

REPORT

Rede Social de Justiça e Direitos Humanos,
GRAIN, Inter Pares,
and Solidarity Sweden – Latin America
November 2015

With support from the National Family Farm Coalition, the United Church of Canada, Comissão Pastoral da Terra, Land Research Action Network, Public Service Alliance of Canada – Social Justice Fund, Presbyterian Church of the US, United Steelworkers – Steelworkers Humanity Fund, Programa de Pós-Graduação em Relações Internacionais da Universidade do Estado do Rio de Janeiro, A4ID and Development and Peace.

FOREIGN PENSION FUNDS AND LAND GRABBING IN BRAZIL



Indigenous communities displaced from their land by the expansion of agribusiness in Mato Grosso do Sul, Brazil.
(Photo: Cristiano Navarro)

A New York company managing the retirement savings of workers in Sweden, the US and Canada is evading Brazilian laws on foreign investment to acquire farmlands from a businessman accused of violently displacing local communities.

Summary

Swedish, US and Canadian pension funds have acquired farmlands in Brazil by way of a Brazilian businessman accused of using violence and fraud to displace small farmers. These pension funds are also using complex company structures that have the effect of evading Brazilian laws restricting foreign investments in farmland.

The pension funds have been investing in Brazil through a global farmland fund called TIAA-CREF Global Agriculture LLC (TCGA). The fund is managed by the US-based Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Those investing in the fund include TIAA-CREF, the Second Swedish National Pension Fund (AP2) and the Caisse de dépôt et placement du Québec (CDP) and the British Columbia Investment Management Corporation (bcIMC) of Canada.

These pension funds have refused to disclose detailed information about the farmlands acquired by TCGA, saying that this is “competitive information.” They maintain, however, that their investments are in full compliance with the Principles of Responsible Investment in Farmland, which were co-founded by TIAA-CREF and AP2 (See Box 1: TCGA’s principles for “responsible” farmland investment).

The lack of public information about the location of TCGA’s farmland investments in Brazil has prevented previous independent investigations from assessing TCGA’s investments. In our investigations, however, we were able to access public documents identifying several farms purchased by a company created specifically to channel TCGA’s investments in Brazilian farmland. While this information was not sufficient to determine the exact location of most of these farms or to verify their existence, it did allow us to identify four farms in the southern parts of the states of Maranhão and Piauí, where land conflicts and land grabbing are rife. Further investigations revealed that some of the farms that TCGA acquired in these areas were owned by the companies of a Brazilian businessman, who is the subject of several criminal investigations, before being sold to TCGA. This businessman is accused of resorting

to an illegal and often violent process of land grabbing referred to in Brazil as “*grilagem*”¹.

Our investigations also uncovered how TCGA uses a complex company structure that effectively evades Brazilian laws restricting foreign investment in farmland.

Aside from these apparent violations of Brazilian legislation, our investigations show that TCGA’s investments in Brazilian farmland are contributing to a larger process of land speculation and expansion of industrial agriculture plantations that are fueling land grabbing, environmental destruction, labour exploitation and numerous social and health calamities across rural Brazil.

Our investigations suggest that TCGA has not followed its own internal standards, and has not pursued the “rigorous due diligence process” for its Brazilian land acquisitions that it claims to have followed. As TIAA-CREF, the manager of TCGA, is the world’s most significant institutional investor in farmland and a leading actor both in encouraging other pension fund managers to invest in farmland and in developing internal standards for such investments, the findings of this report raise serious doubts about the ability of pension funds to achieve any “responsible” investments in farmland.²

1. “Empresário Euclides de Carli é denunciado na Justiça Federal por crimes contra a Ordem Tributária”, Viagora, 11 December 2013: <http://www.viagora.com.br/noticias/empresario-euclides-de-carli-e-denunciado-na-justica-federal-por-crimes-contra-a-ordem-tributaria-47565.html>; “MPF e Polícia Federal investigam Rovilio Mascarello por lavagem de dinheiro,” CO Popular, May 2015: http://www.copopular.com.br/politica/id-193635/mpf_e_policia_federal_investigam_rovilio_mascarello_por_lavagem_de_dinheiro; “Advogados denunciam a indústria da grilagem no Piauí,” Portal AZ, 5 February 2012: http://www.portalaz.com.br/noticia/geral/237397_advogados_denunciam_a_industria_da_grilagem_no_piaui.html

2. The TIAA-CREF managed global farmland funds TCGA and TCGA II, with a combined financing of US\$5 billion, are the two largest farmland investment funds focused on pension fund investors. TIAA-CREF is invested in both of these funds, as well as having invested over US\$2 billion through other farmland investment vehicles, making it the largest institutional investor in farmland.

TIAA-CREF, AP2, the Caisse de dépôt et placement du Québec, bCIMC and the other pension funds invested in TCGA are misleading the pension holders whose retirement savings they manage by claiming that their investments in farmland are “responsible”. They should immediately take measures to divest from their farmland investments and ensure that the lands they have already acquired are securely returned to the local communities.

A global race for farmland

Farmland has become a hot target for financial players looking for alternative places to invest the money they manage. The surge in food prices and the financial crisis, which both erupted at the end of 2007, convinced many top private equity funds, banks and other financial firms that farmland can provide a secure new asset class with high returns on investment. By 2009, over 120 new financial vehicles for investment in farmland were already up and running, with dozens more having come on stream since.

Agribusiness corporations and a number of countries, concerned about their long-term food security and dependence on international food markets, are also pursuing the acquisition of farmland around the globe to produce food for export. In March 2012, the Land Matrix Partnership identified over 1200 land deals by foreign investors for agricultural production covering 83.2 million hectares or 1.7% of the world’s agricultural lands, with over 60% of these deals in Africa.³

This global land grab is a massive transfer of vital food producing resources from poor rural communities to a wealthy global elite. Through these deals, families and communities are losing their farms and forests, while farming and pastoral systems that produce food for local people are being wiped out to make way for industrial plantations producing food for export. Many of these land deals are happening in countries where food insecurity and access to land and water are already at critical points. The people who are dispossessed of their lands or affected by the new large-scale plantations are rarely consulted, as many of the deals are negotiated and signed between foreign investors and government officials behind closed doors. With so much at stake, it is no wonder that protests are erupting in many areas where the lands are being grabbed, at times resulting in violent clashes and even deaths.⁴

3. Land Matrix website: <http://landportal.info/landmatrix>

4. For further information, see the [data set of land grab cases](#) around the world compiled by GRAIN or the collection of news articles, reports, and audio/video clips on the topic at www.farm-landgrab.org

Land grabs and pension funds

People’s pensions are typically managed by private or public companies on behalf of unions, governments, individuals or employers. These companies are responsible for safeguarding and “growing” people’s pension savings, so that these can be paid out to workers in monthly cheques after they retire.

