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THE FINANCIALISATION OF FOOD, LAND, AND NATURE

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The Financialisation of Farmland in Ukraine¹

1. Introduction

Worldwide, the interest in land and agriculture has been on the rise in recent years. In this context, the control over land can be conceptualised as a strategy to deal with the multiple crisis. The issue shot to the fore when the NGO GRAIN (2008) coined the term ‘land grabbing’, which was originally associated with the idea to secure land for the provision of food and energy. However, there are also other drivers behind the new ‘land rush’, including tourism, resource-based industries or efforts for climate protection (e.g. on the establishment of nature conservation areas such as ‘green grabbing’, see Fairhead et al. 2012). Eventually, with the beginning of the financial crisis in 2007/08, various actors of the financial sector increasingly targeted land and the agricultural sector in order to secure profits (Zeller 2010; Kaltenbrunner/Newman 2011; Plank/Plank 2013).

This financialisation of nature has been discussed and acknowledged as an important factor in the current land grabbing debate. Yet, up to now there exist few contributions that deal with the topic in-depth. International institutions such as the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organisation of the United Nations (FAO) are approaching the topic, primarily by surveying the rise of private financial sector actors in farmland and agriculture more generally (McNellis 2009; OECD 2010). Often, financialisation is tackled as an issue in the course of speculation that provoked the food crisis (McMichael 2012). In addition, there is valuable research carried out on specific financial market actors. For instance, GRAIN (2011) produced a report on the role of pension funds in the global land grab, while Bergdolt and Mittal (2012) examined the practices of US private equity funds.

The same segment is addressed by Daniel (2012), who analyses the role of private equity in the African context, where land grabs are undertaken to the greatest extent. He sketches the opacity of private equity deals and scrutinises their contribution as regards the development of agriculture.

In this paper, we add to this literature by analysing the increasing financialisation of farmland in Ukraine. Since it is difficult to catch up with the latest developments in this country, our analysis is based on data before protests on the Maidan started in late 2013. Being a traditional agrarian country, Ukraine was known as the breadbasket for the former Soviet Union. It comprises 32 million hectares of farmland, which is about the equivalent of one third of the European Union's agricultural land. Furthermore, the country possesses about one third of the world's fertile Chernozem, the Black Earth. The main crops that are grown include wheat, barley, maize, sunflower and sugar beet, but also soybeans and rapeseed. To a great extent they are produced for export, where they are further processed into food and fuel. Although international organisations willingly refer to the country's potential and its "unused land" (FAO/EBRD 2008), this term is very contested and needs to be treated with caution. Certainly, agricultural production, and with it the use of farmland, declined in the 1990s due to the collapse of the Soviet Union. However, this changed with the 2000s and since the advent of the global financial crisis the interest in Ukrainian land and agriculture has been clearly on the rise (Schaffartzik et al. 2014).

There is limited but important literature on land grabbing in the former Soviet Union countries, which, however, does not explicitly consider the role of financialisation in this process. On the one hand, Mamonova (2013) provides a perspective from the ground. She argues that the situation and thus the approach of Ukrainian farmers is different from many cases in the Global South because of the Soviet past of the country. According to her fieldwork in two districts in the Khmel'nitsk and Kyiv region, Ukrainian peasants do not openly resist the land grab but deploy different strategies when dealing with land grabbing, depending on the type of inclusion or exclusion they encounter when dealing with agroholdings. A large percentage of peasants tries to occupy a market niche or to seek employment at the large-scale units. This is primarily a survival strategy, driven by the wish to secure personal material benefits; socio-ecological considera-

tions for the community are only secondary concerns. As a consequence, no grass root organisation exists that fights land grabbing, and those farmers who oppose it are the minority. A different view is taken in Visser's and Spoor's (2011) first article on land grabbing in selected former Soviet Union countries, which provides an overview of different land grabs and embeds them in the relevant socio-economic context. In a subsequent contribution, they describe the land grabs undertaken by Russian oligarchs and foreign investors, focussing on agroholdings and their strategies (Visser et al. 2012). Some processes in Russia are quite similar to those in Ukraine, but a main difference is that the land market is already officially established in Russia, while in Ukraine this remains a major issue of contention. More importantly, they don't explicitly tackle the financialisation issue. They apply Borras et al.'s (2012, cited in Visser et al. 2012: 900f) definition of land grabbing, which interprets it as "the large-scale acquisition of land or land-related rights and resources by a corporate, non-profit or public buyer for the purposes of resource extraction geared towards external consumers (whether external simply means off-site or foreign)." Furthermore, they underline the following claim: "Extraction and alienation are essential to this definition *rather than the type of capital invested*, the intended market or the act of commodification or privatisation of land per se" (Visser et al. 2012: 901, our emphasis).

