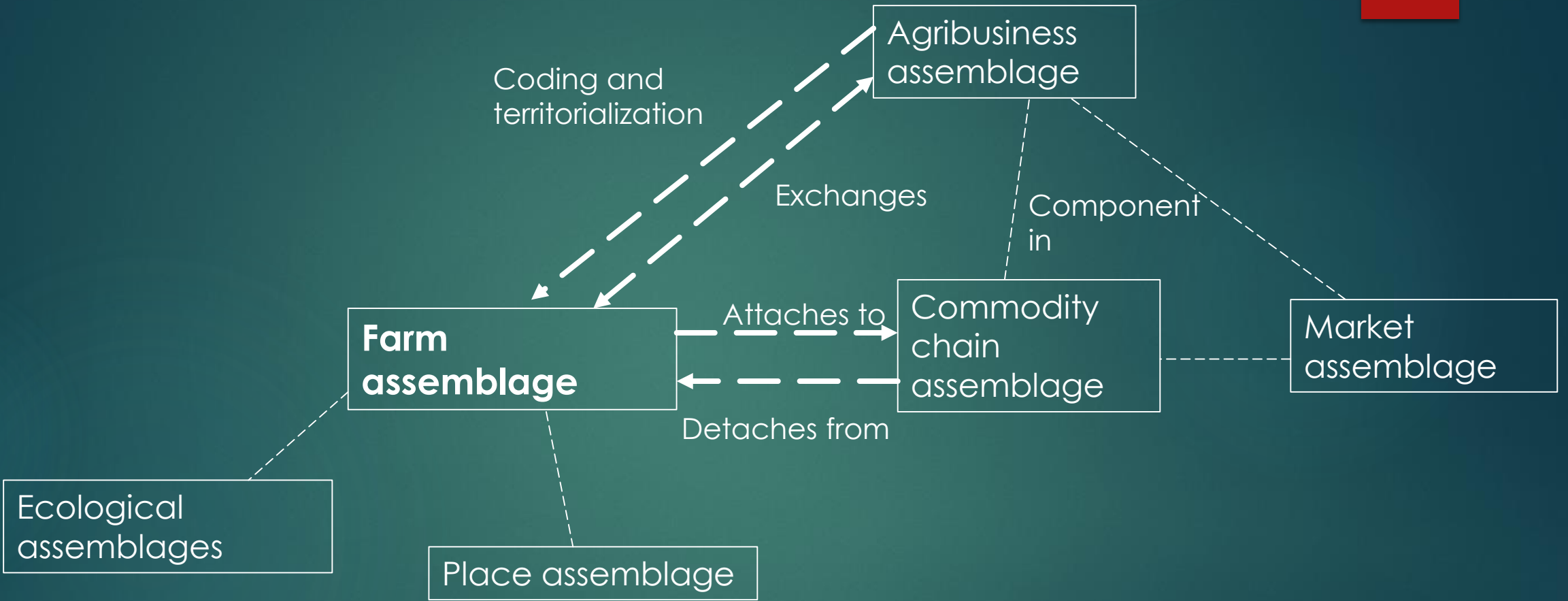


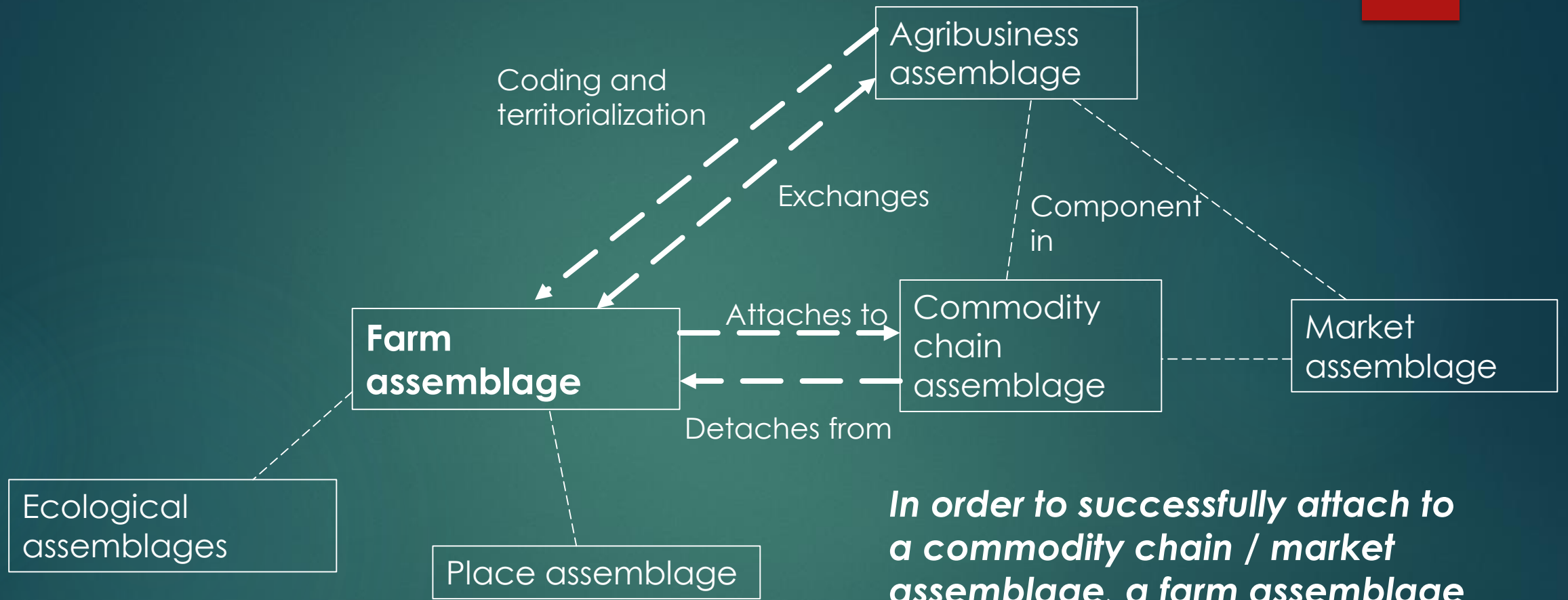
# Assemblage Approach

- ▶ Adopting an assemblage approach to globalization
- ▶ Society as an 'assemblage of assemblages' (DeLanda 2005)
- ▶ Emphasizes emergence, multiplicity and indeterminacy
- ▶ Assemblages comprised by heterogeneous human and non-human components with material and expressive roles, shaped by territorialization processes and given meaning by coding
- ▶ Assemblages exist in 'nested hierarchies' – components of an assemblage are themselves assemblages
- ▶ Components may be detached from one assemblage and attached to another

