

# Transnational corporations and land speculation in Brazil



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# Executive Summary

The 2008 economic crisis altered the profile of agribusiness in Brazil and attracted foreign corporations from different sectors – not just agricultural, but also financial – to the country. This fueled a process of mergers and acquisitions. One of the main players in this process is TIAACREF. This US-based pension fund manages TIAA-CREF Global Agriculture, one of the largest corporations on the international land market.

The northeast region of Brazil known as MATOPIBA<sup>1</sup> is one of the areas being targeted for speculation in farmland and the expansion of agribusiness. The surge in land prices has made it an area of particular interest to land speculators who acquire the land at low prices through a process where farms are established on public lands of common use<sup>2</sup>, often through an illegal practice known as *grilagem*<sup>3</sup>. The process is causing deforestation of much of the native *Cerrado* biome, which is the richest savannah in the world in terms of biodiversity and size.

*Radar Propriedades Agrícolas*, a joint venture between Cosan S/A and the Teachers Insurance and Annuity Association of America - College Retirement Equities Fund

(TIAA-CREF), owns land in the region. Radar is one of a number of companies that were established by Brazil-based commodity producers between 2008-2009 to operate on the Brazilian land market. Another is SLC Land Co., which was founded in 2012 as a subsidiary of the publicly traded commodity producer SLC Agrícola S/A.

Radar acknowledges that it bought land in the MATOPIBA area from the owner of the Brazilian company CODECA (Colonizadora De Carli company) in the south of the states of Maranhão and Piauí. Part of this land was deforested and leased out for soybean production. The State of Piauí Agrarian Court has initiated proceedings that could result in the cancellation of the deeds for the majority of the area surrounding Radar's Piauí farms due to suspicion of *grilagem*. During the court proceedings on the cancellation of the deeds to over 124,000 hectares of land in the area around these farms, Judge Heliomar Rios Ferreira summoned the owner of CODECA, who has been accused of *grilagem*.

In September 2016, Cosan announced the sale of the majority of its stake (the equivalent of hundreds of



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thousands of hectares of land) in Radar to Mansilla Participações, TIAA-CREF's subsidiary in Brazil and Radar's business partner. Cosan is said to have sold the land for R\$1.06 billion and retained only 3% of Radar's shares. The remaining 97% went to TIAA-CREF via Mansilla Participações. This deal appears to confirm, as the results of our research suggest, the potentially speculative nature of these companies' business. Cosan acquired land as financial assets through Radar, waited for the price to increase, and then sold the land.

At the time when it sold this land, Radar owned more than 550 farms in the states of São Paulo, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Maranhão, Tocantins, Piauí, and Bahia. Its land portfolio is assessed at over R\$2.7 billion.

TIAA-CREF's acquisition of the majority stake in Radar took place in spite of the limits that Brazilian laws impose on foreign land ownership (a maximum of 25% of a given municipality can be owned by different foreigners, and 10% by the same foreign person or entity). Since Cosan continues to manage Radar while TIAA appears only as an investor, the companies claim that the land is not owned by foreigners.

TIAA-CREF Asset Management owns close to US\$1 trillion in assets. It has set up two financial vehicles to channel investments into farming activities and farmland, with assets held in Australia, Brazil, Chile, and the US: TIAA-CREF Global Agriculture I and II (TIAA GLOBAL ASSET MANAGEMENT, 2016a and b). Both receive funds from other public and private pension funds, such as Sweden's AP2; the Caisse de Dépôts et Placement du Québec and the

British Columbia Investment Management Corporation (bcIMC) from Canada; Stichting Pensioenfonds ABP from the Netherlands; the German Ärzteversorgung Westfalen-Lippe; the National Pension Service of Korea; the Cummins UK Pension Plan Trustee Ltd., the Environment Agency Pension Fund and Greater Manchester Pension Fund from the UK; and the New Mexico State Investment Council from the US.

Our research established a close relation between the farms of Radar and those of SLC Agrícola/ LandCo in the MATOPIBA region. SLC Agrícola leases part of Radar's land for soybean production and it is possible that Radar acquired one of its farms, Catuaí Norte, from SLC Agrícola. When these corporations trade land among themselves, it keeps the market buoyant.