In contrast, we argue that it is important to explicitly consider the different capital factions and power relations in the land grabbing process in order to be able to understand the newest development in the agri-business complex in Ukraine and how this impacts the country's development. In addition to global finance's interest in Ukrainian farmland, the Ukrainian oligarchs deserve explicit consideration. They represent the dominant actors in the Ukrainian economy as well as in the state, and use this position to expand their businesses into agriculture and the control of land. The main vehicle used to ensure their tightening grip on these sectors is through agroholdings. These corporate structures, often in the form of listed companies, are mostly based on domestic capital resources from Ukrainian oligarchs and target external financial capital from international financial investors. To unpack these intertwined relations we combine the literature on financialisation with a critical state theory perspective.

The paper is structured as follows: Section two sketches some important points from the theoretical discussion of financialisation, and the financialisation of nature debate in particular. A critical state theory view is added to the framework in order to conceptualise the power relations in Ukrainian society and the internationalisation of the Ukrainian economy and the state. In section three we briefly examine some of the political-economic background of the country, focussing in particular on the oligarchic structures. This provides the necessary understanding for the examination of the latest developments concerning land and agriculture: namely, the rise of the agroholdings. We highlight their financial and ownership structure and the intimate involvement of their owners in politics. The last section summarises and illustrates some consequences of financialisation.

2. Theoretical considerations

2.1 The financialisation of nature and land

Over the last 30 years the financial sector has become ever more prevalent and powerful. Given the liberalisation and deregulation of the financial markets, which was initiated with the breakdown of the Bretton Woods system and the neoliberal turn in the 1980s, global finance gained considerably ground (Huffs Schmid 2002). This rise of financial markets, and the implications of this rise for the economy and society at large, was examined from different perspectives under the common denominator of ‘financialisation’ (see for recent literature reviews Van der Zwan 2014; Heires/Nölke 2014). With the food crisis in 2007/08 the interconnection of financial speculation and food prices became very obvious (Wahl 2009) and this in turn fuelled the debate on the financialisation of nature.

There are various definitions of the term ‘financialisation’. The most commonly cited one highlights it as a new period of capitalist development marked by “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies” (Epstein 2005: 3). Heires and Nölke examine different definitions and find a common point in them, which they characterise as “a shift of the significance of income of production and wage labour to income of financial transactions” (Heires/Nölke 2011: 39, our

translation). Moreover, financialisation forms a broad concept because it also takes into account how daily life is connected to it, for example via pension funds or mortgages (Montgomerie 2006, cited in Heires/Nölke 2011: 40). Nevertheless, we will concentrate in the following on the production and not on the consumption side.

The increasing dominance of the financial sector over the real economy is most obvious in the increased presence of the financial sector in the economy and the associated relative decline of the non-financial sector. Furthermore, within the non-financial sector, firms are increasingly relying on financial income (e.g. earned interest, dividends, capital gains) rather than income from productive activities (ibid.: 42). Therefore, financialisation does not only influence how financial markets are structured but has also a major impact on companies in the non-financial economy which are increasingly dependent on them (Lazonick/O'Sullivan 2000; Tricarico/Löschmann 2012: 186). Furthermore, this goes hand in hand with the support of the interests of the financial industry by means of a change of state economic policies (Heires/Nölke 2011: 39).

This process is often being portrayed as one where the financial sector actors and their business models are increasingly detached from the non-financial sector of the economy. However, there exists a strong link between the financial and the real economy, as highlighted by Tricarico (2012) in the context of commodities and natural resources. "Financial deregulation in particular has transformed soft commodities into financial assets. Holding (for example) a tonne [sic] of corn had never, until as recently as the beginning of the past decade, been able to produce a revenue stream or rent. This is now possible through financial engineering. This is not just paper money or speculation on virtual markets. Financial markets are penetrating deeper and deeper into the real economy as a response to the financial crisis, so that speculative capital is being structurally intertwined with productive capital, in this case commodities and natural resources" (Tricarico 2012).

