2. Farmland Values

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Fairbairn, Madeleine.
I tell people that I come from a bond background [and] to me timber is like a zero-coupon thirty-year bond. . . . Row crops are like a one-year duration, income-bearing money market fund.
—Dave, US-based farmland investor

In 2010, the muckraking financial blog Zero Hedge reported on pension fund TIAA-CREF’s initial $2 billion allocation to agricultural land. In the comment thread, readers attempt to parse the fund’s motivations. One reader jokes that a farmland bubble is emerging that will culminate with the appearance of a new reality TV show: “Farm Flippers, Thursdays this fall on HGTV.” The reader even envisions some fake content: “Well the place was in total disrepair when we bought it last month, but we cut down all the overgrown corn, painted those ugly brown cows black and white, put lipstick on all the pigs, and of course put in all stainless steel & granite feed troughs and watering buckets. We project we’ll make a 300% profit when we sell next month.”

This commentator assumes that institutional investors will bring a particular financial mind-set to buying farms—one in which assets are valuable only for the price they can fetch upon resale, not for their productive physical qualities. Though couched in comic exaggeration (luxury décor and livestock cosmetics are not, in fact, tools of the farmland-investment trade), this commentary nonetheless gestures toward an important aspect of the financial sector’s newfound interest in farmland: the way that financial landowners conceive of land’s value.

The financialization of farmland has more than one dimension. It can be seen in financial entities’ growing participation in farmland markets, discussed in chapter 1, but it also involves the diffusion of a certain way of valuing land. The economic value of land has always involved a dance between its productive and financial qualities, but for finance-sector investors, the financial profits
that come from land appreciation take center stage. What’s more, this manner of thinking about land is accompanied by particular ways of talking about land. Farmland fund managers, executives at agricultural operating companies, and other “farmland boosters” deliver investment pitches focused on the inevitable rise of farmland values with time, shaping investor expectations for the future and, with them, present land market conditions. Yet while investors value land largely for its financial qualities, the productive use of land remains essential to legitimizing ownership.

Theories of Land Value

Economists have been struggling for centuries to pinpoint the source of land’s value. Does the value of land come from its scarcity? From its ability to produce things that humans want? From some combination of the two? Revisiting classic and contemporary theories of land value can help us to understand why investors today are drawn to farmland.

The Unearned Increment

The high point of land’s economic career came in the seventeenth and eighteenth centuries with the preclassical French economic school known as the physiocrats. Physiocrats, such as François Quesnay, believed that nature was the ultimate source of all wealth and that therefore only laborers who worked the land or the seas could create value. Farmers, miners, and fishermen were the “productive class” who generated value, while everyone else simply transformed or consumed the value that they had already brought to society. This distinction between productive and unproductive activities—between value producers and value extractors—is what Mariana Mazzucato calls the “production boundary.” This socially constructed dividing line, she points out, has regularly shifted with changes in economic thought and remains a politically significant issue today.

The physiocrats were succeeded by the classical school of economics, which held sway from the late eighteenth through the mid-nineteenth centuries. Land no longer held pride of place at the center of classical economic theory, but it was still given distinct analytical treatment as one of the three “factors of production.” The classical economists were extremely concerned with understanding two questions: first, how the factors of production—labor, land, and capital—interact to create value, and, second, how the income from production is distributed between those factors of production in the form of wages to workers, rent to landlords, and interest to capitalists, respectively. They placed labor at the center of value production.
and were fascinated and perplexed by land’s seeming defiance of this “labor theory of value.” How was it possible, they asked, that property owners could profit from land though they had done nothing to produce it and received its services at no cost? And—equally important—was it right that they should do so?

Most of the great political-economic thinkers at the time had their doubts about the legitimacy of land rent as an entire category of profit. Adam Smith, who is today revered as the original free-market thinker in economics, was notably critical of landlordism. In his 1776 tome, *The Wealth of Nations*, he spoke slightingly of landlords as the only class in society “whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own.” Unlike laborers (who earn wages through hard work) and capitalists (who earn profits by risking their capital), landlords make rent simply because they own land. This allows them to charge a “monopoly price” to anyone who uses it, a price generally far higher than what the landlord has laid out in improvements to the land. The lack of effort required for them to make money, Smith argued, too often makes landlords indolent and ignorant.5 Though the production boundary had shifted since the physiocrats—now urban manufacturing was classed among productive activities—landlords were definitely still seen as value extractors rather than value creators.6

The ability of landlords to charge rent, the classical economists understood, was attributable to both land’s usefulness in production and its scarcity. The Reverend Thomas Malthus put scarcity center stage, arguing that finite land resources, combined with a rapidly growing human population, would naturally lead to repeated cycles of poverty and starvation.7 David Ricardo’s influential theory of “differential rent,” meanwhile, integrated land’s productivity and its finiteness in explaining rent. Ricardo saw rent (and therefore land price) as ultimately deriving from what the land was able to produce, famously stating, “Corn is not high because a rent is paid, but a rent is paid because corn is high.”8 However, the precise level of rent paid to the landlord, he argued, was explained by land’s scarcity and varying fertility; rent can be extremely high on the best-quality land in production and should hypothetically sink down to zero on the most marginal land.9 For Ricardo, landlords were a feudal holdover, a parasitic class that siphoned money straight out of the pockets of the capitalist class and wasted it on luxury goods instead of recycling the profits back into production.10

For Karl Marx—simultaneously the greatest admirer and the greatest critic of the classical economists—the ability to collect rent was essentially about social power. He used the term “ground rent” to describe the portion of rent that comes purely from nature and not from buildings on or improvements to the land. Landlords’ ability to collect ground rent, he argued, stemmed largely from the social power that allowed them to exclude others from their property and thereby extort a portion of the surplus value extracted by capitalists from workers.11
John Stuart Mill contributed to this discussion with the observation that rents—and therefore also land values, which are closely linked to rental income—tended naturally to increase over time, giving landlords yet another source of unmerited income. Since land is the only factor of production whose supply cannot be expanded, landowners automatically reap greater and greater returns over time as a simple result of economic and population growth. “The ordinary progress of a society,” Mill argued, tends to give landlords “a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves. They grow richer, as it were in their sleep, without working, risking, or economizing.” Mill termed this automatic and ongoing appreciation in land rents/prices the “unearned increment” and argued that its accrual by landlords was fundamentally unjust.

Finally, no discussion of the political economy of land investment would be complete without a mention of Henry George. In his sensationally popular 1879 book *Progress and Poverty*, George, an American journalist, took Mill’s view of land appreciation as the “unearned increment” and ran with it. Living in California in the late nineteenth century, George was surrounded by land speculation, due to everything from the Gold Rush to the construction of the railways. He was therefore acutely aware that the rent for the least productive land was nowhere near the theoretical zero that Ricardo had proposed, but was in fact greatly inflated by speculation. He describes how land speculators grow rich simply by acquiring land in a frontier boomtown. If you buy land during such a land boom, George states, “you may sit down and smoke your pipe; you may lie around like the lazzaroni of Naples or the leperos of Mexico; you may go up in a balloon, or down a hole in the ground; and without doing one stroke of work, without adding one iota to the wealth of the community, in ten years you will be rich! In the new city you may have a luxurious mansion; but among its public buildings will be an almshouse.” George blamed land rent for the persistence of poverty and rejected Malthusian doctrine as an attempt at shoring up landed-class privilege by pinning blame for hunger on natural scarcity rather than human-made causes. George politicized scarcity, describing famines in India and Ireland as the result of exorbitant rents charged by colonial landlords rather than the natural consequence of limited fertile land. Even more so than most of the classical political economists, George saw ever-increasing land rents and prices as a matter of social justice. He proposed a solution as well: a single, enormous property tax, which would replace all other taxes and be precisely calculated to absorb all of the rent earned by landlords, making speculation completely unprofitable.

