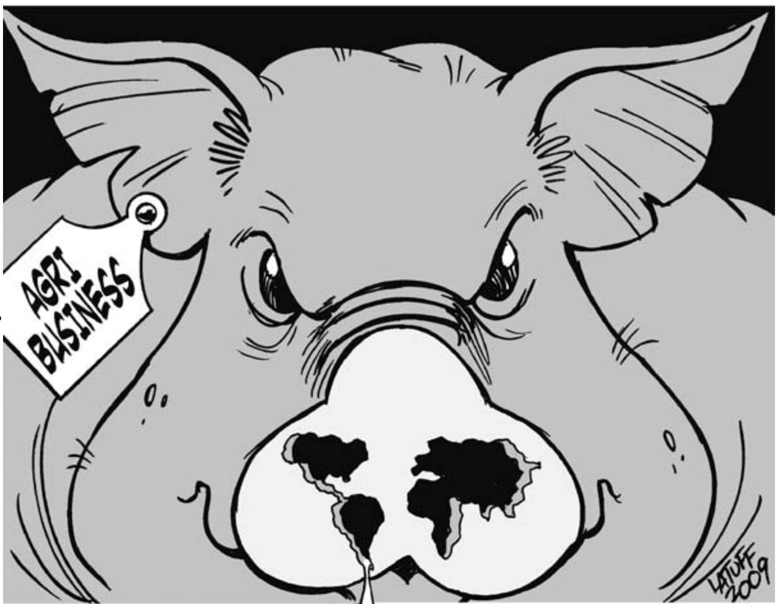
Global agribusiness: two decades of plunder

GRAIN

We offer a brief overview of the expansion of agribusiness in the global food system in the past two decades, with some thoughts on what we can expect from these companies in the years ahead.

Back in the early 1990s, many of *Seedling*'s pages were devoted to discussions about international treaties and public research agendas. Corporations were part of the discussion, but mainly as a looming threat, one group of actors pushing forward the industrial model of agriculture that was destroying agricultural biodiversity. Fast-forward twenty years, and the landscape has changed. Corporate power in the food system has grown by leaps and bounds. Today corporations set the global rules, with governments and public research centres following their lead.

The fall-out of this transformation for the planet's biodiversity, and the people who look after it, has been devastating. Corporations have used their power to expand monoculture crop production,



Cartoon: Carlos Latuff/Indymedia

undermine farmers' seed systems and cut into local markets. They are making it much more difficult for small farmers to stay on the land and feed their families and communities. This is why social movements are increasingly pointing to food and agribusiness corporations as the problem in the global food system and the focus of their resistance.

