The Corporation and the DNA of Farmland Financialization

by

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A thesis submitted to the Graduate Faculty of
Auburn University
in partial fulfillment of the
requirements for the Degree of
[Rural Sociology, Master of Science]

Auburn, Alabama
May 4, 2019

Keywords:

Land Grab, Financialization, Corporations, Embeddedness, Farmland

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Abstract

Although farmland has long been understood to be an investment, policies shaping the economy, intensified by the 2007-2008 food crisis, have given rise to a new paradigm in which, for a set of major investors, farmland is considered more of a financial asset than a productive one. This thesis proposes an innovative archival methodology to observe the financialization of farmland. Studying McDonough and Fulton Counties, Illinois, I demonstrate how ownership records derived from Nexis Public Records compare with tax parcel data. I find that the multilayered subsidiary form serves as a marker for farmland financialization. Based on these findings, I propose a new definition of farmland financialization that accounts for the role of the corporation. I also perform a case study of the largest publicly traded farmland REIT in the U.S. and use neo-Polanyian and Granovetterian theory to observe the role of financial ties in the farmland financialization process

Acknowledgments

I am especially grateful for my wonderful advisor, Professor Loka Ashwood, for her willingness to train me in this new and incredibly important discipline. I also wish to thank Professor Kelly Alley and Professor Conner Bailey for their invaluable guidance as I wrote my thesis. The generosity of Auburn University's Department of Agricultural Economics and Rural Sociology in both funding my research and providing administrative help is also appreciated. I am grateful as well to Professor Kathryn De Master of the University of California, Berkeley, and Professor Madeleine Fairbairn of the University of California, Santa Cruz, for allowing me to collaborate on this exciting research project. The professional and academic opportunities I have been afforded over the past two years have been more than I could ever dream of. Professors Sid Brown, David Haskell, Mark Hopwood, and Jim Peters, my undergraduate mentors, provided early guidance and encouraged me to pursue further academics, advice for which I am grateful. I would also like to thank the other members of my cohort, as well as my officemates Karl Galloway, Lindy Olive, and Yousef Alkilany, who made the wide expanses of Comer Hall a little less eerie at midnight. I also could not have done this without the help of my family. My aunt and uncle, Drs. Jennifer Canfield and Mike Canfield, gave me a warm introduction to Auburn and allowed me to observe collective effervescence firsthand at Jordan-Hare Stadium. I would most importantly like to thank my parents, John Canfield and Suzanne Booker-Canfield. Without their love and support, I would not have been able to have the same great experiences in this program.

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The Corporation and the DNA of Farmland Financialization:

A Novel Methodology

1. INTRODUCTION

"It seems there are more of the institutional people than farmers themselves out looking for farmland . . . They're buying farmland at an increased pace than, say, 15 years ago. In the last five years it's become more popular," said Florida real estate broker Carson Futch, who specializes in farmland (Maixner and Wyant 2019). Futch was featured in the first in a seven-part *Agri-Pulse* series called *Farm & Food 2040*, which focused on the acquisition of farmland by institutional investors. The report identified a trend in farmland consolidation that has received significant scholarly attention (Lobao and Meyer 2001; MacDonald, Hoppe, and Newton 2018). This agricultural consolidation has amplified the role large corporations play in the ownership and operation of farms (Bell, Hullinger, and Brislen 2015). In the next twenty years, Brett Sciotto, CEO of Aimpoint Research, a market research firm that has recently published a research study *The Farmer of the Future*, predicted that "there will be fewer than 100,000 production farms, and 5 percent of farms will produce more than 75 percent of the agricultural output" (Wyant 2019). He anticipates that corporate actors will play a larger role in farmland ownership: "'We have to acknowledge as an industry that we are going to serve a bifurcated market. We are going to have large, sophisticated vertically integrated operations run by high business IQ farmers and we are also going to have small, direct-to-consumer operations serving their niche'" (Maixner and Wyant 2019). Sociologists of agriculture have already observed this increase in the vertical integration of agriculture

and land ownership (Hendrickson, James, and Heffernan 2013; Gunnoe 2014). A recent Iowa State University study on farmland tenure also found a significant transition from sole ownership into institutional ownership, including an increased use of corporate vehicles (Zhang, Plastina, and Sawadgo 2018).

At the same time, the economy itself is undergoing a transformation, with financial vehicles and credit playing a more dominant role (Krippner 2005, 2011). This pattern of increased institutional ownership of farmland has coalesced with the burgeoning role of finance. In addition to agricultural consolidation, the 2007-2008 food crisis prompted corporate entities to purchase American farmland to add to their investment portfolios. Investors facilitate these purchases using a plethora of complex corporate structures. The opacity of these financial structures has increasingly shifted the way many investors regard farmland. From this perspective, farmland is no longer a real, agriculturally productive property; instead, it is simply an asset class that can be acquired and publicly traded in a variety of forms through financial investment tools such as commodity investments, private equity funds, hedge funds, derivatives, and pension funds (Murphy, Burch, and Clapp 2012; Fairbairn et al. 2014; Knuth 2015). Farmland — which, of course, still yields crops — becomes treated like any other investment product, a transition that Fairbairn (2014) has termed "farmland financialization."

Thus, although farmland has long been understood to be an investment, these recent changes in the economy and in policies shaping the economy have given rise to a new paradigm in which, for a set of major investors, farmland is considered more of a financial asset than a productive one. The contribution I make to the literature on financialization of farmland is partly methodological and partly conceptual.

Methodologically, I demonstrate the use of Nexis Public Records and compare ownership records derived from this source with county tax office records. This allowed me to study the corporate subsidiary structure, as well as the complex credit structures.

This research sought to do the following: (1) determine the extent of corporate ownership; (2) determine the reliability of tax parcel data in tracing actual corporate location; (3) estimate the error of tax parcel data reliability, when necessary, to capture actual absentee status; (3) reveal subsidiary structures, when present, per each corporation; and (4) determine financial creditors and debtors behind corporations. In doing so, this project, at an intense case-study level, tests the reliability of tax parcel data in determining corporate location, while also revealing the extent of financial investment in an area from which one of the original pioneers of farmland investment hails.

Conceptually, I propose a definition of farmland financialization based on the structural characteristics of the ownership unit. From my findings, I observed that farmland financialization comprises both an investment component and a corporate component. On the investment side, it involves converting farmland into a collective investment schemes or exchange-traded asset class through traditional or innovative financial vehicles (REITs, hedge funds, private equity funds, pension funds, and derivatives, inter alia), thus promoting an increased emphasis on financial motives, financial markets, and financial trading, as well as rentier behavior. On the farmland side, it has four key features: (1) it uses the multilayered subsidiary form in which parent companies create subsidiaries as intermediaries to separate investment-fund shareholders from the corporate entity and thus obscure ties among parent companies, subsidiaries, and their creditors; (2) it relies on an opaque legal and financial system that obfuscates who

owns the company and where the owners are located and potentially increases investor risk because of lack of subsidiaries' financial disclosure; (3) it places an increased reliance on credit, and (4) its profitability is dependent on the role of the state through reduction or avoidance of taxes and through limits on liability. These criteria should help eliminate the tendency to label too many farmland investments financialization, and greater parsimony will help scholars develop more accurate theories of how and why farmland financialization occurs.

2. LITERATURE REVIEW

2.1 *Corporations and Agriculture*

Corporations have long served as unique vehicles of the state as a way to preserve the longevity of entities beyond the lives of human individuals. While initially designed to address public needs, over the course of the nineteenth century, corporations rapidly became tools to aggregate the wealth of the most powerful (Roy 1997). Historian Yuval Harari (2014) refers to corporations as "among humanity's most ingenious inventions," meant to reduce liability and promote entrepreneurship (29). Harari considers the corporation a "legal fiction" that exists only in the collective imagination (29). Latin etymology notwithstanding, corporations are not people: they lack bodies, yet the U.S. legal system treats them "as legal persons, as if they were flesh-and-blood human beings" (30). In the U.S., the application of this legal fiction, according to Harari, has led people to view corporate entities as distinct from and legally independent of their founders, investors, or managers, thus making it easy to forget that they are merely collectively imagined entities.

Originally, U.S. corporations were created to serve the public good and to promote economic development (Roy 1997). As a result, these corporations were quasi-public entities; however, corporations began to be privatized over the nineteenth century as "[l]iberalism's marriage of individualism and utilitarianism thus became the ideological linchpin of the privatization of the corporation" (Roy 1997: 44-45). Because corporations play a major role in land, agriculture, and, more recently, farmland financialization, understanding the historical and theoretical context behind their rise is crucial to an assessment of the corporation's increasing role in farmland ownership.

Comprehending the rise of the corporation, however, requires acknowledging the ways that the state facilitated that growth. The U.S. government began by passing legislation granting more rights to corporations, thus making incorporation a widespread phenomenon, with especially strong growth during the Progressive Era (Sklar 1988; Roy 1997). One such power was that of eminent domain, which was widely used in the expansion of the railroad (Horwitz 1977). In the Progressive Era, individuals began to consider this type of corporate capitalism a natural result "of a progressive evolution governed by natural economic laws, not the work of willful human design" (Sklar 1988:10). As a result, most Americans accepted this change as natural because they benefited from it, and the resistance groups were unable to overcome this transition.

The growing power of the corporation has led to what Ashwood (2018) terms the "public-private fallacy," which occurs when corporations that claim to be actors in the free market are actually "owing their very existence to a strong-armed government thick with bureaucracy" (21). Rather than having evolved by the economic laws of the self-regulating market, corporations are wedded to the state because the state creates the

economic benefits that make corporations profitable. While these effects were widely distributed, the increasingly centralized power of the corporation has disadvantaged rural people in particular (Sklar 1988; Ashwood 2018) and has legally imposed upon their rights (Ashwood 2018). This centralized corporate power tends to collapse local markets and replace them with "markets in favor of finance," a critical dimension of rural estrangement (Canfield, Galloway, and Ashwood forthcoming). Once largely associated with manufacturing or selling tangible products, corporations have increasingly become involved in intangible financial activities or trading (Arrighi 1994; Epstein 2005; Krippner 2005, 2011).

Agriculture is undergoing a continuing process of consolidation (Bonanno 2009; Constance, Renard and Rivera-Ferre 2014). Drawing on the Goldschmidt (1978) hypothesis, sociologists have studied associations between community well-being and the rise of consolidated industrial farming (Lobao, Schulman, and Swanson 1993). As farming becomes less profitable, farmers are either selling their farms or taking supplemental jobs to meet expenses (Hendrickson, Howard, and Constance 2017). This has led to a decline of medium-sized farms, or "agriculture of the middle," a group whose size prevents them from competing in the consolidated agribusiness marketplace, which is too large, and the direct marketplace, which is too small (Kirschenmann et al. 2008; De Master 2018; Lyson, Stevenson, and Welsh 2008). In an increasingly oligopolistic market, institutional isomorphism reinforces the economic constraints on mid-sized farming operations as large, vertically integrated farms dominate their midsized competitors (Legun and Bell 2016; Dimaggio and Powell, 1983). These financial pressures may also constrain farmers' ability to farm in ways consistent with their values

(Hendrickson and James 2005; James and Hendrickson 2008). As farming shifts towards industrial-scale agriculture, Hendrickson et al. (2017) note that the global agrifood system has worked to increase its power, even when this is to the detriment of both farmers and the consumers.

Little work in agrifood or rural studies, though, has focused on the particularities of the corporate form, namely the subsidiary corporate structure in the context of industrial agriculture or land ownership (Ashwood, Diamond, and Thu 2014). The complex, multidimensional nature of land tenure makes understanding corporate ownership of land difficult as many corporations have moved from "multidivisional" forms, in which corporate product lines were organized into divisions, to the "multilayered subsidiary form" (Prechel 1997:407). This transformation of forms occurred after tax legislation in the 1980s, which offered corporations a tax-free restructuring method that allows large corporations to divide their holdings into smaller subsidiary corporations by transferring assets and debt to these new subsidiaries (Cavitch and Cavitch 1995). The formation of a multilayered subsidiary form requires a parent company and at least one subsidiary. A parent company is a company that owns or governs subsidiaries by owning voting stock. Though generally an operating company in its own right, some parent companies pursue no business goals of their own, in which case they are termed a holding company. Technically, a subsidiary is a company in which the parent company owns more than 50% of the voting shares, whereas a wholly owned subsidiary is one whose common stock is completely or almost completely owed by the parent company (van Kerkhoff and Pilbeam 2017). The resultant multilayered subsidiary form is one with a parent company and two or more subsidiary companies; the parent

company operates as a management company at the top of the corporate hierarchy, yet it is legally separate from the subsidiaries and can sell up to 50% of the subsidiary's stock and still retain ownership (Prechel 2000; Prechel and Morris 2010).

Such economic incentives from the state have contributed to the corporatization of agriculture, including the acquisition of farmland. In the 1980s, the federal government redefined its criteria for federal antitrust violations, simplifying — and thereby encouraging— vertical and horizontal mergers and acquisitions (Prechel, Boies, and Woods 1999). In addition, multilayered subsidiary forms often receive favorable treatment from the state. Corporate forms have also been tied to industrialized farming and consolidated land ownership, which has been shown to have negative impacts on rural communities (Lobao and Stofferahn 2008). Due to subsidies from the state, global meat processing has been consolidating into three major firms, and this industrial agriculture externalizes the cost to rural communities (Howard 2017). Industrial hog farming provides an especially vivid and pernicious example of corporate agrifood's effects on rural areas. Ashwood et al. (2014) observed the use of Limited Liability Companies (LLCs) by the industrial hog operator Carthage Management Systems, which employed a multilayered subsidiary form with four LLCs that played the role of "*folding corporations*" used "to protect assets, spread risk, and preserve investor's local reputations" (10). Implementation of this corporate form allows corporations to shift the negative consequences — economic and environmental — to local communities.

These new corporate forms also make it easier for large corporations to purchase land (Ashwood et al. 2014). Moreover, the federal law also helps a parent corporation conceal its connections to its subsidiaries (Caldwell 2016). Prechel and Morris (2010)

noted that by 2004, 84.7% of the 2002 Fortune 500 companies were multilayered subsidiary forms, yet the concentration of power by financial elites was poorly understood as the subsidiary companies often had names that were unrelated to the parent company — a phenomenon particularly true of those subsidiaries that were acquired or merged (335). Consequently, this provided greater opportunity for management to transfer capital and conceal those transactions from investors and oversight agencies (335-36). Thus, the federal antitrust law revisions in the 1980s catalyzed a trend in which many agricultural corporations have grown larger, more focused on acquisition, and significantly less transparent.

Transforming divisions to subsidiaries also helps reduce the financial risk of corporations as they create internal capital markets (Prechel 1997). This transformation turns internal assets into capital and creates a "liability firewall" that reduces a corporation's financial risk by protecting the parent company's assets from bankruptcies and lawsuits and allowing debt to be placed within subsidiary groups (Prechel 1997:415). In addition to making the assets of the parent company inaccessible to its subsidiaries, these complex multilayered subsidiary form entities can provide insulation from social and environmental responsibility (Ulrich-Schad et al. 2016; Boies and Prechel 2002; Sklair and Miller 2010).

With the transition to the multilayered subsidiary form, many corporations are no longer financed with internal sources of capital and increasingly have looked to financial intermediaries (Prechel and Morris 2010). One way corporate entities do this is through the use of a finance subsidiary, which is a separate entity created solely to carry out financial activities for its parent company — from issuing stock to providing financing

(Way 2019). As a separate legal entity, a wholly owned finance subsidiary can also limit liability to the parent company, making the parent company liable only to the degree of its investment holdings in the finance subsidiary; therefore, creditors cannot seek recovery of assets to cover unmet liability, a feature that makes finance subsidiaries especially desirable when a company engages in risky financial activities (Way 2019).

2.2 Financial Investment in Land

By employing these corporate vehicles and creating this subsidiary structure, corporations involved in farmland investment often organize as a Real Estate Investment Trust (REIT). Though the birth of the real estate-financial complex (with its structural antecedents in the deregulation of the 1970s that led to such new asset classes as private equity, hedge funds, derivatives, and real estate investment trusts), this transformation of tangible property into financialized assets has played an increasing role in the wake of the Great Recession (Aalbers 2012:7). Many sources have explored the urban financialization of real estate (Waldron 2018), but less attention has been paid to rural land financialization, notably that of farmland and timberland (Fairbairn 2014; Gunnoe 2014).

