

# From "Der Prozess" to Retrocess: The Kafkaesque in Brazilian Agribusiness Financialization.

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**Abstract.** Through an interdisciplinary analysis, this work proposes a brief approach that reflects Czech Author Franz Kafka's work "Der Prozess" as a short literary bridge to the aim of analysing the Brazilian agrarian question. It highlights important elements that mark the financialization of land and agriculture in Brazil and its implications in the recent context, with a focus on the entry of a growing number of individuals via instruments such as the Agribusiness Letters of Credit and Investment Funds in Agroindustrial Production Chains (Fiagro). We do this by using aspects that resonate with the Kafkanian narrative, such as alienation, the exacerbated symbolic power of certain instances, bureaucratization and complex labyrinths that hinder full accountability and identification of the actors involved, as well as their social impacts. For this, we use a bibliographical review and an analysis of data established by the main journalistic vehicles and public agencies, as an ongoing research, the results are the indicatives of the necessity of more studies about the predatory impacts established between the giant financial market (ranging from large international investment funds to the growing entry of individuals into the stock market) and agribusiness.

**Keywords.** Agribusiness, Agrarian and Rural Studies, Financialization, Land Grabbing, Social Studies of Finance.

## 1. Introduction

As once attributed to Franz Kafka, "the task of literature is to reconnect us with feelings that might otherwise be unbearable to study but which desperately need our attention [1], in this sense, we identify the importance of a debate that goes beyond the financial hype where a great amount of individuals, especially with the emergence of fintechs and finance influencers that spread the adherence to capital markets, in Brazil are entering complex dynamics that surrounds power relations in the country, a country with a country side already marked with an expressive land grabbing horizon. We propose we are entering a phase of agribusiness hegemony that is linked to a giant financial market, bringing new capitalist accumulation dynamics.

That being said, we must state that we understand "agribusiness" as an analytical category that emerges in the Harvard Business School to encompass the entire system of business agriculture, from production technologies, processing to food distribution, it is considered a strategic sector that holds powerful lobbies and representations of interest and national visibility,

even though it is heterogeneous in its composition and thinking [2].

The interconnection, between agribusiness and finances, highlights a scenario in which economic decisions related to land and agriculture are captured by capital movements and investment funds. In this scenario, there is a trend in which nature and land are being integrated into financial dynamics, playing the role of a financial backing for investments of still opaque nature, highly speculative, whose consequences and risks are not fully accounted for, especially, by a new generation of individual investors who are being attracted to investing in the sector, as well as imposing new dynamics.

In "Der Prozess" we encounter the story of Josef K., a man arrested and prosecuted by a remote and inaccessible authority, an unspecified court, with the nature of his crime and accuser undisclosed to both him and the reader. This novel was written by Franz Kafka, a writer of Czech origin, between 1914-1915 and posthumously published in 1925, becoming a classic in literature and one of his most well-known works [3]. Kafka was acknowledged as one of the

greatest literary figures of the 20th century, with his work blurring the lines between fact and fiction, bringing forth surrealist elements and situations that challenge conceptions of human nature, politics and society. It is in this context that the term "Kafkaesque" emerges to describe situations of incomprehensible socio-bureaucratic powers found in his stories.

Therefore, we sought to compare how the complexity of the *modus operandi* of finances can create a strange, yet engaging environment, where various individuals enter into dynamics that they do not fully comprehend the risks and impacts. These funds and financial applications, like the mysterious Kafkaesque bureaucratic institutions, operate through various instances that distance domestic and foreign financial investors from the impacts of their applications, in an alienating manner where the symbolic power of agribusiness in the country plays a central role to inflate and guarantee its economic significance, masking and normalising predatory processes through managers and documents that intersect in transactions, making it difficult to grasp the true extent of the impacts on society. Through the financial architecture, decisions are made that profoundly affect society, still with little transparency and accountability.

Kafka's work satirises how laws often seem distant from their supposed ideal purpose of promoting well-being and harmony, instead transforming into self-perpetuating entities, seeking their own continuity as ends in themselves. The intricate hierarchical chains of officials extend beyond the comprehension of individuals (bankers, lawyers, counsellors, accountants, fund managers, and others). Within this entanglement, numerous processes appear to contribute to the complexity of the system.

To summarise the main discussion of financialization, we understand "financialization" as a detachment from production and the introduction of motives, actors and financial institutions that more and more become increasingly prevalent; consequently, decision-making centres shift away from production, introducing a logic of finance capital, in other words, a distance is established between investment, production, and consumption [4]. All of this contributes to the dynamics of food insecurity and social conflicts over land, it disconnects from the material base, as it deepens the search for appreciation of assets and securities, also creating instabilities in productive markets with speculatively pressures[5].

