

THE LAND INEQUALITY INITIATIVE
CASE STUDY

GLOBAL FINANCIAL FUNDS, LAND GRABS, AND THE (RE)PRODUCTION OF INEQUALITIES

A CONTRIBUTION FROM BRAZIL

BY KARINA KATO AND FABRINA FURTADO,
WITH ORLANDO ALEIXO JUNIOR AND JESSICA SIVIERO

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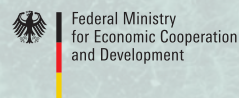
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 **GEMAP**

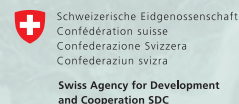

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Government of the Netherlands



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CONTENTS

GEMAP	6	CONCLUSION	43
EXECUTIVE SUMMARY	7	REFERENCES	47
INTRODUCTION	9	NOTES	49
FINANCIALISATION, LAND GRABBING, AND FOREIGNISATION IN BRAZIL: THE MULTIPLE INTERCONNECTIONS BETWEEN LAND AND INEQUALITIES	13	PAPERS IN THIS RANGE	50
Land deals, financialisation, and foreignisation: a new crop of capitalists in rural areas of Brazil	13		
Financialisation, land grabbing, and the (re)production of land inequalities	20		
INVESTMENT FUNDS, EXPANSION OF THE AGRICULTURAL FRONTIER, AND THE (RE)PRODUCTION OF INEQUALITIES	27		
Brookfield Asset Management and the scramble for land in Brazil	27		
Brookfield's strategies to buy and control land in Brazil	28		
Harvard Management Company: land grabbing and displacements	35		
HMC's strategies to buy and control land in Brazil	37		

GEMAP

The **Study Group on Social Change, Agribusiness and Public Policy** (GEMAP) involves researchers, professors, and students (graduate and undergraduate) from several Brazilian federal universities and is coordinated by Professor Sergio Leite (CPDA/UFRRJ).

This paper

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EXECUTIVE SUMMARY

This study revisits old forms and looks at new ways in which land, in particular land in new agricultural frontier regions, is looming large on the radar of financial investors, and the consequences of this for inequality in Brazil. The aim is to provide a broad picture of the multiple relations between land deals and financial actors and their effects on land inequality, considering the structural inequalities that historically have existed since colonial times, while also highlighting contemporary trends. Brazil is one of the most unequal countries in the world, and it has also recently become one of the main destinations of the “funds industry” for financial investments in land. It thus serves as fertile ground in which to explore the process of “financialisation” of land, identifying the main actors involved, their investment strategies, their main operations, and the effects they have on the ground on production and on land. To do this, the paper sets out a conceptual and empirical analysis of financialisation, “foreignisation”, and land grabbing and then uses two global financial fund management companies as case studies: Brookfield Asset Management, headquartered in Canada, and Harvard Management Company (HMC), which is responsible for the endowment fund of Harvard University in the USA. The strategies used by these companies to appropriate land in Brazil, in particular in one of the latest agricultural frontier regions, MATOPIBA, reveal their influence on the (re)production of land inequality. Highlighting the effects of financialisation on inequalities, this study aims to contribute to the current debate on rural and agricultural development as a whole, and more specifically to the field of food studies. It is based on the experience of, and data produced by, the Study Group on Social Change, Agribusiness and Public Policy (GEMAP) of the Social Science Graduate Program on Development, Agriculture and Society (CPDA), based at the Federal Rural University of Rio de Janeiro (UFRRJ).



Forest operations, eucalyptus, at Fazendas Bartira, 2019

Photo: Orlando Barros Junior.
Source: GEMAP database (accessed 23 January 2020).

INTRODUCTION

Although land inequalities and land grabs are not new phenomena in Brazil, the current phase of highly financialised capitalism is generating new features and dynamics that have significant consequences for the country's agrarian structure, the well-being of rural people, and development as a whole. One of the main aspects of this new scenario is the increasing interest of financial capital (pension funds, private equity, and hedge funds) in non-conventional investment options; these are known as "alternative assets", and include commodities, land, and agricultural infrastructure.

Across different periods of Brazil's history, land disputes and expropriation, accompanied by unequal patterns of land distribution, have been permanent elements of its agrarian structure.

According to its official statistical research agency, the Brazilian Institute of Geography and Statistics (IBGE), in 2017 just 1% of rural properties occupied 48% of rural areas, while smallholder farmers with less than 10 hectares (ha) occupied only 2.3%.

In the same year, the Gini coefficient measuring land distribution varied from 0.86 (Hoffmann, 2019) to 0.73 (Pinto et al., 2020), depending on the methodology used, which indicates an extremely unequal distribution of access to land. Brazil is the fifth most unequal country in Latin America with regard to land. This pattern has been repeated continually through its history although with new labels attached, such as agricultural modernisation or the neoliberal model of commodity-led development, neo-extractivism,¹ and agribusiness-based political economy.

The agricultural modernisation implemented during the 1950s and 1960s, aligned with the Green Revolution, led to an expansion of capitalist agriculture. The rapid increases in productivity and the export of commodities were not, however, accompanied by a more equal distribution of land, leading some observers to describe this process as conservative modernisation (Palmeira, 1989). During the 1990s, with the worsening of the debt crisis and the conditionalities imposed by the Washington Consensus, the Brazilian government implemented in stages a neoliberal agenda (Sassen, 2016). As a result, the public character of the state was weakened and gradually large portions of

¹ *'Extractivism'* describes an economic model based on the extraction and export of raw materials, particularly where countries in the global South export raw materials to meet the industrial demands of the global North. *'Neo-extractivism'* refers specifically to a model adopted by a number of left-leaning governments in Latin America during the commodity boom of the 2000s. They outwardly rejected neoliberal policies such as privatization, but increased state intervention in the extractive sector in order to guarantee the necessary infrastructure and laws to attract foreign investments, with the ultimate goal of using this income to pay for social reforms. For more on this, see Svampa (2019).

national territory were incorporated into global corporate markets. In this context, Brazil has created a powerful agribusiness sector, becoming one of the biggest players in international agricultural markets, expanding the frontiers of accumulation, and renewing forms of exploitation, including land speculation and dispossession. The twenty-first century has added new features to this established phenomenon. Land deals, now encouraged by “independent” post-colonial states in Latina America and Africa, especially, have occurred at an unprecedented speed and scale in a globalised land market (Sassen, 2016; Harvey, 2003). With the rise of neoliberalism, globalisation, and financialisation (Epstein, 2005), land and natural resources have become attractive assets to public and private investors, including actors who were formerly strangers to the rural sector.

Brazil is one of the four main destinations for transnational land deals worldwide, attracting investment funds seeking to invest in natural resources (alternative assets) (Steinweg et. al., 2018)².

The increasing interest in land, especially in areas where agricultural frontiers are expanding and agribusiness is advancing (sugarcane, timber, livestock, corn, and soybeans), puts pressure on land markets. At the same time, land deals reinforce the dispossession of traditional communities, foment the illegal transfer of public lands to private actors (known in Brazil as grilagem de terras, or land grabbing), and generate violence.

Brazil has consistently had one of the highest murder rates of land and environmental defenders globally, according to studies carried out by Global Witness since 2012 (Gobal Witness, 2020).

The current liberal-authoritarian government and the Covid-19 pandemic are increasing rates of land expropriation and violence in rural areas of Brazil and are perpetuating land inequalities. Through the adoption of policies and narratives that promote and legitimise deforestation, land conflicts, and the expansion of agribusiness, the Brazilian government is using the current health, economic, and political crisis to advance control over territories and to expropriate land from rural communities.



2 The top three countries are (in order) the Democratic Republic of Congo, Papua New Guinea, and Indonesia.

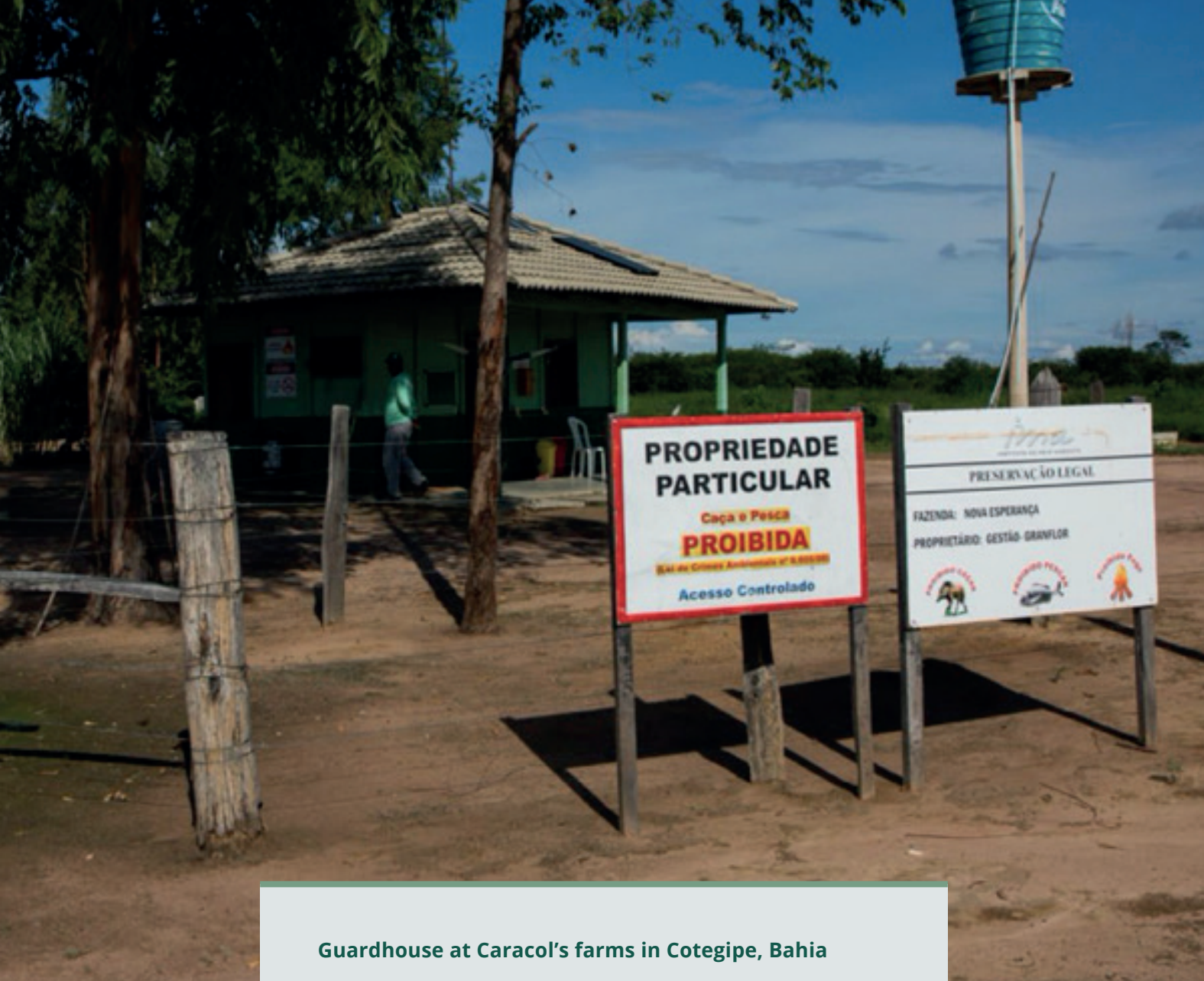
This study presents an analysis of both the old and the new ways in which financial investors are incorporating land into their investment portfolios, in particular land in the “new” agricultural frontier regions, and the effects this is having in terms of inequality. It explores, from a broad perspective, the multidimensional relations between financialisation, land investments, and the reproduction of inequalities, by examining the recent dynamics of the agrifood system. In terms of methodology, the research includes a desk review of national and international research literature, material produced by the Brazilian and international media, and field research. In a pair of case studies, it focuses on two of the largest private financial investors in natural resources worldwide and two of the three largest funds holding land in Brazil: Brookfield Asset Management and Harvard Management Company (HMC). It investigates where and how these funds operate and invest, the effects of their investments on the ground, and their broad implications in terms of land inequalities. Emphasis is placed on a specific region of the agricultural frontier that is currently under expansion, MATOPIBA,³ a planning area in northeastern Brazil created by the federal government in 2015. Due to its abundance of natural resources, low land prices, cheap labour, and highly concentrated land structure, this region is currently one of the main destinations for financial and agro-industrial investments in Brazil.

The paper is based on the results of ongoing research coordinated by the Study Group on Social Change, Agribusiness and Public Policy (GEMAP) of the Social Science Graduate Program on Development, Agriculture and Society (CPDA), based at the Federal Rural University of Rio de Janeiro (UFRRJ). This research aims to deepen comprehension of the contemporary dynamics of financialisation that are driving Brazilian agribusiness, the “foreignisation” of land, and the impacts produced on the country’s land market. It focuses on selected investment funds and projects, seeking to understand the social, economic, and political relations they have established in the country in order to create territorial roots and to organise such territories according to their own interests; it also seeks to identify the impacts that their operations have on the ground in terms of inequality and their effects on different social groups.

Following this introduction, section 2 focuses on theoretical and empirical issues relating to the multiple interconnections between land and inequalities seen through the lenses of financialisation, land grabbing, and foreignisation in Brazil. Section 3 analyses the role of two global financial funds active in Brazil: Brookfield Asset Management and Harvard Management Company (HMC). The paper ends with a few final considerations.