This classical political economic perspective insists that there is a meaningful distinction between the profits earned by agricultural producers on the one hand, and the rent and capital gains collected by landlords on the other. But during the 1970s and 1980s, as the scope of financial activity grew, a new generation
of political economists argued that this distinction was becoming blurred. Surveying British landownership in the late 1970s, Doreen Massey and Alejandrina Catalano observed a growing number of financial landowners who, they argued, viewed their properties very differently than did England’s traditional landowning class. Unlike the old, aristocratic landowners, pension funds and insurance companies viewed their landholdings as a source of future financial returns (in the form of rent and land appreciation) equivalent to any other investment.15

This trend toward thinking of land as a source of investment returns, rather than a foundation for productive activity, is one way to conceptualize the financialization of farmland. Like Massey and Catalano, David Harvey contends that investors are increasingly thinking about their land as a stream of future rental income indistinguishable in practice from the income stream they might get from their various financial investments. He argues that “for the buyer, the rent figures in his accounts as the interest on the money laid out on land purchase, and is in principle no different from similar investments in government debt, stocks and shares of enterprises, consumer debt and so on.” He continues, “Under such conditions the land is treated as a pure financial asset which is bought and sold according to the rent it yields."16 As land is increasingly treated as a “pure financial asset,” Harvey argues, it no longer makes sense to distinguish between rent (the returns to landownership) and interest (the returns to capital). The boundaries blur as land becomes just one more way to extract financial returns from capital.

For Harvey, the treatment of land as a financial asset has some distinctly positive implications. It means that landowners are no longer simply barriers to capitalist progress—as Ricardo and Marx believed—but can instead play a useful coordinating role from the point of view of the capitalist system. In their relentless search for the highest rate of return on their capital, Harvey argues, financially motivated landowners force the capitalist producers who rent from them to put land to its “highest and best uses.” Landowners who view their property as a pure financial asset will also be incentivized to make improvements to the land; rather than simply growing rich “in their sleep,” as Mill believed, these landowners will perpetually chase higher rents—and thereby eventually higher land values—by making infrastructural improvements and generally developing land in accordance with its most profitable future use.17 Harvey also acknowledges a darker side to the treatment of land as a financial asset, however, as it means subjecting land to all the irrational, speculative impulses associated with other branches of financial investment.18 My research confirms that future increases in land rents and values (that unearned increment) are absolutely central to the investors’ calculus. However, I highlight that the effort to convert land to its “highest and best uses” in pursuit of land price appreciation may itself be the cause of social and ecological harm.
Land Value as Discounted Future Income

The neoclassical school of economics, which rose to prominence beginning in the twentieth century and still dominates today, provides a very different perspective on the value of land, and one that greatly influences investor decision making. Compared to their classical counterparts, neoclassical economists are less interested in explaining the production of value and more interested in understanding how markets function. Rather than competing social classes, their world is populated by rational individuals seeking to maximize their own well-being through market exchange. For neoclassical economists, value is no longer seen as an intrinsic quality of an object—an expression of its usefulness or of the amount of labor it embodies—but as a subjective quality determined by market participants. An object’s value resides in its “marginal utility” to the buyer—its ability to satisfy the buyer’s needs and desires at a particular point in time given how much of the thing the buyer already has. This marginal utility is revealed by the price that the buyer is willing to pay for the object in question on the free market. Only one type of value exists, and it is expressed by competitive market price. The words price and value have therefore come to be used synonymously. With this theoretical shift, neoclassical economists swept aside any moral questions about an object’s “fair” or “just” value—questions that must naturally arise when value is considered intrinsic—making value a simple function of scarcity and demand.\(^\text{19}\) They also moved the production boundary once again; now the supply of any good or service was considered productive activity as long as it had a price tag attached.

Today, under the influence of the neoclassical school, land is no longer seen as a unique category worthy of distinct analysis. Instead, it is treated like any other income-producing asset, whose value reflects the income it will bring in over time, discounted to present values. What follows is a very basic description of this income capitalization model.

In buying a piece of farmland, an investor will, first and foremost, consider how much he is likely to make in annual income from that property (either by charging rent or from farming—from the neoclassical perspective there is no meaningful difference between the two types of income). That level of income, divided by the price of the property, is the rate of return on the investment. In real estate investments, that expected rate of return is called the capitalization rate. The investor will buy the farmland only if the capitalization rate is comparable to or higher than the rate of return that he could receive from another investment with a similar level of risk. The capitalization rate essentially expresses the opportunity cost of putting money into this investment rather than some other money-earning investment or bank account.
“Income” in this equation stands in for the expected returns to be made by farming the property or renting it out to a tenant farmer (we will return to the role of expectations in the next section). “Farmland value” refers to the price of land because, again, under current conventions value and price are seen as synonymous. This formula can be rearranged to give a basic model of farmland value.

\[ \text{Farmland value} = \frac{\text{Income}}{\text{Capitalization rate}} \]

Here, the value of farmland is essentially the net present value of the expected future income stream from landownership, discounted to its present value at a risk-adjusted rate.20

This formula illuminates a couple of major reasons why land values might change. First, since farm income forms the numerator of the equation, farmland values will generally increase or decrease in tandem with farm incomes. So, for instance, rising agricultural commodity prices will increase farm rents and therefore land values. That much is relatively straightforward. Second, land values will also be affected by changes in the capitalization rate—the percent return that investors must expect to receive on their investment in order to bother buying land. Because it is in the denominator of the equation, increasing capitalization rates will cause land values to drop, and decreasing capitalization rates will cause land values to rise. Capitalization rates are very sensitive to changes in the prevailing national interest rate, which alter the baseline return that investors could make from putting their capital elsewhere. Low interest rates tend to boost farmland values (because low returns elsewhere make farmland more attractive to potential buyers), while high interest rates tend to depress farmland values (because investors who can get high rates of return just by parking their money in government bonds are less likely to make the riskier choice of buying farms).21

This formula also explains why many investors view farmland as an inflation hedge; food is generally one of the first things to increase in price during a period of inflation, which may translate to higher agricultural incomes, while, at the same time, governments often combat inflation by keeping interest rates low, which means low capitalization rates.22

In reality, many other factors—such as tax policies and urban development opportunities—also go into determining the price of land. However, this model captures the most basic components, or market fundamentals that go into land-purchasing decisions: farm incomes and prevailing rates.
of return. This model puts flesh on the bones of Harvey’s assertion that land is increasingly being seen as a source of future returns comparable to any other. Today’s farmland investors, steeped in neoclassical economic thought, are always aware of how the returns on alternative investments are changing and how this may alter the profitability of buying land.

**Enter Irrationality**

The income capitalization model is a useful rule of thumb, and it forms the rudimentary basis for how today’s investors think about their own land-purchasing decisions. However, it also has some major shortcomings. It suggests that, since farm income is the main determinant of farmland price, the two should move roughly in tandem, making it very difficult to account for land booms and bubbles.\(^{23}\) The neoclassical premise that individuals are guided by rational expectations and that market efficiency leads to accurately priced assets sets economists at a disadvantage where land is concerned. The dominant economic vocabulary also recognizes no meaningful distinction between speculation (betting capital on the belief that prices will go up or down in future) and investment (putting capital to work in a way that adds value and thereby ensures a future return), instead depicting speculation as just another form of investment.\(^{24}\) Equipped with this conceptual tool kit, agricultural economists sometimes use terms like land-price “paradox” or “farmland-price puzzle” in reference to the confounding tendency for land to be priced above or below what it should be if everyone was operating with rational expectations about the fundamentals of farm income and interest rates.\(^{25}\) Whereas farmland values often march along at roughly the levels predicted by dividing prevailing rents by the long-term interest rate, sometimes they shoot up to levels that rents and interest rates can’t explain.\(^{26}\)

Several material and social attributes make farmland markets particularly susceptible to booms and busts.\(^{27}\) First, land is *finite*; more land cannot simply be produced to catch up with the level of demand, a fact that drives prices up and also provides a compelling rationale for would-be speculators. Second, decisions about land are subject to a *time lag*. A farmland purchase generally implies a commitment of at least one year—the length of one annual crop cycle—and much longer when it comes to building barns and other infrastructure. This difficulty in reversing course creates market inertia. Third, and most importantly, land is subject to *shared expectations*. The income capitalization model tells us that land values are based on expectations about market fundamentals; what it doesn’t tell us is that there is no guarantee that these expectations will be rational. People form their expectations by reading the same government harvest projections and monitoring the same futures market indices. Shared beliefs also spread by word
of mouth, with news of impressive profits spreading contagiously from one person to another. There is, furthermore, a tendency to put too much weight on the experience of the recent past in establishing land-price expectations; after a few years of increasing land values, people begin to expect that prices will continue to increase indefinitely.