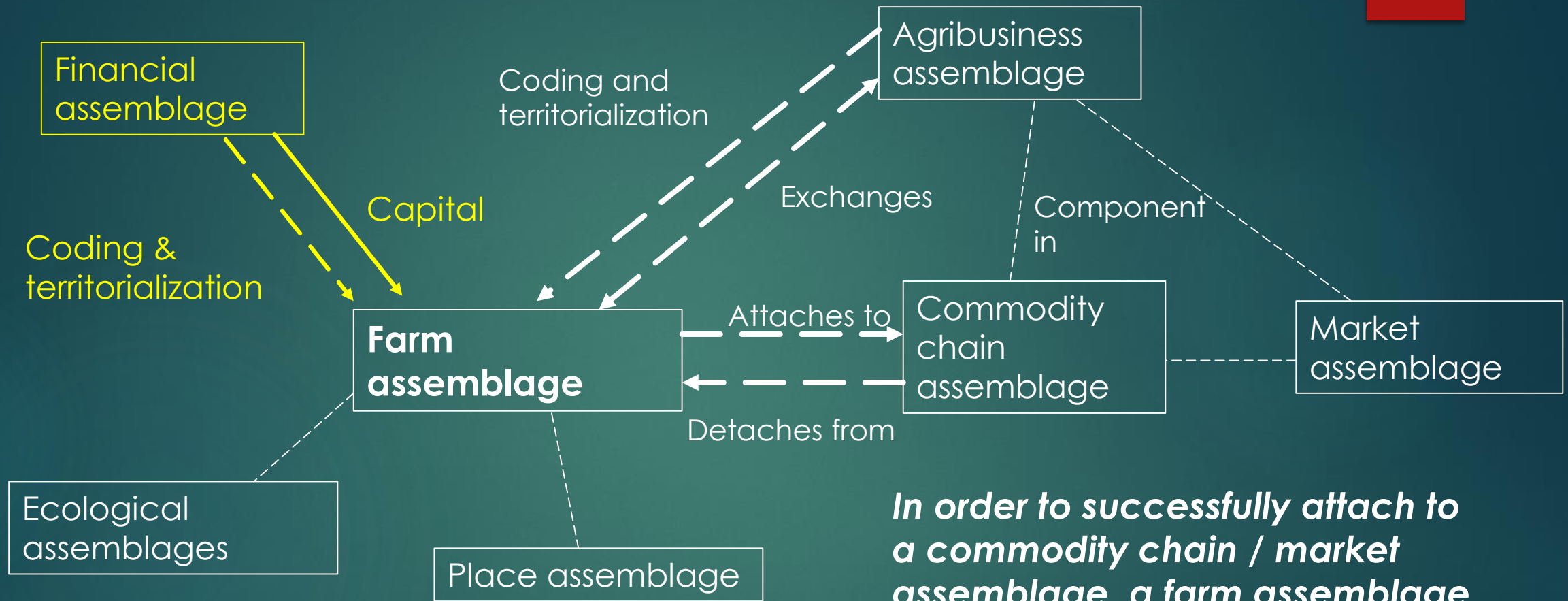


**Farm  
assemblage**





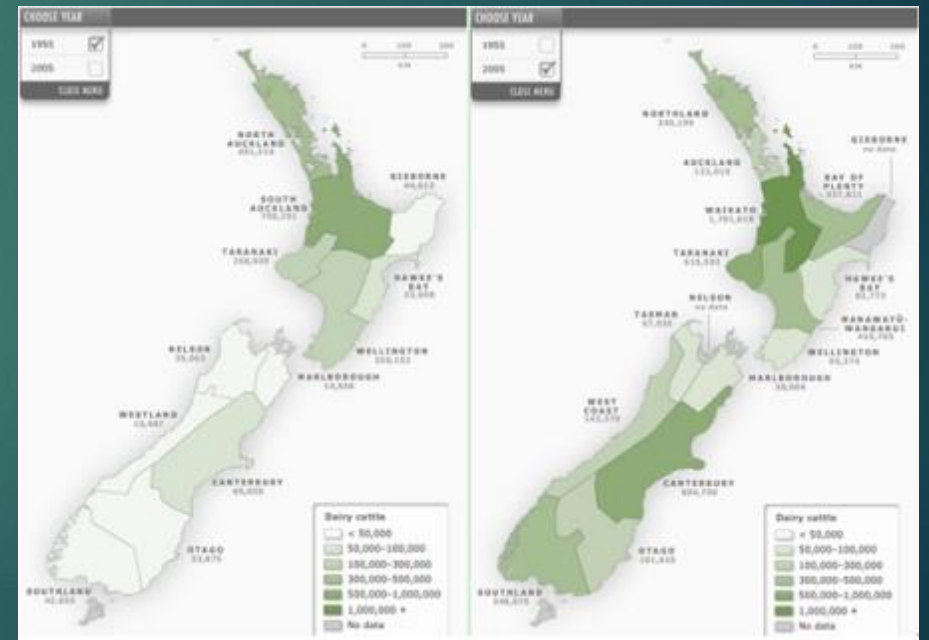
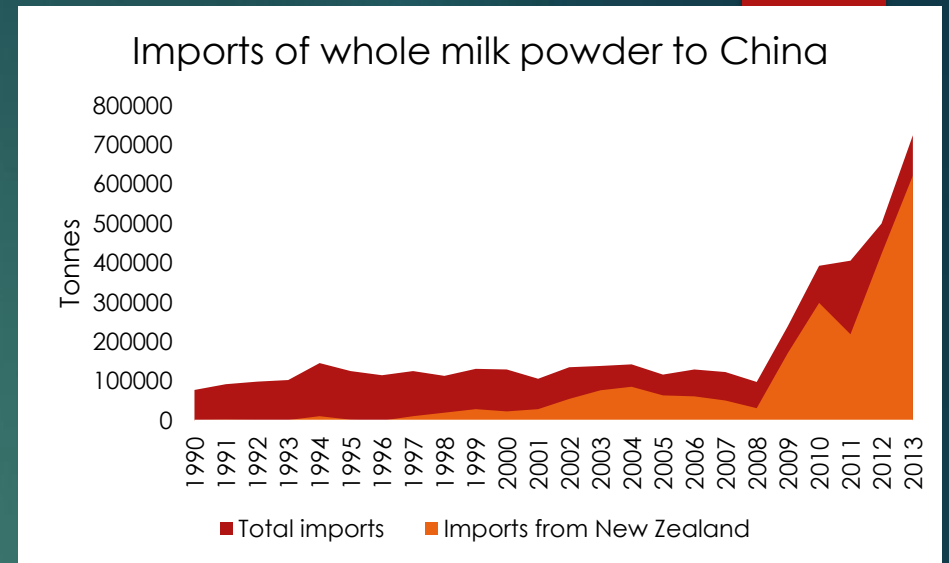
***In order to successfully attach to a commodity chain / market assemblage, a farm assemblage must have the right components, with the right roles, organized and coded in the right way***



