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

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Agrarian capital and finance capital

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

- Direct involvment 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 privilegied takeover mechanism

- From a financial restructuration according to the shareholders principles to the conquest of 'frontier markets'

- Changes in the investors' profiles:
  - Involvment 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 iether of 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

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