3 The name MATOPIBA is formed from the abbreviated names of the states involved: MAranhão, TOcantins, Plauí, and MAranhão.



Guardhouse at Caracol's farms in Cotepe, Bahia

Photo: José Cícero da Silva.

Available at: <https://apublica.org/2018/05/empresa-que-integra-fundo-de-Harvard-comprou-terras-griladas-na-bahia/> (accessed 23 January 2020).

2 FINANCIALISATION, LAND GRABBING, AND FOREIGNISATION IN BRAZIL: THE MULTIPLE INTERCONNECTIONS BETWEEN LAND AND INEQUALITIES

Land deals, financialisation, and foreignisation: a new crop of capitalists in rural areas of Brazil

Financial actors have played significant roles in futures markets and in financing the modernisation of agriculture worldwide since the eighteenth century. However, financialisation in the agricultural sector as it is perceived today dates back to the 1960s and 1970s and was a result of processes of deregulation and integration of global financial markets, to an unprecedented degree and at an unprecedented pace. In the early stages financial instruments, mediated by state policies, served as tools to boost commercial agriculture, establish agricultural commodity chains, and reinforce a global commodity market (Clapp, 2013). In Brazil, this process was reinforced in the 1970s when policies to promote agricultural modernisation, such as high levels of public rural credit, aimed at large producers, led to the integration of the country's agriculture into global agro-industrial chains. This marked the industrialisation of agriculture and the beginning of a pattern of capital accumulation based on the penetration of financial capital into the agricultural sector. Agriculture became a laboratory for capital and technology (biotechnology, information and communication technology (ICT), etc.), and macroeconomic policies, such as exchange and interest rates, became central in determining agricultural investments (Delgado, 2012).

Through the 1990s, adoption of the neoliberal agenda increased the economic, structural, discursive, and instrumental power of transnational corporations and promoted the concentration of agricultural chains in Brazil. Guided by notions of efficiency and profit maximisation, corporations gained control of agriculture, increasingly defining its rhythm and productive systems and having numerous social and environmental impacts in rural areas.

The neoliberal agenda and the corporatisation of agriculture gained new impetus in the twenty-first century. The economic/financial, environmental, energy, and food crises that marked the progress of capitalism during this period led in Latin America to what was characterised as a new “commodities consensus” (Svampa, 2019).

In Brazil, this movement was accompanied by the consolidation of a political and economic pact between agro-industrial chains, large landowners, and the state, reinforcing a national development model centred on commodity exports (Delgado, 2010). Also describing it as neo-extractivism, Delgado (2012) identifies this moment as being critical in the consolidation of the agribusiness political economy. According to the Ministry of Agriculture, Livestock and Food Supply, in 2019 agribusiness products – soybeans, meat, corn, cotton, paper and cellulose, the sugar-alcohol sector, coffee, and others – represented 43% of Brazil's exports. In recent decades, agribusiness has been the main actor responsible for generating surpluses in the country's trade balance (Delgado, 2010).

An important dimension of this process has been the increasing financialisation of agriculture and the food system. In the 2000s, different factors contributed to eliminating the historic aversion of the financial sector to agricultural and land-related investments. The financial crisis of 2008–2009 and the enormous instability surrounding more traditional options for financial investments (bonds, stocks, etc.), the accelerated deregulation of financial markets globally, and the creation of new financial instruments backed by agricultural products and natural resources were central to this shift. In addition, specialised international conferences on financial investments in agriculture and land multiplied, as did narratives exalting land as a desirable component of institutional investor portfolios (Fairbairn, 2014a). Agriculture and land became the new “green gold” (Ducastel and Anseeuw, 2017).

The growing financialisation of the agrifood system and the deregulation of financial markets thus multiplied the productive and speculative opportunities for accumulation in the agricultural sector, expanded the range of financial actors interested in alternative assets, and diversified the financial instruments connected with agriculture and land.

Rather than serving as a tool to strengthen agriculture, finance has now become an important driver shaping and dictating the pace of the sector in order to enhance its own gains (Martin and Clapp, 2015).

Financialisation is broadly understood as the increasing role played by financial motives, tools and instruments, markets, actors, and institutions in the operation of domestic and international economies (Epstein, 2005). It refers to a new pattern of accumulation in which profit-making and the economy operate increasingly via financial channels (Krippner, 2004).

The following are some of the ways in which financialisation has advanced in agriculture and land (Ducastel and Anseeuw, 2017):

- the multiplication and diversification of financial instruments linked to agricultural products, land, and natural resources, such as derivatives and commodity indices, and the increasing deregulation of financial markets. After the financial crisis of 2008–2009, these instruments gained in attractiveness due to their behaviour in inverse relation to traditional financial assets, favouring diversification and risk reduction in portfolios;
- the formation of new corporate structures and management practices in transnational agricultural corporations based on the logic of finance, focusing on shareholder value and financial outcomes. Through stock market transactions, the construction of joint ventures or private equity ventures and the capital structure of agricultural companies have radically changed, transforming the way that production is organised and its pace, and its relations to property and land. This has deepened a trend towards oligopolies, with social, environmental, political, and economic effects on the ground;
- the multiplication of investment funds specialising in agricultural land and other alternative assets related to natural resources. These instruments have expanded possibilities for investors – public and private, national and foreign – who were previously sceptical about land and agricultural investments to invest in agriculture and have diversified options for financing agribusiness.

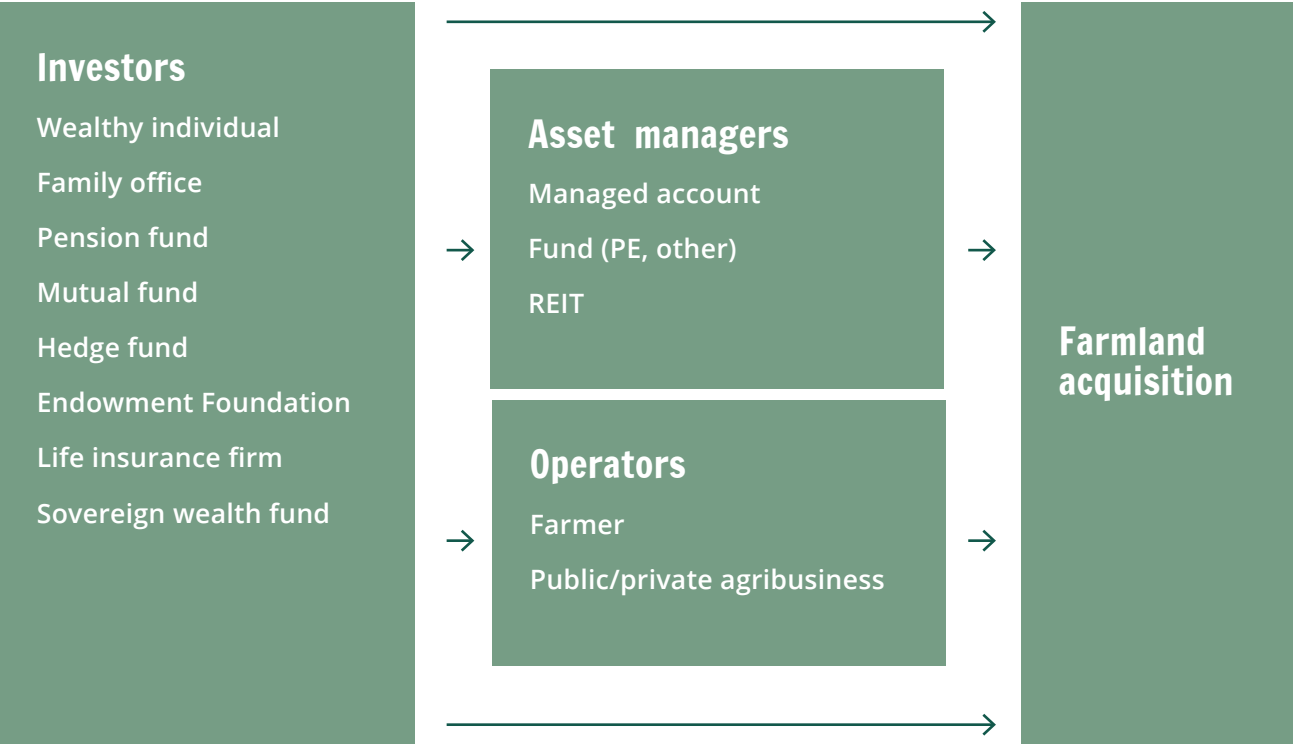
Although it is still a relatively small-scale phenomenon compared with the overall size of financial markets, the financialisation of agriculture and land is already transforming rural areas (Fairbairn, 2014a; HighQuest Partners, 2010). Frederico and Gras (2017) describe this process as the arrival of a new crop of capitalists in rural areas. Funds specialising in the agribusiness sector exploded in the years from 2005 to 2014, reaching a total value of US\$100 billion in investments globally in 2013 (Frederico and Gras, 2017). The pace of investments slowed in 2014, but in 2018 around US\$31 billion was mobilised (Steinweg et al., 2018). The strategies of financial players can vary and can combine, to different degrees, speculative and productive aims (Knuth, 2015), but all of them converge on the centrality attributed to land.

Increasingly, land is playing a dual role: as a finite production factor for agriculture and as a reserve of value with the attributes of a financial asset, with potential for speculation and rapid appreciation.

According to Fairbairn (2014a), land deals can involve three types of entity: investors providing capital; asset management firms, through which financial instruments are created; and agricultural companies producing or owning land. The strategies of these entities can vary, from purchasing land for rent earnings and appreciation (the own/ lease out approach); to the purchase of land to invest in a productive project (the own/ operate approach); to the leasing of land in order to make production viable (the lease/ operate approach) (Fairbairn, 2014a).

Breaking this down, as shown in **Figure 1**, helps us to understand the way in which farmland investment is operationalised. It is important to remember, however, that the lines between these entities are often blurred since investors, such as investment and pension funds, also act as management firms, and asset managers increasingly control agricultural operations, as is the case with Brookfield in Brazil.

Figure 1: The farmland investment chain



Source: Fairbairn (2014a). **Note:** The boxes contain examples of the entries involved, and the arrows represent flows of capital from investors to farmland markets.

As already mentioned, Brazil is currently one of the four main destinations for land deals globally, attracting investment funds that seek to invest in natural resources (alternative assets). Financial investors are attracted by the size of the country's territory, in particular new available land, which is estimated at between 40 and 70 million ha, the strength of its agribusiness sector, and the existence of a legal framework that provides incentives for foreign investments (Steinweg et al., 2018; HighQuest Partners, 2010). A significant proportion of land investments globally are now taking place in Brazil. Pessanha (2019) points out that the country represents the third largest derivatives market and the 11th largest "funds industry"⁴ in the world. By the end of 2018 there were 17,179 investment funds operating in Brazil, with US\$923.6 million in capital (Pessanha, 2019).

⁴ This term refers to the expansion in recent times of financial funds to take control of strategic sectors in Brazil, such as oil, energy, infrastructure, and land.

Table 1: Growth of capital of financial funds invested in Brazil, 2008–2018 (US\$ million)

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
225	280.6	334	388.2	454	399.2	538.2	598.8	697.8	829.6	923.6

Source: Pessanha (2019: 107).

The complexity of Brazil's land ownership structures and the shortcomings of official land ownership records make it difficult to clearly identify land deals. The National Institute of Colonization and Agrarian Reform (INCRA) estimates that there are approximately 450,000 sq km of federal public land still unmapped in the Legal Amazon.⁵ This is a contributory factor to illegal transactions that transfer public lands into private hands (grilagem de terras in Portuguese, or land grabbing) and facilitates the eviction of small producers, who normally lack property titles. It is also difficult to estimate accurately the extent of land owned by foreign entities, as official registrations are out of date. According to INCRA's National Register of Rural Properties (CNIR), in 2010 a total of 34,371 rural properties in Brazil were in the hands of foreign owners, covering 4.349 million ha. In 2017 the registry indicated 30,093 titles owned by foreign entities or individuals, covering just 1.594 million ha. These data contrast with figures estimated by other surveys such as the Land Matrix, which indicates that in the period since 2000 alone, 213 land deals have been carried out in Brazil involving 7.842 million ha. Not all of these were financialised investments, but 122 of them were transnational in nature. Although they cover a much shorter period of time, the Land Matrix figures suggest that the number of hectares under foreign ownership is much higher than that indicated by INCRA's data.

In general, the multiplication of diversified actors in financial transactions involving land and agriculture and the creation of highly complex agricultural commodity chains make it difficult to identify the actors controlling production chains and to hold them accountable for the economic, social, and environmental impacts of their investments (Clapp, 2013).

Additionally, as argued by Steinweg et al. (2018), the opaque structures involved in the highly financialised agricultural sector make it even harder to identify land purchased by foreigners, since companies are structured to make investments appear "more Brazilian" than they actually are. An increasing number of these foreign investments involve financial actors.

⁵ The Legal Amazon region is formed by the states of Acre, Amapá, Amazonas, Pará, Rondônia, Roraima, Tocantins, and Mato Grosso, and also by the municipalities of the state of Maranhão located west of the 44th meridian. It is part of the Amazon basin, with Amazonian vegetation. As an administrative delimitation, it covers an area of 5,217,423 sq km, or about 61% of Brazil's total territory.

