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Cargill’s land deal strategies in Indonesia and the Philippines compared: alliances, elites, and capital accumulation

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Abstract

This paper presents how transnational agricultural capital leverages its position within the political economy of Indonesia and the Philippines to circumvent barriers to land acquisition via the formation of strategic alliances. The alliances of capital - and their nation-based formations - are presented and analysed using cases in Mindanao in the Philippines and West Kalimantan in Indonesia. Both cases involve Cargill, a traditionally agricultural company that is now involved in almost every element of the agricultural system and more - from food processing, agricultural production and trade, financial services, industrial products, shipping, and more. Part of the expanding reach of Cargill has led them to acquire control of land in a move that centralises Cargill further in global agricultural system and ensures a steady supply of agricultural output. Cargill utilises its company Platform to do so, which allows them to control land and its produce through financial means. This Platform acts as an instrument for the flow of information regarding crop shortages and surpluses as well as connections to allies in the national setting, both of which inform Cargill’s land investment plans. In the Philippines, Cargill’s private equity firm, Black River Asset Management, associates with a network composed of business groups, private sector allies, regional business associations, local land brokers and leaders and government workers. In Indonesia, Cargill’s oil palm holding’s company – Cargill Tropical Palm Holdings (CTP Holdings) – uses a network dependent on charismatic employees at the national and regional level who have connections with local elites and government officials. The cases present how the forces at the transnational level – i.e. global finance and agribusiness – meet with specific powers from the national and local level – i.e. elite networks, relations, and the rules they have established in their country and their communities. By analysing the strategies of transnational corporate agricultural capital it is possible to see how these powers become interlinked in the land acquisition process, how they are negotiated within the land deal, and the way they frame the processes involved in acquiring land.
Introduction

Initial discussions on the global rush for land overemphasized the role played by foreign corporate capital, understating the importance of local capital and national elites in the making of land deals. More recent analyses have studied the power of local elites over and in the land deals process (see Fairbairn, 2013; Hall, 2013; Lavers, 2012), as state and non-state elites in areas of acquisition have moved to benefit from the rush for land or to encourage it themselves. At the same time, however, different types of foreign investors have played a prominent role in land acquisitions around the world, either by investing in national projects or establishing their own. This study bridges the two narratives of the importance of foreign investors versus that of national ones, and shows how deals spurred by foreign investors are most successful when linked to the right local capitalists and elites. It is argued here that the deals that are undertaken by transnational capital are only successful when established with a network that takes the power of local elites into account. However, the making of these land deal alliances are vulnerable to plays for power and therefore must be established and maintained carefully by the foreign investor. Therefore, the techniques used by Cargill to acquire land control are simultaneously shaped by the transnational and national agricultural economy as well as the national power dynamics of the country of acquisition.

Transnational corporate agricultural capital is the broad term used in this study to refer to Cargill, a traditionally agricultural corporation that is now involved in a vast array of sectors that touch the agricultural system. The company itself defines its business on its website as, ‘Providing food, agriculture, financial and industrial products and services’; meaning Cargill’s involvement in the agricultural system goes far beyond agricultural trade. At the same time, Cargill’s attraction to land is likely encouraged to the prospects of more than just control over land given the different sectors they are involved in and their position in the corporate agricultural system or corporate food regime¹ (McMichael 2012).

Cargill’s increased investments in land and supply coincided with the changing structure of the agricultural system to become more financialised and corporatised (See Arrighi 1994; Harvey 2003; Bernstein, 2006; Isakson, 2014). For Cargill this has encouraged them to seek out of control over land and avenues for control over supply in different countries around the world through financial strategies. Cargill uses different investment vehicles to do so; the cases here represent two of these vehicles, including Cargill’s the private equity firm – Black River – and their palm oil holdings firm – CTP Holdings – each of which belong to different units in Cargill’s company Platform.

Cargill is composed of seven main business units and further into subunits (70 in total), which they refer to as their Platform. Through Cargill’s ‘Platform’, access is established to various agricultural actors, companies, sectors, and privileged information that they need regarding current and future supply, demand, and risk. Cargill’s company ‘Platform’ informs their land acquisition method, as it provides the company with,

...the capacity to produce, procure, process and deliver the raw material inputs that are at the heart of the modern agri-food system, and they are uniquely placed to exploit opportunities across a wide range of activities tied both directly and indirectly to the produce and trade in agricultural commodities (Murphy, Burch, & Clapp, 2012).

The Cargill Platform helps inform the company of which agricultural trends to invest in and

¹ Michael defines the ‘corporate food regime’ as ‘a neoliberal project of agricultural liberalization via structural adjustment mechanisms and WTO rules encouraging universal agroexporting and requiring states in the global South to open their economies to the Northern-dominated international food trade, dismantle farm sector protections and adopt intellectual property protections’ (Michael, 2012: 682).
which commodities to produce. The information gathered from their Platform likely encourages their land investment plans and strategies, by foreseeing price fluctuations of certain commodities and by connecting their plans to actors working in their national branches. The globally-connected structure provides Cargill access to national networks and powerful players. These networks feed information regarding future surpluses and shortages to Cargill’s different branches allowing the companies to know which crops to invest in, where and when. At the same time, the different companies under Cargill create links to each company’s network creating a vast web of allegiances around the world.

