

# Will the ‘Financialisation’ of Food and Farming Provide the Basis for a Prosperous Future for Rural Asia?

Emeritus Professor Geoffrey Lawrence<sup>+</sup><sup>#</sup><sup>^</sup>, Dr Sarah Ruth Sippel<sup>\*</sup>, Dr Nicolette Larder<sup>+</sup>, Ms Lotus DesFours<sup>+</sup>

<sup>+</sup> School of Social Science, The University of Queensland, Australia

<sup>#</sup> Global Change Institute, The University of Queensland, Australia

<sup>\*</sup> University of Leipzig, Germany

<sup>^</sup> Presenter and correspondent:

Emeritus Professor Geoffrey Lawrence PhD FASSA

School of Social Science

The University of Queensland

Brisbane, Australia, 4072

President, International Rural Sociology Association

Email: [g.lawrence@uq.edu.au](mailto:g.lawrence@uq.edu.au)

## Abstract

‘Financialisation’ is a term used to describe the penetration of financial entities into many aspects of economic life. Private equity firms, hedge funds, merchant banks and sovereign wealth funds have been investing in significant sections of most economies - largely in an effort to provide increasing returns to their shareholders. Most recently, these investments have targeted the food and farming industries. For a variety of reasons – unpredictable weather, perishable products, volatile world commodity prices, fluctuating interest rates, and slow growth in agricultural land prices – farming had not, in past decades, been seen as being as attractive as dot.com investments or, more recently, real estate (Burch and Lawrence, 2009; Clapp, 2014). But when the dot.com speculative bubble burst in the early 2000s and real estate (particularly in the US) was deemed ‘toxic’ in 2008, agriculture became a target for investment. The movement of finance into food and farming industries was not only driven by the collapse of previously viable sectors of the economy, but also by some underlying realities: globally, good farming lands were becoming scarce; there were profits to be made from crop biofuels; the growth of the middle classes in places like China, India and Indonesia stimulated investment in meat and processed foods; and, new financial products – such as derivatives - that tied food to unrelated products such as coal, gas, and gold provided financial capital with the opportunity for speculative gain. The takeover of agrifood companies by finance capital together with an unprecedented interest in the acquisition of foreign farm lands by sovereign wealth funds and private land managers (sometimes referred to as ‘land-grabbing’) have become two of the main features of the financialization of the food and farming sectors. In this paper, the process of ‘financialisation’ will be outlined, followed by a short discussion on whether or not ‘financialisation’ might assist in the creation of a more prosperous future for rural Asia.

## **Introduction: Financialisation and Global Agriculture**

Under conditions of global neoliberalism, financial entities such as merchant banks, private equity firms and hedge funds have taken advantage of a more deregulated international market-place to extend their profit-making activities. So, too, sovereign wealth funds have sought advantages from investment of vast sums of money in overseas locations. 'Financialisation' is a term used to describe the increased presence, and profit-seeking endeavours, of firms in the finance industry as they penetrate and seek to reconstruct domestic and international economies (Epstein, 2005). In a broad sense, capital accumulation – the very dynamic that stimulates growth in the international economy – is coming under the control of the finance sector which invests its highly-mobile liquid assets in the hope of securing profits through trade in 'futures', derivatives and other financial products, and via speculative activities (Krippner, 2011; Fairbairn, 2014). This is not the world of the so-called 'real' economy – the production and distribution of goods and services. It is money-chasing-money, or what has been pejoratively termed 'casino capitalism' – the pursuit of profits without production (Stilwell, 2002: 28). According to Moore (2012), as early as the 1970s finance capital no longer required a vital, productive, 'real' economy as the basis for profit. Rather, it became impatient with slow moving circuits of production and trade and sought, instead, to create new financial instruments that could penetrate the most basic elements of social life 'from pension funds to university educations to consumer credit' (Moore, 2012: 5).

For Isakson (2013) three trends have defined the financialisation of the global economy. The first is the growing importance of institutional investors such as merchant banks, hedge funds, private equity consortia and mutual funds. They are obtaining an ever-increasing share of total domestic profits. The second is the entry of non-financial firms into financial markets. Supermarkets, for example, no longer sell food and household items but now offer an array of financial products such as car, home, travel and pet insurance, along with credit cards and loans (Burch and Lawrence, 2009). The third is the strong focus on 'shareholder value' as the single goal of corporate decision-making. Shareholder value refers to the returns to investors in a company. Since the 1980s corporate managers have been judged by their capacity to provide ever-increasing levels of returns to shareholders – often forsaking social, ethical and environmental concerns that relate to a company's activities. The global consequences of financialisation include growing income inequality, deteriorating economic growth and rising market volatility (Isakson, 2014).

