Foreign Direct Investment in the Russian Agricultural Sector

Thesis submitted for the degree of Doctor of Philosophy

School of Geography and the Environment
University of Oxford

Christopher David Lander

Christ Church
Trinity Term 2017
A visualisation of the destructiveness of food production. In this particular case, a precursory activity in the subjugation of animals: an abhorrent and outdated practice that I now hope to work towards ending.
Foreign Direct Investment in the Russian Agricultural Sector

Christopher David Lander
Christ Church

Doctor of Philosophy in Geography and the Environment
Trinity Term 2017

Abstract

This thesis investigates the experiences of foreign direct investment (FDI) in the agricultural sector of the Russian Federation. The focus is on the form of FDI, and how each investor responds, and adapts, to the Russian operational environment. This is achieved through extensive qualitative, and multiple methods research on three manifestations of FDI: corporate, privately-funded investment; corporate, publically-funded investment; and smaller, individual private investment. Of interest are the Russia-specific constraints that may be largely underprepared for by foreign investors, and unexpected events that occur in the Russian space that hamper the efforts of investors. This thesis, thus, informs the reader of the variable nature of the Russian agricultural sphere, and the problems that exist within its boundaries, and presents the stories of some of the foreign investors that have tried to penetrate its market, mostly since the collapse of the Soviet Union in 1991.

The thesis consists of four papers that have either been published, or submitted for publication, in academic journals, and utilises fieldwork that was conducted between 2013 and 2014.

This thesis finds that all of the foreign investors studied have experienced – in certain aspects – failure on the Russian frontier, though there have also been certain successes. It seems that financial success is dictated by the business model of each investor; those who are afforded longer time horizons, more time to adapt on the frontier, and a source of funds that does not place short-term pressure on the business, are more likely to succeed. The Russian operating environment is unique, peculiar, and unpredictable, with a tendency to produce substantial obstacles that, for investors, are difficult to overcome; for agricultural FDI to avoid these struggles, these environmental conditions need to be anticipated and prepared for, with clear strategies painstakingly thought through before any venture physically begins on Russian soil.
This thesis tackles a significant, complex, and contentious topic: as the title suggests, foreign direct investment in the Russian agricultural sector is the object and subject of the thesis recognising that it takes in geopolitical and geo-economic issues along with issues of culture and economy and the role of foreign corporate interests in the food production for domestic consumption and export. Throughout, the candidate reminds the reader that how the West views Russia affects not only our economic relationships with the Federation but also what we expect of the Russian state in terms of protecting and sustaining corporate investment in agriculture.

The candidate also reminds us that agriculture is fundamentally entwined with the history of the Russian state, and plays an integral part of how the Russian state has sought to ‘locate’ itself in global food markets. Not surprisingly, issues of food self-sufficiency and security are high on the agenda just as, perhaps paradoxically, the production of food for export to the West and beyond is a key element in how the Russian state frames its future relationships with the world. Again, perhaps paradoxically, mobilising agriculture in these ways requires the transformation of how agriculture in Russia is managed and sustained including, for example, investment in capacity, know-how, and capital equipment. As such, foreign investment in Russian agriculture could have a significant role in its ‘modernisation’. These issues frame the thesis, and introduce the reader to the activities of the American multinational food conglomerate – Cargill – in the Russian Federation.

The thesis is comprised of eight chapters including an Introduction and Conclusion. The four empirical chapters (4-7) report fieldwork in Russia, and have either been published in well ranked academic journals (J. of Peasant St. is rated 1st in Anthropology, and Development & Planning) or are currently being reviewed in academic journals for possible publication. The introduction to the thesis (chapter 1) sets the stage for the thesis via four key research questions: how foreign investors have assessed, navigated and adapted to the Russian context; the experience of foreign investors with the Russian labour force and regional and federal governments; the impact of major events such as the annexation of Crimea on the operations of foreign investors; and the extent to which the activities of foreign investors can be classified as successful. This is closely followed by an extensive discussion of the Washington Consensus and related academic research.

Chapter 2 establishes the context for the research including discussion of the so-called “re-emergence of Russian agriculture”, the significance of agriculture for the Soviet, the so-called reforms which followed Stalin, and the role of Putin in making agriculture a strategic asset in the relationship between Russia and the West. Chapter 3 then explains the candidate’s research design and evolution, the research process, and how
he did the research in relation to Cargill and other corporations along with a discussion of positionality. His reflections upon doing fieldwork research in Russia as tensions between Russia and the West grew and were exacerbated by events internal and external to the Russian Federation is illuminating. Lander’s comments on how he presented himself, what he sought in his interviews with corporate and government officials, and the status or otherwise attributed to ‘truth’ are all very important in understanding the robustness of his findings.

Chapters 4 and 5 are all about Cargill. As the candidate notes, chapter 4 is more descriptive than analytical providing insight as to the corporation’s strategy in Russia, its operations, and how it operates. This is followed up in chapter 5 with a more nuanced assessment of Cargill’s Russian operations recognising that it has been in Russia for more than 50 years. It has experienced enormous changes in the Russian agricultural sector, along with profound changes in its relationships with the Russian state and civil society. How it deals with uncertainty is one of the key insights and, uncertainty comes in many forms (distinguishing it from risk). This chapter is particularly insightful. Both chapters provide unique perspectives on the corporation – the candidate’s access to the corporation along with their interest in explaining their activities makes for compelling reading.

Chapter 6 employs and original, rare angle in studying agriculture (namely, through biographies, and a focus on socio-cultural issues), and reports on the activities of small foreign investors which operate in the Russian agricultural sector as, in effect, private farms. At issue is whether such small foreign investors can survive in the sector given the real world of operating locally and all that entails in terms of the use of Russian labour, their relationships with local governments, and the pervasive influence of “favours, agreements, connections, and exchanges”. Whereas it is arguable that these social devices are fundamentally about corruption, the candidate explains that success in the sector depends upon “maintaining relationships”. Chapter 7 then considers how and why a number of Nordic investors have retreated from the Russian agricultural sector. Again, corruption figures prominently, along with theft (lack of respect for property rights). This is a very revealing chapter. The final chapter of the thesis summarises the findings of the four key empirical chapters and makes connections, once again, to the Washington Consensus.

Throughout the viva, the candidate was reflective, thoughtful and fulsome in his responses. He demonstrated a remarkable grasp of the issues. The insights offered, the candidate’s knowledge and understanding of the issues, the ways in which he worked with Russian government, Cargill, and other investors, and his ability to report on highly contentious issues makes for an excellent piece of research (and a very attractive read also).
Acknowledgements

Writing a global best-selling thesis has not been easy. Making Russian agriculture both interesting, and accessible to the masses has been a difficult challenge, as has been getting my head around writing such a ground-breaking piece of literature. Yet, I have managed it. Despite the title suggesting another bout of academic-induced narcolepsy, and a promising cure for insomnia, it is, in fact, a riveting read. But who is responsible for such a work? I must take much of the credit, and the final production of this thesis has closed a large chapter of my life that has involved great periods of self-development, and reflexivity. However, I wouldn’t have been able to achieve this on my own, and I am lucky to have had the support of a great number of people.

I shall be forever grateful to my fellow Oxford students – Luke Lewis, Amandine Collardo, Kate Roll, Kiterie Faller, Alex Drong, Tristan Smart, Sonya Hanson, Jon Cleland, Tommy Lees, Josh Dean, Jack Kelly, and Steve Doran – whom, from those early years onwards, have provided friendship, inspiration, and a reminder that their work has been much worse than mine. Interesting facts about these people: one applies mediocrity to just about every art form; one attracts calamity at every turn, but does have some fantastic stories as a result; one is responsible for the extremely short chandeliers in the graduate common room; one has appeared on TV as part of a marching band; one protests at anything and everything without knowing why; one has no friends his own age; one seems to know everyone; one won’t let you finish a sentence; two move in with their partners way too early; some are impossible to understand; one also studied geography, and thus has no meaningful future; two have studied music, and thus have no meaningful future; and thus has no meaningful future. I have also enjoyed my time with three young Americans who visited for a few terms – Max Hofmeister, Eduardo Jacobo, and Jessica Zoutendyk – and have had great fun teaching them about sarcasm, proper grammar, the importance of culture and history, and British ‘humour’. Max deserves a particular mention for developing some weird Couvade-type syndrome with his car, in which he started to slowly crumble with Lyme disease as his vehicle shot a bolt through its transmission, stranding me in Toronto looking after the both of them on what was supposed to be my post-thesis holiday to Canada.

In addition to this group of colourful characters, there are three people who I feel have been extra special: Tristan Gray-Davies, Alex Schultz, and Lucy Bartlett. Alex left after my first year to pursue a future career as a geek in the computer world, and then a Classics PhD at Harvard, but was a great friend in those early days, especially when the pressure of studying at Oxford was still somewhat overwhelming. I shall always remember her as the child who makes smiley faces out of daily cooked breakfasts, the friend who always fell asleep in the pubs after just one beer, and the eccentric who
assigned acronyms to anyone that she fancied (SUF, SPU, SHW, No. 1, No. 1.5, No. 3). Tristan and I became friends in my first week when he – despite being the Powerlifting captain of the University – knocked on my door to ask if I could remove a spider from the bathroom that was stopping him from taking a shower. Since recognising him as a fellow flawed character, I have spent most of my Oxford life in his company – whether that be in the pub, or outside the various kebab vans of Oxford, but rarely in the libraries where we should have been – only for it to come to an abrupt end when he broke our unspoken agreement by finishing his thesis a year before me. Lucy and I first bonded over sticking flags into cheese – a very middle class Oxford activity – and were forced to be friends for life after she literally instigated a Blood Oath with my shoes after stepping on glass in close proximity to me. As well as sharing great stories behind the ridiculous origins of our surnames – largely involving lavender, and ploughs – she helped to prove to me how having a particular love of wine on school nights indeed increases not only your work output, but also your perception of how much work you have achieved.

Outside of Oxford, I would like to draw attention to three people whose help has aided the materialisation of this thesis: Maggie Sullivan, Mark Fahey, and Sam Merrill. Having walked a drunken Chris home in Washington DC following a night of martinis, I became Maggie’s friend long before she was mine; I subsequently forgot the whole event – including her – only to be reminded about it when we began a year abroad in Moscow as part of the Alfa Fellowship Program. In that year, she taught me a great deal about how to live and survive abroad, acted as an invaluable translator for me in restaurants, and consistently corrected my poor pronunciation of both Russian and English words. Mark has been a comedic friend and inspiration since we worked together a year before I began at Oxford. After initially scaring me on my first day into removing my neck-tie, he later showed me the importance of never taking work too seriously – something that I can wholeheartedly say I carried with me into my studies – and how my ‘magnetic’ attractiveness could be helped by loving, knowing, and quoting everything from Star Wars; perhaps I should’ve heeded this latter advice, as I have now been single for a very long time, whilst he – so much of a Jedi nerd that when I stay at his, I have to sleep in the Star Wars room, surrounded by models of Death Spheres, Duke Landswimmer, and CD2-PO, or whatever they’re called – is happily married to the wonderful Helen, with a beautiful son, Paddy. Sam – my oldest friend to get a mention here – encouraged me from afar whilst studying for his PhD at UCL, and provided me with a benchmark to aim for: if he could write a thesis making Memory and the London Underground sound interesting, then I could, potentially, do the same with Russian agriculture. Funnily enough, I never did find out if he was successful in that regard. He has, though, been a useful academic counsellor and motivator, especially in helping me to process a strangely persistent reoccurrence of the ‘PhD
blues’: essentially the period after an extended stretch of partying and procrastination where you finally have to settle down to do some work.

On the academic side, I have been lucky to have had an extremely knowledgeable and learned supervisor in Prof. Judith Pallot, who encouraged me to apply to the DPhil course whilst I was studying for my second Masters at the University of Birmingham. As well as offering her guidance during our meetings together – through what I have convinced myself was never anything more severe than ‘tough love’ – she gave me my first opportunity to write an academic paper, chaired the panel of my first conference presentation, and even met me for a coffee during my year abroad in Moscow. I am both glad and relieved that I was able to complete my thesis, and pass my viva, so that she can now enjoy her retirement in peace. I also feel exceptionally privileged to have met Prof. Martin Grossel, who has acted both as a dear friend, and pastoral supervisor, during my journey through Oxford. As well as regularly taking me to concerts to unwind from the pressures of studying – including introducing me to Mahler, and accompanying me to my first ever Ring Cycle – Martin has helped to provide me with perspective, and valuable advice, something that has made the last few years so much easier to navigate through. It is likewise necessary for me to mention my collaborator here – Dr Brian Kuns – who co-authored one of the papers in this thesis. The main reason I approached him to work together in the first place was because he published a paper that I had been planning secretly in my head for a very long time, but just had never gotten around to writing, effectively destroying a quarter of my plans for this thesis in the process; I thought – seeming as he had had similar ideas to me – he must be some sort of genius, and am pleased that we were eventually able to write such an involved article together at short notice.

I must equally thank my family, especially my three brothers Biff, Jiminy Winnist, and Spearckles the Leprechaun – also known as James, Jon, and Mark – and the extended members who have married into our little group, Mar Salinas Ruiz, and Ben Lovell. All have had to put up with a lack of birthday and Christmas presents for a long time now – mainly due to the eternal nature of my self-funded studies – but have been decidedly patient in the hope that one day this DPhil will make me rich and more charitable; perhaps I should have cleared that misunderstanding up at the beginning.

And lastly, but not leastly, I am eternally indebted – as well as being literally financially indebted – to my parents, Keith and Jan, who have lent me a considerable amount of funding to finish this DPhil, and accompanied me along every step of the way during this time. On reflection, my mother should take most of the plaudits for this thesis, as the idea of agriculture was hers in the first place: as crazy as this sounds, when I was deciding on potential DPhil proposals, she had a dream that I was giving a talk to small children on the issues of farming, and subsequently sent me through BBC News articles on agricultural foreign investment in Ukraine. She has shaped every aspect of my
education from an early age, guided me through the immense events of my life, encouraged me to put my ideas out into the world, and helped me to decide on the right moments to quit futile endeavours. Having also nurtured my very poor sense of humour, and terrible life-planning skills, she now has an accomplished, well-qualified, yet unemployed son, who – at the age of 32 – is still living in the family home; I am sure that despite this, she remains confident that encouraging me to apply for this DPhil was still definitely the right thing to do.
For Leonardo, Liam, and Lucas Lander Salinas

who often wondered why Uncle Gee was always doing his ‘homework’
# Contents

1. Introduction .................................................................................................................. 1
   1.1 Research Outline ........................................................................................................ 1
   1.2 Theory .......................................................................................................................... 3
       1.2.1 Theorisations of the Washington Consensus ...................................................... 3
           1.2.1.1 The Critique of the Washington Consensus and Transitology .................. 6
           1.2.1.2 Russia and the Washington Consensus ...................................................... 10
           1.2.1.3 Russian Society and Politics Today .......................................................... 12
       1.2.2 Theorisations of Foreign Direct Investment .......................................................... 15
           1.2.2.1 Russian Foreign Direct Investment under the Washington Consensus ....... 15
           1.2.2.2 The Study of FDI in Emerging Economies ............................................... 17
           1.2.2.3 Studying Agricultural FDI in Russia .......................................................... 18
   1.3 Contributions to Academic Debate .............................................................................. 20
       1.3.1 Contribution to Agrarian Studies ......................................................................... 20
           1.3.1.1 Food Security and Food Sovereignty ......................................................... 20
           1.3.1.2 ‘Land Grab’ and ‘Land Acquisition’ ............................................................ 22
           1.3.1.3 Corporate Involvement in the Agro-Food Sector ....................................... 23
           1.3.1.4 Financialisation of the Agro-Food Sector ................................................... 25
       1.3.2 Western Business Interactions with Russia ............................................................ 29
           1.3.2.1 ‘West meets East’ ......................................................................................... 29
           1.3.2.2 Culture, Corruption, Gift-Giving, and Blat ................................................ 36
           1.3.2.3 CSR and Corporate Governance ................................................................. 43
       1.3.3 Frontier Theory ..................................................................................................... 48
2. Context and History ......................................................................................................... 51
   2.1 The Re-emergence of Russian Agriculture ................................................................. 51
       2.1.1 The Agrarian Sector of the Russian Empire .......................................................... 51
       2.1.2 Agriculture under the Soviet Union ...................................................................... 53
       2.1.3 Post-Soviet Reforms ......................................................................................... 59
       2.1.4 The Present Day .................................................................................................. 62
   2.2 The Global Relevance of Russian Agriculture ............................................................ 64
       2.2.1 Import Bans pre-Crimea ..................................................................................... 64
       2.2.2 Export Bans ........................................................................................................ 67
| 2.2.3 Crimea, Sanctions, and Self-Sufficiency | 69 |
| 2.2.4 Future Implications | 73 |
| 2.3 The Four Papers | 76 |
| 2.3.1 Paper 1: Corporate, Privately-Funded Foreign Direct Investment | 76 |
| 2.3.2 Paper 2: Corporate, Privately-Funded Foreign Direct Investment | 77 |
| 2.3.3 Paper 3: Smaller, Individual Private Foreign Direct Investment | 78 |
| 2.3.4 Paper 4: Corporate, Publically-Funded Foreign Direct Investment | 78 |

3. Methodology .................................................................................................................. 81

3.1 Research Design and Evolution ................................................................................. 81

3.2 The Research .............................................................................................................. 84

3.2.1 Accessing the Companies .................................................................................. 84

3.2.2 Research Approach .............................................................................................. 86

3.2.3 Analysis Frameworks ............................................................................................ 88

3.2.3.1 Paper 1: Cargill ............................................................................................... 88

3.2.3.2 Paper 2: Cargill ............................................................................................... 90

3.2.3.3 Paper 3: Smaller Foreign Investors ................................................................. 92

3.2.3.4 Paper 4: The Foreign ‘Flagship’ Agroholdings ................................................ 94

3.2.4 Positionality .......................................................................................................... 95

3.2.5 Truths ..................................................................................................................... 97

3.2.6 Ethics ...................................................................................................................... 98

4. Foreign Investment Adaptations to the Changing Political and Economic Environments of the Agro-Food Sector: A Case Study of Cargill Russia .......................................................................................................................... 101

4.1 Abstract ....................................................................................................................... 101

4.2 Introduction ............................................................................................................... 101

4.2.1 The Re-emergence of Russian Agriculture ......................................................... 103

4.2.2 Agro-food Corporations and MNCs .................................................................. 106

4.2.3 The Conventional Critique .................................................................................. 108

4.2.3.1 Agro-food Corporations and MNCs in General .............................................. 108

4.2.3.2 Cargill and the Other ‘ABCD’ Traders .............................................................. 112

4.3 The Research ............................................................................................................ 116

4.3.1 Methodology ....................................................................................................... 116

4.3.2 A Background to Cargill in Russia .................................................................... 119
4.4 Analysis ......................................................................................................................... 122
  4.4.1 Food Security ........................................................................................................... 122
  4.4.2 The Power to Shape and Constrain ....................................................................... 124
  4.4.3 Setting the Purchase Price ..................................................................................... 126
  4.4.4 Impact on Grain Prices ......................................................................................... 127
  4.4.5 Speculation, Priorities, and Early Information ....................................................... 128
4.5 Conclusion .................................................................................................................. 130

5. Fear, Hope, and Imagination in Agro-Food Foreign Investment: Experiences of Geopolitical-Geoeconomic, and Operational Uncertainty for Cargill Russia .......................................................................................................................... 133
  5.1 Abstract ..................................................................................................................... 133
  5.2 Introduction ............................................................................................................... 133
    5.2.1 Cargill in Russia .................................................................................................. 134
    5.2.2 Framing Uncertainty ......................................................................................... 136
  5.3 Methodology ............................................................................................................ 138
  5.4 Analysis ..................................................................................................................... 140
    5.4.1 Geopolitical-Geoeconomic Uncertainty ............................................................. 140
      5.4.1.1 Import Bans .................................................................................................. 141
    5.4.2 Operational Uncertainty .................................................................................... 143
      5.4.2.1 An Undeveloped Russia .............................................................................. 143
      5.4.2.2 Export Bans ............................................................................................... 144
      5.4.2.3 Corruption Environments .......................................................................... 146
      5.4.2.4 State-Level Discrimination ........................................................................ 148
      5.4.2.5 (Non-)Engagement with the State through CSR ...................................... 151
    5.4.3 Imaginative Approaches to Uncertainty ............................................................ 155
  5.5 Conclusion ................................................................................................................ 156

6. Adaptive Strategies of Smaller Foreign Investors in the Russian Agricultural Sector: Identity, Narrative, and Performance .................. 159
  6.1 Abstract ..................................................................................................................... 159
  6.2 Introduction ............................................................................................................... 159
    6.2.1 Krestyansko-Fermerskiye Khoziaistva ............................................................... 160
    6.2.2 Preconceptions, Perceptions, and Assumptions ................................................. 161
    6.2.3 Blat and Gift-Giving ......................................................................................... 164
6.3 Methodology........................................................................................................... 165

6.3.1 The Investors ........................................................................................................ 169

6.3.1.1 Investor 1: The Lone Ranger ........................................................................... 170

6.3.1.2 Investor 2: The Tolstoyan .............................................................................. 170

6.3.1.3 Investor 3: The Protean ................................................................................... 171

6.4 Analysis ..................................................................................................................... 172

6.4.1 Relationship with State Institutions .................................................................... 172

6.4.1.1 Discrimination ................................................................................................. 175

6.4.1.2 Maintaining Relationships .............................................................................. 175

6.4.1.3 Gift-Giving ....................................................................................................... 176

6.4.2 Relationships with the Labour Force .................................................................. 177

6.4.2.1 Prejudgment ..................................................................................................... 177

6.4.2.2 Assessment of the Labour Force .................................................................... 178

6.4.2.3 Management Styles ......................................................................................... 179

6.4.3 Adaptation on the Frontier .................................................................................. 181

6.5 Conclusion ................................................................................................................ 183

6.5.1 ‘Undoing Identity’ ............................................................................................... 183

6.5.2 The Future ............................................................................................................ 185

7. The Sinking of the Armada: Problems for the Three ‘Flagship’ Foreign Investment Agroholdings in Russia and Ukraine ........................................... 187

7.1 Abstract ...................................................................................................................... 187

7.2 Introduction ................................................................................................................ 187

7.2.1 The Problems of the Flagships .......................................................................... 188

7.3 Methodology ............................................................................................................. 192

7.4 Analysis ..................................................................................................................... 194

7.4.1 Navigating Corruption and Theft ....................................................................... 194

7.4.2 Navigating Governmental Issues ....................................................................... 200

7.4.2.1 Control ............................................................................................................ 200

7.4.2.2 Livestock Pressure .......................................................................................... 201

7.4.3 Navigating Geopolitical Crisis .......................................................................... 204

7.4.4 The Sinking of the Armada ................................................................................. 209

7.5 Conclusion ................................................................................................................ 215

8. Conclusion .................................................................................................................. 219
8.1 Key Themes of the Thesis ................................................................. 219
  8.1.1. Summaries of the Papers .......................................................... 219
    8.1.1.1 Cargill.................................................................................... 219
    8.1.1.2 The Smaller Foreign Investors............................................. 223
    8.1.1.3 The Foreign ‘Flagship’ Agroholdings .................................. 225
  8.1.2 Experiences of Failure ................................................................ 227
  8.1.3 The Effect of Investment Form.................................................. 231
  8.1.4 The Washington Consensus and ‘New Authoritarianism’........... 233
  8.2. Relevance of the Thesis to Wider Audiences .............................. 235
  8.3 Further Research........................................................................... 237

References ............................................................................................. 241
List of Figures and Tables

Figure 1. The UN FAO food price index correlation with food riots around 2008 and the Arab Spring. Death tolls are reported in parentheses (in Lagi et al. (2011: 3))

Figure 2. Global percentage change in yields between present and 2050 (World Resources Institute, 2013)

Figure 3. Profits of ADM, Bunge, and Cargill ($ millions) (in Murphy et al., 2012: 23)

Figure 4. FAO Food Price Index, 1990-2012 (2002–04 = 100) (in Murphy et al., 2012: 23)

Table 1. The operations of the three smaller investors

Table 2. The operations of the three smaller investors
1. Introduction

1.1 Research Outline

This thesis investigates the experiences of foreign direct investment (FDI) in the agricultural sector of the Russian Federation. The focus is on the form of FDI, and how each investor responds, and adapts, to the Russian operational environment. This is achieved through extensive research on three manifestations of FDI: corporate, privately-funded investment; corporate, publically-funded investment; and smaller, individual private investment. Of interest are the Russia-specific constraints that may be largely underprepared for by foreign investors, and unexpected events that occur in the Russian space that hamper the efforts of investors. This thesis, thus, informs the reader of the variable nature of the Russian agricultural sphere, and the problems that exist within its boundaries, and presents the stories of some of the foreign investors that have tried to penetrate its market, mostly since the collapse of the Soviet Union in 1991.

The thesis consists of four papers that have either been published, or submitted for publication, in academic journals, and utilises fieldwork that was conducted between 2013 and 2014. Amongst various further topics in this study, the research questions that this thesis analyses are as follows:

1. How do foreign investors assess, navigate, and adapt to, the Russian geopolitical-geoeconomic, and operational environments?

2. What are the foreign investors’ experiences of the Russian labour force, and regional and federal government?

3. How have major events, such as the crisis surrounding Russia’s annexation of Crimea affected the operation of the foreign investors?

4. Can the ventures of the foreign investors be classified a success?

These questions are interesting to ask for five main reasons: firstly, Russia has adopted a political agenda of self-sufficiency in agricultural production, as well as moving towards becoming a global exporter of agricultural goods, and foreign investment is expected to play a role in this; secondly, the global context of Russia involvement in food supply is paramount as populations are increasing, resources are becoming more scarce, and global environmental change is hampering food production; due to Russia’s position as a large agricultural exporter, major events that occur in this sector can have disastrous implications for countries elsewhere; recognising the opportunities in agriculture upon the collapse of the Soviet Union, foreign investors have assembled within the borders of Russia,
heightening academic attention; and lastly, after much hope for foreign investment, accounts are beginning to surface in academia and the media of the struggles that the investing companies are experiencing, yet, the reasons remain relatively unknown. The questions also speak to academic discussions on: theories of the transition; development; food security and food sovereignty; ‘land grab’ and ‘land acquisition’; corporate involvement in the agro-food sector, including corporate social responsibility (CSR); financialisation of the agro-food sector; Western business interactions with Russia, especially with the way ‘West meets East’; frontier theory; and ideas surrounding culture, corruption, gift-giving, and blat.

The research is situated within the fields of Human, and Economic Geography, but also draws on, and contributes to, the fields of Finance, International Business, Management Studies, Politics, and Russian Area Studies.