Identifying land deals involving foreigners is an important area of research. In order to overcome some of the inconsistencies, GEMAP has been conducting research that aims to draw a general picture of foreign land investments in the country since 2000.⁶ We have cross-referenced data produced by the Land Matrix⁷ and GRAIN⁸ with the Land Struggle Database (Rede DATALUTA)⁹ and have reviewed them using as sources information from the Brazilian government and field research. As a result, at least 250 land deals involving 213 different foreign enterprises have been identified. These deals were done with the aim of promoting grain crops (soya, corn, coffee, etc.), forestry projects (wood, cellulose, or carbon capture), energy projects (biofuels, wind, or photovoltaic), livestock farms, mining projects, and so on. There is wide variation in the sources of capital involved in these land deals, including the financial actors.

Table 2: Foreign companies involved in land deals – some examples

SECTOR	COMPANIES
Agriculture	Cosan, Bunge, Cargill, COFCO, Dupont, OLAM, etc.
Mining	Yamaha Gold, Jaguar Mining, Belo Sun, etc.
Cellulose	Klabin, Paper Excellence, etc.
Energy	Shell, Galp Energia, Shree Renuka, etc.
Forestry	Faber-Castell, China Forestry, etc.
Financial sector	
– Pension funds	JP Morgan Asset Management – Retirement Link, etc.
– Investment funds	Blackstone/Patria, Brookfield, Harvard Management Company, etc.

Source: GEMAP.

6 The research methodology was developed by Carla Morsch Porto Gomes, a GEMAP researcher.

7 The Land Matrix is an independent global land monitoring initiative founded in 2009 to track investments in land (purchases, leases, or concessions involving areas of land larger than 200 ha), using different sources. See: <https://landmatrix.org/>

8 GRAIN, an international non-profit organisation that supports small farmers and social movements in their struggles for community-based food systems, was one of the first to draw attention to the phenomenon of large investments in land and to call it “land grabbing”, a concept broadly used historically but which re-emerged in the context of the global food price crisis in 2007–2008. See, for example, GRAIN (2007). The New Scramble for Africa. <https://www.grain.org/en/article/606-the-new-scramble-for-africa>

9 DATALUTA is a network of research groups based at public universities across Brazil, and was created to provide different viewpoints on the country's agrarian reality. It produces data on land occupations, rural settlements, socio-territorial movements, and land structure. Since 2014 the initiative has included the notion of foreignisation in its database, monitoring foreign land investments in Brazil. For more information see: <https://www.fct.unesp.br/~!pesquisa/dataluta/rede-dataluta/>

Most transnational investments are concentrated in the agricultural frontier regions of Brazil. To promote this process, in 2015 the Brazilian state created a planning region, MATOPIBA, with the aim of facilitating the convergence of public policies and investments that would favour agribusiness. A recent analysis by Chain Reaction Research (CRR), an institution that specialises in the analysis of risks to sustainability, points out that today a good part of all investments in Brazil by financial funds is concentrated in MATOPIBA (Steinweg et al., 2018).

Foreign investors are involved in 64 land deals in MATOPIBA and control approximately 868 million ha, or 18% of the arable land in total.

The same report estimates that deforestation on foreign-held farms in MATOPIBA accounted for 22% of all deforestation in the region between 2000 and 2017 – a loss of 1.94 million ha of forest over this period (Steinweg et al., 2018). Table 3 lists the main foreign investors in the region.

Table 3: Foreign investors in land in the MATOPIBA region

INVESTOR OR COMPANY	FARMLAND HOLDING (HECTARES)
Harvard Management Company (HMC)	294,000
Insolo (HMC)	116,000
Gordian Bioenergy (HMC)	33,000
Caracol Agropecuária/Agroflorestal (HMC)	140,000
Cresud	146,000
BrasilAgro	146,000
Brookfield Asset Management	269,000
Brookfield Agriculture Group	84,000
Nuveen	80,000
Radar I	10,000

Source: Chain Reaction Research, Steinweg et al. (2018).

Financialisation, land grabbing, and the (re)production of land inequalities

The scramble for land and natural resources promoted by the new financial dynamics and the new crop of capitalists in Brazil is accelerating the expansion of agricultural frontiers, increasing neo-rentism strategies of capital accumulation in rural areas and putting pressure on small producers to sell up and leave their land (Gras and Hernandez, 2016).¹⁰

Institutional investors, such as investment funds, have the potential to change a country's land and agriculture markets. Their operations establish new patterns of financing, alter the relations between control and land ownership, and transform landscapes (Ducastel and Anseeuw, 2017; Knuth, 2015; Harvey, 2003). The large amounts of financial resources that they are mobilising and investing in Brazil, for example, change rural dynamics and can result in land grabs.

Not by coincidence, the arrival of these new investors in the country has been accompanied by the rapid expansion of agribusiness, the incorporation of new areas into global commodity chains, rising land prices, and an increase in land conflicts in rural areas. Investment funds are now one of the main drivers of land grabbing in Brazil.

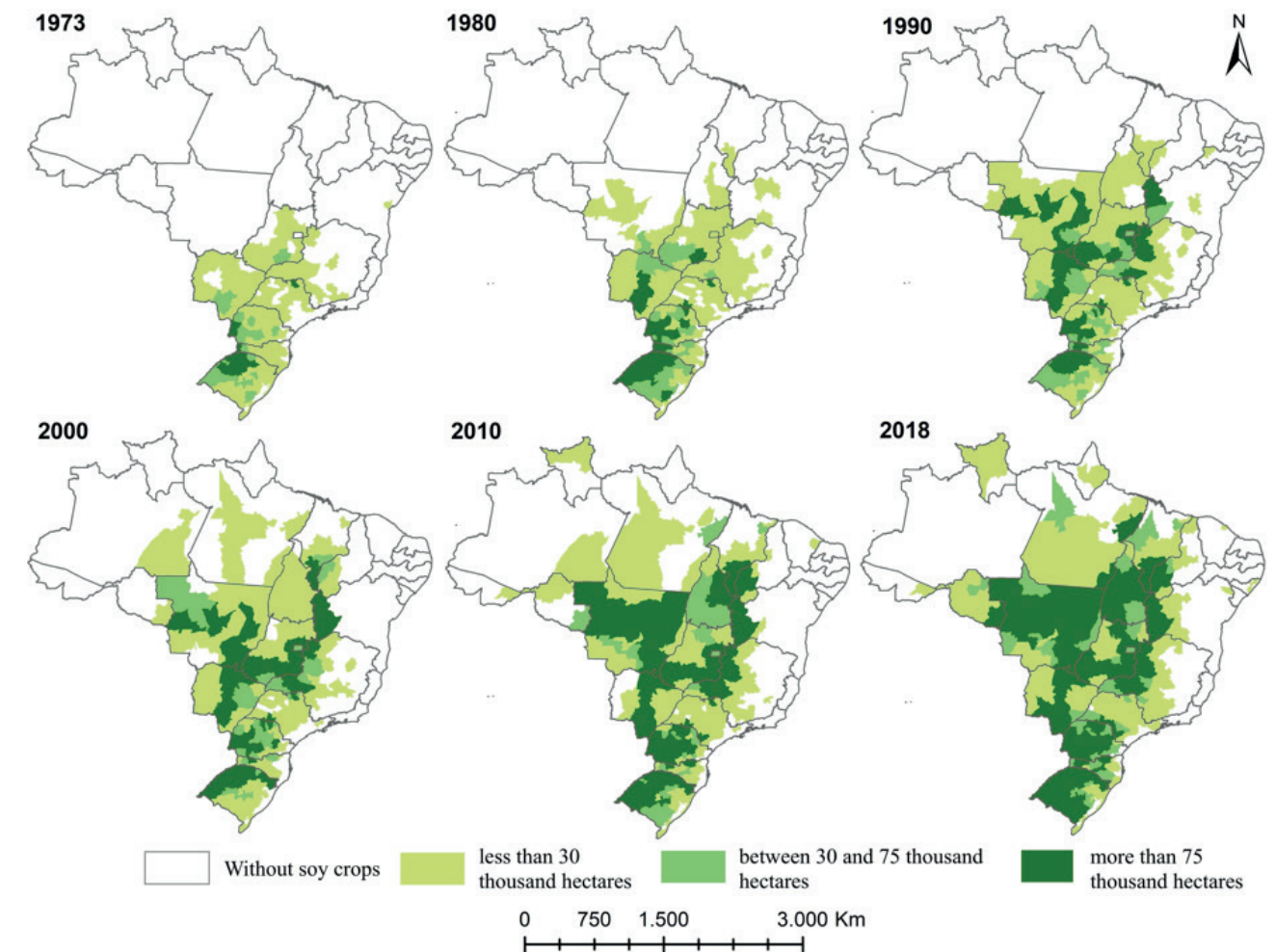
Figure 2 illustrates how the new financial dynamics of the twenty-first century have helped to boost agribusiness and reinforce extractive activities in Brazil, opening up new “agricultural frontiers”. As an example, between 1990 and 2014, the area cultivated for soy in Latin America trebled in size, reaching 60 million ha. In Brazil, where soy is a central product in a development model based on the export of primary goods, the area of land occupied by the crop expanded from 1.3 million ha to 35.9 million ha between 1970 and 2019, and in 2019 it accounted for more than 50% of all temporary crops by area¹¹ (CONAB, 2020). In 2019 a small number of corporations dominated soy exports: Cargill (USA, 11 million tonnes), Bunge (USA, 9 million tonnes), Archer Daniels Midland (USA, 8 million tonnes), Louis Dreyfus Commodities (France, 7 million tonnes), Amaggi (Brazil, 6 million tonnes), Gaviion (USA but Japanese-owned, 5 million tonnes), and COFCO (China, 4 million tonnes), among others (Samora and Araujo, 2020).

¹⁰ This refers to investment strategies in agriculture and land that are closely connected to the speculative logic of financial accumulation: i.e. rent is extracted mostly (or totally) from land rather than through the production of goods. For these investors, land is understood as a fictitious capital that generates rents (land rent), as previously stated by David Harvey (2003). The recent investments in land by institutional and financial actors demonstrate that currently such investments are wholly to do with the speculative logic of financial accumulation, drawing attention to new rent-seeking strategies (Frederico and Gras, 2017; Gunnoe, 2014).

¹¹ Temporary crops are crops that are both sown and harvested in the same agricultural year, sometimes more than once. Examples include soybeans and maize.

Within a very concentrated market structure, these corporations control the production of soy and hence large areas of Brazilian territory.

Figure 2: Area planted with soybean in Brazil, selected years



Source: GEMAP (2019) from IBGE/PAM (2020), various years. Elaborated by Valdemar Wesz Jr.

Propelled by the boom in commodities, the expansion of agribusiness intensified in the 2000s. From 2000 to 2018 the area of “new” agricultural land nearly doubled, from 31.5 million ha to 60 million ha, an increase of 91% (Projeto MapBiomass, n.d.).

Based on data from Landsat, Zalles et al. (2019) note that between 2000 and 2014 the area appropriated for agro-industrial crops (soybean, sugarcane, cotton, corn, rice, and wheat) in Brazil increased from 26 million ha to 46.1 million ha, or by 79%.

However, this expansion has been uneven. In older producing centres, such as Mato Grosso and Mato Grosso do Sul, there has been a consolidation of production, leading to greater concentration and increased demand for larger properties.

This has resulted in patterns of greater competitiveness and dynamics of land concentration. In new agricultural frontier areas, such as the north of Brazil and more specifically in the south of Pará and Roraima states and in the MATOPIBA region, new areas have been brought into production, with intensive crops advancing over areas of forest and lands previously occupied by small producers, squatters, and traditional and indigenous peoples and communities.

MATOPIBA has experienced the highest rate of growth in areas turned over to agro-industrial crops, with an increase of 244% between 2000 and 2014, to 5 million ha. The state of Tocantins has experienced the highest rate of growth (810%), followed by Piauí (390%), Maranhão (187%), and Bahia (143%).

Growing investor expectations as to the profitability of land deals (productive or speculative) are reflected in the rapid appreciation of land prices in areas of frontier expansion (Sergio and Flexor, 2016). Even after a fall in international commodity prices in 2011, land prices continued to rise. Table 4 shows the rapid increase in land prices in MATOPIBA, which between 2008 and 2017 grew by an average 200%.

Table 4: Rising land prices in MATOPIBA, 2008–2017

STATE (MUNICIPALITY)	ACTIVITIES	APPRECIATION (% , 2008–2017)
Maranhão (Balsas)	Grains – low capacity	452.1
Tocantins (Dianópolis)	Grains – medium capacity	255.8
Piauí (Uruçuí)	Grains – low capacity	262.8
Bahia (Luís Eduardo Magalhães)	Grains – medium capacity	77.4

Source: Informa Economics – IEG/FNP (2020). Credits: GEMAP/CPDA/UFRRJ.

Table 5 shows the 10 highest prices paid for land in MATOPIBA in 2017. Among these municipalities, two – Barreiras and Balsas – are areas where the fund management companies analysed in this paper are operating. The price of land varies according to its capacity for grain production, and in 2017 values ranged from US\$3,000 to US\$4,100 per hectare.

Table 5: The 10 highest-priced land deals in MATOPIBA in 2017, by municipality

STATE	MUNICIPALITY	ACTIVITIES	PRODUCTION CAPACITY	PRICE (US\$/HA)
Bahia	Barreiras	Grains	High	4,100
Bahia	Luís Eduardo Magalhães	Grains	High	4,100
Bahia	Formosa do Rio Preto	Grains	High	4,100
Bahia	São Desidério	Grains	High	3,200
Bahia	São Desidério	Grains	Medium	3,200
Bahia	Formosa do Rio Preto	Grains	Medium	3,200
Bahia	Barreiras	Grains	Medium	3,200
Bahia	Luís Eduardo Magalhães	Grains	Medium	3,200
Maranhão	Balsas	Grains	High	3,000
Maranhão	Tasso Fragoso	Grains	High	3,000

Source: Informa Economics – IEG/FNP (2018). Credits: GEMAP/CPDA/UFRRJ.