## 2. Methods

As for the methodology, the present study proposes a qualitative analysis of recent literature critically addressing the financialization of agriculture and land in a creative dialog with Kafka's Literature. The central objective is to provide an understanding of the financialization phenomenon and examine how

this process manifests in the Brazilian context. Specifically, it will be addressed through research of data compiled by major government agencies and journalistic entities on the role of Agroindustrial Production Chain Investment Funds (Fiagro), elucidating their *raison d'être* and seeking to highlight the profile of involved investors; we will utilise a compilation of data from reports of entities such as the Securities and Exchange Commission of Brazil B3, the Securities and Exchange Commission (CVM), the Ministry of Agriculture Livestock and Food Supply (MAPA), and the Brazilian Association of Financial and Capital Markets Entities (ANBIMA).

## 3. Results

In a broader perspective, financial agents have been directing investments into the agricultural sector through various modalities. The allocation in private credit securities, investment funds, stock markets and other financial instruments has become more common than ever. Initially, it was claimed that these approaches are effective methods to relieve public spending and ensure loans for agricultural production, provide price support, offer agricultural insurance, facilitate mortgages and promote early sales, among other strategies [6]. From that on, more and more the finance market has spread through agriculture.

To demonstrate a good picture of the emerging scenario, according to Valoral Advisors, an advisory firm specialised in the global food and agriculture investment space, in 2005 there were a total of 41 international investment funds specialised in food and agriculture; however, by 2022, this number jumped to 887 [7]. These funds employ strategies involving assets such as farmland, private equity, venture capital, listed equities, commodities, private debt, land and water restoration & conservation, water entitlements, commercial real estate and others.

In this context, an environment is created that is fertile for what recent literature calls the "Fund Industry." These large funds become essential shareholders of major agribusiness companies. According to the Thinking Ahead Institute report, the top 500 global institutional investors held a total of \$104 trillion in assets under management in the year 2019; of this amount, approximately 43% (\$44.72 trillion) was concentrated in the hands of just 20 institutions [8].

The opening of Pandora's box for agribusiness occurred with instruments such as the Rural Product Note (CPR) in 1994 and others that followed, such as the Agricultural Credit Letters (LCA) and the Agricultural Receivables Certificate (CRAs). These emerged as sources of private capital raising and established a closer integration of finances in Brazilian agriculture. One of the appeals of these securities and the Fiagro for retail investors is the fact that gains for individual investors are tax exempt. For instance, according to B3 data from

december 2023, there are 472,3 thousand investors in Fiagro, of which approximately 471 are individuals; regarding the traded volume, individual investors hold 82.6% of the participation in the traded volume, while institutional investors and foreign investors account for 3.7% and 9.5%, respectively [9].

Following the data presented in the Private Agribusiness Finance Bulletin of February 2024, developed by the General Coordination of Market and Financing Instruments, within the Department of Agricultural Sector Financing Policy of the Agricultural Policy Secretariat at the Ministry of Agriculture, Livestock and Food Supply of Brazil, using data from B3, The Brazilian Financial and Capital Markets Association and others, the value of Rural Product Notes (CPR) stock in January 2023 was 238.91 billion Brazilian reais (BRL), while in the same month of 2024, it reached 309.26 billion, representing an increase of 29%; meanwhile, the Certificate of Agribusiness Receivables (CRA) rose from 99.39 to 129.29 billion BRL, a 30% increase; additionally, during this period, the stock of Agribusiness Letters of Credit (LCA), the main and most popular instrument, experienced a 36% increase, going from 351.71 to 477.01 billion BRL; simultaneously, in this same interval, the patrimony of Fiagro evolved from 11 to 38.25 billion BRL, marking a significant increase of 248% over one year [10].

With this in mind, we can discuss and enter the data analysed by this research, that explores the growing influx of individual investors into the world of finance, especially in finance-agribusiness related. According to the Brazilian stock exchange (B3), the number of individual investors participating in the financial market has seen significant growth in recent years, reaching around 5 million people in 2012, a 700% increase compared to 2018; these individual investors are primarily concentrated in the geographical region of the southeast of the country, even though there is a relatively higher increase in other regions, such as in the Northeast (112% grown) and North (150% grown) between 2020 and 2023. Additionally, most investors have an average age between 25-39 years and predominantly male, although the number of even younger adults is increasing, most having little or no finance education at all [11]. It is also noted that the required capital for entry into these investments has been decreasing over the years, it is estimated that more than half of the initial applications have values below 200 BRL [11].

According to the report "Analysis of the Evolution of Investors" by B3, 2.3 million individual investors are involved in investments linked to agribusiness, with a total balance of R\$568,1 billion and a median balance of R\$43,2 thousand (In this research, the following products were considered: Fiagro, Agribusiness Receivables Certificate and Agribusiness Credit Letters) [11].