Thus, the control of infrastructure and storage is crucial in order to ensure that those involved benefit from high financial returns of the financial products. For instance, the ABCD traders (Archer Daniels Midland, Bunge, Cargill, Louis Dreyfus) earn more income from their financial transactions than through the actual production of physical goods. Also, investment banks and funds influence the production and storage of oil

via their shares in energy companies (Tricarico/Löschmann 2012). The most recent and striking example was Goldman Sachs' involvement in the aluminium sector, where its key role in infrastructure and warehouses allowed it to manipulate aluminium prices (Kocieniewski 2013).

Fairbairn (2014) also underlines the link between the financial and the real economy in her analysis of farmland. She argues “that the current wave of farmland investment combines a renewed interest in productive, real assets with an underlying adherence to the logic of financialisation” (ibid: 3). Fairbairn identifies two set of actors behind this process. The first are financial market actors that treat land as an asset class among many others. The second type of actors are agricultural enterprises that increasingly embrace a financialised business logic. While the latter are conventionally associated with a productive use of land as an input into agriculture production and related revenue streams, the former are, she claims, primarily motivated by the expectation of rising (land) asset prices. However, Fairbairn argues that many projects behind the recent boom in farmland can be qualified both as productive and speculative at the same time. The creation of property rights as a prerequisite for future financialisation is not Fairbairn's main focus. Yet, this process has to be taken into account in order to analyse Ukraine's agribusiness, especially given the current contested land market reform in Ukraine.

The crucial role of property rights as a precondition for the realisation of rents, e.g. through privatisation, is highlighted by Zeller (2010). He argues that areas which have not been part of the capitalist mode of production hitherto, have been unlocked in order to deal with the crisis of overaccumulation, and that financial products play an increasingly important role in realising rents. The state has to enforce those property rights, and in this regard the control over territory is crucial in the context of natural resources. He draws on Marx's idea of primitive accumulation as well as Harvey's concept of accumulation by dispossession. Both concepts are helpful in understanding the current privatisation processes of land in Ukraine, as dispossession can occur in a violent way but also through the market (Fairhead et al. 2012). While Zeller (2010) refers to the issue of capital, the underlying balances of forces remain theoretically unclear. Kaltenbrunner and Newman (2011) also mention the importance of the state in the financialisation of natural resources but they, also, do not offer

an explicit theoretical understanding of it. This is why it is necessary to employ a critical state theory approach.

To sum up, the financialisation of farmland can be considered as part of the enclosure processes, which are enforced via accumulation by dispossession. The financialisation of farmland is highly dependent on the real economy, particularly on the agricultural sector, and on the underlying ownership structures, both of which are shaped by state-economy relations. In order to conceptually unpack the latter, we provide a critical state analysis of the financialisation of farmland in Ukraine, drawing on a neo-Poulantzian perspective when analysing the dominant power structures in Ukrainian society: the Oligarchs.

2.2 Understanding oligarchic structures

The term ‘oligarchy’ is widespread in research on post-Soviet countries. Generally speaking, oligarchs are getting involved in politics via rent seeking. “Oligarchs are representatives of big business who are able to influence the politics of a country for their own benefit owing to their assets” (Matuszak 2012: 9).

In the mainstream reading this “enduring influence on ruling politicians” (Pleines 2010: 127, our translation) of the oligarchs is exerted through corruption practices or legally when they become active in political parties (Pleines 2005: 145-147). Moreover, it is argued that foreign investments would be crucial in overcoming this system, since they are supposed to provide additional capital and new technology to modernise the economy in Ukraine. Although Pleines’ work is empirically extremely rich, in theoretical terms he also follows the ‘transition perspective’ of bringing democracy and market economy to the countries of Central and Eastern Europe. Moreover, he considers international forces, e.g. the World Bank, in his analysis of the coal lobby, but does not critically examine their role (ibid.).