Dicken explains the importance of corporate networks, as ‘the subunit coordination taking place inside an MNC provides a convenient blueprint for coordinating complex alliance networks’ (1994). In other words, the structure of the Cargill Platform informs the beginning stages of their land acquisition strategy by creating a blueprint of who to work with, which commodities to invest in, and how. The extent of the corporate structure, and the multitude of relationships it is composed of, is referred in this paper to the company’s ‘corporate social capital’ which is ‘the form of interpersonal relationships, as a resource for instrumental actions’ (Todeva & Knoke, 2001). In the case of Cargill, its corporate social capital has enabled its companies to continually expand into new areas through the strengthening a stream of strategic alliances. Child and Falkner explain that alliances within the global business community ‘are often ‘strategic’ in the sense that they have been formed as a direct response to major strategic challenges or opportunities which the partner firms face’ (1998:5). Therefore, alliances are formed as a solution to an investment barrier. Therefore, ‘[a] decision to cooperate is not a responsive action, but is fundamentally a strategic intent, which aims at improving the future circumstances for each individual firm and their partnership as a whole’ (Evans, 1979: 12 -13). The alliances used by Cargill in Indonesia and the Philippines are therefore a solution to investment barriers in both countries and these barriers are related to both the power of elites over the state and the economy as well as the regulations the elites help to shape. Interestingly, the same power that is a barrier to some investors can be a solution to others when the right strategic alliance is formed.

Drawing on a 12 month field research in Singapore, Indonesia and the Philippines amongst financiers, investors, government officials, and local elites, this paper presents the strategic networks used by Cargill to acquire land control, how these networks fit in with their overarching corporate platform, and in what way Cargill is using the transitions of agriculture to grow financially, geographically, and corporately. To do so, this paper first presents a theoretical framework for understanding the implications of the nationally oriented forms of capital accumulation in the shaping of elite alliances. Second, the involvement of Cargill in land deals is presented with an analysis of Cargill’s Platform and its reach in Indonesia and the Philippines. Third, the case of the Philippines is discussed, where Cargill has acquired land through equity acquisitions of Philippine companies with a strong local presence. Fourth, the Indonesian case is presented, where Cargill controls land through their holdings firm employed by charismatic employees with connections to powerful local government officials. Fourth, the two cases are compared and situated in Cargill’s need to secure itself in the shifting, and increasingly financialised, global agricultural system.

**Theorising nationally oriented forms of capital accumulation: Indonesia and the Philippines compared**

To understand the strategies of transnational agricultural capital, it is important to categorise the character of capital accumulation in Indonesia and the Philippines, specifically their differences and similarities and how Cargill responds to these. For the purpose of comparing the two contexts, Hutchcroft’s (1998) framework of rent-seeking capitalism and patrimonial states is used. The framework is used here as a heuristic tool to draw out the similarities and differences in the two
countries. This is by no way a conclusive explanation of how elites shape the nature of capitalism; instead it is simply a useful way to understand how elite power may influence the context for capital accumulation based on its relation to the state and the way transnational agricultural capital responds to this dynamic to establish local operations. The classifications provided by Hutchcroft have change since their initial formulations, which these cases will try to update. For example, the relationship of national capital classes in Indonesia have altered since Suharto fell; meaning the classifications here should take this into account. Therefore the elite relations with the state presented here are neither static nor fixed; they have changed beyond the classification provided by Hutchcroft since its inception as each country has shifted politically and economically. At the same time, realities are much more complex than the framework makes room for, therefore, the cases below will make space for local complexities and elaborate on the initial formulations with more recent analyses.

Due to national and local complexities, the nature of capital accumulation in both the Philippines and Indonesia are slightly different from one another based on the country’s history and the power of elites and oligarchs² in relation to the state and vice versa. Hutchcroft sees this difference as formed by the way elites and oligarchs influence the state, from either within the state or from outside of it (1998). The framework categorises the Philippines as ‘booty’ capitalism and Indonesia ‘bureaucratic’ capitalism (Hutchcroft 1998); both of which have patrimonial states with a weak separation between the private and public sphere, and the mode of rents extraction dependent on the type of capitalism stemming from this separation (Weber; Economy and Society). In most cases the oligarchs of the country play an important role in rent extraction. Winters characterises Indonesia and the Philippines as ‘Sultantistic oligarchies’, whereby the ‘oligarchs are more powerful than the laws, and wealth is routinely used to block or bend legal outcomes or thwart enforcement. This is a key part of wealth defence for these oligarchies’ (2012: 54).

Hutchcroft argues that the Philippines is home to a patrimonial oligarchic state encouraging booty capitalism, where the state is dominated by a private sector which is ‘largely independent of the state apparatus, but the state nonetheless plays a central role in the process of wealth accumulation’ (1998:42). Meaning, the state is rather a resource for capitalists to ensure further capital accumulation through their privileged positions. Therefore, in the Philippines the major beneficiaries are ‘not the bureaucrats who push the papers; they are rather the oligarchs who (from their extra-bureaucratic perch) cause them to be pushed’ (ibid, 53). Today the state is still heavily influenced by the private sector, especially family conglomerates involved in diverse business operations including banking, real estate, agriculture, and more. Powerful families are involved in both politics and the economy; depending on where their power is derived, elites can use different types of relations with state players to acquire special privileges in the Philippines.

The main types of elite category groups remaining in the Philippines today, include: (1) traditional oligarchic families, such as the landed elites and the Spanish descendants (Rivera, 1994)³; (2) newer oligarchic families involved in several industries, such as Chinese Filipinos; and (3) small scale political or private sector capitalists who climbed the political and economic ladder either through state positions or by working for oligarchs. Traditionally, these three groups worked in one sector of the economy, now the most successful capitalists own conglomerates with operations in various sectors included banking, real estate, malls, agriculture, and more.

For a traditional oligarchic family, politicians at the top level work on their behalf - influencing policy, regulation and permits. For the newer capitalists, their influence over the state has to be more

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²This paper takes Winters’ definition of an oligarch as someone with a strong material base and a dominant position within a country dominated by a powerful minority (2011). Often, this power is passed on through prominent families.