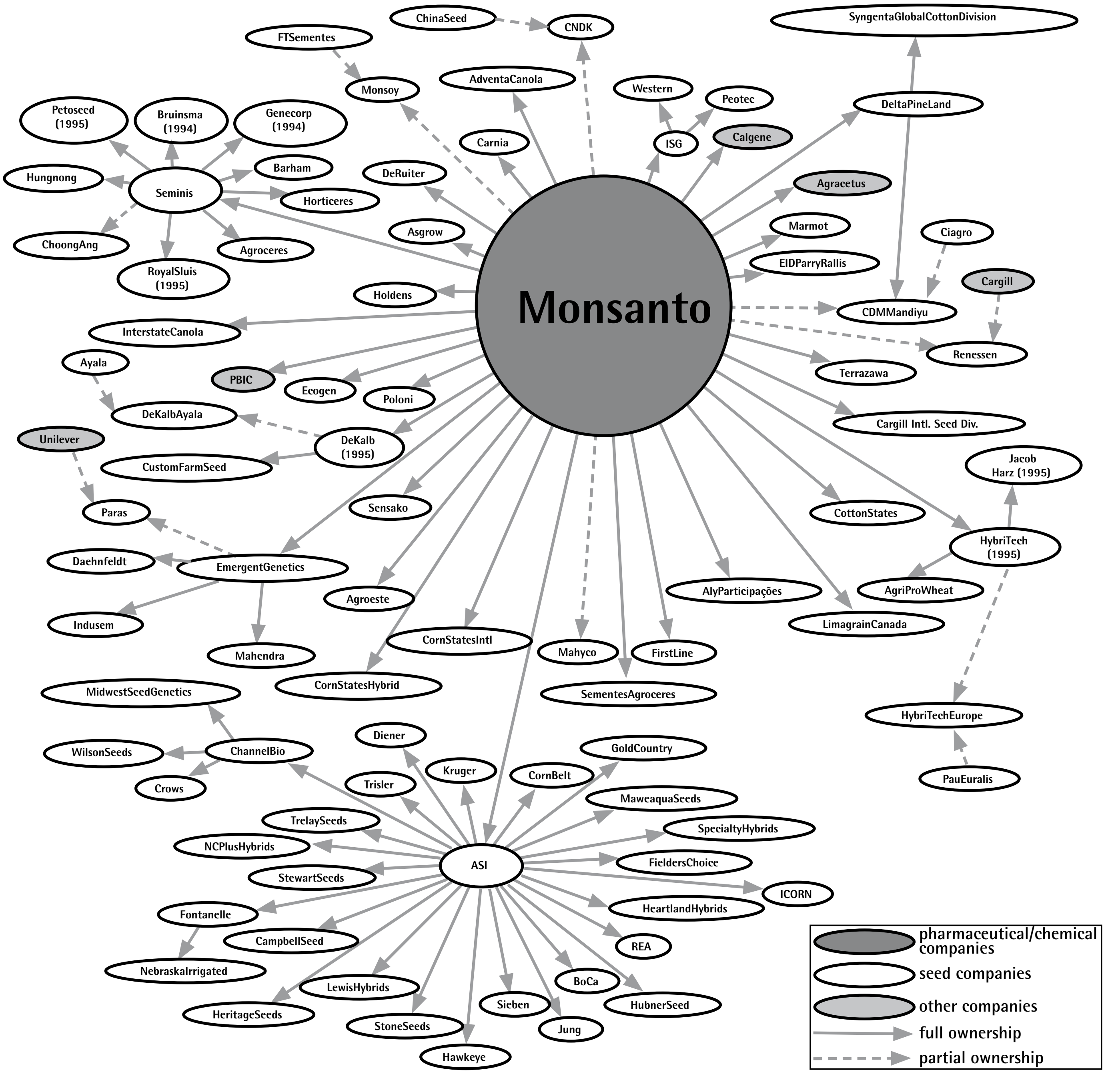
Seeds

Over the past two decades the seed industry has been dramatically transformed, from an industry of small seed companies and public programmes to an industry dominated by a handful of transnational corporations (TNCs). Today just ten corporations control half of the global market for commercial seeds (*see* illustration, "Top 10 corporations' share of the global seed market", page 16). Most are pesticide producers focusing on the development of genetically modified (GM) crops that support a chemically intensive agriculture.

The high level of corporate control in seeds, however, is confined to those crops where these companies have been able to bring GM varieties to market (soya, oilseed rape, and maize) and to those countries with relatively large commercial seed markets, particularly where the commercialisation of GM varieties has been allowed. In the US, for instance, just one company, Monsanto, controls over 90 per cent of the seed market for soya. Corporate efforts to expand markets are thus focusing on opening more markets to GM crops and on capturing seed markets for crops in which they are still only minor players. With the latter, they are primarily doing two things. One is to buy up all or part of smaller seed companies, as Monsanto did by taking over the vegetable seed company Seminis, or as Limagrain is doing by buying into wheat seed companies in the Americas and rice seed companies in Asia. The second is by developing hybrid and/or GM varieties of crops such as rice, wheat and sugar cane, which have traditionally resisted private sector involvement because of the general practice among farmers of saving seeds.