***In order to successfully attach to a commodity chain / market assemblage, a farm assemblage must have the right components, with the right roles, organized and coded in the right way  
Finance enables this.***

# New Zealand Dairy Farming

- ▶ Dairy farming boom in New Zealand, c 2000-2015, largely driven by expanding exports of milk powder to China
- ▶ NZ positioned itself as the dominant supplier of milk powder to China
- ▶ To meet demand, the NZ dairy assemblage re-territorialized by enrolling additional farms and expanding the area farmed for dairy
- ▶ International and corporate investment in land, farms and processing
- ▶ But most milk produced by family farms & supplied to Fonterra (or another processor)



Numbers of dairy cattle in New Zealand, 1955 (left) and 2005 (right)

# New Zealand Dairy Farming

**In order to attach to the dairy export assemblage, farms have been reassembled with new components or new arrangements of components**

- ▶ Conversion from beef/sheep > dairy
- ▶ Upgrading of farm to increase production
- ▶ Cattle sheds and milking machines
- ▶ Irrigation
- ▶ Maize planted for silage
- ▶ Labour
- ▶ Dairy cattle





# New Zealand Dairy Farming

“We have a very good reputation for safe supply of commodities and I think a lot of that has been the catalyst for attracting a good price, and therefore that floats through into the farming system. Profits are made. They look for expansion and expansion doesn't necessarily mean a new farm or new land, it would mean a support block for the farm. It could mean a new dairy platform or whatever. A new milking shed or updating tractors ... and things like that.”

DairyNZ Economist (Interview 3/2016)





# New Zealand Dairy Farming

- ▶ Bank loans and mortgages
- ▶ Equity funds and pension funds
- ▶ Investment by NZ and international farmers

“The whole development of South Island, a lot of that has occurred from farmers in North Island realising the potential down there. Cheaper land values relative to where they are, and therefore buying second and third whatever farms.”

DairyNZ Economist (Interview 3/2016)

“So by and large banks have backed that growth by and large. Remember a lot of our banks are Australian owned. So they have quite big portfolios. They have access to international funds.”

DairyNZ Economist (Interview 3/2016)

# New Zealand Dairy Farming

## MyFarm

- ▶ Company investing in farming on behalf of various institutional and private investors
- ▶ Buys farms and rents them to tenant farmers/sharefarmers

“Investors are typically insurance companies, equity funds that sort of, on that side. In terms of the New Zealand investors, that’s kind of changed over time, er a number of farmers erm have been um, you know, farmers from the North Island not wanting to shift down south ... the average investment with us is about 500,000 dollars, it ranges from 250,000 up to um, we’ve got an investment product we can put 20,000 dollars onto a farm. Um, erm, you know right up to some millions of dollars. But yeah, 500K can buy a decent commercial farm in New Zealand”

Director, MyFarm (Interview 2/2016)