³Rivera (1994) broken the landed and the Spanish into two different categories and added non-landed as the third. I have organised the groups to reflect the power groups represented in the political economy today.
strategic. The traditional oligarchs do not need to partner with foreign capital, because of their abundant resources and national connections, however they do sometimes work favours for international allies in order to maintain influence. Therefore, a well-positioned foreign investor can benefit from relations with elite families if done correctly, however a company like Cargill is less likely to enter direct partnerships with them in order to avoid the vulnerability of depending on a national ally who wields more power. Instead, transnational agricultural capital must create a complex network, made up of a constellations of actors with access to important elements of the land deal process, one that relies perhaps on a new capitalist looking for investment. In the deal discussed below, Cargill uses an *outsourced indirect network*, which circumvents direct influence of oligarchs from the outside yet creates access to important alliances in the agricultural sector. This network relies more directly on newer capitalists but also works with traditional elites to gain access to the sectors they dominate.

Indonesia is traditionally characterised by a *patrimonial administrative state* and *bureaucratic capitalism* (Hutchcroft, 1998). In contrast to the Philippines, where capitalists control the state and state actors, in Indonesia office holders – especially at the local level – play an important role in shaping capital accumulation in their regions where national capitalists often depend on bureaucratic elites for handouts. Therefore, it is those who ‘push papers’ who are very important in land deals in Indonesia. But this does not mean power is derived only from within the state of course. Elites who were primarily bureaucratic during the Suharto regime are now also members of the private sector, achieved through previously held bureaucratic positions, relations within the state, and the processes of decentralisation that took place since Suharto. As Robison and Hadiz argue, the ‘essential relations of power interests … have largely survived the collapse of the Soeharto regime and those highly centralised authoritarian political arrangements within which power and wealth had been incubated and hitherto allocated’ (Robison & Hadiz, 2004, p. 12). Therefore, although the Soeharto regime fell, ‘many of the underlying arrangements in which class power and influence were embedded did not’ (Aspinall, 2013, p. 230). Presently, although there have many changes since the fall of Suharto, the private sector still relies heavily on bureaucratic elites.

The main types of capital categories remaining in Indonesia include: (1) Chinese Indonesian capitalists, or the ‘client bourgeoisie’, who expanded their economic base during and after the Suharto period); (2) ‘Indigenous’ Indonesian capitalists, or ‘pribumi capital’, who rose through their connection to Suharto (3) bureaucratic oligarchy families, who were able to fuse a range of businesses, political and bureaucratic interests to direct the economy in their favour such as members of the Suharto family, (Hadiz, 2001). The latter group is less powerful, especially in state structures, since the fall of Suharto. Each of these groups are involved in land ownership in one way or another, but when it comes to palm oil plantation in particular many of the most successful are the first two groups – Chinese Indonesian capitalists and pribumi capital. Both groups own a large amount of land in Indonesia for palm oil production, and both surpass foreign capital in the palm oil sector.

Other than these three main capital categories, the local bureaucratic elites play a very important role in the land investment process in Indonesia. In fact, for corporate agricultural capital looking to acquire land in Indonesia the key elite player they must work with are state actors, especially local bureaucrats with authority over regulations and permits. In the palm oil sector most foreign investors are able to establish companies in Indonesia as long as they are in a joint-venture with a local counterpart. Cargill uses a tactic of ‘nationalising’ itself by establishing subsidiaries with its own company officials as the joint-venture partner. This means they are less dependent on national capitalists; while working with local government officials, especially the bupati (regency head), helps to adapt to the country’s powered networks and structures. The network used by Cargill in Indonesia can be classified as a *direct investment network* which is supported by well-connected employees working for the subsidiaries who connect powerful local government officials into the investment.
This network relies on state elites and mostly avoids national capital in their day to day operations.

Cargill’s ventures in Indonesia and the Philippines provide examples of how the two different systems of elite power shape the type of alliances corporate agricultural capital must establish to acquire land control. While in the Philippines, Cargill used a more indirect network to adjust to the power of oligarchs over the agricultural sector, in Indonesia a more direct network was used that connected local government with Cargill subsidiaries. The networks Cargill uses reflect the nature of elite power and oligarchic influence in the country represented in the framework above. Each nation-based alliance making strategy will be deconstructed through a case study of Cargill’s land investments in Indonesia and the Philippines. First, it is important to present the nature and extent of Cargill’s global reach, power, and presence, to understand how Cargill adapts to the nationally oriented forms of capital accumulation in both countries.

Cargill and the Rush for land

Cargill was founded in 1865 in the United States by the Cargill family. It remains privately listed and in the hands of the descendants of the original owners. The initial business of Cargill consisted of trading, transport, and storing grain and other agricultural commodities; the commodities they traded were any bulk material that could be handled as dry generic (undifferentiated) cargo (Kneen, 1995). Cargill first established its Asian presence in 1947 when it opened an office in the Philippines. At this time, Cargill’s vegetable oil division began to source copra to export to the United States. Its Indonesian presence began later, in 1974, with the establishment of a feed mill in Bogor.

Over the years the company has transformed greatly and adjusted to the global economy habitually. It moved to new regions when it became possible, expanding the commodities traded, reorganised the company structure, and more recently branched out to have a more direct involvement in production and land control. Cargill is now composed of seven different business segments and further into business units and subunits, which make up the Cargill Platform. The Platform is composed of seven units and then further subunits, including: (1) agricultural supply chain, (2) animal nutrition, (3) animal protein and salt, (4) energy, transportation and metals, (5) financial services, (6) food ingredients and systems, and (7) business units maintained by platform. The units are broken into 76 subunits in total. Cargill is deeply involved in the agricultural system – from trade, financing, to shipping and processing.