This first chapter of this thesis details the theorisations of the Washington Consensus, and its critique, before discussing Russia’s place under its umbrella, and the development of the dual state and ‘new authoritarianism’. Next, theorisations of foreign direct investment are discussed, focussing on its role in Russia, and emerging economies in general. Lastly, the contributions that this thesis makes to academic debate – in the areas of agrarian studies, Western business interactions with Russia, and frontier theory – are detailed, commenting upon the academic discussions mentioned above.

The second chapter provides the thesis with the history and context of the Russian agricultural space, discussing the re-emergence of Russian agriculture from the Soviet period, through the post-Soviet reforms of the 1990s and 2000s, and up to the present day. Next the global relevance of Russian agriculture is given, covering import bans, export bans, the crisis in Crimea, and the future implications with respect to Russia’s re-emergence. Lastly, this chapter provides a brief description of the four academic papers that form the main findings of this research.

The subsequent methodological chapter describes the research process, including my journey through the study, how the research evolved over time, how the foreign companies were accessed, the research techniques employed, and the analysis frameworks used in each academic paper. Lastly, this chapter discusses my positionality as a researcher, the relevance of the ‘truths’ in the research, and draws attention to the ethical considerations of the study.

Following this, the next four chapters constitute the four separate academic papers. The study of corporate, privately-funded investment is satisfied by the first two papers that focus on Cargill, a global trader, and the largest private company in the world. The third paper analyses three smaller, individual private investors who run farming ventures in Russia, and can be considered as foreign versions of the ‘peasant farms’ that were the early focus of post-Soviet agrarian reform. Finally, the study of three foreign ‘flagship’
agroholdings in the fourth paper provides the focus on corporate, publically-funded investment.

The findings of the four papers are presented, and the foreign investors experiences of failure in the Russian environment analysed. The effect of investment form of the investors is discussed to analyse the potential for success, before the investors’ relationship with the Washington Consensus, and existence under the ‘new authoritarianism’ of the Putin regime, is detailed. Finally, this thesis concludes with a discussion of the relevance of the research to a wider audience, and recommendations for further study.

1.2 Theory

Before attention is drawn to more specific areas of academia that this thesis contributes towards, it is important to detail the two main overarching theories that this thesis speaks to. The first concerns theorisations of the Washington Consensus, its critique in the academic spheres, and Russia’s development path under the watch of the Washington Consensus. The second relates to theorisations of foreign direct investment (FDI), its position as one of the pillars of the Washington Consensus, and how FDI in emerging economies, and agricultural FDI in Russia, are studied.

Whereas its precursor, the “Baker Plan” – which had used conditional loans to third world countries, in an attempt to encourage policy reforms that would lead to economic growth (Babb, 2013: 275) – was applied to the Global South, including Africa and South America, the Washington Consensus was principally applied to former communist countries to aid their transition to market-based economies, including Russia (Williamson, 2000: 261). The Consensus was a broad ‘Midas touch’ approach to development economics, whereby it was believed that once markets were liberalised, deregulation adopted, and assets of the state privatised, a movement towards a market economy would ensue. The agricultural sector of Russia was one such part of this larger equation, and though great changes were implemented, Russia was able to “check[] the enthusiastic embrace” of the Washington Consensus, and resist select aspects (Ban and Blyth, 2013: 248).

1.2.1 Theorisations of the Washington Consensus

Towards the end of the 1980s, John Williamson – a Washington think-tank economist – outlined, at a conference on the Latin American debt crisis, a set of ten policies that he believed Washington-based economists and policymakers agreed would aid the progress of developing countries (Babb, 2013: 269). These policy reforms were: “fiscal discipline; a redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care,
primary education, and infrastructure; tax reform (to lower marginal rates and broaden the tax base); interest rate liberalization; a competitive exchange rate; trade liberalization; liberalization of inflows of foreign direct investment; privatization; deregulation (to abolish barriers to entry and exit); [and] secure property rights” (Williamson, 2000: 252-253). Whilst Babb (2013: 275) writes that the main origin of the Washington Consensus came from the “Baker Plan” – a mid-1980s persuasive US government strategy for tackling debt in the third world – the Washington Consensus had, in fact, evolved from three waves of theoretical debate: the 1940s-1960s discussions on the accumulation of physical capital as the key to development; the later recognitions of human capital as an inflexible constraint to development; and the debates that began in the 1970s that “emphasized that the policy environment influenced the level and dominated the productivity of investment” (Williamson, 2000: 261). The Washington Consensus had, thus, endeavoured to summarise and amalgamate the differing opinions concerning the correct path of economic development (Ibid.: 261).

Williamson (2000: 251) later claimed that he had invented the term ‘Washington Consensus’ to “refer to the lowest common denominator of policy advice”, and – having received criticism from “Stiglitz…and others…for its ‘boilerplate’ approach to development policy that ignored national peculiarities in its haste to apply universalistic recipes” (Babb, 2013: 270) – later agreed with other academics that there should not be “some universal model that can or should be imposed on the world” (Geithner (1999: 8), quoted in Williamson (2000: 261)). He believed that his framework had been misconstrued towards a “popular, or populist, interpretation of…market fundamentalism or neoliberalism,…[and] laissez-faire Reaganomics – let's bash the state, the markets will resolve everything” (Williamson, 2000: 257). Indeed, Stiglitz (2005: 16) described the Washington Consensus as dictating that governments should “[get] out of the way, [so that] private markets [could] allocate resources efficiently and generate robust growth”, and, according to Babb (2013: 270) had “famously argued that it constituted a kind of ‘market fundamentalism’ – a dogmatic, literal interpretation of the principles of classical and neoclassical economics”. To these criticisms, Williamson had replied that the Consensus was neither “particularly radical or controversial among economists,…[nor] revolutionary” (Ibid.: 270).

Despite the Consensus being “primarily an intellectual product, created mainly by economic experts interpreting empirical evidence”, what was absent from consideration were the political dimensions of its application in the real world (Ibid.: 270). The precursory Baker Plan had suggested “a novel role” for the World Bank and the Inter-American Development Bank, in which they would be able to use conditional loans to third world countries to stimulate policy reforms that would lead to economic growth (Ibid.: 275), and in the 1990s, the Washington Consensus – centring on constructing institutional infrastructure, and largely headed by the World Bank, the International Monetary Fund (IMF), the Inter-American Development Bank, the US Executive, members of Congress, and other think tanks (Babb, 2013: 270; Stiglitz, 2005: 18) – was applied principally to former communist countries
to aid their transition to market-based economies (Williamson, 2000: 261). In exchange for policy reforms, the aforementioned international financial institutions (IFIs) provided loans; IFI resources were withheld in attempts to “defeat...non-reforming governments”, and given to those embracing reforms to “help[...] them stay in power and implement” the changes (Babb, 2013: 275-279). Stiglitz (2005: 20) writes that the “success of the Washington Consensus as an intellectual doctrine rest[ed] on its simplicity”, and that its implementation was achieved by “economists using little more than simple accounting frameworks”. Adopting this approach, the governments of developing countries privatised state-owned industry, dismantled barriers to trade, and largely reduced state intervention in the economy (Babb, 2013: 268).

Babb (2013: 289) argues that, really, the Washington Consensus was not an economic theory or list of reforms, but was rather a “transnational policy paradigm” implemented and embedded at both the level of the IFIs, and within the national governments that adopted the reforms; as well, interesting for this thesis, the policy paradigm has also become embedded in the practices of corporations (Ibid.: 271). The rewarding and non-rewarding of governments by IFIs thus highlighted the entangled “roles of transnational norms and transnational power”, and the conditionality placed on the loans “shifted national paradigms not directly, by forcing compliance, but indirectly, by benefiting some political actors over others in national political contests”, further helping to spread the Washington Consensus around the globe (Ibid.: 269-279).

The key tenets that reinforced the Washington Consensus policy paradigm were: its “powerful and enduring framework”; its ability to stipulate “both the instruments that should be used...and the goals that the policy should be addressing”; its agreement with acknowledged academic ‘wisdom’ that resisted the changing forces of new vogues of politics, but was, nevertheless, still shaped by political processes; the realisation of its coercive power; and its institutionalisation as “a set of taken-for-granted assumptions and routine practices within state bureaucracies” that insulated the policies from pressures to change (Ibid.: 270-271). Its spread through the international scene can be explained by “institutionalist theories in organizational sociology” which contend that as “organizations – including states, private firms and international organizations – have interests of their own, but are also constrained by their environments”, their adoption of similar features is a result of “common environmental pressures” (Ibid.: 272). In the case of policy paradigms, these pressures are normative (where examples include the reliance on expert knowledge), and coercive (where the abovementioned rewarding and non-rewarding creates “coercive isomorphism” as organisations begin to align with one another) (Ibid.: 272-274), and can interact such that “these normative factors may be channelled and amplified by coercive pressures from powerful organizations” (Ibid.: 290). Although the nomenclature of ‘coercion’ may imply the use of physical force, “here it is used to refer to a broader range of mechanisms that may be set in motion wherever one organization possesses more power than another” (Ibid.: 274).
Contrary to its adoption across the globe, the Washington Consensus was, ultimately, deemed to be a failure (Williamson, 2000: 260). Stiglitz indicated its replacement with a post-Washington Consensus, though Williamson (Ibid.: 260) disagreed with Stiglitz’s analysis, questioning “why Stiglitz would want to propagate a post-Washington Consensus that implied endorsing and extending the original version, given his interpretation of what was included in it”, and arguing that Stiglitz’s view did “not endorse” but rather “supersede[d]…[and] differ[ed] from the original”. Babb (2013: 285) contended that as a “policy paradigm shift...[requires] the rise of a competing paradigm that radically alters” the associated goals and instruments, Stiglitz’s post-Washington Consensus, instead, was somewhat of an “adaptation within the existing paradigm”: “in this sense, the Washington Consensus lives on”. Although it is evident that some powerful developing country governments – including Russia – implemented economic policies that significantly differed from the Washington Consensus – including placing conditions on foreign investment – they were, nonetheless, “pursuing policies that [we]re not that far removed from those prescribed by the original Washington Consensus”, indicating “second-order variants within the old paradigm” (Ibid.: 285). As such, when it eventually became apparent that the IFIs had “abandoned the Washington Consensus in favour of a new policy paradigm”, Babb (2013: 287) remarked that the changes were “more evolutionary than revolutionary”.

1.2.1.1 The Critique of the Washington Consensus and Transitology

As well as the criticism that was aimed at the coercive pressure of the IFIs that led to coercive isomorphism within organisations, and the adoption of a ‘failed’ paradigm, other critiques of the Washington Consensus have emerged. As discussed above, Stiglitz had criticised Williamson for the ‘boilerplate’ approach of the Washington Consensus, in which the bureaucracy involved with large IFIs, and the standardised initiatives that they were prone to implement, resulted in “the same recipe...[being] prescribed for all, irrespective of particular circumstances”; Stiglitz specifically blamed this ‘boilerplate’ approach for “the Asian financial crisis of 1997–98, including its classical austerity measures and the removal of capital controls” (Babb, 2013: 280).

The beliefs in the power of the markets were also scrutinised, not least by Williamson himself. Williamson (2000: 251-252) wrote of how he felt that the term “Washington Consensus” had become “significantly different from that which...[he] had intended”, and had altered to become synonymous with the “extreme and dogmatic commitment to the belief that markets can handle everything”. This ‘Midas touch’ approach to transitology – whereby advocates believed that once market prices were liberated, a market economy would be established that engaged with the global economy-polity – was, as Williamson claimed a perversion of his ideas, and he did not agree with his design’s association with notions of “neoliberalism”, and “market fundamentalism” (Ibid.: 251-252). Moreover,
Williamson (2000: 251) contended that “the latter policies could not be expected to provide an effective framework for combating poverty”.

The adoption of the Washington Consensus brought with it specific problems, including the much maligned rapid privatisation process. Both Williamson and Stiglitz agreed that rapid privatisation raised “substantive questions”, and, although it can create competition within an economy, both were “skeptical about voucher privatization” as a means for achieving this (Ibid.: 256). In Russia, the “insider-voucher privatization that occurred…allow[ed] [for] the plunder of state assets for the benefit of an elite”, which went against the original intention of creating a “well-conducted privatization with [a] competitive bidding” process (Ibid.: 258).

The Consensus was also deemed to be guilty of policy oversight. Stiglitz (2005: 19) believed that through focusing on trade liberalisation, deregulation, and privatisation, the policy makers of the Washington Consensus “ignored other important ingredients, most notably competition, that are required to make an effective market economy”. He described the policies as incomplete, and “sometimes misguided”, and cited examples of the ignored issues such as “sound financial regulation, competition policy and policies to facilitate the transfer of technology and to encourage transparency” (Ibid.: 16). Babb (2013: 279) wrote that just over a decade after Williamson first proposed the Washington Consensus, the “editor of Foreign Policy observed the rise of a new ‘Washington Confusion’” in which the IFIs were increasingly adding to the list of policy reforms, resulting in “heated” debates amongst experts in the fields of development, and other areas of academia and the media. Williamson (2000: 251) opined that future policy frameworks “designed to eliminate poverty need[ed] to go beyond the original [Washington Consensus] version” as it was, effectively, inadequate, and noted, in 2000, that “no consensus on a wider agenda [did] currently exist[]”.

In contrast to the issues of policy oversight were concerns that the conditionality placed by the IFIs created “mission creep”, whereby the IFIs made themselves “vulnerable to pressures to expand their activities and took on reforms that went far beyond Williamson’s original ‘consensus’ list” (Babb, 2013: 281). The new adopted conditions were often debated amongst certain sections of economists, and, in some cases, were outright “opposed by…mainstream economists” (Ibid.: 281-282). An example of this concerned the International Monetary Fund (IMF) who “controversially…promote[d] capital account liberalization (the removal of government controls on the speculative movement of capital in and out of a country)”; some academic observers drew attention to the apparent involvement and pressure from the US Treasury and Wall Street in this, whilst others blamed the “slant” of the employees within the IMF (Ibid.: 282).

A major criticism of the Consensus relates to the appearance that it was, in part, created to further the interests of the US. Babb (Ibid.: 277) writes that the Washington Consensus was borne out of the thinking of US policymakers as to how the IFIs – “particularly the World
Bank and regional development banks” – could aid the interests of the US “not as tools for assuring national security by providing resources to the Third World, but as guarantors of American economic interests”. Due to the debt crises afflicting much of the developing world at the time, many countries were in a “notably poor bargaining position”, which made it far more probable that the loans provided, and the conditionality insisted upon, would engender the desired reform (Ibid.: 277). However, under the G20, countries – especially the BRICs – have been able to lobby for reform in the IFIs, and a “more democratic” voting system that is not dictated by the US and G7 (Ibid.: 283). This has led to the World Bank and IMF implementing “changes to their voting structures”, though these changes have been less than the lobbying countries had hoped for, especially as the US has retained its ability to veto within both organisations (Ibid.: 283).

Further to US-related interests, there has been disapproval at the unevenness in compliance to the conditions of the IFIs’ loans, especially amongst those deemed ‘friends’ of the US. Babb (2013: 278) notes that governmental compliance to the conditions set on the IFIs’ loans depended on the “respective bargaining power” of the IFIs and the government, and that this resulted in “strategic allies of the US…receiv[ing] lighter punishments for non-compliance than less important borrowers”. Compliance was more probable in instances where the “IFIs served as gatekeepers to the governments’ access to the resources of powerful third parties, such as portfolio investors, private banks and other international organizations”, with the IMF particularly identified as “the leader of a global ‘creditors’ cartel” (Ibid.: 278). Yet, on the flip side, some countries – predominantly sub-Saharan African – who Babb (2013: 278-279) describes as having “little to lose by breaking their commitments”, became “famous” for dodging compliance, by receiving initial payments as part of the loans, inadequately implementing reform, and then having to renegotiate subsequent new loans from the start, forcing the IFIs to “lend into arrears”.

Ultimately, the Washington Consensus was open to the possibility of disconfirmation; as the Washington Consensus was essentially an “unprecedented, global natural experiment on the effectiveness of liberal policies in developing countries”, it created many avenues for evidence to gather that seemed to disagree with its hypotheses (Ibid.: 280). In Latin America, the rise of left-wing leaders in government in the 2000s left the Washington Consensus open to criticism that it “had failed to deliver on its promises and hurt the most vulnerable, and that IFI conditionality was best avoided whenever possible” (Ibid.: 282). As well as the view that reforms in Latin America had largely failed to produce economic growth, financial crises in Mexico, East Asia, Russia and Argentina “suggested to some that the Consensus was flawed” (Ibid.: 280). Reasoning for this failure varied: Stiglitz, during his time as a chief researcher the World Bank in the late 1990s, claimed that the IMF had, in fact, made problems worse for developing countries through its vision that was “blinded by market fundamentalist ideology”, and was later fired by the World Bank after pressure from the US Treasury; “Congressional Republicans in alliance with conservative think-tanks such as the Heritage Foundation and the Cato Institute” forwarded the notion that the
Washington Consensus had been unsuccessful “not because the recipe was mistaken, but because it had not been followed”; and the position was taken by the “World Bank, the US Treasury and think-tanks close to the US Treasury, such as the Institute for International Economics (IIE)” that the Washington Consensus was in principle accurate, but had oversight with respect to institutional and legal frameworks that the markets were in need of, such as “bankruptcy law and independent judiciaries” (Ibid.: 280-281). In the end, this latter position was adopted with US support, and entered into IFI conditionality rules as part of the “‘augmented’ or ‘second generation’ version of the Washington Consensus” that indicated a “a kinder, gentler Consensus – one that did not assume that markets worked perfectly or that they could adequately address the issues of the poor” (Ibid.: 281).

The Washington Consensus was, thus, “weakened by its own unintended consequences, by political forces both within Washington and worldwide and by intellectual changes in the field of economics”, and had been brought about by a “shift[] in the international balance of power and within the field of economics” (Ibid.: 268-269). It became evident that apparent alternatives to the Washington Consensus arose during the time of its global application. In the 2000s, Argentina, that was “once considered a leading Washington Consensus success”, experienced a currency crisis that the IMF “appeared to exacerbate”, causing the country to default on its private debt (Ibid.: 282-283). The IMF offered advice as to Argentina’s recovery which the country ignored, and upon evidence of its “robust recovery”, many observers noted that it was “both possible and desirable to flout the IMF’s advice” (Ibid.: 283).

As well, the East Asian development, described as the “Asian miracle” became “one of the motivations for moving beyond the Washington Consensus”, as Asian countries that had not fully adopted Washington Consensus policies “somehow managed the most successful development in history” (Stiglitz, 2005: 17). Although some of their policies were also part of the Washington Consensus – “low inflation and fiscal prudence”, for example – others were not, especially those concerning industry, which was “actually contrary to the spirit of the Washington Consensus” (Ibid.: 17). However, Stiglitz (2005: 17) believed that, even though these examples “challenge[d] the privatization ideologues who suggested that such successes are at best a fluke, and at worst impossible”, nonetheless, nationalisation of these industries was not advisable. Babb (2013: 283) has explained that emerging from these events are a “group of developing countries...[that are] willing to take IFI advice only selectively and under circumstances of their own choosing”. Russia is one such country having been a “repeat IMF customer”, and as part of the BRICs has “insulated [itself]...by accumulating large currency reserves” (Ibid.: 283). How the country has adopted aspects of the Washington Consensus is, therefore, still of interest, and this thesis aims to add to this curiosity by focusing on one of the ten Washington Consensus policy recommendations: foreign direct investment.
1.2.1.2 Russia and the Washington Consensus

Ban and Blyth (2013: 241) highlight that there is still little scholarly attention paid to the relationship of the Washington Consensus and the emergence of the BRICs countries (Brazil, Russia, India, China, and South Africa). Moreover, Russia is often analysed as one member of this group, despite its display of unique separative characteristics of its own. The BRICs have been shown to have grown apart from the ideas and policies of the Washington Consensus paradigm, whilst appearing to be “compliant”, as they “attempted to balance their adoption of select parts of the Washington Consensus template while defending and often reinventing the relevance of state-led development policies” (Ibid.: 241). As such, the BRICs “play[ed] a special role in this drama”, as they showed striking economic growth in a world “dominated by neoliberal economic ideas and narratives about the dos and don’ts of development”, whilst salvaging the role of the state in developmental issues, and retaining a larger amount of policy autonomy than others in the ‘Global South’ (Ibid.: 242).

Despite this tendency to focus on Russia as one of the BRICs, Rutland has commented specifically on the Russian case, and two factors – one political, and one ideational – that, in the 1990s, “checked the enthusiastic embrace” of the Washington Consensus (Ibid.: 248). Commenting on his work, Ban and Blyth explain how there was an issue with the “ideational environment” of Russia, as “in the Russian context, it was hard to package market liberalization as a re-assertion of Russian national identity” (Ibid.: 248). Further, during these early years of the Russian Federation, the managerial elites and potential oligarchs looked to “prey” on the resources of the state, and their interests did not align with the motivations of the technocratic elites who were attempting to adopt the Washington Consensus (Ibid.: 248). The subsequent implemented policies “diverged considerably from the prevailing neoliberal orthodoxy”, and were deeply seated in the self-interest of the elite decision makers (Rutland, 2013: 332); as Rutland (2013: 357-358) explains, “neoliberalism...had been twisted and selectively deployed to suit the political conditions of Yeltsin’s Russia”. Despite this, some of the core tenets of the Washington Consensus were adopted – for example, “prices were freed and international trade and currency flows opened up” (Ibid.: 332) – though there were still “policy Potemkin villages dott[ing] the policy landscape everywhere in post-communist Russia” (Ban and Blyth, 2013: 248).

According to a World Bank Conference report in 1999, many observing Russia at the time contended that the reforms were “too fast and radical, criticizing ‘shock therapy,’ neoliberalism, monetarism, and privatization”; yet, the 1998 financial crisis had shown that “reforms ha[d] not been radical or fast, but slow and partial, [with t]he state remain[ing] large and pervasive” (Åslund, 1999: 399). Hellman (1997: i) described this as a “partial reform equilibrium” within which Russia had found itself held. The transition process had created vast short-term gains for a select few, especially those who could benefit from the market distortions that partial economic reforms engendered. These few, having gained an early advantage, saw no reason to do away with the distortions from the initial reforms, and
so stifled efforts of further economic reform to freeze the economy in this equilibrium (Ibid.: i). Examples of these “winners” included: “the enterprise insiders who ha[d] become new owners only to strip their firms’ assets;...commercial bankers who ha[d] opposed macroeconomic stabilization to preserve their enormously profitable arbitrage opportunities on distorted financial markets;... local officials who ha[d] prevented market entry in their regions to protect their share of local monopoly rents; and...super-rich ‘mafiosi’ who ha[d] undermined the creation of a stable legal foundation for the market economy” (Ibid.: 1-2). The resulting economic situation gave “concentrated gains to a narrow range of groups, while imposing substantial costs on the rest of the population”, and highlighted that the primary obstacles to economic reform did not constitute those who looked to reverse the initial reforms, but rather those that impeded Russia from moving past the partial reform barrier (Ibid.: i). Russia had, therefore, experienced “a struggle between [the] reformers and rent seekers, [and] for the most part the reformers ha[d] lost” (Åslund, 1999: 400).

Hellman (1997: i) stated that the “main political challenge of the reform process...[had been] recast from one of marginalizing the short-term losers to constraining the short-term winners”, and this challenge seemed to be accepted upon Putin’s ascension to power. Putin’s presidency brought with it a reassertion of state power, and a reduction in the political power of the oligarchs, as “state control over strategic sectors such as energy and banking” was re-established (Ibid.: 248). A “commodity boom and...subsequent decoupling from IFI conditionality” allowed the Russian government to view the Washington Consensus as “a malleable set of policy constraints within which radical policy experimentation became possible”, rather than the restrictive policy framework that they felt it had become (Ibid.: 248); the government was, thus, effectively able to ignore aspects of the Washington Consensus, and “evade the policy conditionalilty” (Ibid.: 245-246). Though problems still remained for Putin, the “liberalisation, stabilisation, and privatisation of the 1990s” had created a basic framework for a market economy, which was an “impressive...achievement”; recognising this, by 2001, the World Bank moved to wipe Russia off from its ‘crisis list’ (Sakwa, 2008: 287, 299). This “metamorphosis” and “reb[irth]” of neoliberalism under Putin gave a “prominent role for the state in...economic strategy”, and moved past the traditional “‘neoliberal’ approach to economic development” (Rutland, 2013: 358).

Describing Russia now as a “corrupt, oil-dependent and state-centered economy” that lacks democracy, Rutland (2013: 332) states that it greatly differs from what the reformers had envisioned. Critics claimed that “Russia [had] suffered from an overdose of ‘market fundamentalism’”, whilst neoliberals believed that Russia had not taken sufficient steps to “unleash[] genuine market forces” (Ibid.: 332). This notwithstanding, Russia has integrated into the global economy, and it has achieved this feat “at the same time [as] preserving many of the institutional features that are the product of its unique geography and historical heritage” (Ibid.: 332). Its integration, though, has only moved Russia into the “semi-periphery” (Bradshaw, 2001: 30) of the capitalist world-economy (Wallerstein, 2004: 11).
This has meant that Russia has remained as a large exporter of resources – mainly energy – that has “overridden the policy prescriptions of global ‘best practices’ in promoting sustainable economic development” (Rutland, 2013: 358).

1.2.1.3 Russian Society and Politics Today

As will become apparent through the reading of this thesis, the discussion of the Washington Consensus in the previous sections is essential for the contextualisation of foreign investor opinion. Indeed, as will be shown, foreign investors largely expected Russia to be ‘maturing’ on a path similar to that described by the Washington Consensus, and did not seem prepared for the reality of the political, cultural, and social conditions of Russia. As such, the foreign investors experienced problems that conflicted with the recommendations of the Washington Consensus, and were surprised and annoyed by the operational environment that differed from that of Western economies. What is apparent is that the foreign investors were not aware of the current circumstances in Russia, created, as above, by the country’s partial reform path. Though some of these aspects may have been quite difficult to predict – especially for those investors with no experience in the agricultural sector – others possibly should have been better foreseen, especially given the extensive research available in the public, academic, and business domains.

Ledeneva (2013: 2) explains that despite Russia “already in some ways [being] modern, or even post-modern”, it is considered, amongst modernisation discourse, as “in some way pre-modern”. It has made many technological, cultural, and educational advances, but is still viewed of as underdeveloped, especially due to its reliance on natural resources (Ibid.: 2-3). These notions – as is examined in section 1.3.5 of this thesis – also extend to the business environment, the Russian people, and the Russian labour force.