One of the targets for investment of firms in the finance sector during the last decade has been food and farming. This has struck a number of observers as somewhat surprising. Banks and other lenders have usually been reluctant to invest in farming activities, in particular. Farmers face uncertain weather conditions, unpredictable price fluctuations and fickle markets and these characteristics are not conducive to stable financial returns (Burch and Lawrence, 2013). Banks have been content to lend to the farm sector in the knowledge

that if farmers became increasingly indebted or were bankrupted, properties could be sold and invested funds returned to the lenders. So, why, it is being asked, are farms and firms in the agrifood industries, being targeted as part of financialisation?

### **The Targeting of Food and Farming**

The answer to the question above is complex. To begin, global neoliberalism has encouraged the proliferation of financial firms that are literally 'footloose'. They search the world for new sources of profit and can, and do, bypass nationally-based laws and regulations that might otherwise have contained their speculative endeavours. They owe allegiance to no-one but their shareholders. Nation-states, themselves, have been winding back regulations that are viewed as a fetter on capital flow. They have been replacing older mechanisms of control over capital with regulatory settings that facilitate global flows – part of so-called 'roll-out' neoliberalism (Peck and Tickell, 2002) – the overall aim of which is to encourage capital investment. For the finance firms, as with other transnational companies, the ideal world appears to be one in which controls on capital flows disappear (as part of the longer-term goal of 'financial integration'). Global financial integration is strongly endorsed by the International Monetary Fund (IMF, 2012) as a key to future global economic prosperity.

Technical mechanisms and the creation of new financial products have also been crucial drivers. Computer technologies have enabled instantaneous flows of money in the global marketplace, while the loosening of controls on the finance industry has both stimulated the activities of entities such as private wealth consortia and hedge funds, and generated a variety of new tools that can be utilized to bring farm products into the speculative calculations of finance firms. In regards to the activities of private equity (PE) firms, the aim of investment in agrifood firms is to purchase companies listed on the stock exchange (making them no-longer publicly-listed companies). Once de-listed, the targeted company is then 'asset stripped', and/or is used as a lever to access new loans, and/or is controlled by a new management regime. The 'old' firm is thus transformed in an effort to increase its value before being floated on the stock exchange. In this way 'shareholder value' is realised through the restructuring of what are deemed to be underperforming companies (Burch and Lawrence, 2013). PE investors have targeted agri-food sector firms such as Nabisco, Burger King and Cadbury Schweppes in recent years and, today, there is strong interest in meats and packaged foods, estimated to make up some 77 percent of global PE deals (Lynch, 2014).

In relation to the new 'tools' for investment, mentioned above, derivatives are of particular interest. Derivatives are financial contracts that are 'derived' from underlying assets. These assets might be commodities (such as gold and oil), stocks and bonds, interest and exchange rates, or indices (such as the Dow Jones Industrial Average) (Breger Bush, 2012: 14).

Derivative markets are part of 'futures markets' trading. As Breger Bush (2012: 15) has noted, buying or selling a derivative is tantamount to placing a bet on whether the price of the derivative will rise or fall over time. Purchasing a derivative is done to hedge against price movements, as well as to speculate – trying to make a profit by taking a risk on price movements (Breger Bush, 2012; Holton, 2012).

Why derivatives are important to the food and farming industries is that banks have been offering investors a derivative-based product called a Commodity Index Fund (CIF) which 'bundles' commodities. Farm products normally make up about one third of the CIFs (with others typically being coal, oil and precious and base metals) (Clapp, 2014: 6). Up to 24 agricultural and non-agricultural commodities comprise a CIF. Price movements in metals, for example, can trigger sale of a contract irrespective of the situation of supply and demand of the agricultural commodities within that bundle (Third World Network, 2008). Speculative activities can lead to the rapid rise in the price of farm-based commodities:

Commercial speculation in agriculture has traditionally been used by traders and processors to protect against short-term price volatility, acting as a sort of price insurance while helping to set a benchmark price in the cash market. But the elimination of speculative position limits for financial speculators and the rise of commodity index funds undermined traditional price risk management. These funds create a constant upward pressure on commodity prices, alleviated abruptly only when fund contracts are "rolled over" to take profits (Third World Network, 2008).

CIFs were implicated in the global food price rises between 2005 and 2008, resulting in growing hunger and riots in over 30 nations (Kaufman, 2010). The index funds produced a so-called 'demand shock' on wheat futures, causing wheat prices to spiral – the very opposite of the 'promise' of producing stability in the marketplace (Kaufman, 2010). Speculation by financial entities in agricultural commodities was, in part, facilitated by relaxation of 'position limits' (the largest number of options or futures contracts an investor can hold on one underlying security). Banks could sell more agricultural derivatives to investors in a situation where trading faced little regulation, resulting in speculation and food price hikes (Clapp, 2014: 7).