Although proto-REITs existed in nineteenth-century New England, the REITs of today date back to a 1960 change in U.S. tax law (Goddard and Marcum 2012). However, the laws regarding REITs have evolved multiple times over the past half-century, and the results have made them attractive investment vehicles for individuals, institutions, and pensions. Under U.S. law, a REIT must meet a series of criteria, the two most important being that at least 75% of its assets have to consist of real estate (including real estate

debt), and 90% of its income must be distributed to shareholders annually. REITs are also limited to a minimum of 100 shareholders, and no more than 50% of the REIT's shares can be held by five or fewer shareholders (Stevenson 2013). Fulfilling these requirements allows the REIT to deduct dividends from its tax liability. Many investors are drawn to REITs, citing their "greater diversification, potentially higher total returns and/or lower overall risk" (Ashworth 2018). As farmland is frequently considered a desirable inflation hedge, especially after the food crisis of 2007 and 2008, farmland REITs are often seen as an attractive and simple way for individual and institutional investors to add farmland assets to their portfolios.

Defining precisely what the process of REIT investment means within the context of farmland has proven difficult. Existing literature has not reached a consensus about how to define the process of farmland financialization. Although some empirical studies exist, this literature has yet to fully grapple with how investment happens, particularly when it comes to farmland in the United States and North America more broadly (Visser et al. 2015). Studies in the U.S. by Gunnoe (2014) and in Canada by Desmarais et al. (2017) and Magnan (2015) are notable exceptions, but there is a relative dearth of scholarship on treating institutional farmland ownership as a farmland investment activity in the existing land-change literature.

In part, this is because most studies of farmland remain conceptual – trying to address why such processes are happening, with little emphasis on the actual legal and financial structures of land ownership. One common approach, employed by Clapp and Isakson (2018), is David Harvey's Marxian concept of "accumulation by dispossession" (2003:137). Similarly, McMichael (2012) describes both how land enclosure benefits the

social and political elites and how, with many Keynesian protections dismantled, neoliberal policies have made land grabbing easier. In a discussion of seven processes that have led to these fundamental shifts in global land ownership and land use, Zoomers (2010) argues that the most important is the "foreignisation" of space and local development, as the increasingly liberal land markets are allowing absentee owners to buy land from local landowners and transfer control of the land usage (430). Amin (1974) explains this process of global accumulation as an aspect of peripheralization, in which resources from the abundant Global South are being exploited by the capitalist Global North. This process of peripheralization is not limited to relationships between the Global North and South, however, as Kuhn (2015) observed this in the European urban-rural divide. In an example of Harvey's accumulation by dispossession, this market-induced lack of accessibility to land can lead not only to uneven economic development but also to displacement of local peoples (Sheppard 2012; Kenney-Lazar 2012). Such asymmetries of power disadvantage rural farmland owners in their dealings with corporate and governmental entities.

The second of these approaches identified by Clapp and Isakson (2018), predominantly espoused by investors, uses a "Malthusian-inspired narrative of a shrinking resource base and rising food insecurity" in which "[a]ppeals to investors are steeped in the logic of 'market fundamentals"(85). A growing world population causes productive farmland to have the potential to serve as a major financial asset, so the logic goes. Farmland experts often cite global food demand as a reason for institutional investment in farmland (Sherrick and Pevnev 2019). Nally (2011) sees global agribusiness through a combination of Harvey's (2003) accumulation by dispossession

and Foucauldian biopolitics. Asserting that the political economy of "food security" is replacing the moral economy of hunger, Nally maintains that this commercialization of food systems amounts to what he terms "accumulation by molecularisation" the way that the neoliberal apparatus of food security affects all aspects of agricultural production — land included (38; 46).

Economic geographers have linked financialization to the global production network (Coe, Lai, and Wójcik, 2014) and transformation of real estate into "'just another asset class'" (van Loon and Aalbers 2017). Along with this growing ascendancy of finance, rural sociologists have noted the global agrifood sector's increasing vertical integration (Hendrickson et al. 2017), and such concentration of ownership also has a spatial component as such firms may use corporate structures that limit liability in an effort to mitigate the risks associated with investments and deliberately mask ownership (Ashwood et al. 2014). This neoliberalization of agriculture has led to a global farmland grab. Global land grabbing in the form of large-scale agricultural land investments ('LSALIs') has been linked to human rights violations and unsustainable environmental practices (Johnson 2016). In some cases, the state takes an active role in attracting such LSALIs (Visser, Manova, and Spoor 2012). In Russia, for example, land ownership laws have been written in order to attract businesses, thereby encouraging megafarms and rewarding large-scale land owners (Visser et al. 2012). The domestic land grab phenomenon is part of a larger pattern in which global agrifood businesses acquire farmland to hedge inflation. In this way, farmland investment can secure a source of future profits as shifting market fundamentals cause food prices to rise (Clapp 2014; Visser, Clapp, and Isakson 2015).

Land obviously offers certain attractive investment features. Keynes [1936] 2018 noted its low elasticity and low carrying costs. Within the agricultural sector, farmland represents the most significant asset and is attractive to investors for a number of reasons. In her study of farmland investors, Fairbairn (2014) notes that large investors liken farmland to gold. Sherrick and Pevnev (2019) assessed the farmland sector for the National Council of Real Estate Investment Fiduciaries (NCREIF) as of the fourth quarter of 2018. In the U.S., the $2.6 trillion of farmland comprises 83% of farm assets, roughly half of which is considered “investable” (Sherrick and Pevnev 2019). From 1970 to 2018, with continuous compounding, excluding income, farm real estate has returned 5.3%, and the farmland sector’s “early stage ‘financialization’” is considered vital to improving farmland market efficiency (Sherrick and Pevnev 2019). In Illinois, the annual average return on farmland investment between 1990 and 2017 was 9.79%, outperforming the S&P 500 (7.23%), the NASDAQ (9.71%), and all REITs (9.71%); however, Illinois farmland slightly underperformed relative to NCREIF’s total farmland returns (11.85%) for the same period (Sherrick and Pevnev 2019).

Institutional investors often find that farmland can be an important part of their portfolios. Sherrick and Pevnev (2019) noted that returns are not correlated with fixed income and have consistently been positively correlated with inflation. Though the transaction costs of individual properties is high, farmland has several distinctive investment features: (1) it is a long-term asset with positive alpha, (2) it improves the Sharpe ratio (the average return less the risk-free return divided by the standard deviation of return on investment [ROI]); and (3) it has a low loss given default (LGD) debt rate and a low probability of default (PD) debt (Sherrick and Pevnev 2019). In making the

case for farmland as an institutional investment, Sherrick and Pevnev explicitly takes a Ricardian economic perspective in his assertion that "[f]inancialization and efforts to continue to increase the efficiency of food production systems have ultimate impacts on rents and thereby in the value of the most fixed asset in the production system, or the land underlying the production" (2019). To this end, though Sherrick and Pevnvev acknowledged that operators and investors have different perspectives, he called the "[c]ontinued separation of ownership and operations" the "critical issue in creating additional investable scale" (2019). Thus, the financialization of farmland, rather than traditional farmland investment, has supplanted the farmland itself as the growth opportunity.

2.3 Land Data Reliability

The extent of farmland financialization, and particularly how to study it, remains subject to debate. Literature addressing land tenure has been largely absent from the modern rural sociological canon as of late, making the convergence of corporate and financial investment in land particularly difficult to situate. In fact, the latest special issue of *Rural Sociology* dedicated to this topic was released in 1993. Wunderlich (1993) addressed Henry George's (1906) land issue by exploring the distribution of farmland ownership and the dramatic decrease in the number of individual landowners in the United States. For Wunderlich, the question of "who ought to own the land" is one of values (1993:553). Anticipating the complexity of researching farmland tenure, Wunderlich (1993) also asserts that with the rise of corporations and other entities, analyzing land tenure has become a multidimensional issue that the current agricultural

census fails to explore properly. Instead, he argues for a “census of land” that takes into account the multidimensional complexities of land tenure (1993:553).

The field of peasant studies, conversely, has devoted ample attention to land ownership, but the data reliability remains fairly uncertain. The 2012 Cornell Conference on Land Grabbing raised concerns about the methodological integrity of popular and scholarly articles about the phenomenon both in the U.S. and globally (Edelman 2013; Oya 2013). Globally, reliable individual and aggregated land-use data are difficult to come by, especially on the Land Matrix and GRAIN global land-acquisition databases (Edelman 2013; Oya 2013). The aggregated data are frequently riddled with problems; some databases have failed to cull cancelled, altered, or non-existent acquisitions (Brenner 2012; Edelman 2013). Smallholders frequently lack precise land data, and large landowners often understate their holdings (Edelman 2013). Yet scholarly reporting often gives these data a scientific precision that belies the specious nature of the original figures, many of which combine data from unlike sources (Edelman 2013; Oya 2013).

To date, small-scale studies have been considered “impractical” because they require “labour-intensive archival research” (Edelman 2013). However, such small-scale research allows the researcher to eliminate questionable data (Edelman 2013; Brenner 2012). Relying on a large-scale study also does not provide sufficient information on financial patterns and the nuanced process of financialization. For example, the USDA’s 2014 Tenure, Ownership, and Transition of Agricultural Land (TOTAL) study surveyed agricultural landlords to collect data on tenure trends. These statistical trends were then expanded to encompass the entire nation. Results from this study found that 40% of farmland nationwide is absentee owned (USDA 2015), but it did not provide sufficient

information about financial patterns and the complex process of farmland financialization.

3. METHODOLOGY

3.1 Overview of Methodology

To bring financialization into the fold of domestic literature on corporate agriculture in the United States, this study proposes an innovative methodology that combines tax parcel data with public documents on corporate subsidiary structure, as well as public records of debtors and creditors. Following Burawoy's (1998) extended case method approach, my research observes two highly productive agricultural counties in rural West Central Illinois: McDonough and Fulton Counties. The Corn Belt has long been a desirable area for farmland investment, and Illinois is particularly attractive. These counties were also previously the topic of study for Ashwood et al.'s (2014) exploration of industrial hog farming. Beyond this, Paul Pittman, the CEO of Farmland Partners, Inc., heralds from Fulton County, making the region particularly important to the study of financialization. Farmland Partners is the largest farmland investment REIT in the United States (Farmland Partners 2019). As of March 28, 2019, the price of McDonough County farmland was $8,193 per acre, and the average acres per field was 52.4 with 6,922 fields. The price of Fulton County farmland was $6,692 per acre; the average acre per field was 48.1, with 10,599 fields. Corn, soybeans, and wheat are the chief crops in both counties (Acre Value 2019).

This research began by acquiring tax parcel data, and then separating by ownership type compiling tax parcel data by ownership type (Individuals, LLC, LP, LLP, LLLP, FLP, Corporation, Trusts, Estates, Public, Banks, Nonprofits, and Others). From

these data, I found that there were more than 5,800 active entities (corporate and non-corporate) in these two counties, representing more than 873,000 acres of farmland. I also determined that certain corporate entities (LLC, LP, LLP, LLLP, FLP, and Corporations[1]) are most indicative of farmland investment (Cody, Hopkins, and Perlman 2007). These corporate entities represent approximately 12% of the farmland in both counties (101,022.59 acres). As this represents a significant amount of farmland, it was necessary to analyze these data in further detail. Studies have questioned the credibility of tax parcel data, citing corporate obfuscation; therefore, it is also important to perform a more powerful search to overcome any of these shortcomings (Ashwood et al 2014; Edelman 2013). From this, I used LexisNexis Public Records (hereafter, Nexis) as a methodology that uncovers the true ownership of the land, as well as the ownership structures.

The cornerstone of the Nexis methodology is the Comprehensive Business Report of the corporate entity. This report provides the following information on the ownership structure: the name(s) of the corporate entity, the location of ownership, the type of firm, the parent company, the creditors and debtors, and the owner(s)/individual(s) involved. For the parent company, I recorded the creditor and debtor, as well as any grandparent companies on an Excel spreadsheet. Of all of those creditors, I observed the parent of the creditor as well as the creditor of the creditor. From this information, I attempted to construct a description and biography of the corporate entity. I also performed Comprehensive Person Reports on all individuals involved with a corporation and recorded that information on the spreadsheet. These Comprehensive Person Reports provided me with information on the individual's creditors as well as any relevant

[1] One category of the tax parcel data, Others, included many corporate forms that were in fact corporations. In some cases, these may have been mislabeled in the tax parcel data and were thus recategorized during the analysis.

associated companies. As a result of this information, I also created an in-depth biography of the individual(s) running the corporation. As a researcher, I found that this allowed me to follow the money to find out who the true owner of a corporation was and how that owner was financing this investment.

In sum, using Nexis Public Records, I developed a three-pronged method for understanding farmland financialization. Using a Comprehensive Business Report, I first began by investigating the corporate entities themselves, marking down the location of ownership and other pertinent information. I then looked at the parent companies and creditors, and, if existent, the grandparent companies and creditors and parents of those creditors. I also performed Nexis searches on the owners. These in-depth searches have been important in a significant number of cases, especially when I have been unable to find any creditors. From these data, I have found information often unavailable through other means: the location of ownership (extent of absentee ownership), evidence of the obfuscation of tax parcel data (extent of corporate clarity), and the financial structures of ownership (extent of unique forms of investment, versus traditional).

3.2 Location of Ownership

Another aspect of land tenure that has long been of interest is that of absentee ownership, a crucial component when considering whether the land serves as an investment tool. Strictly defined, absentee ownership would include all land owned outside of the county, but I believe that a more nuanced definition of absentee ownership is required. Of the land in corporate entities, approximately 26% (20,566.312 acres) is locally owned; in other words, the owner of the farmland resides in the county. When observing absentee ownership, however, it is important to acknowledge that this may take

a variety of forms and that not all forms of absentee ownership are the same. To help clarify this relationship without overcomplicating the analysis, I established four categories that serve as locations of ownership: *in county*, *surrounding counties*, *greater Illinois*, and *out of state* (figure 1).

Figure 1: Map of Illinois

To uncover the ultimate location of ownership, I performed a Nexis search on the corporate entity. From this, I recorded the location of ownership and categorized it into these four categories. I also cross-referenced this with information on the owner of the

corporation. Furthermore, if the corporation had a parent company, I used the operating location of that parent company or, if possible, the grandparent company as the true location of ownership. The first of these was *in county*, meaning that the farm was owned in the county by an individual or corporate entity. For instance, a farmer or landowner may have incorporated the land as an LLC for tax or liability purposes but may still live and work locally. If that principal lives in a *surrounding county*, it is not implausible that he or she would maintain some connection with the property — whether commuting to assume a significant role in the operations or simply having an opportunity to check in on it from time to time. In these counties, 83 corporate entities exist in the surrounding counties representing 18% (15,261 acres) of farmland. Of course, even if the distance is only a county away, the entity's principal may not have any significant oversight or connections with the farm's operations. With increased distance, that possibility becomes more likely as the added miles would add logistical constraints; thus, a *greater Illinois* entity is a sort of middle ground between *surrounding counties* and *out of state*. Also, this increased distance means less economic benefit to the local community.

There were 90 corporate entities (27%) *in-county*, and these held 31,728.55 acres of farmland, representing 31% of the farmland studied in McDonough and Fulton Counties' farmland. For the *surrounding county* category, there were 83 corporate entities (25%) holding 15,261 acres (18%). For *greater Illinois*, there were 99 corporate entities (26%) with 23,636.67 acres (23%), and for *out of state*, there were 70 corporate entities (21%) holding 27,108.1 (27%) (figure 2). Finally, like tax parcel data, Nexis provides only domestic public records, so from this methodology there was no way to determine ownership outside the United States.