With the rise of transnational seed corporations, the public plant breeding systems, which were so significant 20 years ago, have been reduced to

The Monsanto web – 20 years of buying up the competition: From new kid on the block in 1990 to the dominant force in 2010

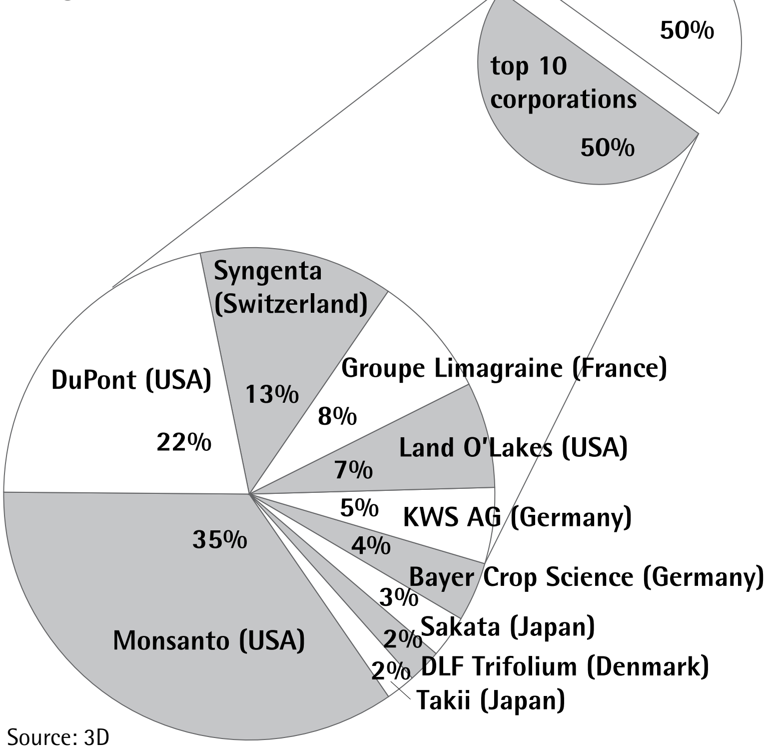


Source: Philip H. Howard, "Visualizing Consolidation in the Global Seed Industry, 1996–2008", in *Sustainability*, 2009. http://www.mdpi.com/2071-1050/1/4/1266/pdf

contractors for the private sector. The Consultative Group on International Agricultural Research (CGIAR) system is now firmly in bed with the transnationals, pursuing a growing number of joint research and development projects in GMOs and partnership programmes where CGIAR centres actually sell their breeding material to the highest bidder. The national research institutions and universities have gone down the same path, with many now behaving more like private companies than institutions with a public mandate.

Public seed systems are thus disappearing as a major source of seeds for farmers, and into this hole, often with the collaboration of public research institutions, the private sector is insinuating itself. The second wave of Green-Revolution-style programmes that Bill Gates and other donors are currently pursuing puts the private sector in ☛

Top 10 corporations' share of the global seed market



Source: 3D

charge of the seed supply, rather than public seed programmes, as was the case in the past. Typically, these initiatives seek to build up local private seed companies that can establish marketing channels and build up networks of seed growers. While most of these small seed companies will inevitably be bought up or squeezed out by larger transnationals, in the meantime they not only get markets up and running, but also provide critical domestic support to push for changes to seed regulations, intellectual property laws, and biosafety legislation that undermine farmers' seed systems and pave the way for the big corporations to step in and take over the market.

The implicit (and rarely stated) intent of these programmes is to supply seeds to a new class of medium-scale and large-scale farmers in Africa and elsewhere who can pay for the seeds. There is no interest in supporting seed systems that are controlled by and that serve peasant farmers producing for their families and communities. The expansion of the corporate seed sector is indeed inseparable from the corporate expansion in farming and markets discussed below. The most dramatic case is the boom in sales of Monsanto's GM soya beans that has accompanied the massive expansion of soya plantations for export in Argentina and Brazil since 1996. Similar models of production are now being applied and pursued elsewhere, across the Americas, Africa and Asia, displacing local seed systems with corporate seed systems in the process. In fact, in many cases the introduction of corporate seeds precedes the imposition of corporate farming. For instance, Chinese programmes to promote the use of Chinese hybrid rice varieties in Africa are part of a long-term effort to establish large-scale rice farming on the continent for export back to China.

The situation today with seeds is like a form of apartheid. On one side, there's the so-called formal sector: the private companies, the national and international research institutes and the governmental agencies pursuing the development of varieties for an industrial model of agriculture completely at odds with the needs of small farmers and local food systems. This side has lots of money and is supported by all kinds of laws (intellectual property rights [IPRs], seed regulations, investment protections, and so on), and it also has all the access it needs to the biodiversity developed by farmers and now stored in gene banks. On the other side, there are farmers' seed systems, which still provide food for much of the planet, but which receive almost no support from governments, who instead are increasingly repressing and even criminalising them.