In addition to rising land prices, these deals are altering local power structures and resulting in land grabs.

Land deals do not occur in a vacuum but interact with local power structures and contribute to the reproduction of land inequalities in the territories concerned.

Located at an intersection between the world of globalised agriculture and the world of finance, these investments require the movement of large amounts of resources (not just financial) and actors with the expertise to operate them. They connect with a long chain of diversified actors, including investors, asset managers, politicians, consultants, national and local administrators, farmers, and technicians, among others, whose actions “territorialise” the investments.

At the local level, alliances are established with local elites and actors with experience in the land market and with political capital and, therefore, with easy access to local authorities. These actors identify the land and facilitate commercial transactions, which in Brazil, given its opaque land structure and high levels of corruption, sometimes involve “legalising” land retrospectively and creating property titles. Once territorialised, financial investments tend to connect and strengthen local elites and at the same time exclude other groups, in particular the most vulnerable and those whose access to land is fragile or restricted. In many cases, these deals involve land that is subject to legal disputes or is occupied by small producers who do not have land titles but who have occupied that territory for a long time.

For this reason, many observers have drawn attention to the established relationship between land deals and land-grabbing processes (in Portuguese *aquisições de terras em larga escala or açambarcamento de terras*, or in Spanish *acaparamiento de tierras* (Borras et al., 2012)). Land grabbing refers to the appropriation and control of large areas of land and its related natural resources, as a result of land deals involving the transfer of ownership or the loss of control over land and production. It usually implies a shift in the way that land is used, with areas previously used for food production by small-scale farmers or forest areas converted to export-oriented monocultures (Ibid.). In countries that have restrictions on land deals involving foreign entities, control over land is increasingly being maintained through leases, long-term concessions, and contract farming, which ensure land control but without the eviction of small producers. These deals are not restricted to international capital, but in such cases the term “*foreignisation*” refers to land grabbing that involves control over land by foreign actors, whether individuals, governments, or corporations (Ibid.; Sauer and Borras, 2016).

Depending on how the investment is realised and its purpose, it can produce different impacts that are not felt uniformly by local communities but are skewed by class, gender, ethnicity, and other social divisions (Borras et al., 2012).

Land grabs can involve the eviction of communities from their territories and other types of expropriation and exploitation when they establish unfair working relationships, privatise areas that were previously used communally, close roads and pathways, contaminate the environment, or privatise access to water. It is not uncommon for these investments to be accompanied by the use of violence.

Brazil is one of the most violent countries in the world, and has experienced exponential growth in land conflicts since the beginning of the 2000s; in 2003 the Pastoral Land Commission (CPT in Portuguese) recorded 73 murders of rural leaders linked to land conflicts. In 2019, although the number of murders of rural leaders decreased to 32, it was still higher than in 2018 (36).

2019 saw the highest number of conflicts in rural areas in Brazil for 15 years, with 1,833 cases – 23% higher than in 2018. These conflicts were related to land, water, and labour disputes (CPT, 2020).

Brazil is still one of the world’s most unequal countries in terms of land distribution, and this inequality is marked significantly by race, ethnicity, and gender. Differentiated conditions in accessing land, or in being able to resist land grabs, are related to the economic power and political capital that can be mobilised by groups whose lands are under threat. Small producers, African-Brazilians, indigenous peoples, and women are among the groups who have less, and more precarious, access to land, often due to their lack of property titles.

For example, research carried out by Agência Publica, based on the most recent agricultural census from 2017, shows that the 2.2 million white producers in Brazil, most of whom produce soy, control 77% of large properties, while the 2.6 million African-Brazilians, who form the majority of farmers in rural areas, occupy the smallest and poorest properties, typically of less than 5 ha (Fonseca and Rute, 2019).

Properties owned by African-Brazilians occupy half the area occupied by white landowners; among the owners of the biggest properties (larger than 10,000 ha), there are four whites for each black owner. For small properties, the reverse is true: for properties of less than one hectare, there are three African-Brazilians for each white owner. The larger the property, the deeper the racial inequality. Indigenous peoples occupy even less land.

In terms of gender, the historic gender-based division of labour means that men control most agricultural establishments (87.32%), and the largest amount of land (94.61%).

The larger the establishment, the greater the dominance of men, with women proportionally managing more agricultural establishments with areas of less than 5 ha (IBGE, 2017). Concentration is also observed in areas where agricultural frontiers are being expanded. In MATOPIBA, for example, there are 250,238 agricultural establishments, 94% of which are classified by the state-owned Brazilian Agricultural Research Corporation (Embrapa) as poor or very poor (Favareto et al., 2019).

Just 0.42% of the wealthiest establishments produce 59.78% of all gross income in the region (Alves et al., 2015). This indicates very high levels of inequality in both opportunities and land distribution.

In a continuous dynamic of land appreciation and expansion of agricultural frontiers, lands used by small producers and forested areas, which in general are under communal regimes and are normally occupied by Afro-descendants and indigenous peoples, are the first to be targeted and grabbed.

It is important to note that new investors are looking for fertile and well located land and not empty land, and it is this land that is usually already occupied by local populations. These groups end up being pressurised to sell or to abandon their lands and to seek new areas to farm in more distant and less valued regions. These dynamics are contributing to the creation of an increasingly unequal land structure.

At the same time, land deals and the agribusiness sector are being widely promoted by the Brazilian government, through public policies that incentivise land deals and reforms to regulatory frameworks that address the interests of agribusiness. When land becomes an attractive opportunity for investment, either productive or speculative, land redistribution and policies such as land reform are paralysed and/or dismantled.

Under the political agenda of the current far-right government, the liberalisation of land purchases by foreigners, promotion of the financialisation of land and agriculture, and the loosening of legislation on labour and environmental protection have become priorities.

In terms of financialisation, there are a number of initiatives aimed at deregulating operations in capital markets by foreign financial investors and at liberalising land purchases by foreigners. In addition, the regulatory framework for land regularisation in Brazil has been completely reformed, in order to facilitate the regularisation of public lands that have been illegally privatised. Other initiatives to deregulate the rights of indigenous and traditional peoples over their territories are also under way. Recent research by Fonseca and Oliveira (2020) shows that 42 rural properties in indigenous lands have been certified in an irregular fashion by the Bolsonaro government. This is one small sign of a growing process of land privatisation and deforestation that is already without precedent and will further increase inequality in land distribution in Brazil.

3 INVESTMENT FUNDS, EXPANSION OF THE AGRICULTURAL FRONTIER, AND THE (RE)PRODUCTION OF INEQUALITIES

In the past few years Brazil has become the focus of one of the largest “funds industries” in the world. In order to understand how these funds operate and to investigate the direct and indirect links between foreign investments, land grabbing, and the worsening of land inequality in the country, this study looks at the operations of two specific investment fund management companies, Brookfield Asset Management and Harvard Management Company (HMC), which together hold more than 1.1 million ha of land in Brazil. According to Prequin, one of the world’s biggest alternative asset consultancies, HMC and Brookfield are among the largest investors in natural resources globally (Prequin, 2016). With 582,000 ha and 560,000 ha of land respectively, they are also among the biggest private financial investors operating in Brazil. In the MATOPIBA region, HMC controls 294,000 ha and Brookfield 269,000 ha, and they are the second and third largest investors holding land in the region (Steinweg et al., 2018).

Brookfield Asset Management and the scramble for land in Brazil

Brookfield Asset Management is a Canadian investment fund management company and is one of the largest alternative asset managers in the world, with operations worth US\$500 billion across more than 30 countries. The company was founded in 1899 and has 120 years of experience in Brazil, which was the first destination for its investments. It operates as a fund manager, acting as the agent responsible for the creation and operation of different funds, participating directly in their constitution, calculation of value, promotion of their portfolios, and fundraising from individual and institutional investors.

Brookfield is financed by private and public capital from approximately 350 of the world’s largest institutional investors, including sovereign wealth funds, governmental and corporate funds, and family offices (private companies that manage the funds of wealthy families).

Brookfield's own capital represents 30% of its investments. The operations of such funds are a central part of contemporary capitalist dynamics, which increasingly are seeing profits handled via financial channels. Financialisation accentuates the fluidity and opacity of transactions.

During the 2000s, Brookfield went through a process of global restructuring and moved into the management, acquisition, control, administration, and maintenance of companies in different sectors on a global scale. During this period, it became an expert in portfolio and business management organised in a multi-scale, multi-sector, and multifunctional way. Brookfield's portfolio includes hydroelectric facilities in North and South America, as well as investments in wind-power plants in North and South America, Europe, and Asia. It also operates in the commercial real estate market in different countries, including the USA, Canada, Australia, Brazil, India, the United Arab Emirates, and South Korea, and in the infrastructure sector, in particular in the installation of electricity transmission networks and gas pipelines and transportation logistics for commodities and passenger traffic. In renewable resources, Brookfield has operations active in the production of grains, livestock, and planted forests (eucalyptus and pine), in particular in North and South America. In 2016, it held approximately 1.5 million ha of planted forests around the globe.

Brookfield's investments in Brazil are spread across the national territory, present in up to 20 states. Most of these investments involve rural and urban real estate, the agricultural and electrical sectors (biofuels, wind and solar energy), and infrastructure and logistics. They include long-term-return investments in 41 hydroelectric plants, 19 wind farms (as controller and/or shareholder), 3,500 km of highway concessions, 4,800 km of railways and seven railway stations, four ports, and 542,000 sq m of leased commercial areas (shopping centres, among others).

In terms of agricultural investments, in 2016 Brookfield controlled 290,000 ha of planted forests and 270,000 ha used for cultivating grains and sugarcane or raising livestock in Brazil. Its portfolio in the country in 2019 was estimated at approximately US\$21 billion (R\$105 billion).

Brookfield's strategies to buy and control land in Brazil

During the first decade of the twenty-first century, when land grabbing was hitting the headlines, the government of Luis Inácio Lula da Silva took measures to restrict foreign land purchases in Brazil. To do this, it resurrected an old law (Law 5.709) created in 1971 under the military dictatorship. In the name of national sovereignty, this law limited the amount of land that foreign owners could buy in the country and made purchases conditional on government approval. This legislation had been largely dismantled during the neoliberal reforms of the 1990s, when the country's Attorney General declared that foreign-owned Brazilian companies would no longer be subject to regulation but would be treated in the same way as national companies. In 2007 this regulatory framework was revised in order to increase control over foreign land acquisitions, and the original interpretation of Law 5.709 was reinstated. In practice, this restricted foreign land deals in Brazil.

However, despite such efforts to regulate land acquisitions by foreigners, Fairbairn (2015) stresses that the new regulations were by no means an impenetrable barrier. She points out the difficulties involved in regulating land deals that increasingly are being intermediated by the financial market and driven by financial actors such as investment funds. For Fairbairn (2015: 584), the concept of foreignness is insufficient to regulate these contemporary operations because, rather than transferring land to a unitary foreign entity, actual land deals are transferring it to entities with unstable, multiple, non-transparent national affiliations, which are very difficult to capture under traditional regulations. Companies and managers have quickly found different and creative ways to get around the new restrictions, a process that has been facilitated by the multiplication of financial instruments applied to agriculture during this period.

This has been the case for Brookfield's operations in Brazil. Even though the company had had a presence in the country since the end of the nineteenth century, and despite the changes in legislation in 2007, it was in 2010 that it really began expanding its land acquisitions in the country. From its first acquisition in 1982 in the city of Canápolis, Minas Gerais, up to 2007 Brookfield purchased a total of 143,345 ha of land, according to information from its subsidiary Bartira Agropecuária S.A. After 2010, and more specifically between 2011 and 2014, with a mega-fundraising operation through Brookfield Brazil Agriland Fund (BBAF), a fund focused exclusively on agricultural land, and the incorporation of two subsidiaries (Bartira Agropecuária and Agripar Participações S.A.), the company acquired 99,864 ha, meaning that in the space of four years it had acquired 70% of what it had accumulated over the earlier 25-year trajectory.

Of the 99,864 ha acquired between 2011 and 2014, 54,468 ha were incorporated in a single year (2012). In total, 6,663 ha were purchased in Mato Grosso, 8,045 ha in Goiás, 36,458 ha in Maranhão, and 48,263 ha in Tocantins. At the end of 2016, with the closure of Brookfield Brazil Agriland Fund II (BBAF II) and the sale of Certificates of Agribusiness Receivables¹² (CRAs in Portuguese), Brookfield had increased by 20,000 ha the total amount of land it held in the country, with an expansion of 37% in its grain production compared with 2015 (Brookfield, 2016).

