



The organizational forms of agricultural production corporations in Brazil: capital and land ownership structures

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Research Problem

- ▶ Agricultural corporations: profit oriented agro companies.
- ▶ High scale of production and capital intensive
- ▶ Diversity of property structures
- ▶ Diversity of governance mechanisms
- ▶ Land Ownership: production or investment asset



Research Problem

- ▶ Agriculture: traditional family farmers - non incorporated firm
- ▶ Emergence of agricultural corporations: land valuation, growth in commodity exports, and direct foreign investment in agriculture
- ▶ Question: Organizational forms of agricultural corporations in Brazil



Relevance

- ▶ Debate on organizational forms in agricultural production
- ▶ Lack of studies/information on agricultural corporations in Brazil
- ▶ Difficulties for private agents strategies and public policy design



Objectives

General Objective:

Propose a framework for agricultural production corporations based on:

- ▶ capital ownership structure
- ▶ land ownership structure



Objectives

Specific Objectives:

- ▶ present framework according to institutional environment and observed practices in the sector
- ▶ apply the typology on a sample of agricultural production corporations



Theory

- ▶ Agency theory to justify the predominance of family firms (Allen and Lueck, 1998)
- ▶ Attributes of productive assets affecting the financial structure choice (Mondelli and Klein, 2014)
- ▶ Governance structure as a response to property rights enforcement and measurement costs (Karantininis and Zylbersztajn, 2007)



Framework

Categories	Description
Capital Ownership Structure	
• Origin of capital	National / Foreign
• Type of control	Family / Partnership / Investment Funds
• Legal registry	Limited company / Corporation privately held / Corporation publicly held
Land Ownership Structure	
• Land formation	Strategy to buy, develop and sell land (Yes / No)
• Total land	Total managed area (owned and rented from third parties) (hectares)
• Owned land	Percentual of owned area on total managed área (%)



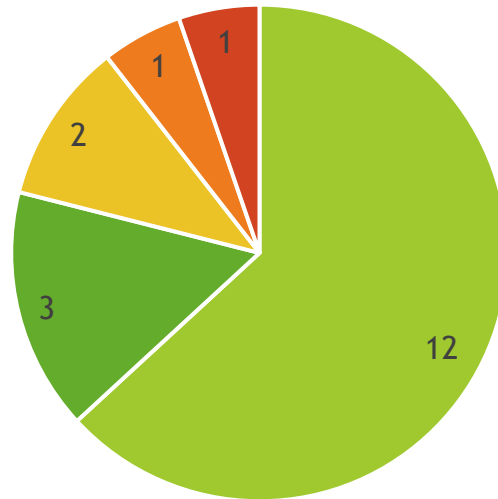
Method

- ▶ Exploratory and qualitative analysis of agricultural corporations organizational form
- ▶ Lack of official data and previous research on this population: search for data on business magazines, websites of companies and contacts with professionals
- ▶ Construction of original database based on the typology followed by descriptive analysis
- ▶ Secondary data on property rights on machinery couldn't be collected in the sample of 19 agricultural corporations