Therefore, we introduce a neo-Poulantzian perspective on oligarchs that enables us to analyse on the one hand the relation between the Ukrainian economy and politics and on the other the internationalisation of the Ukrainian economy and the state (see also Ataç et al. 2008 and contributions therein for analyses of peripheral states). The theoretical understanding above is based on the assumption that there exists a separation between politics and the economy that is undermined by the oligarchic

structures. However, in a Poulantzian understanding, the economy and the state constitute neither completely separated nor identical spheres; rather, there exists a relative autonomy between them. Although Poulantzas developed this concept in a Western European context and relative autonomy is very limited in the Ukrainian context, this basic idea – that the state and the economy are interconnected – permits us to analyse state-market relations instead of merely depicting them as corrupt. Mykhnenko and Swain also share this point of view when analysing Ukraine’s regional development: “Not least, it [their analysis] emphasizes that economic development is always embedded in forms of state power, implying that state–economy relations are inexorably legitimate” (Mykhnenko/Swain 2010: 146).

Poulantzas defines the state as a social relation. When following this understanding, the state is defined neither as a subject representing the common interest or the general will, nor as a thing – being the instrument of the ruling class (Poulantzas 1976: 81f). Hence, according to him “*it is rather a relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions, such as this is expressed within the State in a necessarily specific form*” (1978: 128f, italics in original).

In our study, the focus is on the dominant class, the oligarchs. Yurchenko (2012) considers them as an emerging capitalist class within the process of the transnationalisation of the Ukrainian state. Thus for her – and for our analysis – it is of particular importance that there exist different class fractions within the ruling class which try to enforce their interests. However, we stick to Poulantzas’ term of internal bourgeoisie to underline that the oligarchs have a strong material base in the country but are increasingly interwoven with foreign capital. As a consequence, we can analyse the nexus of internal/external capital within them.

3. The political-economic development in Ukraine

A brief overview of the political-economic situation in Ukraine since the 1990s, with a focus on the role of oligarchs (we appropriate the term and use it from now on in a neo-Poulantzian way), provides the background for the analysis of the on-going financialisation of farmland. As already mentioned above, in order to understand Ukraine, one has to look into

the oligarchic system, a necessity which is stressed by Matuszak (2012) in his comprehensive study of the Ukrainian Oligarchs. “Although a similar phenomenon has also developed in other former Soviet republics, first of all in Russia, big business at present does not have such a strong influence on politics in any other Eastern European country as it does in Ukraine” (Matuszak 2012: 9).

The oligarchic system constituted itself after the dissolution of the Soviet Union and derived from the non-transparent and violent upheaval – some of the future oligarchs were already part of the *Nomenklatura* – in the 1990s. It became stabilised and institutionalised with Leonid Kuchma becoming president in 1994. Oligarchic clans formed themselves according to regions and economic sectors, with the east of the country being particularly important, given its strong industrial base. Three of them, the Donetsk, Dnipropetrovsk and Kyiv clans, proved to be the most important and stable ones over the years. However, nowadays only the Donetsk clan and a new one called ‘the family’, which emerged as a close circle of confidants around the former president Yanukovych, are key players. Hence, besides spatial proximity, personal ties – like growing up together, being the son-in-law or godfather – were and still are crucial for the formation of the oligarchic clans (Matuszak 2012). The most important and profitable sectors, including metallurgy, gas and oil, and parts of the machine building and the food industry, were divided among the oligarchs by means of privatisation, paying credits, or subsidised goods, and constitute their traditional sectors (Pleines 2010: 124f).

Under Kuchma, those insider deals resembled a barter business. The oligarchs influenced the media and provided party funding, and got privileges for their companies from the state in return. In the late 1990s the oligarchs started founding their own parties, which supported Kuchma in the parliament. This gave them immunity and additional influence in politics (ibid.: 130f). With the Orange Revolution in 2004, also sometimes described as a “revolt of the millionaires against the billionaires”, a kind of “oligarchic democracy” got established (Matuszak 2012: 23). However, the oligarchs continued to consider politics as an investment in their business and supported the different parties according to their needs.