This not-strictly-rational behavior of land markets is better explained by the theories of early twentieth-century British economist John Maynard Keynes and his theoretical descendants, such as Hyman Minsky. From their perspective, all markets are governed by expectations about a fundamentally uncertain future and are subject to the influence of unstable emotions. As a result, markets have been inflated by infectious optimism and speculative behavior since time immemorial—from the Dutch tulip mania of 1636, when a single tulip bulb could fetch as much as a house, to the dot-com bubble of the late 1990s, when investors poured money into overhyped internet businesses with names like Pets.com. Investors are emotional creatures, Keynes argued, who sometimes let their “animal spirits” get the better of them, leading to speculative episodes in which asset prices lose all grounding in actual asset values.

While intoxicating optimism can infuse almost any market, land markets can also be fueled by economic anxiety. In times of economic uncertainty, people want to own something more solid than fiat currency. Paper money has no use value—if people stop believing in it, it becomes just so much ink-stained paper. Financial assets, likewise, can evaporate as fast as digital figures can change on a computer screen. But land is different. Its solidity and evident usefulness make it a safe haven that anxious investors can flock to when they fear for the value of their capital. Capital, as Marx observed, is generally governed by “laws of motion”; it can generate more capital only if it is in constant circulation, meaning that stagnant capital is considered a wasted opportunity. However, this rule breaks down in times of economic uncertainty. At these moments, when investors are desperate simply to preserve the value of their capital, the fact that land is a scarce and appreciating resource becomes at least as important as its ability to generate profit by producing crops. At these times, investors are happy to take their capital out of motion and fix it safely in the ground. Land investment is therefore an inherently speculative endeavor, infused with optimism and anxiety, hope and fear.

Cultivating Capital Gains

Do today’s farmland investors view land as a “pure financial asset” akin to stocks and bonds? Do they treat it as a source of financial income rather than
productive income, in line with the overall trend of financialization? Not entirely. In the aftermath of the global financial crisis, many investors were drawn to land precisely for its productive qualities. Many even chose to invest directly in farming instead of leasing out their newly purchased farms (i.e., they adopted the “own-operate” approach described in chapter 1). Yet, true to Harvey’s description and in accord with the spirit of financialization, what unites farmland investors today—whether they treat land as a passive source of rental income or engage in farm operation—is that they all depend on the profits from land appreciation. It is this restless pursuit of capital gains, I will argue, that most characterizes the financial sector’s turn to farmland.

Farmland investors conceptualize their returns as falling into two categories: the cash return and the capital gains. The cash return—also known as income return or simply the yield—to farmland investment comes from the regular income produced by the farm property; it can refer to either the returns from production or from rental income, if the land is leased to an operator. The capital gains—also known as appreciation return—are the returns that come from increasing land value. For farmland investors who lease out their properties, returns are composed of cash returns in the form of rent, plus capital gains (all financial profits). For those who operate their properties, returns include cash returns in the form of farm income (productive profits), plus capital gains (financial profits).

For most investors, the cash returns from farmland ownership—whether in the form of rental income or farm income—would not alone be sufficient inducement to buy land. Cash returns on US farmland, for instance, are generally in the mid-single digits, which is not enough to motivate most institutional investors. The relatively conservative pension funds frequently base their estimates of future obligations to retirees on a return expectation of between 7 and 8 percent, while hedge funds often shoot for returns in the double digits. While investors are drawn to land’s productivity and tangibility, they are not willing to make major sacrifices when it comes to returns. As a manager at one university endowment put it, “Farmland competes for every investment dollar [in our portfolio] like any other asset class would.” In other words, investors are unlikely to temper their high return expectations to accommodate farmland.

Under these circumstances, modest farmland largely managed to capture the eye of capital markets during the recent land rush because of its potential to generate capital gains. For pension funds, insurance companies, and other relatively risk-averse investors drawn to farmland as a long-term diversification strategy and inflation hedge, capital gains are central to the investment thesis; it is the regular appreciation of farmland that allows it to store the value of invested wealth. For US farmland, many of the investors and managers I interviewed expected
roughly 50 percent of their fund’s total internal rate of return (IRR) to come from land appreciation. One large midwestern farmland investor and operator described just such a 50/50 investment strategy: “The long-term historic returns to land appreciation have been between 4 and 6 percent in the core of the Midwest. . . . So that’s why you invest, is that 5 percent appreciation per year. And then the second thing you get is, you should get, again, somewhere between 4 and 6 percent a year of rent.” Despite his relatively staid approach to farmland investment, it is still the essentially speculative returns from capital gains that get top billing in his explanation. The capital gains ultimately explain “why you invest.”

Farmland values do not always exhibit such impressive appreciation. Historically, the income returns for US farmland have stayed relatively flat, trending gradually downward, whereas the capital gains from appreciation have been far more erratic, going through booms and busts. Figures 2.1 and 2.2 show the source of farmland investment returns for two US states: Iowa and California. Figure 2.3, like figure 1.4 in the previous chapter, is based on data from the NCREIF Farmland Index of US farms owned by institutional investors, but rather than their total farmland assets (as in figure 1.4), it shows the breakdown of their returns. For this sample of institutionally owned US farms, land appreciation made up an impressive percentage of investment returns during the decade that lasted from 2004 to 2014, excepting a two-year lull at the height of the recession. It was only after a couple of years of these high appreciation returns—beginning around 2006—that institutional investors began considering farmland as a

**FIGURE 2.1** Return components for Iowa farmland, 1970–2016

*Source: Bruce Sherrick, TIAA Center for Farmland Research, University of Illinois.*
FIGURE 2.2  Return components for California farmland, 1970–2016
Source: Bruce Sherrick, TIAA Center for Farmland Research, University of Illinois.
Note: Current income figures not available before 1984.

FIGURE 2.3  Property count and return components for NCREIF Farmland
Property Index, 1991–2018 (Q2)
Source: Image by author based on data from National Council of Real Estate Investment Fiduciaries, “Farmland Property Index.”
serious possibility for their portfolios. Again, for many of these farms the income returns take the form of rent, meaning that they too constitute financial income; the appreciation returns are just the portion of the total returns that we know to be financial, rather than productive income.

Capital gains are, if anything, even more essential to the more aggressive farmland investors and asset managers buying land in “emerging markets.” One approach is to buy land in regions that are undergoing particularly fast appreciation, whether due to policy changes, infrastructural improvements, or simply a booming land market. A participant in a conference panel on farmland investment in Latin America explained, “If you want exposure to commodity prices and a hedge against inflation, buy farmland in the United States, it’s easier. If you buy into this concept of increasing pressure on farmland, buy some farmland in Latin America—you’re going to get a large return and it’s not going to come from the farming, it’s going to come from the capitalization of the land.” As with stock-market speculation, this kind of investment depends greatly on the timing of the investment.

