Geography Papers
2017, 63
DOI: http://dx.doi.org/10.6018/geografia/2017/289201 ISSN: 1989-4627

THE FINANCIALIZATION OF AGRICULTURE: THE PARTICIPATION OF THE CANADA PENSION PLAN IN GLENCORE

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1. INTRODUCTION

In recent years, a range of financial institutions, including banks, investment funds (private and sovereign), hedge funds and pension funds, have been making large investments in food and land around the world, thus contributing to the so-called "financialization" of the global food system(ISAKSON, 2014; CLAPP, 2013).Among the agents involved in this process are institutional investors, who invest the money of a large portfolio of clients to buy financial instruments (bonds, options, futures contracts, shares, etc.), real estate, infrastructure and other assets investment. Such investors include commercial banks, insurance companies, pension funds, mutual funds, state investment funds, hedge funds and grants from universities and foundations. Pension funds have been the ones that have invested the most in agricultural lands and in production, marketing, processing and distribution of food, so that by 2016, the main percentage (20%) of institutional investments in agriculture were those made by those funds (PREQIN, 2016). There are few academic papers that account for this fact, so the purpose of this article is to contribute to this knowledge, taking as a case study the purchase in 2017 by the eighth largest public pension fund in the world, CPPIB (Canada Pension Plan Investment Board), of the 40% stake in Glencore Agriculture, the agricultural division of Glencore, one of the five largest global food firms.

2. GLENCORE: THE EMPIRE OF A GLOBAL COMPANY

Glencore's predecessor is Marc Rich & Co. AG, a company engaged in the trade of metals, minerals and oil, founded in Switzerland in 1974 by Marc Rich. In 2013, Glencore merges with Xstrata, and is renamed Glencore PLC (GLENCORE, 2017). By then, this firm (which we refer to as Glencore), ranked second among the top ten global marketers of commodities, preceded by Vitol, the world's largest oil and gas trader. The third site was occupied by Cargill, followed by Trafigura, Koch Industries, Mercuria Energy, Noble Group, Gunvor Group, Archer Daniels Midland (ADM) and Bunge (SZALA, 2013). Seven of the aforementioned firms are mainly in the energy and / or metals sector, although five of them are also involved in the production and / or trade of agricultural products, such as Glencore PLC. By 2014, this company ranked tenth among the 500 largest global companies, having an annual income of 170.5 billion USD in 2015 (FORTUNE, 2017).

Glencore PLC has three core business segments: metals and minerals, energy products and agricultural products. It is one of the most important global natural resources companies, and in agriculture it participates in the production, handling, storage, processing and commercialization of grains (wheat, maize, barley), oilseeds and legumes, and processed products (edible oils, cotton, rice, wheat flour, animal feed and biodiesel). With operations in more than 35 countries, Glencore ranks among the top three exporters of grains and oilseeds in Russia, the European Union, Canada and Australia, and among the three largest global marketers of wheat, barley, dried legumes (beans, lentils and peas), canola and sunflower (seed, oils and meal) (GLENCORE, 2017). In 2012, Glencore bought Canadian firm Viterra, which increased its importance to the position of being

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among the five largest global companies controlling the world trade in grains, oilseeds and sugar, with the group being integrated by ADM (Archer Daniels Midland), Bunge, Cargill, Glencore and Dreyfus.

3. THE CANADA PENSION FUND AND GLENCORE AGRICULTURE

During the years prior to 2016, Glencore was being affected by decreasing prices of certain minerals, declining Chinese growth, reduced oil prices and strong US dollar. At the end of 2016, it sold half of Glencore Agriculture to the CPPIB (Canada Pension Plan Investment Board) and the British Columbia Investment Management Corporation (BCIMC), which acquired a 40% and 10% stake, respectively. The history of CPPIB's agricultural investments goes back to 2012, when this fund began to buy land in North America (100,000 hectares in the United States and Canada); however, the provisions of the Canadian government truncated its expansion. The firm recently stated that it did not seek to purchase more agricultural land and that it even wanted to sell its existing portfolio to concentrate on the processing, storage and marketing of agricultural products, following its participation in Glencore (TILAK and SCUFFHAM, 2017). The CPPIB, founded in 1997, is Canada's largest public pension fund (BÉDARD-PAGÉ et al., 2016), dedicated to investing surplus funds from the Canada Pension Plan (CPP), once it has paid pensions of around 20 million contributors or beneficiaries. This Plan invests in public and private assets, bonds, private debt, real estate, infrastructure, agriculture, natural resources and other investment areas, with headquarters in Toronto, Canada and offices in various countries. In 2015, the CPPIB ranked eighth among the largest public pension funds in the world (Table 1).