While derivative trading has become increasingly significant for nations of the Global South, Breger Bush (2012) cautions against viewing them favourably. Derivatives are privately owned, market-based, mechanisms that are strongly favoured by business over state-based approaches aimed at achieving price and/or income stabilization. They are one of the tools of the global neoliberal political project. And, while derivatives could allow hedging in a manner which protects smallholder farmers, the way they currently operate in the South is largely to exclude these farmers from any potential benefits. Derivative markets promote speculative trading which can transmit price volatility and undermine attempts to provide stability for producers. Indeed, between 2006 and 2011 investment in commodity futures markets doubled from some US\$65 billion to US\$126 billion – much of it based on

speculative activity (Barthwal-Datta, 2014: 36). For Breger Bush (2012) current neoliberal settings have allowed the large global players from the North to consolidate their power at the expense of less powerful actors in the South.

Returning to the issue of farmland becoming increasingly attractive to the finance industry, a number of factors have been identified. Rising global commodity prices have provided signals to investors that land-based investments have high earning potential. Land values appreciated by some 400 percent globally during the decade to 2012 with farmland being viewed as a reliable investment at a time of uncertainty in residential property markets with their so-called 'toxic assets' (Lawrence, Sippel and Burch, forthcoming 2014; Savills Research, 2012). There has also been a global decrease in the amount of farmland per head of population (from 0.37ha/person in 1961 to approximately 0.20ha/person in 2011) (Index Mundi, 2011: 1). This has been due to the dual phenomena of a growing world population together with the loss of arable land through soil degradation/desertification (Cribb, 2010). The rapid growth of the biofuel industry has been yet another factor making farmlands attractive to investors (McMichael, 2013). The 'meatification' of the diets of the middle classes in nations like China and India has been a signal to financial investors that the demand for grains for intensive (factory-farm) poultry and livestock production will rise, and with it grain prices and the value of the lands producing those grains (Conerly, 2012). Finally, the warming of the planet through the release of greenhouse gases is prompting governments to create schemes that bring financial benefits to those who can reduce atmospheric carbon. Carbon trading schemes are proliferating and finance corporations have identified farm-based carbon sequestration as the source of future profit. According to one company, carbon trading has become a fast-growing specialty in financial services and is a market that could grow to US\$1 trillion within the next decade (Green Chip Stocks, 2014).

### **The Large-scale Acquisition of Farmlands**

For the reasons stated above, finance capital has found agricultural land to be an attractive investment. Not surprisingly, we have seen the rise of Farm Investment Management Organisations or 'FIMOs' – private companies that charge a hefty management fee for compiling a portfolio of farm land and offering it to clients. According to Fairbairn (2014) FIMOs usually require clients to invest around \$50m, thereby attracting institutional investors that are prepared to retain land over the medium term (ten or more years). Income is obtained annually from farm production and, again, in the longer term via capital gains when the property is eventually sold. Examples of these farmland managers are the Hancock Agricultural Investment Group, Prudential Agricultural Investments and the Macquarie Group (Fairbairn, 2014; Larder, Sippel and Lawrence, forthcoming 2015).

A second source of investment has been from nation states that possess sufficient accumulated capital reserves to invest abroad. Sovereign wealth funds from oil-and-

mineral-rich but land-and-water-poor countries have been particularly active in overseas land purchases for the dual purposes of providing financial returns on investments and - for reasons of food security - of ensuring that foods are available to their citizens in the event of future 'price shocks' (Cotula, Vermeulen, Leonard and Keeley, 2009; Kaag and Zoomers, 2014 ). Over the past decade millions of hectares of farmland, peatland and forest have been purchased by China, India and the Gulf States and have been turned into monocultures of soybean, palm oil and sugarcane for food and biofuels (Kaag and Zoomers, 2014). Such investment often displaces smallholder farmers and pastoralists, resulting in 'depeasantisation' (McMichael, 2013). But it is readily endorsed by governments in poorer countries (such as Kenya, Ethiopia and Sudan) that welcome foreign direct investment (FDI) as the key to future rural prosperity (McMichael, 2013).

Chinese investment is an interesting case in point. Attempting to cope with growing food insecurity, China has invested in farming and agrifood industries in nations as diverse as Australia, Cuba, Laos, Tanzania and Uganda (Watts, 2013). It is estimated that approximately two-thirds of available farmland in China is of low quality and, as such, China will need to find an additional 120 million hectares of quality farmland to meet its future food needs (Watts, 2013: 1). And, as it is urbanising it is becoming more dependent upon the US for agricultural products – something that concerns the Chinese government. Its solution to both problems has been to acquire farmlands abroad including those in the Mekong River Basin (Cambodia, Laos and Myanmar). There have been 25-30 new investments in the Basin since 2000 (Hofman and Ho, 2012: 16). The purchase and leasing of lands abroad is not only to grow food that can be repatriated: it is also to save water in China (Barthwal-Datta, 2014). As Barthwal-Datta (2014: 195) notes, it is 'unfortunate' that the land deals are occurring in nations that have a high level of food insecurity. However, rather than interpreting Chinese investment in a negative light Hofman and Ho (2012) view it as 'development outsourcing' based upon investments by a variety of investors (state-owned, collectively-owned, private and individual actors) whose motives, activities and impacts are quite varied (Hofman and Ho, 2012: 21; IISD, 2012). For researchers like Hofman and Ho, Chinese investment is a multi-layered, highly complex, phenomenon - not a 'monolithic' land grab.

