

**Financial capital and illegal land grabbing after 2008 crisis:  
Land as a new financial asset in the MATOPIBA region in Brazil**

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**Introduction: to understand the case**

The global economic crisis that became apparent in 2008 intensified the role of financial capital in farmland markets around the world (SASSEN, 2016). Speculation with land facilitates the circulation of financial capital and the creation of money in a context of international economic instability. This trend is stimulated by transnational hedge, investment and mainly pension funds in search for new financial assets.

The economic crisis generated a change in the profile of agribusiness in Brazil through mergers and joint ventures not only with foreign agricultural corporations, but also with financial groups and oil companies (XAVIER, PITTA & MENDONÇA, 2011). These mergers increased their assets, such as land, machinery, and subsidiaries. As corporations concentrate their operations, the increase price of their shares in stock markets facilitates their access to credit in order to further expand or roll over ancient debts.

Beginning in 2002, agribusiness corporations in Brazil took advantage of high commodity prices in international markets, which generated a greater level of indebtedness, as in the case of the sugarcane (PITTA, 2016) and soy bean sectors, for example. These companies contracted debt in US dollar with the expectation of increasing future exports. Sugar mills negotiated export contracts in future markets, which justified their territorial expansion and mechanization. This process stimulated inflation in the price of agricultural land. At the same time, promises of future production by companies that had previous debts fueled new indebtedness and further territorial expansion.

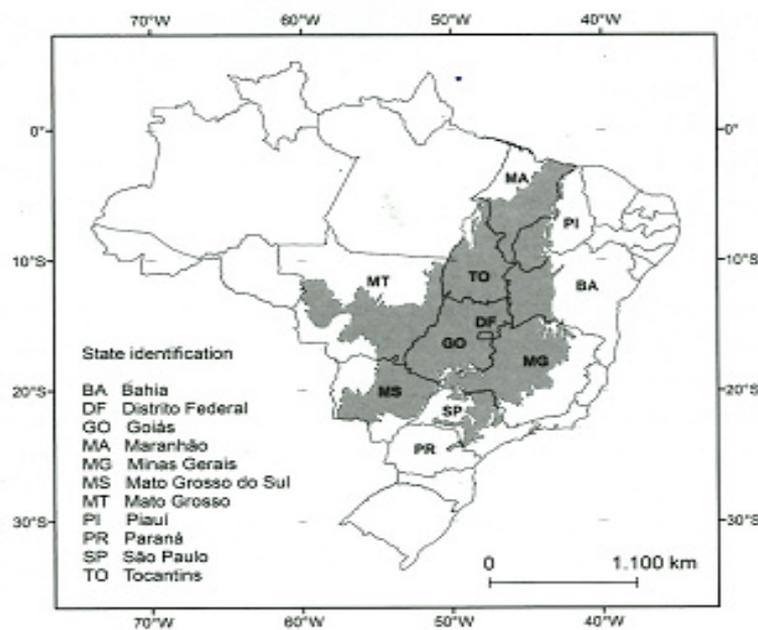
As of 2008 (with deepened process in 2012), when the price of sugar began to fall along with the fall of agriculture commodity prices in general (KURZ, 2011), several Brazilian sugarcane and agrobusiness companies went bankrupt (XAVIER, PITTA & MENDONÇA, 2012). However, the reduction of agriculture commodity prices did not affect the price of farmland in Brazil, which continued to rise and attract international investments. The social and environmental impacts of this process continue today (PITTA, CERDAS & MENDONÇA, 2018).

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The so called MATOPIBA<sup>2</sup> region in Brazil, a soy bean frontier, was the main target for transnational corporations to speculate with farmland as a financial asset on itself. Very cheap to create a new farm after land grabbing and deforestation and wait for the price of the land to raise for investors to be able to sell it with financial profit (rent), eviction of communities, work in conditions analogous to enslavement and illegal land grabbing (including violence over small farmers communities) are the results of the financial link between extreme right-wing players and investors, financial funds (pension funds, hedge funds, investment funds), transnational corporations (agribusiness and rural real estate enterprises) and land grabbers in the Brazilian native Cerrado<sup>3</sup> area.

