



INSTITUTIONAL INVESTORS AND THE GREAT AMERICAN FARMLAND GRAB

JULY 2012

TIAA-CREF is a name that is well-known in the United States. As one of the most popular pension funds, many people associate the name TIAA-CREF with a well-meaning insurer of retirement funds for some of our most beloved professionals, such as teachers and doctors. Yet, TIAA-CREF has a darker side. In its quest to meet financial obligations, TIAA-CREF has gone after some of our other most important members of society: farmers. Using its weighty financial power, TIAA-CREF has been rapidly swallowing up farmland, both in the U.S. and abroad, leading it to become one of the world's most insatiable leaders of land grabs.

In 2008, when the housing market collapsed, many financial investors went scouting for new areas to invest their money. As a result, the amount of money invested in farmland over the past four years has risen dramatically. Between 2008 and 2009, over 120 new financial tools were developed to facilitate investment in farmland. While pension funds and the institutions that manage them have only recently started to move the money they manage into farmland, any movement on their part generates huge waves. Pension funds are the heaviest players of the financial industry, holding around \$23 trillion in assets. Of those assets, at least \$5 to 15 billion have reportedly already gone into farmland acquisitions. By 2015, these farmland investments are expected to double.

Hungry for Money and Eating up Farmland

TIAA-CREF manages a reported \$487 billion in assets for university professors and non-profit workers. Members of the pension fund put a sum of money into the pension fund every month, and TIAA-CREF has a fiduciary responsibility to pay out monthly retirement payments to each employee upon their retirement. More simply, TIAA-CREF must continually find new ways to increase the pool of money from which it draws capital in order to make steady monthly payments to its members. Like many other investors, TIAA-CREF has turned heavily to farmland investment in order to meet these demands.

When large financial managers like TIAA-CREF invest money into farmland, they benefit by being able to make long-term investments with large sums of money due to the longevity of its relationships with members. For many investors, even large asset managers, purchasing farmland was historically unattractive because it required putting large sums of capital into an "illiquid asset," or one that they would not readily be able to extract money from. More recently, however, positive market trends around farmland values and the financialization of farmland as an "asset class" has lured investors seeking to capitalize on a limited supply of farmland.

Pension funds not only have the power to outbid smaller, local farmers, they also have the long-term goal of retaining farmland for generations. TIAA-CREF sometimes hires farmland management companies to farm the land by either contracting regional companies or bringing in global firms. In either scenario, the pension's

investment in farmland effectively removes farmers from having any participation in, or control over, farmland. In worst-case scenarios, farmers are dispossessed of their land forever.

In 2010, TIAA ramped up its agricultural investment strategy by purchasing the Westchester Group, the world's most lucrative agricultural asset manager. With over \$3 billion in farmland assets, Westchester has acquired over 400 farms in the United States, Australia, South America and Europe. In the U.S., Westchester owns 125,000 acres in 12 different states, in Australia over 250,000 acres, and 262,000 acres in Brazil, where it has partnered with Cosan, the country's largest sugar cane producer, to form Radar Propriedades Agrícolas. Radar purchases and manages farmland for sugarcane, soy, corn and cotton production.¹ These numbers are continually rising as TIAA-CREF pushes to own equity in farmland worldwide. In Australia, where TIAA-CREF has owned farmland for 20 years, a 2012 poll by the Lowy Institute poll found 81 per cent of Australians were against foreign firms buying Australian farmland.²

Wreaking Havoc on Small Farmers

Most of the attention around land grabs is focused on countries in the Global South where insecure land tenure laws make it hard for small farmers to legally claim their rights to land that they have historically farmed. In March 2012, the Land Matrix Partnership identified over 1200 land deals by foreign investors for agricultural production covering 83.2 million hectares or 1.7% of the world's agricultural lands, with over 60% of these deals in Africa. This global land grab represents a massive transfer of vital food producing resources from poor rural communities to a wealthy global elite.

Through these deals, farming and pastoral systems that produce food for local people are being wiped out to make way for industrial food production for export. Additionally, most of these land deals are happening in countries where food insecurity and access to land and water are already at critical points. The local communities who are dispossessed of their lands or affected by the new large-scale plantations are rarely consulted, as many of the deals are negotiated and signed between foreign investors and government officials behind closed doors. With so much at stake, it is no wonder that protests are erupting in areas where the lands are being grabbed, leading to violent clashes and even deaths.