Pension funds and the institutions that manage them have only recently started to move the money they manage into farmland. But any movement on their part generates huge waves. Pension funds are the heaviest players of the financial industry. They hold around US\$23 trillion in assets, of which at least US\$5-15 billion had reportedly already gone into farmland acquisitions by 2013. By 2015, these farmland investments are expected to have doubled, with numerous pension funds having made their first farmland investments over the past two years⁵.

Farmland is a big attraction for pension funds that are still coping with depressed or volatile financial markets. They see in farmland what they call good “fundamentals”: a clear economic pattern of supply and demand, which in this case hinges on a rising world population needing to be fed, and the resources to feed these people being finite.⁶ Fund managers see land prices relatively low in places such as Australia, Sudan, Uruguay, Russia, Zambia or Brazil. They see those prices moving in sync with inflation (and, importantly, wages) but not with other commodities in their investment portfolios, thus providing a diversified income stream. They see long-term pay-offs from the rising value of farmland and the cash flow that will in the meantime come from renting the land, crop sales, dairy herds or meat production.

One of the earliest and most significant of the big pension fund management companies to invest in farmland is the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), based in New York City, US. TIAA-CREF is the largest fund manager of retirement schemes for US teachers and professors, as well as workers from the entertainment industry. Between 2007-2014, the company spent US\$2.5 billion acquiring farms around the world, turning hundreds of thousands of hectares in Australia, Brazil, Poland, Romania and the US into corporate farms through a complex structure of subsidiaries.

It also launched a US\$2 billion global farmland fund in May 2012 to draw in other major pension fund

5. GRAIN, “Pension funds: key players in the global farmland grab,” 20 June 2011: <https://www.grain.org/e/4287>

6. See for example, “Big pension funds plough money into farmland,” Reuters, 27 June 2012: <http://farmlandgrab.org/20706>

Box 1: TCGA's principles for "responsible" farmland investment

In 2011, TIAA-CREF and AP2 were among a group of UN Principles for Responsible Investment signatories who developed the Principles for Responsible Investment in Farmland, "designed to guide institutional investors who wish to invest in farmland in a responsible manner."¹ The pension funds that have invested in TCGA maintain that these principles are adhered to in TCGA's farmland investments.

In 2012, TIAA-CREF issued its first Responsible Investment in Farmland Report and has issued reports every year since then. These reports include coverage of the investments made by TCGA. The most recent report from 2014, publicly available on the TIAA-CREF website, makes the following statements about TCGA and other funds managed by TIAA-CREF that invest in farmland:

On "Transparency":

"We are dedicated to being transparent about our farmland investments while retaining sensitive commercial information that supports the security and integrity of our investment program...."

On "Respecting Existing Land and Resource Rights":

"Our rigorous due diligence process facilitates fundamental analysis of each property prior to acquisition, and we monitor the performance of each farm individually over time through a detailed management and governance process. Furthermore, TIAA-CREF's farmland investments are only in regions and countries where we believe adequate controls and management infrastructure are in place to meet our standards for each market...."

"We do our best to avoid investing in areas with ambiguous land rights laws and in regions where we do purchase land ensure that proper land title searches and ownership are confirmed prior to purchase. In the past two years we have done exceptionally well, with 100% of our properties verifying titles and ownership prior to acquisition and 100% maintaining compliance with federal and local laws protecting aboriginal heritage and indigenous community rights."²

1. See the website of TIAA-CREF subsidiary Westchester: <http://www.wgimglobal.com/principles-for-responsible-investment>

2. TIAA-CREF 2014 Responsible Investment in Farmland Report: <https://www.tiaa-cref.org/public/pdf/Farmland-Sustainability-Report.pdf>

managers.⁷ The new fund, TIAA-CREF Global Agriculture LLC, not only manages farmland investment for TIAA-CREF's own pension fund clients; it also manages farmland investments for other top pension fund managers, such as AP2 of Sweden and the Caisse de dépôt et placement du Québec (CDP) and the British Columbia Investment Management Corporation (bcIMC) of Canada. In August 2015, TIAA-CREF announced the successful financing of a second global farmland fund, TIAA-CREF Global Agriculture II, this time at US\$3 billion. AP2 and the CDP are once again major inves-

7. Pension plan investments can be managed by the plan itself or by an institutional fund manager. The largest pension plans usually invest their own money, but the smaller ones manage the plan (contributions and benefits), but have an external institution manage their investments.

tors in this second fund, alongside the New Mexico State Investment Council, Cummins UK Pension Plan Trustee, the US Environmental Protection Agency Pension Fund, and the Greater Manchester Pension Fund of the UK.⁸

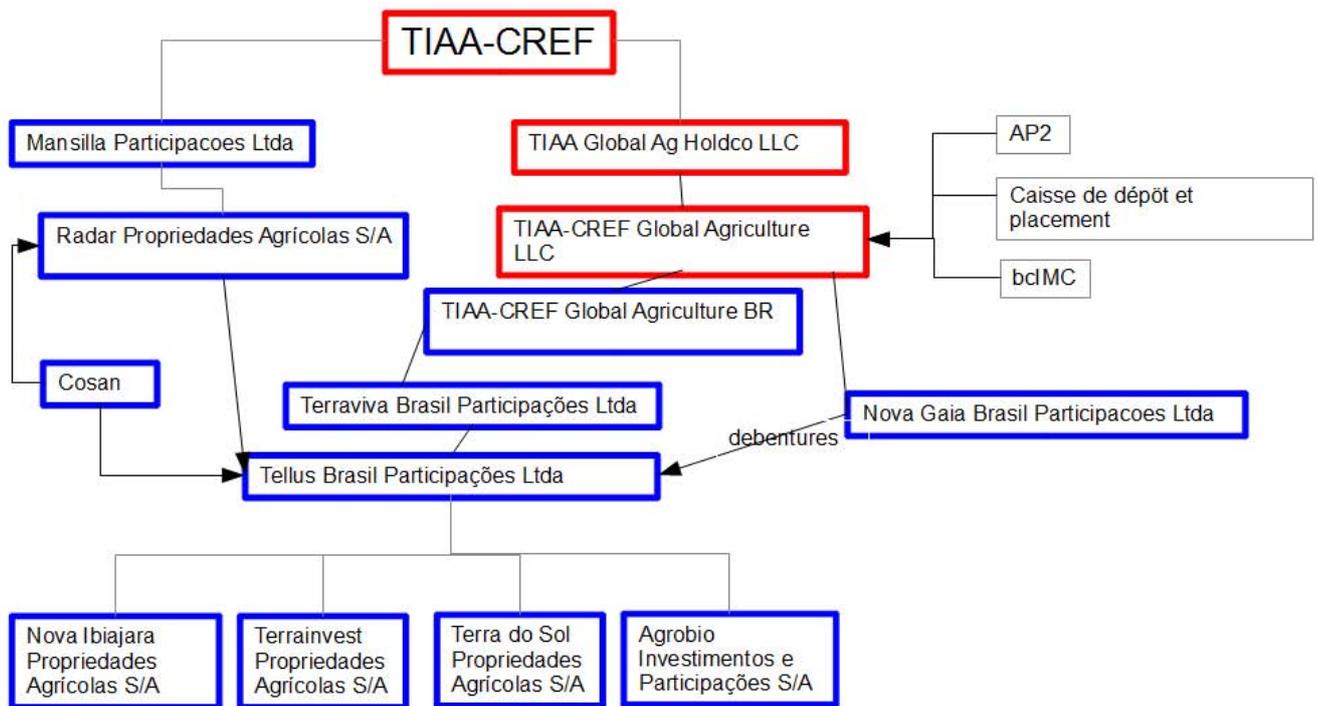
Both TIAA-CREF funds focus on acquiring farmland in Brazil, the US and Australia, and the second fund will also seek to acquire farmlands in Chile and New Zealand, as well as Central and Eastern Europe.