Whose seeds feed the world? Farm-saved seed: 67.5%; certified seed: 32.5%
*(*Percentages for cereal crops in 14 developing and developed UPOV member countries surveyed by the International Seed Federation in 2005*)*

Farming

Much has been said about the rise of corporate control over seeds. But there has been an equally dramatic rise in corporate control over farming during the past two decades that has received less attention, and that now threatens to get much worse. As with the Green Revolution, some of this control has come about through seeds, since GM crops and hybrids enforce a chemically intensive model of

Table: PepsiCo's farming operations

Farms	10 potato farms in China;
	1 dairy farm in Jordan;
	1 dairy farm in Egypt
Contract farming operations	12,000 farmers for potatoes in India;
	1,200 farmers for barley in India;
	6,000 ha (approx.) under contract farming for rice, tomato and chili in India

Table: Some agricultural commodity trading companies investing in farms

Company	Farms
Cargill	Palm oil, sugar cane, dairy, cattle, poultry, pigs, sugar cane, aquaculture
Olam	Dairy, almonds, palm oil
Bunge	Sugar cane, cereals, oil seeds, cattle
Louis Dreyfus	Sugar cane, cereals, oranges
Mitsui	Cotton, dairy, oilseeds, cereals, poultry, shrimp
Glencore	Oilseeds, cereals
ADM	Sugar cane, palm oil (with Wilmar)
Noble Group	Oilseeds, cereals
Charoen Pokphand	Pigs, poultry, aquaculture, fruit and vegetables, palm oil
Wilmar	Palm oil, sugar cane

Source: compiled by GRAIN

farming. Of greater significance, however, has been the intensification of vertical integration.

In the 1960s and 70s, many of the farms and plantations set up under colonial occupation were nationalised, and the general trend among global food corporations was to move away from direct production. For the most part, capital chose instead to enter farming through the input side – by controlling the sale of seeds, fertilisers and machinery. In recent years, however, that trend has turned around.

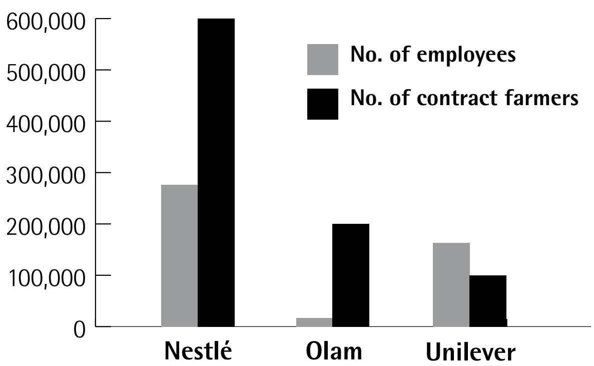
Corporations are exercising more and more direct control over farming, particularly through contract farming. In the livestock sector, for example, more than 50 per cent of the world's pork and 66 per cent of the world's poultry and egg production now takes place on industrial farms, which are generally either owned by large meat corporations or under contract to them.[1] In Brazil, 75 per cent of poultry production is under contract, while in Vietnam 90 per cent of dairy production is under contract.[2] Contract production is also expanding for export commodities such as cacao, coffee, cashews and fruits and vegetables. It is even on the rise for staple foods, such as wheat and rice. In Vietnam, 40 per cent of rice production is farmed under contract with companies.

Part of the reason for this vertical integration is that global retailers are demanding strict adherence to certain standards, which they dictate. Their suppliers thus want to ensure that farmers produce according to strict specifications. These companies have extreme market power, and can force their contract growers to agree to near bondage-like conditions. As these farmers are not employed directly by the companies, the companies do not have to comply with labour laws or deal with unions (*see* illustration: "Who works for whom?").