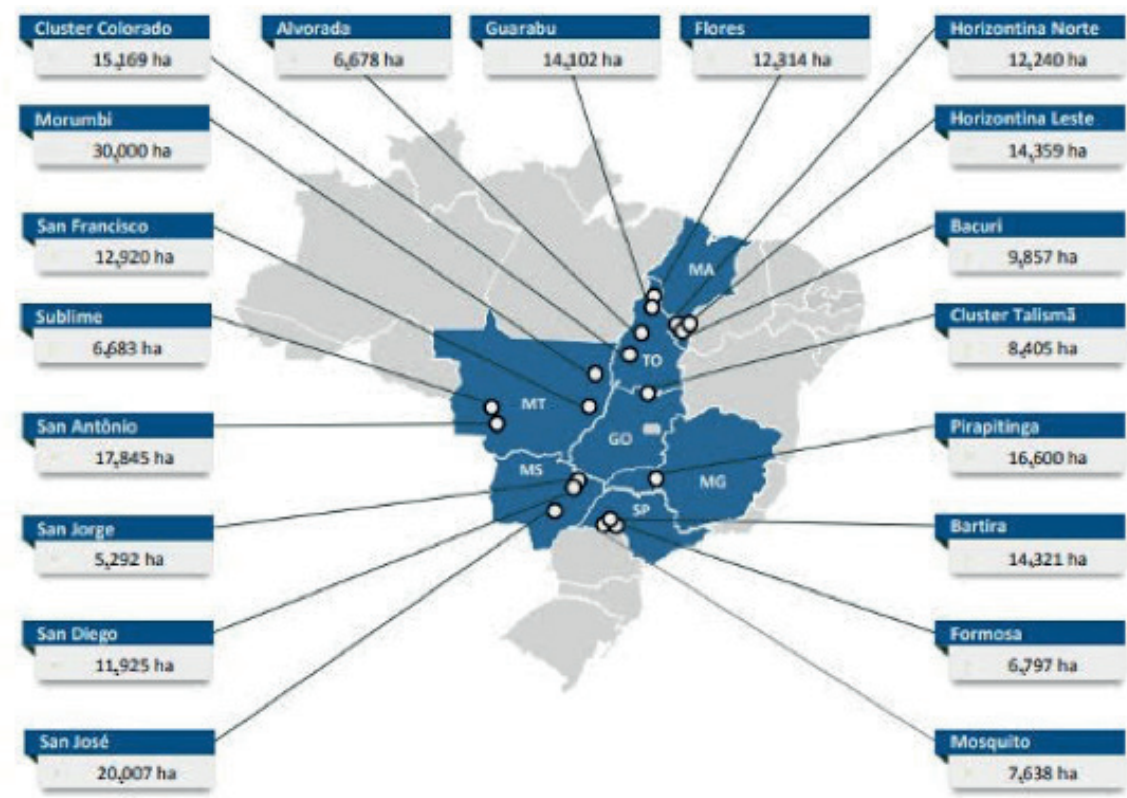
As the numbers reveal, Brookfield used different strategies in order to continue purchasing land in Brazil. At least four of these strategies deserve further attention.

- 1 The creation of subsidiaries involved in land deals and the agribusiness sector:** Brookfield Asset Management created a special company to handle agricultural operations – Brookfield Agriculture Group. The members of the board of directors of this group are also members of the board of Brookfield Asset Management in Brazil. Between 2011 and 2013, more than 40 national subsidiaries of Brookfield Asset Management were created in Brazil, all of them associated with and/or managed by members of the board of directors of Brookfield Agriculture Group. In one case, a board member is also the director of another subsidiary, Embaúba.

¹² For more information, see: <https://www.simplificpavarini.com.br/006/en/cras.php>

These subsidiaries operate in the agribusiness sector and buy land in the country, particularly in agricultural frontier regions (Tocantins and Maranhão). *Figure 3* shows the different farms owned by Brookfield.

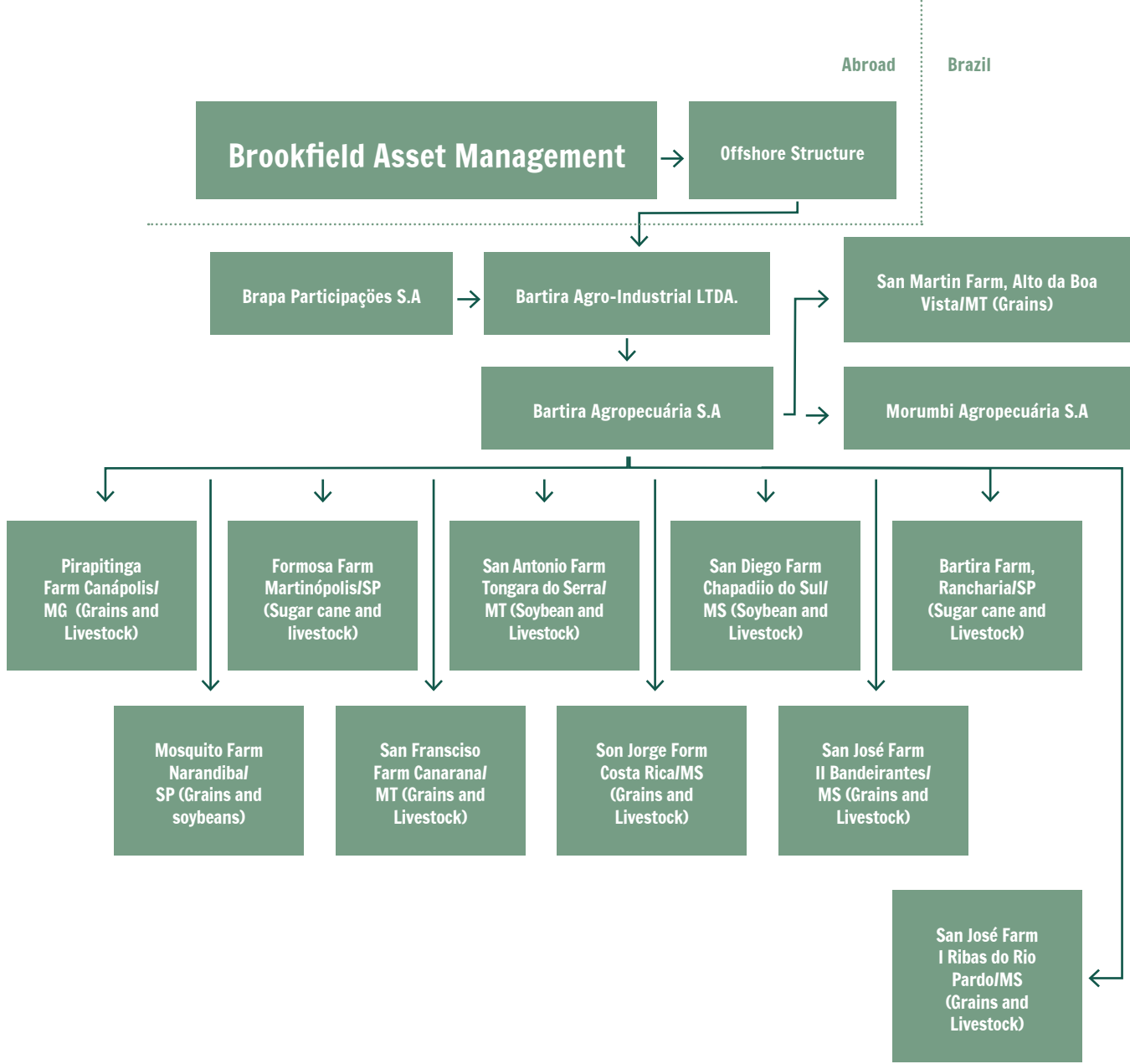
Figure 3: Brookfield Asset Management's farms in Brazil (in hectares, 2016)



Source: Brookfield (2017).

- Debt-to-equity swaps:** A further – and purely financial – strategy used by Brookfield is debt-to-equity-swaps. Instead of directly buying a company or a piece of land in Brazil, the company buys debts that can be transformed into stocks. When liquidated, the debts are converted into stocks and Brookfield becomes a company shareholder. Embaúba Participações S.A. and Pequi Participações S.A. are examples of Brookfield subsidiaries created through this strategy. With this kind of operation, Brookfield can directly control companies and buy land without necessarily appearing in the transaction as an effective foreign owner. Ultimately, however, its control of the land is guaranteed.
- Land purchase via securitisation:** This strategy is directly linked to the federal government's recent Agricultural and Livestock Plan (Plano Safra) and to changes in the regulatory framework that aim to expand private financing for agribusiness. In the 2000s Bartira Agropecuária S.A., one of Brookfield's numerous subsidiaries, offered CRAs in Brazil's financial market in order to raise funds to buy land. CRAs are freely tradable credit instruments backed by agribusiness receivables that represent a promise of future payment in cash. These securities were launched on the market by a financial services firm and then repurchased by Brookfield (which already controlled Bartira). The funds were transferred to Bartira, which used them to buy more land through its numerous "national" farms. *Figure 4* shows Bartira's corporate structure and the multiple layers that allow Brookfield to buy land through "Brazilian" companies.

Figure 4: Company structure of Bartira Agropecuária in Brazil, 2017



Source: Fazendas Bartira (Brookfield, 2017).

The expected guarantee counterpart for CRAs is currently being reformulated by the government, in order to relax rules with regard to land ownership. The idea is to facilitate the transfer of land ownership in the case of defaults on loans. With these new rules, if Bartira does not meet its commitments, the land (the ultimate guarantee) would be transferred to Brookfield.

The photograph in *Figure 5* was taken during fieldwork carried out in the municipality of Delfim Moreira in Minas Gerais in January 2019 at Fazendas Bartira (Bartira Farms). This farm belongs to Brookfield Asset Management and has 1,600 ha of arable land planted with eucalyptus and pine (50% each), and 100 head of cattle.

Figure 5: Forest operations, eucalyptus, at Fazendas Bartira, 2019



Source: GEMAP database, author Orlando Barros Junior.

Figure 6: Soybean harvest at Fazendas Bartira, 2016



Source: Brookfield (2017).

4 International funds for investments in agriculture and land purchase in

Brazil: This strategy is integrated into global value chains. Brookfield has launched at least two funds: Brookfield Brazil Agriland Fund I (BBAFI), which raised US\$330 million in 2010, and BBAFII, worth U\$500 million, in 2016. Brookfield raises capital funds from different investors, including institutional investors such as pension funds – for example, the San Diego County Employees Retirement Association (SDCERA), which invested in BBAFI (2010), and the Oregon Public Employees Retirement Fund (OPERF), which invested in BBAFII (2016). The capital raised by BBAFI financed the purchase of approximately 100,000 ha of land in Mato Grosso, Goiás, Tocantins, and Maranhão states (the latter two in areas of frontier expansion) and the expansion of agricultural projects. Brookfield’s Brazilian subsidiaries directly benefited from these financial resources in terms of increased value due to production and ownership of the land (i.e. asset appreciation).

It is clear that in rural areas Brookfield is operating in regions where agribusiness production has already been consolidated (Mato Grosso, São Paulo, Minas Gerais, Mato Grosso do Sul, and Goiás), concentrating the production of grains and biofuels, and also in areas of recent expansion of the agricultural frontier, such as in Tocantins and Maranhão. In 2016, Brookfield Agriculture Group managed more than 243,000 ha of agricultural land in Brazil and had a portfolio worth approximately U\$400 million (June 2020 exchange rate), including 20 properties with 161,000 ha of land and 900 employees (Brookfield, 2017). Of this 161,000 ha of arable area, approximately 75,000 ha were destined for soybeans and maize for the first harvest, 22,000 ha for sugarcane, 41,000 ha for livestock (with approximately 44,000 head of cattle), and 24,000 ha for varied uses. Another 800 ha were earmarked for the cultivation of rubber trees and eucalyptus, and there were 82,000 ha of legal reserves¹³ (Brookfield, 2017).

Table 6: Growth of Brookfield’s farmland portfolio in Brazil, 2000–2016

LAND USE (HECTARES)	2000	2006	2012	2013	2014	2015	2016
Grains		1,027	42,162	56,069	68,197	71,501	75,000
Livestock	37,842	50,493	55,358	45,706	43,038	43,690	40,745
Sugarcane			6,754	5,447	6,243	6,249	6,249
Sugarcane (leased)		9,497	15,374	13,548	11,667	13,736	15,687
Multiple uses		500	27,692	40,845	32,470	26,136	23,631
Useful land	37,842	61,517	147,340	161,615	161,615	161,312	161,312
Rubber trees		487	800	800	800	800	800
Legal reserve	13,014	31,930	70,663	80,737	80,737	81,040	81,040
Total reserve	13,014	32,408	71,463	81,537	81,537	81,840	81,840
Total area	50,856	93,925	218,803	243,152	243,152	243,152	243,152

Source: Brookfield (2017).

The Balsas region in Maranhão state, located in the MATOPIBA region, was one of the main destinations for Brookfield’s land investments between 2011 and 2017. These investments were carried out via its subsidiaries Pequí Participações and Agripar Participações, which now own 36,456 ha of land acquired in more than 10 separate deals. Agripar Participações has three farms in the region: Bacuri Unit, Horizontina Norte, and Horizontina Leste. Pequí Participações has seven subsidiaries with land in the region, which is characterised by high levels of inequality.

13 Legal reserves are areas legally designated within a property to be kept intact, with native vegetation. Their proportion of the total area varies from 20% to 80% depending on the biome where the property is located. In the case of the Legal Amazon, the reserved area represents 80% of the total area, in the Cerrado 35%, and in other regions 20%.