Covert farmland buys in Brazil

One of the major targets for TIAA-CREF's farmland investments is Brazil. It believes that Brazil's

8. "TIAA-CREF Unveils \$3 Billion Global Ag Investment Vehicle," 4 August 2015: <http://www.globalaginvesting.com/news/NewsListDetail?contentid=5794>

Diagram 1. TIAA-CREF's farmland investments in Brazil



Blue= Brazilian registered company; Red= US registered company.

Mansilla Participacoes Ltda is 100% owned by TIAA-CREF. Radar Propriedades Agrícolas S/A is 81.1% owned by TIAA-CREF and 18.9% owned by Cosan. TIAA Global Ag Holdco LLC is 100% owned TIAA-CREF and is a holding company for TIAA's interest in the Global Ag Fund. TIAA-CREF Global Agriculture BR is 100% owned by TIAA-CREF Global Agriculture LLC. Nova Gaia Brasil Participacoes Ltda is 100% owned by TIAA-CREF Global Agriculture LLC. Terraviva Brasil Participações Ltda is 100% owned by TIAA-CREF Global Agriculture LLC. Tellus Brasil Participações Ltda is 49% owned by Terraviva and 51% by Cosan. Nova Ibiajara Propriedades Agrícolas S/A, Terrainvest Propriedades Agrícolas S/A, Terra do Sol Propriedades Agrícolas S/A, and Agrobio Investimentos e Participações S/A are subsidiaries of Tellus.

infrastructure for agriculture exports, its private land markets and its stable political climate make investment in farmland in Brazil less risky than other hot spots of foreign investment in farmland, such as Africa.⁹

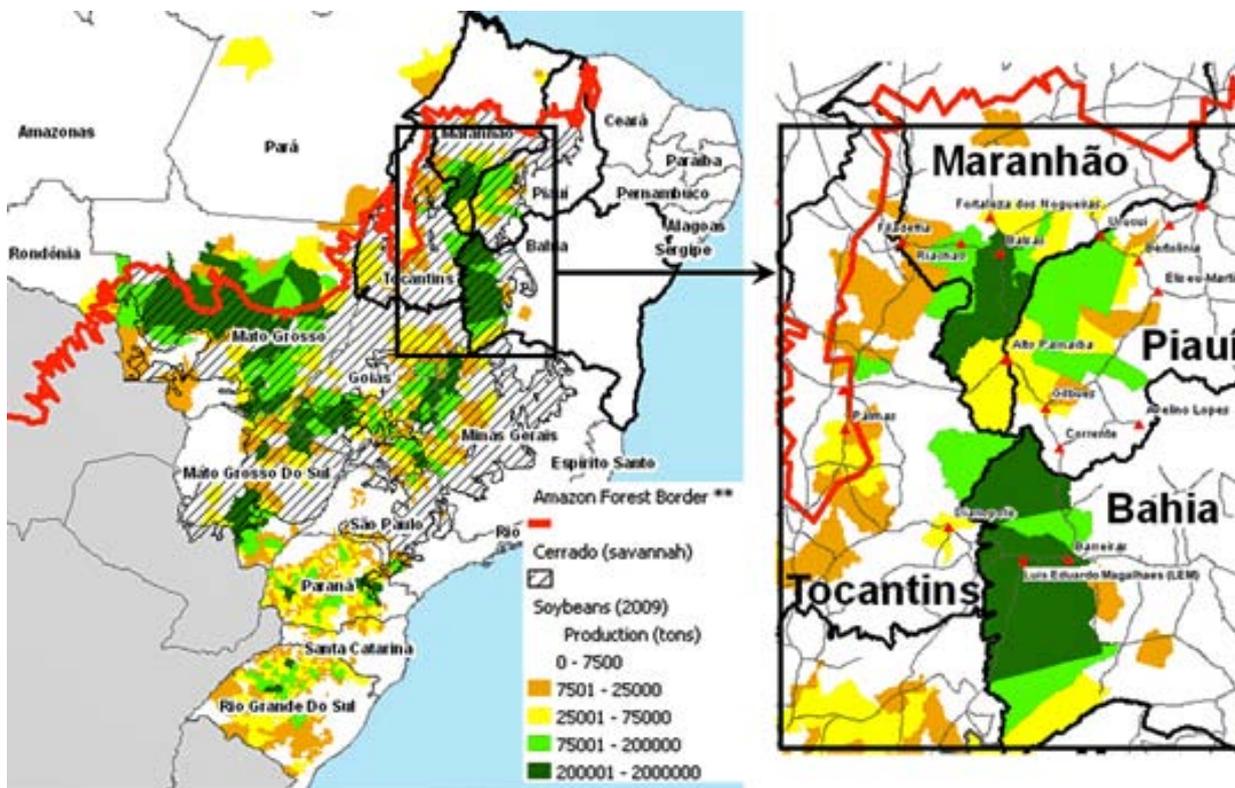
TIAA-CREF began acquiring Brazilian farmland by channelling hundreds of millions of dollars into a specialised Brazilian fund called Radar Propriedades Agrícolas S/A (Radar). Radar was created by TIAA-CREF and Brazil's largest sugar producer, Cosan, to identify and acquire properties in Brazil, convert them into plantations of sugarcane and other commodity crops, and then sell them at a profit within a few years. Cosan, which originally owned 19% of Radar, manages the fund's investments and retains first rights to acquire lands before Radar puts them on the market. The other 81% of the fund is owned by TIAA-CREF through its Brazilian subsidiary, Mansilla Participacoes Ltda. By November 2012, Radar had acquired 392 farms in Brazil,

covering 151,468 ha, with an estimated value of around US\$1 billion. (See Box 2: *The Cosan connection*)