In contrast, for others such as Kaag and Zoomers (2014), large-scale land acquisitions are unambiguous 'land grabs' and a form of neocolonialism, while McMichael (2014: 52) views them as a form of 'security mercantilism' in which WTO trading rules are bypassed to allow foreign nations direct access to food/feed/fuel supplies in target countries. Some have viewed them as 'water grabs', 'green grabs' or, more broadly, 'resource grabs' (see Fairhead, Leach and Scoones, 2012; Holmes, 2014). Other authors have sought to distinguish between 'land grabbing' and genuine rural development. What, then, is a 'land grab'?

It has been proposed that a 'land grab' is characterised by:

- a large-scale land acquisition which is illegal, underhanded, or unfair
- few benefits flowing to local or national populations - especially in relation to food security
- dispossession – local people are forced from their lands
- minimal/no consideration of natural resource implications
- minimal infrastructural development for local communities
- autocratic decision-making by authoritative regimes, including failure to incorporate all stakeholders
- an inequitable share of benefits between stakeholders (McMichael, 2013; Riddell, 2013: 163)

African nations are particularly vulnerable to a ‘land grab’ because land is often held communally. Governments can readily define such lands as ‘idle’, thereby acquiring them illegally and subsequently selling or leasing them to domestic or foreign investors who promise to modernise agriculture, create jobs, build infrastructure and create new agro-export platforms (McMichael, 2012). But there has also been a flurry of activity in Asia, with conflict over land tenure having emerged as a key concern. According to Cherry (2013) and Borras and Franco (2011), the ‘vacant’ and ‘unused’ labelling of land by governments in the region has resulted in the removal of smallholder subsistence farmers whose ‘customary ownership’ is no longer recognised. As well, the oil palm boom in Southeast Asia has been clearly linked to the growing market for biofuels in Europe (Transnational Institute, 2012). Finally, it appears most of the benefits accrue to transnational capital, local elites and bureaucrats, leaving poor livelihood outcomes for local farming communities (Barthwal-Datta, 2014; Borras and Franco, 2012).

Despite ‘land grab’ having become a term which has proliferated in the academic literature, many writers have cautioned about its application. The scale and nature of land deals is often fuzzy, calling into question the reliability of data purporting to show that ‘millions’ of hectares have been acquired (Hofman and Ho, 2012; Scoones, Hall, Borras, White and Wolford, 2013). Furthermore, little is often known about experiences at the local level: do land grabs always result in depeasantisation and resource degradation? Methodological rigour and reflexivity are essential ingredients to a more nuanced understanding of land purchases (Oya, 2013). But what is not being doubted is the extent to which the acquisition of resources (a resource ‘rush’?) by a series of global financial actors has burgeoned over the past decade (Cotula et al., 2009; Scoones et al., 2013).

Responding to widespread criticisms of the flood of foreign investment in lands following the food price hikes of 2008, the World Bank developed a set of seven ‘principles for responsible agro-investment’ that were eventually adopted by FAO, UNCTAD and IFAD. These are:

- Existing rights to land and associated natural resources are recognised and respected

- Investments do not jeopardise food security but rather strengthen it
- Processes for accessing land are transparent, monitored and accountable
- People and communities affected are consulted and subsequent agreements enforced
- Projects must respect the rules of law, reflect industry best practice and result in durable shared value
- Investments will generate desirable social and distributional impacts – not increase vulnerability
- Environmental impacts are quantified and measured to ensure sustainable resource use (The World Bank, 2014: 5).

In 2011, in recognition of the continued scale and impact of foreign investment, the UN developed a set of 'Principles for Responsible Investment' (UNPRI) for farmland. According to UNPRI's (2011) five principles, investment should:

- Promote environmental sustainability (combating erosion, managing water, reducing chemical emissions, mitigating climate impacts)
- Respect labour and human rights (particularly of vulnerable groups, indigenous peoples, local cultural and value systems, and local food security)
- Respect existing land and resource rights (acquisitions must be culturally appropriate and transparent, ensuring engagement with local stakeholders)
- Uphold high business and ethical standards (respecting the rule of law and avoiding corruption and bribery)
- Be reported upon - allowing activities to be widely known, particularly in regard to any progress made in implementing the principles.