Results

Origin of Control

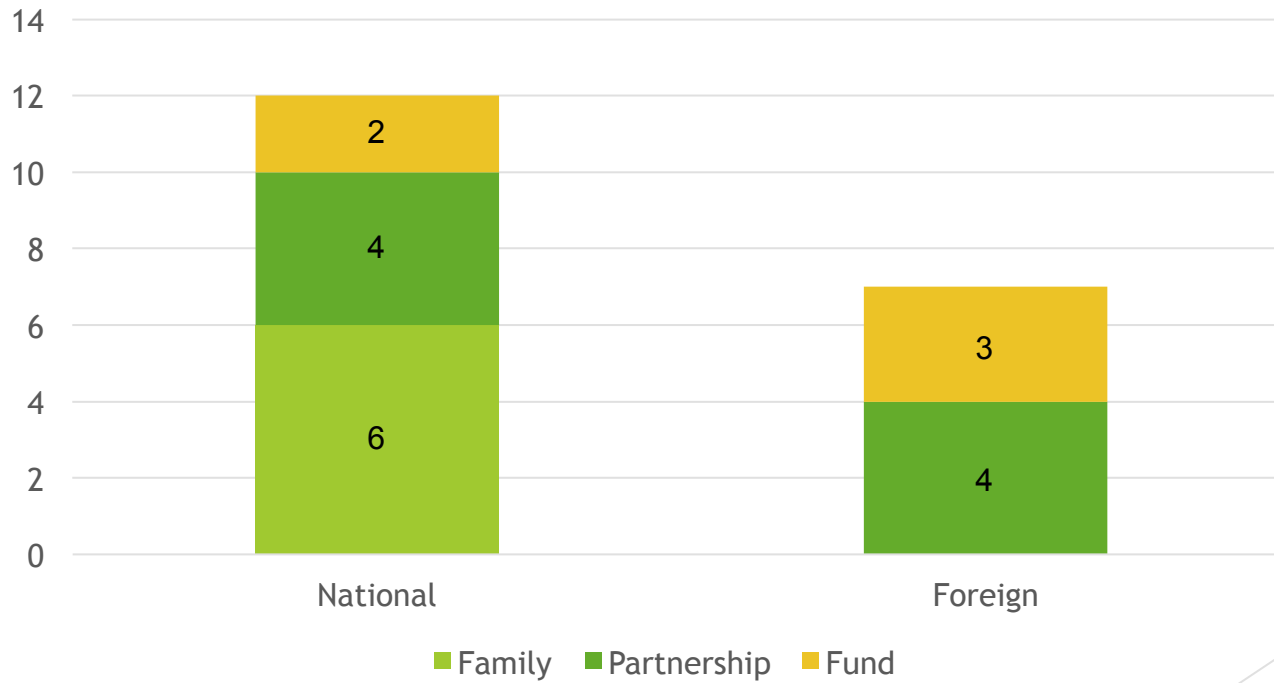


■ Brazil ■ Argentina ■ USA ■ Japan ■ Canada



Results

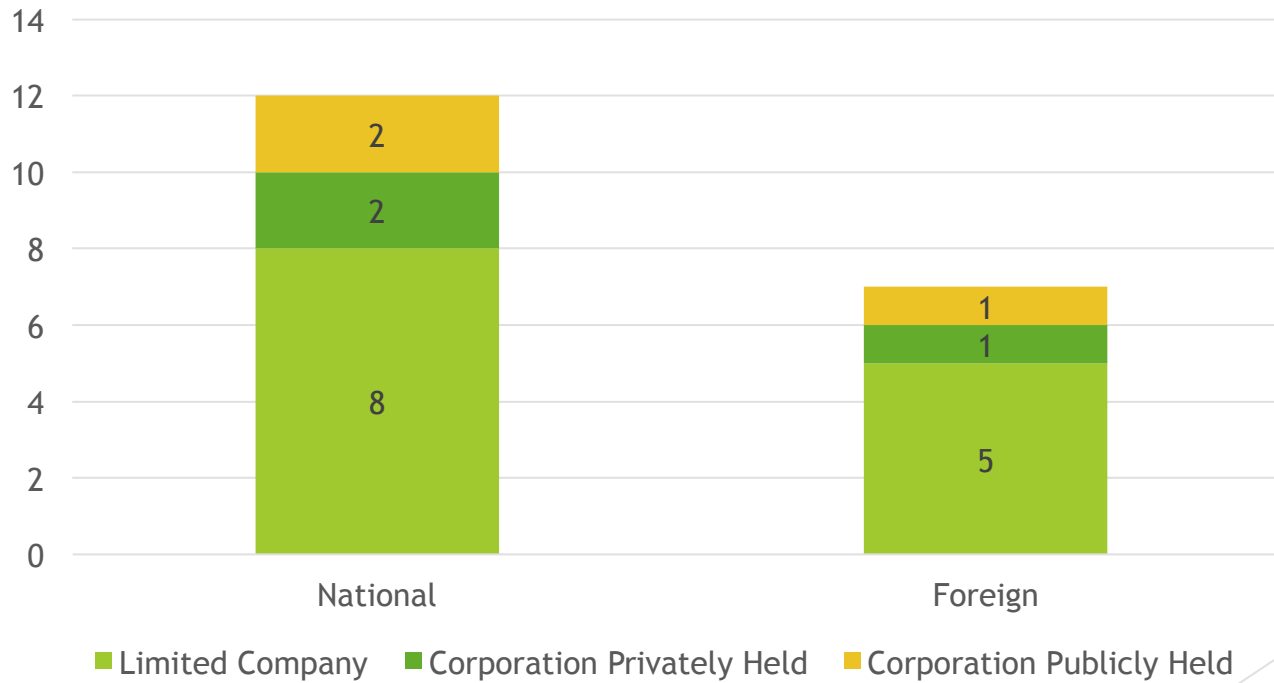
Origin and Type of Control





Results

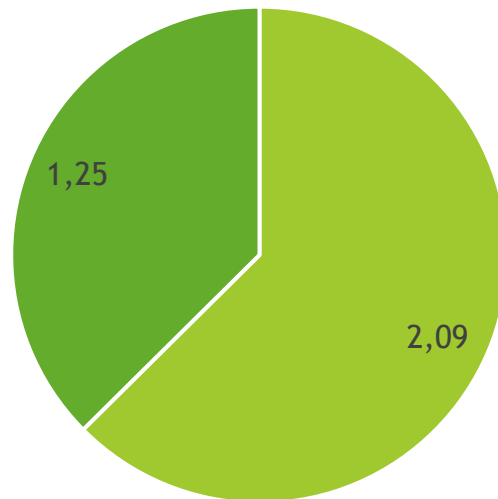
Origin and Legal Registry





Results

Origin and Total Land (Millions of Ha)