The Platform provides Cargill first-hand information regarding ‘current and future supply, demand and risk, while also giving it an edge on future price fluctuations’ (Salerno, 2014). At the same time, it shapes the Cargill network by establishing connections to allies around the world through its complex subsidiary structure. Therefore, Cargill’s global network creates valuable national and regional representations, which provides the company with vital knowledge and investment strategies. The Philippines and Indonesia represent different ends of Cargill global network shaped by the nature of its national operations in each case, the type of agricultural production it is involved in, and the local elites working with Cargill – all of which come together to define its corporate social capital.

In the Philippines, Cargill’s private equity arm – Black River - is investing in land as a response to, and way to capitalise on, food crises through the creation of an Asian Food Fund. Black River explains that it created the Fund in order to meet Asia’s growing population and changing eating patterns by investing in land through the acquisition of equity in various companies throughout Asia. Therefore, Black River is, in a sense, investing in food insecurity as it uses food price fluctuations as a

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4 ibid
5 Cargill.co.id
6 According to an internal company document from 2013.
way to inform investment decisions (Salerno, 2014). Black River acquired equity in a Philippine company looking to expand its presence in production, Agrinurture (ANI), who in turn found land to lease in Mindanao.

A private equity investment is a distinctive way to acquire land control as it allows for involvement in production, or the spoils of production, from a distance. Black River targets companies involved in the supply-side of agriculture for equity acquisition to boost output so the company can then (hopefully) sell back the increased supply to Cargill. This strategy enables Black River to invest private equity in a company and to simultaneously invest in land which later ensures them a supply of a valued commodity. Therefore, the Cargill platform provides Black River with the information and strategies required to select companies for acquisition. Cargill has been in the Philippines since 1947 allowing the company to have previously nationalised its operations to an extent and established a strong network in the agricultural sector, meaning it has strong corporate social capital in this case. It was through this pre-existing network it became possible to connect the objective of Black River – to become more involved in food production through private equity strategies - to the objective of ANI. This case shows how by investing in companies that in turn can invest in land, Cargill is likely to get more involved in production while simultaneously expanding its involvement in the financial sector.

In Indonesia Cargill owns palm oil plantations in both West Kalimantan and Sumatra through its holdings company – Cargill Tropical Palm Holdings (CTP Holdings). They are also involved in trading of a palm oil from different growers. In West Kalimantan it controls three companies, each 20,000 H and registered separately under different Indonesian employees. Therefore, the key companies in this network are all under Cargill, giving them a more direct involvement in the arrangement. What is important to note here is that it was the establishment of these subunits under CTP Holdings that allowed Cargill to control land in the country and the employees that run the companies that secure its control over palm oil supply. Therefore, in Indonesia, this investment allows Cargill to establish more direct access to the supply of palm oil ensuring access to the commodity in the future. This is particularly important given that palm oil is a flex-commodity which could steer supply in different directions. To clarify, a flex-commodity or crop are those with ‘multiple uses (food, feed, fuel, industrial material) that can be, or are thought to be, flexibly inter-changed’ (Borras et al: 2014, 1).

Cargill followed a meticulous process of creating national networks in both countries by pinning key players throughout the chain of operations to allow them to control land abroad, expand their positioning in palm-oil production and distribution and to deepen their business’s involvement in the financial sector. In the Philippines, Cargill’s private equity branch – Black River - strengthened their financial involvement in agriculture while establishing a future supply of specific commodities via further control in land; while in Indonesia, Cargill’s palm oil holdings’ company strengthened its involvement in commodity investment and established further control over the lucrative crop. Each investment model, if done successfully, would allow Cargill to deeper embed itself in the global agricultural system and the political economy of both countries.

In Indonesia and the Philippines there are many barriers to investing in land: such as laws against foreign ownership of land (in both countries), a limit to how much land a palm oil company can own (in Indonesia), limits to access to land (through the Comprehensive Agrarian Reform Program (CARP)\(^7\)).

\(^7\)CARP (Republic Act No. 6657). was established 1988 with the intention to redistribute private and public agricultural lands to landless farmers and farmworkers. Individual and collective forms of title were given to beneficiaries (ARBS). Because of a lack of support, many beneficiaries are looking for capital and therefore are willing to lease the land to investors. However, the land is often broken into small pieces and investors consider it too tedious to collect title of each owner. This can limit interest for companies looking for quick access to large contiguous areas. The Department of Agriculture (DA) and Department of Agrarian Reform (DAR) are looking to make up for the end of the CARP program by connecting land with investment capital.
in the Philippines), etc. In both countries, these barriers can be circumnavigated with the right web of alliances. There are two ways to look at the networks used by Cargill in both cases: The first is at an abstract level and the second is more concrete. In the Philippines, Cargill used an *outsourced investment network* which provided contacts to important players throughout various stages of the land deal process. The outsourced network joined with an indirect and circumvented network, which (relatively) bypassed the country’s traditional familial control. In Indonesia, Cargill used a more direct approach through its subsidiaries, providing a concrete position in the country’s palm oil sector. The *direct investment network* used by Cargill was supported through well-connected employees working for the subsidiaries who brought powerful local government officials into the investment process.

Each of these alliance-making strategies are a reflection of the so called ‘investment environment’ - or political economy – constituted by the power of elites and the country’s regulatory structures. Evans argues, ‘nationalist pressures have been able to modify the behaviour of the multinationals making it more compatible with the requirements of local accumulation’ (165). In the case of Cargill, nationally and locally compatible strategic alliances were established to modify their operations to the demands of local accumulation, allowing them to succeed in their land deal plans and circumvent the barriers to investment.