To what extent have these sets of principles been followed in recent large-scale land acquisitions? The World Bank (2014) has provided examples from nations such as Nicaragua, Indonesia, Bolivia, Malawi, Honduras and Vietnam demonstrating how a good number of these principles are being met. Similarly, UNPRI considers it has also made considerable progress. In its report of 2012 it presented five case studies of success in finance-industry compliance with the principles (UNPRI, 2012).

In contrast, international not-for-profit organisation GRAIN, and researchers such as Borras and Franco (2014), have argued strongly that the sets of principles outlined by the World Bank and UNPRI do not have the capacity to deliver better outcomes for those nations where farmland investment is occurring. In fact, GRAIN argues these principles stand to make matters worse. According to GRAIN (2012) the principles call for voluntary self-regulation by finance capital – something that is unreliable, ineffectual and lacks a clear means of enforcement. It is unrealistic, GRAIN argues, to believe that corrupt governments and dysfunctional states with open-door policies for foreign investment will be capable, or desirous, of implementing such a code. GRAIN notes that civil society groups throughout the



world have condemned the principles as endorsing further foreign investment when the aim should be to prevent such investment from occurring and to support, instead, the efforts of small-scale rural producers. For Borras and Franco (2014) the current development of 'codes-of-conduct'-type responses to land grabbing are premised on foreign investment in land continuing, albeit with the presence of a larger dose of 'corporate social responsibility'. Their argument is that the framing of the issue remains wrong-headed: the World Bank, FAO, UNCTAD and other international bodies view the 'problem' of developing nations as a lack of capital investment, when the real issue is that of ensuring access to land by the poor (Borras and Franco, 2014: 161). In addition, the various codes and principles are viewed, cynically, as a corporate marketing ploy: adherence to 'principles' can add value to investments because they enable firms to demonstrate that corporate social responsibility occurs in the context of profit-making, assisting in making their land purchases legitimate and beneficial in the eyes both of investors and target nations (GRAIN, 2012). However, as Clapp and Helleiner (2012) have argued in the case of biofuels, higher energy prices will encourage continued production of biofuels. Therefore, forest lands will continue to be cleared and it is likely that the subsequent impacts (biodiversity loss, soil degradation, chemically-polluted waterways) will remain an outcome of replacing forests and small-scale farming systems with industrial agriculture.

### **Assessment: Foreign Direct Investment versus Land Grabbing**

The World Bank (2014: 1) has publicly stated that it:

... does not support speculative land investments or acquisitions which take advantage of weak institutions in developing countries or which disregard principles of responsible agricultural investment.

However, it has also argued that private sector investments must rise by some 50 percent per annum – from the current \$142 billion to \$209 billion per annum – to meet growing food needs over future decades (World Bank, 2014: 1). Clearly, the World Bank is very hopeful that such investment will abide by the principles that are in place for responsible investment in farmland. But, as we have seen, for GRAIN and many similar organisations, investment of the sort endorsed by the World Bank, the UN and other organisations appears to fail an important first test: supporting local producers to remain on lands that will provide the foods that will contribute to long-term national food security (La Via Campesina, 2009). As Buck (2014) notes, the neoliberal food regime is premised on the expansion of global markets, concentrating power in the hands of a small number of corporate actors, not protecting the food sovereignty of smallholders and rural communities.

How can we understand this apparent 'clash' of approaches to development? While this might be dismissed as a crude dualism, there appear to be two very different ways of

interpreting modern-day investment in food and farmlands. Those supporting FDI argue that it is imperative that so-called 'backward' (peasant/subsistence/small-scale) farming is replaced by 'modern' systems that rely upon new technologies, more productive inputs, and better management regimes to enhance levels of productivity. Indeed, the 'package' of trade liberalisation, privatisation, deregulation and the expansion of private property rights is a key platform of the so-called 'Washington Consensus' which asserts that neoliberal settings will bring about necessary structural adjustment in farming and promote economic development (Khan, 2014). Following the 'liberation' of agriculture, the responsibility will rest with governments and private enterprise to invest capital to provide the necessary infrastructure (roads, ports, telecommunications and governance structures) to allow farm produce to move quickly to new domestic and international markets – the former feeding a burgeoning urban population (many of whom have been displaced from small-scale agriculture), and the latter bringing export income to underwrite the transformation of farming, while allowing additional surplus to be invested in urban infrastructural development. This 'modernisation' trajectory is strongly supported by the World Bank, IMF, FAO, corporate capital and other entities which consider, *inter alia*, that: globalization is beneficial and inevitable; the South will ultimately benefit from investment which allows for both 'green revolution'-type transformation of farming and the harnessing of urban labour which is competitive because of its relatively low cost; and, the best means of achieving transformation is from unrestricted large-scale foreign-based financial investment (Rosset, 2006; Young, 2012).