In 2012, TIAA-CREF created a new financial vehicle to channel money into Brazilian farmland, not only from the pension funds it manages, but from other institutional investors as well. TIAA-CREF Global Agriculture LLC (TCGA) was launched in 2012 as a US\$2 billion global farmland fund focused on acquiring farmland in Australia, Brazil, and the US. That same year, it closed with a US\$450 million commitment from Sweden's Second National Pension Fund (AP2), a US\$250 million commitment from Canada's Caisse de dépôt et placement du Québec (CDP) and further commitments from the British Columbia Investment Management Corporation (bcIMC) of Canada and other unnamed funds. TIAA-CREF itself had invested US\$360 million in the fund by 2013 through its holding company, TIAA Global Ag Holdco LLC.

TCGA's strategy in Brazil is affected by legislation restricting foreign investment in farmland. In 2010, in response to the growing foreign interest in the country's farmland, Brazil's Attorney General reinterpreted

9. See for example, Bloomberg's interview with TIAA-CREF's José Minaya, "Farmland is global asset for TIAA-CREF, Minaya says", 14 February 2012.



Map of the BAMAPITO region, showing the area of the Cerrado and the area under soybean production, 2009. (Source: USDA)

a law from 1971 (#5,709) making the country's tight restrictions on foreign ownership of farmland applicable to Brazilian companies controlled by foreigners.¹⁰ The restrictions, for instance, prevent foreign companies from owning more than 25% of the rural lands of any municipality and put a state by state cap on the maximum size of land that foreigners can purchase.

Brazilian legislation should thus effectively bar TCGA from acquiring farmland on the scale that it typically seeks in its acquisitions. TCGA has, however, used a complex corporate structure that effectively bypasses this legislation.

Instead of acquiring farms directly through Radar, TCGA funds are invested through a separate company, Tellus Brasil Participações Ltda, (Tellus), that is also managed by the Brazilian sugar company Cosan. As can be seen in the diagram below, TCGA by way of two Brazilian subsidiaries, owns 49% of Tellus with Cosan owning the other 51%.

Tellus is the company that acquires farmland on behalf of TCGA. Since it is 51% owned by the Brazilian

company Cosan, the company is not subject to Brazilian regulations restricting foreign ownership of farmland.

We have made repeated requests to TIAA-CREF and the other pension funds invested in TCGA for details about the Brazilian farms they have acquired but they have refused to provide such information. When asked about this lack of transparency, a representative of AP2 told the magazine Responsible Investor in April 2013: "The exact location of TIAA-CREF Global Agriculture's properties is competitive information and is not disclosed publicly."¹¹

Brazilian companies, however, are required to publicly disclose proceedings from their general assemblies. By way of our investigations into the complex corporate structure of TCGA's investments, we were able to access reports from the general assemblies of Tellus providing information about its acquisition of farms.

These documents show that Tellus raises funds to acquire farms in Brazil by issuing debentures (a form of loan) to two companies controlled by TIAA-CREF: Radar, which is majority owned by TIAA-CREF, and Nova Gaia Brasil Participações Ltda, which is 100% owned by TCGA.

10. For a backgrounder on the reinterpretation of law 5709 see, Willi Künzli, "Brazil's Regulation of Foreign Investment in Large-Scale Land Acquisitions," The Berkeley Journal of International Law Blog, 3 November 2013: <http://berkeleytravaux.com/brazils-regulation-foreign-investment-large-scale-land-acquisition/>

11. "Swedish buffer fund AP2 under scrutiny from NGO over Brazilian farmland investments," Responsible Investor, 22 April 2013: <http://farmlandgrab.org/21976>

In practice, there is little difference between the debentures issued by Tellus and shares in the company, since the debentures entitle TIAA-CREF's subsidiaries to nearly all the profits and they are convertible to shares at any given point. The one important difference, however, is that these debentures make it possible for TIAA-CREF and its business partners to conceal the control that they exercise over the Brazilian farms Tellus acquires and avoid legal restrictions on foreign ownership of farmland that would otherwise be applied.

By acquiring these farms through the purchase of debentures from Tellus, TCGA can effectively ensure complete control over its farmland acquisitions without surpassing the 49% ownership of Tellus that would subject the company to Brazilian laws restricting foreign ownership of farmlands.

In 2010, Brazil's Attorney General ruled specifically that restrictions on foreign ownership of rural lands be applied to Brazilian companies controlled directly or indirectly by foreigners.¹² The law, however, is not being applied in the case of TCGA.

The official company records that we were able to access show that between 2011-2013 Tellus purchased at least thirteen farms in the states of Mato Grosso, Sao Paulo, Minas Gerais, Maranhão and Piauí by issuing over US\$236 million in debentures to Radar and Nova Gaia Brasil Participacoes Ltda.¹³

12. Marcelo J. L. Valença e Leandra C. S. Vinholi, "Restrições de Imóveis Rurais a estrangeiros", *Valor Econômico*, 25 January 2013: <http://www.valor.com.br/brasil/2983402/restricoes-de-imoveis-rurais-estrangeiros#ixzz25C7Oglxj>; Ariovaldo Umbelino Oliveira, "A questão da aquisição de terras por estrangeiros no Brasil - um retorno aos dossiês". Em: *Revista Agrária*, número 12, 2010: <http://www.revistas.usp.br/agraria/article/view/702>