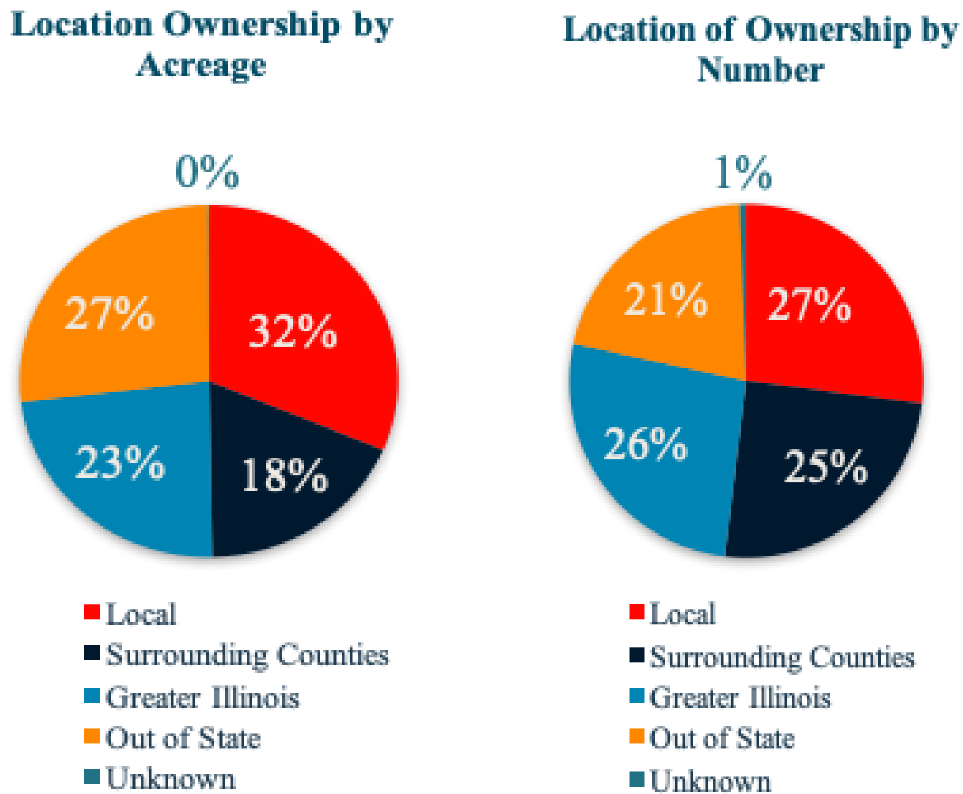


Figure 2: Results by Location of Ownership by Acreage and by Number of Corporate Entities

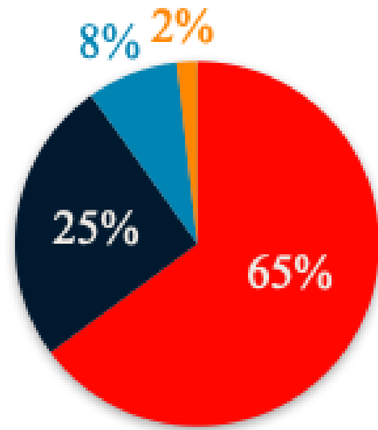
3.3 Obfuscation of Ownership

One of our research objectives in using Nexis was to determine whether traditional tax parcel data fails to reveal the full extent of corporate absentee ownership. We weighed the Nexis report against the tax parcel data. I compared the address found on the public records search with those "mail to" addresses in existing tax parcel data. In segregating the findings, I found that the corporate entities fit into three different categories: *categorical location change*, *minor location change*, and *no location change*.

The first category, *categorical location change*, represents corporate entities in which a Nexis reveals a crucial difference in understanding the actual location of

ownership, enough that it warrants changing the category of ownership. For instance, a corporation's tax parcel data may state that it is owned *in county* when, in fact it is owned absentee, or it may state that it is owned in *greater Illinois* but is in fact owned *out of state*. The latter discrepancy was represented by Rushing Farm, LLC, in McDonough County. The tax parcel data of this LLC stated ownership in Sycamore, Illinois, which is located in DeKalb County, north of McDonough and Fulton Counties, but not yet in the Chicagoland area. This land is owned in an absentee format, representing the *greater Illinois* category. The Nexis Comprehensive Business Report, however, actually shows that the farmland is owned in Idaho, representing a change from *greater Illinois* to *out of state*.

Twenty-seven corporate entities (8%) representing 7,195.08 acres (7% of the total corporate acreage researched) resulted in this categorical location change (figure 3). While a small percentage overall, it appears that major players may be more likely to have a categorical change in location shielded in local tax parcel data. In both counties, Agridevelopment Holdings, LLC, and Agridevelopment Partners, LLC, (LLCs with the same ownership structure) appear to be locally owned on the tax parcel data. My Nexis search, however, found that the owner is actually an investor who lives in Lake County, Illinois, which is north of Chicago. The ability to observe these differences serves as a powerful tool in seeking to determine where land is actually owned.



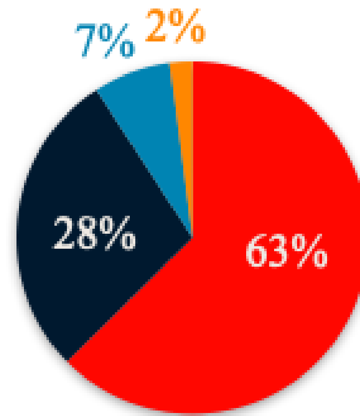


Figure 3: Results Indicating Corporate Obfuscation through Categorical Location Change

The second category, *minor location change,* represents the corporate entities from which Nexis uncovered a new location of ownership, although it was one that does not make any significant categorical difference in determining the location of ownership. For instance, some may have a post office box listed on the tax parcel, but the Nexis report might list a street address in the same county. For example, "Nuss, Marilyn Farm LLC" has a P.O. Box in Stronghurst, Illinois, in nearby Henderson County. A Nexis report then showed a physical address in Stronghurst. Since these data both have Stronghurst addresses, I can reason that the land is still owned in that town, but the owner may have decided to incorporate the business using a P.O. Box address instead of his or

her home. This may be done in order to separate business expenses from personal expenses (Quickbooks 2019). In the case of a corporation, LLC, LP, or LLP, a physical address for the registered agent is legally required, yet this requirement is readily fulfilled by appointing a third party to serve as a registered agent (Wong 2015). However, the use of a P.O. Box as the actual location method of ownership is also employed in more complex corporate forms. For instance, the tax parcel data for Farmland Reserve, Inc., a farmland investment company, is incorporated using a P.O. Box in Salt Lake City, Utah. This corporation is a subsidiary of the Corporation of the President of the Church of Jesus Christ of Latter-Day Saints, located at a different address in Salt Lake City, Utah. These both were *out of state*, but the final addresses did not match. In this case, it looked as if the mail for that entity went to one office building, but the true ownership was in a different building. This second form of ownership is much more prevalent in the tax parcel data, with 28,487.22 acres of farmland (29%) and 84 corporate entities (25%) having a different address from what was listed in tax parcel data, but not significant enough that it changed how I categorized the land.

The final category, *no location change,* is one in which Nexis uncovers no differences with addresses found in the tax parcel data. This is the most prevalent of all forms, representing 63,254.85 acres of farmland (63%) and 216 corporate entities (65%). In total, this exploration of corporate obfuscation has yielded notable results, showing that there is significant obfuscation in the ownership of farmland. Only 6% of the ownership reveals a categorical shift, and, while rare, I have uncovered cases of ownership that appeared to be local but was actually absentee. Altogether, 35% of

farmland and 33% of corporations have a different address for ownership than what is listed on the tax parcel data.[2]

3.4 ***Creditors***

While recognizing the role of the corporation in absentee ownership is important, in any study of financialization it is important to understand how this financialized commodity flows. In order to determine how the money moves, I found it necessary to follow the money through an empirical observation of financial records. Some scholars have sought to uncover institutional ownership of land (Desmarais et al. 2017; Gunnoe 2014), yet these studies have not fully addressed how different financial and legal structures enable the buying and selling of land. Based on Krippner's (2011) conceptualization of financialization, studies should account for the growing role of both creditors and debtors in the financialized economy. Therefore, I decided to follow the money not only to determine whether there was any parent company but also to uncover the increasingly complex nature of these financial networks.

For the present study, I continued to use the Comprehensive Business Report; however, I focused on following the streams of credit by observing both creditors and debtors. Credit has historically played a role in agriculture (Green 1984). However, Krippner (2011) documents the expansion of credit as a critical part of the financialization of the economy as burgeoning credit flows move through the financial markets and reward them by increasing their profitability. As the result of rising interest rates that accompanied neoliberal deregulation in the 1970s, U.S. companies by the early 1980s were so constrained by the high cost of capital that, as the American Business

[2] In 2% of farmland and 2% of corporations, Nexis did not provide sufficient information to allow me to make a judgment about location.

Conference testified before Congress in 1983, for many corporations "the *only* economically viable investment is to acquire other companies'" (as cited in Krippner, 2011, p. 16). Krippner (2011) also argues that this credit uncertainty led to the creation of an array of new financial instruments, such as derivative contracts and interest rate swaps, that did more than renovate the old financial industry: it created it anew and, in so doing, placed unprecedented emphasis on the role of finance in the U.S. economy. With institutional constraints on credit supply diminished with deregulation, interest rates soared and drew foreign investors, and foreign capital caused an expansion of the role of credit, an expansion that Federal Reserve policies only exacerbated.

Financial profitability, then, became linked with the expansion of credit. The speculation and price bubbles wrought under such conditions resulted in further profit for the financial sector. Greater uncertainty about the cost of capital prompted nonfinancial firms to shift investments from production to financial investment. When credit uncertainty in the transforming economy imposed a higher "hurdle rate" (the required return over and above the capital cost) on firms' investment calculus, corporate strategy shifted from cutting costs to investing in alternative assets in an astounding variety of new financial instruments and asset classes (Krippner 2011: 55). Krippner also documents how nonfinancial firms have grown to rely more and more on financial activity as a revenue source (Krippner 2005, 2011). These corporations open up subsidiaries that serve as banks, providing major sources of capital for investment. Observing these creditors also revealed actors who may not own the land on the tax parcel data but instead may have indirectly invested in the land by providing the money to the actual owner and operator.

In order to uncover this type of financialization, I found it necessary to observe the creditors of corporate entities alongside the subsidiary structure. This can be found from the UCC reports on a Nexis Comprehensive Business Report. I looked at all of the creditors, then I found the parent company of the creditors as well as the creditors of the creditors. The goal of this was to determine where both farmers and investors received their money. Traditionally, the money would be obtained from a bank; however, in a financialized economy, the money is often obtained from these types of nonfinancial firms.

This study uncovered a wide range of creditors, from local banks and agricultural lending services to large financial corporations. From this study, however, I confirmed that Krippner's (2011) observation of nonfinancial corporations serving as creditors is salient with respect to farmland financialization. Two notable creditors were Deere and Company and CNH Industrial Capital America, LLC. Both companies provide necessary machinery to farmers, but the role as creditors reveals that their relationship goes beyond that of a corporate entity directly buying the equipment. Instead, the corporate entity must finance the purchase of the necessary equipment, often using the land as a collateral. This illustrates the expansion of the role of credit in the ownership and operation of U.S. farmland. Interestingly, both of these large corporations operate in the multilayered subsidiary form. Deere and Company is a subsidiary of John Deere and CNH Industrial Capital has New Holland Credit, LLC, as a notable subsidiary that financed other corporate entities in these counties.

Another remarkable finding from this research has been the extent of investment from insurance companies. Insurance companies are noted as large institutional investors

involved in farmland financialization (Clapp 2014), with MetLife having invested almost 18 billion dollars in American agriculture (MetLife 2019). Historically, insurance companies have been noted to be major sources of credit in agriculture (Wise and Brighton 1989). I have observed MetLife and some of its subsidiaries as major creditors for corporate entities that are key investors in farmland in McDonough and Fulton Counties. Without seeing the UCC filings afforded by Nexis, I would have been unable to observe this important relationship. Another prominent corporation financed by MetLife and its subsidiaries is PH Farms, LLC, a subsidiary company of Farmland Partners. As a publicly traded REIT, Farmland Partners actively sought to publicize the investment from MetLife, a firm rated #43 in the 2018 Fortune 500 list (Fortune 2018). Farmland Partners issued a press release (in addition to any required SEC filings) to announce the relationship (Farmland Partners 2016). With a public corporation such as Farmland Partners, information is generally fairly accessible; however, in the case of privately owned and operated, uncovering this relationship would not have been possible without access to the UCC filings made possible by Nexis.

3.5 The Forms of Financial Ownership

While observing corporate forms, location of ownership, and credit structures produces significant findings, scholars must examine both the corporate structure and the flow of credit to understand the complex and interrelated mechanisms of farmland financialization. These two structures have not been studied in dialogue (at least not with the level of attention I afford here), neither in the context of farmland ownership nor other material forms of financial investment. To do this, I used my Nexis findings on the multilayered subsidiary forms as well as my findings on creditors and debtors to study

how these ownership structures serve as a way to differentiate between farmland investment and farmland financialization.

To uncover this difference, I used my three-pronged method of analysis to look at the financial ownership structures. This method focused on (1) the corporate entity, (2) the parent company or companies, along with the company's creditors or the owner's creditors, and (3) the grandparent company or companies, along with the parent company or companies' creditors (figure 4). To establish the primary relationships, I first reviewed the Comprehensive Business Reports and noted creditors and parent companies. I then looked at the entity's parent companies and the creditors of the corporate entity. I next analyzed the owner's creditors and associated businesses. Finally, in cases where there were tertiary relationships, I noted any grandparent companies and creditors of the parent company's creditors. This complex, three-pronged approach allowed me to analyze the different ways in which farmland is financed throughout these counties.

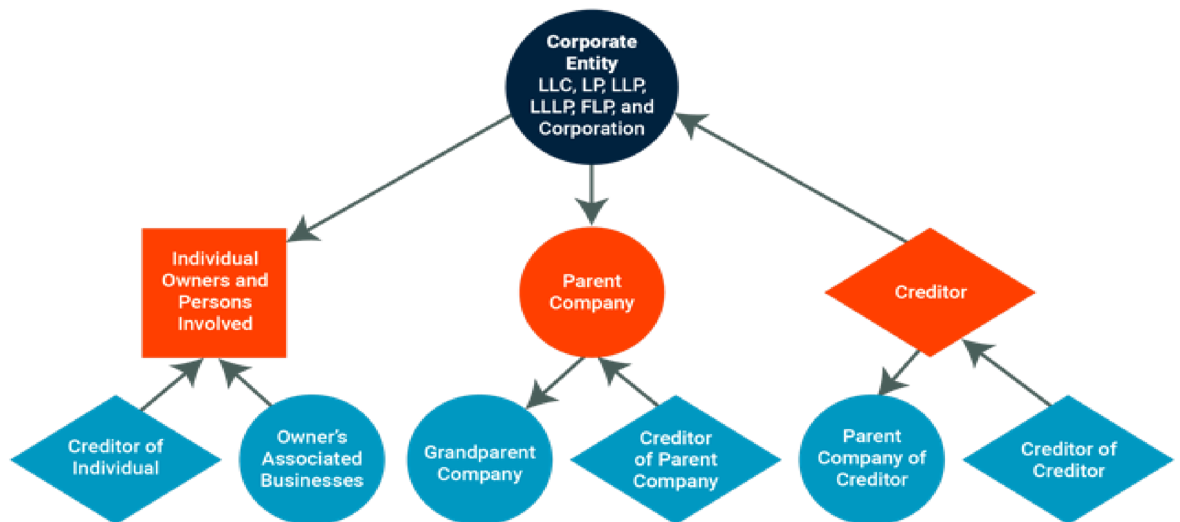


Figure 4: Methodology and Forms of Finance

As a result of this research, I uncovered five categories of corporate ownership of farmland: (Form 1) *financed through personal ownership,* (Form 2) *financed through corporate ownership*, (Form 3) *financed through parent company,* (Form 4) *financed through parent company and corporate entity*, and (Form 5) *insufficient information on financial ownership* (figure 5).

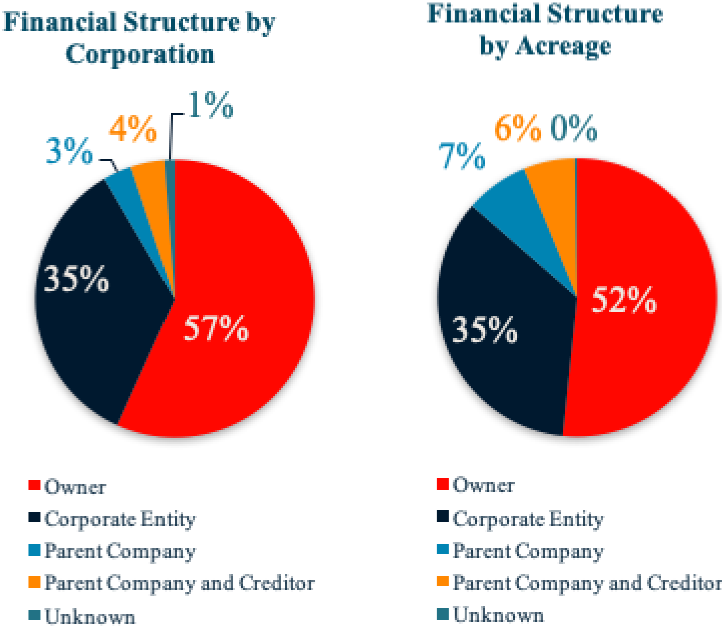


Figure 5: Breakdown of Financial Structure

3.6 Form 1

Corporate entities that have been financed through a personal owner made up 52% of the total corporate-owned acreage (52,151.92 acres), as well as 189 corporate entities (57%) in both counties. If the Nexis financial reports did not uncover any creditors and debtors, and I found biographical financial information on the owners, then I determined that the corporate entity used capital directly related to its owners to purchase the land (figure 6). This may have involved owners' taking the loans out in their own names or even funneling the money through related businesses. These data could

also be isolated by analyzing the banks used for any of these purchases. The two counties had many significant regional banks that financed farmland in the area. When studying the corporate entities financed through the individual, I realized the importance of using a systematic inductive approach to understand the stories of the corporation. While this may indicate a farmland investment, it does not necessarily constitute farmland financialization.