### Cargill’s indirect investment network in the Philippines

In the Philippines, Cargill uses an *outsourced indirect investment network* which helps to navigate the control of oligarchs over the state, economy, and agricultural sector. This network is indirect and outsourced in that Cargill was not involved throughout the main negotiations or legal procedures; rather the work was handed from Cargill’s main office to Black River, from Black River to a Philippine company called Agrinurture (ANI), and finally from ANI to a Mindanao based agricultural company called Hijo Resources. The project involves a 25 year lease of 294H with a farmer’s cooperative in Tagum City, Davao Del Norte, established through a joint-venture with Hijo Resources. Hijo Resources was already in control of agrarian reform lands adjacent to the newly acquired land, bringing their land holding to 471 H in the area through this acquisition8. This amount may seem small, but when taken into context regarding why Cargill was interested in investing in this specific manner, through this specific company, and in this area, it makes the project that much more interesting.

Cargill’s presence in the deal is with Black River; a private equity firm investing in agricultural production/supply by acquiring equity of nationally based agricultural companies in economies of interest to Cargill. Through their Asian Food Fund, Black River has been moving to invest in food production by boosting the capital available to companies already operating in countries that Cargill would like a stake in. In some cases these countries are difficult for foreign investors to establish operations and acquire land control, so by investing in the equity of a company already embedded in the country’s political economy Black River can sidestep barriers to investment. In the Philippines, agriculture is dominated by large corporations and elites with working capital, and regulations that can make it difficult for foreigners to own large areas of land (such as the land reform CARP). Therefore, by investing equity in ANI, Black River could access land and supply in Mindanao by gaining access to ANI’s existing network. A part of the agreement between Black River and ANI was that ANI would agree to acquire land for the production of bananas and that Black River would receive seats on their board. The fact that Black River was interested in banana production is important, and the presence of oligarchs and strong elite networks in the banana industry clarifies elements of the network used to acquire this supply. Since it is a private equity investment, information regarding supply and demand can be used help Black River act accordingly on agricultural commodity markets.

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In the Black River/ANI joint venture, the Philippine branch of Cargill played an important role in bringing the companies together. As a Cargill employee informed, ‘the head of [Cargill] Philippines knows ANI so we were connected through them… through the M&A advisory they [ANI] sent us some information’ reviewing ‘what they do, their revenue, where they are based, etc.’ 9 With the help of senior employees at Cargill’s Philippine head office, ANI was selected for equity investment and the first steps of the joint-venture were taken.

The lease arrangement was achieved through the network and operations of ANI at the national, regional, and local levels. The ANI network includes strategically hired employees, officials, and board members with connections in and outside of government, linking various business associations and private sector elites to the operations of ANI. Most significantly, the ANI network encompasses powerful national elite figures, including: (1) the Vice President of the Philippines Jejomar Binay 10, (2) Senen Bacani 11, (3) the previous president of the Philippine Agricultural Development and Commercial Corporation (PADCC) Mariz Agon, (4) the head of the Philippine Banana Growers Association (PBGEA) and (5) Hijo Resources. Hijo Resources is powerful Mindanao based company run by the Tuason family. The Tuasons were a later addition to the network, but an important one since it helped Black River access the banana sector. The Tuasons are a party of the landlord class and have played an important role in the agricultural economy of Mindanao. In short, the network used by Black River and ANI has many powerful national elite actors helping Black River to adjust to the national and local agricultural sector.

Black River has built a strategic network positioning itself in a national political economy dominated by conglomerates by creating a network that can manoeuvre around oligarchic power. Their strategic network ties ANI to bureaucrats through their well-connected employees who bring their own alliances to their operations. When Black River joined with ANI, they also gained access to these social resources and therefore tapped into ANI’s position in the country’s business environment.

While the alliance linked Cargill to important business groups and capitalists working in the agricultural sector from Manila to Mindanao, it did not initially rely on any overt oligarchic families until ANI joined with Hijo Resources. This is important to the beginning of the alliance formation for a company like Cargill; as Evans argues, ‘[w]hen integrative roles are played by owners of large-scale local capital they can go beyond that and participate not just in the returns but in shaping the process of accumulation’ (1979: 162). In other words, Cargill/Black River would likely not want to join an alliance with a company who would be more powerful in the arrangement as it would throw the balance of power in the national capitalist’s favour, making Cargill vulnerable. Instead, Black River joined up with ANI a newer capitalist who is always looking for resources for further expansion, giving Cargill the upper-hand in the joint-venture.

Each organisation that joined the alliance became a working member who contributed their own