The existence of informal networks in Russia – examples of which include favours, agreements, connections, and exchanges, discussed further in section 1.3.5.2 – is well documented, but their persistence beyond Russia’s transformation to a market economy was, somewhat, unexpected, especially by those attempting to predict the outcome of reform (Ibid.: 11). It was believed – in a similar fashion to other Washington Consensus trajectories – that “markets would take care of the functions that used to be performed by informal networks” as the centralised system was replaced; however, these networks have not only failed to weaken, but their pervasiveness has amplified, especially in new, evolving sectors of the economy (Ibid.: 11). The “legacy of socialism,...and the Soviet grip” is denounced as the reason behind the continuation of these informal networks, but, as Ledeneva (2013: 11, 20) describes, their ability to “problem-solv[e]” and enable “things [to] get done in practice” should not be disregarded as a primary cause of their prolongation.
Analysing the term “sistema”, Ledeneva (2013: 19-20) highlights that it ambiguously covers ideas of perceptions of power, systems of government, and organisation of governance, but, due to its many interpretations, it can similarly relate to “the political system,...the economy,...specifics of leadership and bureaucratic order”. Current day sistema – Putin’s system of governance – is typified by the paradox of “adher[ance] to official rules and formal procedures but also [the] following [of] unwritten codes and practical norms” (Ibid.: 20). Thus, there is “potency and complexity...[in] Russia’s power networks,...[as well as] imperfections...[within the] state institutions” (Ibid.: 20).

The partial reforms have created, as Boris Yeltsin termed in 1999, “a hybrid of the two systems”, between a market economy, and a planned and command economy (Åslund, 1999: 399). Not only this, but commentators have pointed to “significant element[s] of pluralism” (Lukin, 2009: 66) that have emerged within Russian politics, and the formation of a “dual state” that incorporates both democratic and authoritarian features (Sakwa, 2010: 187). Much of the politics is practiced in the “charged zone” between the “normative state”, that contains the formal constitutional order, and the “administrative regime”, that encompasses the “world of informal relations, factional conflict, and para-constitutional political practices” (Ibid.: 185). Sakwa (2010: 185) states that Russia cannot be simply considered as an outright, sole authoritarian regime, as in the formal sense, it remains loyal to constitutional democracy and liberal capitalism. However, some of the actions undertaken are “authoritarian in spirit”, though “the formal niceties of a constitutional democracy remain pre-eminent” (Ibid.: 186).

Putin’s sistema, therefore, still includes elements of the “administrative-command” that was seen under Brezhnev’s brand of socialism, but the power networks that centred on procuring privileges are instead focused on the generation of monetary income and capital (Ledeneva, 2013: 248). As such, “the party ideology has given place to market interests, state property to privatised assets, informal exchange of favours to monetised kickbacks, planning to the constraints of global finance, local-bound infrastructure to hi-tech technologies and overtly command methods to more subtle informal signals” (Ibid.: 248). The informal forms of governance that exist here hinder the ‘reformation’ of sistema, and the informality cannot be replaced whilst benefits are still present in its continued use (Ibid.: 252). Advantages are apparent amongst the informal networks; for example, it can help the state to leverage support from the business world for corporate responsibility in “political, social, youth, environmental and charity programmes” (Ibid.: 252). However, there can also be a detrimental flipside to this equation, with the state able to exercise control over “the media, bureaucracy and judiciary as well as parts of the economy” (Ibid.: 252). Ultimately, the use of informal networks weakens the rule of law, discourages the separation of powers, and brings insecurity to property rights. This undermines Russia’s overarching strategy of modernisation, and is termed by Ledeneva (2013: 252) as the “‘modernisation trap of informality’: one cannot use the potential of informal networks without triggering their negative long-term consequences”.

13
The existence of the dual state would not be conceivable without popular support amongst the Russian people. Putin’s semi-authoritarianism – branded “new authoritarianism” by some academics (Lukin, 2009: 87) – has been made possible by the political control over “election bodies, the parliament, courts, regional authorities, the party system, and...the media” (Ibid.: 66); however, though the state-controlled media would have had some influence over public opinion, another reason for his popularity has to do with what Lukin (2009: 67) terms the “public political ideal”. Through the hardships of the 1990s, the Russian population had largely grown critical of “everything associated with democracy and pro-Western liberalism”, as it did not bring with it the opportunities and freedoms that were promised (Ibid.: 74). People felt that they were short of wealth, and prosperity, and rejected the need for political rights, aiming their “dissatisfaction...[at Yeltsin’s] institution of elections and politics in general” (Ibid.: 74). Democracy had let the population down, and as public apathy felt towards democratic politics spread, so favour turned towards more authoritarian politicians who had promised a ‘restoration of order’ (Ibid.: 85).

Upon Putin’s accession, the liberal agenda was relaxed, and ‘national projects’ introduced consisting of state investment in “major socially important areas”; this had the effect of moulding politics towards social objectives that were in the public interest, and, as such, increased Putin’s popularity by moving policy “much closer to the Russian public political ideal” (Ibid.: 76). Indeed, the majority of Russian people are now “rather satisfied with...such paternalistic, authoritarian rule” (Ibid.: 85). As Lukin (2009: 87) explains, the development of ‘new authoritarianism’ in Russia was “a response to a failed attempt to implement Chicago school-type monetarist reforms in a country that was totally unprepared socially, psychologically, culturally, and economically”.

Putin’s ‘new authoritarianism’ has allowed for a number of great changes within the Russian Federation. The crackdown on independent media has been well canvassed by the international community, and, certainly, much of the media is now either directly state-owned, or under the ownership of Kremlin-friendly oligarchs (McFaul and Stoner-Weiss, 2008: 70). This has not only included television media, but also print, online, and radio outlets, whilst, at the same time, Russia has become the “third-most-dangerous place in the world to be a journalist” (Ibid.: 70). The autonomy of parliament has dwindled, property rights have been undermined, the operations of NGOs have come under risk, and public assembly – especially for the purposes of protest – is now largely regulated (Ibid.: 72-76).

Important to the research contained within this thesis, Putin also moved to lessen the autonomy of the regional governments (Ibid.: 71). Seven supraregional districts were created, controlled by “former generals and KGB officers”, and these were tasked with overseeing the federal agencies, “many of which had developed affinities with the regional governments during the Yeltsin era” (Ibid.: 71). Regional governors were reigned in, elections were “rigged” to discipline the governors who fought Putin’s aims, and some governors were even investigated “as a way of undermining their autonomy and
threatening them into subjugation” (Ibid.: 71). In 2004, Putin began to appoint his own regional governors, declaring that this would render them “more accountable and effective”, and now, there has not been a regional election for an executive office post since 2005 (Ibid.: 71).

Given the current climate of political ‘new authoritarianism’ – supported by the majority of the public population – and the control exerted at the federal level on regional government, it would be expected that the regional governors themselves would have, as one of their primary concerns, an inclination to appease and impress federal government, if not Putin himself. This is an interesting notion to bear in mind, especially in the reading of this thesis, and the experiences of the foreign investors who encountered a great deal of conflict with the regional authorities. As will be shown, the investors were surprised by, and, indeed, fought against the requirements placed upon them by regional governors; regional governors who seemed to be implementing a federal-level strategy surrounding food security. The consequences of the foreign investors’ presumptions of Russia – particularly the intriguing inclination to believe that Russia was continuing to develop along the lines of the Washington Consensus, despite evidence of the creation of the dual state and ‘new authoritarianism’ within its borders – are discussed further in the conclusion chapter. Undoubtedly, it should be paramount for any foreign investor, as part of their business model preparations, to gauge the political, cultural, and social conditions of Russia; certainly, opinion of foreign investment within Russia has been stated, and reiterated many times:

In his annual address to the Federation Assembly in April 2007, Putin struck a note of paranoid nationalism when he warned of Western plots to undermine Russian sovereignty. “There is a growing influx of foreign cash used directly to meddle in our domestic affairs,” he asserted. “Not everyone likes the stable, gradual rise of our country. Some want to return to the past to rob the people and the state, to plunder natural resources, and deprive our country of its political and economic independence.” (McFaul and Stoner-Weiss, 2008: 73)

1.2.2 Theorisations of Foreign Direct Investment

1.2.2.1 Russian Foreign Direct Investment under the Washington Consensus

Attention paid in the literature as to the role of FDI in the Washington Consensus is vague, and FDI is more referred to as a prescriptive necessity to engender reform without the causational links explained by the Consensus in depth. Like transitology, FDI also suffers from the ‘Midas touch’ approach, whereby it was believed that once barriers to entry were removed from developing countries, FDI would simply ‘flood in’. 
Williamson (2000: 258) described that FDI was necessary to “raise growth and spread technology”, as long as import restrictions were not so disproportionate as to cause “immiserizing growth”, where economic growth could result in a country being worse off than before. Stiglitz (2005: 23-41) listed FDI as a stable source of capital and knowledge, a catalyst for increasing output to the benefit of society as a whole, a mechanism that provides an important source of competition from abroad, and one that helps to promote the adoption of free trade principles, though these “potential trickle down[s]...[are] not necessarily rapid or comprehensive”; however, on the flip side, Stiglitz (Stiglitz, 2005: 41) did state that FDI could also “increase inequality” by raising the “marginal products of those who are already more productive”.

Bradshaw (2001: 40) wrote how “the World Bank and EBRD would have us believe that there is a clear relationship between reform and level of FDI”, yet, during the economic recovery of East Asian countries that prompted the writing of the World Bank’s East Asian Miracle study in 1993 (World Bank, 1993), Williamson (2000: 253-254) described how the policies that these countries adopted were at odds with the policies of the Washington Consensus, and partially “hostile to a policy of openness...[with] the Republic of Korea reject[ing] most foreign direct investment during the years of the miracle”.

Further, as Bradshaw (2001: 40) noted, the World Bank (1996) and European Bank for Reconstruction and Development (1999) seemed to misjudge aspects of the way in which FDI develops and is adopted, especially in the case of Russia which was ranked fourth in 1999 in terms of cumulative foreign investment in the Central and Eastern European Countries (CEEC), and the Commonwealth of Independent States (CIS). The World Bank (1996: 64) stated that “all foreign investors have the same concerns”, centring on such issues as transparency, and stability in the legal, political, and economic environments, but, as Bradshaw (2001: 40) explained, “these attributes [we]re sadly lacking in many of the transition economies” such as Russia, and, therefore, did not seem to be as great a deterrent to FDI as predicted. As well, the assertion of the EBRD (1999: 61) that “foreign direct investment can be a crucial catalyst in the transition, but is more likely to be directed to countries with a strong reformist commitment” did not explain Russia’s high ranking in cumulative FDI, given the fact that Russia was (and is) far from a fast-reforming economy (Bradshaw, 2001: 40-41).

Russia’s “modest level[]” of FDI achieved in the early 2000s occurred whilst a “very basic[]” market economy was not present, and FDI was, evidently, driven by the “desire to gain access to the region’s natural resource wealth, particularly oil and gas”; indeed, “more than 50 percent” of FDI in Russia was in the energy sector (Ibid.: 42). The country had, thus, been able to attract FDI whilst remaining largely “disengaged” from the global economy, and this had continued its “resource-oriented export profile”, with the country’s “foreign trade structure dominated by imports of food and manufactured and consumer goods, and
exports of raw materials” (ibid.: 42). Bradshaw (2001: 42-43), therefore, contended that FDI had aided the maintenance of the “peripheral process”.

1.2.2.2 The Study of FDI in Emerging Economies

Dunning and Lundan (2008: 79-82) explain that “prior to the 1960s there was no established theory of the MNE or of FDI”, and before this time, economic academics were only interested in the location of Multinational Enterprise (MNE) activities, and largely ignored the ownership and organisation of economic activity. The 1960s-1970s saw a wave of theories that attempted to explore the “initial decision of firms to engage in FDI”, before the next fifteen years expanded upon MNE activity, and the emergence of the global corporation (ibid.: 82). Around the 2000s, there had been considerable advancement on the understanding of “systemic characteristics of multinational firms and their network of activities, the equity and non-equity relationships that comprise that network, and on the creation, accessing and management of all kinds of knowledge by its members” (ibid.: 82), and towards the end of the decade, Dunning and Lundan (2008: 79) urged that economic academia “must then seek to explain both the location of value-adding activities, and the ownership and organisation of these activities” drawing upon two economic theories: the theory of international resource allocation, and the theory of economic organisation. The modality of these activities, Dunning and Lundan (2008: 80) indicate, are to “some scholars...the only real question of interest”.

Whereas theories of international resource allocation look to study the “spatial distribution of factor endowments and capabilities” – in other words factors such as land, labour, and capital that can be exploited for production purposes within a given space – theories of economic organisation are concerned with the ownership of that production, and “the ways in which the transactions relating to it (including those which may impinge on its location) are managed and organised”. As such, theories of economic organisation concentrate on such aspects as garnering a company’s management decisions, risk management policies, and organisational structure.

Further, Dunning and Lundan (2008: 80-81) describe a “unit of analysis” spectrum that is defined by its “Marxist tradition” pole – consisting of the “view th[at] internationalisation of firms a[re] an inevitable outcome of the capitalist system, and...a means of increasing the monopoly power of the investing firms and/or countries” – and its “other end” pole of “theorists [whom] have sought to identify the main factors that determine the foreign investment decision process of firms”. Lying between these poles, are “three main theoretical streams of thought”: the first concerning “why countries engage in FDI”; the second “more interested in the behaviour of the individual business enterprise”; and the third “address[es] the question of why firms of one nationality are better able to penetrate foreign markets than indigenous firms located in those markets, and why they wish to
Foreign Direct Investment in the Russian Agricultural Sector

control value-added activities outside their national boundaries” (Ibid.: 80-81). Dunning and Lundan (2008: 81) explain that it is necessary to differentiate between these three streams as “what may be an exogenous variable in one may be endogenous in another”.

It should be noted though, that Dunning and Lundan (2008: 81) admit that there is not an “all-embracing explanation of international production...[nor is it] possible to formulate a single operationally testable theory that can explain all forms of foreign-owned production any more than it is possible to construct a generalised theory to explain all forms of trade, or the behaviour of all kinds of firms”; there is “only a correct answer to particular questions”, and, in endeavouring to answer these questions, it will, inevitably, “add to our understanding about the cross-border organisation of economic activity”.

1.2.2.3 Studying Agricultural FDI in Russia

As studying foreign investment in the agricultural sector of Russia is still quite a novel area in terms of theory, it is important to draw upon theoretical streams of foreign investment in other sectors of Russia. Addressing the theory discussed above, amongst other topics, this thesis speaks precisely to understanding the systemic characteristics of the companies studied, and to the facets of knowledge within agricultural foreign investors, drawing attention to location, ownership, and organisation. This thesis is not one of applied economics – indeed it is a multidisciplinary approach of studying agricultural foreign investment in Russia, heavily grounded in the understandings of Human Geography – yet, it is important not to discount the theoretical aspects of economics that are relevant, as in this case.

Dunning and Lundan (2008: 80) explain that academics exploring the nature of MNEs and FDI “address themselves to related, but very different questions”, starting primarily from “‘Why do firms own foreign production facilities?’; or ‘Why do firms locate their activities in one country rather than another?’;...or ‘Under what conditions will firms...engage in FDI?’”. These basic questions are answered throughout this thesis, and expanded upon to contribute to the theories of resource allocation, and economic organisation; as such, towards the end of chapter two are listed the contents of the four papers of this thesis that speak to these two theories. Further, as shall become evident, this thesis is, indeed, aligned upon the “unit of analysis” spectrum of Dunning and Lundan (2008: 80-81), and is more concerned with the second stream of theoretical thought that they have outlined – “more interested in the behaviour of the individual business enterprise” – but can also comment upon, and provide interesting insight into, the other two streams.

Meyer (2004: 259) writes that as MNEs “play a pivotal role in the development of many emerging economies”, the objective of his work has been to inspire more “scholars to engage in research on positive and negative spillovers from foreign direct investment (FDI)
in emerging economy societies”. Due to the interaction of business with “institutions, organisations, and individuals”, these spillovers are becoming a “focal point” in the popular debate on the merits and dangers of globalisation, especially when it comes to developing and emerging economies (Ibid.: 259). As a starting point, Meyer (2004: 259) believes that studies on “individual firms...would enhance understanding of the interaction between MNEs and the local environment”, and urges “scholars...to analyse the specific activities and capabilities of the firms involved, and the impact of FDI on the broader social and environmental context”.

Further, Meyer (2004: 259) explains that a “solid understanding of the role of MNEs in emerging economies is vital both for policymakers and for [the] MNEs themselves”, as the policymakers are interested in the mechanics of how FDI effects welfare and economic development. An issue has been that academic research in the international business spheres has often “look[ed] into” the MNE, instead of “looking out’ from MNEs to the societies in which they are operating” (Ibid.: 260-261). Lastly, Meyer (2004: 273) states that “future research should...look beyond technology spillovers and analyse a wider range of impact variables, including environmental and social variables, and the potential impact of non-governmental organisations and corporate codes of ethics”.

Thus, the motivation of this thesis has been to see how foreign agricultural investors view and interact with the Russian environment, situating their activities within the broader social and environmental context. Though the thesis does not study the impact that foreign investment has on the Russian environment – which “scholarly research has [done] for many years” with respect to emerging economies (Ibid.: 260) – it does look at the interaction between foreign investment and the Russian environment, from the perspective of the foreign investor, which offers some interesting insights. Concerning the issue of ‘looking out’ from the MNEs to Russian society, whilst Russian society has not been analysed as part of the thesis, the strategies, views, and opinions of the companies under study have been researched, and, at the very least, provide a stimulating discussion of the origins of societal impacts. The thesis goes beyond just studying multinational enterprises that “play a pivotal role in linking rich and poor economies, and in transmitting capital, knowledge, ideas and value systems across borders” (Ibid.: 259), by looking at smaller investors who are less multinational, and, in some cases, behave more as national citizens.

Lastly, Kouznetsov and Jones (2009: 93) show in the case of large multinational manufacturing enterprises (MMEs) investing in Russia, that the companies disregarded the “political, cultural, technological, and social conditions in Russia” and were only interested in the economic conditions of the country. The authors explained that the reason for the MMEs disregarding these conditions was that the companies felt they had the “ability to adapt to these conditions”, in part due to their “international business experience and substantial resources” (Ibid.: 93). Kouznetsov and Jones (2009: 93) position that further exploration of this issue is needed as “this has not yet captured attention of international
business scholars who study country conditions in emerging markets and their effects on entry modes”, and this is precisely what this thesis achieves over the course of the four papers. The thesis analyses the foreign agricultural companies’ experience of adaptation – in the companies’ own words – and provides insights into their successes and disappointments within the Russian environment; indeed, it analyses whether generalisation of the Russian environment, and generalisation of the ability to adapt, has aided the companies in their progress.

1.3 Contributions to Academic Debate

In addition to speaking to the abovementioned theories, this thesis also contributes to other areas of academic literature. Some of these areas are discussed in the four papers of the thesis, whereas others were excluded from the papers mainly due to word count limitations enforced by the publishing journals; here, these latter areas are discussed in more detail to provide a supportive framework for the thesis as a whole.

1.3.1 Contribution to Agrarian Studies

The thesis comments on, and is relevant to, a vast range of agrarian discourse, especially concerning food security, food sovereignty, ‘land grab’ and ‘land acquisition’, corporate involvement in the agro-food sector, and financialisation of this same sector. These are detailed below in order, culminating with the two aspects of financialisation: the venturing of traditional agro-food corporations into the financial sector, and the movement of the financial sector into agro-food spheres.

1.3.1.1 Food Security and Food Sovereignty

Inevitably, this thesis informs discussions on food security and food sovereignty in Russia. Attention from the academic world concerning ‘Food Security’ and ‘Food Sovereignty’ are helpful in framing Russia within the future of global food chains. A food system, or chain, encompasses how food evolves from “food to fork”, from entities such as farmers, agricultural companies, consumers, and the food itself, to policies and associated regulatory frameworks (Ericksen et al., 2010: 26). On a global scale, these systems are vast and complicated, and involve many actors. Agriculture at the farming level is “no longer the primary income generating (or labour employing) activity in food supply chains globally”; this instead falls under the provision of processing, packaging, distributing, and retailing (Ericksen et al., 2010: 26).
'Downstream' of the farming level lie agro-food corporations that market, process and distribute the food and products that are produced by the farm; some of these downstream corporations also involve themselves ‘upstream’ of the farming level by supplying ‘input technologies’ such as tools, fertilisers and seeds (Bernstein, 2013: 22). The form does not necessarily end there, with “vertically integrated agribusiness...[able to control] each level of production, from farming to processing to marketing” (Ioffe et al., 2006: 31).

Whereas food sovereignty concerns “a comprehensive attack on corporate industrialised agriculture for its devastations, both environmental and social”, looking to support the “‘peasant way’ as the basis of a sustainable and socially just food system” (Bernstein, 2013: 1), food security, as defined by the FAO in 1996, concerns “when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life” (quoted in Liverman and Kapadia (2010: 3)).

Debate is still ongoing surrounding whom or what is best placed to ensure food security for the future, with some advocating “that markets are the most efficient means of achieving food security and adequate distribution of food globally”, whilst others are in favour of protectionism and regulation of the market (Eakin et al., 2010: 256). In practice, in an age of industrialised multi-, inter-, and trans-national agriculture, ‘market self-regulation’ means greater influence from the dominant global agro-corporation players (Friedmann, 1995: 22; McMichael, 1995: xiv), now with newfound involvement from financial players, such as “pension funds, equity funds and sovereign wealth funds” (Luyt, 2013: iv), and protectionism means the involvement of governance institutions, whether they be national or international, consumers, and social and environmental non-governmental organisation (NGOs) (Friedmann, 1995: 31).

The dilemma, as Friedmann (1995: 15) explains, is that “since the rise of industrial capitalism, history can be seen as a pendulum moving between self-regulation by markets and self-protection by society...Food becomes important as the pendulum approaches either pole: self-regulation by the market wreaks havoc on land and labor and, therefore, on the long-term bases of the economy; however, self-protection against the market limits the maneuver and, therefore, the short-term profitability of capital”. Friedmann (1995: 30-31) opines that it is “important neither to defend present regulation, which is ineffective, nor passively to support the corporate agenda simply to deregulate”. Multinational Corporation (MNCs) have received a great deal of criticism concerning their operations and the impact that they have, but those organizations in a position to regulate the market, for example the European Union (EU) (Bernstein, 2013: 3), have not been exempt from reproach either.

As Eakin et al. (2010: 266-267) explains: “with today’s global and international nature of the food system, a globalised governance system is now needed”. Friedmann (1995: 31-32) views a sustainable future to be a balance between market self-regulation and protectionism:
Corporations, agro-food workers, and consumers are the new contestants over food rules. Their potential allies are government agencies at various levels, from municipal to international; agriculturally marginal groups, such as ecological farmers; and social movements concerned with income and food security, with environmental sensitivity, and with health. The balance of power held by agro-food corporations can shift only if workers and consumers ally with environmentalists and social justice movements, as citizens, to create and institute democratic and appropriately scaled food policies.

1.3.1.2 ‘Land Grab’ and ‘Land Acquisition’

This thesis will also contribute to the discussions of ‘land grab’ and ‘land acquisition’, though these conversations adopt somewhat of a fluidic nature, and seem to be used by the various authors involved to cover a multitude of factors and nuances, often carrying negative connotations. Examples of this can be seen clearly in the everyday media on agricultural operations that use “land grab” as a sweeping expression to describe foreign agricultural expansion (see Bloomberg Businessweek (2008), Business News Europe (2009), Institutional Investor (2009), New Scientist (2008)). As well, certain areas of academia, such as Visser and Spoor (2011), flick between the terms ‘land grab’, ‘land acquisition’, ‘land investment’, and ‘land deal’, highlighting the interchangeable terminology that is being applied to the issue, and follow from a surge of studies that focus on the negative effects of ‘land grab’ amongst investment in Russian agriculture (see Kuns (2016: 199)). To play devil’s advocate with the issue, whilst there certainly are a host of adverse issues found within these studies, the benefits of foreign investment are often ignored, and foreign agricultural expansion is treated with much distrust; as De Schutter (2009: 13) explains, “large-scale investments in farmland can work for the benefit of all parties concerned, but that presupposes that an appropriate institutional framework is in place”. It is possibly for this reason that more recent academic work now seems to be attempting “to go beyond [the] discussion of ‘land-grabbing’” (Kuns et al., 2016: 199).

Whilst none of the papers in this thesis discuss land grab in much detail, there is, nevertheless, a need to draw attention to the many different definitions and interpretations of the subject. Most of the ‘land grab’ definitions focus on the foreign nationality of the investors, and the desire for the accumulated land to provide food for export: Daniel and Mittal (2009: 1) define ‘land grab’ as “the purchase or lease of vast tracts of land by wealthier, food-insecure nations and private investors…in order to produce crops for export”; Borras and Franco (2010: 2) state that “the phrase ‘global land grab’ has emerged as the catch-all to describe the explosion of (trans)national commercial land transactions (and land speculation) that has been occurring in recent years around the large-scale production, sale, and export of food and biofuels”; and Bernstein (2013: 5) links the
“dispossession of the world’s peasants or small farmers...[as] a direct consequence of ‘land grabbing’: a new wave of ‘global enclosures’...by transnational agribusiness, sovereign wealth funds and private financial entities, in collusion with governments...to establish large-scale agricultural enterprises dedicated to export production of food staples and agrofuels”. The size involved in ‘land grabs’ seems a salient point; whereas the above definitions focus on the size of the individual actors as a defining feature, Graham et al. (2011: 1) focus on the size of the investments, defining ‘land grab’ as “taking possession of and/or controlling a scale of land for commercial/industrial agricultural production which is disproportionate in size in comparison to the average land holding in the region”. Eakin et al. (2010: 250), using the description of “resource capture”, believe that “such land purchases can be interpreted as both a response to, and a provocation of, resource scarcity and food security at the local to national level”.

Commentators in the NGO sectors, also discuss the production of “food or fuel for the international market” (Friends of the Earth, 2012), but tend to delve further into the adverse effects, such as Geary (2012: 5) writing for Oxfam: “land acquisitions become land grabs when they do one or more of the following: violate human rights, particularly the equal rights of women; flout the principle of free, prior and informed consent (FPIC) – under which affected communities are informed about and are able to give or refuse consent to a project; are not based on a thorough assessment of, or disregard, social, economic and environmental impacts, including the way they are gendered; avoid transparent contracts with clear and binding commitments on employment and benefit-sharing; [and] eschew democratic planning, independent oversight and meaningful participation”. Brown (2011b: 63) summarises that whatever the definition, the specifics of each will, ultimately, be dictated by the nature of those writing: “in the language of the diplomatic and investment communities, these are land acquisitions. In the language of the small farmers displaced from their land and the nongovernmental organizations (NGOs) that work with them, they are land grabs”.

