

In April 2008 GRAIN published a short report<sup>1</sup> on the huge profits that agribusiness was making from the food crisis. Another year has passed. More financial results are in. So has anything changed?

# Corporations are still making a killing from hunger

GRAIN

Last year, at the height of the global food crisis, many of world's largest corporations had just finished reporting their financial results from 2007. With people in many parts of the world protesting in the streets because they could no longer afford to eat adequately, one

agribusiness giant after another shamelessly came forward to announce record profits. For grain traders like Cargill and ADM, seed and pesticide companies like Syngenta and Monsanto and fertiliser companies like Potash Corp and Yara, there was never a better time for their bottom lines.

Now another financial year has passed. As the food crisis continues, with over a billion people suffering acute hunger, and as the financial crisis wreaks havoc on the solvency of companies in other sectors, the agribusiness corporations that control the global food supply are getting even richer. For many firms, their 2007 record profits pale in comparison to what they made in 2008.

Cargill, the world's largest grain trader, reported an increase in profits of nearly 70 per cent over 2007 – a 157 per cent rise in profits since 2006. Profits for ADM, the world's second largest grain trader, declined slightly in 2008, partly because of its heavy investments in the sinking US ethanol market, but the company's profits were still 41 per cent higher than they were in 2006. Wilmar International, one of the largest palm oil producers and traders in the world, saw its profits jump from US\$288 million

<sup>1</sup> See GRAIN, "Making a killing from hunger", *Against the grain*, April 2008. [www.grain.org/articles/?id=39](http://www.grain.org/articles/?id=39)



**Table 1: Profits\* for some of the world's largest grain traders**

Company	Profits 2008 (US\$ million)	Increase over 2007 (%)
Cargill (USA)	3,951	69
ADM (USA)	2,624	-17
Bunge (USA)	1,363	13
Noble Group (Singapore)	436	117

\*Profits = Earnings before taxes except for Noble Group where Profits = Gross Profits

**Table 2: Profits\* for some of the world's largest fertiliser companies**

Company	Profits 2008 (US\$ million)	Increase over 2007 (%)
Potash Corp. (Canada)	4,963	164
Mosaic (USA)	2,682	430
Yara (Norway)	3,350	131

\*Profits = Earnings before taxes

in 2006, to US\$829 million in 2007, to US\$1,789 million in 2008 – a greater than 6-fold increase in two years. Wilmar, in fact, made more profit in the fourth quarter of 2008, when commodity prices were supposed to have fallen, than it did in the whole of 2006. Asia's largest agribusiness corporation, Charoen Pokphand, which is by now the world's top animal feed and shrimp producer and second largest poultry producer,<sup>2</sup> had a similar banner year. In the fourth quarter of 2008, CP's net earnings doubled, with profits for the year up 145 per cent.

The suppliers of agricultural inputs may be the biggest winners from this crisis. With their quasi-monopoly control over seeds, pesticides, fertilisers and machinery, they were able to maximise the squeeze on farmers. The profits for these companies in 2008 were nothing short of obscene, especially for the fertiliser industry. Mosaic, partly owned by Cargill, saw its pre-tax profits shoot up 430 per cent in 2008.

### No bailouts needed here

But, as in 2007, all of this profit-taking through selling inputs to farmers and moving harvests around the world did little damage further downstream to the food processors and the retailers, who run their own quasi-monopolies. As a result, Nestlé's profits for 2008 were up an impressive 59 per cent, and Unilever's surged ahead by 38 per cent. On the retail side, Casino's profits for 2008 rose 7.3 per cent and Ahold's 12.2 per cent. Profits in the fourth quarter of 2008 for the world's largest retailer, Wal-Mart, dipped slightly, which is not surprising given the deep recession in the US. It still raked in US\$3.8 billion during that period.

Some reports are also emerging about the income of farmers in 2008, and these figures speak volumes about who currently holds power in the food system. The reports show large increases in prices at the farm gate and increases in overall farm revenue, but any potential income gains for farmers were gobbled up by higher prices for inputs and other costs of production. In North America, for example, national statistics bureaux point to rising input costs to explain why in Canada the net operating income for the average farm was down 5 per cent in 2008. Net farm income in the US is forecast to be roughly where it was in 2007. In the US, production expenses for farmers have increased by US\$100 billion in the last five years and now eat up 77 per cent of gross farm income. Since 2002, the price of fertiliser has risen by 191 per cent and the price of seed by 71 per cent.<sup>3</sup>

**Table 3: Profits\* for some of the world's largest seed/pesticide companies**

Company	Profits 2008 (US\$ million)	Increase from 2007 (per cent)
Monsanto	2,926	120
Syngenta	1,692	19
Bayer	1,374	40
Dow	761	63
BASF	894	37

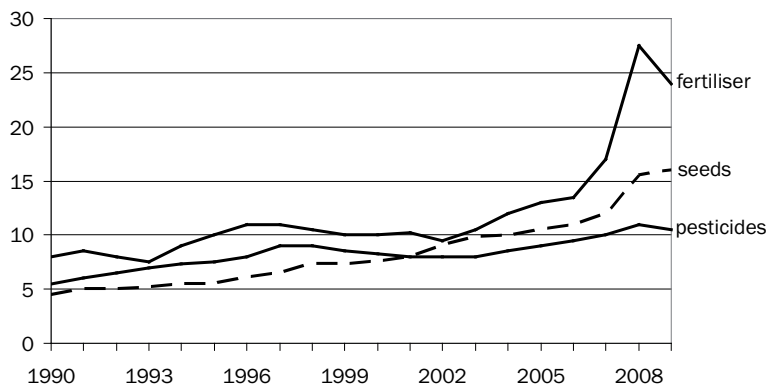
\*Profits = Earnings before taxes

**Table 4: Profits\* for some of the world's largest agricultural machinery companies**

Company	Profits 2008 (US\$ million)	Increase from 2007 (per cent)
AGCO	526	61
John Deere	3,124	17
Case/New Holland	1,156	39

\*Profits = Earnings before taxes

**Figure 1: Expenditure on farm inputs in the US agricultural sector (billion dollars)**



Source: Economic Research Service, USDA

In case it wasn't clear before, 2008 exposed for all to see how the current global food system is designed to leave many hungry and make a few very rich.



<sup>2</sup> David Burch, "Overview of agribusiness trends", presentation to the AAI Second Global Forum, "Market power and the world food crisis", São Paulo, 22–24 January 2009. <http://tinyurl.com/cjvwuq>

<sup>3</sup> Agriculture and Agri-Food Canada, "Farm Income Forecast Highlights: 2009". <http://tinyurl.com/c6tnc4> and Stu Ellis, "Farm Income And Expenses For 2008: The Very Big Picture", *The Farm Gate*, University of Illinois, December 1, 2008. <http://tinyurl.com/dzvlkf>