# New Zealand Dairy Farming

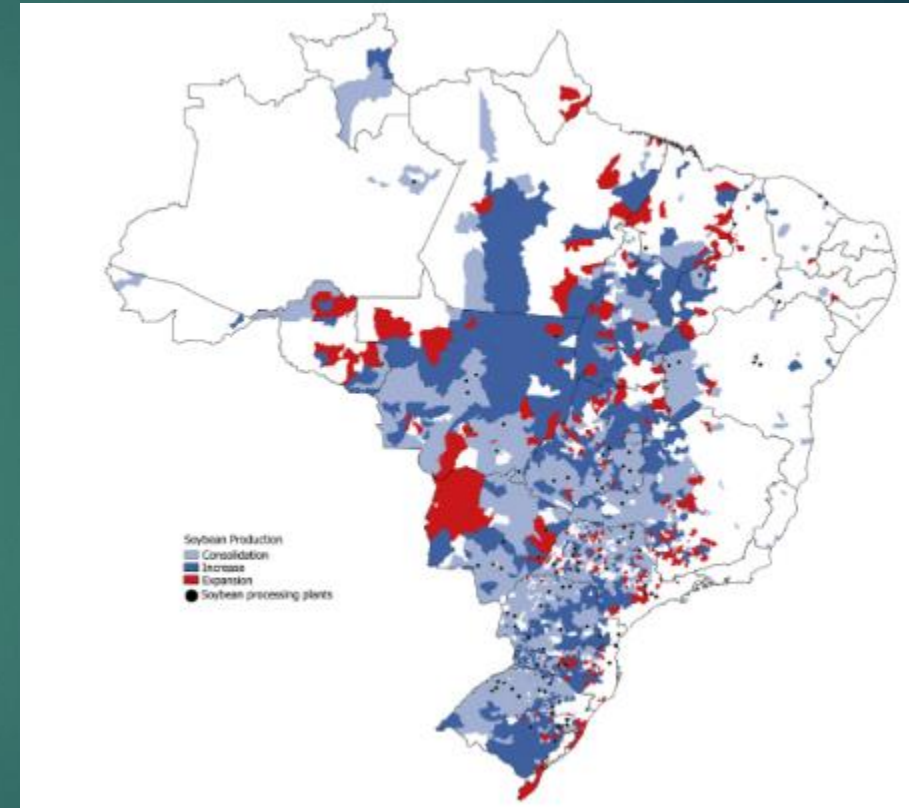
- ▶ Hybrid of family- and corporate-farming
- ▶ Investment funding attachment of 'family farmers' to dairy export assemblage
- ▶ But locking the farmers into the codes and territorialization of the corporate assemblage

“There’s a lot of MyFarm farms in south and [his relatives] were down there for 5 years and a lot of their, a lot of the um, a lot of the contract milkers down there are just getting screwed because they’re dealing with corporates. You know they’ve got a lot of people they’ve got to answer to and they just put the screws into these guys and a lot of them are either just walking off the jobs or just saying we’re out of here, because you know, they can’t make it work.”

New Zealand Dairy Farmer (Interview 2/2016)

# Brazilian Soy Farming

- ▶ Boom in Brazilian exports of soy beans, especially to China
- ▶ As in New Zealand, demand is met by the Brazilian soy assemblage re-territorializing to enroll more producers and expand the land farmed for soy
- ▶ Corporate farming of soy, but also production by smaller farmers and conversion of smaller farms to soy