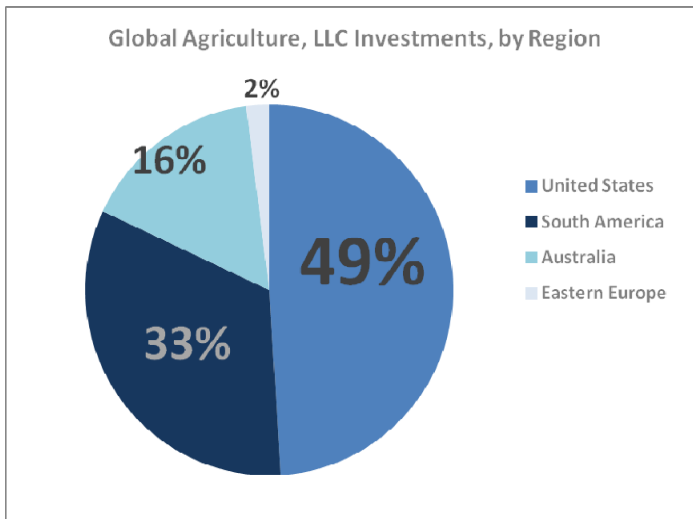
In the U.S., land grabbing is similarly becoming a growing problem. In the American Midwest, for example, former Federal Reserve Bank of Kansas City economist Brian Briggeman estimates that about a quarter of farmland buyers are now institutional investors seeking to hedge against inflation.³ In May 2012, TIAA-CREF announced that it was deepening its commitment to farmland as a key investment tool by announcing its new private investment company called Global Agriculture, LLC. The \$2 billion company will primarily invest in grain exporting countries, including the U.S., Australia, and Brazil. The company is a partnership between TIAA-CREF, the British Columbia Investment Management Corporation (bcIMC) and the Caisse de dépôt et placement du Québec (CDP). TIAA-CREF expects its investors, which include the large Swedish pension fund AP2, will make returns of between 8-12% over the 21-year term of the investment. CDP invested \$250 million in the company while bcIMC's investment is unknown.

Upon its launch, TIAA-CREF said that 25% of the company's funds had already been invested. According to Jose Minaya, TIAA-CREF's Head of Natural Resources & Infrastructure Investments, 49% of TIAA investments are going into U.S. farmland, 33% in South America, 16% in Australia, 2% Eastern Europe, indicating a larger trend

¹ Westchester Agricultural Asset Management. "Global Thoughts" Newsletter. Winter 2011. Vol. 1, No. 2. <<http://wgimglobal.com/sites/default/files/assets/newsletter/final-nwsltr-12-5-11-1-revised.pdf>>

² The Australian Financial Review. "81 percent reject foreign farm buyers." June 5, 2012. <<http://theland.farmonline.com.au/news/nationalrural/agribusiness-and-general/finance/81pc-reject-foreign-farm-buyers/2579955.aspx?src=rss>>

³ Bjorhus, Jennifer. "Hot money turns from stocks to farmland." StarTribune. June 24, 2012. <<http://www.startribune.com/business/160140665.html?page=1&c=y>>



of institutional investors turning toward U.S. farmland. Even without this new firm, TIAA-CREF currently owns \$2.5 billion in farmland and \$6.5 billion in farmland infrastructure. TIAA-CREF’s model is to purchase farmland and lease it back to farmers, such that farmers must report their annual crop production and practices back to TIAA-CREF.

In recent interviews, Minaya indicated that their current and future investments in the American heartland seek to control both farmland and water in that area which is expected to be scarce in years to come. The company is set to invest 70-80% of its money in row crops and 20-30%

permanent crops.⁴ Given the weight of TIAA-CREF’s investments, their ability to not only control resources but also dictate what is grown in any given region could easily compromise local farmers’ livelihoods. It may also encourage growing crops that are inappropriate for local farmland and its available resources by basing crop selection on profitability. Outside investors with little engagement in the community are much less likely to care about their impact on rural communities, the environment, or crop diversity.