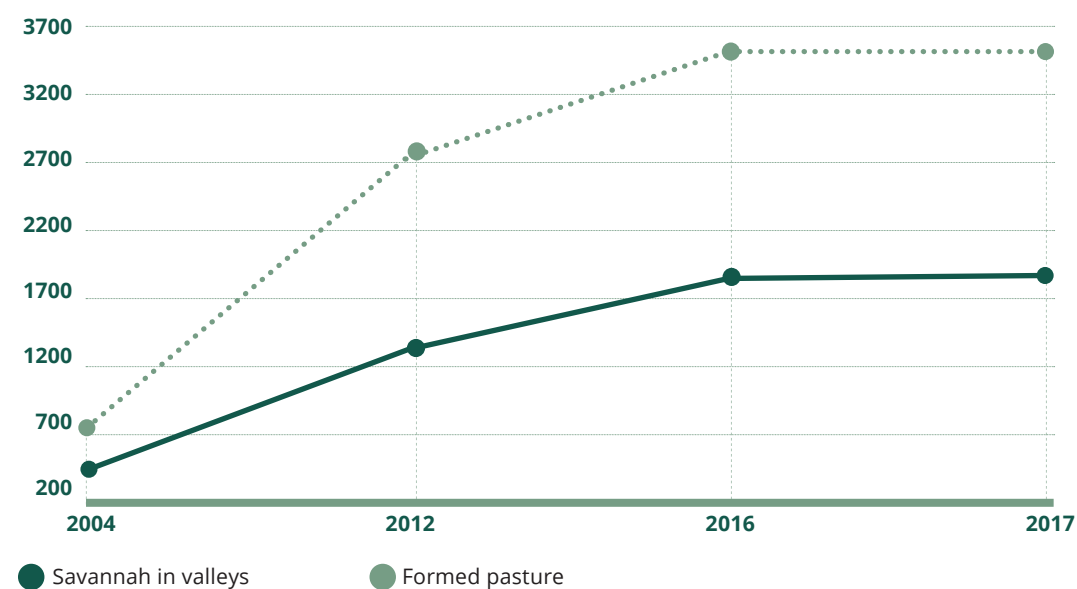
Of total rural establishments in 2017, 93% were small properties but these occupied just 28% of the land area as a whole; large properties, occupying from 2,500 ha to 10,000 ha, represented only 2% of the number of establishments but occupied more than half of the land area. This inequality is reinforced by disparities of race and ethnicity. Whites control only 28% of all rural establishments, but they own more than half of the agricultural area (52%).

The African-Brazilian population account for 71% of rural establishments but have access to only 30% of the agricultural area. This situation of inequality facilitates land grabs due to the huge asymmetries of power involved.

The result, once again, has been an increase in land prices. In Balsas, in 2004 land for grains with a higher production capacity (55 sacks of soy per hectare) was worth US\$751/ha, but by 2017 this value had jumped to US\$3,000/ha – an appreciation of 400%.

Land for “various grains” with a lower production capacity (45 sacks of soy per hectare) saw an increase of 371% in value: in 2004 it was worth US\$488/ha, but by 2017 this had increased to US\$2,300/ha. At the same time, in areas of the Cerrado¹⁴ region designated as “legal reserves” land increased in value from US\$33.80/ha in 2004 to US\$160/ha in 2017, up 373%. Figure 7 shows the increase in land values in Balsas and Tasso Fragoso, another municipality where Brookfield has operations.

Figure 7: Land price variation (R\$/ha) in Balsas and Tasso Fragoso (Maranhão)



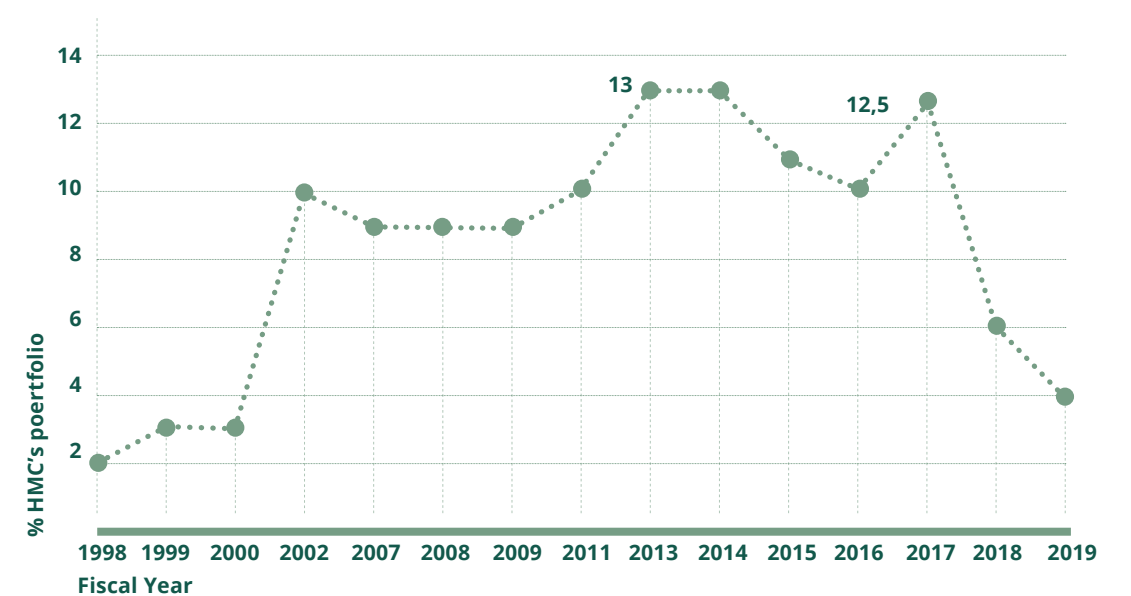
Source: Data from Informa Economics – IEG/FNP, elaborated by Orlando Aleixo de Barros Junior.

14 Cerrado is the name given to Brazil's savanna regions, which are characterised by low trees, widely spaced shrubs, and grasses.

Harvard Management Company: land grabbing and displacements

Harvard Management Company (HMC) was founded in 1974 to manage the assets of Harvard University, including its endowment, pension accounts, and operating capital (Harvard University, 2019). In 2019, HMC held approximately US\$49.3 billion in assets (Harvard University, 2020). From HMC's portfolio, the investments of interest to this research are those in natural resources (farmlands and timberlands), corresponding to 4% of its total portfolio, or US\$1.636 billion (Harvard University, 2020). Although investments in natural resources are important due to changes in financial markets and investors' expectations, HMC has been making changes to the composition of its portfolio, with a significant reduction in the share of natural resources. From 2014 to 2019, investments in natural resources fell from a 13% share of the global HMC portfolio to 4%, as shown in Figure 8.

Figure 8: Share of natural resources in HMC's portfolio (% , selected years)



Source: Harvard University (various years).

The peak of HMC's returns from natural resources was in 2011, when such investments represented 10% of its portfolio. During that year returns on natural resources reached 18.8% and, due to the commodity boom, returns from commodities reached 27% (Harvard University, 2012). In 2012, returns on natural resources began to decline, ranging from 5.1% in 2013 to minus 12.4% in 2019. Despite the fall in international commodity prices (in 2013) and several accusations of land grabbing, which have led HMC to restructure its investments in natural resources, recent initiatives suggest that the company does not intend to abandon this investment option. In January 2020, it invested in Westfalia Fruit International (WFI), indicating its continuing interest in investing in natural resources (Kiernan, 2020).

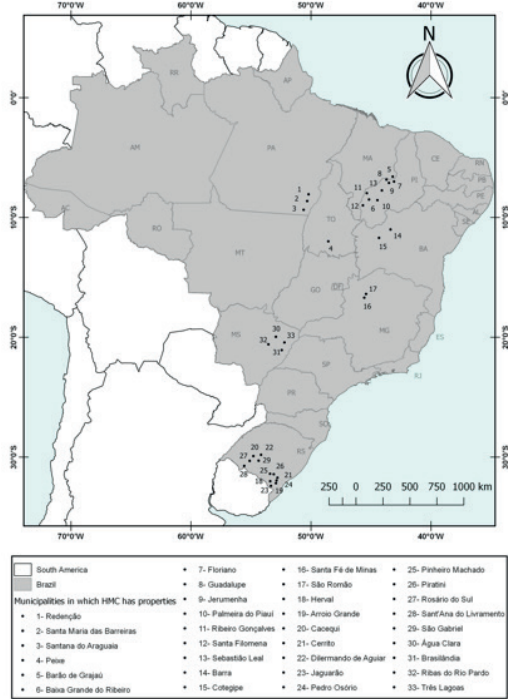
HMC's first natural resource investments were made in the United States in 1997, in timberland (Harvard University, 2013). 2013 marked the height of a process of internationalisation of the company's investments, when it became one of the pioneers of natural resource investments. It built up one of the largest global land portfolios, taking control of at least 1.5 million ha between 2000 and 2010 (Wohns, 2013; GRAIN and Rede Social de Justiça e Direitos Humanos, 2018; Vicente, 2020). Its first international acquisition was in New Zealand in 2003, and this was followed by investments in Romania (2005), Australia, Russia and Ukraine, South Africa, and in a number of Latin American countries, such as Chile (2004), Ecuador (2004), Uruguay (2004), Argentina (2007), Peru (2011), Colombia (2011), Nicaragua, and Brazil (Vicente, 2020; GRAIN and Rede Social de Justiça e Direitos Humanos, 2018). These investments were made mainly in timberlands, farmlands, livestock, and real estate.

HMC's first investment in Brazil was in 2005, when it took control of Florestas do Sul Agroflorestal LTDA, a company managed by the Granflor Group. By late 2009 it already controlled the Insolo group, Gordian Bioenergy (GBE), and Teak Resources Company (TRC, formerly called Floresteca).

As shown in Figure 9, until July 2018 when the data was last updated, through different subsidiaries HMC controls properties in Brazil that are located mainly in agricultural frontier regions, especially in Bahia (151,000 ha) and Piauí (180,000 ha).

The company also has properties in Pará (65,000 ha), Rio Grande do Sul (48,000 ha), Mato Grosso do Sul (35,000 ha), and Minas Gerais (15,000 ha), among others.

Figure 9: Properties in Brazil owned by HMC, 2020



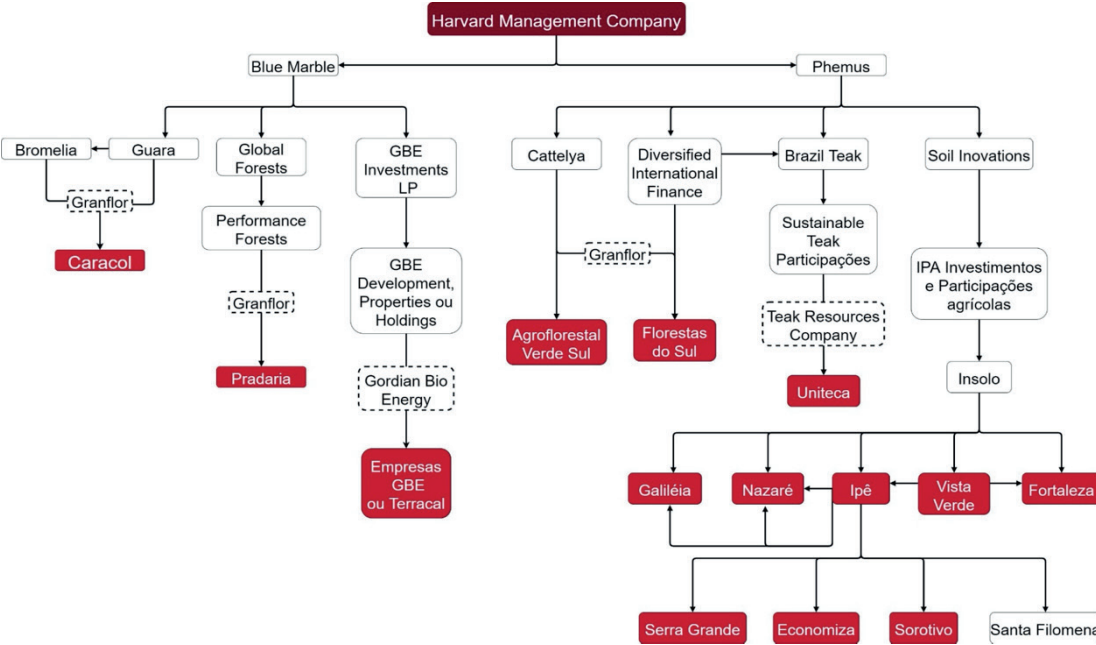
Source: GEMAP database. Elaborated by Guilherme Urban.

HMC's strategies to buy and control land in Brazil

In order to buy and control land in Brazil, HMC has created a sophisticated web of arrangements involving funds, limited liability companies, and holding companies, among other vehicles.

Most of these companies are based in known tax havens such as Delaware and the Cayman Islands. This complex corporate structure (see Figure 10) allows HMC to operate and control through two subsidiaries – Phemus Corporation and Blue Marble Holdings Corporation – 45 Brazilian companies operating in the area of natural resources. For example, Blue Marble Holdings, domiciled in the United States, is controlled by HMC and in turn controls GBE Investments LP and Guara, which are registered in the Cayman Islands and Delaware respectively. These companies in turn control GBE Development Properties or Holdings and a network of other companies in Brazil. From these subsidiaries based in tax havens, money flows to subsidiaries in target countries managed by local operators (agribusiness and land markets). Through complex operations in the financial markets and sophisticated corporate structures, HMC is able to “nationalise” its subsidiaries and clear the way to buying land in Brazil. As we will see further on, its corporate structure depends on its capacity to establish partnerships with local companies and local operators who, ultimately, are the ones who actually identify the land, make the purchases, obtain land legalisation, and operate the productive projects.