The contrasting view is that the appropriation of farmlands from some of the poorest people in the world is a form of neocolonialism, one that severs subsistence producers from their lands and literally pushes once-productive farmers into a lumpen proletariat living in urban slums where jobs are menial and difficult to obtain, and where access to food becomes a day-to-day struggle (Patel, 2013). Farmlands once feeding local communities now grow crops for export or for conversion to biofuel – something that reduces, rather than assists, these economies to provide enhanced food security for their citizens (McMichael, 2012; Patel, 2007). As Barthwal-Datta (2014: 199) has noted, small farmers produce around 80 percent of all the food consumed in Asia and advises that 'policymakers in Asia would do well to place smallholders at the heart of their concern'. According to GRAIN (2014) the world's small farmers (those with around 2.2 hectares of land) are twice as productive as large farms. It is also claimed that their activities are more environmentally sustainable, and they are better at protecting biodiversity and providing economic benefits to local communities (GRAIN, 2014). Yet, as part of global agrarian 'reform' they are under constant threat as farmlands shift from satisfying local food needs to producing crops such as soybean, oil palm, canola and sugar cane for large-scale industrial processing. Clearly more research needs to be undertaken to understand the dynamics of change and how changes in land ownership and practice influence food security outcomes. How will the world feed an additional 2 billion people by 2050?

## **Conclusion: Will Financialisation Provide the Basis for a Prosperous Future for Rural Asia?**

This is what we currently know: Firms in the financial sector, along with government-based sovereign wealth fund agencies, are investing in large-scale land purchases and in the agrifood industry. The main drivers for the investors are profit-making and food security (the latter, in particular, for nations lacking land and water resources). The main advantage for the host nation in acquiring foreign investment is its 'promise' to transform farming, provide jobs for workers and encouraging the building of necessary infrastructure – the bridges, roadways and irrigations schemes to enhance local economic activity and to create a basis for the national and international marketing of farm products. For many host governments in Asia, as throughout the developing world, such a promise is seductive. But, in some cases, the model of development that accompanies such investment is one which leads to significant negative outcomes. These include: land dispossession of current food providers; the compromising of rural livelihoods; limited benefits of development at the local level; and environmental destruction.

Organisations such as the UN and World Bank have sought to address the current failings of the globally-inspired neoliberal 'modernisation' of agriculture by proposing that a series of 'principles' be followed. However well-intentioned these principles are, evidence continues to mount of on-going abuses as capital reshapes the farming landscape of developing nations.

While it is clear that Asian nations can develop their economies by improving agricultural production the choice, for many analysts, is stark. One is to financialise and 'modernise' the food and farming sector via green-revolutionary style intensification; another is to support local subsistence producers through strategic, local, investment that lifts productivity gains to enhance domestic food production and consumption. There is no doubt that financial firms will continue to provide investment. But such funding is likely to be most beneficial when host nations are able to control investment. This investment might be expected to be much less short-term and speculative: rather, it is much more likely to be long-term and strategic – aimed specifically at improving the livelihoods of rural dwellers, enhancing food security, building local infrastructure, and protecting the environment. These are largely embraced in the various 'principles' of supra-national governance agencies. But what is required is that these principles are taken seriously and are strictly adhered to.

What are our responsibilities as social scientists studying the role of finance in contemporary agrarian change? The first is to apply our conceptual and methodological skills to analyse and interpret what is occurring as 'financialisation' proceeds. The second is to identify what effects are being felt by those experiencing financialisation, in particular distinguishing between those who are being advantaged and those who being disadvantaged. The third is to make our findings public so that governments, corporations, NGOs, community groups and local citizens can act to bring about a more fair, just, food-secure, and environmentally-safe world for this generation and future generations.

## Acknowledgement

This study was part-funded by the Australian Research Council (Project No. DP 110102299). Professor Lawrence was also part-funded by the National Research Foundation of Korea (NRF-2010-330-00159) and the Norwegian Research Council.