13. Details are available here: *Empresas & Negócios*, 5 March 2013: http://www.jornalempresasenegocios.com.br/pagina_05_ed_2357.pdf; *Empresas & Negócios*, 14 August 2013: http://www.jornalempresasenegocios.com.br/pagina_05_ed_2467.pdf; *Diário Oficial Empresarial*, 5 September 2012: <http://www.jusbrasil.com.br/diarios/40261787/dosp-empresarial-05-09-2012-pg-13>; *Diário Oficial Empresarial*, 19 October 2012, <http://www.jusbrasil.com.br/diarios/41581757/dosp-empresarial-19-10-2012-pg-7>; *Diário Oficial Empresarial*, 19 October 2012: http://diariooficial.imprensaoficial.com.br/doflash/prototipo/2012/Outubro/19/empresarial/pdf/pg_0008.pdf; *Empresas & Negócios*, 29 June 2013: http://www.jornalempresasenegocios.com.br/pagina_09_ed_2437.pdf; *Diário Oficial Empresarial*, 29 June 2013: http://diariooficial.imprensaoficial.com.br/doflash/prototipo/2013/Junho/29/empresarial/pdf/pg_0028.pdf; *Diário Oficial Empresarial*, 30 June 2013: <http://www.jusbrasil.com.br/diarios/56164517/doema-terceiros-30-06-2013-pg-10>; *Diário Oficial Empresarial*, 10

The names and locations of these farms are stated as:

- "Areia Branca", Ipaússu, São Paulo
- "Aguassanta", Dois Córregos, São Paulo
- "Santa Rita Cana", São Paulo
- "São Jorge", Paraguaçu Paulista, São Paulo
- "Ipiranga", Echaporã, São Paulo
- "Sócrates", between São Carlos and Guaira, São Paulo
- "Bevap", Paracatu, Minas Gerais
- "Agromar", Diamantino, Mato Grosso
- "Cluster Libra", São José de Rio Claro, Mato Grosso
- "Ludmila", Santa Filomena, Piauí
- "Laranjeiras", Santa Filomena, Piauí
- "Sagitário", Balsas, Maranhão
- "Marimbondo", Alto Parnaíba, Maranhão.

The outsourcing of land grabbing in Maranhão and Piauí

Our investigations focused on the farms acquired by TIAA-CREF in the Brazilian states of Maranhão and Piauí. These farms - the Marimbondo and Sagitário farms in the municipalities of Alto Parnaíba and Balsas (Maranhão) and the Ludmila and Laranjeiras farms in the city of Santa Filomena (Piauí) - are located within an area of Brazil known as BAMAPITO, a savanna land that straddles the states of Bahia, Maranhão, Piauí and Tocantins.

BAMAPITO, on the edge of the vast Cerrado, is one of the new frontiers for the expansion of commodity crop production in Brazil. Production of soybeans in particular has increased dramatically in this area in recent years (see *Box 3: Destruction of the Cerrado*).

The BAMAPITO area is made up of valleys or lowlands and plateaus that are locally called "*chapadas*". People have traditionally settled in the lowlands, where there are fertile lands and access to water, but the *chapadas* have always played an important and complementary role in the lives of the local people. The *chapadas* have been used collectively for hunting, grazing, collecting firewood and harvesting fruit and medicinal plants.

Recently, however, the *chapadas* have been targeted by agribusiness because the lands are apt for machinery and because the land prices are still relatively low when compared with some other regions where soybean farming is more developed. The increase in soybean production in the area over the past years has mainly occurred through the expansion of large scale agriculture on these *chapadas*.

November 2011, page 14; *Diário Oficial do Estado do Maranhão*, 18 March 2013: <http://www.jusbrasil.com.br/diarios/52325067/doema-terceiros-18-03-2013-pg-12>

Companies and wealthy individuals often resort to an illegal process of land grabbing known in Brazil as “*grilagem*” to acquire lands and establish farms in the *chapadas*. *Grilagem* involves using political connections and false documents to claim title over public lands and forests. Some cases of *grilagem*, known as *supergrilagem*, have even surpassed 1 million hectares.¹⁴

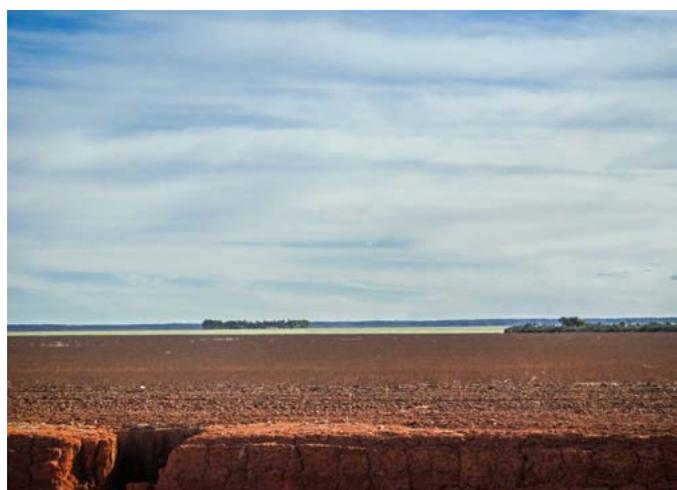
This practice of *grilagem* is widespread in the frontier area of BAMAPITO. Land grabbers routinely fence off public lands on the *chapadas*, evict the local people who have used the land for generations, deploy private security forces, and then acquire property titles through the connivance of local notaries and government officials.¹⁵

It is difficult for the communities to resist this process because they rarely possess any form of official title to the lands they use on the *chapadas* and because the land grabbers use violence against people who try to resist. There are numerous reports of death threats, beatings and even assassinations carried out by hired thugs.¹⁶ Rarely can people appeal to local authorities for protection as the police, politicians and even the local judiciary often cooperate with or are directly involved in land grabbing. Local sources told us of several instances where the police directly assisted in evictions.

One businessmen said to be committing *grilagem* on a large scale in BAMAPITO is Euclides de Carli, owner of the Grupo De Carli. Manoel Ribeiro, a state deputy of Maranhão, accuses De Carli of illegally grabbing over 1 million hectares of land in Brazil, including 13 farms in Maranhão. He also accuses De Carli of using armed thugs to evict people and of ordering the assassination



Area of plateau cleared for soybean production, Alto Parnaíba, Maranhão, July 2015. (Photo: Vicente Alves).