1.3.1.3 Corporate Involvement in the Agro-Food Sector

The first two papers of this thesis focus on the large corporation, Cargill, and so it is necessary to comment on the increasing role of corporate activity within the agro-food sector. The rise of the agro-food corporations (not just multinational agro-food corporations or MNCs) occurred post-World War II within a tightly state-regulated framework; the corporations “now experience that same national regulation as a constraint to further growth” (Friedmann, 1995: 16). Friedmann (1995: 22) describes the shift of power, that accompanied their emergence, in terms of “strategic power” (control of wealth) and “numerical power” (“individuals who have the potential to act in concert as workers, consumers, or citizens”): “as strategic power shifted from farmers to corporations, numerical power in the food economy shifted from farmers to consumers and to food
workers in manufacturing and services” (Friedmann, 1995: 23). These corporations, with their strategic power, are the embodiment of the self-regulated market, complete with all the incarnate “havoc”, mentioned above by Friedmann (1995: 15), and negative influence. Schlipzand et al. (2010: 276) describe how the corporations “have replaced…the definition of norms and rules” within the food sector, and it is for this reason that agro-food corporations find themselves the attention of global media and academia. For those opposed to the practices of these corporations, “the challenge is significant: enhancing food security without further compromising environmental and social welfare outcomes” (Ericksen et al., 2010: 25).

The literature concerning agro-food corporations is generally negative, especially concerning large MNCs, and frames them as adversaries on topics including (but not limited to): the displacement of rural workers, peasants, and small farmers (Daniel and Mittal, 2009: 11; Visser and Spoor, 2011: 317); related “social unrest, [and] socioeconomic inequities” (Daniel and Mittal, 2009: 11); “chronic economic marginalization, social exclusion, disempowerment and other forms of indirect violence” (Eakin et al., 2010: 246); the hampering of domestic food security (Eakin et al., 2010: 253); “price volatility resulting from increased corporate control of food trade” (Daniel and Mittal, 2009: 19); ‘land grabbing’ (Visser and Spoor, 2011: 300); and reducing consumer and environmental protection by “lobbying for free trade agreements which...[have removed] non-tariff trade barriers” (Schaeffer, 1995: 260).

Collins (1995: 217) writes how agribusiness firms have adopted a tendency, beginning in the 1980s and 1990s, to employ larger numbers of female, and undocumented workers, in an attempt “to lower the cost of wages, to overcome technical constraints, to transfer production risks, and to enhance control over labor”. These tendencies have “profound implications for the political struggles of agricultural workers”, as companies are able to “use gender ideologies to erode stable employment and worker rights where women are concerned”, often looking to reduce wages, and enforce discipline (Collins, 1995: 217).

Furthermore, MNCs are seen to have little transparency (Daniel and Mittal, 2009: 19), screening and obscuring their transactions; for example, using tariff reductions to reduce corporate taxes through intra-firm imports and exports (Schaeffer, 1995: 259). Their ‘strategic power’ is viewed as enabling ‘private rulemaking’, giving the MNCs “responsibility for rules that range from food safety to trade to sustainability” (Schlipzand et al., 2010: 272). Their priorities have also been questioned, with the generation of profit deemed paramount over providing the global food security which they attest to (Daniel and Mittal, 2009: 19; Eakin et al., 2010: 252). An extensive literature also frames MNCs within global environmental change (GEC) (Eakin et al., 2010; Ericksen et al., 2010; Liverman and Kapadia, 2010; Misselhorn et al., 2010; Schlipzand et al., 2010), and the movement towards an agrofuel sector, linked to unwanted social and environmental effects (Borras et al., 2011; Heinberg, 2007; McMichael, 2011; Sindayigaya, 2011; White and Dasgupta, 2011).
There are, however, certain positives surrounding MNCs that have crept into the same literature; mainly, “food system globalization...[bringing] numerous benefits, including increased efficiencies in moving commodities across geographic regions to satisfy emerging demands and to smooth price volatility and supply shocks” (Eakin et al., 2010: 250); the ability of MNCs to provide employment and improve infrastructure (Daniel and Mittal, 2009: 11), although employment positives are contended in the discourse of an industrial “agriculture without farmers” (McMichael, 2011: 38); and the ownership of “global storage and delivery systems that...governments call upon...for example in the delivery of food aid in response to humanitarian emergencies” (Murphy et al., 2012: 12).

MNCs take centre in discussions on food sovereignty, defined as “a critical alternative to the dominant neoliberal model for agriculture and trade” (Wittman et al. (2010) quoted in Bernstein (2013: 1)), and criticism of MNCs concerns: their low numbers but large market shares, enabling large economic power; their effect on the increase of global market prices through futures trading and speculation; their “power to shape and constrain the practices (and ‘choices’) of farmers and consumers” through “new organisational technologies deployed...along commodity chains”; the environmental costs of an industrial agriculture; the “health consequences...[of producing] ‘industrially’ grown and processed foods”; and their role in removing “subsidies and other forms of support to small farmers in the [global] South” (Bernstein, 2013: 2-3).

1.3.1.4 Financialisation of the Agro-Food Sector

This thesis speaks to two aspects of financialisation of the agro-food sector: the movement of agro-food corporations into the financial sector; and the movement of the financial sector into the agro-food spheres. The consequences of each are still largely unknown, and are, indeed, surrounded by much secrecy; much scholarly work is being pressed to try to understand and untangle the obscured world of the financial sector.

The first aspect that this thesis comments upon is the venturing of traditional agro-food corporations into the financial sector, and within these are included the ‘ABCD traders’ – Archer Daniels Midland (ADM), Bunge, Cargill, and Louis Dreyfus – a collection of the largest four global agricultural traders that control approximately 90 per cent of the world’s grain trade. They are “intimately linked to the world of complex agricultural commodity chains, with different aspects of their business touching all aspects of those chains from production to consumption” (Clapp, 2014: 7-8). Using their ‘unique bases of information’ – such as harvest predictions – these companies are effectively allowed to speculate (or bet) on the futures and derivatives markets, and this has led to the development of financial business lines within the ABCD traders that has prioritised the necessity for having accurate and early information for use on the financial markets. Through these business lines, the ABCDs can hedge risks, both in the markets and within their businesses, generate profits from
speculation, and offer financial services to suppliers, customers, and other third parties (Murphy et al., 2012: 28-29).

Cargill – that is the focus of the first two papers of this thesis – transcends both the agro-food and financial sectors, and has “recently expanded its activities into the financial realm through the creation of a number of financial subsidiary companies that actively invest in the agricultural sector” (Clapp et al., 2016: 2). As well, continuing its “longstanding practice of hedging its own financial risks in derivatives markets” (Ibid.: 2), in 1994 – behaving much like a bank – Cargill founded Cargill Risk Management “explicitly to sell individualized [over-the-counter] OTC products for its own purposes and for third-party customers”, whilst a decade later, the company created “another independently managed subsidiary, Black River Asset Management, which started to manage the funds of third-party investors” (Clapp, 2014: 8).

Transcendence in this way makes possible what Murphy et al. (2012: 27) refer to as a legal – yet unregulated – form of “insider trading”, allowing Cargill “to speculate more efficiently than financial actors” by sharing information amongst its subsidiaries (Salerno, 2016: 2); whereas Cargill can make use of its networks and unique bases of knowledge, financial actors are more limited in what information they can use to inform their decisions (Ibid.: 2). Although legal, and largely unregulated, there are some conditions placed on traders, such as Cargill, that stipulate that “what...they cannot do...is to deliberately manipulate prices” on the global markets (Murphy et al., 2012: 27).

Quoting from an early draft of the first paper of this thesis, Salerno (2016: 2) believes that Cargill’s position amongst the two schools of competing discourses concerning global food price increases lies “somewhere in the middle”, with employees of the company on the one hand stating that price volatility is negatively influenced by the involvement of non-agricultural actors in the financial markets, whilst on the other claiming that speculators are also essential for providing liquidity to the markets. Despite this, because of the “blurring...between bona fide hedging and pure financial speculation in agricultural commodity markets” (Clapp et al., 2016: 2), it is difficult to discern which practices Cargill is involved in, and the effect of its actions, creating “challenges for traditional regulatory prescriptions” (Ibid.: 3). The substantial profits that Cargill has made during times of global food price volatility have been a particular target of criticism; the 2007-2008 global food crisis benefitted MNCs, investors, and agricultural suppliers alike (Branford, 2009: 80; Mackintosh, 2008: 17), but Mackintosh (2008) reported that Cargill was able to increase profits by 86 percent in the first quarter of 2008, with Branford (2009) stating that Cargill made nearly a 70 percent increase on its 2007 levels and a 157 percent increase on its 2006 levels. According to Murphy et al. (2012: 25), these record profits in 2008 amounted to $4 billion.

This criticism does not explicitly blame Cargill for any wrongdoing, but shows an association of Cargill – as a significant beneficiary – with a global socioeconomic catastrophe. Murphy et
al. (2012: 24-25) summarise that the increase in profits for Cargill were helped by the company’s “unique base of information...not due to rising commodity prices alone, but rather to its ability to predict price changes in a period of volatility...which enabled it to clean up in futures markets...[whilst] other traders were caught going the other way”; however, the authors have stated that “it is very hard to determine the extent to which the traders’ strong profit performance is based primarily on their financial activities as compared to their traditional physical trading”.

Daniel and Mittal (2009: 19) state that “price volatility...[has resulted] from increased corporate control of food trade” (emphasis added), and this is key, as it makes explicit the implicit suggestion underlying academic debates: that these traders, such as Cargill, can control (and possibly conspire to increase), not just influence, the price of global food. Murphy et al. (2012: 15) write that because of “the onset of sharp food price volatility...important questions are raised about the role of these trading companies in either sparking or exacerbating food price volatility”, adding that “the existence and control of...[their] physical stocks can have an important impact on grain prices” (emphasis added) (Ibid.: 12).

The second aspect that this thesis comments upon is the movement of the financial sector into the agro-food spheres; in this respect, financial actors on the Swedish stock exchange have been analysed to provide an insight into their formation of ‘pure-play’ agricultural companies, focusing on “arable crop production, cultivating cereals and oil-seed crops”, and their relative successes and failures (Kuns et al., 2016: 203). In-depth analysis of the agricultural arms of these companies has mapped their inception in the mid to late 2000s up until the present day, and highlighted factors that have changed and altered the companies’ strategies (Kuns et al., 2016; Visser et al., 2014); these companies have all experienced difficulties, their businesses have been “unprofitable” (Visser et al., 2014: 1600), and their overall performances have been described as “disappointing” (Kuns et al., 2016: 200).

There has been an academic inclination to treat agricultural investments as “either productive or speculative” (Fairbairn, 2014: 786), viewing a dichotomy between where investing companies see value: in the appreciation of the land price over time, or in the potential that the land has to produce profit-making yields. In business terms, the former is thought of as an ‘asset play’, and the latter a ‘yield play’; and yet, in reality, these two are less of a dichotomy, and are instead interwoven (Kuns et al., 2016: 201-202). This is an interesting point to consider, given that, under the Washington Consensus, foreign investment was not intended to be of a speculative nature.

Initially, the companies “believed that speculating on rising land values and pursuing a strategy of agricultural production were compatible” (Ibid.: 200), and embarked on ‘own-operate’ (in the case of Russia) or ‘lease-operate’ (in the case of Ukraine) investment models that “while still interested in returns from rising land values, also ha[d] a longer-term interest in profits from production” (Ibid.: 202). Though the companies believed that profit
Foreign Direct Investment in the Russian Agricultural Sector

would be generated through the combination of asset and yield plays, there was evidence
that the investors providing the money behind these companies were “primarily interested
in land speculation, i.e. an asset play” (Ibid.: 205). The asset play strategy appeared to work
in the early years of the companies’ operations, as share prices generally rose (Ibid.: 205),
following trends in increasing land prices (Visser and Spoor, 2011: 307). However, as grain
prices decreased in 2008, coupled with the effects of the global financial crisis, land prices –
especially in Russia – remained stationary, causing negative effects on the companies’ share
values; despite this “even after the collapse in the value of the shares, the broad class of
investors remain[ed] primarily interested in making an asset play” (Kuns et al., 2016: 205).

The biased focus on the asset play had an important role in shaping the companies’ early
strategy, with much focus given to land accumulation. The press (Agrimoney, 2013;
Institutional Investor, 2009), and academia (Visser et al., 2012; Visser and Spoor, 2011;
Visser et al., 2014) have placed this land accumulation strategy under the adverse
description – however ‘loaded’ – of “land grabbing”: “Due to the opaque nature of the land
transactions, the minimal or lack of compensation provided to land shareholders, and
speculative motives to acquire large tracks of land,...which characterise a substantial part of
the land deals in the process of land concentration, they can be classified as ‘land grabbing’”
(Visser et al., 2014: 1590). Farm land in Russia was expected to rise from $600-$800 per
hectare to “the prevailing Brazilian market level” of $3500 per hectare (Luyt, 2013: 20), and
so these companies embarked on accumulation on a grand scale, and across various and
differing geographies within Russia and Ukraïne, “rushing to buy up as much land as possible
while it was seen to be cheap” (Kuns et al., 2016: 213). As well as this ‘land grab’ factor, the
geographical diversification was partly driven by a perceived need to implement “weather
hedging, which is the geographic dispersion of land holdings such that poor weather in one
area can be offset by more favorable weather on holdings elsewhere” (Ibid.: 209); however,
the companies eventually resigned themselves to the fact that weather hedging had been a
“suboptimal” strategy (Ibid.: 211).

The fast and frantic nature of the land accumulation strategy led to an asset portfolio of
“large and dispersed landholdings” that was challenging and problematic to oversee,
especially from a logistical point of view (Ibid.: 213). Land prices did not increase in value as
expected, due to a sustaining excess of farm land in Russia’s Black Earth region (Visser,
2017: 194), and did not “live[] up to the exuberant initial predictions that land...would
increase by 50 to 70% annually” (Kuns et al., 2016: 209). As the “land speculation bubble
burst in 2008”, the failing success of the asset-play foregrounded yield-play as a possible
solution to the companies’ continuing difficulties (Ibid.: 208); the companies’ strategy, thus,
altered quite dramatically as land accumulation rates slowed, and the firms began to
“shrink[], consolidate[] and geographically shift[] their land banks so that, as one
[company]...put it: ‘the land isn’t spread out over half of Russia’” (Ibid.: 211). In general,
companies tended to shift from drier regions towards ones with more rainfall, sometimes
“selling to, or swapping assets with, other companies” (Ibid.: 205-211) – Russian, Ukrainian,
and foreign alike – as they looked for ways of “shrink[ing] to victory” (Agrimoney, 2014) to control their logistical problems, and generate profits through an enhanced focus on production and yield-play (Kuns et al., 2016: 213). The yield-play strategy, though, was not without its problems either: “the ratio of cultivated land to uncultivated land was slow to rise, [and] only four to five years after initial investment were the public companies cultivating half of their holdings” (Ibid.: 205).

1.3.2 Western Business Interactions with Russia

All four of the papers concern, in certain respects, how Western business interacts with Russian society, and the Russian regulative authorities. These broadly fall under three categories – each now to be discussed – and help to give a picture of the ‘reality’ on the ground in Russia for foreign investors. In some cases, the conventional literature is heavily critiqued and disagreed with by this thesis, and the four papers provide some relevant points with which future scholarly research can consider.

1.3.2.1 ‘West meets East’

There is a rich and diverse academic literature on the assumptions that foreign investors make about the Russian people and the Russian labour force, often constructed through ‘Cold War’ perceptions, informed by neo-colonial attitudes, and a lack of knowledge and experience of the cultural context; interestingly, some of these same preconceptions and biased opinions occasionally manifest in certain literatures themselves. There is a trend in the literature to focus mainly on non-agricultural forms of investment; however, some effort has been made to close this gap, such as the research of Steggerda and Visser (2013) on Dutch farmers. The “inadequate assumptions…[and] common myths about Russia…do not fit the reality and cause serious problems for international investors…[especially] in the way ‘West meets East’ on a daily basis” (Shekshnia, 1994: 298). Lieven (2000: 25) tells of how in the West an “inherited hatred, blind, dogmatic hostility toward Russia…[has lead] to bad policies, bad journalism, and the corruption of honest debate;…there is all too much of this hatred in Western portrayals of and comments on Russia”. Now with ideological differences supposedly removed upon the fall of the Soviet Union, this “Russophobia” is grounded in “architectures of hatred, selected or invented historical “facts” about the “enemy” nation, its culture, and its racial nature” (Ibid.: 28). Whilst Steggerda and Visser (2013: 8) do not speak of ‘architectures of hatred’, they parallel aspects of this sentiment, by pointing to the rhetoric of Dutch farmers in Russia who “fram[e]…culture as the all-comprising explanation for frictions faced in Russian agriculture”.

Writing in the early nineties, Shekshnia (1994: 299) describes how “Soviets were perceived as technically smart and well educated people (all Chess players!)…[and that] the image of
[a] highly educated, smart, foreign language speaking ‘average Russian’ emerged [from this] and made it into the minds of Westerners,...[creating the myth that] Russia was a huge pool of highly educated, disciplined, dirt cheap labour and willing to work”. Although this image is a seemingly positive assumption, ever since Russia’s transition to a market economy, “Western officials and commentators have been telling the Russians how they need to grow out of their Cold War attitudes...and learn to see things in a “modern” and “normal” way” (Lieven, 2000: 25). Translating this to business, in essence Russians have been viewed as a skilful, yet naïve and misinformed group, in need of guidance and ‘Westernisation’; writing from within the Organization for Economic Co-Operation and Development (OECD), Rudiger Ahrend (2000: 29) typifies this with rhetoric that “at least a part of the Russian workforce – provided with the right incentives and some training – are willing and able to work according to Western standards”.

Due to ill-judged preconceptions, FIs entering Russia in the early nineties found the Russian labour force to be – as Puffer (1993: 473) perhaps inappropriately racially enforces – “the ‘riddle wrapped in an enigma’ that Winston Churchill called Russia in decades past”. The hopes that Western business had “very often did not materialize...and it was not the fault of Russians, rather it was the fault of wrong assumptions Westerners made”; although highly educated, Russians were found to be non-specialised, in as much as, for example, technical workers were found to possess a vast knowledge of art and literature instead of the desired expertise (Shekshnia, 1994: 299).

Where foreign business aimed to ‘Westernise’ through the training of the workforce, this proved problematic too, and often expense was spent down unforeseen avenues as outside consultants were brought in from overseas (Shekshnia, 1994: 300). Shekshnia (1994: 300) claims that “under the Soviet system employees usually did not regard training as something serious” and that now in the modern day, “many Russian employees have developed wrong attitudes toward training and don’t see any link between it and what they do on the job”, although Russians can “easily understand new things and in that sense they are good trainees” (Ibid.: 301). In complete contradiction, after researching 179 firms within Russia, Fey and Denison (1998: 36) write that “given their thirst for knowledge and the benefits that having such knowledge will give them, most Russians are pleased when a firm values training, involvement, and other types of capability development”. This contrast in views directed towards the Russian attitude is perhaps a good example of where perceptions can play interesting roles in interpreting reality.

The academic literature urges Western business entering into Russia to reflect on “one of the most perplexing aspects of the ‘Russian mind’...motivation” (Puffer, 1993: 473), and attempt to ‘understand the Russian worker’. Negative assessments in the agricultural sector point to lack of skills, demoralised workers, alcoholism, low productivity, youth emigration, and an ageing labour force (W. M. Liefert and Liefert, 2015: 509-510). Upchurch et al. (2000: 512) researched hotel workers and found that although “the general workforce in Russia is
well educated, and maintains a strong desire to succeed and perform their jobs well,...due to the absence of effective workplace motivational systems, many hospitality workers in Russia acknowledge that they will be less willing to perform well at their jobs”. Linz (2004: 262) argues that “there is little reason to presume a priori that American emphasis on individualism, rationality and equity as a framework for developing theories of motivation apply to the Russian case”, and suggests that managers consider the relevance and extent of using American management techniques, as well contemplating age and gender differences amongst the labour force.

The old ‘Soviet mentality’ is thought to play a significant role in shaping the modern day Russian approach to the working environment. Shekshnia (1994: 303) writes that “employees’ mentality formed under the system of command economy and total centralization” of simply executing orders from above, has led to a labour force that is “often reluctant to make decisions, take initiative and assume responsibility,...looking for instructions even in the simplest situations, such as which colour telephones they should order”. The implicit suggestion here is one of a ‘stupid, lazy worker’, and Shekshnia (1994: 303) further elaborates that “since such values as friendship, social contacts, entertainment, equality are much more important for Russians than work, they come to work thinking about friends, contacts, conversations, etc.”.

This view is contentious, and Fey and Denison (1998: 36) give an alternate explanation that “under communism, competition between groups was encouraged, but competition between individuals was often discouraged”, and that through this, Russian workers have learned group work as a strength, resulting today in a “deeply-rooted tradition”. Upchurch et al. (2000: 509) write that during this time, “being recognized on the job was considered ‘not good’ and to ‘stand out’ among workers was deemed negative”, and Linz (2004: 262) even points to the loyalty that the Soviet attitude has generated through “the rather unusual situation in Russia where firms delay wage payments for several months and employees still show up for work”. Further, Upchurch et al. (2000: 509) posit that the “the assumption that people want the same things from their work is often wrong”, and that the issue with Russian workers compared to their Western counterparts is that they “are generally unfamiliar with the concepts that formulate worker motivation, initiative, time management and problem solving”, rather than being inherently reluctant. Agrarian academia takes the view that Soviet policies “undermined the peasant's motivation to work hard or efficiently...[creating] the image of an indolent, overpaid and supine peasantry...[amongst] contemporary commentators” (Wegren, 1992: 9).

Puffer’s (1993: 474-478) writings on Demystifying Russian Managerial Motivation compares Russian managers in the early nineties to that of their American counterparts, and finds that Russian managers fulfil the five-point “framework of managerial motivation or drive”, consisting of “(1) achievement motivation, (2) ambition, (3) energy, (4) tenacity, and (5) initiative”. Indeed, the author is moved to indicate that when considering energy, some
Russians were found to be “pursuing so many opportunities that they are working virtually around the clock…[although, as above] perhaps the most energetic entrepreneurs are young people who have little experience with the communist regime” (Ibid.: 476-477). When considering initiative, “hordes of entrepreneurs, brimming with initiative, have been unleashed in Russia…[and] American executives who have joint ventures in Russia have also been impressed with the initiative and ingenuity of their Russian managers” (Ibid.: 478).

Academic literature also closely links motivation to salary, and a cynical view on the Russian worker is that “salary in their eyes is attached to the position, not to the performance, so the task is to keep the job, not to do the job” (Shekshnia, 1994: 303). Shekshnia (1994: 304) contends that Russian workers view compensation and bonus schemes adversely, and “may feel underpaid, betrayed, or discriminated against” if a colleague in an equal or lower job earns extra income through good performance. Linz (2004: 277) finds that although pay is very important to the Russian worker, other factors such as “the chance to do something that makes them feel good as a person,…job security,…receiving respect from co-workers,…receiving praise from supervisor[s],…and the friendliness of co-workers” are important too. Historically, the use of bonuses in agrarian Russia has rarely had a positive effect on motivation and effort: as a reward, its use was ineffective in the Soviet period as “labour productivity depended more on…machinery and other inputs than on real labour input” (Steggerda and Visser, 2013: 31); and as a punishment the withdrawal of bonuses was “an extreme step that often arouse[d] considerable antagonism” (Clarke, 2004: 417). Now, in modern times, business managers still do not treat the withdrawal of bonuses as an effective tool (Ibid.: 418).

Interestingly, although not ranking factors in a different order to older respondents, “younger respondents placed a higher value than did older respondents on the opportunity to develop skills and abilities,…getting a promotion or better job,…the chance to accomplish something worthwhile,…[whilst also placing] a lower value on the amount of pay received,…the amount of security associated with the job,…the respect received from co-workers,…and the friendliness of co-workers” (Ibid.: 278).

Academic consensus – even amongst the more ‘neo-colonial’ writings – is that Western business should embrace incentives to help to motivate the Russian labour force that take into consideration the Russian cultural context, instead of simply following a blunt trajectory of enforcing ‘Westernisation’ on workplace practices. Upchurch et al. (2000: 512) state that “it is the combination of these reported motivating factors with preferred incentive package elements that will enable…[business] to remain very competitive in an economically challenged marketplace”. Shekshnia (1994: 301) establishes the need for compensation to be directly associated with the “hierarchy of jobs rather than individuals’ contributions” as a requirement growing from Soviet times, where workers were “rewarded…with perks (free cars, housing, medical aid, vacation, dachas, etc.) rather than money”; coincidentally, this
was “called the distribution system (systema raspredelenya) not incentive or reward system”.

Further, as foreign firms are viewed as “higher paying” than Russian-owned companies, workers anticipate their compensation to match that perception; at the same time, they expect foreign firms to replace old State social benefits, such as those of “free child care, subsidized vacations,…housing construction,…company cars or subsidies for transportation expenses, free or subsidized meals, medical care, vacations for themselves and their children paid for by the company and so on” (ibid.: 302). Upchurch et al. (2000: 510-511) agree with the notion that “monetary incentives are not the sole motivating source,…[and that] benefits such as free medical care and free meal plans are also important”, but that “internal factors” are also relevant; the authors find that job security, recognition (in contrast to the above discussed assumptions), and career advancement to be important factors in increasing motivation. Linz (2004: 282) suggests that “among female and older workers, the most effective policies (other than additional pay) would be those that recognize and celebrate work effort and performance”, adding that “Russians are not significantly different from their counterparts in the United States in terms of what is important to them at their place of work”. However, the translation of these ideas to the foreign agricultural sector may still be lacking: Steggerda and Visser (2013: 25-30) highlight how Dutch farmers combined increases in salary and bonuses with a change in management approaches which ignored non-financial motivational ‘perks’, and a reduction of employees negatively affected job security (ibid.: 25).

Whereas a consensus on motivational incentives is found within the literature, a divide appears amongst writings aimed at engendering reflexivity amongst Western managers. Although still recognising the Russian cultural context, Shekshnia (1994: 303) writes – in very neo-colonial, and possibly ‘Russophobic’, terms – of the need for staunch resistance to what is deemed as ‘Sovietisation’; his research describes the “‘Westernization’ (positive outcome) and ‘Sovietization’ (negative outcome) of joint ventures...[where] one side has ‘overpowered’ the other and the whole venture has adopted its organizational culture, values, style, ethics” (emphases added). Contending that “Westerners have lived under conditions of more or less perfect markets for many years, have enjoyed civil and human rights for at least two hundred years and experienced the strong influence of the Protestant Work Ethic, with its emphasis on hard work and honesty”, Russians are viewed as lacking work and business ethics: “most of these things are still foreign to Russia, which has never had democracy, but was governed by authoritarian rule, whose economy was for centuries based on forced labour, and its main religion – Orthodoxy – emphasizes suffering on the Earth and joy in heaven” (ibid.: 303).