9 Interview with Cargill employee, 18/10/2010.
10 Jejomar "Jojo" Cabauatan Binay, Sr is the current and 15th Vice President of the Philippines under President Benigno Aquino and can be considered a newer political capitalist elite. He was also Mayor of Makati (business part of Manila) from 1986 to 1987, 1988 to 1998, and from 2001 to 2010, making him the longest serving mayor in of Makati. He was born in Manila in 1942 into lower middle-income family. He is the front runner for president for the 2016 election. However, he has been caught up in scandals recently which will be discussed below.
11 He served as an Independent Director of ANI, and can be considered a newer capitalist elite. He started his career in agricultural industry with Dole and worked with them for 22 years in various management roles in the Philippines, Thailand, Ecuador and Costa Rica. In 1989 he was appointed the secretary of Agriculture by President Corazon Aquino and served Secretary of the Department of Agriculture (DA) from 1990-1992. He was also the Vice President of Agriculture & Food-Phil Chamber of Commerce & Industry. In short, he is a very well connected man with deep roots in the agricultural sector; however, he does not come from a traditional oligarchic family but worked his way into the elite through political and economic appointments. (See http://www.bloomberg.com/research/stocks/people/person.asp?personId=11372676&ticker=SF1:PM)
alliances and networks, further extending the reach of Cargill. This provided connection to important players throughout various stages of the land deal process. ANI’s network is composed of well-connected employees and officials with their own alliances and memberships. These employees helped bring their own social capital to the joint-venture of Black River and ANI. For example, one of their officials is a former employee of the Department of Agriculture and because of this connection, ANI can receive various benefits, including: hearing first about government investments into infrastructure in certain areas which helps them target areas to work in; different government programs that they can benefit from; connecting to cooperatives looking to lease out land or enter into contract growing agreements; they have the government officers on their side during any disturbances with contract farmers, etc. Therefore, rather than directly influencing the state itself in the way many oligarchs are able, ANI’s employees and officials benefit from government resources from their friends in government departments. This differs from the strategy of a dominant oligarch who would have government officials working directly for them from within the state, shaping policies and ensuring contracts on their behalf. However, now that the land investment was taken over by the Tuason family (Hijo Resources) the nature of Black River’s involvement with the state in Mindanao may shift to depend on the Tuasons’ regional influence.

ANI is also connected to agricultural business cliques, including the PADCC\(^ {12}\) and the PBGEA. The PBGEA is a strong and politically connected business organisation protecting the interests of the banana sector in the Philippines through lobbying and other means. As Borras and Franco explain,

The [banana] sector is jointly controlled by MNCs and local landed elites through the Pilipino Banana Growers and Exporters Association (PBGEA), which operates like a cartel, controlling price levels of labor, land lease rates, and farm input and output markets. Individual members are extremely influential with connections reaching up to the highest levels of political system (Borras & Franco, Struggles for Land and Livelihood, 2006).

In short, the PBGEA is important to have on your side if you are an agribusiness in Mindanao, especially in the banana sector, because of its strength in the public and private domain. The leader of the PBGEA played an important role in providing ANI access to land in Mindanao. They initially introduced ANI to a land broker, which is a ‘not for profit’ organisation that traditionally settled land disputes and presently plays a central role as a broker for companies looking to acquire land in Mindanao. They have a unique position in Mindanao because of their past role in land disputes, making them highly connected to local and provincial power-holders (including different barangay captains, mayors, police, and landlords). The land broker was tasked with finding land for ANI, however, before they could provide an accessible piece of land Hijo Resources stepped in.

Given the influence of the Tuason family, the owners of Hijo Resources, it was likely for ANI to go through them in order to access supply and land. By entering a joint-venture agreement with them, ANI and Black River further connected their network with powerful alliances ensuring control over and access to supply. In January 2015, ANI stepped away from the joint-venture project in Davao Del Norte when Black River purchased its shares; which means this joint-venture is now between Black River and Hijo Resources, bringing Black River and Cargill closer to supply in Mindanao. This change in investment structure is important as it shows the adaptability of the Cargill network. It is this adaptability that helps make Cargill so successful. Considering the contentious character of the Philippine banana sector, Black River/Cargill has to be careful in how they would gain access and through whom. They did so by allying with various powerful players starting with the ANI network,

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\(^ {12}\) Philippine Agricultural Development and Commercial Corporation
moving into the PBGEA network, and finally accessing the Tuason’s network. Since it is a private equity investment, Black River has more autonomy to pull out of the investment whenever they feel necessary; and given that the contract ensures the output of the investment is directed to ANI and Black River, their investment is secured from any problems that may arise.

In short, Black River gained access to a commodity controlled by oligarchs in a relatively safe manner and they did so through: (a) the extensive nature of the Cargill network, which continually adds important allies and further networks; (b) the ability to invest in a Philippine company through the acquisition of equity, which also allows for an easy exit when necessary; (c) and the adaptability of Cargill’s strategies, which allows their local branches to adapt to the ever changing dynamics of the specific political economy.

Cargill’s direct investment network in Indonesia

In Indonesia, Cargill uses a direct investment network, to establish palm oil plantations through a holdings company called Cargill Tropical Palm Holdings (CTP Holdings) - a firm that owns the stock of other companies. Rather than acquiring equity in an already established national company as in the case of the Philippines, Cargill owns stock of Indonesian based palm oil plantations through its own subsidiaries, which is a roundabout way for a foreign investor to own large amounts of plantation land. Therefore, CTP Holdings is a Singapore-based firm with control over Indonesia-based companies involved in land and production of palm through thousands of hectares in both Sumatra and West Kalimantan. The operations in West Kalimantan are organised under the overarching Indonesian registered company PT Harapan Group. It is made up of three subsidiaries and each company is in control of 20,000H of land in Manis Mata, therefore 60,000H in total in West Kalimantan. These land holdings are Cargill’s largest direct ownership of land.

Similar to Black River, CTP Holdings initially accessed the deal through Cargill’s global network. The land Cargill initially invested in was previously owned by the Commonwealth Development Corporation group (CDC), the UK government’s development finance arm. The CDC originally bought it from an old crony of Suharto who acquired the land fraudulently. The CDC approached Cargill through employee relations between the two firms. The initial deal was therefore struck through these the friendships of Cargill employees and CDC employees. Once CTP Holdings took over they continued to expand their land holdings through a localised strategy which built strategic alliances between CTP Holdings employees and local government employees.