Not all capital gains, however, come from passive appreciation. Many farmland managers stimulate land price increases through transformations that add value to their properties. Speaking at an investment conference, the CEO of a Brazilian agribusiness—one of several large operating companies now selling themselves as farmland investment vehicles—differentiated these two components of the capital gains:

There are three types of returns, you know, in farmland. One is the operating return—1, 2, 3 percent, nothing to write home about, nothing to particularly attract private equity capital. Then there’s the land appreciation. As you know, land does not depreciate over time, it appreciates over time at a rate which could go anywhere between 4 and 8 percent depending on the regression you run, the data you use. And then there’s the land transformation return, . . . This is a business which has generated 20 percent IRR over the past four, five years.

According to his math, the operating return barely signifies, while passive appreciation is considerable—and returns to transformation are potentially phenomenal. He is simultaneously speculating and investing in land-price increases. Though his company farms many thousands of hectares, the most important commodity it produces is the land itself.

There are many ways to add value to land. These include clarifying legal title and altering farm size to increase marketability. An important way to boost land’s value is by increasing its productivity through major transformations—clearing forested land, making soil amendments, installing drainage tiles, drilling wells, or adding irrigation infrastructure. But agricultural yields, and therefore land
values, can also be increased simply by employing more intensive production techniques, a fact that further blurs the dividing line between returns from operation and returns from appreciation. When I asked one European pension-fund manager why he preferred an own-operate approach to farmland investment, his answer was simple: “If you participate in the operating part of the business, you have better control over the land appreciation.” For him and many others, productive use of land is, paradoxically, inspired by visions of capital appreciation.

Though increasing farm income—and the increasing land values that come with it—are most often achieved through conventional, input-intensive production techniques, there are exceptions to this rule. Farmland LP, a US-based farmland-management company that owns properties in Northern California and Oregon, increases land value by having tenant operators take land through the three-year organic certification process. Their strategy takes advantage of the fact that the premiums associated with organic certification are quickly capitalized into the value of the land, increasing its resale price. Another example comes from Peoples Company, a farmland broker, manager, and investment service provider based in Iowa, which in 2018 began offering winter cover cropping to the investor-landowners whose properties it manages. They believe that this soil improvement initiative will appeal particularly to institutional investors because of their overriding focus on land price appreciation.

The drive to increase land values has major socioeconomic and environmental implications. What almost all these approaches to “adding value” share is that they propel agriculture toward more capital-intensive, industrial forms of production. Higher yields are generally achieved through increasing use of technology and inputs. Value-added strategies relating to farm size, meanwhile, often involve consolidation of small landholdings. Formalized land titles, too, often come at the expense of poor rural communities who, in many parts of the Global South, farm land to which they have no official use right. The land appreciation produced through these approaches also creates path-dependent outcomes; not only do high farm incomes lead to higher land values, but higher land values require farmers to produce more income in order to pay their rent—generally through intensifying production practices or producing higher-value crops. In her seminal work on the California organic industry, Julie Guthman revealed that even the conversion of conventional farmland to certified organic farmland may contribute to a “land value spiral,” in which higher rents require more intensive production practices, a trend that favors wealthier farmers while allowing less time for soil and other biophysical systems to replenish themselves. In other words, the “highest and best uses” of land from the perspective of capital accumulation are not necessarily the highest and best uses from the perspective of environmental sustainability or economic justice.
Financial landowners value farms for their ability to produce capital gains as much as for their ability to produce corn or almonds or sugarcane. Many actively pursue capital gains through taking part in production or by converting land to higher-value uses. However, as the following section will argue, anticipation of “passive” appreciation is also a crucial part of land’s appeal.

**Great Expectations**

When farmland is valued as a stream of future income, the contours of that future become very important. As the income capitalization model shows, expectations of future farm incomes and future returns on alternative investments are key to determining farmland values in the present. This future orientation is not unique to farmland—within capitalism, market actors are always motivated by their own expectations of the future and also spend inordinate amounts of time trying to influence the expectations of others. Stories are one of the primary vehicles used to shape market expectations, serving both to raise investors’ “animal spirits” and to calm their anxiety. Stories can also be incredibly effective at raising investor capital. Anna Tsing argues that businesses dependent on attracting up-front investment capital must whip up investor anticipation through fantastical stories of possible future profit, a process she describes as “spectacular accumulation.” “In speculative enterprises,” she argues, “profit must be imagined before it can be extracted; the possibility of economic performance must be conjured like a spirit to draw an audience of potential investors.” In other words, capital-hungry start-ups paint the picture of the profits that they hope will eventually materialize (and that, indeed, they will use investor capital to create). “Conjuring” future profit through spectacular narrative and images attracts investors, giving the company the capital and time needed to see if it can make that imaginary future profit into a reality.

Like other uncertain ventures, farmland investment depends on economic spectacle to convince prospective investors. The stories told by farmland investment boosters can be seen as performative—their depictions of economic reality have the potential to shape investor behavior and therefore the very market outcomes they purport to describe. By describing a coming farmland boom, they foment the investor excitement that could make that boom a reality. Attending investment events and conducting interviews between 2010 and 2014, when the farmland boom was in full swing, I found three future-oriented narratives to be particularly instrumental to conjuring investor capital and, with it, farmland price appreciation. The first two narratives directly influence investor expectations about the fundamentals of the sector, corresponding roughly with two key
inputs of the income capitalization model of farmland value: farm income (rents or crop prices) and capitalization rate (the required rate of return). The third narrative, which concerns investment timing, addresses the potential problems that can arise from collective expectations. Here again, land’s productive and financial qualities intertwine, with both instrumental to shaping visions of the future.

The Scarcity Scare

Though the financial sector values farmland largely for its ever-increasing price (or exchange value, in rough Marxian terms), its productivity (or use value) nevertheless features prominently in the stories prospective investors are told about land. Scarcity narratives, first enshrined in economic thought by Malthus, are central to capital-raising efforts and therefore also to the construction of a farmland boom. The particular incarnation of the scarcity narrative that haunts agricultural investment conferences begins with the fact that the Earth contains a finite quantity of land. This is followed by an enumeration of the factors currently leading human needs to outstrip food production: inexorable population growth, increasing meat consumption by the growing middle class in China and other emerging economies, and the advent of biofuels all contribute to an increasing demand for grain. Meanwhile, urbanization and climate change are daily reducing the stocks of available farmland. The aging farm population in the US, Japan, and elsewhere is occasionally reflected upon with foreboding. It is concluded that food and farm prices will increase into the indefinite future.

Though, during my research, the inevitability of resource scarcity was most often expressed in general terms, occasionally Malthus himself spontaneously entered the conversation. An American working on creating a Brazilian farmland fund told me that Malthus was making “a huge comeback,” while a British fund manager based in Uruguay described increasing global resource scarcity as a “Malthusian perfect storm.” At one major agricultural investment conference, attendees were given a DVD of Last Supper for Malthus, a peculiar French documentary on the global food crisis. The opening sequence jumps spasmodically between two-second clips—dark-skinned people dancing in traditional clothing, flies swarming on the face of a dead goat, a factory farm, a polar bear diving from an iceberg, a crowd of Asian people in suits, locusts swarming up a tree, a hurricane seen from space—all accompanied by sinister-sounding strings. The viewer is then introduced to the primary conceit of the film: televised interviews with the ghosts of Malthus and Ricardo, temporarily arisen to rehash their theories in light of the recent food crisis. Malthus argues that scarcity and population growth make starvation inevitable, while Ricardo contends that free trade and
comparative advantage can serve to address scarcity. The film introduces a wide range of opinions through interviews with world food experts—including some who lay the blame for the food crisis at the door of biofuel subsidies and commodity speculation—but the overall effect is to reinforce the “scarcity scare.”