### Map: Brazilian Cerrado Area and MATOPIBA Region



### The role of TIAA (EUA professor's pension fund)

<sup>2</sup> MATOPIBA is an acronym based on the initials of the Brazilian states of Maranhão (MA), Tocantins (TO), Piauí (PI) and Bahia (BA). It is thus known by means of media reports and governmental projects. In May 2015, however, the government made the MATOPIBA region official through Decree no. 8,447, which established the Plano de Desenvolvimento Agropecuário [Agricultural Development Plan] of MATOTIBA and its Management Committee, thus articulating the referred states and various ministries, corroborating the existence of a region of planning by the State, denominated as such, and having its "development" explicitly tied to agriculture.

<sup>3</sup> A type of plains biome (similar to a Savanah) characterized by vegetation ranging from tropical broadleaf woodlands to scrublands, occurring in extensive areas of Brazil. It is formed by high flat plateaus (where mechanized soy bean production is possible) and low lands (where the rivers flow), where the last rural communities live. Land grabbing mainly occurs over these plateaus, where the rivers spring and where communities used to hunt, herd cattle, collect medicine among others.

After the economic crisis of 2008, the possibility of Brazilian agribusiness corporations to access credit on the basis of promising future production declined significantly (PITTA, 2016). With the sharp drop in agriculture commodity prices, many sugar and ethanol mills with debts in US dollars went bankrupt. This context led to mergers as a strategy for these companies to increase their assets in order to access new credit.

One of the most important example of such process was the creation of a rural real estate company, Radar Agricultural Properties, in 2008 (PITTA & MENDONÇA, 2015a und 2015b), as a joint venture between the largest sugarcane corporation in Brazil, Cosan (with 18.9% of Radar's shares), and a financial company, Mansilla S/A, which was the main Radar's shareholder at that time (PITTA, CERDAS & MENDONÇA, 2018). Data from 2016 indicate that Radar controlled more than 270 thousand hectares of land over its 555 farms (DE OLHO NOS RURALISTAS, 22<sup>nd</sup> September 2016). In 2013 these farms were already estimated at \$ 5.2 billion in Brazilian currency (Reais) or approximately \$2 billion in US dollars. That year, land prices rose by an average of 56 percent and Radar's portfolio increased by 93 percent compared to 2012 (MOREIRA, 2013).

The principal source of capital for Radar to operate through Mansilla comes from TIAA (Teachers Insurance Annuity Association), which manages professors pension funds in the United States valued at approximately US\$1 trillion (PITTA, CERDAS & MENDONÇA, 2018). In order to operate in international land markets, TIAA created a subsidiary - TIAA-CREF Global Agriculture, which also collects interest-bearing capital from other sources, such as the pension funds *Ärzteversorgung WestfalenLippe* in Germany, AP2 in Sweden, *Caisse de Dépôts et Placement du Québec*, *British Columbia Investment Management Corporation (bcIMC)*, *Stichting Pensionenfonds AEP* in the Netherlands, *Cummins UK Pension Plan Trustee Ltd.*, *Environment Agency Pension Fund* and *Greater Manchester Pension Fund* in England, and *New Mexico State Investment Council* in the United States<sup>4</sup>.

To operate in Brazil, TIAA-CREF Global Agriculture created Mansilla to control Radar in partnership with Cosan, among other facade companies. These companies operate as Brazilian subsidiaries of Radar to channel foreign investments because Brazilian law limits foreign ownership of land. This process allows, for example, one of these enterprises to issue debentures (a fixed-rate debt instrument) on the market, which are bought by Radar. The initial investment comes from Cosan and TIAA-CREF Global Agriculture, although it appears to come from several other investors. Radar, then, uses those resources to buy land through the subsidiaries (PITTA & MENDONÇA, 2015 und 2015b), called "financial vehicles." These vehicles pays investors the interest on the debentures, which completes the path by which the money returns to its real investors with profits.

This process reveals how international funds promote a type of "outsourcing" of land deals. The creation of several interrelated financial vehicles serves to obscure the location of the farms they negotiate and mainly the origin of the investment as a way to try to exempt investors from the responsibility of violating land ownership laws, causing illegal and violent displacement of rural communities and environmental destruction on the region.