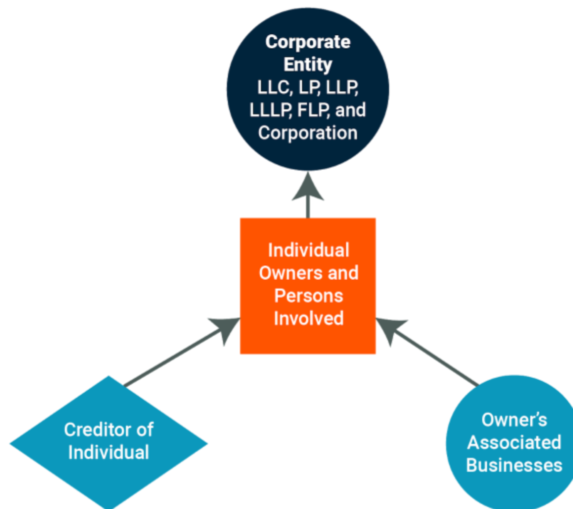


Figure 6: Form 1 Financial Ownership

In some cases, this land may be owned by a wealthy family that purchased farmland as an investment through money acquired from a lucrative family business. For example, K Speer, LLC, is a McDonough County LLC that owns approximately 240 acres of farmland. This LLC is run by the family of the deceased Kermit Speer, the founder and owner of the Rural King Supply Store company, which operates 110 stores in 13 states ("Rural King" 2019). His relatives, the Melvins, now run the Rural King

Supply Store company. Because Nexis showed that they have no connection to McDonough County, I believe that it is likely that they bought this land as an investment.

When a Nexis Comprehensive Business Report showed no creditors for the corporate entity, I then researched the individual owner's creditors using a Nexis Comprehensive Person Search. The analysis shows that sometimes a local owner may have already purchased the land and incorporated it into an LLC. In McDonough County, B & J LAND, LLC, serves as an exemplar of this type of land ownership. These 38.69 acres of land are owned by the Whalen Family. It looks as if they bought this land two years ago and incorporated it into an LLC. There is no debtor or creditor within the LLC. A review of the history of the owner, Bernard Whalen, reveals that he has owned that property for twelve years and only recently incorporated it into an LLC format. His current address is in Macomb, Illinois; therefore, he lives in McDonough County.

In addition, I have also identified that there are some instances when a corporate entity may represent a business against which the owner took out loans under his or her name. In Fulton County, Muddy Creek Farm Corporation represents a 161-acre farm that is owned in the surrounding counties and financed through the owners. Comprehensive Person Reports show loans from the Farm Credit Services of West Central Illinois, a bank that serves as an agricultural creditor for McDonough and Fulton Counties. When corporations employ corporate structures in order to limit liability, banks and other major lenders may be reluctant to provide credit to such corporations (Coquillette 1979). The owner, therefore, must take out loans under his or her own name and use that money to run the corporation.

3.7 Form 2

In other cases, the investor, for tax or liability purposes, may instead wish to receive money through the absentee ownership of both normal farm operations as well as farmland investments. In total, 116 corporate entities (27%), representing 35,115.61 acres (35%) in McDonough and Fulton Counties are incorporated in this form of ownership (figure 7). This financial structure may be used in both local and absentee ownership. Similar to Form 1, this type of financial ownership does not necessarily indicate farmland financialization, even if it represents an investment corporation.

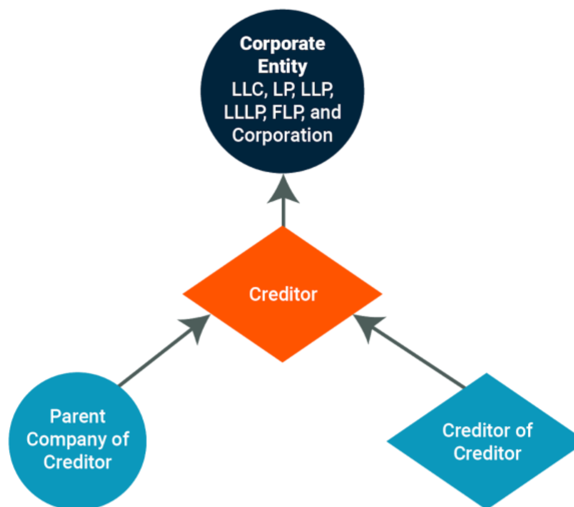


Figure 7: Form 2 Financial Ownership

One local LLC in McDonough County — Greuel Holdings, LLC—represents a family who owns hog combined animal feeding operations (CAFOs) in the county, and 93.16 acres of the Greuel family's land is incorporated into Greuel Holdings, LLC. This LLC also has two listed creditors: Deere and Company and 1st Farm Credit Services, the latter of which serves as a major agricultural lender in the area. My results showed that

both local and absentee corporations may use this form of financial ownership to limit liability. The crucial difference between this LLC and Form 1 corporate entities is that while we know a family uses the corporation to run a hog operation, they do not finance it through personal loans. Similarly, MSR Farm, Inc. represents a corn farm (369 acres), and its ownership is located in greater Illinois. This entity shows five major creditors: Deere and Company, Farm Credit Leasing Services Corporation, Caterpillar Financial Services Corp, Bank of Oklahoma, and Cowtown Feeders, Inc. There were also instances of real estate investment corporations using this form of ownership. Corridor 67 Investments, Inc. is a real estate investment corporation based in Jacksonville, Illinois; this entity owns 204.24 acres. These *Form 2* corporations do not finance their investments through personal loans.

Studying these financial structures through Nexis also reveals whether and how the creditors of the owner and the creditors of the entity itself are interconnected. For example, in Fulton County, Strode Farms, LLC, represents a locally owned farm that has been financed through the entity itself. The LLC receives money from five different creditors (1st Farm Credit Services, CNH Industrial Capital America, LLC, Tompkins State Bank, and West Central Farm Services, Inc.) Typically, these creditors were associated with financing local farm operations. A further analysis, however, shows three family members as the owners of the farm; as individuals, they share two creditors with the LLC (1st Farm Credit Services and Tompkins State Bank). These data show that the loans from 1st Farm Credit Services and Tompkins State Bank required the owner to play a direct role in obtaining the loans. Corporate entities in this form may also be involved in farm investment.

This second form of ownership, while not always emblematic of financial investment, is an especially salient example of how layers of corporate protection shield individuals from the financial consequences of the riskiest forms of industrial agriculture. Importantly, this protection is closely intertwined with *who gets the credit.* In this case, the corporation directly receives the credit, rather than having individuals fund the corporation. While both *Form 1* and *Form 2* are corporate forms of investment, the ways in which they are funded are nonetheless distinct. *Form 2* is even further removed from liability for wrongdoing of financial malfeasance than *Form 1* is.

3.8 Form 3

A total of 7,426.89 acres of farmland (16%) in these counties is financed through a parent company, which overall accounts for 11 corporate entities (3%). These corporate entities are, by definition, subsidiaries of the parent companies and serve as examples of the multilayered subsidiary form (figure 8).

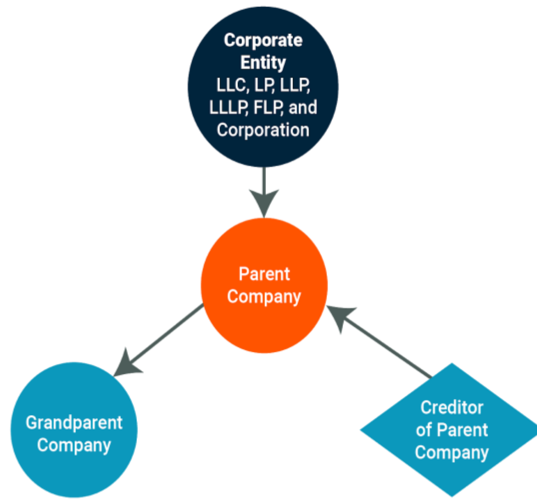


Figure 8: Form 3 Financial Ownership

While they all represent subsidiaries, the corporate entities in this format vary in size and location of ownership. For example, New Scully Farms, LLC, a 158-acre farm in McDonough County, is a subsidiary of Paul Farm Management, Inc. Both are incorporated in similar geographic areas but are not on the same scale as other corporate entities in this format. Farmland Reserve, Inc., the previously mentioned subsidiary of the Corporation of the President of the Church of Jesus Christ of Latter-Day Saints, represents one major land investment corporation that is making use of the multilayered subsidiary form. Since Farmland Reserve does not have any creditors, I can claim that all of the capital that is being used comes from creditors listed for the Corporation of the President of the Church of Jesus Christ of Latter-Day Saints. This allows the corporations to funnel money to the subsidiaries, taking advantage of Prechel's (1997) "liability firewall" (415). Corporations such as Rocky Co, Inc., also take this form of ownership. This is also similar to the Ohio-owned HR243, LLC, which is a subsidiary of Gries

Financial, LLC, a large financial investment corporation that likely decided to purchase this land as an investment to help diversity its portfolio. This form is absolutely emblematic of financialization, in effect tying the subsidiary corporate form to financialization, as one cannot function without the other.

3.9 Form 4

The corporate ownership structure of *Form 4* is similar to that of *Form 3* because it employs the multilayered subsidiary form; however, *Form 4* contains creditors at all different levels of the operation (figure 9).

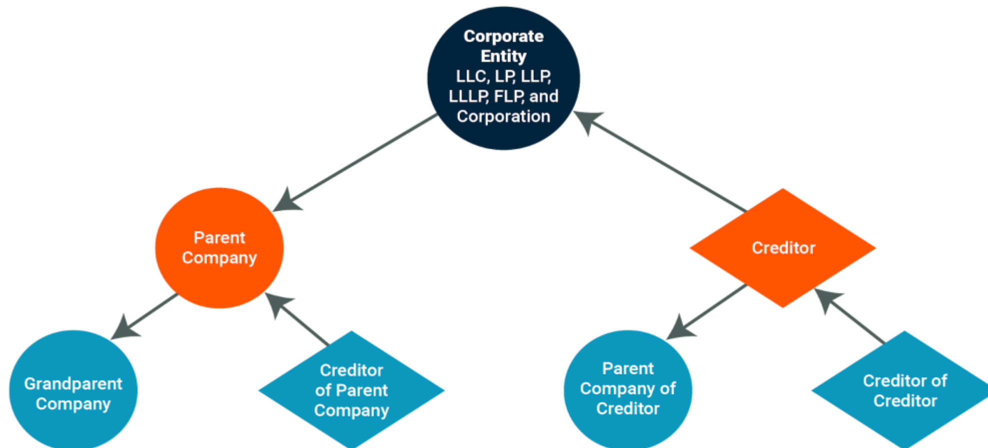


Figure 9: Form 4 Financial Ownership

There were 13 corporate entities (4%), representing a total of 6,17.29 acres (6%) of farmland in *Form 4*. This ownership is the representative form of PH Farms, LLC, a subsidiary of the agricultural REIT Farmland Partners, Inc. The link between PH Farms, LLC, and Farmland Partners, Inc., is not readily discernible. By looking directly at the

Comprehensive Business Report, one would believe that PH Farms is owned by the American Agriculture Corporation and that Farmland Partners Operating Partnership, LP, is a creditor (figure 10).

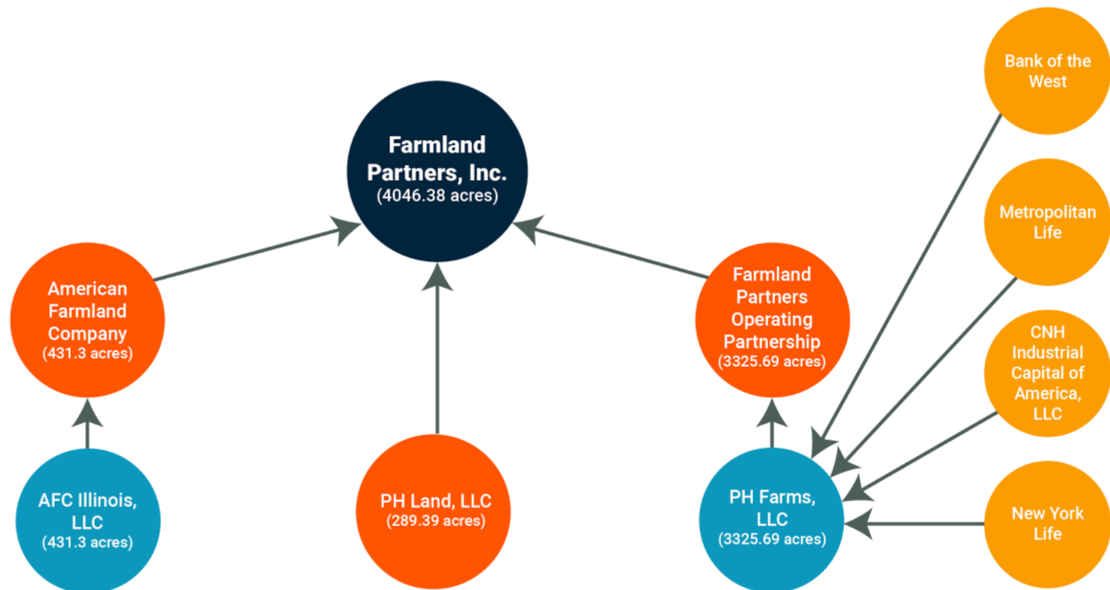


Figure 10: Farmland Partners UPREIT Corporate Structure with Creditors

The now-defunct American Agriculture Corporation was the parent company of a part of Farmland Partners. Paul Pittman was the CEO of American Agriculture Corporation from 2011 to 2014, when he became CEO of Farmland Partners. This structure reveals that Farmland Partners was using an umbrella partnership REIT (UPREIT). UPREITs are characterized by owning an operating partnership and serving as its general partner; holding land in an operating partnership is a process performed by REITs as a tool to enhance corporate control (Chiang, Wachtel, and Zhou 2019). Because of UPREITs' difference in voting rights between partnership unit holders and

shareholders, "corporate control is enhanced in the hands of insiders" with this vehicle (Chiang, Wachtel, and Zhou 2019).

Form 4 was also associated with foreign investment. An example of a corporation in this form is called Brickyard Farm, LLC, which owns 493 acres of farmland in McDonough County. Brickyard Farm, LLC, is a subsidiary of Agcoa, Inc., or the Agricultural Company of America, a private farmland investment firm.[3] A Google search yielded neither significant information on Brickyard Farm, LLC, nor any link to Agcoa, Inc. or Agricultural Company of America. Nexis, however, provided some important information, including the existence of one creditor, the Metropolitan Life Insurance Company or MetLife. In fact, MetLife serves as the only creditor for Brickyard Farm, LLC. From this, I can determine that investing in Brickyard Farm, LLC, is one way that MetLife is investing in agriculture and thus financializing farmland. This LLC also serves as a creditor to Jenks Family Farms, a local major landholder. I followed up by looking at the Agricultural Foreign Investment Disclosure Act Database, which showed that Brickyard Farm LLC is also a foreign-owned corporate entity that purchased two parcels of land in McDonough County: 222 acres in 2013 for $1,228,000.00 and 97.89 acres in 2014 for $816,610.25 (USDA 2016). That represents a total of 319.89 acres and $2,044,610.25 in foreign investments from Brickyard Farm, LLC, in McDonough County alone. Because the tax parcel data showed that Brickyard Farm, LLC, owns 493 acres, the remaining 173.11 acres was likely purchased at a point outside the parameters of the Agricultural Foreign Investment Disclosure Act Database collection dates. Similar to

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[3] It should be noted that even on Nexis, this link was not readily established. There are two Brickyard Farm LLCs, one incorporated as a Delaware LLC and one in Columbia, Illinois.