Area of plateau deforested for soybean production, Alto Parnaíba, Maranhão, July 2015. (Photo: Vicente Alves)

14. “Le supergrilagem au Brésil,”: www.formesdufoncier.org/pdfs/Grilagem-Para.pdf

15. Roberto Miranda, “Ecologia política da soja e processos de territorialização no sul do Maranhão.” Doctoral Thesis, Universidade Federal de Campina Grande, Paraíba, Social Sciences Department, 2011; “Nascentes do Rio Parnaíba e a grilagem de terras no Piauí,” Capital Teresina, June 2013: <http://www.capitalteresina.com.br/noticias/piaui/nascentes-do-rio-parnaiba-e-a-grilagem-de-terras-no-piaui-2476.html>

16. An example of a recent conflict in the area can be found on the video entitled “17 Sonhos e uma Cerca” available on You Tube. The report on the case of the Rio Preto settlement clearly shows the violence used by land grabbers and their henchmen in their attempt to expropriate local peasants and the peasants’ attempts to keep their land in Bom Jesus do Piauí, Piauí. The deaths of community members that are directly attributed to this conflict are denounced in the video. Available at: <https://www.youtube.com/watch?v=uhrzWCj93SM>

of a farmer who would not sell lands to him.¹⁷ Other investigations have uncovered how De Carli and other land grabbers routinely use falsified documents to grab lands in the area.¹⁸

This past year, investigations made by the federal police and Ministry of Public Affairs have connected De Carli to another Brazilian businessmen well known

17. “Manoel Ribeiro denuncia grileiro e assassinatos no sul do Estado,” Jus Brasil: <http://al-ma.jusbrasil.com.br/noticias/2614885/manoel-ribeiro-denuncia-grileiro-e-assassinatos-no-sul-do-estado>;

18. “Advogados denunciam a indústria da grilagem no Piauí,” Portal AZ, 5 February 2012: http://www.portalaz.com.br/noticia/geral/237397_advogados_denunciam_a_industria_da_grilagem_no_piaui.html

for his involvement in *grilagem*, Rovilio Mascarello.¹⁹ De Carli and yet another businessman accused of land grabbing in Piauí, Joacir Alves, are suspected to have collaborated with Mascarello in grabbing lands in the BAMAPITO region and of helping him to launder over R\$18 million (US\$4.5 million).²⁰

The grileiros active in BAMAPITO normally seek to sell the lands that they have grabbed to other individuals and companies, who then establish soybean farming operations.

Through our investigations into the farms acquired by TCGA in the BAMAPITO region we were able to find documentation showing that TCGA acquired at least two of its farms from companies associated with De Carli. Subsequent field investigations indicate that all four farms were likely acquired from companies associated with De Carli.

The Sagitário and Marimbondo farms of Maranhão

The Sagitário Farm that Tellus acquired in Balsas, Maranhão is located on part of the plateau, in an area known as 'Batavo'. This area is where De Carli's company, Colonizadora De Carli (CODECA), began soybean farming in the 1990s.

Entries in the *Diário Oficial do Estado do Maranhão*, from July 26, 2007, November 27, 2007 and May 4, 2010, demonstrate that the Sagitário Farm near Balsas, as well as the Marimbondo Farm in a neighbouring plateau region, near to Alto Parnaíba, are both owned by Euclides de Carli.²¹ This is corroborated by informa-

19. "Mascarellolândia": Novo caso de "super-grilagem" na Terra do Meio usa Cadastro Ambiental Rural," July 2013: <http://facis-moambiental.net.br/2013/07/06/mascarellolandia-novo-caso-de-super-grilagem-na-terra-do-meio-usa-cadastro-ambiental-rural/>

20. "Rovílio Mascarello é investigado por 'grilagem' no Piauí", CO Popular, May 2015: http://www.copopular.com.br/geral/id-191993/rovilio_mascarello_e_investigado_por_grilagem_no_piaui; "MPF e Polícia Federal investigam Rovílio Mascarello por lavagem de dinheiro," CO Popular, May 2015: http://www.copopular.com.br/politica/id-193635/mpf_e_policia_federal_investigam_rovilio_mascarello_por_lavagem_de_dinheiro

21. The July 2007 entry is for the application for a license to produce grains on both farms, see: <http://www.radaroficial.com.br/d/4773315503718400>; the second entry from 2007 is for the renewal of a license to pursue agricultural activities, see <http://pesquisa.diariooficial.ma.gov.br/?d=TE20071127.pdf>; the 2010 entry is a communication for the award of a license to establish installations on both farms, see <http://www.jusbrasil.com.br/diarios/6388442/pg-23-terceiros-diario-oficial-do-estado-do-maranhao-doema-de-04-05-2010>



Satellite map of the Sagitário Farm from the IN CRA database.

tion from the website of Brazil's National Institute for Colonisation and Agrarian Reform (INCRA) that lists Agropecuária Centauro as the applicant for the certification of the Sagitário Farm in 2012. An entry from the *Diário Oficial do Estado do Maranhão* from February 22, 2011 states that Agropecuária Centauro is a company of the Grupo De Carli.

A subsequent entry in the *Diário Oficial do Estado do Maranhão* on March 18, 2013, shows a request from Tellus for the installation of a tube well to supply water for human consumption on the Sagitário Farm. This entry, combined with the 2011 announcement in the *Diário Oficial Empresarial* of the issuance of debentures by Tellus for the acquisition of the Sagitário and Marimbondo farms, indicates clearly that the farms were acquired by Tellus from companies controlled by De Carli.²²

The Piauí farms

During field visits to the area of the Ludmila and Laranjeiras farms of Piauí in July 2015, we met with union representatives of rural workers and local agents of Brazil's Comissão Pastoral da Terra (Pastoral Land Commission) who informed us that the lands of the Marimbondo Farm, Ludmila Farm and Laranjeiras Farm had been grabbed by companies associated with De Carli.

It was not possible, however, to access the necessary documentation to substantiate that De Carli was involved in the sale of the Ludmila and Laranjeiras farms to Tellus despite several attempts to obtain the relevant documents from the local notary offices. We were told

22. *Diário Oficial Empresarial*, 10 November 2011: <http://www.jusbrasil.com.br/diarios/32165667/dosp-empresarial-10-11-2011-pg-14>



Tellus' Ludmila Farm, in Santa Filomena, Piauí, located within the Chapada da Fortaleza. The farm was still not being used for production in July 2015, even though an authorisation to clear the area for grain production had been published in the Official Gazette of the State of Piauí on 27 September 2010.

by local land authorities that access to such historical records on the ownership of land is often even denied to INCRA agents.²³

Local people left to suffer

The loss of access to lands in the *chapadas* caused by rampant land grabbing is disastrous for the local communities. Without the resources that the *chapadas* provide for their livelihoods and food security, such as food, fodder, firewood, and medicines, many small farmers have had to leave their homes to look for work in the cities, in the the dangerous local diamond mines or on the sugarcane plantations of the central-southern region.

23. We were able, however, to find a record from the *Diário Oficial do Estado do Piauí*, from September 27, 2010, showing that a Simone de Carli had applied for and received operating and installation licenses for the Ludmila Farm. Her possible relation to Euclides de Carli is not clear. The same record indicates that Pedro da Silva Guimarães Jr. applied for and received a license for agricultural activities on Fazenda Laranjeiras, Santa Filomena. See: <http://www.jusbrasil.com.br/diarios/20146268/pg-9-diario-oficial-do-estado-do-piaui-doeipi-de-27-09-2010>

The new soybean farms only provide low wage labour when the land is first cleared, but after that, given the highly mechanised model of production that is used, there are very few jobs available.