## References

- Barthwal-Datta, M. 2014. *Food Security in Asia: Challenges, Policies and Implications*. London: International Institute for Strategic Studies.
- Borras, S. and Franco, J. 2012. *Political Dynamics of Land Grabbing in Southeast Asia: Understanding Europe's Role*. Amsterdam: Transnational Institute.
- Borras, S. and Franco, J. 2014. From Threat to Opportunity? Problems with Codes of Conduct for Land Grabbing, in Lambek, N., Claeys, P., Wong, A. and Brilmayer, L. (eds) *Rethinking Food Systems: Structural Challenges, New Strategies and the Law*. New York: Springer, 147-162.
- Breger Bush, S. 2011. *Derivatives and Development: A Political Economy of Global Finance, Farming and Poverty*. New York: Palgrave Macmillan.
- Buck, M. 2014. Policing the New Enclosures: On Violence, Primitive Accumulation, and Crisis in Neoliberal Food Systems, in Wolf, S. and Bonanno, A. (eds) *The Neoliberal Regime in the Agri-food Sector: Crisis, Resilience and Restructuring*. London: Earthscan, 52-69.
- Burch, D. and Lawrence, G. 2009. Towards a Third Food Regime: Behind the Transformation. *Agriculture and Human Values* 26: 267-279.
- Burch, D. and Lawrence, G. 2013. Financialization in Agri-food Supply Chains: Private Equity and the Transformation of the Retail Sector, *Agriculture and Human Values* 30 (2): 247-258.
- Cherry, J. 2013. The Great Southeast Asian Land Grab. Available at: <http://thediplomat.com/2013/08/the-great-southeast-asian-land-grab/> Accessed 1 July 2014.
- Clapp, J. 2014. Financialization, Distance and Global Food Politics. *The Journal of Peasant Studies*. Published on-line 15 January 2014. DOI: 10.1080/03066150.2013.875536.
- Clapp, J. and Helleiner, E. 2012. International Political Economy and the Environment: Back to the Basics? *International Affairs* 88 (3): 485-501.

- Conerly, B. 2012. The Coming Boom in Agriculture. Available at: <http://www.forbes.com/sites/billconerly/2012/03/01/the-coming-boom-in-agriculture/> Accessed 27 June 2014.
- Cotula, L., Vermeulen, S., Leonard, R. and Keeley, J. 2009. *Land Grab or Development Opportunity? Agricultural Investment and International Land Deals in Africa*. Rome: FAO.
- Cribb, J. 2010. *The Coming Famine: The Global Food Crisis and What we can do to Avoid it*. Berkeley: University of California Press.
- Epstein, G. (ed.) 2005. *Financialization and the World Economy*. Cheltenham: Edward Elgar.
- Fairbairn, M. 2014. 'Like Gold with Yield': Evolving Intersections between Farmland and Finance. *The Journal of Peasant Studies*. Published on-line 14 January 2014. DOI:10.1080/03066150.2013.873977.
- Fairhead, J., Leach, M. and Scoones, I. 2012. *The Journal of Peasant Studies* 39 (2): 237-261.
- GRAIN. 2012. *Responsible Farmland Investing? Current Efforts to Regulate Land Grabs will Make Things Worse*. Available at: <http://www.grain.org/article/entries/4564-responsible-farmland-investing-current-efforts-to-regulate-land-grabs-will-make-things-worse> Accessed 29 June 2014.
- GRAIN. 2014. *Hungry for Land: Small Farmers Feed the World with Less than one Quarter of all Farmland*. Available at: <http://www.grain.org/article/entries/4929-hungry-for-land-small-farmers-feed-the-world-with-less-than-a-quarter-of-all-farmland> Accessed 6 July 2014.
- Green Chip Stocks. 2014. Carbon Trading: The World's Next Biggest Market. Available at: <http://www.greenchipstocks.com/report/carbon-trading-the-worlds-next-biggest-market/107> Accessed 27 June 2014.
- Hofman, I. and Ho, P. 2012. China's 'Development Outsourcing': A Critical Examination of Chinese Global 'Land Grabs' Discourse. *The Journal of Peasant Studies* 39 (1): 1-48.
- Holmes, G. 2014. What is a Land Grab? Exploring Green Grabs, Conservation and Private Protected Areas in Southern Chile. *The Journal of Peasant Studies*. Published on-line 23 June 2014. DOI: 10.1080/03066150.2014.919266.
- Holton, R. 2012. *Global Finance*. London: Routledge.
- IISD. 2012. *Farmland and Water: China Invests Abroad*. Winnipeg, Canada: IISD.