Form 3, *Form 4*'s ownership structure shows the complex levels of financialization involved in purchasing farmland.

From these findings, I determined that two of the financial structures that I believe are indicative of farmland financialization are those that are financed through a parent company (*Form 3*) and those financed through the parent and entity (*Form 4*). Both employ Prechel's (1997) multilayered subsidiary form, so from a technical point of view, they represent the same structure. From my experience in investigating them, however, I think it is meaningful to separate them because *Form 4*'s method of finance occurs on both the level of the parent company and the subsidiary. The level of complexity of *Form 4* also provides more opportunity for obfuscation. The challenge of observing the flow of money is greater as it may issue from different entities.

In some cases, corporate entities may be so elaborately structured as to exemplify both *Form 3* and *Form 4* financialized ownership. Yet, again, Farmland Partners is an exemplar of this. One of its subsidiaries, AFC II Illinois, LLC, uses *Form 3*, being financed through its parent company, American Farmland Company and subsequently the grandparent company, Farmland Partners. On the other hand, PH Farms, LLC, is a subsidiary of Farmland Partners Operating Partnership and represents *Form 4* as this LLC also has creditors, thus indicating that loans were taken out under the subsidiary. This subsidiary form of ownership is different from regular absentee ownership. This creates a complex web of financial interconnections (figure 11). Investors employing these *Form 3* financial structures allow parent companies to funnel money to their subsidiaries, and *Form 4* financial structures let parent companies take out loans through a subsidiary. The

use of the multilayered subsidiary form in both cases serves the same purpose: to protect the parent company from certain legal and financial liabilities.

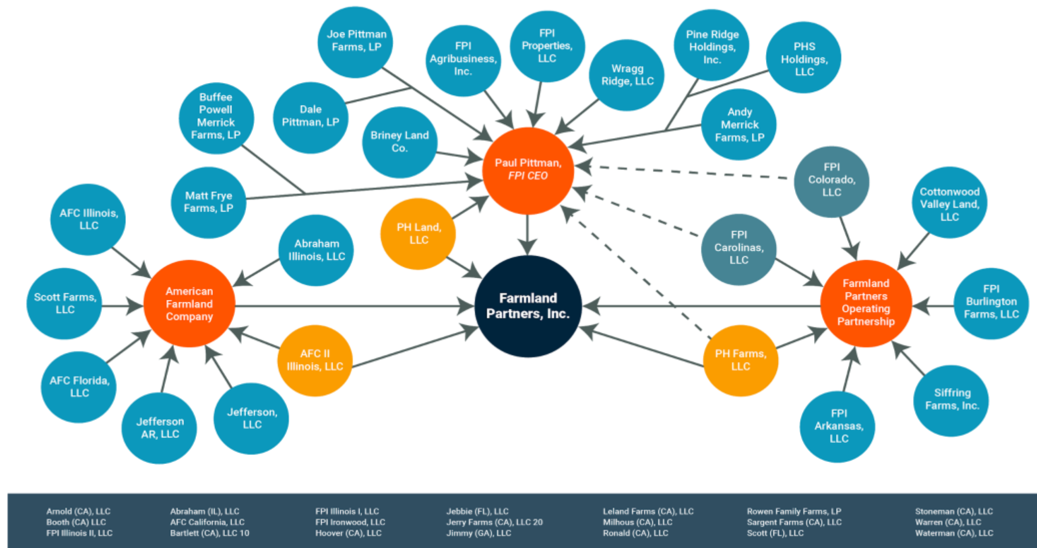

Figure 11: Farmland Partners' Complex Financial Ties

A deeper examination of the relationship between the financial structures of McDonough and Fulton County corporate farmland entities and the location of ownership helps further explain how this type of institutional farmland benefits those outside of the county. Of the financialized farmland in these counties, 75% of that which was financed in *Forms 3* and *4* was owned outside of the state. This represents 8,661 acres of farmland in these two counties— 3,469 acres of which is owned by entities such as PH Farms LLC, a subsidiary of Farmland Partners. As a whole, this amount of land may seem de minimis compared to the total acreage in the county. However, these results are consistent with the study by Desmarais et al. (2017) of Saskatchewan, Canada, which found that a similar percentage of land (1.44%) in total was owned by large corporations.

3.10 Form 5

I found four corporate entities in this form. They represented 270.88 acres of land.

4. FARMLAND FINANCIALIZATION OR FARMLAND INVESTMENT?

While all of these corporate forms can be representatives of investment at all scales, I have determined that only *Form 3* and *Form 4* are actually indicative of farmland financialization as they show the complex role that the corporation plays in this type of investment. The canonical definition of farmland financialization describes it as the transformation of farmland into a commodity to be publicly traded (Fairbairn 2014). While this definition addresses the plethora of new investment vehicles and the privileging of financial markets over traditional farmland transactions, the findings of this study indicate the importance of acknowledging the role of the corporation in transforming farmland. Differentiating between farmland investment and farmland financialization requires identifying farmland financialization by its implementation of the multilayered subsidiary form. *Form 3* and *Form 4* financial ownership, then, serve as a DNA marker of farmland financialization. Improving precision in determining what constitutes farmland financialization may help identify it even when less novel investment vehicles are employed. To be financialized, farmland investment does not necessarily have to be part of hedge funds or involve trading on the derivatives market. At the same time, a more parsimonious definition that includes *Form 3* and *Form 4* investments may also prevent traditional farmland investment from being erroneously labeled as an example of financialization.

In traditional farmland investment, the individual or individuals purchase land as tool of investment, typically expecting to make a future profit. They may also employ a

corporate vehicle to limit liability and achieve favorable tax status. This type of investment is not new, as land has been treated as a commodity since enclosure (Polanyi [1944] 2001). What differentiates farmland financialization from farmland investment is the fact that this land is now incorporated in complex new forms such as the multilayered subsidiary form. Unlike traditional farmland investment, this investment's benefits are directed towards the parent company. Doing this creates a layer of obscurity that allows for these more complex forms of financial ownership (*Form 3* and *Form 4*) to play a greater role in investment. It also allows larger investment corporations, such as agricultural REITs, to use subsidiaries as a way to purchase land with little risk, thus facilitating greater land purchases in other areas. In this form of ownership, the purchases are made on behalf of the parent institutions rather than on behalf of the individual.

Although traditional farmland investment frequently uses corporate entities to limit liability and provide tax advantages, farmland financialization involves a different strategic use of corporate entities. Whereas traditional farmland investment represents an investor's purchase of farmland the proceeds and gains of which (if any) benefit the investor directly, with farmland financialization this relationship between the corporate entity that acquires the farmland and the corporate entity that benefits from any gains or capital appreciation is mediated by subsidiaries and creditors below and, in the case of publicly traded corporations, shareholders above. In other words, this farmland is being purchased on behalf of institutions.

To recap my definition of farmland financialization in the context of these findings, I observed that farmland financialization comprises both an investment component and a corporate component. On the investment side, it involves converting

farmland into collective investment schemes or an exchange-traded asset class through traditional or innovative financial vehicles. On the farmland side, it has four key features: (1) ownership structures that employ the multi-layered subsidiary form, (2) subsidiaries that create confusion about ownership structures, (3) increased reliance on credit, and (4) profitability that is dependent on the role of the state through reduction or avoidance of taxes and through limits on liability. These criteria should help reduce the tendency to label too many farmland investments financialization, and greater parsimony will help scholars develop more accurate theories of farmland financialization.

5. CONCLUSION

While some important empirical research has been done to determine whether global farmland is being financialized, the lacuna in the scholarship in U.S. farmland financialization has presented an impediment to understanding the extent to which financialization is occurring in the U.S. There are several reasons for this. Archival tax parcel data analysis is time consuming, and the data themselves are not always reliable. Yet even when they are, the multilayered subsidiary form used may create a separation between the parent company and its subsidiaries or even the individual owners and the corporation. Similar to these multilayered corporate structures, farmland financialization is also a multidimensional issue, and an in-depth analysis is required to understand the nuances of this fundamental transformation in land ownership.

These findings reinforce the importance of definitional parsimony when investigating farmland financialization. Not all corporations are representative of farmers or local people incorporating their land for liability and tax purposes, yet neither are all corporations representative of large land-grabbing investors whose acquisition represent

financialization. Not all tax parcel data used for investment are obscured, nor are all of the data unobscured.

Of the land studied, a large quantity of it is absentee-owned with more than a quarter of it held out-of-state. In order to understand this fundamental aspect of land tenure, therefore, scholars must figure out where the land is owned, something that is further complicated by the use of obfuscating corporate entities. Nexis Public Records, as a methodological basis, provides scholars a new way to understand the actual location of the ownership of farmland, a benefit that may be useful for future studies of farmland financialization.

Another valuable asset of Nexis Public Records has been its ability to provide detailed financial reports that help reveal indicators of certain forms of financialized investment. Observing this financialized ownership has been crucial in determining how these acquisitions of farmland are being funded and who some of the major players are in these large-scale acquisitions. Through these detailed financial reports, I have been able to create a narrative of farmland financialization.

Nexis Public Records creates an archival methodology to explore this fundamental transformation in agricultural land ownership. This methodology explores the complexities of farmland financialization and helps overcome some of the existing problems facing the study of farmland financialization. I believe it will afford scholars a powerful tool for future in-depth studies of this issue.

Financial Ties That Bind:

Financialization, Embeddedness and the Transformation of Social Ties

1. INTRODUCTION

A Farmland Partners 2018 *Nareit* advertorial begins with footage of rows of pristine strawberry fields and unfolds with views of verdant farms in California's Central Valley while a voiceover describes the global food demand and the value that farmland acquisition and partnership with farms play in meeting it. The video cuts to Paul Pittman, Chief Executive Officer of Farmland Partners, a publicly traded real estate investment trust (REIT). Pittman describes how his company owns $1.2 billion in U.S. farmland in 17 states, with roughly 110 tenant farmers growing 25 different crop types (Gage 2018). In a baritone voice, he notes that the company's belief in "the democratization of real estate ownership" led it to structure as a REIT that "benefits rural America": "By us owning farms, we de-risk farmland ownership and operations for the family farmers across the country" by serving as "a major long-term capital source in the form of equity underneath their businesses" (Gage 2018). In other words, money made by selling to Farmland Partners, Pittman maintains, helps make farmers less vulnerable to the economic vagaries of farmland ownership and operations. The advertorial shifts to Cortland Barnes, Vice President of Business Development for Farmland Partners, who states that they help both individual and institutional investors: "Part of our goal in doing that is connecting investors from around the country and around the world to the values and the value of U.S. agricultural production" (Gage 2018). Cortland emphasizes that

Farmland Partners is a vehicle to serve the needs of both farmers and investors: “By forming long-term partnerships with farmers, we allow them to grow their businesses and remain vibrant members of the communities that they operate within. As we build our portfolio, we will create more opportunities for investors to invest in high-quality U.S. farmland and work with high-quality farmers” (Gage 2018). In sum, the advertorial stresses that Farmland Partners is a tool for democracy — one that helps U.S. rural areas by reducing the risk of farmland investing, providing needed capital, and forming connections among the corporation, investors, and farmers.

Based on research of farmland financialization in McDonough Country and Fulton County, Illinois, this study explores Farmland Partners’ role at the core of a complex network of financial connections as it epitomizes both the institutional and individual embeddedness. Theories of embeddedness have been most notably articulated at the institutional level by Karl Polanyi (and updated by the twenty-first century neo-Polanyians) and at the individual level by Mark Granovetter. Polanyi’s seminal 1944 work, *The Great Transformation*, used a substantivist approach to observe the transformation of the market economy. In contrast with neoclassical economics, Polanyi proposes an alternative meaning that “derives from man’s dependence for his living upon nature and his fellows” (Polanyi 1957). Central to his theory is the concept of embeddedness, and he points to the ill effects that occur when the economy is not governed by social relations. Block proposed a “thick” approach to embeddedness (Krippner et al. 2004: 118). This neo-Polanyian approach places an emphasis on the ways in which “markets are always and everywhere embedded,” thereby increasing the importance of the state’s role in the market economy (Block 2007:5). Granovetter (1985)

used a similar substantivist approach in his article "Economic Action and Social Structure: The Problem of Embeddedness," which was considered a cornerstone article in the development of New Economic Sociology because it made the concept of embeddedness its "founding metaphor" (Sparsam 2016:6). Granovetter's definition of embeddedness as an economic action has been applied to observations of network theory and structural analysis of the economic world (Ingham 1996).

Since the writing of both *The Great Transformation* and Granovetter's article, the economy has transformed dramatically. The rise of globalization in trade and neoliberalism of the marketplace has resulted in the financialization of the economy (Palley 2007; Krippner 2005, 2011; McMichael 2016). One such example of this financialization is found in the agrifood systems (Russi 2013), with one particularly salient example being the ownership of farmland (Fairbairn 2014; Isakson 2014). Since the food crisis of 2007-2008 and the Great Recession, investment firms such as pension funds, university endowments, hedge funds, and REITs have started to incorporate farmland as a way to diversify their portfolios in a process that Madeleine Fairbairn has termed "farmland financialization" (2014:779). This has led to a global land grab (McMichael 2012), and farmland has become a desirable commodity in the United States (Fairbairn 2014; Gunnoe 2014; Clapp and Isakson 2018). Consequently, investors have grown more interested in farmland investments.

To help meet this investor demand, there are currently two publicly traded farmland REITs active in the United States: Gladstone Land Investments and Farmland Partners, Inc. Gladstone Land owns 154,000 acres of farmland in 13 states. The largest farmland REIT, Farmland Partners, owns more than 162,000 acres of land in 17 states.

Both are exemplars of institutions involved in farmland financialization because they invest significant amounts of capital in farmland and transform it into an entity to be traded on the New York Stock Exchange. This paper will focus on Farmland Partners, Inc., because it owns more than 4,000 acres in McDonough and Fulton Counties, Illinois, the geographic area covered in this study. While a variety of economic theories have been used to explain farmland financialization (Fairbairn 2014; Gunnoe 2014; Clapp and Isakson 2018), scholars have yet to fully explore farmland financialization using the economic sociological theories of Polanyi (especially via the neo-Polanyian framework) and Granovetter, theories that are especially relevant to farmland financialization because when combined they help explain embeddedness at both the institutional and social levels.

Through an in-depth examination of Farmland Partners using financial public records and a content analysis of publicly available earnings calls and online articles, this paper will explore farmland financialization at both a macroeconomic and microeconomic scale, focusing on two forms of embeddedness: the neo-Polanyian *institutional embeddedness* Granovetterian *individual embeddedness*. I will demonstrate that although neo-Polanyians and Granovetter approach embeddedness differently, their theories can be combined to reflect the way farmland financialization operates at the level of the institutional and individual actor.

From this multiscalar analysis, I will use Polanyi and Granovetter's theories to posit a new result of the financialization of farmland. In studying Farmland Partners' institutional embeddedness, I will observe the complex ways in which land is owned and financed through the intricate use of the multilayered subsidiary form (Prechel 1997).

Furthermore, this neo-Polanyian approach will pay specific attention to the methods that state institutions are using to facilitate this type of embeddedness. At the same time, farmland financialization is also marked by embeddedness at the individual level, a feature more fully captured by the microeconomic connections proposed by Granovetter. Based on this institutional and individual embeddedness of corporations in this social network, I will argue that when farmland is financialized, social ties are replaced by financial ties.

2. LITERATURE REVIEW

2.1 *Karl Polanyi*

To understand the neo-Polanyians requires a review of Polanyi's critique of the market economy. In *The Great Transformation*, Polanyi ([1944] 2001) rejects the idea of liberal free market society. He condemns the "economistic fallacy," or economists' tendency to conflate the economy with the market (Polanyi [1957] 1971:270). He argues that land, labor, and money (elements of the economy not under market control until the Industrial Revolution) constitute "fictitious commodities" in that they are not produced for consumption the way other commodities are (Polanyi [1944] 2001: 76). These fictitious commodities are problematic because they prioritize the "self-regulating market," over non-market institutions, and the greater the market deregulation, the greater the threat to society (Polanyi [1944] 2001:3). If the market is independent of nature and society, then society's members must shift their incentive from subsistence to satisfaction of self-interest. This brings up his central concept: the extent to which the market is embedded in social relations (as was the case prior to the Industrial Revolution) and the

extent to which the capitalist system disembeds the market economy from these relations. When disembedded this way, society becomes a mere appendage to the market: “Instead of economy being embedded in social relations, social relations are embedded in the economic system” (Polanyi [1944] 2001:57). By proffering this conception of embeddedness, Polanyi shows the social consequences of the market society.