The situation is growing even worse because the same phenomenon of land grabbing is now moving into the lowland areas where the peasant, indigenous and Afro-Brazilian (*Quilombola*) communities have their gardens and fields and raise animals for food. The lowlands also provide them with their water and fish. Having no access to the plateaus already makes it difficult to survive; without the lowlands, life there is impossible for local communities.

We conducted field visits to the communities living in the lowland areas neighbouring Tellus' Ludmila Farm in Santa Filomena, Piauí in July 2015. The local people we met with told us that land grabbers were using violence to drive them off their lands and were then selling the lands to agribusiness companies.

The residents of the community of Sete Lagoas, for instance, had part of their lands fenced off by a land grabber. They can no longer access the area which is now guarded by private security forces.



Lands grabbed for large-scale soybean farming in the area neighbouring TCGA's Ludmila Farm, July 2015
(Photo: Vicente Alves)

Members of another community neighbouring the Ludmila Farm, the Cabeceira do Angelim community in the lowlands surrounding the *Chapada da Fortaleza*, told us that they had first been expelled from their lands on the *chapada* and then from part of their land in the lowlands by land grabbers.

We also visited communities in nearby Alto Parnaíba, on the border of Santa Filomena, in the state of Maranhão, where Tellus' Marimbondo Farm is located. Community members explained how the expansion of agribusiness had taken away their access to water in the lowlands where they live and farm. These areas receive water from rivers originating in the savannahs of the *chapada*. But the deforestation caused by the expansion of soybean production in the *chapada* has destroyed its forests and wetlands and, as a result, the rivers to the lowlands were drying up.

The communities we met with are also suffering from the pollution of their water sources by the agrochemicals used on the industrial farms. The pesticides sprayed on the farms end up poisoning their drinking water and the fish they eat. The Melancias community in Santa Filomena, Piauí, for instance, filed an official complaint to denounce the large soybean farms of the plateaus for polluting the Uruçuí Preto River in the south of Piauí, which provides water to their community and others.

The industrial farms in the area typically spray agrochemicals on their fields by airplane. The chemicals thus often drift onto the residential areas and farms of the local communities, affecting their health and destroying their crops. Community members we spoke with believe there is a direct connection between the increase in the number of cancer cases they are experiencing and their exposure to agrochemicals from the industrial farms in the area. They are also seeing more cases of respiratory problems and skin diseases.

Empty promises of “socially responsible investment”

The pension funds that are buying Brazilian farmland through their investments in the TCGA are now directly involved in the country's serious land conflicts. Brazil has one of the most unequal distributions of land in the world, and the situation is getting worse as agribusiness, backed with foreign money, pushes further into the territories of indigenous peoples and into the lands used by local communities and small farmers.

This expansion of agribusiness also spreads a disastrous model of agriculture. The plantations growing commodity crops, like sugarcane and soybeans, deplete soils and water sources, pollute and poison local



A marsh in the lowlands near to Santa Filomena, Piauí, July 2015. Local community members say they have experienced a major decline in water levels in recent years. (Photo: Vicente Alves)

communities with pesticides, and provide few jobs to a desperate and exploited rural workforce.

TCGA's very business model is based on the perpetuation of this situation: the expansion and consolidation of agribusiness in Brazil increases farmland prices and, therefore, increases profits for TCGA. (See box 4: *Speculation's self-fulfilling prophecy*)

Brazil's indigenous peoples and the mass movements of landless people in the country have been struggling against the historically unjust land distribution situation for decades. They have been articulating demands for an agrarian reform and an overhaul of Brazilian agriculture-- away from the massive public support for agribusiness towards a vision of food sovereignty based on small-scale, agroecological food production and local food systems.

Brazilian laws have been notoriously lax when it comes to regulating the expansion of agribusiness in the country. One of the few laws that aims to try and control this expansion is a law that was re-interpreted by the Attorney General in 2010 to significantly restrict farmland purchases by foreign owned

companies (Law #5,709). The law is intended to prevent foreign money from buying up control of Brazil's valuable agricultural resources and to limit on harmful speculation.

Our research strongly suggests that TCGA's corporate structure has been created to bypass restrictions on foreign farmland ownership, effectively violating the spirit of this law.

TCGA's farmland investments underline why such financial speculation on farmland is so damaging and why tight controls are needed to prevent it. TCGA's cash inflows are fuelling an expansion of plantations across many states in Brazil, which is destroying the environment, facilitating labour exploitation and generating severe land conflicts.

TCGA claims to be a "responsible investor" and to strictly follow internal guidelines that prevent it from investing in farmland where such investments contribute to human rights violations or negative environmental and social impacts.

It is next to impossible for journalists or independent organisations to verify whether TCGA adheres to its

SANTA FILOMENA, CONHECIDA COMO "FZENDA
Município: GILBUÉS/PI

ASSUNTO:
(x) Ambiental

RESUMO DA RECLAMAÇÃO:

A reclamante afirma que há vários anos o reclamado mantém sua plantação de soja às margens do rio "uruçuí preto" e não toma as devidas cautelas quanto ao despejo da água da irrigação de sua plantação, esta água, contaminada por agrotóxicos, estaria escoando para o rio e o contaminando, já tendo trazido prejuízos para a pesca já que os peixes praticamente acabaram. Além disso, o mesmo indivíduo promove desmatamento às margens do rio em quantidade que o reclamante acredita ser prejudicial ao rio. O reclamante teve notícia de que a fazenda do reclamado já foi fiscalizada e multada, mas isso aconteceu há alguns anos e de lá para cá as condutas tem se repetido várias vezes até recentemente, mesmo o reclamante já tendo alertado

Promotoria de

Justiça da Comarca de Gilbués - PI

Complaint filed on the impacts caused by the use of agrochemicals for soybean production, Santa Filomena, Piauí.

own standards since it does not disclose where its farms are located.

However, through our investigations, we were able to identify the exact location of four farms that TCGA has acquired, in the states of Maranhão and Piauí. Our investigations of these farms suggests that TCGA is not adhering to its own internal standards, and that it is, in

effect, "outsourcing" land grabbing to local businessmen well known for their violent and illegal tactics for evicting people.

Small farmers and indigenous people in Brazil are paying much too high a price to support the pension funds of workers in the US, Canada and Sweden.