One consequence of this trend towards vertical integration and tightly integrated supply chains is the emergence of what can be called corporate farmers. These are companies, sometimes owned by families and often owned by a mix of investors and even shareholders, with large-scale operations, typically in different parts of a country and sometimes in more than one country. In Argentina, for instance, where the emergence of such companies is particularly striking, just 30 companies now control over 2.4 million hectares of farmland.[3] In the Ukraine, 25 companies control around 3 million hectares of farmland – 10 per cent of the country's total.[4] Most of these new corporate farmers have special supply arrangements with downstream corporations,

Who works for whom?

Contract farmers are the dominant workforce in the food industry



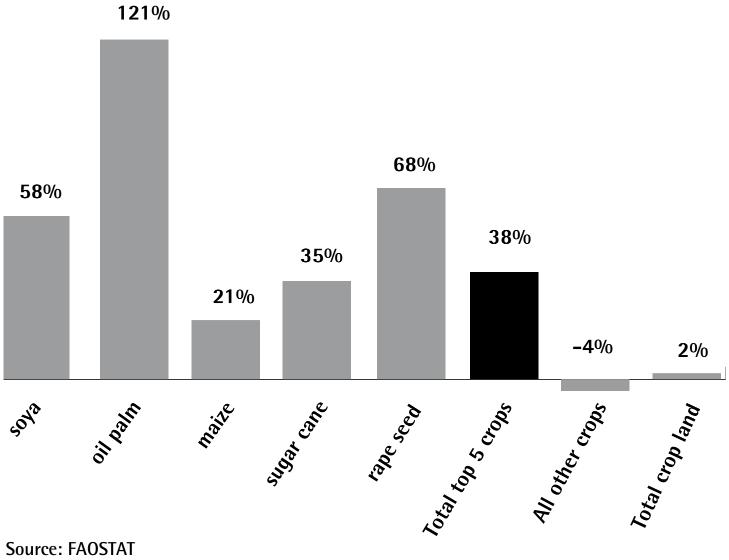
Source: Compiled by GRAIN

as China's poultry producer DaChan has with McDonald's, and some of them have been taken over by their downstream clients, such as Hortifruiti, the biggest fresh-fruit and vegetable producer in Central America, which was acquired by Walmart. Indeed, increasingly the transnational corporations are doing the farming themselves, whether it is with fruits, cereals, dairy, beef or sugar cane (*see* Table: "Some agricultural commodity trading companies investing in farms"). ☛

Cargill, the world's largest agricultural commodity trader, earned almost US$10 billion in 2008–10, up from US$1.5 billion in 1998–2000

1. E. Blackmore and J. Keeley, "Understanding the Social Impacts of Large-Scale Animal Protein Production", Oxfam Novib/IIED, Preliminary Scoping Report, as input to the Conference on the Social Impacts of the Large-Scale Meat and Dairy Production and Consumption, 2009.
2. UNCTAD, World Investment Report: Transnational Corporations, Agricultural Production and Development, 2009: http://unctad.org/en/docs/wir2009_en.pdf
3. Klaus Deininger, "Large scale land acquisition – What is happening and what can we do?" World Bank, Presentation to Land Day event, Rome, 24 January 2010: http://farmlandgrab.org/10920
4. Maryna Moiseeva, "The largest landlords of Ukraine", Delo, 5 October 2009: http://www.smart-holding.ua/en/press-center/articles/index.php?ELEMENT_ID=882

Occupying fertile land: industrial commodity crops spread at the expense of others
(% increase 1990–2007)



Source: FAOSTAT

And there are other forces driving this recent corporate push into farming. The convergence of the food and financial crises in 2008 triggered a wave of investment in overseas food production and farmland, both by financial investors looking for a secure source of long-term profits and by certain governments rethinking their reliance on the corporate global food system to assure their food security. The recent creation of new markets for biofuels has also brought more corporations into farming. With legislation guaranteeing markets for ethanol and biodiesel in industrial and so-called emerging economies, financial investors and corporations from the energy sector have been pouring money into farming operations for biofuel production.

The overall effect of these developments is a massive expansion of monocultures. Soya alone accounts for over a quarter of the total increase in global agricultural area between 1990 and 2007 (*see* illustration, “Occupying fertile land”). What is perhaps most striking about these figures is that the bulk of the expansion in monoculture production has not been about producing more food for people. The expanded agricultural area growing soya, timber, maize and sugar cane has mainly been used for industrial uses, especially biofuels and animal feed.