From a different point of view, and drawing on regulation theory, Ukraine, with the Orange Revolution, shifts from a national capitalism

to financialisation and a weak competition state where foreign capital becomes increasingly imported (Mykhnenko/Swain 2010). With the breakdown of the Soviet Union, Ukraine's overall economic development declined during the 1990s. Growth only re-started in 1999 and remained strong until the beginning of the crisis in 2008/09 (OECD 2012). Under Kuchma the production, and in particular the export, of steel increased significantly, whereas with Yushchenko the service sector in the bigger towns and tourist places flourished, a development which was based on foreign capital (Mykhnenko/Swain 2010). This change to foreign capital can clearly be noted when looking at the banking sector, which exhibits a high share of foreign penetration. What is worth noting here is the limited involvement of oligarchs (Matuszak 2012: 46-50). "Out of the ten largest banks, which control in total 54.2% of the assets in the banking sector, only two – Privat and the First Ukrainian International Bank (FUIB) – are owned by oligarchs" (Matuszak 2012: 46).

Interestingly, Matuszak also emphasises that oligarchs do not yet dominate agriculture as they do other key Ukrainian economic sectors. Yet, he underlines the attractiveness of the sector for the future. "Agriculture is the last highly attractive section of the Ukrainian economy where the influence of the most powerful oligarchs is still relatively limited. Considering the quality of Ukrainian soil and the country's climate, agriculture may potentially become one of the key branches of the economy" (Matuszak 2012: 61).

4. Financialised land grabbing in the breadbasket

4.1 Creating a market for farmland in Ukraine

The creation of a farmland market in Ukraine is a very contested process, and the market is not fully established yet. In general, it can be noted that it is always those parties who are in the government that push for the full establishment of the land market, since they hope to benefit directly from the subsequent privatisation. Although in the 1990s property rights were given to the people who were working on the collective and state farms (on average four hectares per person for roughly seven million workers), a moratorium prohibits the sale and purchase of farmland until

January 2016 (on collective farms as a major element of Soviet agriculture see Bilynsky et al. 1984). However, leasing contracts, which are usually concluded for a period of four to 10 years (up to a maximum of 49 years), have become widespread in order to circumvent this ban (Plank 2013). The most recent draft law concerning the establishment of the land market foresees that there will be a limited ownership of up to 100 hectares (otherwise permission from the State Land Agency is needed) and that foreigners will not be allowed to buy land (Khmarksaya 2013). Nevertheless, this limitation of 100 hectares is very likely to change before the adaptation of the law.

Hence, to date the actual landowners are the Ukrainian rural population. They only own small plots of land, which they often cannot work by themselves, owing to a lack of financial and technical resources. Thus, in the current situation the remaining option is to lease the land to agrohholdings, which often compensate them in kind. As a consequence, there is a de facto land concentration going on that might lead to a widespread accumulation by dispossession in the long run. Through agrohholdings, oligarchs and foreign investors are getting involved in agriculture and land tenure (Plank 2013). In this way, they aim to secure their future land rights. In fact, it is already reported that small-scale land owners had to lease their land to bigger units and that agrohholdings are securing pre-emption rights on land (Khmarksaya 2013; Sarna 2014). The Ukrainian population is aware of these collusive privatisation processes, processes which cannot be separated from the country's privatisation history. A recent survey carried out to capture the public opinion on land policy and land reform in Ukraine highlights the fact that 40% oppose the introduction of a free land market; the prime reason given is the fear that oligarchs and 'their' members of parliament will buy up the land (Mischenko 2012: 12f).

4.2 The rise of agrohholdings ...

Agrohholdings have been on the rise in Ukraine since the mid-2000s (Deininger et al. 2013). Their appearance was facilitated by the retreat of the state from the process of shaping agricultural entities. An agrohholding is usually a joint-stock company, which manages different companies under one umbrella. Many of these holdings are formally registered in tax havens such as Cyprus, Luxembourg or the British Virgin Islands (see table 1). Agrohholdings are horizontally integrated and many aim for control

of the whole agricultural value chain. Moreover, they are primarily oriented towards export markets (Demyanenko 2008).

Most agroholdings produce crops which go primarily into export, and some of them also produce livestock, chicken, egg farms and milk, sugar or sunflower oil. The businessmen heading those companies thus resemble “agrarian kings” (Gamaliy et al. 2013, our translation, see table 1), as – in addition to their increasing grip on farmland – they are also leading agricultural producers. In 2012, the ten biggest agroholdings include almost three, and the 50 biggest over five, million hectares of land (Latifundist 2012). This represents almost one tenth and one sixth, respectively, of Ukraine’s farmland. Demyanenko describes how detached the agribusiness is from the livelihood of the rural population. “As a rule, agriholdings are purely business projects, whose main goals are capital increase of their founders. Support and development of rural infrastructure is not the function of agroholdings. The founders of agriholdings live in different places, and neither they, nor their family members, use rural infrastructure” (Demyanenko 2008: 7).