Community near Santa Filomena, Piauí that is affected by land grabbing, July 2015 (Photo: Vicente Alves)

Box 2: The Cosan connection

Sitting at the centre of TCGA's complex corporate structure is Cosan, Brazil's largest sugar producer. Cosan is controlled by Brazilian billionaire Rubens Ometto Silveira Mello and his Ometto Group. It is one of three conglomerates that are said to produce about a third of the country's sugar and that are largely responsible for the explosive growth in sugar production in the country. Around three-quarters of the expansion of sugar cane production in the world over the past decade has occurred in Brazil, where the sugar cane area has grown by an average of 300,000 ha per year.²⁴

Cosan and the other conglomerates have relied on various public subsidies and, most importantly, foreign capital to drive their growth. Cosan is considered the pioneer in opening up the Brazilian sugar industry to foreign capital. Beginning at the end of the 1990s, it established several joint ventures with French and Asian sugar companies, and then, in 2005, it became the first Brazilian agribusiness corporation to go public on the Brazilian stock exchange, ceding 27% of its shares to foreign stockholders. In 2008, Cosan merged all of its sugarcane and ethanol operations into a new joint venture company with the Anglo-Dutch oil corporation, Shell, called Raízen S/A.

Cosan has been quickly converting this influx of foreign capital into more plantations, particularly in Brazil's massive savanna region, the Cerrado, in the centre-south of the country. By 2015, Cosan says Raízen aims to have 1 million ha under cultivation, up from 700,000 ha in 2011.²⁵

Cosan's land speculation ventures with TIAA-CREF and other pension funds fit neatly within this larger ambition. Radar's principal business is to speculate on farmland, which it does by identifying and purchasing land and then selling it a higher price a few years later. But Radar also derives revenue from the operations of the farms, primarily by renting the lands out to Brazil's largest commodity producers, including Cosan itself.²⁶

24. GRAIN, "Corporate candyland," April 2009: <http://www.grain.org/article/entries/740-corporate-candyland>

25. BioSugar, "Raízen intends to reach 1 million hectares," 17 May 2011: <http://www.jornalcana.com.br/biosugar-en/raizen-intends-to-reach-1-million-hectares/>

26. Lourenço Moreira. "A Corporação Cosan e a Conquista de um Território em Torno de sua Usina de Etanol em Jataí, Goiás (2007-2012)," Thesis, Masters in Geography, Universidade Federal do Rio de Janeiro, Instituto de Geociências, Rio de Janeiro, 2013. Information in the cited work was obtained directly from Cosan.

Box 3: Destruction of the Cerrado

The Cerrado, or savanna, is the biome located between Amazonia, the Atlantic Forest (Mata Atlântica), the Pantanal and the Caatinga, in the states of Minas Gerais, Mato Grosso, Mato Grosso do Sul, Goiás, Distrito Federal, Tocantins, the southern part of the state of Maranhão, the west of Bahia and a part of the state of São Paulo.

Although the Amazon is known the world over for its biodiversity, the Cerrado is equally important and equally under threat.²⁷ The savanna is home to nearly 160,000 species of plants and animals, many of which are on the verge of extinction. Studies from the Federal University of Goiás indicate that nearly 22,000 square kilometers of the Cerrado are deforested every year, mainly for industrial agriculture plantations of soybean, cotton and other crops. More than half of it has already been destroyed and, at this rate, it will be completely gone by 2030.

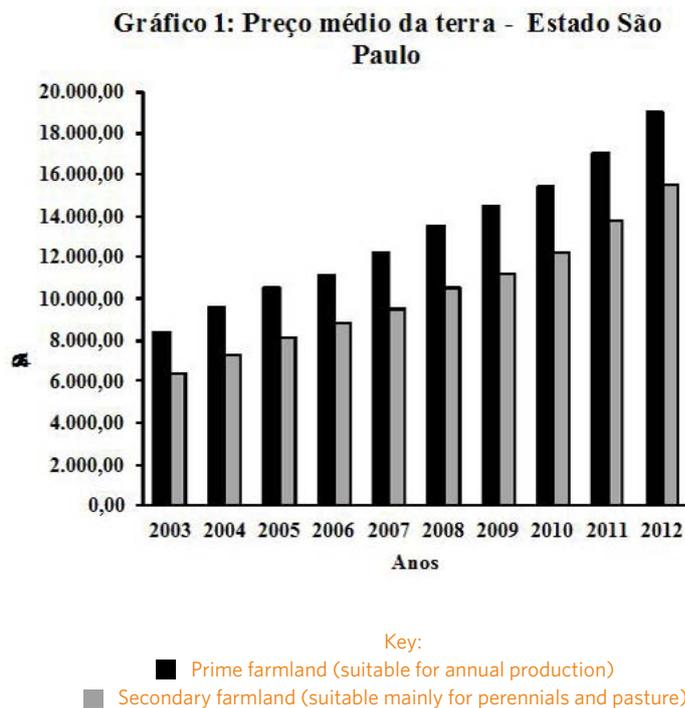
27. More details on this issue can be found in, "Os Impactos da Produção de Cana no Cerrado e Amazônia", published by the Network for Social Justice and Human Rights and the Comissão Pastoral da Terra (2008), available at: <http://www.social.org.br/index.php/pub/cartilhas-portugues/82-os-impactos-da-producao-de-cana-no-cerrado-e-amazonia.html>.

More than biodiversity is at stake. The Cerrado, known as the “father of water”, supplies water to the country’s main water basins. But now, with the growth of industrial agriculture in the area, this vital water source is being badly polluted. The heavy use of fertilizers and pesticides by the new plantations affects the quality of underground water, river water, coastal water and spring water. In some areas, the water is so depleted of oxygen from high levels of nitrogen contamination that they have become “death zones”, lethal to marine life.

Box 4: Speculation’s self-fulfilling prophecy

Land speculation, in itself, can increase land prices. Since Radar began speculating on farmlands in Brazil, other companies have been established to do the same, such as SLC Land Co, established by SLC, Brazil’s largest grain producer. This growing pool of speculative capital, all of it seeking to acquire farmlands in the same areas, has driven up prices. Thus land speculation has become a main source of inflationary pressure on land prices in Brazil, putting land out of reach for small farmers and landless people. This land price inflation is dramatic in São Paulo, where Radar and Tellus are most active (see Graph 1), but there have also been sharp increases in the prices of lands used for soybean production in the states of Mato Grosso, Bahia, Maranhão, and Piauí, where these companies are also actively buying land.

Graph 1: Average price of land - State of São Paulo (Price in R\$, Years)



Source: IEA (Instituto de Economia Agrícola). Org.: Xavier, C.V.



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