Some asset managers build their investment strategies around explicit visions of global resource scarcity. Such is the case with Jeremy Grantham, cofounder and chief investment strategist of Grantham, Mayo, and van Otterloo (GMO), a Boston-based asset management company that manages tens of billions of dollars. Grantham is an unapologetic neo-Malthusian and an enthusiastic proponent of farmland investment. A quarterly letter he sent to investors in 2011 was a nineteen-page diatribe titled “Time to Wake Up: Days of Abundant Resources and Falling Prices Are Over Forever.” In this letter, Grantham reiterates Malthus’s argument that an increasing food supply leads to a population boom followed by starvation, and argues that the incredible wealth unlocked by the “hydrocarbon revolution” has led to just such a boom in the human population. He concludes that the result of this is both a dire scarcity of food and other natural resources and an excellent investment opportunity.

If I am right in this assumption, then when our finite resources are on their downward slope, the hydrocarbon-fed population will be left far above its sustainable level; that is, far beyond the Earth’s carrying capacity. How we deal with this unsustainable surge in demand and not just “peak oil,” but “peak everything,” is going to be the greatest challenge facing our species. But whether we rise to the occasion or not, there will be some great fortunes made along the way in finite resources and resource efficiency, and it would be sensible to participate.

The letter demonstrates how the scarcity narrative is used to encourage investment in natural resources—given the inexorability and immediacy of the trends described, one would be foolish not to. GMO is not the only firm to base its investment strategy explicitly on resource scarcity. The Hamburg-based investment firm Aquila Capital, which manages funds for agriculture and other real assets, even has Dennis Meadows, the former director of the Club of Rome think tank and coauthor of its famous 1970s report about global scarcity, The Limits to Growth, on its board of directors.

The scarcity narrative conjures a farmland boom by acting on one of the key elements of farmland value: expected farm income. Given that present land value is understood to be the net present value of future farm income, anything that causes expected farm incomes to increase will also boost present land prices. The story of rapidly growing food demand on a collision course with stagnant or shrinking supply is therefore performative; proponents of farmland and agricul-
tural investment use it to conjure the investor capital and the investment returns that they need to be successful.

This narrative has consequences beyond the bottom line of farmland funds. As Henry George observed about Malthusian theory, an exclusive focus on natural scarcity diverts attention from the social injustices that actually lie at the root of hunger.50 This critique has been elaborated by scholars like Amartya Sen and Michael Watts, who trace the ultimate cause of famines to economic vulnerability, not overall food shortages.51 As Lappé and Collins put it, “There is scarcity, but it is not a scarcity of food. The scarcity is of people who have either access to the means to grow their food or the money to buy it.”52 The scarcity narrative obscures the social origins of food insecurity, and in doing so it legitimizes certain types of responses to events like the 2008 food crisis while cutting off others. If the food crisis resulted from insufficient global food supplies to feed a rapidly growing population, then recruiting investment capital to fund large-scale industrial agriculture in developing countries is a completely logical response. If, however, the problem is enormous economic inequality that results in some people eating concentrated grain in the form of Big Macs while others starve, or government policies that encourage burning grain as biofuel in gas tanks, or financial speculation that turns grain into a form of capital, then the solutions might be quite different. By obscuring the power relations that determine access to food, scarcity narratives depoliticize hunger and foreclose options for addressing it.

It is important to note that, for every agricultural investor who wholeheartedly gave me the Malthusian line, there was another who relayed it with substantial caveats. For instance, Leon, a hedge-fund manager I met at several agricultural-investment conferences, pointed out that this was not the first time scarcity had been a concern: “Populations were increasing in the eighties. And in the nineties [people said that] if everybody in China just ate one more, one egg a day, it would take all the grain surplus in the world.” Markets, he concluded, sometimes fail to translate such rising demand into rising food or land prices. Interestingly, he doesn’t take issue with the basic premise about population growth and resource limitation, but he does question whether this would inevitably lead to higher food and land prices. In general, the idea that demand for food is outstripping farmland supply is orthodoxy within the farmland investment community. The scarcity narratives that result have a performative effect on land values if they successfully mold investor expectations about future farm incomes.

Financial Dystopia

Another common narrative in farmland investment pitches depicts looming economic crisis in Northern economies. In this narrative, financial uncertainty
combined with mismanagement on the part of government—policies of quantitative easing and deficit spending are most frequently cited—will lead to a massive loss of wealth for those foolish enough not to have placed their money into real assets like land. While the scarcity narrative’s applicability hinges on land’s productive capacity, the financial disaster narrative relates primarily to its ability to store wealth.

The financial disaster narrative was impressively displayed by one of the featured speakers at the 2012 Land Investment Expo in Iowa. The speaker argued that expansionary monetary policy and excessive government spending were paving the way for rampant inflation. “I haven’t met one person in America who believes that Congress will do the right thing and begin to balance the budget,” he announced. “It’s a 100 percent–held consensus they will not do it. And if that’s the case, it means they will continue to print a trillion and a half dollars a year, and when a government does that for a sustained period of time the value of your savings declines. Simple as that.” He went on to explain that people are naturally turning to real assets as an inflation hedge, but cautioned that gold prices are too volatile to serve as an effective store of value. “I tell people, ‘I understand if you don’t believe government will ever do the right thing, I understand, but rather than do gold, why not buy farmland?’”

This speech not only captured the essence of the financial disaster narrative, but it also illustrated the centrality of spectacle and performance to the farmland boom. At one point in his presentation, the speaker casually reached back into his pocket and pulled out his wallet, saying, “In fact, a coin dealer gave me this bill the other day.” He extracted a single bill and brandished it before the audience. “This is what people are afraid of,” he told them. “This is why people are buying gold for sixteen hundred bucks. These are why people are buying cropland . . . because of this. This is what they don’t want to see. This bill right here is the highest-denomination currency on the planet ever printed. It’s from a country called Zimbabwe. And what happened there, they turned on the printing presses and never shut ’em off. This bill right here, this one piece of paper is a $100 trillion bill.” He gestured up and down with the bill on the last few words, giving them extra emphasis. Laughter erupted from the audience. The speaker continued, “And it buys lunch today.” Putting the bill back in his wallet, he explained its portent: “See, that’s what your government can do. If they don’t do the right thing. If they don’t raise taxes and cut some spending, then all they’ll do is print money and run bigger and bigger deficits and destroy your savings. End of story. So that’s why I can say . . . cropland is perceived to be in a bubble, and at the same time say it’s possible it could go up dramatically in value even further from right now.”

This spectacular story of government ineptitude and hyperinflation feeds the fertile nexus between land value and fear. Land prices tend to increase when
investors are afraid for the value of their money, and the image of the $100 trillion bill stokes these apprehensions adroitly. It connotes a future in which the relationship between money and time has unraveled. One of money’s most essential attributes is its ability to store value, so that it can be earned in the present and expended on as-yet-unknown future needs and desires. But in case money betrays our trust, farmland is proposed as a stalwart option for safely chaperoning capital from present to future. This narrative of monetary fragility conjures farmland appreciation by altering expectations about future capitalization rates. In the event of runaway inflation, interest rates will be extremely low, and (except for high farm incomes) nothing else could more surely contribute to high land values.

In addition to inflation, farmland is held out as protection against several other varieties of economic calamity. Lucas, the manager of a hedge fund with farms in Australia and Brazil, held pretty bleak visions of the economic future. In our 2011 interview, he explained,

Most banks in the world are broke. Bankrupt. They are totally bankrupt. . . . You and most people on the street don’t know that, but a lot of people sitting at the top know that, and they know that they need a tangible investment. So what is a tangible investment? It’s a hard asset. Something that nobody can take away from you, in principle. . . . It cannot really, it can be, ultimately everything can be confiscated, but generally land is not confiscated. They might confiscate the currency, they might confiscate gold, but you might still have your farm.

He achieved the transition from discussing insufficiently capitalized banks to an extreme scenario involving government confiscations of private property in under a minute. Like the Land Investment Expo speaker’s ominous vision of hyperinflation, this account marries economic and political insecurity in rendering a future in which private capital will not be safe. Here, the structural fragility of financialized economies becomes, somewhat ironically, a rationale for finance capital to flow into a new sector of the economy.