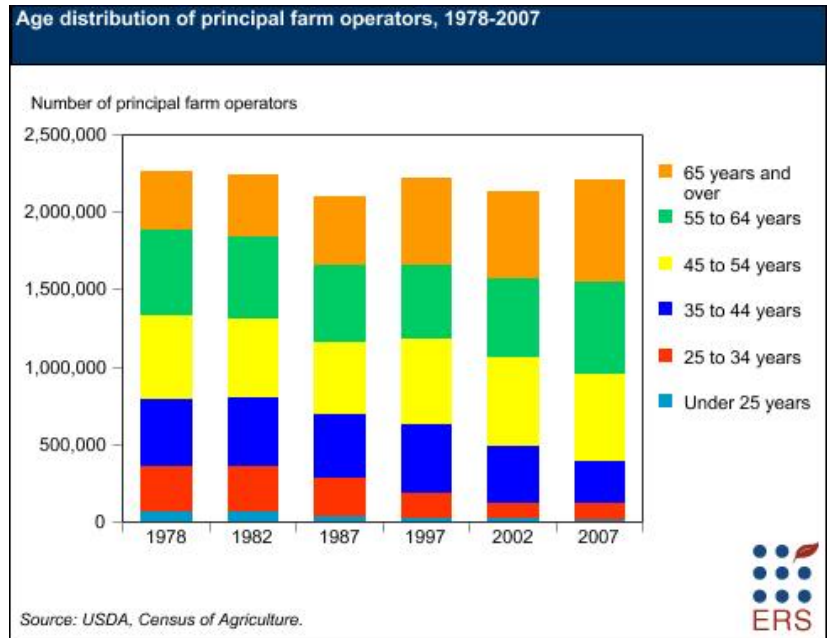
Weakening Small Farmers’ Power

Meanwhile, small U.S. farmers are experiencing a set of conditions that leave them particularly vulnerable to outside investment. With low interest rates, high commodity prices, and skyrocketing land values, farmers seem to have hit the jackpot. According to the Federal Reserve Bank of Kansas City, cropland values in the Plains exploded in 2012, up 25 percent (or 32 percent for irrigated cropland) from 2011 values. Due to these high prices, more farmers are putting land up for sale and farmland is being auctioned off at increasingly historic values despite a growing supply of farmland.⁵ For small farmers, these conditions are indicative of a looming threat to their livelihoods. Agricultural input prices for fertilizer and seeds have been rising along with land rents, which have reached historic highs in some regions, leaving many small producers with meager net profits. In Minnesota, for example, a state with record high farm profits in 2010 and 2011, net agricultural profits were still down by 10 percent due to higher farm costs.⁶

Additionally, a 2011 report entitled “Don’t Bank On It”- issued by Farm Aid, Food and Water Watch, the National Family Farm Coalition and the Rural Advancement Foundation International—USA - showed that since 2009, small farmers have had an increasingly hard time accessing the credit needed to finance their operations,⁷ endangering them of losing their farms and livelihoods. Tightened credit markets have made farm production especially difficult for smaller farmers because they typically rely on credit for loans to pay for necessary inputs like fertilizer, seeds and livestock. For some sectors, such as dairy and pork, volatile pricing structures coupled with poor economic conditions have resulted in small farmers hemorrhaging from those sectors. As farmland continues to be auctioned off to the highest bidder at record prices, inaccessible land values threaten to push small farmers off of their land.

⁴ Bloomberg News. “Farmland is Global Asset for TIAA-CREF, Minaya Says.” February 2012. < http://www.dailymotion.com/video/xoog8q_farmland-is-global-asset-for-tiaa-cref-minaya-says_news>
⁵ Henderson, Jason and Maria Akers. “Farmland Values Rise with Crop Prices. The Federal Reserve Bank of Kansas City. Survey of 10th District Agricultural Credit Conditions. 1st Quarter 2012. <<http://www.kansascityfed.org/publicat/research/indicatorsdata/agcredit/AGCR1Q12.pdf>>
⁶ BJORHUS, Jennifer and Mike HUGHLETT. “High cropland prices sow fortune and worry.” StarTribune. June 17, 2012. < <http://www.startribune.com/business/159091565.html>>
⁷ Farm Aid, Food and Water Watch, National Family Farm Coalition, The Rural Advancement Foundation Intlernational-USA. “Don’t Bank on It: Farmers Face Significant Barriers to Credit Access During Economic Downturn.” March 2011.

Even more problematic, the U.S. is facing an imminent crisis in farmland turnover with 30 percent of current farm operators at age 65 or older.⁸ Beginning and young farmers, who would otherwise take over family operations or farms within their communities, face heightened barriers to credit and land tenure.⁹ While many investors often cite that only 1 to 2 percent of farmland is owned by institutional investors in the U.S.,¹⁰ that number could quickly change as the majority of U.S. farmers seek to retire. With difficulty accessing credit and record high land values and cash rent prices, new and beginning farmers face very real barriers to farmland, leaving farmland currently operated by small farmers open to the influence and power of institutional investors.



Food Sovereignty at Risk

By buying up farmland and dictating the amount of resources and inputs required to cultivate it, TIAA-CREF is usurping small farmers’ control and the right to choose the most important agricultural use for the land. Through a circuitous network of farmland managers, TIAA-CREF is beginning to consolidate agricultural markets and determine growing contracts for farmers worldwide. This kind of contract growing has already resulted in disastrous inequities and cycles of debt for poultry producers, hog producers, and small farmers worldwide who have gotten sucked into industrialized farming systems that they cannot afford. Additionally, TIAA-CREF’s commitment to buying land for grain production represents a further shift away from food production to agricultural systems based primarily on producing grain for livestock feed and ethanol.