Once Cargill established land control in Indonesia via there global network they needed to localise their strategies to adapt to the demands of local power holders. Since Suharto, power has shifted “downwards’ and ‘outwards’, from within a centralised bureaucracy firmly rooted in Jakarta to elected members of assemblies in regencies, municipalities, and provinces around the archipelago’ (Sidel, 2004). Due to this movement of control, transnational capital must distinguish the right local players and government officials to target land and ensure the continued support of their project. As stated above, bureaucratic elites are amongst the most powerful in the country, especially when it comes to foreign investment. Therefore, Indonesian capitalism emerged, ‘in tandem with state power,

13 CTP Holdings was created in 2005 by Cargill with the help of Temask Holding, a private invest arm of the Singapore government.

14 In Indonesia, palm companies are not allowed to have more than 20,000H so to get around this issue companies simply register their operations under various names and owners, in this case all are employees of the company. Two of the companies - PT Harapan Sawit Lestari (HSL) and PT Ayu Sawit Lestari (ASL) – were already operating plantations which were cleared under former owners who had strong connections to the then bupati. The first owner was connected to Suharto when the land was initially cleared for was cleared by another owner before CDC came in and used for rubber production by a national company in 1988.
rather than separately’ (Aspinall, 2013: 228).

Cargill’s strategy in this context relies more on their internal company network since it acquired land through a subsidiary. Their internal network is composed of well-connected national employees with strong social associations. These social connections have a constructive working relationship with national, regional and local government officials. As state players are synonymous with elite power in the local setting of Indonesia, the main local power holder they must work with is the bupati, local agricultural offices, and the governor, as well as the networks of these government officials. Cargill relies on these players to get the proper certification and documentation necessary to acquire land. Once the land is acquired they also will receive protection from local police for their projects should any tensions or protests erupt, which they also get from the bupati.

To obtain legal land control in Indonesia companies must follow a very lengthy and bureaucratic procedure. Cargill does so by becoming ‘localised’ and by getting things done ‘Indonesian style’ (as one investor described). This style is sometimes referred to as ‘bagi-bagi’ and was used extensively during the Suharto period to keep oligarchs and other power holders in check by Suharto. Essentially it entails handing out ‘benefits’ to different actors to keep them on the side of the government. Today, companies like Cargill use this system to keep the government actors on their side. They have to do this carefully so as not to be caught bribing officials while also keeping local government content.

In the case of CTP Holdings’ West Kalimantan’s operations, each subunit strategically hires employees and officials to deal with different elements of the local negotiations and relation management. Selected employees manage relations with the bupati, with powerful local government departments, communities, and more. For the first two, in the case of CTP Holdings operations in Ketapang/ Manis Mata, one employee has been very important in managing the relations with local government. This employee maintains good relations with the bupati by keeping informed on his family members, discussing golf, taking him for lunch, etc. When the bupati was last elected, CTP Holdings held a party to celebrate and give donations which could be written off. For example they apparently filled up the tanks of all of the bupatis staff and friends who joined the party. As an employee of CTP explained, as a subsidiary of Cargill, Harapan Group must be careful not to engage in bribery or corruption, but it can be difficult in the local setting where the bupati and his friends expect payments. To get around this issue the employee gives ‘side gifts’ or hold unregistered events. At the same time, relying on the bupati can be problematic since bupatis are temporarily in office providing the investor with only provisional protection. In the future when a new bupati is elected, Harapan’s employees will need to court the bureaucratic elite once again to make sure their protection and support continues for the life of the project. When an election comes around the company must carefully support the candidates and support the winner in order to secure protection from them.

In short, the company can be vulnerable to the whims of the bupati, so keeping him on the side of company is a constant balancing act. This is even more so when there are other investors competing for the favours of the bupati, which is often the case in Kalimantan where local and national capital have stronger ties to the local government (or they are willing to pay them more), leading to competition over contracts. As Aspinall explains, the country’s strongest capitalists are able to ‘secure their property, contracts, and fortunes not by taking matters to court on their merits, but by spending their unique oligarchic resources to win conflicts – whether with actors in the state, with each other, against foreigners, or those below them’ (2013: 58). At the moment, CTP Holdings does not compete with Indigenous and local capitalists for state support in the area, but if this becomes a problem they will need to adjust their strategies further.

To summarise, CTP Holdings has strategically positioned itself in a political economy controlled by bureaucratic elites and oligarchs with influence in the state by strengthening its own network through its national employees and subsidiaries. Their strategic network aligns CTP Holdings with bureaucrats through their well-connected employees who manage the company’s state-capital relations
in order to protect the investments. When Cargill initially established its Indonesian land investment through its arrangement with CDI counterparts, they gained access to the national setting and land, however, they had to localise themselves in order to expand and protect their project for the long term.

Since the palm oil sector of Indonesia is mainly dominated by Indonesian and Malaysian capital, CTP Holdings had to wiggle its way into the palm oil sector by finding the appropriate localities with the right local counterparts. They did so by establishing various local subsidiaries and hiring employees fluent in negotiating with local power holders, which then brought the bupati and his allies on the side of the company. This relationship is a fragile one, meaning these employees must consistently work the bupati in their favour. Since CTP is a holding company, they are more rooted in Indonesia and its palm oil sector making it important to secure their presence there for the long term.

In short, CTP gained access to a lucrative commodity sector dominated by large companies and acquired control over land in an area with strong local government influence successfully through the comprehensiveness of the Cargill network and the adaptability of Cargill’s strategies.