Three of every 10 pesos spent on food by Mexicans are now spent at Wal-Mart. Shoppers in the UK spend £1 of every £7 at a Tesco supermarket.

Markets

In the 1980s and through to the 1990s, there was a wholesale dismantling of the state or parastatal companies and agencies that, at least in theory, balanced the interests of farmers and the urban population. International commodity boards, which had similar intentions, were also broken apart during these years. Meanwhile, through the creation of the WTO and subsequently through bilateral trade and investment agreements, a comprehensive package of neoliberal rules was imposed on countries around the world, setting the stage for a huge upsurge of foreign investment in agribusiness and the globalisation of food systems. The net result of these processes has been the concentration of tremendous power in the hands of transnational agribusiness corporations. The door has swung wide open for them to remake food systems to suit their global operations.

For countries in the South, this new wave of corporate control has meant, among other things:

1. an on-going shift in the production of traded agricultural commodities towards places, such as Brazil, where the costs of production are low and state support, in infrastructure, finance and policies, is high (*see* “Asparagus exports”, below)
2. the aggressive entry of northern supermarkets (Wal-Mart, Carrefour), food service companies (McDonald’s, KFC), and food processing companies (Nestlé, Unilever) into domestic food systems
3. the replacement of local markets and systems of food production with global supply chains of food and feed organised by food and agribusiness TNCs.

Governments have, by and large, eagerly embraced these trends – falling over each other to provide incentives to foreign investors, signing up for and implementing Western-based IPR laws and food safety regulations that favour corporations and criminalise small farmers and local food systems, and pumping scarce public funds into the creation of infrastructure to facilitate corporate expansion.

Asparagus exports

From 1990 to 2007, global exports of asparagus increased by 271%. Peruvian asparagus production accounted for more than half (58%) of the increase in global exports during this period. Over those years, asparagus production in Peru increased from 58,000 tonnes to 284,000 tonnes. Around 90% of Peruvian exports of asparagus go to the US and Europe. In Peru, asparagus was formerly produced by small-scale farmers, but today they account for less than 10% of the country’s production, which is now dominated by large-scale exporting companies. Just two companies control a quarter of Peru’s asparagus exports.

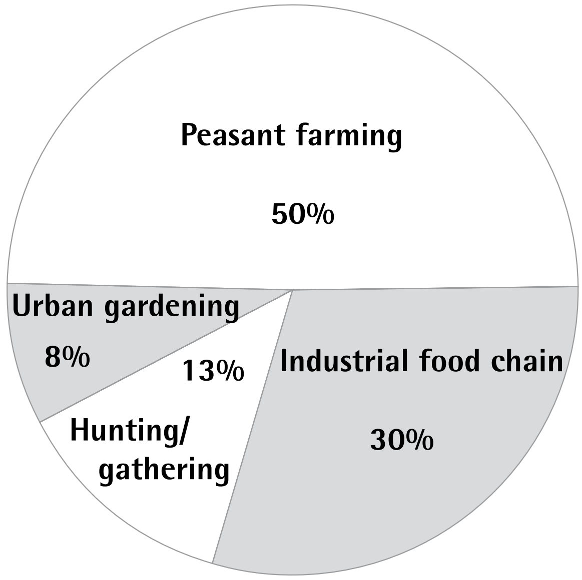
Some southern governments, such as those of China, Brazil, Thailand and South Africa, have been able to support the development of their own agribusiness TNCs, but these are few and far between and almost exclusively confined to agricultural production. Moreover, these TNCs are replicas of Northern TNCs, organised according to the same logic, and often tightly integrated with larger northern TNCs, whether as suppliers to food corporations such as McDonald's and Nestlé or as clients of agribusiness corporations such as Monsanto and Hybro Genetics.