TABLE 1
The ten largest pension funds worldwide (2015)

Name	Country	Assets value (Millions USD)
Government Pension Investment Fund (GPIF)	Japan	1,143,838
Government Pension Fund Global	Norway	884,031
National Pension Service (NPS)	South Korea	429,794
Federal Retirement Thrift Investment Board's (FRTIB)	USA	422,200
APG (All Pensions Group)	Netherlands	418,745
California Public Employees (CalPERS)	USA	296,744
National Social Security	China	247,361
Canada Pension Plan Investment Board (CPPIB)	Canada	228,431
PFZW (Pension Fund for Care Netherlands and Well–	Netherlands	215,006
Central Provident Fund (CPF)	Singapore	207,872

Source: Pensions & Investments, 2017**.**

The CPPIB has geographically expanded its investments; at the beginning of 2017, 81% of its portfolio was located outside Canada, with activities in the United States, Europe, United Kingdom, Canada, Asia, Latin America and Australia. In North America, it has Antares Capital, a leading lender in the United States, and also participates in infrastructure (road, energy), software, insurance and real estate. In Europe it invests in retailing, real estate, logistics, industrial development and entertainment, and in Asia it has investments in the main bank of China, in the supermarkets sector (South Korea), and in logistics development (China) (CPPIB, 2016). The other new participant in Glencore Agriculture, the minority buyer (BCIMC) is Canada's sixth largest public pension fund. With a global portfolio of more than US $127 billion, BCIMC makes investments in a range of sectors: fixed income, mortgages, real estate, infrastructure, renewable resources and investment management firms (public and private). The two funds mentioned are part of a relatively new process, in which private and public pension funds and endowment funds have increased their investments in the agricultural and food sector as part of an alternative allocation strategy. Particularly in the case of funds from the United States, Canada and Europe, but also from Australia and South Africa. The revenues that these investors are obtaining from agriculture far exceed those obtained by other investment instruments (treasury bonds, stocks, etc.), in addition to those that have invested in agricultural land, have the growing appreciation of the value of this asset (FAO, 2013). US funds have been pioneers in this type of investment, but European and other funds have recently joined this trend. For example, in 2016, the UK Environment Agency Active Pension Fund plans to direct up to 4% of its total investments in agricultural and forestry land (ENVIRONMENT AGENCY, 2016), while the New Zealand Superannuation Fund is investing 7% of its assets in forest lands (wood production) and agricultural (NZSF, 2017). Other examples (some of the top ten public funds in Table 1) are the PFZW (Netherlands), AP2 (Sweden) (second in importance in their country and one of the largest European pension funds), BT Pension Scheme, Railpen (UK), Pension Protection Fund (UK), CalPERS (California Public Employee's Retirement System) (USA), Harvard University Endowment Fund (USA) and TIAA-CREF (USA) (for a wider list see GRAIN, 2012). As already mentioned, one of the favorite destinations for institutional investors has been Australia, where two Swedish pension funds operate (Första AP and AP2), besides the German Algemene Pensioen Groep, the Danish Danske, The Swiss Adveq Real Assets Harvested Resources, the sovereign wealth fund of Qatar's, TIAA-CREF, and others from Canada (British Columbia Investment Management Corporation, BNY Mellon, Ontario Municipal Employee Retirement System, Quebec's CDPQ and Caisse de dépôt et placement du Québec) (CRANSTON, 2013).

4. CONCLUSIONS

Financialization of the global food system is one of the most significant transformations the world is witnessing (LAWRENCE *et al.,* 2015), a complex phenomenon that has led to greater use of certain financial instruments (eg. futures markets), as well as to the emergence of both other instruments and new financial agents. These include institutional investors, within which pension funds (public and private) are being the most relevant in terms of investments in agriculture, which have expanded in recent years beyond the agricultural land area. Unlike other pension funds, CPPIB investments in agriculture are mainly in the production and trade of agricultural goods. Its recent acquisition of a 40% stake in the Glencore agricultural division is probably the most important investment in agriculture by so-called institutional investors. Its participation in Glencore has made CPPIB a major player in the global agro-food system, participating in various stages of the value chain (production, storage, processing, trade, transportation, financing, etc.).

It will be necessary to follow up on the complex implications of the financialization process, however, and as ISAKSON (2014) points out, it is now clear that this process has consolidated the power and wealth of financial elites, at the expense of producers and agricultural workers, and exacerbated the fragility of the global food system. The pension fund analyzed in this article (CPPIB) is already a new actor within this scenario.

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