Cargill’s Land Deal Strategies and Incentives: Indonesia and the Philippines compared

The cases in Indonesia and the Philippines show the adaptability and extensiveness of the Cargill network. In both cases the national and local networks used by Cargill are continually evolving with the demands of the different contexts they come in contact with by continuously adding new branches of alliances to their operations. Much of this adaptability is due to the global presence of Cargill which link their operations around the world to one another. Although the local and national elites were central to the establishment of the deals, the plans would not have materialised without the transnational positioning of Cargill. It all begins at the transnational level, where Cargill’s corporate Platform connects its multitude of subsidiaries to each other and to the alliances of each. In this way, the Platform is like an always expanding web of alliances which connect each subsidiary to one another’s networks. Cargill is therefore not only a collection of companies involved in different elements of the agricultural system, it is also a collection of networks. Each network is the result of the specific company’s operations and it provides access the country of operation to other subsidiaries looking to expand into their territory.

Therefore in both deals, the directives and the strategies originate in Cargill’s head offices. These two cases not only show how Cargill uses its global network to build nationally oriented strategic alliances to establish land control, they also signify how land control is established as means for Cargill’s further significance and influence in the agricultural system. It is argued here that, while Cargill’s transnational network provided its subsidiaries with access to the investment environment of Indonesia and the Philippines, the projects also strengthen the global network and presence of Cargill. Each actor constituting the networks adds to Cargill’s ability to leverage its position in the political economy from the transnational to the local.

Black River was tasked with the initiative of expanding Cargill’s financial involvement in agricultural production by collecting funds to be put towards investing in companies connected to Cargill. Black River’s Asian Food Fund signifies Cargill’s use of the financialisation of agriculture to expand its presence in agricultural production and land. This allows Cargill to possibly secure future supply, financially invest in food production, and become more involved in the Philippine agricultural economy. In short, it signifies a movement for Cargill to use further financial models to embed itself deeper into agricultural production.

CTP Holdings, on the other hand, helped expand Cargill’s involvement in the palm oil sector – in producing, processing, shipping, and trading the increasingly valuable commodity. They do so by
collecting companies involved in various elements of the palm oil value chain. In Indonesia they established companies, headed by national players, to control 60,000 hectares of palm oil plantation in West Kalimantan alone. CTP Holdings plays into Cargill’s move to capitalise on the current value of flex-commodities and to deepen its involvement in agricultural production and land control. This allows Cargill to ensure future supply of palm oil no matter the political or economic shifts that take place in Indonesia, while simultaneously becoming more involved in the Indonesian agricultural economy. In short, it signifies a movement for Cargill to become more embedded in the palm oil value web. CTP achieved this task in Indonesia by establishing national companies – such as the Harapan Group and their West Kalimantan subsidiaries – and strengthening the operations through the strategically hired employees tasked with maintaining relations with local bureaucratic elites.

It is important to emphasise here how both projects feed into the position of Cargill in the transforming global economy, whereby Cargill is using the transitions of agriculture to grow financially, geographically, and corporately. As stated, Black River’s project in the Philippines represents Cargill’s capitalisation on the financialisation of agriculture through private equity investment, which allows Cargill to invest in and acquire control over supply through financial means. CTP Holdings’ projects in Indonesia highlights Cargill’s investment in flex-commodities through palm oil expansion, which allows them to acquire control over a highly lucrative commodity.

In short, these examples of land deals in West Kalimantan and Mindanao are more than an investment in land control; they are indications of how Cargill is strengthening its involvement in the global agricultural system and ensuring future control over supply. They do so through insights and inside information garnered from their expansive Platform, which informs decisions regarding which commodities to invest in, where, how and in association with whom. These insights likely encouraged Cargill to financialise its strategies, to invest in flex-commodities, and to acquire land in Indonesia and the Philippines specifically.

Conclusions

It has been argued throughout that Cargill’s land acquisition strategies entail the establishment of strategic alliances of elite actors that help adjust to the national and local political economies and that these strategies stem from, and help secure, Cargill’s position in the agricultural system. The cases have therefore shown the importance of both national capital and transnational corporate agricultural capital in the making of land deals.

Cargill’s network connected powerful local players to the deals, helping Cargill to nationalise its strategies and gain entrance to political economies dominated by strong oligarchic and elite players. This was achieved differently in each case based on the nature of elite power of national and local forms of capital accumulation. In the Philippines Cargill adapted to this through the use of business cliques, allowing Black River to respond to the power of agricultural elites and the contentious banana industry. While in Indonesia, this was achieved through bureaucratic cliques, allowing CTP holdings to acquire land control by utilising the power of local government. As important as these networks are, they do create a sense of dependency on, and vulnerability to, local elites. In the Philippines, Cargill’s vulnerability is connected to the threat of being overly dependent on an oligarch; while in Indonesia the bupati’s power over the deal can be a cause for concern for Cargill. In both cases Cargill must engage with the power of the relevant elite in order to gain access, while at the same time maintaining its own influence over and centrality in the project. A global company like Cargill, with head offices in the US, must be careful not to be caught engaging in bribery or corrupt practices. Cargill must therefore balance the demands of its local partners or competitors, while remaining the dominate partner in the deal with a decent public image.

The formation of these networks is also influenced by the global economic environment and the
position of Cargill within it, which encourages them to seek out these new avenues of investment. Cargill has used the transitioning shape of the global agricultural system by expanding its presence within it. In the Philippines, Cargill used this investment to become more involved in production of valuable food commodities in South East Asia through its private equity firm. In Indonesia, Cargill has become more involved in flex commodities through its holdings firm, which allows for the accumulation of land holdings. Both investments contribute to Cargill’s possible move to control land in order to ensure control of supply, and a more embedded and centralised position in the transforming agricultural economy. It took the creation of a web of networks, connecting key players throughout different stages of the deal, to allow Cargill to solidify its plans. Therefore, the network of alliances used in both cases was formed from Cargill’s position within the global agricultural system, and it further deepened the said position by expanding Cargill’s involvement in production, finance, and land control.

References


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