

Agricultural commodity trading



Agricultural Commodity Traders are diversified firms that produce, procure, process, transport, finance and trade grains, food, fibre, meat, livestock, sugar, etc. on a global scale. They are involved in all phases of production and trade, from origination¹ to processing, marketing, financial instruments, risk management and distribution. The colossal firms that control global commodity trading are among the most powerful and least-transparent companies in the industrial food chain. The total value of global agricultural commodity markets is difficult to estimate because much of the information is proprietary and supply chains are opaque: three of the world's top-ranking ag commodity traders are privately held, and one is state-owned.

Sales of the Leading Agricultural Commodity Traders, 2020

Rank	Company	2020 Sales, US\$ million	Company Profile
1.	Cargill (USA) ² Private	134,000	Largest privately held company in the U.S.; presence in 70 countries, 155,000 employees. Producer, distributor, processor, transporter of agricultural products including sugar, oils, grain, chocolate and meat and plant-based protein, as well as financial management.
2.	COFCO Corp (China) State-owned	105,000 <i>pro forma</i> 71,800 ³ (COFCO Group) + 33,000 (COFCO Intl) ⁴	In 2021, state-owned COFCO Corp (China National Cereals, Oils and Foodstuff) announced plans to merge its international trading division (COFCO Intl, Switzerland, 60% owned by COFCO Corp) with its domestic agribusinesses to create a new Chinese-owned commodity trading firm. In 2020, COFCO handled over 130Mt* of ag commodities. COFCO's core business is grain, edible oil, sugar and cotton, processing capacity of 90Mt/year and an annual port transit capacity of 65Mt. In China alone, COFCO has processing capacity of more than 60Mt. *See <i>note below this table for definition of Mt.</i>
3.	Archer Daniels Midland (ADM) (USA) ⁵ Public	64,000	The world's largest corn processor and diversified oilseed business, ADM procures crops from 449 locations, 32 feed and food processing operations, with 39,000+ employees. In 2020, ADM handled 54Mt of processed corn and oilseeds. Since 1994, ADM has partnered with Wilmar (#4) and holds a 22% stake in Wilmar.

4.	Wilmar (Singapore) ⁶ Public	50,530	Self-described as Asia's leading agribusiness group; Wilmar's agribusiness includes cultivation, milling, processing of palm oil and sugarcane; edible food products; animal feeds and industrial agri-products (e.g., oleochemicals and biodiesel). Operates more than 500 manufacturing plants throughout China, India, Indonesia and around 50 other countries, and has around 100,000 employees. Kuok Group (Malaysia) and ADM (USA) are major investors in Wilmar. ⁷
5.	Bunge (USA) ⁸ Public	41,400	Major oilseed processor and producer of specialty plant-based oils and fats. More than 23,000 employees; 350 facilities located in more than 40 countries. Traded 160Mt of ag commodities in 2020.
6.	Itochu (Japan) ⁹ Public	35,908	With operations in 62 countries, Itochu trades in textile, machinery, metals, minerals, energy, chemicals, food, real estate, information and communications technology, and finance. ¹⁰ Ag commodities and food account for approximately 38% of the company's revenues. ¹¹
7.	Louis Dreyfus (Netherlands) ¹² Private	33,600	Louis Dreyfus' business covers the entire agriculture and food value chain, and operates in more than 100 countries, with 17,000 employees. In 2020, Dreyfus sold a 45% stake in the company to a state-owned holding company in the United Arab Emirates (U.A.E.) managing US\$110 billion in assets. The sale included a long-term pact to ship food to the U.A.E.
8.	Viterra Group (Netherlands) ¹³ Private	28,114	Glencore Agriculture changed its name to Viterra in 2020. The trading firm is a strategic partnership between Swiss-based Glencore (49.9% ownership), CPP Investments (Canada) and British Columbia Investment Management Corporation (Canada). Viterra operates across 180 storage facilities, 31 processing facilities and 25 ports, with a shipping fleet and rail assets in strategic locations worldwide; 16,000+ employees, operates in 37 countries.
9.	Olam International (Singapore) ¹⁴ Public	24,701	Olam ranks among the 30 largest primary listed companies on the Singapore Exchange (based on market capitalisation). ¹⁵ With more than 81,000+ employees globally and operations in more than 60 countries, Olam's businesses include nuts, spices, dairy, coffee, cocoa, grains, animal feed and protein, edible oils, rice, cotton and financial services. ¹⁶
10.	Conagra (USA) ¹⁷ Public	11,054	Self-described as one of North America's leading branded food companies; Conagra's businesses include grocery and snacks, refrigerated and frozen food products, branded food products sold internationally, food services that include branded and customized food products.