Rather than finding compromise, and adjusting management styles to assimilate the advantageous aspects of both cultures, the notion is for Westerners to ‘resist the Russian way’, an example being where “Russian’s loyalty to the boss...[leads to] employees [never]
confronting the boss or even openly questioning his/her opinion”: “if a Western partner accepts that style...he risks reproducing a Soviet-like inefficient company” (Ibid.: 303). Western ‘Sovietisation’ is thus defined as “strong control by the boss,...little initiative and little real action, even though a lot of noise and talk, numerous ‘tea’ and ‘smoking breaks’, birthday parties full of fun,...[all] doomed to fail...in the tide of resistance” (Ibid.: 303-304). Western managers are urged to adopt certain strategies, including those of: taking a ‘realistic approach’ and preparing for “hard work in a quite challenging environment”; investing substantially in areas of technical modernisation and extensive employee training; “build[ing] on Russians’ strengths...and block[ing] their weaknesses”; and looking for “quality not quantity” (Ibid.: 304-305). This rigid approach, needless to say, advocates Western business as the ‘utopian model’, and exhibits a distinct lack of adaptability or any real cultural understanding.

Puffer (1993: 479) gives an alternative view of how Western business can practically integrate into the Russian environment; such integration centres around “establishing a good relationship” with, and “respect[ing] the differences” between, the two cultures, taking motivational factors into account, and creating a “motivational make-up...based on both traditional Russian values and Western influences”. The author describes how “many Russians who want to realize their ambitions feel pressure from two sources – public scorn and their own guilt from violating the values they were raised with”: values engrained in the Russian psyche of communality, instead of personal ambition and achievement (Ibid.: 479). Westerners are here urged to “assess the extent to which their Russian associates feel these pressures...[and] emphasize benefits to the collective or that reward individuals in ways that do not arouse feelings of envy,...[as well as] respect[ing] requests for not publicizing personal achievements, material possessions or privileges” (Ibid.: 479). Further, “fixed deadlines, clear goals and procedures, regular feedback, and an emphasis on the importance and urgency of accomplishing the task are essential,...[and] these measures should be coupled with valued material and intrinsic rewards” (Ibid.: 479). Steggerda and Visser (2013: 25-29) show how Dutch farmers looked to involve themselves in participatory management to ‘get alongside’ the labour force, and although this was motivationally successful, there was “a certain distance...[and] high level of control” maintained with the labour force.

When studying how the ‘West meets East’, it is important to discuss the issue of trust; both trust given (or withheld) from foreign investors to the Russian people, and vice versa. Citing their own previous research, Knack and Zak (2003: 92) explain that “interpersonal trust has a considerable effect on economic growth as trust affects the transactions costs associated with investment”; if trust is low in a country, then a “low-trust poverty trap” will ensue as investment rates slow, and with it, economic growth.

Brenkert (1998: 295-296) defines three “views” of trust: Attitudinal, Predictability, and Voluntarist. Discarding the last two as irrelevant to the business context, the author explains
the Attitudinal View is nuanced, and trust is considered “an attitude, disposition, or inclination to act in certain ways in light of various beliefs one has both about oneself and others;...these beliefs concern one's own vulnerability and the restraint the trusted agent is prepared to exercise not to take advantage of that vulnerability” (Ibid.: 295). In its Attitudinal form, trust is on three levels: basic, whereby “impersonal, systematic relations, will act in certain kinds of standard ways not to take advantage of...vulnerabilities” (Ibid.: 303); guarded, whereby “agents invoke various explicit contracts to protect their vulnerabilities” (Ibid.: 304); and extended, whereby “firms and individuals...[act] to trust one another beyond basic and guarded forms of trust,...[developing] within special relations which involve trusting other firms and individuals when contracts and monitoring devices are not in place” (Ibid.: 305). Brenkert (1998: 298) contends that – as an attitude, disposition, or inclination – “trust is not a principle, let alone a moral principle”, and though “trust is essential for moral...relations, this does not imply that all instances of trust are themselves moral;...in short, both moral and nonmoral values and aims might be part of this commonality”. Continuing, “it is too much to identify trust with morality itself...[as] those who trust might still harm others,...[therefore] trust is not the final solution to moral questions” (Ibid.: 314). However, Brenkert (1998: 310) identifies “at least four morally significant phenomena that are inherently linked with trust: a) communication of self-understanding to others; b) the voluntary exposure of one's vulnerabilities to others; c) voluntary restriction of self-interested behavior; and d) a reciprocity which fosters autonomy”.

Important to this thesis, Brenkert (1998: 308) identifies “ethnocentric and egocentric tendencies” that disrupt the trust involved with international business, the contexts of which include: historical, especially where past colonialism and imperialism are concerned; economic (historical) ideology, such as that of capitalism, socialism, and communism; racism, or “suspicions of racism”; and cultural ‘difference’, whereby “individuals...might find it more difficult to be open in the same manner as those from other cultures”. These tendencies can be experienced on both sides – by foreign investors and Russians alike – and recognition of trust as a reciprocal process is incredibly important for business operating in Russia today. This was a salient point in the research of Steggerda and Visser (2013: 18) whose Dutch interviewees found that their “presence...was accompanied by distrust”.

Considering ethnocentric disruptions, Bahry et al. (2005) explain that generally, academic reasoning has suggested that “faith in others seems to be far greater in ethnically homogeneous than in more diverse societies...[and that] the dominant explanation is that ethnic difference breeds more particularized, rather than generalized, trust” (Ibid.: 521). As well, “intraethnic trust is assumed to be the inverse of confidence in others at large and confidence in outgroups”, and that individuals who choose to ‘bond’ with their own ethnicities are less likely to ‘bridge’ with outsiders (Ibid.: 522). However, the authors contend that whilst this may be true in certain cases, it is possible to both trust those within, and outside of, one’s ethnic group: “we are skeptical, then, of the idea that ingroup trust
necessarily comes at the expense of faith in other ethnic groups or in others generally...and we are sceptical of the idea that low generalized trust automatically implies a lack of confidence among ethnic groups” (Ibid.: 523).

Focusing specifically on the Russian Federation, Bahry et al. (2005: 523) disclose research in the 1990s that showed that 25-30 percent of respondents exhibited generalised trust – this percentage is considered to be low – and that particularised trust amongst respondents was high, displaying within the country “fertile ground for exclusionary ethnic trust – especially where ethnic differences have been so highly politicized”. The authors own research finds that “most people are cautious about others...[and that there are] higher levels of particularized trust”, but also that “correlations among generalized, in- and outgroup trust are all positive”; these findings reveal that trust in an Russian individual’s own ethnic group and that of an outside group “are not mutually exclusive, but complementary” (Ibid.: 525), boding well for foreign investors looking to earn that trust. Additionally, the research of Bahry et al. (2005: 526) finds that, amongst other factors, outgroup trust depends on held stereotypes, and “an individual’s sense of being the victim of ethnic discrimination”; this is relevant to foreign investors who may damage the trust that Russians have in them if held discriminatory views are known, or if they are victim of historical stereotyping (e.g. Americans from with a ‘Cold War’ attitude). The conclusion that the authors draw is that “we should not prejudge the proportions” of trust exhibited by the Russian people, as they will depend on “attachment to one’s ingroup, and stereotypes of, and contact with, the particular outgroup”; this holds true amongst different ethnic groups within Russia “with marked differences in language, religion, and culture” (Ibid.: 529-530).

1.3.2.2 Culture, Corruption, Gift-Giving, and Blat

Preoccupying academic literature in the business sphere are issues that centre on culture, corruption, gift-giving, and blat, the boundaries of which are often ‘hazy’, and difficult to individually separate; particularly, corruption and culture are believed to be strongly linked. Barr and Serra (2010: 862-863) adopt Huntingdon’s (2000) definition that culture includes “the values, attitudes, beliefs, orientations and underlying assumptions prevalent among people in a society”, and highlight opinion that “values and beliefs are transmitted unchanged from generation to generation through primary socialization,...[although] social interactions may render cultural values and social norms at least partly endogenous”. Olivier de Sardan (1999: 32) associates cultural traits with corruption characterised as “a cumulative and expansionist process...engrained in social habits,...inscribed in the ‘moral economy’,...[that] mostly spreads from the top down”. As such, corruption therefore becomes “embedded in ‘logics’ of negotiation, gift-giving, solidarity, predatory authority and redistributive accumulation” (Ibid.: 26). Further, Barr and Serra (2010: 862) state that they “can explain why a “culture of corruption” appears to exist and persist in some countries...and not in others”: their view is that individuals internalise or ‘learn’ anti-
corruption norms, and that in those countries where the culture does not internalise these norms, the “decision to...abstain from corruption is weak”.

Barr and Serra (2010: 862) hypothesised and used experimental analysis on undergraduate students to show that “all other things being equal, individuals who grow up in societies in which corruption is prevalent should be more likely to act corruptly than individuals who grow up in societies where corruption is rare”. However, their experiments on graduate students revealed different results, and the authors concluded that “individuals' norms, values and beliefs relating to corruption may change following a change in context...[and that] while corruption may, in part, be a cultural phenomenon, individuals should not be prejudged with reference to their country of origin” (Barr and Serra, 2010: 869). That being said, generalisations persist on the societal level, shaping perceptions of the individual. Russia is considered “a society where corruption becomes part of the social norms of everyday life...[experiencing an] absence of change in the basic principles of conduct” (Levin and Satarov, 2000: 130). Corruption is viewed as “imbedded in the system of social relations” (Cheloukhine and King, 2007: 107), and it has even been thought that “with [the] removal of corruption the economy could collapse” (Ibid.: 112). Western observers have commented on the endurance of corruption within the Russian Federation since its formation, with Transparency International consistently scoring Public Sector Corruption in the country between 2.1-2.8 out of 10 in their Corruption Perception Index from 1998-2011, and 27-28 out of 100 from 2012-2014 (Transparency International, 2016); it must be noted, however, that attempts to measure corruption in this manner have received criticism as it can misrepresent “the subjective and political processes alive in...[corruption’s] manifestation as well as...popularis[ing] the notion that “corruption” is nothing more then [sic] a threat to business” (de Maria, 2008: 195).

The roots of modern day corruption in the Russian Federation are thought to have been established during the Soviet period, “structured by a totalitarian system, and, in particular, by the system of resource allocations during conditions of constant shortages of goods and services” (Cheloukhine and King, 2007: 108). Growing downwards, from the upper levels to local corruption, the dichotomy that was created was one of a “social illness corrupting the values of society”, and a necessary system that enabled the economy to function (Ibid.: 108). Informal practices – defined as “regular strategies to manipulate or exploit formal rules...[that are] responses to political and economic constraints,...also shaped by historical and cultural factors” (Ledeneva, 2008: 119) – such as favours, agreements, connections, and exchanges, became common place; all encapsulated by the Russian term blat.

Since the reforms of the early nineties, blat has been considered a redundant term to describe contemporary corruption in the Russian Federation, replaced with “more common...speak of kleptocratic, crony, or oligarchic capitalism”, but “to claim a decline in the use of the term, however, is not the same as to claim a decline in the practice...[blat] residues are everywhere, even in the present day” (Ibid.: 134-140). As Ledeneva (2008: 134)
explains, it is useful to discern the continuing and pervasive nature of blat, often discussed in the West as the endurance of the ‘socialist mentality’. Believing that modern day blat has moved away from its historical use as a tool for personal consumption, the same author believes that it is now used (often as a circumventive measure) in business environments that concern “tax authorities, customs, regional and local administrations, and bureaucratic procedures” (Ibid.: 134-137). During Soviet times, business was not considered “quite legal or ethical” (Shekshnia, 1994: 303), and so the existence of blat has been able to endure. Considered to be obtainable through blat, is access to such privileges as “export licenses, tax exemptions, permissions to use state resources, property, and business information” (Ledeneva, 2008: 137). The methods of blat have not changed remarkably – instead they have traversed the post-Soviet transition – and techniques such as “using friendly contacts, sauna companions, “constructive drinking,” and so forth” are still utilised (Ibid.: 135).

Irrespective of the corruption that manifested during the Soviet period, some quarters believe that the demolition of the state in the transition period was sufficient enough for corruption to become an expected and recognised phenomenon, due to the notion that “national interest is weak because the idea of a nation is new” (Leys, 1965: 224). Cheloukhine and King (2007: 113) explain that in the early period of the Russian Federation, “radical reforms were doomed to foster criminalization, legal vacuum, instability, lack of rule of law and a backwardness of the judicial system...accompanied by the further disintegration of moral values”, and Levin and Saratov (2000: 119) describe how a “weakness of civil society and alienation” occurred. During 1995-1996, there were in excess of 3000 pieces published by Russian national printed media, and over 150 television programs broadcast, on the subject of Russian corruption, and opinion polls revealed that “more than 70% agreed with the statement that Russia may be considered a corrupt state” (Ibid.: 114).

In the modern day, corruption in Russia – especially in business arenas – has shifted towards ‘larger amounts, less frequently’, as people have thought “in the long-term, caring more about keeping the position they have than about the short-term benefits of small bribe transactions” (Cheloukhine and King, 2007: 113). Doh et al. (2003: 118) rank Russia as “high” in both of their two dimensions of corruption: “the pervasiveness (or level) of corruption and its arbitrariness (uncertainty)”. Cheloukhine and King (2007: 113) describe the normalisation of corruption within business as an “immorality”, and point to the acknowledged existence of “‘honest-dishonest’ and ‘decent-dishonorable’” behaviours as examples, whereby illegal activity is considered acceptable, but to break a promise or turn back on an illegal transaction is not. On the common level of everyday life, corruption – usually in the form of bribes – is used to “solve routine problems...[such as] minor violations of laws and regulations” (Levin and Satarov, 2000: 123). However, notwithstanding the adverse effects, academic literature has recognised that corruption can form as a response to the “complicated legal and administrative systems” in place in Russia, and that these
Christopher David Lander

systems are, in part, responsible (Cheloukhine and King, 2007: 120). As well, especially concerning ‘everyday’ levels, corruption has become so commonplace that the boundaries between a legitimate and a corrupt activity have become blurred, and corruption has developed into a normalised aspect of Russian life (Levin and Satarov, 2000).

The effect that Russian corruption has on FDI moving into the country is negative (Capital Markets Consultative Group, 2003), a result of the “higher frequency of using illegal payments and higher pressure from regulatory and enforcement agencies, and higher pressure from criminal community as well” (Kuzmina et al., 2014: 874-875). Lambsdorff and Frank (2010: 349) cite research suggesting that a country’s overall level of corruption affects levels of trust, and therefore, perception of corruption on the part of foreign investors may well play a key role in this. It is difficult to ascertain the full impact of this negative perception when considering Russia, as data on financial FDI flows are skewed; in what is known as “so called round-tripping investment that first originates as outward FDI from Russia” (Kuzmina et al., 2014: 875), around fifty percent of Russia’s FDI comes from “offshore financial centers (OFCs), such as Cyprus or British Virgin Islands…in 2012 $7.5 billion out of $18.5 billion of inward FDI in Russia came from offshore financial centers, with the most important OFC being Cyprus that delivered around 80% of total offshore investments” (Ibid.: 878).

Trust in Russia is not positively aided by public coverage of perceived corruption; academic writings have highlighted instances – especially in the oil and mineral extraction industries – of large business assets being “expropriated by…local joint venture partners who were able to take advantage of Russia's unpredictable court system” (Doh et al., 2003: 114), and Western media has commented on examples of ‘forced’ sales – such as that of BP and Shell oil and gas ventures – back to Russian state-owned businesses (Forbes, 2012; Independent, 2012; The Guardian, 2007). Despite investors’ fear of expropriation, Doh et al. (2003: 114-115) explain that “the likelihood of investing firms confronting corruption is much higher than the chance of facing expropriation or other such events that fall into the category of political risks”. The same authors continue that “although many studies detail the impact of corruption on national economies, and others have considered corruption in the context of ethics and social responsibility, few efforts have been directed at assessing its impact on firms” (Ibid.: 114-115).

Doh et al. (2003: 115) believe that in countries, such as Russia, where there is a high arbitrariness and pervasiveness of corruption, companies face decisions that are more complex than simply making a ‘moral’ statement; that is, companies become anxious that resisting or ‘standing up’ to corruption may impact on business performance and relations, “reduc[ing] profits or anger[ing] corrupt officials”. Choosing to participate in corrupt acts “may be due to competitive pressures, respect for local cultural norms, extortion, or the difficulty in monitoring individual employees” (Ibid.: 119), and for foreign investors that do choose this path, problems still remain as often companies will “misjudge or ignore” (Ibid.:
the significant costs that corruption incurs, especially in the long-term. Where high arbitrariness is present, “firms are uncertain of whom to pay, what to pay, and whether the payments will result in the delivery of the promised goods or services” (Ibid.: 118). What is problematic, is that where the extent and nature of corruption is unpredictable, companies cannot estimate or “budget for this tax as a business expense” (Ibid.: 118), and can have a “mistaken perception that arbitrariness affects all firms the same, when in fact it can have significantly disproportionate impacts on firms” (Ibid.: 125).

Direct costs associated with corruption are defined as the “costs that result from direct interaction between the firm and the government (as represented by any of its officials or policy makers)” (Ibid.: 115). Irrespective of whether companies choose to engage in corruption, the mere presence of corruption in Russia is enough to incur costs, and as such, “corruption can be viewed as a tax” (Ibid.: 115). Foreign investors involving their actions in bribery and the utilisation of organised crime will experience significant outlays, but as well, avoiding corrupt interactions through such mechanisms as “hiding output and opting out of the official economy”, and investing in legitimate “lobbying, direct vote solicitations, and influence peddling” is significantly costly too (Ibid.: 116). ‘Standing up’ to corruption can result in certain “red tape and bureauacratic” barriers – coincidentally requiring bribes to circumvent – and especially where organised crime in the environment of inadequate legal protection is concerned, resisting corrupt behaviour can create additionally problematic scenarios: “for example, many firms doing business in Russia in the post-Soviet era have been forced to take part in the underground market for ‘protection’ by paying high fees for ‘security’ services because the state cannot provide adequate public protection” (Ibid.: 116).

Doh et al. (2003) – specifically considering MNEs – detail various strategies that companies will employ when considering markets in corrupt countries. One option is avoidance of the market altogether, or until a time when corruption has reduced (Ibid.: 120), but barring that, “adjusting [the] entry mode” is an alternative; this will usually entail operating through a joint venture (Ibid.: 121). Doh et al. (2003: 122) continue that other options for companies include implementing anti-bribery strategies through establishing “corporate codes of conduct…[as] a complementary strategy for reducing both direct and indirect costs of corruption” (Ibid.: 122), as well as training, developing, and educating the public and the local labour force (Ibid.: 123). Lastly, companies can choose to utilise “social contributions and public donations as an alternative to both avoidance and compliance”, often re-representing “bribes…as agent fees or fees for public services that might not otherwise be available…[although these] are unlikely to protect firms from the arbitrary application of corruption…[as] officials may demand further payments” (Ibid.: 123).

What Doh et al. (2003) fail to define in the above, is that re-representing bribery in this manner, and effectively leaving the bribe open to interpretation, highlights another – especially in Russian culture – pervasive mechanism: that of gift-giving. It is widely understood that “virtually any resource, whether tangible or intangible, can be transformed
into a gift”, and that this transformation is a social enactment set in various contexts (Sherry, 1983: 160). Steidlmeier (1999: 122) explains how the practice of gift-giving involves certain “cultural databases”: those of “artifacts [that] represent those things that can been seen or heard”; “social knowledge [which] includes social processes and values”; and “cultural logic [that] provides the worldview which grounds social behavior and knowledge”. As the latter outlines the determinate views underpinning a culture, and “artifacts represent the empirically observed behavior of people”, social knowledge connects the two by offering “the rules of the game”, defining “specific ways of doing things...[to provide] what people collectively, through social consensus and organizational will, find desirable” (Ibid.: 122). Social knowledge, in the example of gift-giving, will dictate what gift is appropriate, considering the artefact itself, and the worldview underpinning social behaviour (e.g. if gift-giving is an expected behaviour to show respect).

Under the Soviet system, gift-giving – thought of as a ‘corrupt practice’ by Cheloukhine and King (2007) – was pervasive and widespread: “small bribes, ‘gratitude’, and gifts were perceived by the masses as practically the norm” (Ibid.: 108). This has shaped ‘moral’ notions in the modern day within Russia, and hence Russia’s cultural logic, and the authors affirm that “decency and incorruptibility are considered as a synonym to clumsy, failure and simple stupidity...[with] bribes in form of gifts...[being] valued as a form of gratitude...for services rendered” (Ibid.: 113).

In the context of foreign investors operating in Russia today, the question arises of how social knowledge is interpreted and (re)enacted, shaping what is deemed acceptable and desirable. Citing examples of gift-giving in China, Steidlmeier (1999: 121) explains how “many Westerners unfamiliar with Chinese culture often make the easy identification of gifts with bribes” and that “such an easy identification is, however, incorrect...[as] within Chinese culture itself, there are, indeed, moral parameters to distinguish morally proper gift giving from bribery and corruption”. Applying that notion to Russia – contrary to much of the contemporary literature – it may well be possible that gift-giving can be separated from that of bribery in certain contexts, dictated by Russian ‘moral parameters’; navigating this dichotomy may be both confusing and problematic for FIs. The moral intentions of the foreign investors is, therefore, key in understanding the boundary at which a gift transitions into a corrupt behaviour.

According to Steidlmeier (1999: 125), reciprocal processes of exchange can be separated into three categories: gratuity (including that of gifts), bribery, and commission. The analysis of which category an action will fall into needs to draw “upon core human values, respect for local traditions, and an appreciation of context”, as labelling a reciprocal transaction as a bribe could be making a presumptuous “moral judgment”. The social purpose of bribe is to “gain acquiescence”, whereas a gratuity is to express gratitude, and a commission is to simply pay for a service (Ibid.: 126). Steidlmeier (1999: 126) explains that there is a difference in the “degree of freedom” between a bribe and a gratuity, and that a bribe can
be seen as a “condition for success”, whereas gratuity can be “voluntary, but there may [also] be social pressure”. The author admits that “phenomenologically, it is difficult to distinguish a bribe from a tip or a commission or consulting fee...[and that] in the end, moral judgment depends upon the social understanding of the meaning of the action;...the key difference seems to reside...in the intention of those who are involved” (*Ibid.*: 127).

When considering the moral intentions, or boundaries, of foreign investors, it is important to first study the motivations behind gift-giving. From a commercial perspective, Beatty et al. (1991: 154) explain that gift-givers fall into two overlapping segments: “those who give to others so that they will feel better about themselves (self-respect givers) and those who give to others so that they may maintain or enhance relationships (relationship givers)”. Sherry (1983: 159) writes that, from an anthropological viewpoint, “ideally, the giving of a gift does not establish obligations for exchange;...however, Western donors violate the “basic etiquette” of reciprocal exchange by calling attention to their generosity” creating a pressurised situation whereby “the recipient must reciprocate”. What is, of course, missing from this retail analysis, is that in a business environment – especially in the context of Russia – the gift-givers may well be pressurised by those would-be recipients in positions of power and influence.

Olivier de Sardin (1999: 34) indicates that whilst certain ‘corrupt’ practices can be “legally culpable and widely reproved”, the parties involved can consider their actions to be valid and genuine. With respect to gift-giving, these parties can consider the practice to be just that – a non-corrupt form of expressing gratitude – and hence, “the real borderline between what is corruption and what is not fluctuates, and depends on the context and on the position of the actors involved” (*Ibid.*: 34). In contrast, it is also possible for the parties involved to use this ‘fluctuation’ to publically obscure the real intentions of the transaction by disguising bribes as ‘gifts’, whilst privately maintaining an openly corrupt stance. Lambsdorff and Frank (2010: 347) find that gift-givers can choose to explicitly name their gift a bribe, as “gift-giving is a less effective method for influencing public servants because gifts fail to signal business people’s willingness to retaliate...[towards] non-delivering public servants”; in essence, a bribe carries a clear “threat to retaliate” (*Ibid.*: 354). For this reason, the authors contest the notion that gifts and bribes are the same as “bribes include a clear request for reciprocity...[and] gifts, if at all, include a vague expectation of favorable future treatment” (*Ibid.*: 348); thus gifts can be preferred as they appear “less offensive and demanding”, whilst bribes are utilised “precisely for the opposite reason...[suggesting] that the use of the word bribe is intended to help enforcement of the corrupt agreement” (*Ibid.*: 354). Both, however, do carry the “risk that their requests for reciprocity will not be fulfilled...[and] the risk that the public servants will blow the whistle” (*Ibid.*: 348).
1.3.2.3 CSR and Corporate Governance

Addressing issues of governance with respect to corruption, Keig et al. (2015: 97-98) pose the question of how a company can control informal corruption and “everyday petty corruption that permeates the life experience of the local employee as well as the expats’ local overall social environment”. Sensitivity and awareness of the informal corruption environment may allow for a certain level of governance, but the pervasive nature of the informal makes its resolution more problematic compared to that of the formal corruption environment; this is even more so if the company fails to consider informal corruption altogether (Ibid.: 98). A problem arises for companies operating in regions associated with high informal corruption environments, as they “face the very real danger of operating with human resources that have been acclimated to expect and accept corruption as a routine part of daily life”; under these conditions, Keig et al. (2015: 98) suggest that a company is more likely to engage in “irresponsible behaviour”. Osuji (2011: 38) also supports this notion, and references direct correlations “between official corruption and businesses, particularly multinational companies”.

Further problems arise through MNCs instrumental (or pragmatic) theory approach to the corporate governance of corruption: through this school, corporate corruption is “subject...to a cost-benefit analysis”, which focuses on the economic and political consequences of corruption in the host country, and disregards the social and moral aspects of the problem. In such cases, this can lead MNCs to “regard corruption as necessary costs of doing business”, or to embrace the phenomenon as a “survival mechanism” to continue to operate under the status quo (Ibid.: 38-39). However, with the progress of the “global ethical anti-corruption movement” that considers corruption from a moralistic approach, the instrumental cost-benefit analysis has been condemned in some circles, and from it has emerged alternate corporate efforts to tackle corruption (Ibid.: 49).

Thus, notions of CSR exist, not only to aid the fight against corruption, but to also tackle more wider and far-reaching social and environmental issues. The definitions of CSR in the literature range: Pinkston and Carroll (1996: 200) state how early definitions of CSR spoke of “economic, legal, ethical, and discretionary (or philanthropic)” ventures of a company; Kuznetsov et al. (2009: 38) describe CSR as focusing on “situations in which the firm intentionally goes beyond compliance with the requirements of the law for the benefit of some social or environmental good”; Zhao (2012: 440) defines CSR as the “obligations of companies to make decisions and take actions in ways desirable in terms of the objectives and values of the society”; Fifka and Pobhizhan (2014: 193) assert that CSR is “the integration of social and environmental concerns in the business operations and the relationships with stakeholders”; and Branco and Delgado (2012: 357) state that CSR is “a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment”.