- IMF. 2012. *The Liberalization and Management of Capital Flows: An Institutional View*. Available at: <http://www.imf.org/external/np/pp/eng/2012/111412.pdf> Accessed 26 June 2014.
- Index Mundi. 2011. Arable Land (Hectares Per Person). Available at: <http://www.indexmundi.com/facts/world/arable-land> Accessed 26 June 2014.
- Isakson, R. 2014. Food and Finance: The Financial Transformation of Agro-food Supply Chains. *The Journal of Peasant Studies*. Published on-line 20 January 2014. DOI: 10.1080/03066150.2013.874340.
- Kaag, M. and Zoomers, A. 2014. *The Global Land Grab: Beyond the Hype*. London: Zed Books.
- Kaufman, F. 2010. The Food Bubble: How Wall St Starved Wall St and Got Away with it. *Harper's Magazine*, July: 27-34.
- Khan, S. 2014. *A History of Development Economic Thought: Challenges and Counter-challenges*. London: Routledge.
- Krippner, G. 2011. *Capitalizing on Crisis: The Political Origins of the Rise of Finance*. Cambridge: Harvard University Press.
- La Via Campesina. 2009. *Declaration of Rights of Peasants – Women and Men*. Available at: <http://viacampesina.net/downloads/PDF/EN-3.pdf> Accessed 30 June 2014.
- Larder, N., Sippel, S. and Lawrence, G. (forthcoming 2015). Finance Capital and Australian Agricultural Land: A Critical Examination of the Macquarie Group and Hassad Australia. *Journal of Agricultural Change*.
- Lawrence, G., Sippel, S. and Burch, D. (forthcoming 2014). The Financialization of Food and Farming, in Robinson, G. and Carson, D (eds) *Handbook on the Globalization of Agriculture*. Cheltenham: Edward Elgar.
- Lynch, J. 2014. Private Equity Firms Target big Australian Food Processors for Investment. Available at: <http://www.smh.com.au/business/private-equity-firms-target-big-australian-food-producers-for-investment-20140617-3abhm.html> Accessed 26 June 2014.
- McMichael, P. 2012. Biofuels and the Financialization of the Global Food System, in Rosin, C., Stock, P. and Campbell, H. (eds) *Food Systems Failure: The Global Food Crisis and the Future of Agriculture*. London: Earthscan, 60-82.
- McMichael, P. 2013. *Food Regimes and Agrarian Questions*. Halifax: Fernwood Publishers.

- McMichael, P. 2014. Land Grabbing as Security Mercantilism in International Relations, in Margulis, M., McKeon, N. and Borrás, S. (eds) *Land Grabbing and Global Governance*. London. Routledge, 47-64.
- Moore, J. 2012. Cheap Food and Bad Money: Food, Frontiers, and Financialization in the Rise and Demise of Neoliberalism. *Review: A Journal of the Fernand Brundel Center* 33 (2-3): 225-261.
- Oya, C. 2013. Methodological Reflections on 'Land Grab' Databases and the 'Land Grab' Literature 'Rush'. *The Journal of Peasant Studies* 40 (3): 503-520.
- Patel, R. 2007. *Stuffed and Starved: Markets, Power and the Hidden Battle for the World Food System*. London: Portobello Books.
- Patel, R. 2013. The Long Green Revolution. *The Journal of Peasant Studies* 40 (1): 1-63
- Peck, J. and Tickell, A. 2002. Neoliberalising Space. *Antipode* 34 (3): 380-404.
- Riddell, P. 2013. 'Land Grabs' and Alternative Modalities for Agricultural Investment in Emerging Markets, in Allan, T., Keulertz, M., Sojamo, S. and Warner, J. (eds) *Handbook of Land and Water Grabs in Africa: Foreign Direct Investment and Food and Water Security*. Abingdon: Routledge, 160-177.
- Rosset, P. 2006. *Food is Different: Why we Must get the WTO out of Agriculture*. Halifax: Fernwood Press.
- Savills Research. 2012. *International Farmland: Focus 2012*. UK: Savills.
- Scoones, I., Hall, R., Borrás, S., White, B. and Wolford, W. 2013. The Politics of Evidence: Methodologies for Understanding the Global Land Rush. *The Journal of Peasant Studies* 40 (3): 469-483.
- Stilwell, F. 2002. *Political Economy: The Contest of Economic Ideas*. South Melbourne: Oxford.
- The World Bank. 2014. Land and Food Security. Available at: <http://www.worldbank.org/en/topic/agriculture/brief/land-and-food-security>  
Accessed 29 June 2014.
- Third World Network. 2008. Commodity Market Speculation Played Major Role in Food Crisis. Available at: <http://www.twinside.org.sg/title2/susagri/susagri062.htm>  
Accessed 6 July 2014.
- Transnational Institute. 2012. The Global Land Grab: A Primer. Available at: <http://reliefweb.int/sites/reliefweb.int/files/resources/landgrabbingprimer.pdf>  
Accessed 1 July 2014.

UNPRI. 2011. Principles for Responsible Investment in Farmland. Available at: [http://d2m27378y09r06.cloudfront.net/viewer/?file=wp-content/uploads/Farmland\\_Principles.pdf](http://d2m27378y09r06.cloudfront.net/viewer/?file=wp-content/uploads/Farmland_Principles.pdf) Accessed 28 June 2014.

UNPRI. 2012. Responsible Investment in Farmland: A Compendium of Case Studies. Available at: <http://www.unpri.org/viewer/?file=wp-content/uploads/2012.10RIinFarmland.pdf> Accessed 29 June 2014.

Watts, E. 2013. Chinese Farms go Global. Available at: <http://www.boulevard-exterieur.com/Chinese-Farms-Go-Global.html> Accessed 30 June 2014.

Young, E. 2012. *Food and Development*. London: Routledge.