What is striking about the financial-disaster narrative is how vivid and alarming the potential future scenarios are. The keynote speaker at another investment conference made the argument for buying farmland on the basis that it is one of the few assets that could survive a currency collapse. “Let’s say the dollar collapses,” he told the audience. “I’m not saying it will, but let’s say it does. If the dollar collapses, one of the few ways you’ll be able to preserve your wealth and even make money is to own productive farmland.” The intensity of these scenarios—hyperinflation, confiscation of private property, currency collapse—makes them more effective at conjuring farmland investment. The rhetoric of
pending financial collapse—like the scarcity narrative—has a drama to it that seems almost certain to boost expectations. This narrative performatively shapes land values by influencing investor beliefs about the safety of their capital and the rates of return that will be available from alternative investments in future.

A Tsunami of Money

Investment decisions made in the present are based on expectations not only about the uncertain future but also about the uncertain behavior of others in relation to that uncertain future, a phenomenon that Elena Esposito terms “circular uncertainty.”55 With temporal contingency compounded by social contingency in this manner, prospective investors are acutely concerned that they may be buying into farmland too late. Farmland boosters address this concern head-on through a narrative about investment timing. While the scarcity and financial disaster narratives work to conjure a farmland boom, this third narrative addresses concerns created by the boom itself. It reassures prospective investors that they are early rather than latecomers, and that they will be riding the surge of investment up rather than down. This narrative has been made largely obsolete by the cooling of land markets since 2014, but it is still worth examining for what it shows about the social nature of land markets.

The timing narrative begins by characterizing agriculture as a historically underinvested sector, but one that is teetering on the verge of discovery. According to a speaker at one agricultural investment conference, “There’s a wall of cash that’s about to hit agriculture.” At another investment conference, a panelist used a different but equally evocative image: “There is a tsunami of money that wants to enter the agricultural sector.” A farmland investment report, meanwhile, explains, “Current market conditions have created what might be described as a perfect storm in terms of buying opportunities.”56 These metaphors depict an impending boom that is extremely close, extremely large, and almost violent in its intensity. The implication is that now is precisely the moment to invest in agriculture. There are huge opportunities to be had as agriculture is brought into the twenty-first century—in the case of farmland, through a rapid increase in land price—but because this flood of institutional money is about to hit the sector, those opportunities won’t last long.

That capital is pouring into land markets makes for a powerful selling point, but it also raises concerns about a possible bubble. To address these concerns, farmland investment promoters resort again to timing. Bubble or no bubble, they argue, if you get in soon, you can still make a profit before it bursts; the meteoric rise in farmland prices may no longer be in its earliest stages, but it still has a long way to go. A 2008 publication by the financial advising firm Wellington
West used a baseball analogy to describe this position: “We believe we are in the third or fourth inning of a significant farmland price appreciation cycle resulting from high farmer income combined with scarce arable land.”³⁷ Three years later, a US-based farmland fund manager resorted to the same analogy in addressing the boom-bubble issue: “It’s not the first inning of the game, [but] it’s not the eighth inning either.”³⁸ In a 2012 interview, meanwhile, a US-based hedge fund manager told me that we were in the fifth inning of the game. What is perhaps most noteworthy about this ubiquitous baseball metaphor is the tacit admission that the existing rate of farmland appreciation is a temporally bounded event rather than a sustainable increase based on secular trends (as the scarcity narrative suggests). The metaphor implies that the game will end at some point, but emphasizes that there is still plenty of time to play before then.

At a 2012 agricultural investment conference, an influential speaker argued that farmland prices had a long way to go up before coming down. After pointing out that agriculture was receiving unprecedented investor interest, he said,

This too will someday end in a bubble. I know it’s incomprehensible for some of you to believe that right now, but it may be in ten years, twelve years from now, everybody will be talking about agriculture. CNBC will become an agriculture-commodity TV network, and everybody will be talking about their farms and how much money they are making in soybeans and cotton. So, when those days come, when that bubble comes, I hope you’re all smart enough to sell out. . . . But in the meantime, I urge you all to learn about farming.

Here a looming bubble is less a cause for caution than an inevitability, but the important message is that investors still have ample time to invest, make money, and sell out before the bubble bursts. The end will not come for a decade or more, and by the time it does agricultural investment will be pervasive. Surely, investors need have no fear about being too late to the game, if this is the future that awaits them.

This timing narrative, like the others, has its detractors. Quite a few interview participants (though none of those currently promoting a farmland investment project) told me that they believed farmland to be “topped out” or expressed concern about there being too much “hype” surrounding land. They were very aware of the social uncertainty created by collective investor beliefs and were determined not to fall victim to it.

The three investment narratives I have described may all influence future events, but that influence is not decisive. To say that these narratives are performative does not mean that their descriptions necessarily came to pass; it simply recognizes, as Judith Butler puts it, “that reiteration is the means through which
[an] effect is established anew, time and again.” Following the philosopher J. L. Austin, Butler argues that most performative discourse will succeed in influencing the future only under “felicitous” circumstances. Under infelicitous circumstances they may fail or “misfire,” as Austin puts it, and the reality they describe will not take place.

As it turned out, circumstances were infelicitous to the continuance of a farmland boom, though not definitively so. Falling agricultural commodity prices during 2014 and 2015 reduced the credibility of the Malthusian story line, while gradual economic recovery in many countries quelled economic anxiety. This change in circumstances wasn’t enough to create a real bust, but it certainly took the air out of the farmland boom. There was no mad rush away from farmland or agriculture, but there was a quiet hissing sound. The (partial) misfire of these farmland investment narratives can be attributed in part to the same old agricultural risks that have plagued farmers for centuries—good weather contributed to rising supply and falling crop prices. But it also signals the financial risks involved in farmland investment—a booming stock market and the likelihood of rising interest rates also helped cast farmland back in the shade, while the inflation predicted to follow the expansionary monetary policies of the recession completely failed to materialize. In addition, there are abundant location-specific causes for performative misfire; Oane Visser, for instance, describes how narratives about Russian farmland scarcity fell flat when it turned out that the supply of land was actually more than enough to satisfy investor demand without resulting in the hoped-for price increases. Farmland investors are fundamentally future oriented, valuing land as a stream of future income, but there are limits to their ability to predict or influence that future.

The Moral Economy of the Farmland Investor

Though land’s financial qualities—its ability to produce a stream of future income in the form of rent and capital gains—are major enticements to investors, its productive qualities remain essential to legitimizing landownership. This is because land is encumbered by social values beyond the economic. Land is what Marion Fourcade terms a “peculiar good” and Margaret Radin calls an “incomplete commodity”; it is bought and sold almost everywhere, but because it is a means of production essential to human survival and livelihoods, its commodification is always partial and contingent, hemmed in by legal restrictions and social norms that limit the conditions of its monetization and sale. According to Radin, incomplete commodification often occurs in objects that are closely linked to personhood; this includes the obvious—think human organs, children,
and sex—as well as less controversial but still personal commodities such as employment and housing. Farmland, too, has an intimate connection to self. It grows crops that, when eaten, are incorporated into our flesh, and it harbors personal cultural identity. One could even say that land is “sacred,” which is how Viviana Zelizer describes objects that society reveres and is therefore reluctant to debase with the cool calculation of market rationality.

Finance, meanwhile, gets almost the opposite moral billing. As the branch of the economy that specializes in monetary transactions, finance must contend with cultural associations between money and the profane (think “filthy lucre” and “the root of all evil”). The US financial sector has worked hard to distance itself from associations with immorality, often by deploying alternative discourses about its work. Marieke de Goede recounts how, in the late nineteenth century, there was widespread distrust of the financial sector; many viewed stock-market investing as a parasitic enterprise, a means to gamble on the wealth generated by others without making a productive contribution to the economy. Over the course of the twentieth century, however, the financial industry waged a cultural, legal, and political battle to differentiate itself from gambling and craft a more virtuous image. It achieved considerable success. Financial professionals managed to improve their image by recasting themselves as experts in scientific risk management whose careful research and modeling are in themselves a productive contribution to the economy. In Mazzucato’s terms, finance worked hard to cross the production boundary, shifting in the public imagination—as well as in the calculation of national economic statistics like gross domestic product (GDP)—from value extractors to value creators. Yet this wholesome image remains precarious, and financial professionals must perpetually shore up their shaky stance as virtuous economic actors.