The problems associated with non-farmer investment in farmland are ironically best summarized by AEW Capital Management, an investment firm that is aggressively pushing its clients’ investors, and others, into American farmland:

Importantly, investing in *farmland* is not investing in *farming*. Farming is a highly complex economic activity. Farmers buy volatile commodity inputs; make a myriad of field-level decisions ranging from the type of crop and the type of seed variety to grow, when to plant and when to harvest; and then sell a volatile commodity. The cropland investor simply collects rent. Additionally, exogenous events such as weather are a significant determinant of farming returns. In contrast, the institutional owner of the land is largely insulated from the variability of annual production through the lease structure.¹¹

⁸ U.S. Department of Agriculture, Economic Research Service. “Farm Household Economics and Well-Being: Beginning Farmers, Demographics, and Labor Allocations” November 29, 2011. <<http://www.ers.usda.gov/briefing/wellbeing/demographics.htm>>

⁹ National Young Farmers’ Coalition, “Building a Future with Farmers: Challenges Faces by Young, American Farmers and a National Strategy to Help them Succeed.” November 2011.

¹⁰ AEW Capital Management. “Investing in U.S. Cropland.” September 2011.

<http://www.aew.com/pdf/AEWResearchInvestinginU.S.Cropland_000.pdf>

¹¹ *Ibid.*

As evidenced in this statement, institutional investors find farmland appealing because it gives them the ability to externalize risks onto farmers while they reap all of the financial gains. This system makes farmers incredibly vulnerable to poor crop yields, natural disasters, or any of the other myriad agricultural risks while also requiring them to adhere to the stipulations of investor-farmer contracts.

Recent Activity

On July 17, 2012, TIAA-CREF held their annual shareholder meeting in New York. A number of activist groups planned protests outside of the company's New York headquarters to demand divestments from a variety of companies, including from private insurance companies and companies engaged in the Israel-Palestine conflict. On the same day, the pension released its *2012 Socially Responsible Investing Report*, which touches on its farmland investments and efforts to engage in agriculture responsibly. The report highlighted TIAA-CREF's involvement in creating the United Nation's Principles of Responsible Investment in Farmland (PRIF), which they co-authored with a handful of other investment firms. As with the UN's Principles of Responsible Investment (PRI), the guidelines give vague instructions for environmental sustainability and respecting labor, land and resources rights. Despite this stated commitment, there is little to no transparency that allows for outside organizations to hold TIAA-CREF accountable to its principles.

In its Schedule of Investments for 2012, TIAA-CREF shows major investments in several agricultural and fisheries-related firms. With over half a million shares in Monsanto, and slightly less in companies like Archer Daniels Midland, Bunge, and AGCO Corporation, the commitment to farmland infrastructure investment is clear. TIAA-CREF also holds nearly a million shares in Blackstone Group, a private equity firm that acquired Nuziveedu Seeds in 2009, India's largest hybrid seed company and producer of genetically-engineered Bt cotton seeds. Blackstone has also been actively involved in consolidating fish processing and packaging companies, most notably through its acquisition of Pinnacle Foods Group in 2007. Among securities and investment groups, Blackstone Group ranks ninth in its campaign contributions from 2011 to 2012. Donating just under \$1.5 million, Blackstone was just barely eclipsed by the eighth biggest contributor, Morgan Stanley. They are also the fourth largest lobbying client in the 2011 to 2012 cycle, spending \$1.25 million.¹² With such vast stakes in the political arena, it's clear that TIAA-CREF, including its subsidiaries, and the companies it invests in, has far-reaching political influence.

FARMLAND MONITOR

Using its new Farmland Monitor, NFFC hopes to build transparency and better document the opaque practice of land grabbing using local knowledge to collect and document land grab information.

If you have information about a recent land grab, or a proposed purchase of farmland by an outside investor, please consider submitting information through one of the following channels:

- **Online at:**
<http://placestories.com/project/8465>
- **Call** us with your information at:
(202) 543 – 5675
- **Fax** any relevant information, newspaper clippings, or documents:
(202) 543 – 0978
- **Email** any relevant information, newspaper clippings, or documents:
ariana@nffc.net
- **Mail** information and documents to:
110 Maryland Ave, NE, Ste. 307
Washington, D.C. 20002

¹² Center for Responsive Politics. "Securities and Investments." Updated June 21, 2012
<<http://www.opensecrets.org/industries/indus.php?ind=F07>>