Polanyi argued that when the market economy takes on this preeminence in society, no other result is possible: with the economy organized in discrete institutions with privileged status, society has no alternative but to privilege that economic system and its laws. In other words, if a market economy can only operate in a market society, then it must create that market society. Polanyi (1957) expands on the concept of embeddedness: “The human economy, then, is embedded and enmeshed in institutions, economic and non-economic” (Polanyi [1957] 1971:148). By viewing the market as an institution rather than as a separate entity in and of itself, Polanyi criticizes the neoclassical view of the market, arguing instead that “[l]aissez-faire was planned” (Polanyi [1944] 2001:147). The market then proceeds to expand inexorably, dominating other social relations as it gains more and more power.

Thus, no Smithian invisible hand but rather the state’s strong arm guides the market economy, Polanyi argues, as the free market could exist without the role of the state ([1944] 2001). From the beginning, he announces that without the state the self-regulating market “implied a stark Utopia” ([1944] 2001:3). If land, labor, and money are fictitious commodities, then their value cannot be left to the market to determine as doing so could harm society ([1944] 2001. Thus, society’s protection must emanate from the state. He supported both the regulation of the market and post-World War II welfare state

economics, yet he remained skeptical of too much state authority. While Polanyi insisted that a disembedded economy threatened individual freedom, he also believed that authoritarian regulations could erode democracy by restricting human freedom. The role that the state plays in regulating the market not only belies the logic of laissez-faire economics but also poses a potential risk by giving the state too much power. This is critical to an analysis of Farmland Partners because, as will be described subsequently, the state privileges corporations such as this one through favorable tax treatment and limits on liability.

2.2 *Neo-Polanyian Theorists*

Though Polanyi was a visionary thinker, his theory of embeddedness was marred by inconsistencies that inspired neo-Polanyian scholars to refine and expand it by emphasizing the instrumental role of the state in the market economy. Polanyi ([1957] 1971) saw the social relationships as bound to institutions but acknowledged that "neither time nor history have [sic] provided us with those conceptual tools required to penetrate the maze of social relationships in which the economy was embedded" (242). Fred Block has attempted to refine those conceptual tools. His 2001 introduction to *The Great Transformation* seeks to resolve conflicting Polanyian theories of embeddedness. He argues that while it seems as if Polanyi was arguing for a disembedded economy, there are actually two levels to Polanyi's argument: a moral argument against treating individuals as fictitious commodities and a political argument observing the state's role in the economy. In fact, the "role of managing fictitious commodities places the state inside three of the most important markets [land, labor, and money]; it becomes utterly impossible to sustain market liberalism's view that the state is 'outside' of the economy"

(Block 2001: xxvi). Block, like fellow neo-Polanyians, place added emphasis on Polanyi's view that laissez-faire was planned: "[r]eal market societies *need* the state to play an active role in managing markets, and that role requires political decision making" (2001: xxvi). If the state policies begin to disembed the economy from social relations, then the average citizen is exposed to the threat of unemployment, increased import competition, and reduction in entitlement programs. Therefore, Block argues that it becomes impossible to disembed society from the economy because to prevent the ordinary citizen from rising up in defiance "requires statecraft and repression to impose the logic of the market and its attendant risks" (2001: xxvii). This is a conclusion of significant import for the study of farmland financialization in general and Farmland Partners in particular as both rely on favorable treatment for the state to make farmland acquisition more profitable and less risky for the corporation and, in turn, its investors.

In articulating his neo-Polanyian framework, Block states that sociologists must "elaborate a thick conception of embeddedness" (Krippner et al. 2004:118). This thick conception assumes these markets are *always* politically embedded; therefore, embeddedness is a dynamic concept (Krippner et al. 2004; Block 2007). In applying this thick conception of embeddedness, Somers and Block (2005) concur that Polanyi's fully disembedded economy is materially impossible. In order to create a new framework, Block (2007) establishes a neo-Polanyian approach that examines the market as "embedded in legal, cultural, and political frameworks that are critically necessary for economic activity to continue" (Block 2007: 5). The neo-Polanyian thick conceptualization of embeddedness is important for understanding the role of the state in

financialization. Both for corporations and investors, the return on financialized assets such as REITs depends substantially on state intervention.

Drawing upon this theory of thick embeddedness, economic sociologists observe the embedded power of the state in creating the legally fictitious entities of the corporation. In their examination of corporations, Prechel and Morris (2010) propose a theory of organizational political embeddedness. They note “that neoliberal policies enacted between 1986 and 2000 allowed the development of organizational and political structures that created dependencies, incentives, and opportunities for managers to engage in financial malfeasance” (332). These policies allowed corporations to transition into a multilayered subsidiary form (Prechel 1997) as a way to limit liability. This corporate form has afforded the managerial class more flexibility, as well as more political power; such increased political power allows public policies to afford corporations greater “financial flexibility and permit greater use of the multilayered-subsidiary form to pursue financialization strategies” (Prechel and Morris 2010: 330). This has also allowed corporations to externalize the costs of their actions. Applying this to pollution, for instance, Prechel and Zheng (2012) found both that corporations with more levels of subsidiaries and higher levels of debt are associated with higher rates of pollution and that neoliberal enforcement structures did not deter pollution, though state policies could make a difference. While neither of these works explicitly mention the neo-Polanyian form of embeddedness, they both acknowledge the role of Polanyi in showing the embedded power of the corporation.

2.3 *Mark Granovetter*

Whereas Polanyi and the neo-Polanyians tend to view embeddedness at a macro-institutional level, Granovetter (1985) focuses largely on embeddedness at the micro and meso levels (Krippner and Alvarez 2007). The modern market society for Polanyi was disembedded from social relations; however, Granovetter (1985) asserts that the market society is completely embedded and that economic and social behavior are intertwined through "interpersonal relations" that reveal the importance of social ties (504). Granovetter followed early network analysis by Baker (1984) on "markets-as-networks" and the role of social structure in shaping networks in the securities markets (Swedberg 1994: 268), thus rejecting Williamson's (1975) assertion that the hierarchical nature of markets gives rise to transaction-cost economics. Granovetter (1985) attempts to mediate the extremes of "undersocialized" views that individual economic actors behave atomistically in their Hobbesian pursuit of rational self-interest and "oversocialized" views, associated with Parsons and other structural functionalists, that actors' social categories dictate their actions. Instead, he posits that "social relations, rather than institutional arrangements or generalized morality are mainly responsible for the production of trust in economic life" (1985:491). Thus, these personal relationships and the social networks within which they operate take on the primary significance for Granovetter. This has importance for a study of Farmland Partners because its influence on farmland financialization does not stop at the advantages offered by its multilayered subsidiary form; rather, its institutional embeddedness is complemented by the power wielded by the firm's individual economic actors.

Other works by Granovetter have also elaborated the importance of these interpersonal social ties, particularly the importance of weak social ties. For instance, in

his study of the job-search process, Granovetter (1973) found that acquaintances rather than close friends are more important as they provide degrees of contact outside of one's immediate social group. Granovetter's theory of embeddedness, therefore, includes strong and weak ties between individuals in a variety of relationships and settings. Clearly, the difference with Polanyi is a marked one, and scholars such as Krippner (2001) have criticized Granovetter for overplaying the social to the exclusion of the economic, claiming that Granovetter's theory "posits that the world of the market exists apart from society" and, therefore, does not address the economic intricacies of the market itself (798). Krippner's objection is one reason why Granovetter's theory has failed to convince neo-Polanyian scholars that embeddedness is largely social.

Since the publication of his 1985 article, Granovetter's theory of embeddedness has evolved. In fact, he has sought to distance himself from the term and has stated that he had not realized that Polanyi used it and maintains that he employs it in a fundamentally different way than Polanyi did (Krippner et al 2004). In their study of venture capital in Silicon Valley, Ferrary and Granovetter (2009) use complex network theory to study the "innovative capability of Silicon Valley and to understand the heterogeneity of agents and the multiplexity of ties that support creation and development of high-tech start-ups" (326). From this study, Ferrary and Granovetter found that the high mobility of individuals within these networks has been important for the resiliency of Silicon Valley due to the expansion of social networks. Viewing the financial economy as a complex network is important in studies of financialization, as this conception allows theorists to study the intricacies of financial relationships among the major actors such as

multinational corporations (Rozenblat and Pumain 1993; Kostova, Marano, and Tallman 2015; Joyez 2017).

In *Society and Economy*, Granovetter (2017) does not address the Polanyian conceptualization embeddedness but does incorporate a Polanyian addition by looking at economic action at the level not only of individuals but also (though to a lesser extent than neo-Polanyian theory) of institutions. When observing these social networks, Granovetter (2017) acknowledges the importance of the role that political and economic institutions play in shaping social actions. To observe how social relations affect economic actions and outcomes, Granovetter proposes a study of "network embeddedness"(17). Under this rubric of network embeddedness, he proposes two subsets. The first type, relational embeddedness, refers to individuals' relationships with other individuals. This type of embeddedness typically comprises more direct relationships (such as those between a boss and his or her employee). The second type of embeddedness, structural embeddedness, refers to the effect that the structure has on those embedded in it (such as the way an employee's coworkers are affected by the employer-employee relationship). The results of these structural relationships can be subtle and have much less direct impact on economic actions (Granovetter 2017:18). However, he nonetheless asserts that both are necessary: "economic action and outcomes, like all social action and outcomes, are affected by actors' dyadic (pair wise) relations and by the structure of the overall network of relations' (Granovetter, 1992: 33). Nahapiet and Ghoshal (1998) clarify this distinction: whereas relational embeddedness refers to the cumulative interactional history between individuals, structural embeddedness denotes the network of ties that connect actors as well as its structural features, including

hierarchy, centrality, and connectivity. Thus, while there is some overlap with the neo-Polanyian framework, Granovetter's theory still focuses largely on the personal relationships.

One theme of Granovetterian analysis is that of trust. He asserts "that the themes of trust, power, norms, and institutions are implicated in virtually every economic activity" (2017:204). He focuses on the ways that social ties and structural or network relationships may sometimes — though by no means always — generate trust and thus discourage malfeasance as people naturally prefer to do business with those whom they trust not to behave opportunistically (1985). Whether an actor behaves honestly or perfidiously is, for Granovetter, more a function of the interpersonal ties than of the institutional form within which those ties exist. This narrowing of the rationale behind action, then, moves in an opposite direction from that of Polanyi. This is significant for the present study because Farmland Partners relies on trust in its interactions with investors and farmers.

Studying the role of trust in economic relations allows Granovetter (2017) to expand his conceptualization of embeddedness, stating that in relationships of "high network density" cheating is less common (81). Applying Tyler's (2001) social identity theory, Granovetter's argument shows how "group membership impacts interpersonal trust" (2017:82). However, these shared within-group identities can also be exploited by frauds (2017:82). Due to the shared identity, the consequences from the fraud's actions can be extremely detrimental. Granovetter uses the example of the impact of Bernie Madoff's ponzi scheme on the upper-class Jewish population from which he drew his dupes. Observing embeddedness as a group in a Granovetterian manner helps clarify the

vital role of individual trust-inducing social relationships in the marketplace. In this example, Granovetter points out the potentially high cost that can result when conflict and malfeasance creep into the networking of social relations; under Granovetter, informal measures, not formal institutional ones, must remedy the problems of trust (Smelser and Swedberg 2010). This is relevant to a study of Farmland Partners because the need to engender trust in both investors and farmers often creates conflict, as their goals are contradictory.

Granovetter's emphasis on the importance of trust has particular significance in studying farmland acquisition by an investment fund in general. Though many people tend to be cynical about the trustworthiness of dealings that occur within the financial marketplace, Mackenzie (2008) notes that trust occurs even with respect to the stereotypical self-interested economic actor. For instance, deals often made verbally are honored even when market fluctuations mean that the agreed-upon buying or selling price is no longer advantageous to the contracting agent. He notes that London Stock Exchange's motto is "*dictum meum pactum*: my word is my bond" (290). This has not been entirely replaced even with the prevalence of digital trading as Mackenzie states that deals in some derivatives markets a negotiated in person and confirmed days, even weeks, later. Likewise, in matters of arbitrage, trust "has to be trust in the arbitrageur or arbitrageurs as particular people," especially those who have developed a reputation for trustworthiness, even though such trust results sometimes results in heavy losses. This counterintuitive emphasis on trust has implications for a study of Farmland Partners because Granovetterian social ties that enhance trust can have economic consequences for rural smallholders, tenant farmers, the REIT itself, and its investors.

2.4 *Financialization*

Financialization has been both broadly and narrowly construed and has yielded a range of contested definitions. Krippner (2005) sees financialization as "a pattern of accumulation in which profits accrue primarily through financial channels rather than trade and commodity production" (174), while for Palley (2007), it is "a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes" (2). This leads to the heightened influence of financial capital, financial markets, and financial motives for both the economy and for institutions, with profits being generated increasingly through financial trading or activities, rather than through manufacturing (Arrighi 1994; Epstein 2005; Krippner 2005, 2011). Under such conditions, there is a drive for alternative investment classes (Arrighi 1994; McMichael 2012) and an increase in financial actors' control in the global capitalist system (Foster and Magdoff 2009; Peetz and Murray 2012) by prioritizing of liquidity and efficiency in global company network formation (Haberly and Wójcik 2017).

Financialization is linked with, but distinct from, neoliberalism and globalization (Epstein 2005, Froud et al. 2006; Palley 2007; Krippner, 2011). Neoliberal policies fostered an economic atmosphere that helped facilitate globalization, while globalization has created a global network core and a state capitalist periphery (Haberly and Wójcik 2017). Financialization is also associated with the rise of rentier interests and the finance, insurance, and real estate (FIRE) sectors (Krippner 2005). This means it uses financial

innovations to reward innovators and their financiers (Minsky 1986), removes liquidity constraints (Watkins 2000); focuses on consumption (Rossi 2013), and relies on credit to help increase corporate profitability without the need to increase wages (Watkins 2000). Financialization introduced derivatives trading on commodity markets (Basak and Pavlova 2015) and promotes excessive compensation for financial industry executives, high mutual fund fees, and stale pricing to value mutual fund (Boudoukh et al. 2002).

2.5 *Polanyian-Granovetterian Approach*

While the theories of both the neo-Polanyians and Granovetter are individually limited, together they provide a more robust and comprehensive theoretical framework with which to view farmland financialization at multiple levels. This is necessary because it is a multiscalar process that occurs at both the institutional and individual level. I will rely on Block's (2007) neo-Polanyian approach to better understand the role of the state in facilitating the financialization of farmland, drawing on the importance of Prechel's (1997) discussion of the multilayered subsidiary form as well as intricate schemes of credit and debt. I will also draw on a micro-scale Granovetterian look at the significance of individual economic actors in the process of farmland financialization, specifically the role of Farmland Partners' CEO Paul Pittmann in this process. The complementaries of both of these theories allow me to observe the concept of embeddedness as both a macro-institutional process inextricable from the state and an interpersonal process of social ties between individuals. By combining these two theories, this paper will posit a theoretical approach that encompasses embeddedness on all levels, showing how the transformation of social ties into financial ties operates at the institutional and individual scale.

3. METHODS

To observe the role of these institutional and individual ties, I will draw on an archival analysis of Farmland Partners. Using Orne and Bell's (2015) multi-logical approach, I will approach this analysis through a variety of forms. In order to understand the corporate structure of Farmland Partners, I will modify my Nexis Public Records methodology to better encapsulate Farmland Partners' wide array of subsidiary structures. Rather than the bottom-up analysis I previously performed, I will use a top-down analysis to observe Farmland Partners through Nexis. This will uncover the wide variety of subsidiary structures, as well as a complex array of creditors and debtors.

This research stems from the in-depth analysis of farmland financialization and corporate land ownership in McDonough and Fulton Counties, Illinois. In it, I identified three subsidiaries of Farmland Partners, Inc., that owned more than 4,000 acres of farmland. Farmland Partners is the largest corporate agricultural investor observed in these counties. The CEO of Farmland Partners is also from Astoria, Illinois, a small town in Fulton County and, therefore, has a deep connection to this area, making it an ideal case to explore financial ties on an individual and institutional scale.