In other words, economic values are not the only ones that matter; the social values associated with farmland present a challenge for the farmland investment sector. Critics of financial landownership capitalize on the moral reputation of both farming and finance, depicting farmland as sacrosanct while casting those who wish to profit from it as profoundly unprincipled. Recall that, in the 1970s, the Ag-Land Trust farmland fund was characterized as “tinkering with the virtue of country America.” It was accused of monopolizing precious farmland instead of leaving it to its rightful owners—the farmers—and of straying too far from finance’s designated role of supporting producers by supplying them with capital. The fund promoters, meanwhile, defended themselves by arguing that they would aid agricultural production by freeing farmers from the considerable costs of landownership. After decades of financialization, this moral struggle is more muted but continues nonetheless, with the farmland investment community taking an active part in promoting a certain moral vision of their
activities. Following E. P. Thompson and James Scott, we can think of their vision as a “moral economy”—a set of shared ideas about the rightful roles of different market participants and the fair distribution of scarce resources. Despite their primary focus on the financial returns from landownership, the moral economy of the farmland investor is centered—somewhat paradoxically—on productive use of land.

**Becoming Farmers Overnight**

At one agricultural investment conference in the early years of the boom, the moderator gave an opening speech in which he marveled at how much the topic of agricultural investment had increased in popularity. He joked, “We’re having a little fun making history. We’re pretty sure there have never been this many farmers at the Ritz-Carlton at one time,” and received an appreciative rumble of laughter from the audience. The choice to characterize the conference attendees as “farmers” may simply have been a matter of comedic license, but it also represents a common theme. When their biographies offered them any sort of choice in the matter, the asset managers and company executives I spoke with generally chose to identify themselves as farmers rather than as investors or entrepreneurs. This serves two purposes: positioning the speaker as an agricultural industry insider and assuming the positive moral connotations of farming.

In 2011 I interviewed Carlos, a senior executive at a Brazilian operating company that owns and operates thousands of hectares of farmland and sees farmland purchase and resale as a major part of its business. As we sipped espressos in a glass-walled São Paulo conference room, Carlos told me the story of how he broke into the world of finance. After earning a degree in agronomy and working as a farm manager, Carlos recounted, he decided to go to business school in the US: “To start with, it was pretty tough. . . . They would not accept me because I was a farmer. . . . I was the Brazilian farmer. Everybody knew me. I was this redneck in New York.” He went on to explain that it took getting his MBA and becoming a partner at a major financial firm to be taken seriously despite his agricultural background. But now, he concluded laughingly, he finds himself in the opposite situation. When he recently went to New York for an investment conference, he found that “they’re all ‘Oh, you’re a farmer, how interesting.’ Now it’s cool to be a farmer, but ten years ago, oh, it was a curse.”

Carlos’s story is about Wall Street’s radically changing view of agriculture over the course of a decade, but it also performs a kind of “boundary work.” It delineates a strong boundary between two fields of expertise—agriculture and finance—and adamantly positions the teller on one side of that boundary.
With the story, Carlos situates himself as a farmer first and foremost, while his many years of professional experience in business and finance take a backseat. One function of this boundary work is to increase his credibility as an insider in a booming economic industry. Located at the intersection of agriculture and finance, the emerging farmland investment sector presumably requires expertise in both fields. However, in financial circles, business and economic knowledge are assumed, while agricultural knowledge is the new ingredient that needs to be demonstrated in order to attract investors.

Later in the interview, Carlos once again evoked the farmer-financier boundary, this time to disparage the competition: “You have some financial guys claiming to be ag experts ’cause the guy had an uncle who was a farmer in Iowa in the fifties. I used to live on a farm. I can claim that. I can ride a horse, I can castrate a bull, you know? I can do all that nasty stuff. I can drive a tractor. I did that.” His emphatic assertion serves to discredit the competition by characterizing them as poseurs whose professional experience comes from the “wrong” side of the farming-finance boundary while simultaneously burnishing his own farming credentials (not to mention his masculinity). It is also an observation on the commonness of these efforts to appropriate the farmer identity. Since few agricultural investors can claim to have castrated a bull, they must emphasize whatever farming bona fides they can muster, even if it’s just a farmer uncle.

This claiming of the farmer identity was a common theme throughout my interviews, as was belittling the competition as ersatz farmers. An executive at a German asset-management company with extensive farmland holdings also invoked the image of the poseur farmer: “[In 2008] some people, they were running around having discovered agriculture as a growth industry of the next ten years, who sort of went to Sunday school and became farmers overnight and produced all these wonderful glossy brochures and Excel spreadsheets and came up with fantastic return projections for plain-vanilla farming which were just not robust, not serious.” The description of these money managers who “became farmers overnight” calls into question the competence of the competition. It characterizes them as outsiders—trend followers rather than trendsetters—and in doing so locates them on the wrong side of the boom curve. A US-based farmland fund manager made a similarly sarcastic observation: “There’s lots of people that don’t even know what they are talking about that have rushed into this area, that haven’t farmed, that don’t have any experience, that are now farming experts.” Once again, this boundary work emphasizes the speaker’s own presumably more authentic expertise while denigrating that of his competitors.

But laying claim to a farmer identity also serves another function: it lends to the speaker some of the positive moral traits associated with farming. By situating themselves as farmers, investors dodge the worst moral charge levied
at finance—that of appropriating value rather than creating it—and associate themselves instead with the evident productivity of farming. This moral work came to the fore in a 2012 interview with Dave, a US-based farmland investor and investment manager with properties in multiple states. Dave expressed some serious concerns about the “fast money” that hedge funds were introducing into agriculture and suggested that pension funds were little better, calling them “wolves in sheep’s clothing.” Perhaps owing to his moral qualms about institutional investment in land, Dave repeatedly referred to himself as a “real farmer” throughout our interview. In the first minutes, he explained: “I’m a real farmer. I’m big enough that I don’t run every tractor and plant every seed, but I go out there and put on my boots and work on the equipment and do stuff with the guys.” Later, he reasserted this farmer identity when mentioning his past career in the financial sector: “While I’m a real farmer, I was also an investment banker and a Wall Street guy for [several] years—that’s how I made enough money to go back to buying farms, because I didn’t inherit any land, I just bought my own.” His experience within the financial sector is constructed as a useful but secondary pursuit to his genuine identity as a farmer, although he in fact has considerable experience in both worlds.

The determination to be identified with farming rather than finance likely stems at least in part from an ongoing awareness of land’s “sacred” properties. Though prizing land for its financial returns, the farmland investment community nonetheless pays homage to land’s unique role as a means of production. By identifying themselves as farmers—if at all possible—they position themselves on the producer side of the production boundary, increasing the perceived legitimacy of their activities.74

**Transforming the Land**

Even those farmland investors with no hope of being viewed as farmers can still position themselves as essentially productive actors by emphasizing their improvements to the land. The idea that productive use of land legitimizes ownership is deeply entrenched in Western thought, dating back to the English Enlightenment philosopher John Locke. In his “labor theory of property,” Locke posited that when an individual mingled his labor with nature, he gained the right to subtract that piece of nature from the common resources of humanity, making it his own private property—an enclosure that was justified only as long as the land was put to use.75 However, importantly, the owner needn’t farm every acre himself or eat every apple he grows; Locke accepted money as a suitable, nonperishable way to accumulate the fruits of nature. In fact, just the act of making improvements to the land was, for Locke, a productive act. By transforming “wasteland,”
he thought, owners add to the overall wealth of society and legitimize their claim to the property. This argument was used historically to justify imperial territorial expansion; colonists argued that conquered lands were underused *terra nullius* (nobody’s land), a claim that simultaneously erased indigenous people and justified the annexation of their territories.76

In accordance with this Lockean imperative to improve, agricultural investors frequently highlight the ways in which they add to and transform their properties. For example, Carlos was in the midst of describing his company’s strategy of buying and reselling farmland when he paused to say: “Of course, we’ve got to realize that transformation means production. So we are not speculating in the sense that we’re just buying land and sitting on it and waiting for something to happen.” He wanted it understood that his company was actively adding value to land by investing capital in it. Emphasizing this point serves a practical economic purpose: it increases the company’s appeal by stressing that it generates land price appreciation rather than waiting for unpredictable land markets to deliver. However, the statement “We are not speculating” also has strong moral overtones—it proclaims the righteousness of the investment. Unproductive use of land is a particularly sensitive and political topic in Brazil, as we shall see in chapter 4, but I found this emphasis on land transformation to be fairly ubiquitous (though generally not as explicit).