During the last years an increased engagement of oligarchs like Rinat Akhmetov, Vadim Novinsky, Sergey Taruta or Igor Kolomoysky in the agricultural sector was noticeable (Gamaliy et al. 2013). For them, agribusiness represents a new source for profits, as well as a diversification of their business activities. Also, when looking at the candidates for the last elections of the Verchovna Rada, the Ukrainian parliament, in October 2012 there is a quite substantial proportion of them which represents agribusiness. The most important ones belonged to the Party of Regions (Kovalshuk 2012, see table 1).

HarvEast, so far number eight in the ranking with 220,000 hectares, belongs to the richest and most influential oligarch in Ukraine, Rinat Akhmetov, and his friend Vadim Novinsky. Both represent the Donetsk clan. Akhmetov owns large parts of the country’s metallurgy, energy and media businesses through his holding System Capital Management. Moreover, he was a deputy in the Verchovna Rada for the Party of the Regions from 2006 until 2010 (Matuszak 2012). However, there are also new people who became oligarchs thanks to their agriculture activities. The most prominent one is Oleg Bakhmatyuk, who owns Ukrlandfarming, the largest agroholding in the country. He is credited as a friend of ‘the family’

(Kommersant-Ukraina 2013) and one of the very few who managed to join the ranks of oligarchs recently (Matuszak 2012). Since 2008, Bakhmatyuk has accumulated land by acquiring existing holdings such as Dakor and Rise. This is a popular strategy since it is easier than getting thousands of leasing contracts signed by the actual landowners (Ukrlandfarming n/y). One of the consequences is that sometimes the landowners don't know who actually works their land. Furthermore, he is the owner of Avangard, the biggest farm for eggs and egg products in Eurasia (Avangard n/y).

More generally, concentration among agroholdings has increased. This concerned several foreign holdings: the British Landkom was taken over by the Swedish Alpcot Agro (Agrokultura 2012), and the French Agrogenation by the US company Harmelia (Agrogenation 2012). In 2013 Kernel Group bought 80% of Drushba-Nova and is therefore now the second largest agroholding, controlling 440,000 hectares (APK-Inform 2013). While these cases represent 'friendly' takeovers, there are also open conflicts between the different owners of agroholdings. These hostile takeovers showed an overall increase in all business sectors when Yanukovych became president in 2010. Matuszak describes them as follows: "This [a raider takeover] means the illegal takeover of all or part of assets, usually on the basis of forged documents backed with a bought decision, not infrequently accompanied by threat or the use of force" (Matuszak 2012: 24).

A prominent agribusiness example is Nibulon (with 79,000 hectares, number 24 in the ranking of the 100 biggest landowners in Ukraine), owned by Oleksiy Vadatursky and his son. A widespread story tells that his son was put into prison and only released when Vadatursky, known to be opposed to the Yanukovych government, gave away 50% of his shares to Yuriy Ivanyushchenko, a friend of Yanukovych, who is part of 'the family' (Kovalshuk 2012; Musaeva 2012). Therefore, Nibulon's stock market launch can be interpreted as a defence of its independence. Nibulon is especially important, since the holding also represents one of the biggest traders in Ukraine, and the company has its own port (Nibulon n/y). However, small and medium agribusiness companies are also victims of raider attacks (Rettman 2011). These takeovers show that agribusiness is a much contested field, involving accumulation by dispossession through violence but also through the market.

4.3 ...as a reflection of increasing financialisation of farmland in Ukraine

Two specific dimensions of financialisation can be observed through the study of agroholdings, which shall be illustrated by looking at the 10 largest agroholdings (see table 1). Firstly, agroholdings become increasingly financialised themselves through raising capital at the stock exchanges and thereby subjecting themselves to the logics of global finance (UCAB 2011). Until now, the large majority of the owners of the holdings (about 80%) are Ukrainians (Latifundist 2012). However, by means of their listing on international stock exchanges, they are interwoven with foreign capital and can thus be regarded as internal bourgeoisie. Additionally, many agroholdings are supported through credits from international financial institutions. The European Bank for Reconstruction (EBRD) but also the International Finance Corporation (IFC) are the major providers of financial means for agribusiness (Plank 2013). Also, it is important to underline that agribusiness was the only sector after the crisis hit Ukraine that did not suffer from recession, which made it an even more attractive sector (UCAB 2011; Sarna 2014).