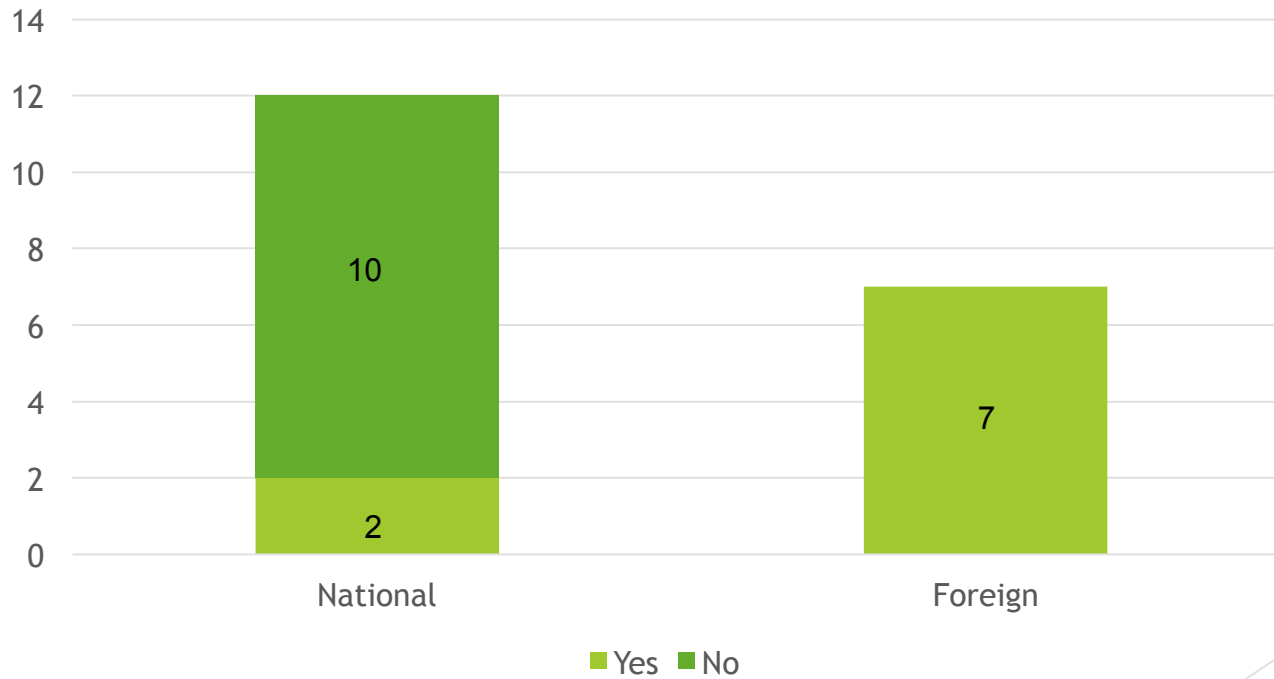


■ National ■ Foreign



Results

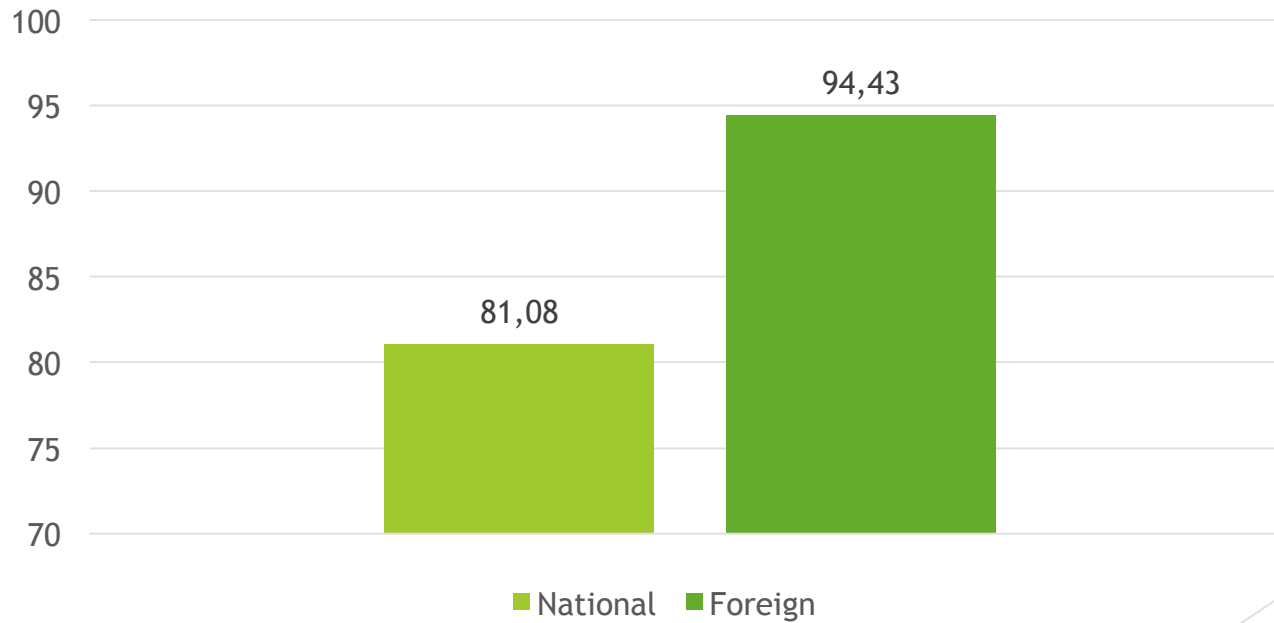
Origin and Land Formation





Results

Origin and Owned Land
(% on Average)





Results

Agricultural Production Corporations with Foreign Control

Group	Origin	Type of Control	Legal Registry	City of Central Office
Adecoagro	Argentine	Partnership	Limited Company	São Paulo-SP
Agrícola Xingu	Japan	Partnership	Corporation Privately Held	São Paulo-SP
Brasilagro	Argentine	Partnership	Corporation Publicly Held	São Paulo-SP
Brookfield	Canada	Fund	Limited Company	São Paulo-SP
El Tejar	USA	Fund	Limited Company	São Paulo-SP
Sollus Capital	Argentine	Partnership	Limited Company	São Paulo-SP
Tiba Agro	USA	Fund	Limited Company	São Paulo-SP



Results

Agricultural Production Corporations with National Control

Group	Origin	Type of Control	Legal Registry	City of Central Office
Agrifirma	Brazil	Fund	Limited Company	São Paulo(SP)
Agrinvest	Brazil	Partnership	Corp. Privately Held	Ribeirão Preto (SP)
Amaggi	Brazil	Family	Limited Company	Cuiabá (MT)
Cantagalo	Brazil	Partnership	Corp. Privately Held	São Paulo (SP)
Grupo Bom Futuro	Brazil	Family	Limited Company	Cuiabá (MT)
Grupo Horita	Brazil	Family	Limited Company	Barreiras (BA)
Grupo JD	Brazil	Family	Limited Company	São Paulo (SP)
Grupo Roncador	Brazil	Family	Limited Company	São Paulo (SP)
Grupo Scheffer	Brazil	Family	Limited Company	Sapezal (MT)
Insolo	Brazil	Partnership	Limited Company	São Paulo (SP)
SLC Agrícola	Brazil	Partnership	Corp. Publicly Held	São Paulo (SP)
Terra Santa	Brazil	Fund	Corp. Publicly Held	São Paulo (SP)



Concluding Remarks

- ▶ Application of framework: overview of a sample of 19 most relevant agricultural corporations

Capital Ownership Structure:

- ▶ Predominance of national control in number of groups and managed area
- ▶ Prevalence of limited companies (institutional obstacles inducing tight control)



Concluding Remarks

Productive Profile:

- ▶ Large scale of production: from 2,352 ha (Grupo JD) to 533,000 ha (Brookfield), with an average of 176,010 ha
- ▶ Land development: observed strategy in all foreign corporations, and almost absent in national groups.

Property Rights on Land:

- ▶ Low adoption of rented land: differing among national and foreign groups.



Thanks for your
attention!

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