Emphasizing land transformation allows investors to position themselves as productive actors even if they are not actually involved in production and have no hope of being viewed as farmers. For instance, the manager of a US farmland private equity company that was still raising capital when I interviewed him in 2012 told me that his fund planned to create capital gains through land improvements and altered production techniques: “Instead of just being a passive owner collecting rent, we will be an active landlord who will rent the land out but will take an active role in increasing productivity through best practices, enforcement of those best practices with our tenant farmers, [and] land improvements that will improve the productivity of the land” (emphasis added). His company, he said, would transform its properties by changing farm boundaries, fixing drainage problems, and implementing no-till farming, and would increase yields by insisting that its tenants adopt the latest precision agricultural technology. These land transformations and technological improvements make the company an agent of transformation rather than “just” a “passive landlord.” In this way, even completely rentier landownership can be located on the producer side of the production boundary.

The equivalence between farmland improvement and productive use is, of course, bolstered by the scarcity narrative. Against an assumed backdrop of global food scarcity, even investors who take no part in agricultural production
can position themselves as productive (and therefore moral) actors by arguing that they are adding to the stock of farmland available to feed the world. Citing pressures from urbanization and desertification, an agricultural investment conference organizer described to me the urgency of bringing more farmland into production: “We’ve done the numbers, and if you look at it from an objective standpoint, and you model out supply and demand, you need to put something close to 70, 75 million new hectares of land into production. . . . There’s this tremendous need.” Some express the need to increase agricultural production in even more compelling terms. Lucas, the hedge fund manager who worried about banks failing, did not mince words on this subject either: “I am passionate about this. If we don’t do something, we are going to die. It’s that simple. And it’s not going to be pleasant. It’s going to be pleasant for me. I have my own farm. I can produce everything I need, but most people are going to suffer, and I hate to see people suffering. I mean, why? When we have so much. There’s no reason for any of this to happen. Zero.” The image of enormous and imminent human suffering lends an emotional power to the act of buying and improving agricultural land. It also casts agricultural investors in the role of savior. If they do their job well, they will benefit shareholders and stave off global hunger.

Funding Farmers

Farmland investors also align themselves with agricultural production by arguing that their landownership frees up working capital for farmers to use. In doing so, they position investor land purchases as an extension of the traditional (and therefore morally accepted) role of finance in supplying capital to producers. Farmers, in this framing, are more interested in expanding their operations than in owning land.

This perspective can be seen in full force in the online promotional materials put out by Bonnefield, a major Canadian farmland-investment company, which acquires its land through a “sale–leaseback” model, buying land from farmers and then leasing it back to the former owners on a long-term basis. The Bonnefield website provides case studies of farmers who sold to Bonnefield and prospered as a result. One begins: “For Jim and Lois Smith (not their real names), farming is in their blood.” The case study goes on to describe the dilemma Jim and Lois faced as they wished to expand their operation and reduce their debt: “Jim’s father was what you would call ‘old school.’ He was proud of his land and held onto it no matter the costs. Having grown up with that mindset, Jim and Lois were conflicted. To stay in farming, they would have to grow their land base but for their peace of mind and their children’s futures, they also had to reduce their debt.” Ultimately the story ends happily, with Jim
and Lois selling 500 of their 800 acres to Bonnefield and using the proceeds to lease an additional 2,500 nearby acres from the company. By abandoning the “old-school” mentality of Jim’s father and embracing a more modern perspective that privileged farm operations over sentimental attachment to land, the Smiths were able to reduce their debt, buy new machinery, and triple the area of their farming operation.\(^{78}\)

The argument that farmland ownership is no longer a priority for farmers is based on a view of farming as an industry like any other. In an online interview, Bonnefield president and CEO Tom Eisenhauer describes the transfer of real estate and productive assets to institutional investors as an economy-wide trend: “This trend first started in commercial real estate back in the seventies and eighties. It’s happened in hotels, commercial real estate, industrial real estate, even aircraft operators don’t own their own planes anymore—they lease them. . . . Farming has been slow to adopt this. It’s probably twenty years late, but it’s a trend that we see beginning to happen.”\(^{79}\) That farmers are expected to follow in the footsteps of hotels and airlines flows logically from a view of farmers as primarily motivated by profit maximization and farmland as an asset class like any other; farmers, the Eisenhauer interview and other Bonnefield promotional materials repeatedly suggest, may wish to improve their “return on equity” by selling the farm and leasing it back. The assumption is that farmers, like financial landowners, view their land as just so much immobilized capital waiting to be set in motion. This positions investors to swoop in helpfully and take unwanted—or at least unneeded—assets off farmers’ books, allowing farmers to do what they do best: farm. This perspective is not entirely inaccurate; an Australian study by Sarah Sippel and colleagues found that the financial logic of farmland investors resonated with some farmers who were “global players.”\(^{80}\) Indeed, David Harvey claims that “under conditions of capitalist landownership,” landowning producers of all stripes will need to treat land as a financial asset in order to stay competitive.\(^{81}\) At present, however, many farmers still have a pride in ownership that an enhanced revenue stream cannot entirely replace.

The moral economy of the farmland investor comes down, in essence, to this: investor ownership of farmland is appropriate and even desirable to the extent that it facilitates high levels of agricultural productivity. While those who can claim the farmer identity have staked out the highest moral ground, rentier landlords who improve their properties, or even just keep them in production, are still on firm moral footing. According to this moral framework, the only truly illegitimate farmland acquisition is the one that is left idle (something that rarely happens in well-funded investments). This limited perspective—which we might call the “politics of productivity”—precludes scrutiny of the other issues raised by rentier ownership, such as the justifiability of collecting ground rent in the
first place, the social impacts of concentrated landownership, or the idea that land should belong to those who work it.

There is nothing straightforward about the value of land; economists have been grappling for centuries with the question of how land's worth as a means of production interacts with its worth as a scarce asset. For the finance-sector investors involved in the recent land rush, this interaction takes a particular form; in accordance with the ascendant logic of the financialization era these landowners depend heavily on financial returns—particularly the capital gains from land price appreciation—to achieve their desired level of profitability. This pursuit of capital gains leads many to actively convert their farmland to higher-value and more intensive uses, including clearing forested land and increasing yields on existing farm properties. The importance of capital gains to investment decision making can also be seen in the future-oriented narratives farmland fund managers and industry consultants deploy to attract investors; every investment pitch and market report conjures investor expectations and, with them, land price appreciation. Yet despite this fundamental focus on financial returns, farmland investment promoters work hard to position themselves among the producers of the world. This allows them to partially sidestep the long-standing stigma against those who earn rentier income and to bask instead in the moral glow associated with farming.

However, the moral sanctions surrounding landownership are not the only obstacle to farmland financialization. The farmland investment industry also encounters material and political hindrances as it works to transform land into something more closely resembling a standard financial asset class.