## 4. Discussions

As pointed out, finance has entangled itself in the agricultural production chain. However, we argue that its complex form (composed of networks and entanglements) makes it difficult for us to perceive how the expansion of the financial market over agriculture can impact society. Thus, the ties between the exploited, the exploiter, and the object of exploitation multiply; with this redefining networks of dispute over land ownership, use, and property; deepening social inequities [6]. These large projects exert economically impactful effects that are not yet fully addressed, as they drive up prices and exert pressure for their purchase (recent studies indicate appreciations of up to 500% in agricultural frontier areas) [4]. Additionally, they complicate political processes and diffuse accountability.

All these processes have converged towards the greater expansion of predatory and extractive projects in rural areas, especially speculatively impacting land prices and access, leading to an increase in competition for resources in the field. This is particularly evident in regions of states such as Maranhão, Tocantins, Piauí, and Bahia, known by the acronym MATOPIBA in agribusiness expansion research, as well as Mato Grosso.

Furthermore, this trend of financialization in agriculture has led to an increasing control of land and agriculture by the finances of companies in the sector, particularly by major institutional investors and large fund managers who acquire horizontal equity stakes. They exert shareholder pressures on companies both downstream and upstream of the sector, across its various segments (from production of fertilisers, pesticides, machinery and more). According to "O Joio e O Trigo," a Brazilian independent investigative journalism platform, in 2022, BlackRock, Vanguard and State Street, giant international investment management companies, held control over \$19.7 trillion in assets – equivalent to 10.5 times Brazil's GDP [13].

As recent news discusses the fall of commodities prices, as expected from such a cyclical sector, a surge in requests for rural producer judicial recovery and requests for renegotiation of rural debts that are recently involving Fiagro and creating a stress moment for markets, all of this contributes to exposing the need for broader governance and showing the risks associated with these types of applications, for producers and to individual investors [14].

Yet, especially in contemporary times, one observes the degradation of pension systems, the increase in informal employment and the intensification of social precarization, all factors contributing to concealing processes that expose individuals to financial risks and speculative undertakings with serious repercussions. Notably, the financial market emerges as a tempting prospect for sustenance

through passive income, characteristic of a neo-rentist period. This phenomenon is intrinsically linked to the expansion of online presence and the development of the virtual environment, internet banking, as well as marketing strategies promoted by social media influencers specialising in financial content. In other words, there is a penetration into the most fundamental aspects of social life.

Therefore, it is understood that official documents, marketing campaigns, monthly reports and guidelines prioritise information such as performance, management fees, investment terms, among others, at the expense of aspects related to social and environmental impacts. The maximisation of "shareholder value" becomes the guiding principle of these flows, placing the interests of these capital amounts in conflict with local dynamics related to land and food, giving rise to new social contradictions. For instance, the Pastoral Land Commission, associated with the National Conference of Bishops of Brazil, an important social organisation in the country, reports that there were 2,018 occurrences of conflicts in rural areas in 2022, conflicts involving 909,450 people [15].

According to the Pastoral Land Commission, using data from the 2017 Agricultural Census conducted by the Brazilian Institute of Geography and Statistics, half of the 5,072,152 rural establishments in the country have 10 hectares or less; together, these establishments hold only 2.28% of the land used for agriculture, while 50,865 properties, about 1% of the total rural establishments, concentrate 47.52% of the agricultural land. The data also show an increase, from 45% to 47.5%, in the portion of land occupied by establishments with 1,000 hectares or more compared to the 2006 Census, demonstrating its deepening over the years [15].

Evoking the "Kafkaesque sense," we not only acknowledge the prominent presence of Kafkaesque elements such as alienation and estrangement in the operation of these financial applications by individuals not fully familiar with finance, especially workers with low income, but also witness the formation of a social serpent that uses their application to prey upon our own society. This is a process where the impoverished worker invests in financial whirls and potentially predatory projects, that need more accountability and transparency, at the crossroads of inextricable bureaucracies within a colossal financial market filled with variables and systemic risks that structure modern society.

Similar to the trial of Joseph K., which features a strange language and endlessly unreachable hierarchical instances, the apparent complexity of variables and actors, evidenced by complex and difficult-to-understand language for the majority of the population, is strategically used to lend credibility to management entities little known to the public. This, in turn, enables key characteristics of these systems that still need more governance mechanisms.

Hence, it is vital the need for more studies about the role and social-political significance of these flows in order to understand their capacity to speculatively stimulate pressure on lands and agricultural products, allowing for the foreignization of a considerable portion of the territory, potentially associating with abusive and violent practices in rural areas, directing investments towards large agribusiness establishments and monoculture, accentuates land prices, encourages land grabbing and threatens access to land for parts of the population and an equitable and participative development in a country already market in its history pages with a history of monoculture, land concentration and inequality [16]. Therefore, creating new mechanisms that retrocess old social problems.

In the horizon of a critical perspective, more regulation is crucial to mitigate its deleterious effects, but it is also imperative to broaden governance and participation processes in order to reverse and interrupt these trends.

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