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<sup>4</sup> See: <<https://www.grain.org/article/entries/5336-foreign-pension-funds-and-land-grabbing-in-brazil>>.

When a large pension fund like TIAA creates specific funds to invest in farmland markets, the result is a speculative process of inflation in land prices, even if the prices of agriculture commodities decrease, as it happened after 2008 and mainly 2012. This reveals a disconnection between land markets and commodity markets, which explains the speculative nature of these tendencies.

Speculation in the Brazilian land market combines the role of pension funds, real estate, agribusiness, entrepreneurs and regional land grabbers. The state also plays a central role as agent for financing and granting public land to the private sector. Other rural real estate companies were created in recent years. SLC Agrícola, for example, which is the largest grain producer in Brazil, manages SLC LandCo in partnership with international investment fund (Valiance Fund, from Great Britain). The Harvard Endowment Fund has been also operating in the MATOPIBA Cerrado region, with close links with Radar, as we will describe below.

### **Land grabbing in the Brazilian MATOPIBA Cerrado region**

The MATOPIBA is a main region for the operations of TIAA-CREF Global Agriculture and its subsidiaries as Radar and other related companies, which negotiate land at a low price in the process of farm formation. To create a farm these real estate enterprises use two tractors and a big chain, with almost no labor employed in this process. With the high demand for land in this region for speculation and agrobusiness production, prices of the formed farms increase sharply and quickly (MENDONÇA & PITTA, 2018). The enterprises wait for the price to rise and sell the farm, earning profits (the so called capitalize rent) over such business. Land so assumes the function of a financial asset, as if it was a stock option negotiated in a stock exchange.

The mere acquisition of land and its subsequent sale is also possible, even if the land is not producing anything, as is the case of Radar S/A in MATOPIBA (PITTA & MENDONÇA, 2015 und 2015b). This case is significant, since Cosan S/A from a sugarcane, sugar and ethanol producer, it began to invest in land in soybean producing areas after 2008. At the end of 2016, Cosan S/A sold almost all its shares of Radar S/A to its partner TIAA US pension fund (Cosan S/A kept only 3% of it to appear legally as the managers of the business) (Valor Econômico, September 30, 2016), generating the rent from the sale of land at higher prices than it has acquired them, actually the logic of land as financial asset, as seen above.

Many of these farms in the “chapadas” (high and flat plateaus) of the Cerrado in the MATOPIBA region are established on public lands by means of enclosure of areas which have lacked property titles, but have been the home of peasant communities for hundreds of years and have legal land rights according to Brazilian law. The main way to establish these farms is through land grabbing, which consists of illegally forging ownership, expelling local peasants (violently), fencing the areas, deforesting and then selling or leasing the "new" properties as if they were legalized.

The expansion of mono-cropping and the speculation with land in the high plateaus of the Cerrado also affect the areas known as “baixões” or lowlands, which are places of dwelling and of food production by local communities. Many of lowland areas have their rivers poisoned (by the use of agrochemicals in the high plateaus areas) and have also been illegally grabbed, causing expulsions (SASSEN, 2016) and displacement of peasant communities. This is the case, for example, of lands acquired by Radar in the states of Maranhão and Piauí, where most of the area was previously formed by public lands (MIRANDA, 2011).

After peasants, indigenous and rural Afro-Brazilian communities (quilombolas) expropriation, the ones affected are forced into degrading conditions of work on plantations, often in slavery-like conditions, which are the only jobs available for them in the region and in the country. Agribusiness productions in Brazil are highly mechanized, with very few places for wage workers. As these communities are displaced, or they keep insufficient areas on the low lands to live in miserable conditions, or they migrate to urban areas and their housing conditions also deteriorate as they must live in the so called “favelas” (slums). Such populations become superfluous (SCHOLZ, 2016). Land concentration leads to further social and economic inequality, as hundreds of rural communities have been losing their lands as their only means of subsistence.