Given this range, Osuji (2011: 50) demonstrates that corporate social responsibility initiatives can thus be separated into two categories – instrumental, and ethical (or pure) – where: instrumental CSR encourages correct and proper behaviour from corporations through shareholder and stakeholder pressure; and ethical CSR focuses on “the public goods aspects, the promotion of moral principles, and the need for regulation”, all of which may be independent of economic considerations of the corporation. Zhao (2012: 458) states that “CSR is not simply a spectrum ranging from a philanthropic end to a strategic end”, and that the nature of CSR ventures is “influenced by the company’s host political context”; this is an important consideration for a study located within the unique political context of Russia.

Further, Kuznetsov et al. (2009: 38) draw attention to the fact that it is sometimes difficult to differentiate between CSR and non-CSR activities, and so these definitions can sometimes fall short in their clarifications. An explanation for this is linked to globalisation, and what becomes the norm for a company in its operations; for example, in regions where the laws are weaker or immature – such as in transition and developing countries – the actions of an MNC, although moving beyond legal expectations, may well not be considered part of CSR, as they are not beyond the ordinary norms of the other countries that the MNC is operating within (Ibid.: 38). This is further complicated by the vagueness in behavioural norms, and the “discrepancy between the letter and the spirit of the law” which may result in companies following the letter, but not engaging with the spirit (Ibid.: 38). As well, the use of voluntary CSR participation incentives in some countries may – intentionally or otherwise – in fact be more coercive rather than progressive (Ibid.: 38). These definitions of CSR, though, do “provide[] a good pointer as to where the motivation for CSR might come from”, and infers that a “social contract” between business and society should exist (Ibid.: 38).

Before the specific nature of CSR in Russia is discussed, it is important to frame CSR within its popular theories. With its roots in political science, legitimacy theory has been used by various corners of academia as a “conceptual master-key to the CSR phenomenon”, and constitutes a “generalised perception that the actions of the firm are desirable, proper or appropriate within some socially constructed system of norms, values, believes and definitions...[whereby] CSR presents itself as an act of legitimisation” (Ibid.: 38). Legitimacy can be affected by the formal and informal corruption environments – in essence the environmental “rules of the game” – and can be difficult for MNCs that are spread across different nationalities and regions; as such, the form of legitimacy can change in these contexts, and the “dynamic can be particularly salient for MNEs doing business in emerging economies, where institutional environments may be in a state of transition” (Ibid.: 93).

Other theoretical framings of CSR have also emerged from the business and economic environments, and although different to legitimacy theory, some of the fundamentals are the same; for instance, stakeholder theory evaluates the ability of companies to “maintain trustful and mutually respectful relations with various constituents as customers, suppliers,
employees, the general public and the government”, and recognises that components of these relationships will be informed by expected norms, rather than legislation (Ibid.: 38).

As legitimacy exists under public scrutiny, and is therefore subjective, companies focus on creating a positive public image, usually centred on philanthropy and the welfare of the society that they are operating within; this has the added advantage of “increasing profit or strengthening intangible assets” such as reputation (Ibid.: 39). As a more instrumental approach to CSR, cynically, legitimacy theory suggests that the motivation of the companies is more to “enhance corporate profit or shareholder gain”, and the implementing of CSR strategies is rarely for ‘pure’ moral or ethical reasons (Ibid.: 39). Kuznetsov et al. (2009: 39) believe that as CSR has allowed companies to “align corporate profits and social costs”, legitimacy in CSR is relevant for post-communist countries, especially Russia, to show that corporate profit can be tantamount to social good, a tenuous relationship that was stressed through the transition period of mass privatisation in the 1990s, and the associated reduction in social welfare.

Zhao (2012: 439), through studying the reporting of CSR in China and Russia in 2009, further breaks down legitimacy into differing views. The first, a political legitimacy view, describes where both government and society at large – including stakeholders, and key social figures – agree that a CSR venture is fitting in light of the prevalent social norms, customs, and laws (Ibid.: 439). Through this, CSR that improves social and environmental welfare enables a company to garner political kudos, and may result in support from the state; this is important for a transitional economy such as Russia where the state is still a motivating force for the adoption of CSR strategies (Ibid.: 440).

The second, a political embeddedness view of CSR, has two aspects, in as much as it recognises how political institutions shape the nature of CSR ventures, whilst also identifying the interaction of the state with business on issues above and beyond that required simply by the law (Ibid.: 441). Whereas the third, a strategic view of CSR, highlights the voluntary and philanthropic ventures of companies as a means of increasing profit, political embeddedness draws attention to the fact that the state is much more involved in CSR ventures – as opposed to simply praising successful CSR strategies adopted by business – through “deploying incentives and enforcing pressures…[via] a network of social and political agencies” (Ibid.: 441).

Zhao (2012: 441) states how “regulation implementation and enforcement is often a problem” in Russia, due to a lack of regulatory infrastructure and fragile social organisations, and that non-regulatory influence, such as that of “administrative requests or normative/ideological influence” substantially shapes the nature of CSR in the region, something that is more pronounced than would be found in the West. The Russian state “formally pushes companies to take care of social welfare through social–economic agreements between companies and local governments”, and it is made known to the companies the type of ventures expected, and how they can be used to improve state-
business relations (Ibid.: 442). Lastly, although the strategic view can, in some respects, recognise the state relationship as a ‘return’ on voluntary ventures, political embeddedness embraces the “substantive content of different approaches through which CSR assists companies to influence the state agenda or seek state resources” (Ibid.: 442).

Privatisation in Russia during the 1990s was a “particularly messy and murky affair” that deeply afflicted the Russian population, and generated a great deal of distrust of market economics (Kuznetsov et al., 2009: 39). This has led to problems for companies seeking to affirm their legitimacy and reputation with certain segments of Russian society, as corporate business was contaminated with fraud, corruption, and dishonest conduct (Ibid.: 39). Still, towards the end of the 2000s, according to public opinion polls, business people were viewed as lacking in “such virtues as morality, integrity, talent or hard work”, and the legacy of communist propaganda had helped to “portray business as rapacious and immoral enterprise that exploited the working class and impoverished the third world” (Ibid.: 43-44).

As such, CSR was explicitly moved on to the political agenda (Zhao, 2012: 442), with Moscow hosting international conferences on the issue, and President Putin publically voicing calls for more corporate involvement in CSR initiatives (Kuznetsov et al., 2009: 37). The Russian state has taken it upon itself to encourage CSR, and has pressed large corporations to oblige in resolving social issues that traditionally, under Soviet times, fell under the state remit (Ibid.: 42-43), such as those of “health, education, housing, and culture public infrastructure” (Zhao, 2012: 440).

Interestingly, despite this providing fertile ground for companies to adhere to legitimacy theory – thus improving their public image, reversing the negative feeling resulting from privatisation, and allowing for a “demarcat[jion of]...territory in relations with the state” by gaining favourable recognition through self-regulated, socially responsible actions which avoid possible state interference – the study of Kuznetsov et al. (2009: 39-41) found that Russian companies implement CSR strategies as a process of legitimisation “much less willingly than might be expected on the basis of accepted theory”, and that Russian managers understanding of CSR notions differs from that of Western ideals. This contrasts with the findings of Zhao (2012: 456) who shows that both foreign and domestic companies in Russia attempt to legitimise their operations with the state “through philanthropy or conventional social-environmental activities,…[allowing for] enhanced visibility and official recognition,…continuous support from the state,…[and the] avoid[ance of] political risks”.

Zhao (2012: 440) believes that the increase of 50 to 193 non-financial reports from 2006-2009 is evidence of “a turning point of CSR development” in Russia, and whilst this is indicative of a more explicit rhetoric of social responsibility amongst both business and the state in recent times, it fails to analyse the engrained Soviet legacy of social responsibility that forms, at the very least, a precursor to modern day understanding of CSR in Russia. Issue can be drawn with the conclusions of Kuznetsov et al. (2009), as the difference in CSR notions, discussed above, implies a Western ‘superiority’ in CSR thinking, and an immaturity
in Russian notions of CSR. In certain aspects, this may well be true, but Fifka and Pobizhan (2014: 192) — showing that the “awareness for CSR has been fostered by the influx of Western business concepts, but the understanding and practice of CSR is predominantly determined by the country’s institutional environment” — deviate from other sections of the academic literature in explicitly stating that CSR in Russia is “an extension of traditional social roles” that has developed over time from the period of communism.

There currently exists “significant research gaps” concerning the nature of CSR in Russia (Ibid.: 192), typified by a tendency to study the subject through a Western-style CSR lens that fails to recognise the roots of social welfare responsibilities in the region. Belyaeva (2013: 486) believes that the Western-viewed model of CSR in Russia “is still under construction”, and does not recognise the nuances of social support that have emerged from the communist period. Fifka and Pobhizhan (2014: 193) use the “national business systems approach” that was advanced by Whitley (1992, 1997, 1999), which contends that the business environment of a country is characterised by the “codified and non-codified norms of behavior as well as values...[found within] the political system, the cultural system, the financial system, and the education and labor system”. Using this approach, the authors describe how the Russian political arena is still strongly shaped by the inheritance of the “Soviet legacy and the following transition phase”; the latter incurring the failed ‘shock therapy’ of economic reform, resulting in severe economic depression, and the formation of “a chaotic form of capitalism” (Fifka and Pobizhan, 2014: 193).

Although welfare structures in Russia are still relatively underdeveloped despite strong links between the political arena and the cultural system — Russia only spends 12 percent of its GDP in the areas of social welfare, compared to 16.3 percent in the US, and 19.3 percent in OECD countries — corporate giving is much higher than that of business in the West (Ibid.: 194). As well, Russian companies are “far more active...than OECD MNCs...on social-environmental issues” (Zhao, 2012: 453). The relatively low governmental support is attributed to Russia’s Soviet past whereby “monotowns” were constructed around businesses whose remit was also to provide for “healthcare, education, and housing”; this resulted in Russian society’s expectation of these companies as “social caretakers”, and although the process of privatisation attempted to reduce this dependency — largely unsuccessfully — the cultural expectation remains, with “most companies still provid[ing] at least some form of social service” (Fifka and Pobizhan, 2014: 194). As such, Fifka and Pobizhan (2014: 194) point to the research of Haaparanta et al. (2003: 2), which states that “56% of the firms have their own housing or support local housing, and 73% of the firms have recreation facilities or support employee's recreation activities”, and Alexeeva (2008) who approximates that 40-80 percent of corporate donations “are still tightly linked to the communities and cities where the respective corporations operate”. Further, Russian interpretations of CSR are more focused on nationalist ideas — such as “energy security and financial security of the country or the physical infrastructure construction in urban areas” —
and, therefore, the focus of their CSR initiatives fall more greatly on issues surrounding state policy (Zhao, 2012: 455).

The notion here, therefore, is that CSR in Russia is not necessarily underdeveloped or immature, but, rather, is simply different to that of Western CSR and for the corporations who do not experience the same ‘social caretaker’ expectations. The study of Fifka and Pozhiban (2014: 200) determines that “CSR in Russia is shaped by the country's institutions”, and strongly influenced by the “national political and socio-economic environment”; this means that CSR is traditionally focused on charity for the employees of a company, and the community in the immediate local surroundings, reflecting the social character that was evident during communist times. The authors state that for foreign business to operate in Russia, “they have to realize that CSR in Russia shows country-specific patterns that should not be neglected”, meaning that they have to be mindful of supporting employees and the local community, and endorse the notion that “coordination with Russian authorities on CSR activities” is a valuable venture (Ibid.: 200). Zhao (2012: 439) writes how, currently, there is a lack of research on: one, how companies strategically manage the relationship with the state through CSR; and two, how this strategy evolves under political influence.

### 1.3.3 Frontier Theory

Lastly, as this thesis is analysing foreign expansion into Russia, it is appropriate to draw attention to the idea of the ‘frontier mentality’. The environmental theory of the American frontier in the nineteenth Century – which has been both “vigorously attacked and vehemently defended” – was “advanced by a young Wisconsin historian named Frederick Jackson Turner in 1893…[who stated that] the American…owed his distinctive characteristics and institutions to the unusual New World environment – characterized by the availability of free land and an ever-receding frontier” (Billington, 1958: 86). Through his work on seventeenth Century Russia, Shaw (1989) linked Turner’s ideas to the existence of a frontier in Russia, and indeed, Billington (1958: 88) – drawing on the ideas of Turner, and Hector St. John de Crèvecœur – states that “among the frontier nations of the world only Russia provided a physical environment comparable to that of the United States”.

The topography of Turner’s American frontier environment was “the existence of an area of free land [in] its continuous recession” (quoted in Billington (1958: 87)), which acted as a “magnet to draw men westward, attracted by the hope of economic gain or adventure” (Billington, 1958: 86). Despite this, Billington (Ibid.: 87) explains that the notion of ‘free land’ is, in fact, contestable as the “omnipresent profit-seeker[s], the speculator[s]…were always ahead of farmers in the advance westward…[leaving] the settler…[with a] choice…between paying the speculator’s price or accepting an inferior site”. Nevertheless, the frontier produced a dualistic relationship between settler and the environment as “provinces were discovered, conquered, settled, and exploited or developed”: “the settlers and the Eastern
capitalists transformed the wilderness, but in the very process they were themselves transformed by the conditions with which they dealt” (quoted in Shaw (1989: 208)). Interestingly, though this transformative relationship contains a ‘literal’ component, Shaw (Ibid.: 209) has recognised that through “Russia’s western frontier...[as] political and military,...rather than a frontier of settlement”, frontiers can also transcend the physical to the social level, manifesting in the personalities and traits of the settlers themselves.

Though the above scholars were discussing the historical development of the Russia Empire and the US, the relevance of the frontier still holds in the contemporary context of foreign investment – especially smaller foreign investment – in the Russian Federation, especially given the continuing low grain growing areas, and abandoned agricultural land in Russia (W. M. Liefert and Liefert, 2015): Shaw (Shaw, 1989: 207) describes how “the character of a frontier society is decisively influenced by the process whereby settlers must adapt to their new environment, the features which attract them to that environment, and the character of the pre-existing inhabitants”, and the smaller foreign investors discussed within this thesis, are essentially a variation of these “settlers”, adapting to the unique and peculiar environment of the Russian agricultural space. This thesis offers insight into Turner’s ‘drawn settlers’ argument – following the gradual realisation amongst academia “that Turner was advancing a hypothesis rather than proving a theory,...[and that one should] abandon fruitless haggling over the meaning of his phrases...to concentrate instead on testing his assumptions” (Billington, 1958: 87) – in which smaller foreign investors in Russia could well be the true realisation of his hypothesis: magnetically drawn settlers who are seeking economic success and adventure, without any prior or current involvement in land speculation activities.

Moreover, the adaptive processes that the smaller foreign investors have undergone is of interest, to pose the question of whether the important factors experienced by seventeenth Century frontiers people in Russia still hold relevance, such as “relations with preexisting native peoples, government policy,...and the opportunities and prospects provided by changing technologies, economies, institutions and ideas” (Shaw, 1989: 209). This thesis establishes parallels between: the smaller foreign investors, and Turner’s American settlers with their “distinctive brand of individualism,...dislike of governmental interference in economic functions,...[and desire for] no hindrance from society as they exploited nature's riches” (Billington, 1958: 86); and the ‘Russian frontier’, and de Crèvecoeur’s American frontier that “invited a selfishness that perverted society,...[with] too much freedom and too easy a subsistence [that] threatened to barbarize the newcomers rather than redeem them” (A. Taylor, 2013).

The dislike of societal and governmental interference is key when considering the smaller foreign investors’ hopes and aspirations for the Russian frontier, and the constraints that they perceive can be escaped by leaving their home countries. Willock et al. (1999: 6) in their study of British farmers, found that although – like in any other business – efforts to
maximise production and increase profits was paramount, farmers also found value and self-worth in the vocation itself; this satisfaction, however, in recent times has “given way to stress and pessimism regarding the future of farming” (Ibid.: 9). The responsible factors for stress in modern farming – which transcends the West, and is not only exclusive to the UK, with the “U.S. National Institute of Occupational Safety and Health rank[ing] farming in the top ten of 130 stressful occupations” – include: “post war increases in farm size, intensive capital investment,…decreased labor requirement of modern farming,…unpredictable weather, time pressure, government policies, farm hazards,…geographic isolation and unexpected events” (Ibid.: 9). Interest lies in whether these stresses persist in the Russian environment for the smaller foreign investors, and if their experience is of a less restrained and hindered existence. Of importance to this thesis are the legislative and bureaucratic requirements of operating in Russia, and the smaller foreign investors’ “attitudes towards legislation”: rules and laws “that farmers find…as stressful as coping with the weather” (Ibid.: 9).
2. Context and History

This chapter serves to provide a background to the Russian agricultural sector, its turbulent history, its role in the collapse of the USSR, and the potential that it provides foreign investors with in post-Soviet times. Additionally, the relevance of the sector to global issues is argued in detail, showing the influence that it has over global geopolitical and geoeconomic events, and the future implications of its development. Finally, upon the full comprehension of the context, relevant theories, and contributions to academic debate, a brief description of the next four papers of this thesis is provided.

2.1 The Re-emergence of Russian Agriculture

The agricultural sector encompassed by the rule of the Russian Empire, the Soviet Union, and the Russian Federation has been in perpetual difficulty for the last two hundred years; this crisis began with the “identification of a ‘peasant question’ by the first public critics of serfdom in the late 18th century,...was transformed into an ‘agrarian’ or ‘land’ question in the second half of the 19th century,...and by the 20th century, it had become a ‘grain problem’” (Macey, 1994: i). As Macey (1994: 1-2) explains, “thus, there was the emancipation of the peasantry in 1861 which followed Russia’s defeat in the Crimean War; the Stolypin agrarian reforms and their program of individualization and privatization which followed the revolutionary challenges of 1905-6; the compulsory expropriation and redistribution of land during and following the revolutions of 1917;...the collectivization of agriculture that accompanied Stalin's 1928/29 ‘Revolution from Above’;...[and] the collapse of both communism and the Soviet empire between 1985 and 1991...[that has] been accompanied by the emergence of an ‘agricultural problem’ as well as renewed efforts at agrarian reform”.

2.1.1 The Agrarian Sector of the Russian Empire

Agriculture in the nineteenth century Russian Empire inhabited a feudal structure, with all decisions – ranging from production regulation to export trade details – originating from the ‘top-down’ (Knowles, 1932). The agriculture was serf-based, characterised by manor-orientated, co-operative, and common cultivation, with an ingrained lack of individual initiative; nevertheless the Empire was self-sufficient and had transformed into the “main European granary” (Ibid.: 24). The emancipation of the serfs in the 1860s eventually brought an industrial revolution after 1980, one that improved the general state of agriculture (Daudin et al., 2010; Knowles, 1932). The concurrent transport revolution brought the steamship and railway, which not only allowed for the greater mobility of agricultural goods...
and products, but also the greater mobility of agricultural workers (Daudin et al., 2010; Knowles, 1932). Intensive agricultural methods, therefore, became possible, and the Russian Empire propelled into one of the “two great agricultural Empires”, increasing its food exports towards the end of the century (Knowles, 1932: 7).

At the same time, the US had also been increasing its exports via Britain along the steamship routes of New York-Liverpool, and Chicago-Liverpool, which had the dramatic effect of decreasing world agricultural market prices (Daudin et al., 2010; Knowles, 1932). This was a “grain invasion”, yet the Russian Empire resiliently remained the greater agricultural export force on the European markets (Broadberry et al., 2010: 68). Interestingly, the Empire’s export increases had occurred during a period of significant crop failures and famine, especially the famines of 1891, 1897, and 1901 (Volin, 1970: 59). Famines were periodic, and caused “starvation, epidemics, increased mortality, [and] a decrease in the number of livestock, including vital work horses…the adverse effects of such conditions were felt long after the worst of a famine had passed” (Volin, 1970: 59). Broadberry et al. (2010: 64) explain how, from 1870-1913, the “best [European] growth performance by far was recorded by Russia, where production increased by a factor of 2.5;...there is no doubt that Russia was a success story, as confirmed by the great increase in its agricultural exports”.

However, by the end of the nineteenth century, a “vicious circle” had been created whereby peasants sold increasing amounts of their produce to cover taxes, lowering the quantity and quality of their seed and food, and leading to reductions in livestock numbers, as well as manure available for crops; this led to further lowered crop yields and agricultural produce available to the peasantry (Knowles, 1932: 80; Volin, 1970). With livestock numbers also negatively affected by the replacement of meadows and pastures for food crop production, the rural state of affairs was in a calamitous state: backward, destitute, depressed, and impoverished (Volin, 1970). The peasantry began to show its anger by revolting (Knowles, 1932; Volin, 1970).

Ukraine was the first to experience violence in 1902, when uprisings were directed towards the landlords in a number of provinces; the government forcefully subdued this, and the number of uprisings subsided over the next two years (Volin, 1970). However, defeats in the Russo-Japanese War of 1904-1905 gave a new vigour to national disgruntlement, threatening “a second French Revolution” (Knowles, 1932: 29) as “revolutionary disturbances...spread from the city to the countryside” (Volin, 1970: 95). The 1905 Revolution began on 9th January – later to be known as ‘Bloody Sunday’ – when the army of the Russian Empire opened fire on a peaceful demonstration march in St. Petersburg (Medvedev, 1987). During 1905-1906, half of European Russia was affected by uprisings, and although these were easily contained, the Czar was moved to promise reforms “including some civil liberties and a constitution which would reduce his absolute power” after recognising the difficulties that the peasantry faced (Ibid.: 14). During the revolution, more than “7000 instances of peasant unrest, ranging from strikes and refusal to pay taxes
Christopher David Lander

to arson, appropriation of estate land, and other forms of violence and destruction” spread through the Empire (Volin, 1970: 95).

The agricultural sector started to improve considerably after 1905 as prices began to trend positively, agriculture started to commercialise and modernise, and cereal exports reached 30 percent of the global total (Knowles, 1932; Volin, 1970). The class gap in the peasantry grew during this period as the rural bourgeoisie, the kulaks, started to separate from the rural proletariat in both wealth and production (Medvedev, 1987). This positive trend could have continued with increasing yields, improved standards of living for the peasantry, and the development of the Empire into a sustainable ‘breadbasket’ for Europe; however, the breakout of the First World War in 1914 halted the progression (Knowles, 1932).

In February 1917, another revolution related to the shortage of food – which “was a genuinely spontaneous, popular uprising...the culmination of innumerable independent strikes, meetings, and demonstrations...[and] mutinies within the army units stationed in Petrograd and the naval units of the Baltic Fleet” – afflicted the Empire (Medvedev, 1987: 20-21). Czar Nicholas II subsequently abdicated and the Russian Empire collapsed, leaving the Duma as the only body able to fulfil the role of a ‘Provisional Government’ (Ibid.). A further revolution in October 1917 – provoked by the new government’s decision to prevent instantaneous reassignment of agricultural land until the Constituent Assembly of 1918 – brought desertions from the army as whisperings of land redistribution reached the soldiers, most of whom were rural peasants (Ibid.). When land in rural areas began to be forcibly confiscated by the revolutionaries, the will of the local armies to suppress them was absent, leaving the Bolsheviks to gain popularity by offering peace, and further land confiscations in return for support from the peasantry; this, the peasantry accepted (Ibid.). As food supply in industrial centres declined, famine became a stark possibility, and the power of the Provisional Government waned (Ibid.). The Bolsheviks seized power, thrusting Vladimir Lenin to the forefront of history, and distributing “about 150 million hectares of arable land, pastures, and forests” to the peasantry (Ibid.).

2.1.2 Agriculture under the Soviet Union

After the First World War ended in 1918, nearly the whole of Europe was afflicted by food shortages after the damage caused to industry and agriculture, with pre-war levels of production not returning until 1923-24 (Buyst and Franaszek, 2010). Suffering from “post-revolutionary turmoil...and the establishment of a state monopoly in foreign trade”, trade with Europe, as well as trade in general, was adversely affected (Ritschl and Straumann, 2010: 174). Soon after, the newly formed Soviet Union decided to exit the European market altogether. (Buyst and Franaszek, 2010). The USSR did still continue to export, but this was mainly to other communist countries, at a much reduced amount (Volin, 1970). This left the US with the means and the opportunity to dominate the European market with its food
exports, which it did by exporting vast amounts of grain, becoming the greatest and most influential agro-food exporter of the twentieth century (Buyst and Franaszek, 2010).

In addition to the damage caused by war and revolution, Soviet agriculture continued to suffer a decline: during 1918-1921 – just before the formation of the Soviet Union, now classified as War Communism – economic downturn, and governmental disorganisation caused by efforts to “communize the national economy”, brought starvation to the country (Volin, 1970: 143). The revolution had caused “extreme fragmentation of farming, the sudden disappearance of larger properties...[and] larger peasant properties”, and a decrease in yields as small peasant farms increased in number bring a return of the “scattered-strip system” (Ibid.: 139).

The Soviet government after 1918 created state farms – the sovkhozy – usually attached to industries such as sugar refineries and tobacco plantations, as well as creating collective farms – the kolkhozy – which were run on a communal basis (Medvedev, 1987). Virgin land in the North Caucasus, Kazakhstan, Siberia, and the Volga basin was expanded into, and by 1929, the kolkhozy farmed 1 million hectares (Ibid.).

Upon the death of Lenin in 1924, Stalin assumed control of the Communist Party and the USSR. Agriculture was soon remodelled towards collectivised farming between 1929-1933 as, having also witnessed the removal of the capitalist and rural gentry classes during the October Revolution, Stalin looked to remove the kulaks from Russian society (Ibid.). During this time, “peasant families were displaced” as the peasantry was forced to abandon private forms of farming and join the sovkhozy or kolkhozy; the “process was enforced by a campaign of terror, deportation, exile, and execution”, and, disastrously, a famine followed in 1932-1933 in which 5 million people died (Ibid.). The number of kulaks that were imprisoned and killed during Stalin’s collectivisation campaign, and the number of peasants that were deported or relocated secretly to the cities, can only be estimated, but it is thought that 5 million households vanished, with a considerable loss to human life (Ibid.).

The first wave of collectivisation, during 1929-1930, required the peasants to give a “special entrance contribution” to the state – their horses and cattle – which resulted in the slaughter of vast numbers of livestock as the peasants protested; this had serious agricultural consequences for the upcoming growing season (Ibid.). Stalin, realising that a catastrophe was looming, reneged on the collectivisation campaign, assuming that the sovkhozy and kolkhozy would continue to evolve; however, peasants started to reverse out of collectivisation, and by 1930, “less than six million peasant households remained in the kolkhozy...[constituting] about 30 percent of the rural population” (Ibid.: 80). Once the harvest had been collected, Stalin instigated a second wave of collectivisation expanding his “campaign of terror...from the villages to the town” (Ibid.: 83).