Figure 10: HMC's ownership structure in Brazil, 2018



Source: Data available on Form 990 for the fiscal years 2000 to 2017 and data from the National Register of Legal Entities available on the Brazilian Federal Revenue (RFB) website: http://servicos.receita.fazenda.gov.br/Servicos/cnpjreva/Cnpjreva_Solicitacao.asp

Note: The arrows indicate partnerships between companies or funds, with their direction indicating which company controls which. The dashed boxes indicate links with national groups or companies, while the red boxes indicate companies that own land in Brazil. Graphic by Jessica Siviero (GEMAP/UFRJ).

The four main subsidiaries controlled by HMC in Brazil are Granflor, Insolo, Gordian Bioenergy (GBE), and Teak Resources Company (TRC).

- 1

Granflor Group: This company provides management services and operates activities focused on agribusiness (preparation, implementation, and enhancement of agroforestry projects). It was founded in 2005 by two Brazilian executives, both of whom are partners of HMC in four Brazilian companies that own land in the country. Currently, Granflor manages agroforestry projects in Rio Grande do Sul, Mato Grosso do Sul, and Bahia. In Rio Grande do Sul, it controls the Florestas do Sul project, which owns 32,000 ha, and the Verde Sul project, with 15,000 ha. All its enterprises here grow eucalyptus to produce energy and cellulose. In Mato Grosso do Sul, the company is developing the Prairie project, which has 35,000 ha of land earmarked for the production of eucalyptus and pine and for rearing livestock. In Bahia, the group has the Caracol project, which is planning to implement an integrated crop–livestock–forest system for the production of grains, beef, and wood.
- 2

Insolo Agroindustry S.A. Group: This group provides agricultural management services and technical assistance and manages agricultural land. It was founded in 2007 by the Ioschpe family, and it received investments from HMC in 2009. Insolo's board of directors has representatives from HMC and controls nine subsidiary companies that own land. The group operates mainly by purchasing land for the production of commodities (soy and cotton) in southern Piauí, involving 32 farms financed by HMC. In May 2018 these farms amounted to 143,000 ha of land; however, Insolo lost a lawsuit that reduced its property rights by 27,000 ha, because the land titles had been falsified (grilagem). It has been described as the biggest grains producer in Piauí (GP1, 2011), but more recent studies (GRAIN and Rede Social de Justiça e Direitos Humanos, 2018) indicate that much of its land in the state is lying empty and appears to be abandoned, which suggests that its real interest lies in land speculation.

In Santa Filomena in Piauí, where the group is producing soy, its production model has had numerous environmental impacts, leading to contamination and depletion of water sources and denying surrounding rural communities access to water (GRAIN and Rede Social de Justiça e Direitos Humanos, 2020).

- 3

Gordian Bioenergy (GBE): GBE provides real estate and agricultural asset management services, specialising in the production of bioenergy and food. It was founded in 2006 by former executives of the Enron Corporation with expertise in operating in Brazil and South America. HMC began investing in GBE in 2009, with the acquisition of a private equity stake. GBE established a set of financial funds in the Cayman Islands, to which HMC made large capital contributions as a limited partner. Now HMC owns 99% of GBE's shares. After this capitalisation, GBE continued with the creation of new companies and the acquisition of real estate assets, in particular farms. According to GRAIN and Rede Social de Justiça e Direitos Humanos (2020), GBE controls approximately 168,000 ha in Brazil. The most public face of its activities is a company called Terracal, which is active in the bioenergy and agribusiness sectors. GBE operates in the states of Minas Gerais, Bahia, Piauí, Maranhão, and Tocantins.

In the north of Minas Gerais it has 15,000 ha for agricultural cultivation, and in Bahia it has 28,000 ha in Barra intended for the production of wind energy and sugarcane (although the project has not yet been implemented). In Piauí the group owns about 38,000 ha, where it is planning a project for an “Integrated Food and Bioenergy Pole”, though to date these plans exist only on paper. Just purchasing the land has already led to expulsions of communities, such as the Arthur Passos community in Guadalupe.

- 4

Teak Resources Company (TRC): TRC is involved in the cultivation and processing of teak. The company was created in 2016, after a restructuring of Floresteca, founded in 1994. HMC's investment began in 2009 through a holding company, Sustainable Teak Participações, which saw HMC take over 89% of UNITECA, the group's land arm in Pará; this owns 12 farms together comprising 65,000 ha, including teak plantations.

Table 7: Land bought and controlled by HMC in Brazil, to May 2020

COMPANY	NUMBER OF ENTERPRISES ¹⁵	NUMBER OF FARMS	HECTARES
Granflor	4	More than 78	206,041.43
Insolo	11	32	143,116.20
Gordian Bioenergy	28	More than 14	168,000 ¹⁶
Teak Resources Company	2	12	64,918.40
Total	46	136	582,076.03

Source: GEMAP. Formulated by Jessica Siviero (GEMAP/UFRJ).

Note: The companies are HMC's Brazilian subsidiaries. The “farms” column shows the number of rural properties controlled for the benefit of HMC (agricultural or forestry units registered at registry offices and/or INCRA). “Hectares” shows the total amount of land owned between 2005 and June 2018 (for methodological purposes, subsequent changes due to expropriations or sales have not been included).

One specific case involving HMC deserves special attention, because of the conflicts it has generated and because it was the result of extensive fieldwork by the research team: the Caracol project in western Bahia, established in 2008 and managed by the Granflor Group. The project extends over 123,000 ha, most of which is located in the municipality of Cotegipe in the micro-region of Barreiras; the project occupies 25% of the municipality's total area.

15 Only companies with available registrations at the Brazilian Revenue Service were included.

16 Data amended based on GRAIN and Rede Social de Justiça e Direitos Humanos (2020).

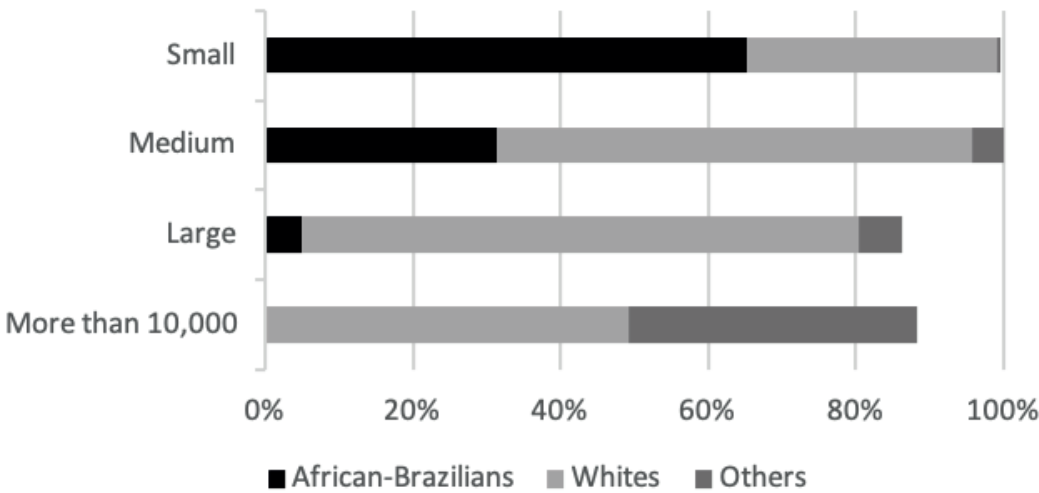
However, official INCRA data indicate that Caracol owns only 22,000 ha, which once again demonstrates the difficulties faced by Brazilian authorities in registering land transactions involving foreign corporations.

With a total population of 13,636, Cotegipe is predominantly rural (51%), and its inhabitants are mostly black and poor (76%). Some 72% of inhabitants are vulnerable to poverty, with per capita household income of US\$100 or less per month, while 29% live below the extreme poverty line, with per capita household income of US\$15 or less per month (2010). In terms of livelihoods, most of the working population are day labourers.

The 2017 Agricultural Census shows the agrarian structure in Barreiras to be extremely unequal: just 3% of agricultural establishments, each with more than 1,000 ha, occupy 77% of the total land area, or 3,730,314 ha. Small establishments account for 96% of the total number but hold only 17% of the land.

African-Brazilian producers are the majority (73%) in the municipality, but they occupy only 19% of the total agricultural area. White producers dominate, with 53% of the land area (2,850,213 ha) yet only 26% of total establishments. In regard to gender, men control most rural properties in the region, with only 5% of all arable land under the control of women, and only 19% of all agricultural establishments.

Figure 11: Establishments in Barreiras, by race and total area occupied (%)



Source: IBGE, Agricultural Census (2017).

It was within this unequal agrarian structure that HMC's investments in Barreiras took place. With illegal actions and the generation of conflict from the outset, the Caracol project has worsened land inequality in a variety of ways. Firstly, data show that the project illegally occupied land. According to an administrative proceeding from the State

of Bahia in 2013, almost all of the land titles held by Caracol farms, covering an area of 140,000 ha, were falsified: the project was established through a process of privatisation of public lands, achieved by registering falsified land titles (grilagem de terras).

The public lands grabbed by the Caracol project were previously occupied by small producers and traditional communities, numbering 200 families, who lacked land titles for land either under tenure or in common use. In the face of violence and violations of their rights, between 2006 and 2010 these families, largely Afro-descendants, were evicted from their land to make way for the Caracol farms. They were threatened by armed men and had their houses and crops destroyed, as well as their livestock. According to an investigation conducted by the State of Bahia, the perpetrators of these actions presented false property documents as a tool to convince families to leave their lands, counting on the support of local police and political elites.

In order to "clear" the land, displace the families that previously occupied it, and obtain (false) property titles, HMC established alliances with local actors and elites, which is a common strategy in land-grabbing cases. Local agents are responsible for choosing the land, legalising titles, and "clearing" the terrain. To make the purchase of the property viable, HMC partnered with a local broker with a reputation for being a grileiro,¹⁷ responsible for falsifying property titles and allowing public lands to be transferred into private hands.¹⁸ The occupation and "regularisation" of these lands first began in the 1970s, with the involvement of politicians, members of the regional elite, real estate agents, notaries, judges, and others. However, this process was only completed in the 2000s, with the participation of HMC.

When Caracol's operations began in 2008, the lands were finally privatised, and pathways used by local farmers to cross the farmland were closed. Along with the company's agricultural operations came guardhouses and a private armed security force. This meant that, in addition to displacing the families who had previously occupied the lands, HMC's arrival in the region via the Caracol project also separated families in surrounding areas from their means of production and reproduction. The families who remained on their land were deprived of access to pathways and forests located within the land privatised by HMC, which were previously used by the local population to gather natural resources such as wood and medicinal plants.

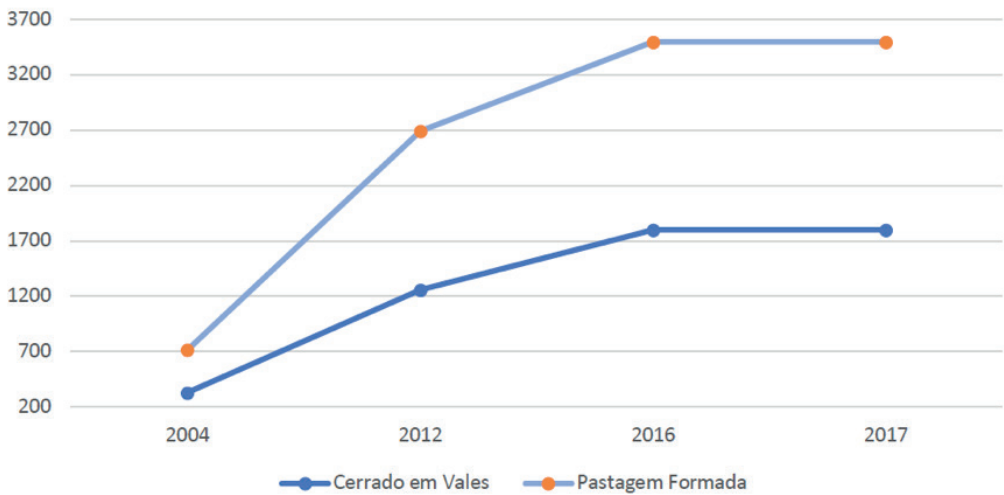
The initial aim of the Caracol project was to implement an integrated crop–livestock–forest system for the production of grain, beef, and timber and their derivatives. On field visits involving walks of more than 40 km in the areas surrounding the company's land, however, we could not see any production activities taking place on the farms. In interviews, rural workers told the researchers that productive use of the land was limited to 700 ha planted with eucalyptus and 3,000 head of cattle. Furthermore, contrary to well publicised promises of employment for local populations as a result of the investments, according to the local rural trade union the company originally hired only 80 workers, including for security, and this number has fallen since then. In May 2018

¹⁷ A "land grabber" who falsifies documents to illegally take possession of land belonging to the state or to other parties.
¹⁸ Processes similar to grilagem in Brazil also occur in neighbouring countries, and are often known as "land trafficking" (Dammert, 2018).

the manager of Granflor, in a meeting with trade union representatives, informed them that the farm had 60 employees. This leads us to suspect that the company's interest in production is combined, in part, with an interest in speculative gains. From 2008 to 2017, the total assets of HMC linked to the Caracol project increased in value from US\$23,291,943 to US\$87,860,103.