The second component of financialisation is reflected in the involvement of foreign financial actors that weren't previously active in agriculture. Typically, these financial market actors include pension funds or banks, which hold shares in agroholdings or specific agriculture funds. For instance, the Dutch Pension Fund for Care and Well-Being (one of the biggest Dutch pension funds, with about 130 billion Euro under management; PFZW 2012) – has placed 50-100 million Euro in the New York-based NCH Capital Inc. (GRAIN 2011). Today, NCH Capital, the second largest holding company, has 400,000 hectares under their management in Ukraine. They were already active in Russia and Eastern Europe from the beginning of the 1990s, but created a special agriculture and farmland fund. Another example is AP3, a state-owned pension fund that has invested in the Swedish agribusiness Alpcot-Agro since 2008. By the end of 2012 their portfolio had a value of about 230 million Swedish krona (ca. 26 Mio €). AP3 is one of four buffer funds that is expected to contribute to the Swedish pension system for the next 30 years – to cover the alleged deficit of the state pension system of the pay-as-you-go scheme (AP3 2012;

	Name	Size in Hectares	Owner	Oligarchic Clan / Party Affiliation
1	Ukrlandfarming	532,000	Oleg Bakhmatyuk	“Family”
2	NCH Capital	400,000	Georg Rohr, Moris Tabacinic	(US investment fund)
3	Kernel Group	330,000	Andrey Verevskiy	Party of Regions
4	Mriya Agroholding	295,000	Ivan Guta	Batkyvshina and Svoboda
5	Myronivsky Hliboproduct	280,000	Juriy Kosiuk	“apolitical”
6	Ukrainian Agrarian Investments	260,000	ONEXIM Group	(Russian investment fund)
7	Astarta-Kyiv	245,000	Victor Ivanchyk	“apolitical”
8	HarvEast	220,000	Rinat Akhmetov, Vadim Novinsky	Donetzk clan (Party of Regions)
9	Agroton	171,000	Juriy Zhuravlov	-
10	Sintal Agriculture	150,000	Mykola Tolmachev	-

Table 1: Top Ten Ukrainian Agroholdings in 2012

Sources: Gamaliy et al. 2013; Kovalshuk 2012; Latifundist 2012; Orbis 2013

	“Agrarian kings”	Registered	Stock Exchange	External Finance
	Leader in eggs and egg products (Avangardco)	Cyprus	-	Eurobonds (275 Mio USD via Irish Stock Exchange)
	-	US (main office in New York)	-	EBRD
	Leader in sunflower oil	Luxembourg	Warsaw	-
	Leader in potatoes	Cyprus	Frankfurt	Eurobonds; IFC, EBRD
	Leader in chicken	Luxembourg	London	IFC, EBRD
	-	Luxembourg/Kyiv	-	EBRD
	Leader in sugar and milk	Netherlands	Warsaw	IFC, EBRD
	Specialised in milk cattle	Cyprus	-	-
	Specialised in milk	Cyprus	Frankfurt	-
	-	Cyprus	Frankfurt (delisted Dec. 2012) – Vienna	-

GRAIN 2011). Alpcot-Agro, which is now called Agrokultura, currently disposes over 68,700 hectares in Ukraine (Agrokultura 2013). Furthermore, the Renaissance Group, an investment group, founded the Ukrainian Agrarian Investments, while SigmaBleyzer, an American investment fund, launched Harmelia in 2009 to get exposure to agriculture (Isakova 2012). In particular, the agroholdings that were founded by investment funds such as NCH Capital serve as an example of speculation and the control of land. This is shown by an interview that a former employee gave to the Forbes-Ukraine journal: “During the first years, nobody asked for efficiency – only to keep the speed of accumulation of land” (Isakova 2012, our translation).