### **The link between right-wings entrepreneurs, rural real estate financial transnationals and land grabbing**

The name behind Radar, the apex of rural real estate land speculators in Brazil, its Former CEO and the one responsible for buying lands and selling Cosan’s shares to TIAA on 2016 is Collin Butterfield (in Brazil also known as Nilo Campos). Beyond being such an entrepreneur, Nilo Campos was very engaged in recent right-wings demonstrations in Brazil against Dilma Rouseff’s Brazilian former President (2011 – 2015), from the Workers Party, and that has suffered a Putsch in August of 2016 (through a impeachment made by the Brazilian Congress). Nilo Campos was part of a so called “Vem Pra Rua” movement [“Come To The Streets”]:

(...) Radar’s CEO, Colin Butterfield, was the fake reporter Nilo Campos, of the movement “Vem Pra Rua”. Butterfield was very eminent on the demonstrations in favor of the Putsch against president Dilma Rouseff. Radar is owned by the Cosan group, the most powerful between sugal mills in Brazil, with businesses in different sectors of the economy (...).

Butterfield, in October [2016], has a new job. He was hired by Harvard Endowment to manage its natural resources fund the invests in countries in development, what includes Brazil again. (DE OLHO NOS RURALISTAS, 22<sup>nd</sup> September 2016). [authors own translation from Portuguese].

An additional information, already mentioned, is that Collin Butterfield was responsible for the realization of the capitalized land rent for Cosan, while selling its partnership in Radar for TIAA after he left the enterprise and migrated to do the same with farmland for Harvard Endowment Fund and its “natural resources fund”. Butterfield has the

expertise where and from whom to buy land to speculate with, as we described in the lines above. It is worth mentioning that Radar bought almost all its lands in the MATOPIBA region from CODECA enterprise (PITTA, CERDAS & MENDONÇA, 2018), owned by allegedly one of the most known land grabbers of the region (MIRANDA, 2011)<sup>5</sup>.

Only to finish with, Butterfield, actually seems to have been hired to fuel Harvard business with grabbed land, as a very recent international report (GRAIN & NETWORK FOR SOCIAL JUSTICE AND HUMAN RIGHTS, 2018) shows that Harvard has recently been pledged guilty by the justice of Piau  State, Brazil for operating illegally grabbed land. The case has happened at the Farm Ip , where Harvard was condemned for having grabbed more than 27,000 hectares of land through its subsidiaries such as Sorotivo Agropecu ria and Insolo Agropecu ria<sup>6</sup>.

Harvard's financial scheme to acquire land is very close to the one described above for the acquisition of Radar farms. It includes the creation of different enterprises for financial investors to drive money to operate land as speculative asset in Brazil, trying not to be sue for its impacts. Although it is not always that such a practice ends well. Nevertheless, it was at the same moment that Cosan's shares at Radar was almost entirely bought by TIAA ("Valor Econ mico", September 30, 2016) that Butterfield was hired by Harvard and that Dilma Roussef suffered the Putsch, all between August and September, 2016. Extreme right-wing new Brazilian military president Jair Bolsonaro is already being pressured by right-wing entrepreneurs to deregulate foreign ownership of land in Brazil and make laws that guarantees tenure rights to peasants, Indigenous and Afro-Brazilian rural (quilombolas) territories more flexible. The scheme seems to become deeper and maybe now worst, because illegally<sup>7</sup> legal.

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<sup>5</sup> It is worth mentioning that this CODECA S/A owner is being legally sued for having land grabbed more than 124 thousand of hectares of land in the same area in south Piau  that Radar has farms, the one they bought from him. See Agrarian Court of Piau  State, Legal Process n  0000759-98.2016.8.18.0042. Currently all the property titles of the lands investigated in this legal process are canceled.

<sup>6</sup> See Agrarian Court of Piau  State, Legal Process n  0000183-28.2004.8.18.0042. Web site: <<https://www.jusbrasil.com.br/topicos/36695512/sorotivo-agropecuaria-ltda>>. Consulted on the 20<sup>th</sup> November, 2018.

<sup>7</sup> As it goes against 1988's Federal Brazilian Constitution that guarantees tenure rights above all other sort of properties.

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