Moreover, the whole machinery of corporate agribusiness, whether it's JBS in Brazil or Shineway in China, has become inseparable from the global financial sector. The past two decades of globalisation has, more than anything else, been about the concentration of wealth and power in the hands of Wall Street and other financial centres. Today's captains of finance can move trillions of dollars around the world every day, looking for the quickest and highest returns. More and more of this money is now flowing into corporate agribusiness and commodity speculation. Access to this huge pool of capital is propelling the expansion of agribusiness, giving companies the financial resources to take over smaller firms or to set up new operations, while also harnessing them ever tighter to the logic of fast and high returns, which are made off the backs of workers, consumers and the environment. Meanwhile, the amount of speculative capital in agricultural commodities has skyrocketed in recent years, and this, combined with rising corporate control at all levels of the food chain, means that prices have little to do with supply and demand, and that food distribution has become disconnected from need. Today's corporate global food system is organised according to one principle only: profit for the owners of the corporations.

Table: Ten southern agribusiness TNCs involved in food production.

Sime Darby (Malaysia)	World's largest producer of palm oil, expanding into West Africa and branching into the production of rice.
CP Foods (Thailand)	Asia's largest meat producer, also a major presence in seeds and rice trading. Expanding into Europe, Africa and Middle East.
Wilmar (Singapore)	Major palm oil and sugar producer. ADM owns a minority stake in the company.
Olam (Singapore)	Major agricultural commodity trader, with a presence in Asia, Latin America and Africa. Moving upstream into the production of staple foods, such as rice and dairy. Partly owned by Singapore SWF Temasek.
JBS (Brazil)	World's largest meat company with a focus on beef. Major recent expansion into North America and Australia and into poultry.
Karuthuri (India)	One of the largest producers of cut flowers in the world, with production based mainly in Kenya. It has more recently moved into the production of food crops for export on land it has acquired in Ethiopia.
Savola (Saudi Arabia)	The largest food company in the Gulf region, it is involved in the production and processing of foods as well as retail through its ownership of the Panda supermarket chain.
COFCO (China)	A state-owned conglomerate, it is China's largest food processor and trader. It recently expanded into dairy production.
COSAN (Brazil)	Fourth largest sugar producer in the world. It recently entered into a major ethanol joint venture with Shell Oil.
New Hope (China)	A privately owned conglomerate that is China's largest producer of feed and one of its largest producers of pork, poultry and dairy. The company has recently launched operations in Vietnam, the Philippines, Bangladesh, Indonesia, and Cambodia

Who feeds the world?



Source: ETC Group, "Who will feed us?", November 2009. www.etcgroup.org

People

It is hard sometimes not to feel overwhelmed by the growth of corporate power in the food system. ☛

Between 1974 and 1994, the difference between world prices (what is charged by traders) and domestic prices (what is paid to farmers) doubled.

UNCTAD

Participants at the World Forum for Food Sovereignty, Nyélèni, Mali, February 2007

☛ It is especially depressing when one considers that this corporate expansion is built on the destruction of local food systems, which provide livelihoods and food to people shut out or exploited by the agribusiness food chain.

Nevertheless, the corporate food system is not entirely ubiquitous. In fact, most seeds are not sown for it, most farmers are not part of it, and most people are not fed by it. Around the world, the foundations for entirely different food systems are still in place, and movements are emerging and gaining force everywhere to revitalise them and roll back the corporate food order. If capital is pushing so hard to take over agriculture, it is only because so much of it still functions outside corporate chains of production; so much of it remains in the hands of peasants, fisherfolk, and indigenous people, and within local cultures and the circuits of local markets.

The truth is that we do not need agribusiness. Rather, as the last two decades have shown, we have every reason to get rid of it. Twenty years of expanding agribusiness control over the food system has generated more hunger – 200 million more people go hungry than 20 years ago. It has destroyed livelihoods – today 800 million small farmers and farm workers do not have enough food to eat. Agribusiness has been a leading cause of climate change and other environmental calamities, the effects of which it is ill-prepared to deal with. It has generated unprecedented food safety problems and has made agriculture one of the most dangerous sectors to work in, whether as a farmer or a worker. And it has funnelled the wealth created though global food production into the hands of a few.

The main story in agriculture over the past twenty years has been the rise of agribusiness. If humanity is going to survive with any dignity on this planet, the next twenty years need to see its decline.

The other G20: average GDP for 135 non-G20 countries in 2005: US$49 billion; average annual sales for top 20 retail corporations in 2005: US$75 billion

GOING FURTHER

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