The interest in land appreciation is described in a chat interview with George Rohr, the co-owner of NCH Capital: “In the next five to ten years, you simply won’t be able to make these investments at these valuations anymore because things will be ‘normal’ in that part of the world from that perspective” (AG Chat 2011: 5).

This intention of controlling the land but not being interested in working it can also be associated with the ONEXIM Group (2013), a Russian investment fund which is now the owner of Ukrainian Agrarian Investment, and which plans to sell the agroholding (Isakova 2013). Additionally, the difference between the land that the agroholdings have under control and the amount of hectares that is actually cultivated suggests that land is also kept for reasons of speculation (UBI 2012: 8-10).

5. Conclusion

In this article we have shown that the emerging agribusiness sector represents a contested field in Ukraine. By understanding the oligarchs as internal bourgeoisie, we pointed out that it is not sufficient to depict them as corrupt, but rather to analyse the state-economy relations within their internationalisation process and to consider the different capital fractions within them. Since the global financial and economic crisis in 2007/08, they have entered the agricultural sector as a new profitable field. Hence, in addition to the control of traditional economic sectors, land and agricultural production are targeted through agroholdings, with the support of foreign capital. Oligarchs use their close ties with politics to shape the land

market reform. In this sense, they do not only exclude the Ukrainian rural population through accumulation by dispossession, but also try to limit foreign actors' involvement.

We highlighted that the financialisation of farmland tends to consolidate the positions of oligarchs and promotes industrial agriculture. Different capital factions, which can be summarised in clans, compete for the control of these new accumulation opportunities, and agroholdings are the key mechanism in this process. Through agroholdings, oligarchs can raise additional capital at stock exchanges and international financial actors are getting access to this new 'asset class'. Financialisation of farmland is thus a way for agroholdings to have access to capital and for funds to broaden their portfolio, diversify their risks and increase their profits. To what extent this opening of the market to external capital might endanger the power of the oligarchs remains to be seen in the future.

Of general importance is the underlying expectation that farmland and agriculture are a profitable business opportunity, given long-term structural shifts in global demand, particularly from emerging economies. However, the control of land, storage facilities and infrastructure also indicates an interest in the control of the prices of those goods, prices which are again linked to the financial market. In addition, the fact that there is an on-going appreciation of farmland in Ukraine underlines that land is also, and sometimes predominantly, kept for its potential future value and not primarily as a means of production – and production-related revenue streams – in the agricultural sector.

Overall, through financialisation, agribusiness is supported and strengthened. Nature is seen as a field for investment, which is tied to a hope for a high return. It shows how the embedment in the international financial structures enables the already big players in the agricultural sector to grow further – at the expense of small producers. The consequences for the local population might be the same on the surface, namely that somebody else controls the land. However, the power of the agroholdings increases with financialisation, which translates into an intensified pressure on the rural population. To analyse the precise direct and indirect consequences for the local population is beyond the scope of this paper. For now, the Ukrainian population still officially owns the majority of land. However, this might change in the near future.

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Abstracts

The financialisation of land is an important but still under-researched component of the land-grabbing process. This is particularly valid for the post-soviet region. In this paper we sketch the increasing financialisation of farmland in Ukraine. We show how the ruling class, the Ukrainian oligarchs, use the (international) state-economy relations to get farmland under their control. Agroholdings are the key instrument in this regard, an instrument which enables the oligarchs to pool capital from international financial market actors. This rise of agroholdings furthers the agro-industrial model and crowds out small-scale farming.

Die Finanzialisierung von Land ist eine wichtige, aber bisher noch relativ wenig erforschte Komponente des Land-Grabbing-Prozesses. Dies gilt insbesondere für das post-sowjetische Gebiet. In diesem Beitrag skizzieren wir die zunehmende Finanzialisierung von Agrarland in der Ukraine. Dabei zeigen wir, wie die ukrainischen Oligarchen als herrschende Klasse die (internationalen) Beziehungen zwischen Staat und Ökonomie nutzen, um das Agrarland unter ihre Kontrolle zu bringen. Das zentrale Vehikel dabei sind Agroholdings, die es den Oligarchen erlauben, Kapital von internationalen Finanzmarktakteuren zu konzentrieren. Der Aufstieg der Holdings befördert die industrielle Landwirtschaft bei gleichzeitiger Verdrängung der kleinstrukturierten.

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