The financialisation of South African grain cooperatives.
What room for the agrarian capital?

Antoine Ducastel & Ward Anseeuw
Agrarian capital and finance capital

- South African white commercial farmers as agrarian capital (Bernstein, 2013).

- Direct involvement of the financial industry in the South African agricultural sector - i.e. farms, agribusiness firms, banks.

- Reconfiguration of the accumulation process and the social relations underlying it in the South African agricultural sector.
The grain cooperatives: a key institution for the SA agrarian capital

• The grain cooperatives during the Apartheid:
  ▪ Intermediaries between government and white commercial farmers (i.e. loans, commodities Board)
  ▪ Public subsidies to build agricultural infrastructure (i.e. silos)
  ▪ Geographical monopoly
  ▪ Cooperatives’ structures ensured farmers’ control

• The conversion process in the 1990’s:
  ▪ From coops to public companies
  ▪ From members to shareholders

• Safeguard of their dominant position in the production chain (Bernstein, 2013; Greenberg, 2009)
1 problematic:
• How does the finance capital shake the balance of power within the South African former grain cooperatives, and beyond, in the agricultural sector?

2 closely related issues:
• The concrete implementation of the financialisation devices and mechanisms in these firms
• The various paths of financialisation and the uneven resistance capacities from one firm to another

2 case studies analysed in a historical perspective:
• Afgri and Zeder
1. The financialisation of Afgri

• Former Oos Transvaal Kooperasie
• First and only former agricultural coop listed on the JSE (1996)

• Financialisation of the company in two different steps:
  – Financial rationalization (2000-2014)
  – Private equity takeover (2014-...)

A. The financial rationalization of Agri (2000-2014)

• Transformation of the firm’s strategy, management and governance:
  • Substitution of executive and non-executive directors on Afgri board
  • Sale of the debtors’ book
  • Reduction of company’s staff
  • Sale of « non-core business » (e.g. milling division)
  • Geographical expansion –mainly in SA-
  • Implementation of the « Economic value added » framework and metrics

• Evolution of the firm’s control and ownership:
  • Marginalization of farmers as shareholders and Board directors
  • Ownership of institutional shareholders (i.e. pension funds, insurance companies, etc.)
  • Emergence and empowerment of a professional management team
B. The private equity takeover (2014)

• The pool of investors (Mauritius):
  – Fairfax Financial Holding (Canada) and others North-American investors (60%) - Agrigroupe
  – The South African Government Employee Pension Fund (15%)
  – The Bafepi Agri Trust: Black Economic Empowerment Trust (20%)
  – The Afgri management team (5%)

• The battle for Afgri’s asset:
  – Resistance from black emerging farmers (African Farmers Association of South Africa, AFASA)
  – Divisions in the SA government

• Afgri as an investment company? ‘Off-shorisation’ and African expansion
C. The two waves of Afgri’s financialisation

• Promotion of private equity as a privileged takeover mechanism

• From a financial restructuration according to the shareholders principles to the conquest of ‘frontier markets’

• Changes in the investors’ profiles:
  • Involvement of foreign investors (new appetite for the agricultural sector and Africa)
  • A Black Economic Empowerment Trust
  • The SA government
2. Zeder and the « financialisation in reverse »

➢ Zeder’s strategy

“The complete transformation of co-operatives to profitable public companies with good management, sweating the rich assets and shares that are freely tradable, reflecting a share price that is closer to fair value” (Zeder, 2008)

— Non-controlling strategic stakes

— Unbundling of the former coops

— Financial rationalization: governance (i.e. Board comitee) and share trading
Resistance from agrarian capital

- Agrarian capital instruments against finance capital:
  - Share trading restrictions (i.e. OTC platforms)
  - Farmers controlling blocks

- Tension between two types of shareholders: shareholder-customer and shareholder-investor

- « Financialisation in reverse » (Burch & Larwence, 2009) and profesionalisation of the management
Conclusion

• Professional managers play a key role in the financialisation of these agribusiness firms on behalf of either the financial capital or the agrarian capital.

• Marginalization of the (smaller) white commercial farmers in the control and ownership of the former coops; role of these farmers for the expansion into Africa.

• Invisibilisation of black farmers; promotion of a black urban elite -redistribution from above-

• Development and empowerment policies through financial mechanisms: private equity promoted as a political instrument.
Thank you

Antoine Ducastel
antoine.ducastel@cirad.fr