Livestock numbers continued to decrease, contributing to a reduction in the availability of manure for the farms, and consequently a loss of fertility of the topsoil (Ibid.). Ill-conceived
farm layouts and intensive ploughing also led to extensive soil erosion and lower yields, worsened by the inefficient operation of the collectivised farming system (Volin, 1970). The state, meanwhile, continued with large procurement quotas for agricultural produce, creating a vast gap between urban and rural living standards as the countryside struggled to produce surplus for its own consumption (Medvedev, 1987). The Soviet countryside became trapped in a man-made food shortage, which developed into a full famine in 1932 when adverse weather affected crops (Medvedev, 1987; Volin, 1970).

The government could have possibly alleviated the problem in 1930-1931 by reducing its procurement quotas, but instead chose to increase grain exports, with these exports continuing – albeit to a lesser extent – even when the famine was at its peak (Volin, 1970). Further, the government had grain stores available, but decided against sending food back into the countryside, and instead “imposed a complete blackout on all information from the famine-stricken areas;...it did everything possible to conceal the tragedy not only from the outside world, but also from its own population” (Medvedev, 1987: 92).

The years 1935-1940 were declared as an agricultural success by the Soviet government due to collectivisation, and there was some truth in this:

The number of rural schools and hospitals grew,...the level of electrification,...mechanization and the consolidation of the fields changed the methods of agricultural production,...the transport system improved,...the consumption of manufactured goods grew,...the production of some technical crops, particularly cotton, grew enormously,...[and] it certainly became much easier for the state to make procurements of grain and other products and to obtain enough marketable grain both to feed the growing urban population and to export. (Ibid.: 114)

However, as Medvedev (1987: 114) also highlights: “the main indicators of the level of agricultural production remained practically the same...[and the] urban food situation improved at the expense of food consumption in the villages”.

Upon the death of Stalin in 1953, Nikita Khrushchev became First Secretary of the Communist Party of the Soviet Union, and introduced new ambitious agricultural reforms. A virgin lands program was implemented in 1954 to “utilize the natural fertility of idle land” which increased the total planted area of the Soviet Union by 24 percent (Ibid.: 191); this combined with good weather, better state support of the farming peasantry, and increased state investment, raised agricultural production by 40-50 percent during 1953-1958 (Volin, 1970). In 1957, Khrushchev made it known that he wished the Soviet Union to close the gap between the production of milk and meat with that of the US, instigating an “agricultural race” (Ibid.: 343). This, he thought, was achievable, but required the expansion of both feed grain production and livestock numbers (Ibid.). 1959, however, saw agricultural production
start to decline, and in 1963, a terrible crop failure hit the Soviet Union, a result both of unfortunate weather and calamitous agricultural policies (Medvedev, 1987; Volin, 1970).

Khrushchev had mustered around 300,000 volunteers through advertising drives and national movements – such as the Young Communist League (Komsomol) – and had put them to work in 1954 across the virgin land regions (Medvedev, 1987). Kazakhstan was the main focus due to its vast size, but the Altai, southern Siberia, and the Urals also drew attention (Ibid.). New sovkhozy were created, some “covering tens of thousands of hectares”, and existing kolkhozy were expanded (Ibid.: 171). However, the Soviet harvest in 1954 was disappointing and the virgin lands failed to contribute as much as was expected (Ibid.). Although a drought followed in 1955, destroying the winter wheat, especially in Kazakhstan, mostly the virgin land regions were not badly affected, and a record harvest was produced (Ibid.).

Kazakhstan’s sensitivity to the weather did cause some concern, though, and Khrushchev found himself defending his decisions on the virgin frontiers (Ibid.). His leadership position became “precarious” due to party opposition to his methods, but in 1956, Khrushchev gambled and expanded the virgin lands further, even though “a poor harvest would almost certainly have resulted in his removal from office” (Ibid.: 172-173); his gamble paid off with more record harvests in 1956 and 1958, and Khrushchev believed that Soviet agricultural difficulties had finally been resolved (Ibid.).

However, the policy decisions made during the expansion of the virgin lands began to have adverse effects, and exposed the Soviet Union to severe agricultural problems (Medvedev, 1987; Volin, 1970). Soon after the initiation of the virgin lands campaign, many crop rotations were overhauled, both in traditional agricultural regions and in the virgin lands, in an attempt to move towards agrarian monoculture (Medvedev, 1987; Volin, 1970). Bread grain was expanded in the virgin lands, whilst corn – a good feed grain – was introduced into the traditional agricultural regions, despite the climate being unsuitable for its cultivation (Volin, 1970). The arrival of corn in the traditional zones meant that the farming of certain crops, such as winter wheat, spring wheat, and rye – the “insurance” crops that could be leant upon in years of bad harvests – was replaced (Ibid.: 502).

Further, the virgin lands program had been expanded without implementing anti-erosion methods for the land, due to the involved expense (Medvedev, 1987). In the early 1960s, soil erosion became a serious problem, as fertile regions, as well as “saline areas and large expanses of light sandy loams”, were ploughed for seeding (Ibid.: 192). These regions were soon affected by windstorms, which removed vast amounts of soil, worsening in the spring of 1963:

In the spring severe windstorms with winds raging up to 95 miles an hour, lifted millions of tons of fertile soil from the virgin regions and carried it miles away to the foothills of the Sayan mountains and other mountain chains. A
dust cloud hid the sun for several days, irrigation canals were choked, and drifts of soil more than two meters high were formed along some stands of trees. Towns and villages were covered with dirt. The arable layer was so completely removed from thousands of hectares that the underlying bedrock was exposed...It was a substantial ecological disaster. (Ibid.: 193)

When a “mild drought” swept over the virgin lands in 1963, the combined effect of the soil erosion in the bread grain regions, the loss of insurance crops in the traditional growing regions, and the underachievement of corn yields, brought the harvest yields to the smallest that they had been since 1955 (Ibid.: 191). Vast food shortages resulted, as the Soviet Union had already depleted its grain reserves due to previously poor harvests, and rationing and emergency imports were sanctioned (Medvedev, 1987; Volin, 1970).

The need for foreign food imports was extremely embarrassing for the Soviet government, especially given the Cold War, and the declared agricultural race with the US (Medvedev, 1987; Volin, 1970). The USSR did not possess enough hard currency reserves to pay for the imports, and, as a result, Khrushchev was forced to resolve the deficit by plundering the gold reserves (Medvedev, 1987). After 500 tons of gold ingots had been transferred to the foreign markets, Soviet buyers began to accumulate “grain...mainly from Canada and Australia, but [also]...West Germany, France, and the United States...rye was purchased in Finland, meat was imported from Australia and South America, butter from New Zealand and Scandinavia...[and] canned meat... from China” (Ibid.: 196). These imports were expensive, with the wheat imports alone – totalling 12 million tons – costing the Soviet government approximately 800 million dollars (Volin, 1970). Perhaps more astounding was that throughout the events of 1963, Soviet exports bound for other communist countries were sustained, as the USSR looked to support its ideological allies (Ibid.).

Khrushchev’s policies had not only impacted upon arable land production, but also on livestock production (Medvedev, 1987; Volin, 1970; Wegren, 1992). To uphold rural socialism, the rise of a new kulak class was targeted in the late 1950s with preventative measures implemented to discourage peasant ownership of private plots and animals, even though Khrushchev’s previous policies had encouraged these very same things (Medvedev, 1987; Wegren, 1992). Private plots were considered “relic[s] of capitalism and...[peasants] who sold their produce on the free market were branded as speculators” (Medvedev, 1987: 193). The aims of the new policies were to replace the income earned from the private plots with increased wages from the kolkhozy and sovkhozy – thus replacing the need for peasants to have their own plots – and to additionally encourage the sovkhozy to buy the livestock from the peasantry and integrate it into the state herds (Wegren, 1992). The peasantry reacted to the latter by slaughtering much of their livestock, as more value from the meat was expected from trading it on the market or using it themselves, rather than selling to the state (Ibid.). When the agrarian crisis of 1963 hit, livestock numbers were reduced even further as the sovkhozy and the remaining peasants with livestock – now with
a severely limited feed grain supply – were forced to slaughter the animals that could no longer be supported (Volin, 1970).

Up until 1963, Khrushchev had played down the effect of the weather on crop yields, blaming the agricultural sector in general for poor agrarian production, but after 1963, his stance changed as he highlighted the weather as the decisive factor (Ibid.). Plagued with additional problems elsewhere in the Communist Party – including his support of the pseudo-scientist T. D. Lysenko – Khrushchev was forcibly retired soon after in 1964 (Medvedev, 1987).

The importation of food under Khrushchev was supposed to be an isolated one-off event; however, over the next twenty years, and with “the years of stagnation” under Brezhnev during 1964-1982 (Vietor, 2007: 174), the harvest level only increased by 30-50 million tons – in spite of high investments in machinery, fertilisers, road infrastructure, national energy supplies, the sovkhozy, and the kolkhozy – leading the Soviet government to “quietly…[drop] the idea of self-sufficiency in grain production and…resign itself to the necessity of importing vast amounts of food and feed grain annually from almost any country in the world that was prepared to export grain products” (Medvedev, 1987: 237). Thus, the Soviet Union had transformed from a large exporter to importer of grain, with Soviet imports totalling “more than 20 percent of the world grain trade” by the 1980s (Ibid.: 386).

What drove this abandonment of self-sufficiency was the cost-benefit of the investments that the Soviet government were making in agriculture. During 1970-1975, 130 billion rubles were invested, with another 171 billion rubles during 1976-1980, and 200 billion rubles during 1981-1985 (Ibid.); by 1982, agricultural investment totalled 27 percent of the entire state investment budget (Wegren, 1992). It soon became evident that the poor returns on these investments made the import of food a more economical option: “to obtain an extra 30 to 40 million tons of grain from its own fields, the Soviet government spent much more capital than was required to buy the same amount abroad (12 billion rubles worth of foreign currency was spent annually on food imports in 1976-1980, of which about 6 to 7 billion rubles, or 10 billion dollars, per year was for grain)” (Medvedev, 1987: 238).

Imports from the capitalist West were embarrassing for the Soviets, with a blackout on reporting their existence in the national press (Medvedev, 1987; Volin, 1970). They left the USSR open to outside international pressure, and fluctuations on the capitalist markets: during 1982-1985, the price of oil began to decline, and, as Soviet foreign currency was generated mostly by oil sales, the effect made the continued import of grain more difficult (Medvedev, 1987). Additionally, the USSR was unable to provide food aid to nations in the third world – mainly African – which led to international criticism targeted at the economic reliability of the communist system (Ibid.).

Major international events during these import years continued: the 1971 and 1972 harvests produced grain shortages, and the resulting record import of 40 million tons from
the US and Canada was given the name the “great grain robbery” as it increased the global
grain prices, adversely affecting poorer countries who relied the same imports (*Ibid.*: 210); in
1980, the US enforced a grain embargo on the Soviet Union after they went to war
against the Mujahideen in Afghanistan (*Ibid.*); and the United Nations criticised the Soviet
Union in 1984 at a world population conference, blaming the USSR for the increase in global
food prices and the resulting hardships experienced by poorer nations (*Ibid.*).

When Gorbachev came to power, the agricultural and import situation had worsened so
much that 35 percent of the state investment budget was focused on agricultural needs (*Ibid.*). As discussed below, Gorbachev attempted to alter this by insisting on agricultural
reforms, but was removed from his position before these reforms could be fully
implemented (Wegren, 1994). Ultimately, the rising capital-to-output ratios in agriculture
became a distinct contributory factor in the collapse of the USSR in 1991.

### 2.1.3 Post-Soviet Reforms

The early 1990s marked the slow and imperfect transition of Russia to a market economy
(Ioffe *et al*., 2006: 8), and after a very troubled period, Russian agriculture has now
stabilised and is a focus of attention, with the FAO highlighting it as one of four nations that
could have a key influence in meeting global food demands (Visser and Spoor, 2011: 300). This
stabilisation, however, is not to be confused with a complete recovery, as despite “the
image of Russia’s emergence as the global breadbasket…[being] based on the idea of
growing wheat production,…the increase in production has been rather moderate” (Visser
*et al*., 2014: 1593). As well, the briefest of glances at the FAO statistics during the period of
this research, shows Russia to still be a substantial net importer of meat and livestock
products (FAO, 2012).

The enhanced role of the Russian Federation in global agricultural markets, has taken place
against the backdrop of far-reaching agrarian and land reforms that have been introduced
since the collapse of communism over two decades ago. Although continuities in farm
structure have been striking, with the fundamental dualistic structure of very large and very
small farms carrying over from the Soviet period, the penetration of market relations into
rural Russia, and the freeing up of the land market, have, nevertheless, meant that
agriculture is a site of dynamic change. Visser (2008), Wegren (2009a), and O’Brien and
Wegren (2002), have all discussed the reasoning behind, and outcome of, successive
reforms.

With the initiation of *Perestroika* in 1985, and Mikhail Gorbachev’s radical social, economic,
and political *glasnost* policy reforms, Soviet attempts as a “‘moral’ imperative” to remove
the last remnants of Stalin’s influence in the agricultural system, turned to the pre-
revolutionary ideas of Stolypin’s – Prime Minister of the Russian Empire from 1906 until his
assassination in 1911 – agrarian reforms, seeking to construct “a system of individual family farms based on private property ownership” (Macey, 1994: 1). Peter Stolypin, Prime Minister of the Russian Empire from 1906 until his assassination in 1911, had undertaken “the promulgation and implementation of a series of controversial agrarian reforms” (Frank, 1990: 663), “conceived as a ‘second emancipation’ [for the rural peasantry], this time from communal land use and, to a lesser degree, communal landownership” (Macey, 2004: 400).

In the same vein, Gorbachev’s political agenda – along with the dismantling of the sovkhozy (state farms) and kolkhozy (collective farms) – was to create “Stolypin-type” farms (Macey, 1994: ii), or “‘peasant farms’ (krest’ianskie[-fermerskiye] khoziaistva)”, often referred to in the Western literature as private or individual farms (Wegren, 1996: 109); these called for the “gradual establishment of a network of individual family farms, based on either leased or privately owned property, and coordinated by a parallel system of private cooperatives” (Macey, 1994: 7). These reforms continued under Yeltsin in the early 1990s; however, by 1995, it was widely recognised that expectations had not been met, and the private farms were failing (Macey, 1994; Pallot and Nefedova, 2007; Wegren, 1996).

The number of Stolypin-type farms has stuck stubbornly around the quarter of a million mark since the middle of the 1990s, whilst the kolkhozy and sovkhozy, now renamed ‘open and closed joint stock companies’ or ‘peasant farms cooperatives’, have had a reprieve. Though less than in the past, large farm enterprises still occupy the greater part of Russia’s agriculturally-productive land. Meanwhile, micro-farms, and subsistence allotments – heirs to the ‘private plots’ of the Soviet era as before – continue to exist alongside the large farm enterprises, often in a symbiotic relationship (Pallot and Nefedova, 2007), and contributing a large proportion in value to total output of vegetables, potatoes, dairy, and meat products.

The effective ‘renaming’ of the kolkhozy and sovkhozy reflects the failure of the Washington Consensus to affect change through the creation of a fully capitalist farming sector, based on neoliberal principles. Foreign investment – although significant – did not penetrate agrarian Russia as much as expected, and the inefficiencies of the former state and collective farms – with their roots in the Soviet period of inadequate investment, top-down control, bureaucracy, poor incentives for workers, and demoralised and inefficient labour forces (Butterfield, 1990; Laird, 1997; Prybyla, 1962; Visser et al., 2014) – still persist today.

However, if the first phase of reform failed to achieve the destruction of the farm structure inherited from the Soviet era, the second phase – corresponding roughly to the period since the turn of the century – has far greater potential to dismantle the Soviet agricultural inheritance. In this case, the motor for change is the final removal of obstacles to the buying and selling of agricultural land, and changes in bankruptcy laws which have elevated the role of the market in restructuring agriculture. In the last decade, external capital has been able to take over large swathes of Russia’s most productive farm land. The new investors, which include some of Russia’s large corporations, and a smaller number of foreigners, are
primarily motivated by profit and are less constrained by social obligation to rural communities than the previous farm managements. Twenty five years on from the USSR’s collapse, the full integration of agriculture into the domestic and global market economy is, finally, on the agenda.

Russian land reform has shifted significantly: whilst Yeltsin had looked to smaller private farms to solve the “achilles’ heel” (Jasny, 1951) of the Russian agricultural sector, Putin’s administration has focused on improving the production of larger-scale farms, and financial apparatus have been utilised to this effect (Wegren, 2009a: 79). Contemporary Russian land reform can be considered as “awry...[as] instead of putting agricultural land in the hands of individuals, land reform [has] in fact contributed to the emergence of super-large farming structures” (Ibid.: 5-6). At the time of Putin’s ascension to power in 1999, the agricultural sector was “bordering on catastrophic” (Wegren, 2005: 225), and so it was prioritised as part of the “National Project”, and state funds were released for its improvement (Wegren, 2009a: 80-81). Rosselkhozbank – an agricultural bank that provided credit, especially to the larger-scale farms – was created, and frequently subsidised by the Russian government (Wegren, 2005: 230), and in 2009, the state-owned United Grain Company was formed with the remit of operating grain elevators, a port, and infrastructure facilities in 15 regions of Russia (AOOZK, 2017). Putin’s initiatives had a number of effects: arable agricultural production improved on 1990s levels, Russia once again re-entered the cereal and grain export market, and the production of food products on private farms diversified (Wegren, 2009a: 81).

In 2001, Putin introduced the Land Code, following later with The Law on Agricultural Land Transactions in 2002-2003 (Ibid.: 83-84). The Law on Agricultural Land Transactions placed very specific restrictions for ownership of agricultural land: “foreigners, foreign firms, persons without citizenship, and Russian agricultural firms in which foreigners own more than 50 percent of the capital stock may only lease agricultural land...[and] the term of the lease may not exceed forty-nine years” (Ibid.: 87-88). Wegren (2009a: 249) noted that “it is often difficult to trace ownership lineage in Russia, and thus foreigners may be able to control a company that owns farmland”, and the papers in this thesis detail how foreign investors utilise a certain loophole to bypass these restrictions.

Although Wegren (2009a: 81) contended in 2009 that the “growth rate within the private sector has been particularly impressive since 2000, suggesting that the sector may finally start to fulfil the hopes that reformers had in the early 1990s”, the most recent research of Visser et al. (2014: 1596) has found that “a peasant (or individual) farm sector has emerged, but it has remained relatively small”. As well, when considering the inherited farming structures of the sovkhozy and kolkhozy, where in 1992 they “had occupied 98.4% of agricultural land, their corporate heirs in 2011 still held an estimated respectable 83.2%” (Ibid.: 1596). That aside, the performance of private farms has been encouraging: the “yield differences between peasant farms and agricultural companies...[has been found to be]
relatively small...[and it] seems that peasant farms have slightly closed the yield gap between their category of farms and agricultural companies”; and private farm wheat production has remained “nearly constant at a level between 22% and 23% in the years 2009-2011” of the national total (Ibid.: 1596).

Since the collapse of the Soviet Union, foreign investors have penetrated the Russian agricultural sector in various forms in attempts to exploit the large production gaps – and enormous potentials for profit – that have been created by the inefficiencies of the Soviet period. The focus – both in academic literature and the media – has been on larger forms of foreign investment, especially that of a more ‘corporate’ nature (Capital Markets Consultative Group, 2003; Kuns et al., 2016; Kuzmina et al., 2014; Luyt, 2013). Outside of these lenses, however, are situated the smaller foreign investors who – with various degrees of success – have been operating in the Russian agricultural sector for some time as foreign versions of the krestyansko-fermerskiye khoziaistva.

2.1.4 The Present Day

Putin’s ascension to power in 2000 brought a change in focus for the agricultural sector, as firstly Russia was propelled onto the world stage as a grain exporter, and now in recent times, an introverted agenda has altered attention towards self-sufficiency (Vassilieva and Smith, 2010). The Western press has reported the Russian government’s desire to make the Russian Federation the world’s leading grain exporter as it was before the 1917 revolution (Associated Press, 2008; Financial Times, 2010; Reuters, 2009b), with the country aiming in 2009 to double its grain exports level over a 15 to 20 year timescale (Reuters, 2009c, 2009e) to 50 million tonnes (Agence France-Presse, 2009; Bloomberg, 2009). Other grain exporting nations have confirmed Russia’s potential dominance, with the US Department of Agriculture (USDA), for example, initially estimated that Russia would achieve this by 2019 (Bloomberg Businessweek, 2010). Murphy et al. (2012: 5) believe that “the re-emergence of Russia and some of the former Soviet republics as agricultural powerhouses...[is] reshaping the global economy”.

In an Embassy Press Release in 2009, President Medvedev stated his concern over the “dependency syndrome” of food importing countries, hinting at Russia’s own past (Daily Times, 2009). Whilst self-development is arguably Russia’s main motivation for opening its borders to foreign agricultural investment, the reasons given by Medvedev were in fact due to a desire to help the global “hunger-struck billion” and to “ensure...food security for a substantial part of the world population...[through] humanitarian aid to countries in need”, reducing “the risks of the world food market” (Ibid.).

These concerns were earlier voiced to G8 leaders in 2008 (Reuters, 2008), and led to a proposal at the G8 Agricultural Ministers Meeting in 2009 to increase Russian grain
production and implement a Russian “global food reserves management system” (Daily Times, 2009); such an initiative, obviously, required heavy financial backing. With the World Bank previously acknowledging Russia’s potential to reduce global “malnutrition and starvation” (The New York Times, 2008) and with the European Bank for Reconstruction and Development publically encouraging private investment in Russia to “boost world food supply” (Reuters, 2009a), Medvedev was able to embark on providing domestic loans and securing foreign investment under his ‘humanitarian’ umbrella.

Medvedev is, evidently, now no longer in power, with Putin resuming the role President, and although Putin did not comment on whether he intended to adopt Medvedev’s humanitarian notions, he did not voice opposition to it. Putin did, however, encourage further foreign investment at the APEC conference in 2012 but, instead of this investment focusing on the traditional black earth regions of Russia, Putin levelled his invitation at the Far East, with the intention to supply the Asia-Pacific region (Bloomberg, 2012; CCTV News, 2012; La Voix de la Russie, 2012; RIA Novosti, 2012).

Despite the political desire of the 2000s, Russia has since experienced some disappointing years in agricultural expansion. Grain growing area in in Russia fell “during 2001-2005 and since then has remained generally flat”, with various analysts becoming “skeptical [sic] about Russia’s potential to increase cropland substantially” (W. M. Liefert and Liefert, 2015: 506-507). The USDA has highlighted “risky marginal areas with high production and reclamation costs” that may question the economic rationale for bringing them into production (Ibid.: 507), with Russia’s future potential hinging on “whether world grain prices...[will rise to] be sufficiently high to cover the costs of producing on the new land” (Ibid.: 510). Visser et al. (2014: 1590) are unconvinced that Russia’s propulsion to the world’s third largest wheat exporter in 2009 is an indication of a “rapid, and ongoing, recovery and promising potential of wheat production in Russia”, as the country still suffers from “regularly occurring bad harvests because of droughts” and a persistent yield gap in production. Further, the authors (Ibid.: 1590-1591) argue that “a number of incorrect assumptions” have been made with respect to the role of largescale farming returning Russia to a global breadbasket; these mainly concern the persistent yield gap in production, a failure to recognise that “large stretches of abandoned land can[not] be re-cultivated for wheat production without substantial economic and environmental costs”, the low “availability of economically (and environmentally) re-cultivable land”, and the assumption that future production should follow the megafarm and large agroholding model.

Russian agricultural exports, however, are still on the political agenda, and President Putin – speaking at the 19th St Petersburg International Economic Forum in 2015 – has described how the import replacement programme aims to allow Russian producers “to learn how to produce quality, competitive goods that will be in demand not just here in Russia, but on the global markets too”, with the ultimate goal of making “fuller and more effective use of our internal resources to resolve our development tasks” (Global Research, 2015).
2.2 The Global Relevance of Russian Agriculture

2.2.1 Import Bans pre-Crimea

Prior to its annexation of Crimea in 2014, Russia had been involved in many import trade disputes surrounding food, often citing health concerns and the contamination of food imported to Russia; the question has always remained of whether these import bans were solely motivated by safety concerns of the imports, or whether geopolitical and geoeconomic factors were present. The 2000s saw such examples as food embargoes on “Polish meat, Georgian wine, and Kazakh poultry”, and in June 2009, Russia engaged in a “milk war” with Belarus (Wegren, 2009b: 472). At the time, President Lukashenka claimed that Russia was “blackmailing” Belarus over the country’s “refus[al] to extend diplomatic recognition to Abkhazia and South Ossetia”, but Russia – “somewhat disingenuous[ly]” – held to “health or sanitary standards” as the cause (Ibid.: 472).

No other trade dispute, though, epitomises this perceived duplicity than that of the “Bush’s legs” (BBC News, 2002) poultry dispute between Russia and the US. Beginning under the US presidency of George W. Bush in late 1995, this dispute continued until 2010 – despite ‘resolving’ many times and undergoing various forms of genesis – eventually discontinuing (as of yet) under the later administrations of Dmitry Medvedev and Barack Obama. Originally beginning as part of a food aid package, the import market of poultry from the US had blossomed since the collapse of the Soviet Union, increasing 253% in value for the 3 years up to 1996, and constituting 75 percent of all Russian poultry imports, with the large food dependency on the US, according to Ames (1998: 238-239), giving Russian officials cause for concern. After shipments of “questionable poultry meat” – mainly that of the Russian-preferred dark meat from chicken legs, later dubbed ‘Bush’s legs’ – were received by Russia in late 1995, the dispute sparked, and, despite assurances by then-Prime Minister Viktor Chernomyrdin in 1996 that no ban would take place, one was eventually implemented (Ibid.: 238-245). The dispute centred on “technical problems in a few U.S. export shipments” to Russia – which, in fact, one would argue seem less ‘technical’, as there was evidence of contamination with “Salmonella and residues such as antibiotics, pesticides, and heavy metals” – as the US became suspicious that Russia was attempting to protect its domestic industry, and address “a host of other problems, mainly political” (Ibid.: 238-239).