As a result of this, Cotegipe has seen rapid appreciation of agricultural land prices during the period analysed, as shown in Figure 13. Since 2004 land in Cerrado (Vales) suitable for low-capacity agricultural crops, due to its uneven surface which prevents mechanisation, cost approximately R\$330/ha (US\$66/ha). By 2017 its value had risen to R\$1,800/ha (US\$360/ha), representing an appreciation of 445%. Pasture land, which is easily converted to agriculture, cost R\$715/ha (US\$135/ha) in 2004 but R\$3,500/ha (US\$700/ha) in 2017, an increase of 390%.¹⁹

Figure 12: Land price variations (R\$/ha) in Cotegipe and Wanderley (Bahia), 2004–2017



Source: FNP Institute, elaborated by Orlando Aleixo Junior.
Exchange rate: 1 R\$ = US\$ 0,19

Therefore, from a local perspective, Caracol has not brought the advantages promised to local communities upon its arrival.

As a result, a region already characterised by a very unequal distribution of land has become even more unequal: in Cotegipe between 2006 and 2017, the area occupied by smallholder producers suffered a significant reduction in size of 10%.

Families have been forced to occupy smaller areas and/or to leave their lands and look for other areas to occupy. Conversely, non-family establishments have increased their share of the territory by 85% and have expanded the area they occupy by 72%.

¹⁹ To establish the percentage increase in the price of land, values are calculated in Brazilian reais. To calculate the difference in US dollars, the exchange rate for each year would have to be used. Since the objective here is to analyse the high rate of increase using the national currency, as shown in Figure 14, the dollar values are used for illustrative purposes for non-Brazilian readers.

CONCLUSION

This paper explores the multiple direct and indirect interconnections between land deals, financial actors, land grabs, and the reproduction of land inequalities in Brazil. It focuses on two global financial companies operating in the Brazilian “funds industry” – Brookfield Asset Management and Harvard Management Company (HMC). They are among the largest private financial investors in natural resources worldwide and are key drivers in the expansion of the agricultural frontier in the MATOPIBA region of the country.

Brazil is a developing country with huge geographic dimensions and is also one of the most unequal countries in the world. Deeply rooted structural inequalities date back to the process of colonisation, the enslavement of the African population, and the extermination of indigenous peoples; the land and agrarian structure is characterised by the political and financial power of a white male elite. The new dynamics of financialisation that have become apparent in the twenty-first century and that promote the expansion of an already powerful agribusiness sector, in association with new dominant actors such as financial investors, have changed land markets and the conditions of access to land.

The distributive profile of this production pattern is perverse: any productivity gain is captured by the “owners” of land and capital, while the costs – economic, social, and environmental – are borne by the most vulnerable and impoverished social groups. This model also generates land conflicts and violence.

The greater attractiveness of land as an investment opportunity and the arrival of international investors in the agricultural sector are generating a scramble for land and greater demand for local agents, real estate agents, and land grabbers to find more land to be traded.

The more transactions that are carried out and the greater the demand for land, the higher the expectations of land price appreciation.

In municipalities where the majority of the population lack property titles, insecurity increases and pressure is brought to bear on small producers to sell their land or else be displaced. As such, the investments provided by these funds in the MATOPIBA region are directly connected with the reinforcement of an unequal land structure that means, in the future, the (re)production of more accentuated inequalities in land distribution and in access to natural resources.

The MATOPIBA planning region was created by the federal government in order to facilitate the development and implementation of public policies that favour agribusiness. It is currently the region of Brazil where most of the financial investments in land made by international funds are concentrated. As we have seen, it is also the region where Brookfield and HMC, based in Canada and the USA respectively and two of the largest alternative asset managers in the world, have focused many of their own investments in land. Both funds operate in regions where agribusiness is already concentrated, but also in areas of recent expansion of the agricultural frontier. They are, respectively, the third and second largest investors holding land in the MATOPIBA region.

In the case of Brookfield, the focus is on the different strategies the company has used to get around Brazilian legislation and expand its control over land. Brookfield has a portfolio that includes investments in hydroelectric projects, wind-power plants, the commercial real estate market, the infrastructure sector, and renewable resources (grains, livestock, and planted forests) around the world; in Brazil its investments involve rural and urban real estate, the agricultural and electrical sectors (biofuels, wind and solar energy), and infrastructure and logistics. Present in the country since the end of the nineteenth century, from 2010 it has managed to expand its control over land through strategies that include the creation of subsidiaries involved in land deals and the agribusiness sector; financial instruments such as debt-to-equity swaps; land purchases via securitisation; and the creation of international funds for investments in agriculture and land purchases. The paper outlines the evolution of Brookfield's farmland portfolio in Brazil and, to shed light on its strategies and the rapid appreciation of agricultural land prices, focuses on its activities in the Balsas region in the state of Maranhão, within MATOPIBA, one of the main destinations for its investments in land purchases between 2011 and 2017.

HMC has initiated highly complex financial operations and sophisticated corporate arrangements to acquire and control land in Brazil, in order to "nationalise" its subsidiaries – Granflor, Insoolo, Gordian Bioenergy, and Teak Resources Company – through local partnerships. This paper draws attention to a specific land conflict arising from the Caracol project in Bahia. Managed by the Granflor Group, Caracol occupies 25% of the total area of the municipality of Cotegipe, a region that is predominantly rural, with a population that is mostly black and poor and with an already extremely unequal agrarian structure. This project demonstrates the speculative nature of the company's investments and how its implementation has increased land prices in local land markets and has exacerbated land inequality. Additionally, the paper shows how this corporate financial actor has worked with local agents to implement illegal actions in order to privatise previously communal lands occupied by small producers and traditional communities. In doing this, HMC has indirectly used violence, via local partners, and has violated rights to achieve its objectives.

The strategies used by both financial investors are directly related not only to processes of financialisation and to the use of increasingly creative financial instruments, but also to the Brazilian state's external political and economic dependency and its development model based on the promotion and strengthening of an agribusiness-based political economy.

As such, the Brazilian state plays a central role in this process, providing strong support to extractive projects and promoting land deals, which in addition to displacing local populations displace local food systems, threaten food security and sovereignty, and generate huge environmental impacts. This context has worsened in the current period under an ultra-conservative government. Taking advantage too of the widespread crisis caused by the Covid-19 pandemic, the Brazilian government has been working to accelerate the deregulation of legal frameworks related to natural resources, the environment, labour, and human rights.

This includes the radical liberalisation of agribusiness practices and of financial capital, the promotion of anti-environmental narratives, practices, and policies, and the strengthening of outright racist and patriarchal discourses. The government's actions to dismantle rights formally guaranteed in the 1988 Constitution have been so radical that, in June 2020, it was warned in a letter signed by 29 financial institutions managing US\$3.7 trillion in assets that it should either reduce the rate of deforestation or face uncertainty in terms of investments. This list of concerned investors has since grown to 32 institutions, with equity totalling US\$4.5 trillion (Bertão, 2020).²⁰ These institutions fear that such violent measures may reduce their returns and increase the risks to which their investments are being exposed.

In the Brazilian context, expanding access to land is a structural and a conditioning factor for the reduction of inequalities. Land is a source of food, shelter, income, wealth, and power, and it plays a central role in the maintenance of political and economic power in the country.

More than just a factor of production, land is the material basis on which entire communities of small producers live and produce for themselves and for the market, and is also an important part of their cultural identities.

It gives meaning to innumerable cultural manifestations, and is the physical place where ancestors are buried.

A lack of access to land puts food security and sovereignty at risk, blocks communities' access to markets, and reduces their quality of life. Land ownership enables people to benefit from public policies such as credit, housing, and rural electrification; at the same time, territorial rights go beyond guaranteeing secure land tenure. For these reasons, unequal access to land is, in our perspective, both a cause and an outcome of broader inequalities, strongly marked by racial, ethnic, and gender discrimination; and as such the right to land must be guaranteed as one of the most basic rights.

20 For further information, see T. Philips (2020). Trillion-dollar investors warn Brazil over 'dismantling' of environmental policies. The Guardian at: <https://www.theguardian.com/environment/2020/jun/23/trillion-dollar-investors-warn-brazil-over-dismantling-of-environmental-policies>

In a context of high levels of inequality, as is the case in Brazil, it is not enough to promote good land governance or well functioning land markets, as some institutions such as the World Bank are doing under the label of “land governance”. Many studies, such as those by Edelman (2013) and Federici (2011), show how, in contexts of inequality, land privatisation and the formation of land markets have operated to ensure legal security for investments rather than expanding the rights of small producers and squatters.

Land inequality, in this case, is more than a matter of market inefficiency or the existence of market failures but is a question of rights and social justice.

Debates and proposals in this area need to go further, including analysis of the financial chains hidden behind contemporary land deals, accountability for their impacts and the damage they cause, and the enforcement of land redistribution initiatives. These themes are directly related to democratisation and to the reduction of inequalities in Brazilian society. In this sense, this paper also demonstrates the topicality of agrarian issues, highlighting the need to advance a research agenda that focuses on the multiple connections between land financialisation, the role of the state, and the (re)production of class, racial, and gender inequalities at the territorial level.

This issue has been gaining in importance in recent studies looking at financial capital and the foreignisation of agriculture in Brazil; gradually and with much effort, their opaque structure is being unveiled. At the same time, this theme has gained space on the agendas of social movements, with women and traditional populations gaining prominence as important political actors in struggles for land sovereignty. This is just the beginning, however, and much remains to be done.

The debate about inequality in land distribution in Brazil and the contemporary processes that perpetuate this historic pattern goes beyond discussing land as a “resource”; it is related to debates on guaranteeing the material and cultural basis on which the social reproduction of rural communities depends. This has the potential to reconfigure rural–urban relations in more sustainable social, economic, and environmental terms and to confront the hegemonic forces of the contemporary agrifood system. Reflections on the way that our society gives meaning and value to “land” have the potential to reshape rights and to reconfigure the way we relate to nature, reformulating the foundations on which we want to build the future for the generations to come.

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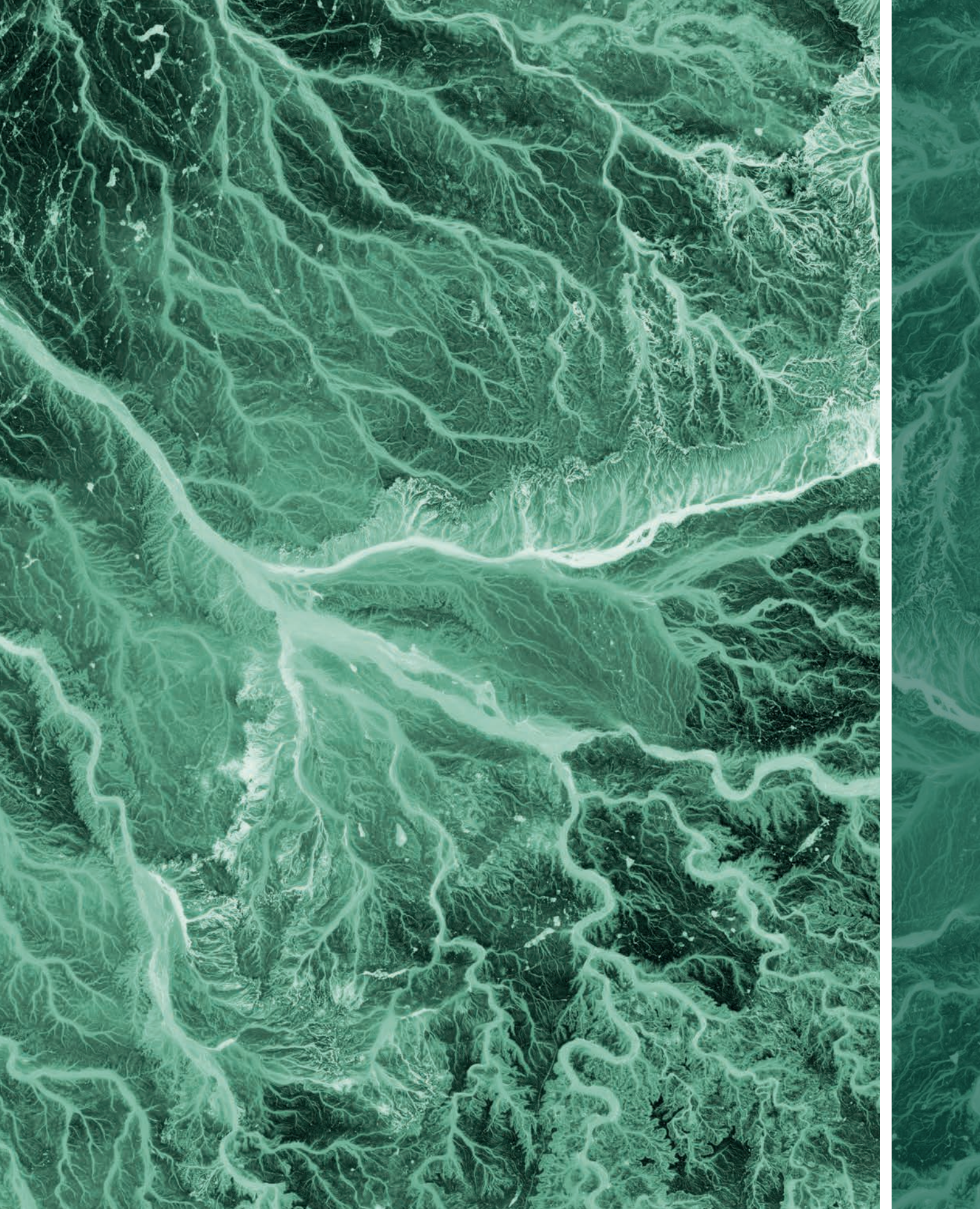
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