The case of SLC Agrícola/SLC LandCo is similar to the market trends we observed for Brazilian soybean since prices began to fall on the international market. Average yields declined (from 3.3 kg/ha in the 2010-2011 harvest year to 2.6 kg/ha in 2015-2016), as the devaluation of the Brazilian real against the dollar pushed production costs up. There was, however, an increase in production and in the area used to grow soybean (from approximately 118,000 hectares in the 2010-2011 harvest year to 212,000 hectares in the 2015-2016 year). This expansion was an attempt to compensate for a decline in international prices.

This financialized expansion of monocropping in the MATOPIBA region is leading to the expropriation of indigenous people, *quilombola* (rural Afro-Brazilian) communities and peasants' land. The region's flat plateaus

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make mechanization and the use of center pivot irrigation systems easier. Even though peasant communities were using these lands collectively, the official discourse maintains that they are vacant. The plateaus, however, are of fundamental importance to the local population, who use them to collect fruit and medicinal plants, hunt, and let their cattle graze freely. Agribusiness's occupation (mostly illegal) of the plateaus and its use of private security forces to keep people out, make it impossible for local communities to continue to use them.

Many communities that live in the lowlands no longer have enough land to survive, as the common usage of the plateaus was fundamental to them. Many members of these communities have been forced to enter the labor market as traveling workers or migrants in degrading conditions, such as in the sugarcane industry in the center-south region of Brazil.

The destruction of the Cerrado from the expansion of agribusiness has altered the rainfall patterns in the region, which now suffers from drought. Many rivers have dried up, as their sources were destroyed by soybean plantations that deplete the water and pollute the groundwater, thus affecting the water supply in the lowlands as well. Rural communities living in the lowlands depend on this water for human consumption, fishing, and food production. Without the rivers and the wetlands, it is impossible to survive in the lowlands.

The use of agrochemicals also causes serious impacts. Aerial spraying is often used, which pollutes rivers and the water table, kills fish and the rural communities' crops, contaminates food, and raises the incidence of

diseases such as cancer. The use of chemical inputs creates an environmental imbalance and increases the number of pests affecting the crops of the communities living nearby, undermining their food production. Moreover, the deforestation of the Cerrado's plateaus pushes the local fauna out of the area, eliminating the possibility of hunting to obtain food.

The land of indigenous, quilombola and peasant communities continue to be the target of *grilagem* and expropriation. Companies are now even beginning to appropriate lands in the lowlands, where rural populations live. This is generating further migration of local people to the outskirts of cities, where many now live in *favelas*.

## Endnotes

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- 1 MATOPIBA is the acronym for the Brazilian states of Maranhão (MA), Tocantins (TO), Piauí (PI), and Bahia (BA). It was coined in media reports and government projects. In academic works, however, the term BAMAPITO is more commonly used, as this refers to the historical process through which soybean was introduced to the plateaus of the *Cerrado* biome in the states discussed in this text. It should be noted that the state of Tocantins belongs to the northern region of Brazil.
- 2 “*Terras devolutas*” are parcels of public land that are often used by small farmers who do not have the title to the land. As they have used the land for years, they acquire the right to own and use it by occupation (usucapion). The official term “*terras devolutas*” or “vacant land” gives the erroneous idea that the land is unused and/or unoccupied. In this article, we will use the term “public land of common use”.
- 3 “*Grilagem*” is an illegal form of land appropriation in Brazil that has existed for many years. Considered a crime under Brazilian legislation, “*grilagem*” consists of fencing off large plots of public land and legalizing ownership by falsifying land titles. The term comes from the practice of storing counterfeit documents in boxes with crickets (“*grilos*”). The insects make the falsified documents look old so that they appear to be legitimate. Normally, this strategy involves state representatives, such as notary offices and judges, who are responsible, respectively, for registering and legalizing ownership of a given plot of land in Brazil. The public land illegally appropriated by “*grileiros*” has often been used over decades by peasant, indigenous, and quilombola communities for their livelihoods and subsistence.