In order to present the variety of subsidiary corporations that are financially tied to Farmland Partners, this paper will use the previously explored Nexis Public Records methodology. It will furthermore reveal the subsidiary structure, by graphically showing the subsidiary structures employed in analysis. This will be demonstrated through two different methods of analysis. First, I will use a bottom-up analysis, which follows the Nexis methodology used in my previous chapter, which will allow me to observe the financial structure of Farmland Partners from a subsidiary corporation to the parent company. However, I am also modifying this methodology in order to employ a

deductive top-down analysis that uncovers all of the subsidiaries of Farmland Partners by following the two subsidiary corporations found on the "Corporate Structure" page of Farmland Partner's website. This top-down analysis also calls attention to the role of Paul Pittman, CEO of Farmland Partners. Finally, in order to uncover any other subsidiaries that I may have missed, I systematically investigated each property on Farmland Partners's website and searched each corporate entity associated with that property.

This paper will also incorporate a content analysis of publicly available documents from and about Farmland Partners, including earnings calls, press releases, advertorials, and online articles. Qualitative studies of farmland investment corporations have been performed in other explorations of farmland financialization (Fairbairn 2014; Clapp and Isakson 2018) and have been helpful in determining operating philosophies and corporate positioning. Rather than the corporate philosophy, this content analysis focused primarily on how Pittman situates himself within the corporation as well as how he presents himself both to his tenants and investors, serving as a salient example of individual embeddedness

These bottom-up and top-down approaches allow me to study farmland financialization at the corporate and personal levels. The institutional connections illustrate neo-Polanyian state embeddedness through the tax treatment, corporate structure, and role of credit between subsidiaries. At the same time, the personal social ties of Pittman and his executive staff illustrate individual embeddedness.

4. RESULTS

4.1 *Institutional Embeddedness*

Observing embeddedness through an institutional lens reveals the role that embedded political institutions play in both the ownership and finance of land, with Farmland Partners serving as a model of this institutional embeddedness through its use of corporate vehicles such as REITs and subsidiary corporations such as LLCs to hold massive quantities of land. Another feature crucial to understanding the institutional embeddedness of farmland financialization is the role that credit plays in linking subsidiaries by financing through the multilayered subsidiary form.

4.2 *Real Estate Investment Trusts*

Real estate investment trusts represent a significant area of interplay between the state and farmland financialization. Although proto-REITS existed in nineteenth-century New England, the REITs of today date back to a 1960 change in U.S. tax law (Goddard and Marcum 2012). However, the laws regarding REITs have evolved multiple times over the past half-century, and the results have made them attractive investment vehicles for individuals, institutions, and pensions. Under U.S. law, a REIT must meet a series of criteria, the two most important are that at least 75% of its assets must consist of real estate (including real estate debt), and 90% of its taxable income must be distributed to shareholders annually. It should be noted that 90% is not based on earnings but on the REIT's cash flow statement, and "earnings include peculiar accounting rules that sometimes produce low payout ratios for these types of companies" (Bourgi 2018). REITs are also limited to a minimum of 100 shareholders, and no more than 50% of the REIT's shares can be held by five or fewer shareholders (Stevenson 2013). Fulfilling these requirements allows the REIT to deduct dividends from its tax liability. Many investors are drawn to REITs, citing their "greater diversification, potentially higher total

returns and/or lower overall risk" (Ashworth 2018). These REITs rely on the embedded power of the state do they offer these benefits to the corporation and shareholders.

4.3 *Multilayered Subsidiary Form*

Another vehicle for this favorable treatment is the corporation itself. Throughout its history, the corporation has been reliant on the state for its power, and this has been observed to disproportionately harm rural peoples (Ashwood 2018). Yet these corporations are the vehicles in which farmland is financed. Taking advantage of the multilayered subsidiary form (Prechel 1997), corporations purchase farmland through the use of subsidiary forms such as LLCs, LPs, LLPs, LLLPs, FLPs and corporations. Large corporations also use that form of subsidiary structure to obfuscate their ownership location (Ashwood et al. 2014). This type of corporate structure has become a vehicle in farmland financialization. Significant changes have occurred at the corporate level, where financialization allows for a magnification of risk while simultaneously shrouding its sources in an opaque financial system and through subsidiaries' lawful lack of financial disclosure (Partnoy and Eisinger 2013, Herring and Carmassi 2014); obscures wealth (Obermaier and Obermayer 2016); camouflages fraud and makes renegotiation of contracts more challenging (Dayen 2016); hides ownership (Caldwell 2016); creates strata of intermediaries to separate investment-fund shareholders from the corporate entity (Gilson and Gordon 2013); and encourages the formation of shell companies, incentivizes the process of shopping for jurisdictions, and rewards the establishment of opaque subsidiaries that allow them to reduce or avoid taxes (Schjelderup 2016).

Financialization of the agrifood sector has been well documented (Russi 2013; Burch and Lawrence 2009; Clapp 2014; Clapp, Isakson, and Visser 2017; Clapp and

Isakson 2018), including more specifically agricultural risk management (Isakson 2015), agricultural finance (Martin and Clapp 2015), agricultural derivatives trading (Clapp and Helleiner 2012; Russi 2013), vertically integrated corporations (James, Hendrickson, and Howard 2013; Gunnoe 2014), agricultural assets in banks and pension funds (Clapp 2014; Fairbairn 2014; Isakson 2014) and in private equity funds (Burch and Lawrence 2013), and farmland and timberland as an asset class (Fairbairn 2014; Gunnoe 2014; Magnan 2015; Ouma 2016; Gunnoe, Bailey, and Ameyaw 2018).

4.4 *Farmland Partners Corporations and Finance*

In total, Farmland Partners owns more than 167,000 acres of farmland; as of December 31, 2018, it had $1,139,509,000 in total assets, and of these $957,516,000 is in land (Farmland Partners 2019). All of these assets are not held in one corporation but instead under a variety of subsidiary corporations. In McDonough and Fulton Counties, for instance, Farmland Partners' land is held in three subsidiary corporations: PH Farms, LLC; PH Land, LLC; and AFC II Illinois, LLC (figure 12). In total, these subsidiaries hold 4,046 acres of farmland. Paul Pittman, CEO of Farmland Partners, also owns more than 2,000 acres of farmland under his own name; this represents roughly half as much as the Farmland Partners REIT itself does.

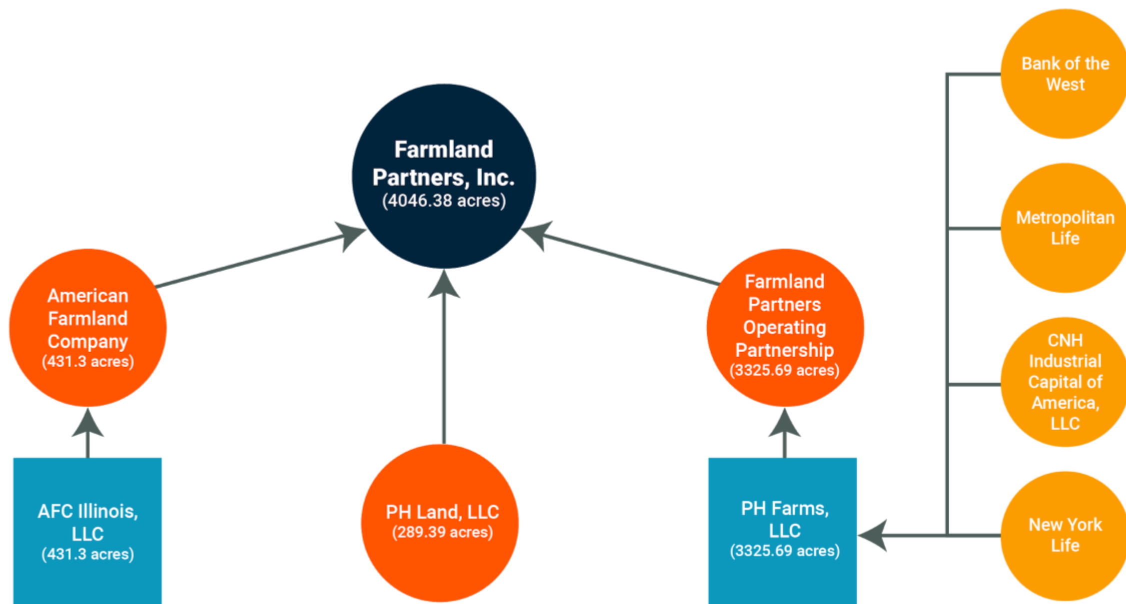

Figure 12: Farmland Partners, Inc.'s Subsidiaries and Creditors

Beyond understanding the ways in which land is owned as a corporation, it is also important to understand the intricate ways it is financed. The link between PH Farms, LLC, and Farmland Partners, Inc. is not readily discernible, however. By looking directly at the filings, one would assume that PH Farms is owned by the American Agriculture Corporation and that Farmland Partners Operating Partnership, LP, is a creditor. The American Agriculture Corporation, however, no longer exists. This reveals that Farmland Partners was using an umbrella partnership REIT (UPREIT), which owns an operating partnership and serves as its general partner. Holding land in an operating partnership allows REITs to exert greater corporate control (Chiang, Wachtel, and Zhou 2017). With an UPREIT, there is difference in voting rights between partnership unit holders and shareholders in a way that favors insiders and has been linked to greater insider interest in

expropriation (Chiang, Wachtel, and Zhou 2017). In addition, the 1992 introduction of the UPREIT structure helped fuel the expansion of REITs by allowing real estate owners to contribute their properties to the REIT in exchange for equity interests in it and thereby defer capital gains tax. When combined with debt securitization innovations, this additional tax break has advantaged both the real estate owner and the REIT (Ambrose and Linneman 1998).

Further links to the state become clear in matters of financing as well. For instance, an in-depth study of the structures of these creditors revealed that while Farmland Partners does not have any creditors: all finances are performed at the level of the subsidiary corporation. Of the first-level subsidiary corporations found on Nexis, Farmland Partners Operating Partnership received money from the major creditor the Federal Agricultural Mortgage Corporation, known as Farmer Mac, and American Farmland Company, showed no creditors or debtors. Founded in 1988, Farmer Mac is a major lender in American agriculture; its mission is "to help build a strong and vital rural America by increasing the availability and affordability of credit for the benefit of American agriculture and rural communities" (Farmer Mac Corporate Fact Sheet 2018). It also serves as the nation's largest secondary market for agricultural credit and helps local lenders increase their capacity to create loans to farmers in rural America.

Farmer Mac credit goes beyond providing banks with extra capacity to give out fixed-rate loans, as the Nexis report identified two corporate entities as debtors to Farmer Mac: Farmland Partners Operating Partnership, LP, and Gladstone Lending Corporation, LLC. As both are subsidiaries of agricultural REITs involved in farmland financialization, this connection is a reminder that the state is also helping facilitate this

transformation. Block (2015) notes that true laissez-faire would argue that the government could do nothing to influence the supply of credit; however, the existence of central banks to regulate credit and money supply renders that possibility null: "Governments are forced to the weaker position of saying, 'The laws of economics require that the supply of money and credit be governed by technical rules that cannot be understood by those who have not become experts in the subject'" (2015:15). He discredits this hypothesis by pointing to the economic crises that are the direct consequences of errors in money and credit management.

The subsidiaries listed on Farmland Partners' tax parcel data — PH Farms, LLC; PH Land, LLC; and AFC II Illinois, LLC — are not the only subsidiary corporations of Farmland Partners, however. On its website, Farmland Partners has a page called "Corporate Structure," but this only shows the first level of subsidiary corporations: the American Farmland Company and Farmland Partners Operating Partnership. A top-down Nexis analysis was necessary to uncover the plethora of subsidiaries. Because Farmland Partners is a parent company, Nexis did not provide a list of subsidiaries. I decided, therefore, to further investigate the two first-level subsidiary corporations: American Farmland Company and Farmland Partners Operating Partnership, L.P. In studying these two corporations on Nexis, I sought to uncover the corporations that serve as Farmland Partners' subsidiaries and outlined the four main ways that a corporation is connected to Farmland Partners.

The first was a connection as a subsidiary corporation of the American Farmland Company, an entity that announced a merger with Farmland Partners in September 2016 and officially merged in February 2017. Based in New York, American Farmland

Company represents an absentee owner of farmland and does not have any listed creditors. From the deed record, I was able to uncover seven subsidiary corporations: AFC Illinois, LLC; AFC II Illinois, LLC; Abraham Illinois, LLC; Scott Farms, LLC; Jefferson, LLC; Jefferson AR, LLC; AFC Florida, LLC.

Second, I documented these connections through the corporation's relation to Farmland Partners Operating Partnership, LP. A Nexis report for this UPREIT uncovered eight subsidiary corporations: Siffring Farms, Inc.; Cottonwood Valley Land, LLC; FPI Colorado, LLC; FPI Carolinas, LLC; PH Farms, LLC; FPI Arkansas, LLC; and FPI Burlington Farms, LLC.

Third, in order to find other subsidiaries of Farmland Partners, I consulted the "Properties" page of Farmland Partners' website. There were a total of 32 corporate subsidiaries listed, some of which were previously not listed in my other searches and some of which were smaller LLCs, for which Nexis does not provide a clear and direct connection to Farmland Partners (via the parent company). These subsidiaries did, however, all share the same mailing address as either Farmland Partners or the American Farmland Company.

Fourth, in order to connect this institutional embeddedness to individual embeddedness, I decided to look at Pittman's associated businesses. This was uncovered through a Comprehensive Person Report to reveal any overlap in corporate associations; the report showed 15 associated corporations: FPI Carolinas, LLC; FPI Agribusiness, Inc; FPI Properties, LLC; Wragg Ridge, LLC; Briney Land Co.; Pine Ridge Holdings Inc., Andy Merrick Farms, LP; FPI Colorado, LLC; PH Land, LLC; PHS Holdings, LLC; PH Farms, LLC; Matt Frye Farms, LP; Buffee Powell Merrick Farms, LP; Dale Pittman, LP;

and Joe Pittman Farms, LP. Together, these corporations hold land across the United States. (Furthermore, Farmland Partners Operating Partnership and Paul Pittman share three associated corporations: PH Farms, LLC; FPI Colorado, LLC, and FPI Carolinas, LLC.)

Graphically observed, one can see that there exists a network of 48 different corporate entities that are either subsidiaries of or are related to Farmland Partners (figure 13). This complex corporate form further facilitates the large-scale land investments by both limiting potential liabilities and lowering the possible tax cost for these corporations (Cullen and Gong 2017; Ashworth 2018; Diduch 2018). In addition to the abundance of corporate forms connected to Farmland Partners, this analysis reveals that the subsidiary was always the creditor, giving the parent company both funding and insulation from liability, while the Farmland Partners Operating Partnership received funding from Farmer Mac. Thus, the multilayered subsidiary form of the REIT, coupled with the credit mechanisms, revealed neo-Polanyian institutional embeddedness.

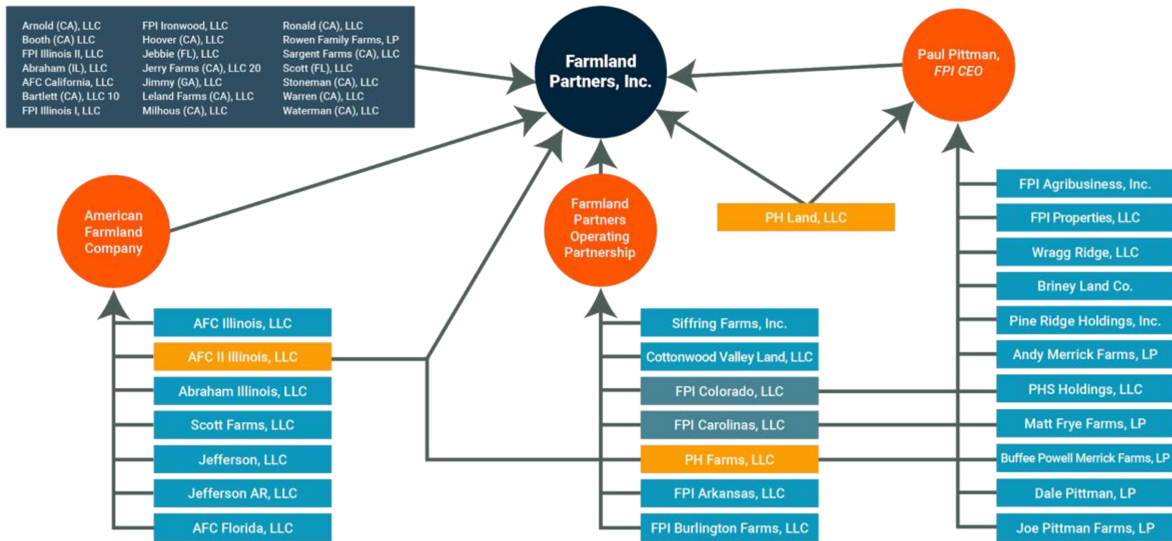

Figure 13: Corporate Entities Associated with Farmland Partners

The corporate structure is also deeply interconnected with the financial structures, so a study of corporate ownership would be incomplete without a study of the ways that money is embedded in corporate structures. These connections, importantly, occur at all levels. When observing these 48 subsidiary corporations, I notably found the existence of 15 different creditors involved in the financing of farmland. Furthermore, Nexis shows that 13 of these subsidiary corporations have creditors. To reiterate, none of the American Farmland Company's subsidiaries was shown to have creditors, meaning that they were very likely obtaining their money directly from the parent company. I have identified that these subsidiaries generally fall into three different categories of creditor: banks, insurance companies, and agricultural corporations. Banks and life insurance companies are traditional creditors of agriculture (Wise and Brighton 1989), and agricultural

corporations such as Deere and Company profit from their new finance divisions (Krippner 2005, 2011).