Source: ETC Group, from company reporting.

*Note: Weights in the table are expressed in megatonnes (Mt). One Mt is one million metric tonnes, or one billion kilograms.

Together, the leading global food and ag commodity traders piled up more than *one-half trillion dollars in 2020 revenues*. Global trade in *all* agricultural products reached an estimated US\$1.33 trillion in 2019.¹⁸ The top ten ag commodity traders account for at least 40% of the global market. (However, the leading companies' market share, taking into account major grain crops and feedstuffs only, would be far greater.)

TOP 10 COMMODITY TRADERS



TOP 10 COMMODITY TRADERS
\$528,307 MILLION

GLOBAL MARKETS



SEEDS
\$45,000 MILLION



SYNTHETIC FERTILIZER
\$127,570 MILLION



AG MACHINERY
\$127,800 MILLION

Trends: chew on this

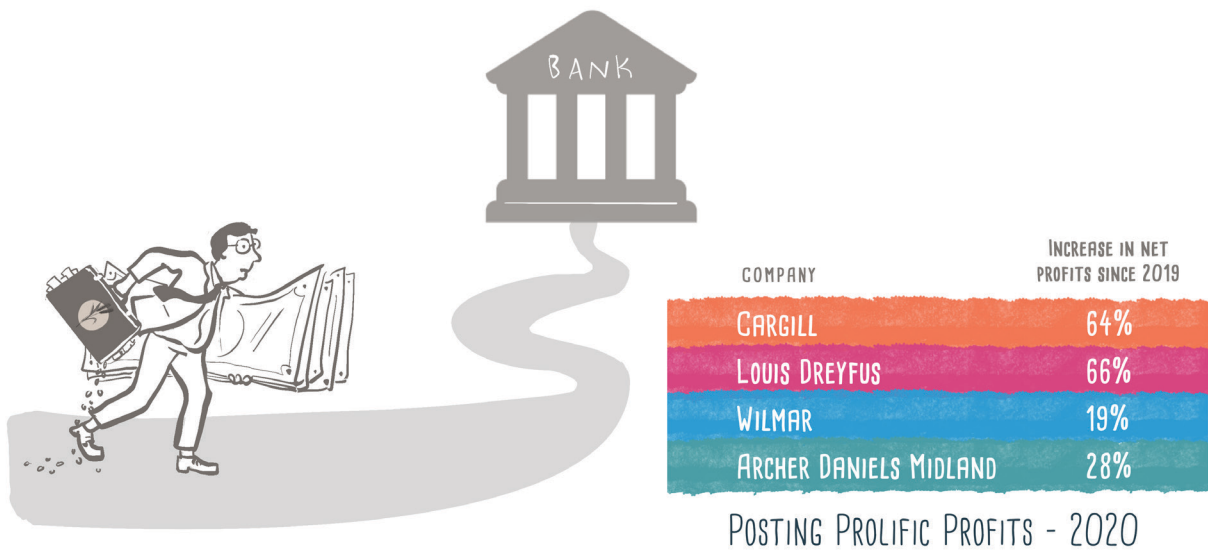
ETC finds:

- **Market volatility: Big Ag's commodity boom bonanza**
- **Consolidation continues**
- **Food security for sale**
- **Traders jump on the blockchain bandwagon**
- **Dangerous liaisons**

Market Volatility: Big Ag's Commodity Boom Bonanza

In 2020, market volatility and soaring demand for grains, oilseeds and meat meant turbo-charged profits for most of the world's leading ag commodity traders. Industry analysts describe Big Ag's commodity trading boom as a "mini-supercycle" – that is, a period where commodity prices rise above their long-term price trend – a cycle that could continue for the next 2-4 years.¹⁹ China is driving the worldwide demand for grain. In an effort to rebuild its pork production after a devastating outbreak of African Swine Fever, China was forecast to import 26 million metric tonnes of corn in the 2020-2021 season, up more than 240% from the previous year.²⁰