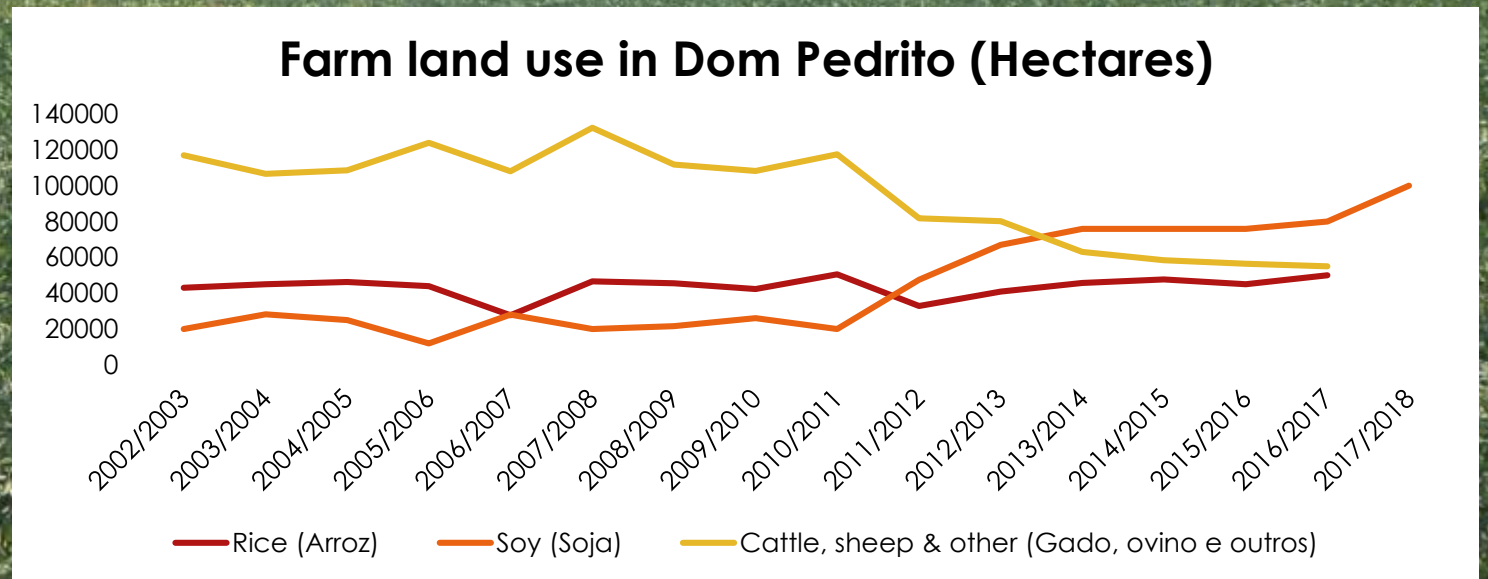


**Consolidation and expansion of soy plantations, 2006-2014**

Medina, G., and Pereira dos Santos, A (2017) Curbing enthusiasm for Brazilian agribusiness, *Applied Geography*, 85: 101-112



# Dom Pedrito, Rio Grande do Sul



# Brazilian Soy Farming

To attach to the soy assemblage farms are reterritorialized with new components and new arrangements of components

- ▶ Seed
  - ▶ Agrichemicals and other inputs
  - ▶ Machinery
  - ▶ Storage silos
- 
- ▶ Finance required to fund re-assembling
  - ▶ Constraints from coding of other assemblages





# Brazilian Soy Farming

- ▶ As the soy frontier in Brazil pushes into new areas it occupies more marginal land for soy production
- ▶ Dom Pedrito lies outside area coded by state agricultural research agencies as suitable for soy cultivation
- ▶ Due to this coding, commercial banks will not provide loans to farmers in Dom Pedrito to grow soy
- ▶ Finance instead provided directly by agribusiness / seed companies
- ▶ Farmers locked into coding and territorialization of the agribusiness firms





# Farmers, Finance and Risk

“The people that were being found out at this stage are farmers, if you’re a good farm with high levels of debt you’re probably okay, but if your just an average farm with high levels of debt you’re in trouble at the present so um, in some ways we’re just going through a kind of Darwinian [selection]”

Director, MyFarm (Interview 2/2016)





# Conclusions

- ▶ Finance enables farmers to re-assemble farm assemblages and attach to new commodity chains and markets
- ▶ During boom periods rewarded with higher incomes
- ▶ But based on specific expectations, requirements and codings of the farm business by the finance provider
- ▶ Attaching to transnational assemblages exposes farmers to new risks from global price volatilities and geopolitical and macroeconomic disruptions
- ▶ Agribusiness and financial investors using finance arrangements to pass down risk to family farmers
- ▶ Indirect accumulation by dispossession?



View storymaps by theme:

- Migration
- Global Challenges
- Economy and Trade
- Tourism and Culture
- Global Infrastructure & Communications
- Land and Capital
- Civic Society and Social Movement

## Researching Rural Change and Globalization

Welcome to the public entry-point for a major research project funded by the European Research Council. The study aims to better understand the impact of globalisation in rural regions.

Discover what we've been up to by catching up with our blog

Start exploring the findings of our research projects

[Latest blog posts](#) →

Delve into our archive of academic publications

Discover the range of our publications and presentations from associated research institutes

[Resources](#) →

Economy and Trade: Wool in UK

### Woolly Networks - From Sheep to Shop

Wool is the oldest and most universally used natural fibre, commonly obtained from sheep and less from goats and camelids.



Global Challenges in China

### China and the New Zealand Dairy Assemblage

In 1973 the entry of UK to European Economic Community meant export of New Zealand's Agricultural produce to Britain would end



Land and Capital in Australia

### The (Re)Making of the Global Sugar Countryside

Sugar is one of the most important commodities in the world and it is also the most traded.



For presentation slides & more from the GLOBAL-RURAL project visit [www.global-rural.org](http://www.global-rural.org)

Twitter: @globalrural