There are five different banks that serve as creditors: First National Bank of Omaha, Bank of the Valley, Bank of the West, First Midwest Bank, and U.S. Bank National Association. Of these, First Midwest Bank is the most commonly used creditor in this category, as it provides credit for four different corporate entities. First Midwest Bank is also the subsidiary corporation of the holding company First Midwest Bancorp, Inc.

Four different insurance companies also serve as creditors: Brighthouse Life Insurance Company, Metropolitan Life Insurance Company (MetLife), New England Life Insurance Company, and The Prudential Insurance Company of America. Brighthouse and Metlife are the most prevalent creditors, serving as creditors in eight separate corporate entities; New England Life Insurance is a creditor in seven corporate entities, and Prudential only serves as a creditor for one subsidiary. MetLife's website states that its portfolio contains almost 18 billion acres of farmland and that their "Agricultural Finance Group ranks among the most active private agricultural, agribusiness and timberland mortgage providers in North America" (MetLife 2019). Nexis also shows that Brighthouse and New England Life Insurance Companies are both subsidiaries of MetLife. In total, I can determine that nine of the subsidiary corporations have either MetLife or one of its subsidiaries as a creditor.

Finally, there are six corporate entities that I consider general agricultural finance corporations. Along with the Farm Credit of Central Florida, the USDA's Commodity Credit Corporation serves as a creditor for one subsidiary corporation. Deere and

Company and its subsidiary Deere Credit, Inc., as well as CNH Industrial Capital America, are both equipment companies that have transformed into creditors as a result of the financialized economy (Krippner 2011, 2005). In a financialized economy, the ties that bind social and financial interactions undergo a transformation.

The most prominent of these agricultural finance companies is Rabo Agrifinance, a corporation that both finances agricultural operations and serves as an insurer. Rabo Agrifinance is actually also a subsidiary of the Dutch national Rabobank, the amalgamation of Netherlands savings banks and independent cooperative banks (Locke 2014). Significantly, according to Taylor et al. (2018), Rabobank has been linked to both farmland financialization and land grabbing. Subsidiaries of Rabo Farm, a €315-million farmland investment fund in Romania and Poland, have acquired more than 21,000 hectares of Romanian farmland since 2011. Of that farmland acquired, Taylor et al. found that more than four million hectares of the Romanian farmland represents land grabbing. The farmland fund is predicted to generate €900 million in returns to investors that include pension funds— such as TIAA-CREF, Algemene Pensioen Groep, and Stichting Pensioenfonds Zorg en Welzijn — and "'exotic'" investors that span from "Austrian Counts to Romanian oligarchs and Danish and Italian agribusiness companies" (Taylor et al. 2018). Transnational corporations may compound land grabbing and financialization as vertical integration with such firms means that small farmers must reduce their prices to compete, thus incentivizing them to sell their farms.

Within this institution, all ties are embedded in and centered on the corporation. As Farmland Partners uses a multilayered subsidiary form to own land with limited liability as well as to finance acquisitions of other parcels of farmland, the social structure

of these institutions is interconnected since they are all corporations and all rely on the state to make their operations profitable. Farmland Partners, then, is embedded in the state in ways difficult — sometimes impossible — to observe from outside the corporation. Together, Farmland Partners controls 162,000 acres of U.S. farmland. While corporations are embedded in the social, legal, and cultural systems, it is also important to understand the role of the individual within the corporation as someone who bridges the gap of an entity embedded in both this system and in social relationships.

4.5 *Individual Embeddedness*

Though Pittman serves as a key node within the social network as he is both an actor in Farmland Partners' corporate hierarchy and an individual actor who buys and sells share of Farmland Partners for his own account, analysis reveals additional embeddedness within the network of social ties that become financial ties (see figure 11). Nearly a decade prior to his magnum opus, Polanyi argued that the commodification of labor results in social relationships having been simply reduced to impersonal market relationships that are "hidden behind the exchange of goods" (Polanyi 1935: 93). These critical relationships — ones that had played a central role prior to the Industrial Revolution — became invisible, eclipsed by the market economy of the nineteenth and twentieth centuries. The Nexis methodology confirmed that this is still the case today, likely more so given the byzantine corporate forms, esoteric financialized investment instruments, and limited government reporting requirements. In seeking farmland ownership information in tax parcel data, I found that, apart from family surnames, the information rarely pointed to any human connection. In Nexis, I was able to uncover social connections, but only by following the money. Therefore, human interactions were

reduced to those within the marketplace, and social connections were replaced by financial ones. While the neo-Polanyians explain why this happens at the institutional level, they, like Polanyi, only intimated that this was the case at the individual level. Therefore, Granovetter's (1985) theory of embeddedness and its role in facilitating economic actions provides a more fully formed assessment of the importance of human relationships within the economic system.

To recap, this transformation of social to financial ties occurs at both a macro and micro scale. At a macro scale, Farmland Partners purchases millions of dollars of farmland through subsidiaries and incorporates them into their portfolios. At the same time, the subsidiaries take out loans from major corporate creditors. The financialization of the economy is also a product of actions facilitated by the state (Krippner 2011), reflecting the context of the thick embeddedness of Block's neo-Polanyian approach. The widespread use of the multilayered subsidiary form shows how state policies and the financialized economy transform social ties into financial ties. To complement neo-Polanyian institutional embeddedness, Granovetter's theory of embeddedness helps elucidate this phenomenon at the individual level. Embedded in "interpersonal relations," this complex web of financial relationships — parent company and subsidiary or creditor and debtor — replace the previously personal connections (Granovetter 1985:504).

The individual level also reveals financial ties with the state. Block (2007) maintains that a neo-Polanyian approach "recognizes that those who mobilize capital for investment tend to exercise a disproportionate influence on key political decisions" (8). Farmland Partners' executive staff reveal Block's thesis. For example, via the Friends of Kip Tom Campaign Committee, Farmland Partners CEO Paul Pittman contributed $2,700

to the 2016 campaign of Kip Tom, agribusiness executive, Indiana congressional hopeful, and current Trump appointee to serve as an ambassador to the United Nations for food and agriculture (OpenSecrets 2017). Like Pittman, Tom is a successful agribusiness executive with an interest in buying farmland. A Purdue Agribusiness case study of Tom noted that his 21,000 acre global farming enterprise in the US and Argentina is posited on the ideas that land is likely “the most critical resource access/control issue” and that Tom continues to increase his land holdings and is considering strategies such as “private placement of outside capital in land” (Tom and Boehlje 2011). Tom, who generated more than $5,000,000 in income from one interest— CereServ, Inc. — alone, (US House of Representatives 2015) and had been actively interested in farmland acquisition, clearly had overlapping interests with Pittman. Had he won a seat in the U.S. House, his votes would likely have aligned with Pittman’s interests. Other donors to Tom’s committee included big agriculture firms such as Archer Daniels Midland, Cargill, Monsanto, Dow AgroSciences, and Syngenta (“United States House of Representatives 2015). Similarly, in 2017 Pittman, among other donations, also contributed $3,500 to the National Association of Real Estate Investment Trusts, a political action committee that supports favorable government treatment of this asset class (Open Secrets 2019b). Farmland Partners Chief Financial Officer Luca Fabri also donated $1,500 to this PAC in 2017 (Open Secrets 2019a). Given Polanyi’s and Block’s emphasis on the outsized role of the state in creating and maintaining the market economy, these connections highlight the perfectly legal ways that powerful agribusiness executives can mobilize their capital to increase their sway in political decisions that support their business interests.

A qualitative observation of Farmland Partners also illuminates the embeddedness and plethora of financial ties. In a recent NaREIT advertorial, Farmland Partners positions itself as a landlord and attempts to portray a positive image as a company that provides capital to farmers to help them expand their operations (Gage 2018). For example, it spotlighted walnut farmer Jeb Headricks, who leases his orchards from the REIT, thus "allowing him to focus on his craft with the stability and access to capital that a REIT offers" (Gage 2018). Despite emphasizing Farmland Partners role as a landlord, as opposed to a farmer, Pittman shifts abruptly. Being from a rural area and having studied agriculture affords Pittman the ability to employ the identity of a farmer stating, "'I'm not perceived as a Wall Street CEO, but as one of them, as a farmer'" (Gage 2018). Building these connections with farmers, based on both a shared identity and sense of place, enables structural embeddedness in the high-density network of farmers. As an economic institution, Farmland Partners purports to try to build mutually beneficial partnerships with all of its tenants, but these relationships must serve the company's economic interests.

Gaining trust is an important goal in many settings but becomes especially critical in financial ones. As such, this kind of one-sided corporate relationship also tends to violate the long-standing concept of trust that has been prevalent for years in the financial markets. Granovetter (2017) sees embeddedness as critical to understanding how trust is built in groups and networks. Trust and trustworthiness, he argues, is influenced by person-to-person relationships, and these dyads are embedded in larger social structures such that the likelihood of trust increases among those who see themselves as belonging to the same group. While this may be the result of the stereotyping of one's own group

members as being more trustworthy, Granovetter believes that the more likely explanation is the "'group heuristic hypothesis,'" in which one assumes that fellow ingroup members will behave more altruistically in their relationships with one another (2017:66). Tyler (2001) found that "identification with the group to which one belongs decreases one's propensity to engage in noncooperative behavior that removes resources from a common pool," regardless of reciprocity expectations, rewards, punishments, or effects on reputation (288). Drawing on this evidence of what Tyler calls "social trust," Granovetter argues that group identification can create an obligation to ingroup members (2017:67).

Pittman's assertion that he is seen by the farming community as "'one of them, as a farmer,'" then, is precisely such social trust. And, according to Granovetter's theory and the group heuristic hypothesis, these farmers who see him as a member of the ingroup are predisposed to treat him more altruistically. Perhaps the same could be said of his treatment of them; here, the data on individual sales negotiations and fair market prices are unavailable, however. But Pittman does seem to pivot between presenting himself as a high-powered executive and a down-to-earth farmer. In fact, his profile on Bloomberg shows his education as BS from the University of Illinois, a Master's degree from Harvard University, and a JD from the University of Chicago. Like many CEOs, his sterling educational credentials inspire trust among investors who can feel reassured that he understands the legal and business ramifications of his decisions (Bloomberg n.d.). However, on his LinkedIn profile, which attracts a wider audience that could include potential sellers of farmland or tenants to farm it, he lists only a BS in agriculture from the University of Illinois (LinkedIn n.d.). Of course, he is under no legal requirement to

list all degrees, and this could have been an oversight. Still, the omission gives the appearance that he may be positioning himself more as a farmer than as an investor.

Based on Granovetter's conception of embeddedness and trust, being perceived as a farmer could benefit him by presenting him as more trustworthy. And Pittman himself gives some reason to doubt his identification as a farmer. A NaREIT advertorial on Farmland Partners extols the fact that the REIT rents to farmers on a triple-net basis, in other words meaning that farmers must pay all of the property-related expenses such as taxes, insurance, and other farming related costs (Robaton 2015). As unleased land reduces profits, Pittman claims that Farmland Partners is interested in building "long term" relations with farmers who will serve as their tenants and thus provide a steady stream of rents, reducing the possibility that the REIT will be left with unproductive farmland awaiting a lessee (Robaton 2015). Moreover, when interviewed during a downturn in crop prices, Pittman responded, "I've done this for 15 years. I've been through these cycles. There's a reason I'm a landlord and not a farmer. It's much more stable" (Gustke 2016). The inconsistency between his projected identities as CEO and farmer suggests that his ability to claim membership in two different ingroups could give him undue power in the embedded network of social connections.

In fact, the real "partnership" in Farmland Partners appears to be the REIT's investment partners. While these close, structurally embedded relationships may create trust, Nee and Ingram (1998) point to one complication of Granovetter's theory: there is no way to determine ex ante who is trustworthy. Undoubtedly, selling to or leasing from Farmland Partners helps certain farmers who need an injection of cash or a means of expanding their operations. Nonetheless, if they assume that the social ties are social and

not financial, they may leave themselves exposed to the wiles of a University of Chicago-educated Wall Street investor rather than an Astoria farmer.

The REIT's 2017 annual report described its objective of acquiring farmland from vulnerable owners, those individual and family farms where "undercapitalization, overleverage [sic] and unforeseen circumstances . . . will provide opportunities for us to acquire high- quality farmland at attractive prices," after which Farmland Partners will "find experienced and successful farm operators (including, in some cases, the existing owners) to lease the farmland from us at competitive rates" so that the REIT will capture the appreciation (Transcripts S.A. 2018). As Pittman stated in his Q3 2017 earnings call, the company's acquisition philosophy as "the Three D's" to determine where they purchase land: divorce, death, and distress (Transcripts S.A 2017). Of course, targeting vulnerable sellers is completely legal and is obviously a strategy that would resonate with Farmland Partners investors, yet comments such as these suggest that those who enter into a farmer-to-farmer negotiation with Pittman may find themselves too trusting.

A January 2019 Land Investment Conference sponsored by Peoples Company Real Estate, a US-based farmland investment company, epitomizes why neo-Polanyian and Granovetterian perspectives on embeddedness are both necessary. The conference agenda featured a series of talks focused on how to use tax loopholes to increase farmland returns, including talks such as "Leveraging 1031 Exchanges and Delaware Statuary [sic] Trust to Bring Liquidity to Farmland Market and Facilitate Farmland Transactions" and "Building Real Estate Wealth Through Section 1031 Like-Kind Exchanges" ("Land Investment Expo" 2019). From a neo-Polanyian perspective, farmland investors learned ways to use state intervention in the market to legally increase

their investment profits. An endorsement on the agenda, however, made the Granovetterian angle explicit: it cited Paul Pittman describing his prior experience at this conference, "'Less than two weeks after the event and we had already put a deal together with someone we met at the Expo. There are a couple others that will likely turn into a deal throughout the year'" ("Land Investment Expo" 2019). Thus, the social ties occasioned by a conference to help investors avoid taxation led to interpersonal connections that yielded a fruitful business relationship, merging neo-Polanyian and Granovetterian conceptions of institutional and individual embeddedness as the corporation, the state, and the financial elites create a powerful network of financial ties.

5. CONCLUSION

In the financialized economy, the economic theories of the neo-Polanyians and Granovetter are essential for understanding the changing nature of land tenure as well as the role of corporations in facilitating this transformation. This process permeates society — from the institutional level to interpersonal level— and thus requires a theoretical framework that is broad enough to interrogate the fundamental causes of this change and specific enough to observe how it impacts individuals. Farmland financialization is an especially salient example of this process, as it shows the intersection of the institutional and individual embeddedness. Institutions— buoyed by the substantial support of the neoliberal state— purchase land through a multilayered investment firms, financing them with loans from both institutional and state creditors. This creates a complex network of financial ties. Yet, these transactions are also being performed by individuals with an interest in profiting from long-term investments in this land. This research reveals that the

financialized economy is marked by a complex web of creditors and debtors. By observing the interconnections between institutional and human actors, sociologists can find a telling fact about the social consequences of the embedded nature of the financialized market economy: social ties are being transformed into financial ties. This radical change demonstrates how the economy is expanding into social relations themselves.

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