In its 2021 Annual Report, Cargill – the world’s titanic agricultural commodity trader – describes the challenges of the past pandemic year as “unprecedented, historic and unforgettable,” and “nothing short of extraordinary.”²¹ Extraordinary, perhaps, because in the midst of a global pandemic, deepening hunger crisis and supply chain gridlock, Cargill posted the biggest profits in its 156-year history – up 64%.²² The optics of record-breaking profits amid global chaos may be one reason that privately-owned Cargill discreetly announced in 2020 that it will no longer make its financial results public.²³



CHANGING CONCENTRATION IN THE AGRICULTURAL COMMODITY TRADING SECTOR

Consolidation Continues with Chinese Ag Trading Dynasty: In March 2021, state-owned COFCO Corp, China’s largest food company, announced plans to merge its international trading division, COFCO International (based in Switzerland), with its China-based agribusinesses to create a new, super-sized Chinese-owned commodity trading dynasty.²⁴ The Chinese merger creates a trading behemoth that will be second only to Cargill in global agricultural commodity sales, approaching over US\$100 billion in revenue per annum (see table).

Food Security for Sale: In November 2020, a family heir to Louis Dreyfus Company sold a whopping 45% stake of the firm to a state-owned holding company in the oil-rich United Arab Emirates (U.A.E.),²⁵ a move that starkly illustrates the geopolitics of global grain trading amidst climate chaos. As part of the deal, Louis Dreyfus enters a long-term pact to supply agricultural goods to the U.A.E. and marks the first time in the private company’s 170-year history for ownership to extend beyond the family. The U.A.E. currently imports over 90% of its food supply. As one industry analyst told the *Wall Street Journal*, “...they have the oil but what they don’t have is the foodstuff.”²⁶

The mass privatisation and financialisation of land (foreign control of productive farmland) is not new. Global land grabs are increasingly well-documented thanks to civil society organizations such as GRAIN and others.²⁷ The sale of 45% of one of the world's largest commodity firms, Louis Dreyfus, to a sovereign state signals a new era of “agro-security mercantilism.”²⁸ Cash-rich countries are positioning to climate-proof food security via offshore food production with little consideration for sustainability or the notion of regional food self-reliance. The Louis Dreyfus-U.A.E. deal suggests that climate chaos and supply chain uncertainty may accelerate efforts by cash-rich states to secure strategic food reserves via equity investments in Big Ag companies.

Teaming Up on the Blockchain Bandwagon

Six of the world's largest commodity firms (Cargill, ADM, COFCO, Bunge, Louis Dreyfus, Viterra) have joined forces to create a new digital platform called Covantis (a blockchain-powered digital ledger system) that was officially launched in March 2021.²⁹ The Covantis blockchain aims to digitalize and automate global agricultural shipping transactions; it will initially cover exports of corn and soybeans from Brazil before expanding to global trading operations. The six commodity giants that jointly own Covantis (based in Geneva) claim that the technology will streamline global trade transactions, increase transparency and security.

The private blockchain is a members-only business network. Although Covantis membership includes, by necessity, additional players in the global commodity shipping operations, the governance of Covantis is tightly controlled by its six corporate founders. The Board of Directors consists of one member from each of the six giant commodity trading companies, and the Board is chaired by one of the Directors (to be rotated annually).³⁰

According to Covantis, its blockchain is about “unlocking value through collaboration” and “removal of information silos.”³¹ But not everyone is sanguine about the prospect of competing firms that operate in an already oligopolistic market teaming up on a private blockchain.

Dangerous Liaisons? Legal scholars point out that, in highly consolidated markets, private blockchain technology could be used to engage in anticompetitive practices.³² With a distributed ledger shared by competing firms, each firm has access to everyone else's transaction data, such as prices and quantities. Some kinds of data sharing (e.g., price) could foster collusion such as price-fixing and bid-rigging. In this scenario, “competitors that form or participate in blockchain ventures might use price, cost, or out-put data to enter into unlawful horizontal agreements.”³³ It is also possible that participating firms could exclude others from access to the blockchain, impeding competition.

Other observers point out that blockchain technology, in theory, is designed to build trust among participants by increasing transparency; it eliminates

top-down control, and thus fosters decentralization of the economy.³⁴ With the appropriate regulatory policies, they argue, antitrust regulators would have an easier time monitoring transactions on a blockchain, and proof of collusion would be easier to document. It is also worth noting that blockchains, once thought “unhackable,” have been breached and are vulnerable to cybercrime.³⁵

Ultimately, cartel-like behaviour in oligopoly markets does not depend on blockchain technology. The world’s largest global commodity trading firms are no strangers to anti-competitive practices.³⁶ For example, in 1996, Archer Daniels Midland paid a US\$100 million fine after pleading guilty to price-fixing of food ingredients.³⁷ In 2004, Cargill agreed to settle for US\$24 million in a lawsuit that accused the company of conspiring with two other companies (Archer Daniels Midland and A.E. Staley) to fix prices of high fructose corn syrup.³⁸ The tip of the iceberg? Antitrust experts estimate that, in the post-World War II era, the percentage of *detected* cartels is only between 10% and 33%.³⁹

In 2018, Switzerland-based Public Eye published an in-depth study of commodity trading firms. It notes that the risk of tax dodging and corruption is high within agricultural production and trading firms, and that human rights violations are endemic, including forced and child labour, and occupational health and safety hazards.⁴⁰

Notes

- 1 Origination refers to the complex logistics of sourcing/acquiring a commodity, getting it to a port, loading it on a vessel and transporting it to a destination for marketing.
- 2 Figure is for FY 2021 (01 June 2020-31 May 2021). *Cargill 2021 Annual Report*, p. 2: <https://www.cargill.com/doc/1432194192294/2021-cargill-annual-report.pdf>.
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- 5 ADM, *Investor Overview Handout, First Quarter 2021*: https://s1.q4cdn.com/365366812/files/doc_presentation/2021/03/ADM-Investor-Overview-Handout-2021-Q1.pdf.
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- 9 FY ended 31 March 2021. Itochu, *Financial Section 2021*, p. 14: https://www.itochu.co.jp/en/files/ar2021E_FS.pdf.
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- 13 Viterra, *Viterra Limited Annual Report 2020*, p. 2: <https://www.viterra.com/dam/jcr:5e692425-6bda-4cbe-98bc-8d394e62750a/Annual-report-2020-.pdf>.
- 14 Olam, *Olam Annual Report 2020*, p. 6: https://www.olamgroup.com/content/dam/olamgroup/investor-relations/ir-library/annual-reports/annual-reports-pdfs/2020/olam_annual_report_2020.pdf. Olam Food Ingredients (OFI) comprises five businesses: Nuts, Spices, Dairy, Coffee and Cocoa; Olam Global Agri (OGA) comprises five businesses: Grains and Animal Feed & Protein, Edible Oils, Rice, Cotton, and Commodity Financial Services (CFS).
- 15 See Olam website: <https://www.olamgroup.com/investors.html>.
- 16 *Olam Annual Report 2020*, p. 3: https://www.olamgroup.com/content/dam/olamgroup/investor-relations/ir-library/annual-reports/annual-reports-pdfs/2020/olam_annual_report_2020.pdf.
- 17 Conagra Brands, *Annual Report 2020*, p. 27: <https://materials.proxyvote.com/default.aspx?docHostID=438736>.
- 18 Christophe Bellmann, Bernice Lee, and Jonathan Hepburn, *Delivering Sustainable Food and Land Use Systems: The Role of International Trade*, Hoffmann Centre for Sustainable Resource Economy, September 2019: <https://www.foodandlanduse-coalition.org/wp-content/uploads/2019/09/Trade-and-Food-Systems-Hoffmann-Centre.pdf>.
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- 22 Figure is for Cargill's 2021 FY ending 31 May 2021. Javier Blas, "Crop Giant Cargill Reports Biggest Profit in 156-Year History," *Bloomberg*, 6 August 2021: <https://www.bloomberg.com/news/articles/2021-08-06/crop-giant-cargill-reports-biggest-profit-in-156-year-history>.
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- 26 Joe Wallace, "Agricultural Giant Louis Dreyfus to Sell Major Stake to Abu Dhabi State Firm," *Wall Street Journal*, 11 Nov 2020.
- 27 An epidemic of global land grabs to secure fertile farmland was triggered by soaring food prices and food shortages in 2008, as investors, speculators and agribusiness and biofuel corporations rushed to rent, buy or appropriate land in many of the world's poorest countries. See, for example: GRAIN, "Digital fences: the financial enclosure of farmlands in South America," 21 September 2020. <https://grain.org/en/article/6529-digital-fences-the-financial-enclosure-of-farmlands-in-south-america>.
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