It is important to note here that food import bans are, generally, internationally considered acceptable in the event of food contamination that poses a risk to a consuming population; the question remains as to why with evidence of contamination, certain areas of academia, the Western food industry, and the Western media deemed the related bans as unacceptable. The answer, evidently, is that the perceived presence of geopolitics and geoeconomics left these analysts with the suspicion of falsehoods on the part of Russia.
Preceding this poultry contamination, and the resulting ban, was a stream of unfavourable rhetoric that emanated from the Russian State Duma, as “some Russian officials accused the U.S. of trying to destroy the Russian poultry industry”; Russia had, in fact, begun to introduce customs duties on food imports in 1994, and observers in the US admitted that a “‘chicken war’ had been expected for some time” (Ibid.: 239-240). Evidence that the contamination may have been exacerbated by Russian distributors spoiling the chicken imports through handling mismanagement of the shipments combined to complicate the notion that the ban was based purely on health concerns (Ibid.: 240). Further, observers pointed to gains that Russia had made through the trade dispute: as a result of the import ban, “the U.S. poultry industry agreed to invest in a failed Russian poultry operation in an attempt to convert it into a world class production facility”, providing several million dollars of funding in an attempt to prove that the US industry was not attempting to undermine the production capabilities of Russia; and, additionally, Russia was able to hurt the US poultry industry, causing concern amongst US business, and forcing it to cut production as a result (Ibid.: 243-244).

Although this first ban only lasted slightly over a month, the ‘chicken war’ continued: in 2002, Russia imposed another ban over health and quality concerns, with BBC News (2002) stating that “there is speculation that the ban could be connected to Washington’s decision last week to impose 30% tariffs on all steel imports”; in 2008, another was enacted, again over health concerns, with The New York Times (2010a) pointing to “Russia’s war with Georgia” and Russian accusations towards the role of “the United States...[in] helping to instigate the violence” as a precursor; and in 2010, a ban was issued over US methods of cleaning chicken with chlorine, with Reuters (2010c) linking the dispute to ongoing WTO membership negotiations.

Whether Russia’s desired membership of the WTO was a factor at the birth of the ‘chicken wars’ is unknown, but it certainly became a factor as the dispute progressed. The issue of WTO accession had been central to disputes with other, and an example of this concerned the abovementioned ban on Polish meat imports: in 2005, Russia claimed that a fifth of the meat entering its supply chain was not of Polish origin, instead deriving from countries where risk of contamination existed (Forsberg and Seppo, 2009: 1813-1814). The Russian claim “was in line with a study of the European freight association CLECAT”, and although the veterinary and sanitary requirements were eventually resolved by Poland, Russia still moved to enact the ban, drawing the mediatory involvement of the EU (Ibid.: 1814). Poland alleged, therefore, that the import ban was political in origin, and retaliated with a veto of “the settlement of a new partnership agreement between the EU and Russia”, a threat to veto Russia’s WTO membership, and a staunch resistance to a Russian pipeline venture between the Baltic Sea and Germany (Ibid.: 1814).

As Forsberg and Seppo (2009: 1809) highlight, the EU at the time: had more than three times the population of Russia, a gross national product (GNP) that was fifteen times larger,
and a military budget that was five times larger; held important places – through its member states – in global organisations such as the WTO, IMF, and the UN security council; was the largest export market for Russian trade, the largest exporter to Russia, and a source of foreign investment and financial aid. Yet, in effect, the EU had less economic leverage than was expected, due to its reliance on Russia for energy, and Russia was able to target the fragmented nature of the EU, and demonstrate its “interests...to resist the emergence of a more united EU” (*Ibid.*: 1807). Throughout various trade disputes, the EU used the attractiveness of WTO membership as a bargaining chip with Russia, and indeed threatened opposition to accession at certain times; this, ultimately, was counterproductive in its defence of Poland as the souring of WTO membership for Russia made negotiations more difficult, as “the more often the WTO membership card was played, the more it looked like a stick rather than a carrot” (*Ibid.*: 1820).

The Polish dispute was resolved in 2007 after a change of Polish government: Poland withdrew its opposition to the EU-Russia partnership, and removed its veto of Russia joining the Organisation for Economic Co-operation and Development (OECD), with Russia consequently lifted the import ban (*Ibid.*: 1815). Though the Polish stance impacted on Russia’s ability to negotiate with global trading organisations for these few years, what Russia showed by holding to its import ban, was that it was able to force Poland to explicitly state the threat of veto – which may well have been an unstated, yet anticipated worry for Russia before the dispute – and it was able to lever Poland into withdrawing its opposition, as well as exposing the “lack of internal cohesion,...poor strategy,...[and] inefficienc[ies] of the EU”, which as a superpower in trade, should have been able to “exercis[e] its influence over Russia” (*Ibid.*: 1820). Certainly in this case, Russia’s food import sanctions had been a powerful tool that had aided its political objectives.

Likewise, in the ‘chicken war’, this had also been the case. The latest round of the US-Russian ‘chicken war’ was finally resolved in 2010, but it was by no means a straightforward process; once again, the issue of the WTO had been central. The import ban of 2010 had impacted upon the $55 billion valued American poultry export sector (*Reuters*, 2009d), and Medvedev – then President of Russia – was invited on a state visit to the US to engage in talks with President Obama, and join him on various publicity trips. After a visit to a hamburger restaurant, President Obama gave a speech to the assembled media outside, in which he stated, “you know, sometimes it’s odd when you’re sitting in historic meetings with your Russian counterpart to spend time talking about chicken” (*The Huffington Post*, 2010). It became clear that the import ban had been lifted as a result of US support for Russia’s WTO membership:

“To deepen Russia's integration into the global economy, I reaffirmed our strong commitment to Russia’s ascension to the World Trade Organization...Today, we've reached an agreement that will allow the United States to begin exporting our poultry products to Russia once again.” (*Reuters*, 2010c)
Only a month later, Russian health and safety officials called for a renewed ban on imported chicken; this renewed ban was never enacted, but was supported by some members of the State Duma who opined that WTO membership should have been confirmed and ratified prior to any ban being lifted (Washington Post, 2010). Russia did, eventually, succeed in joining the WTO in 2012 after settling Georgia’s opposition (The Guardian, 2011b), but the question remains as to whether the ‘chicken war’ will again surface in the future.

2.2.2 Export Bans

Russia has also implemented the use of export bans, but in these cases, the motivating factor has been the protection of the domestic grain sector, rather than the alleged health and safety, geopolitical, and geoeconomic motives concerning imports. The practice of restricting exports has been a “typical feature of grain policy in Russia”, and was a common strategy during the transition period of the 1990s (Götz et al., 2013: 216). Russia is important to global supply, and is consistently amongst the world’s largest exporters: it was the second largest wheat exporter in 2008-2009 with 13.1 percent of global wheat exports (Ibid.: 217), and was the fourth largest in 2010 with approximately 14 percent of the global total (Johnstone and Mazo, 2011: 12). Russia played a significant role in two global food price crises – those of 2007-2008, and 2010-2011 – and in both of these events has acted to limit its exports of grain (Götz et al., 2013: 217).

In November 2007, when global prices spiked, Russia raised export taxes on grain by 10 percent, furthering this to 40 percent in December 2007, which remained until July 2008; under the prohibitive nature of the 40 percent taxes, exports virtually stopped (Ibid.: 217). However, Russia was by no means the only country to implement the use of export restrictions, as during the high global wheat prices of 2007-2008, fifteen countries lowered their exports, including large traditional producers such as Argentina, Kazakhstan, and Ukraine (Ibid.: 214).

Whereas during the 2007-2008 crisis Russia used export taxes to restrict the outflow of wheat from the country, in 2010-2011, Russia implemented a complete blanket ban (Ibid.: 214). In the summer of 2010, Russia was struck by a severe heat wave, and droughts that were the worst in the region for 130 years (BBC News, 2010; Bloomberg, 2010; Reuters, 2010b; The New York Times, 2010b; Welton, 2011: 3). A very poor grain harvest was predicted, which drastically inflated global prices, and as a result, Russia applied a grain export ban to help protect domestic consumers and industry (Welton, 2011: 3); this acted to further increase the price on international markets (BBC News, 2011; Bloomberg, 2011; Financial Times, 2010; Moscow Times, 2010; Welton, 2011: 3). Grain price increases were also worsened by the actions of grain speculators within Russia who decided to withhold grain – in some cases breaking their agreed contracts – in efforts to profit from future high prices, or in expectation that a national ban would follow (Welton, 2011: 12); panic buying
ensued, and the government intervened in the market by releasing 3 million tonnes of grain from the national reserves (*Ibid.*: 13). Although originally only supposed to run from August until December 2010, the ban held until the summer of 2011 as the long period of hot weather affected the planting season (*Ibid.*: 13).

Academic consensus is that the effectiveness of export bans and other restrictions is questionable: Gotz *et al.* (2013: 214-215) state that export restrictions disrupt domestic markets, impact on price equilibriums, inflict welfare losses on producers, and harm the food security of the poor in importing countries; and Welton (2011: 3) positions that export bans exacerbate the effects of food shortages, and harm the motivations of domestic growers to produce in the long-term. The 2007-2008 Russian restrictions resulted in “temporarily reduced...degree[s] of integration of the domestic markets in world wheat markets, disconnect[ion of] domestic wheat markets from their equilibrium, and increased market instability” (Götz *et al.*, 2013: 225), and the 2010 ban increased domestic prices – affecting the poorest population of Russia, especially women – and caused an increase in international grain prices, forcing the countries that relied heavily on Russian exports to secure new, more expensive international trade (Welton, 2011: 3).

Egypt was the largest importer of Russian grain in 2010, and as the Egyptian government had pledged to maintain inexpensive bread for its population, the cost to the state was “enormously expensive” (*Ibid.*: 4). Pakistan, on the other hand, who were the fourth largest importer of Russian grain, decided to continue removing protections on food, and effectively transferred the cost onto its population, resulting in a “1.6 per cent increase in poverty” (*Ibid.*: 4).

What is interesting, is that the high global food prices have been connected to the “wave of popular protests and uprisings that...swept the Arab countries of North Africa and the Middle East” (Johnstone and Mazo, 2011: 11), now termed the 2011 “Arab Spring” (Brown, 2012: 3). Figure 1 shows the food price index of the UN Food and Agriculture Organisation (FAO) correlating with the food riots of 2008, and the Arab Spring conflict, with the numbers in parentheses displaying the approximate associated deaths (Lagi *et al.*, 2011). Although the food crisis had aggravating components to the conception of the Arab Spring – including geopolitical factors, global environmental change, the use of “agrofuels”, global oil usage, diet and population dynamics (Branford, 2009; Brown, 2011a; Heinberg, 2007; Johnstone and Mazo, 2011; Mackintosh, 2008; P. Rosset, 2011), the increasing role of financial speculation on agricultural markets (for example, see Bernstein (2013), Clapp (2014), Lander (2016), and Salerno (2016)), as well as droughts in Ukraine and Kazakhstan, and record rainfall in Canada (Johnstone and Mazo, 2011) – the Russian droughts and wildfires, followed by the export ban, that reduced 14 percent of the global supply was, ultimately, significant.
Welton (2011: 4) writes how Russia’s role “helped create an environment where price spikes and general instability are far more likely in the future”, and as a result of the export ban, Russia damaged its reputation as a reliable exporter to the global markets. Commentators believe that the export ban made Russia more uncertain, unstable, and unpredictable, and less attractive to farmers and large agricultural investors alike (Götz et al., 2013: 214-215; Welton, 2011: 24).

2.2.3 Crimea, Sanctions, and Self-Sufficiency

In November 2013, the then-President of Ukraine, Viktor Yanukovych, withdrew from an association agreement with the EU, seemingly under pressure from Moscow (Biersack and O’Lear, 2014: 248). Anti-government protests began in Kyiv that centred on the Maidan square – the protest movement was henceforth known as the Euromaidan (Ibid.: 248) – and intensified to involve violence from both the Euromaidan supporters and governmental forces. In February, after approximately 100 deaths, the police yielded in an attempt to reduce the spread of violence, forcing President Yanukovych to flee Ukraine on the 21st February, and relinquish control to a newly formed pro-EU government (Ibid.: 248). As Ukraine had turned “westward...many in Ukraine blamed Russian support for the excesses of the Yanukovych government’s tenure”; Russia – anticipating political resistance in the region – embarked on a strategy that culminated in the annexation of Crimea (Ibid.: 248). Geopolitical rhetoric, and an “informational propaganda struggle” ensued: the EU and US spoke of their backing for the newly formed Ukrainian government, whereas Russia
condemned its formation, accusing the involved parties of participating in a EU/US supported coup, and pointed to the presence of neo-Nazi and far right groups in the upheaval (Ibid.: 248).

Though the removal of a 2012 language law – that permitted the official use of Russian and other minority languages on the regional level – was threatened by the newly-formed Ukrainian government but was never enacted, Russia viewed a danger to Russian interests in Ukraine, and the Russian citizens who resided there (Ibid.: 249). On 27th February, plain uniformed soldiers, “with balaclavas shrouding their faces and possessing advanced weaponry”, appeared in Crimea, and encircled military assets, claiming their presence as a means of protecting the local population from the threat of the newly-formed Ukrainian government and its right-wing supporters (Ibid.: 249). At the time, the soldiers bore no military identification, and allowed Russia to uphold the illusion – at least within Russian borders, and with the Russian military – that these soldiers were stateless, and formed of – in President Putin’s words – “local self-defence units” (Ibid.: 249). Ultimately, these “pro-Russian forces” remained in the region to enforce a local election that led to the eventual absorption of Crimea into the Russian Federation (BBC News, 2014a).

Biersack and O’Lear (2014: 247) assert that through this referendum, the “Russian government appealed to Russia’s geopolitical and historical imaginations of Crimea”, recreating history to fit a desired narrative. An example concerns the speaker of the State Duma, Sergei Naryshkin, and his 11th July 2014 speech that puzzlingly stated Ukraine had annexed Crimea in 1991, and ignored the fact that Crimea had been a Ukrainian region since 1954 (Ibid.: 247). As well, Russia ignored their part in brokering the 1994 Budapest Memorandum, in which Russia, the US, and the UK formally recognised Ukraine’s independence and sovereignty in exchange for the dismantlement of Ukraine’s nuclear arsenal (Ibid.: 251). The nature of this reconstructed narrative is embedded in ideas of “nationalism, identity, and foreign policy”, and, according to Biersack and O’Lear (Ibid.: 248), was an attempt on the part of Russia to justify its actions and further assert its power on the global stage.

Following the annexation of Crimea, the US, EU, and other Western countries enforced economic sanctions on Russia, targeting energy, banking, and defence (W. M. Liefert and Liefert, 2015: 508); Russia responded by issuing an import ban on food and agricultural goods, mainly dairy, meat, fish, fruits, and vegetables (Kutlina-Dimitrova, 2015: 2). The ban was originally instated for 1 year – initially affecting EU exports to the total of “€5.2 billion” (Ibid.: 4) – but was extended many times, and is now set to end on 31st December 2017 (European Commission, 2017).

In the face of economic sanctions from mainly Western sources, the question remains as to why Russia’s response was to impose import bans. What differentiates this Crimea-related import ban from those pre-Crimea, is that the Russian government did not cite any health concerns as a motivating factor; whilst, on the surface, it seemed a geopolitical retaliation,
there are, in fact, (geo)economic motivations also present that are sometimes overlooked. The opinion amongst some commentators is that Russia has severely damaged its own economy, whilst having a minimal effect on the countries that it has targeted: Capital Economics, for example state how “the biggest loser from the import ban looks set to be Russia” (quoted in BBC News (2014c)). Through this geopolitical turmoil, Russia has suffered “falling oil prices,…an unleashing recession, active involvement in various geo-political conflicts and overall deteriorating trade relations” (Fedoseeva, 2016: 11), as well as the devaluation of the ruble (Fedoseeva, 2016; Meyers and Schroeder, 2016; Shagaida, 2016). Kutlina-Dimitrova (2015: 2-3) points to the fact that import bans – and wider economic sanctions in general – have adverse effects on welfare, and “redistributional impact[s]” on both the sanctioning and target countries, reduce the opportunities for foreign direct investment, and, ultimately, are an ineffective instrument with which to inflict “some ‘pain’ and welfare losses on the target country”. Branding Russia the “largest looser [sic] from imposing the import ban”, the same author believes that the average consumer has seen a decrease in welfare of approximately $5.8 billion (Ibid.: 15).

Interestingly, some areas of academia have opined that the annexation of Crimea was premeditated on a prior plan to focus in the East, and was not a reactionary response to the Euromaidan unrest (Biersack and O’Lear, 2014: 263-264). As Russian relations with much of the West have once again ‘frozen’, Biersack and O’Lear (2014: 262-263) write how a new gas agreement with China – in which Russia will be able to commit to a supply of at least 50 years – amounts to a new venture for Russia to ‘look East’, especially given that instability in the Ukrainian region complicated the original “energy gateway to Europe”. Crimea contains “a significant area of maritime territory…which contains gas and oil reserves”, and through Russian control, plans to supply China can be implemented: one, apparently, needs only to study the “official Russian rhetoric on Crimea” that places Ukraine and the West in the past, and the economic progress of China in the future, to see this (Ibid.: 263-264).

However, this thesis supports the notion of Wegren (2015: 1) in that “the food ban announced by President Putin in August 2014 flows from the 2010 food security doctrine...[and] also brings into focus the importance of food as a political weapon”. Petrick (2015: 1) writes that as a response to Western sanctions, “it was not by accident that the Russian administration chose the agricultural sector as an arena for import restrictions,...[and that] self-sufficiency in food has become a key political goal of the Russian government”. The turmoil with the West was, thus, “possibly welcome[d]” by Russia, as it allowed for progress to be made on the 2010 Food Security Doctrine through a policy of import substitution (Ibid.: 1). It may, therefore, be possible that some Western commentators – such as Kutlina-Dimitrova’s (2015) work for the European Commission in which she braded Russia a ‘loser’ – may be guilty of over-simplification with respect to Russia’s motivations.
The Food Security Doctrine was outlined in January 2010 by President Medvedev, and was embedded in a National Security Strategy (Welton, 2011: 10); it set “self-sufficiency targets: 95 percent in grain and potatoes, 90 percent in milk and dairy products, 85 percent in meat and meat products and 80 percent in sugar, vegetable oil, and fish products...[although the Doctrine] does not determine the time frame or means for achieving these targets” (Vassilieva and Smith, 2010: 1-2). It “provides a political blessing and cover for the introduction of future legislation that might restrict trade through tariffs, quotas, and sanitary and phytosanitary measures” (Ibid.: 3), and import substitution has been encouraged through “instruments that include border measures and input subsidies to provide incentives to agricultural producers...[to] boost domestic production” (FAO, 2014: 3).

The Doctrine reflected almost a decade of market intervention by the Federal government, set against the backdrop of the national agricultural program of 2013-2020 that contains the aim of “expanding idled farmland...[as] a priority” (W. M. Liefert and Liefert, 2015: 507): during 2001-2002 and 2004-2008, when positive harvests had been achieved, the government had bought stockpiles of grain, releasing grain into the market – such as in 2003 – to lessen grain price volatility in domestic markets; and in the meat sector, there had been a rise in governmental protectionism and subsidies issued to Russian producers (Welton, 2011: 10-11). The focus, so far, has been in favour of meat production over that of grain: “the majority of the Ministry of Agriculture budget” has been spent in the meat sector, with approximately a 60 percent share in 2010 in subsidies, totalling roughly 163bn roubles ($5.8bn). Comparatively, as of 2011, less than 20 percent has been focused on grain subsidies, equating to approximately 30bn roubles ($1bn) (Ibid.: 11). This would seem, therefore, in some contradiction to the abovementioned resurgence in grain exportation, and the political desire to double grain exports. Visser et al. (2014: 1604) point to the fact that Russia’s future growth in wheat production may not necessarily translate into increased exports, especially because of the larger demand from the livestock sector that is being expanded and subsidised as part of the drive for self-sufficiency. As such, the “quality, competitive goods” that Putin has identified for the global markets (Global Research, 2015) may well constitute grain-intensive products from the livestock sector, rather than an increased volume of export grain.

What is evident from the above is that throughout the Crimean crisis, Russia’s economy and relations with the West have been damaged, even if Russia “possibly welcome[d]” the turmoil (Petrick, 2015: 1). If one was to disagree with the assumption of the EU that the import ban was to ‘inflict pain’ on the West, and view Russia’s move towards Eastern gas supply as a diversification strategy – after all, “just as Brussels complained that 40 percent of the EU’s gas imports came from Russia, Moscow woke up to the fact that 80 percent of its gas exports went to one region and over 50 percent of imported consumer goods came from the EU” (Moscow Times, 2015) – then it would stand to reason that the import ban is connected to the political desire for self-sufficiency, and import substitution. The ban was
announced in Decree No. 560, which was titled “On the application of certain special economic measures to ensure the security of the Russian Federation” (Fedoseeva, 2016: 1) (emphasis added), and this certainly supports the self-sufficiency argument, rather than the notion of simple retaliation.

The West, therefore, instead of focusing on the short-term ‘pain’ implications, and “tit-for-tat” politics that often surfaces amongst the Western Press (see The Guardian (2014c)), needs to consider the long-term implications of a self-sufficient Russia that could possibly develop into a future global exporter of quality, competitive goods. The country has demonstrated its ability to affect not only individual countries, but the whole global community through the use of food import and export bans, some of which has had unforeseen and uncontrollable effects, highlighted by the Arab Spring. As well, it has achieved success in its foreign policy aims, such as that displayed at garnering support for WTO accession. In 2010, Russia was responsible for 14 percent of the global total of grain supply (Johnstone and Mazo, 2011: 12), and if this level is maintained whilst at the same time meeting the targets of the 2010 Food Security Doctrine – aided by import substitution, and strategic governmental support – then Russia could see an increase in its influence in multiple agro-food trade markets.

2.2.4 Future Implications

Further to the examples, discussed above, of Russia’s effects on the global agricultural markets, it is necessary to discuss the possible implications of Russia’s use of a potential ‘food weapon’. The use of food as a weapon is by no means a practice that began with Russia, as indeed, it had been employed by the US during its period of near-hegemony in the 1980s as part of the country’s strategy to control the world food markets (Shiva, 1988). This strategy was historically interwoven with the political, economic and military interests of the US, examples of which include: US food aid and trade which destabilised the societies in Egypt in 1967 and Chile in 1973; and the US PL 480 food aid that was donated to South Vietnam and Cambodia in 1972 and 1973 to aid the fight against communist forces in the Vietnam War (Ibid.: 881).

As previously discussed, for the last 30 years, the World Bank, IMF and WTO have encouraged developing countries, through trade policies, policy based loans, and Structural Adjustment Programs, to liberalise their markets, making them accessible to foreign agricultural business, speculation and subsidised food exports from other nations (Mackintosh, 2008). Adopting these principles has meant that many of these developing countries have transformed themselves from food exporters to food importers, with 70 percent of developing countries existing as net food importers in the current day (Ibid.). Richer nations, such as the US, have been able to sell their agricultural produce to developing countries below the cost of the developing countries’ production, a method
referred to as ‘dumping’, rendering local agriculture unable to compete and eventually putting them out of business (Mackintosh, 2008; P. Rosset, 2011; Shiva, 1988). Local agriculture has been further restricted from competing by conditions set for countries in debt, such as the IMF’s austerity programmes that require the removal of local food subsidising to the indebted national population (Shiva, 1988). The US has employed the process of ‘dumping’ to great effect: In 1986, they spent $10 billion to subsidise corn and wheat exports, for which they then sold for only $5.2 billion; and at the same time, they were able to subsidise rice exports to $140 per tonne below the US cost of production, and $80 per tonne below the third world cost of production (Ibid.: 882).

A specific example of ‘dumping’ by the US, occurred in 1986 in Haiti (Mackintosh, 2008). After the dictator Jean Claude Duvalier was expelled from the country, the IMF loaned the country $24.6 million on the proviso that Haiti remove protections on their rice and other agricultural production (Ibid.). It soon became difficult for Haitian farmers to compete with US subsidised rice (what became to be known as “Miami rice”) and sugar, some of it reaching the country in the form of ‘food aid’ (Ibid.: 17). Riots, violence, and death ensued as a result, and Haiti lost its position as the world’s largest sugar exporter to become a sugar importer (Ibid.). Furthermore, the US, IMF and World Bank were able to increase exposure to the Haitian market in 1994, by setting conditions for US assistance in returning Jean-Bertrand Aristide to his elected Presidency in the country (Ibid.).

It is apparent, then, that the long-term implications of Russia’s agricultural development towards possible dominance in certain trade sectors, could produce a challenge to US agricultural hegemony, and a geopolitical swing in the favour of Russia, especially considering dampened US relations with the third world, net food importers, and countries that rely heavily on US agricultural imports. This is not to say that Russia would need to use the same tactics as the US in the 1980s, rather it could simply offer another option to these affected countries which would, in turn, decrease the influence of the US. That being said, Russia would also hold the same food weapon as the US, which it could potentially exploit at any time. This prospective dominance has been noted in some quarters, yet the implications are rarely discussed: sections of the press have quoted the US Agricultural Department as resigning itself to the probability of Russia achieving market dominance in grain exportation by 2019 (Bloomberg Businessweek, 2010), and areas of academia have highlighted that “Russia’s wheat exports alone are projected to almost equal those of the United States” in the near future (O. Liefert et al., 2013: 1).

However, the question does still remain as to how likely it is for Russia to achieve a level of agricultural dominance. The potential markets are certainly there: parts of Asia are set to experience lowered agricultural production as they become more afflicted by global environmental change (GEC), and perhaps – beyond Russia’s intention to supply China with gas (Biersack and O’Lear, 2014: 262-263) – Russia’s ‘turn to the East’ is also being driven by shifts in Eastern dietary demands, and Russia’s geographical advantage over other exporters
Christopher David Lander

to supply Eastern markets. Dietary preferences in the East are changing “from basic cereals, to meat, fruit, vegetables, and oils” (Liverman and Kapadia, 2010: 5); this could certainly be exploited if Russia’s attempts to reinvigorate its livestock sector are successful.

Ultimately – moving beyond the issues of whether Russia can develop much needed infrastructure, and generate a successful agricultural business environment – the success of Russia’s dominance will hinge on the effects of GEC. With the increase in global temperature, cropping zones are predicted to shift from traditional growing regions towards current cooler zones (Misselhorn et al., 2010: 97; Visser and Spoor, 2011: 308), and some areas of academia have stated that this will increase growing seasons, open up underdeveloped land, and increase agricultural production in countries at high latitudes, especially Russia (Lioubimtseva and Henebry, 2012: 161; Liverman and Kapadia, 2010: 18; Visser and Spoor, 2011: 308-309). Moreover, this increase in production could come as other countries experience major decreases in crop yields due to the unfavourably high temperatures (World Resources Institute, 2013).

![Map showing most studies now project adverse impacts on crop yields due to climate change (3°C warmer world)](image)

Figure 2: Global percentage change in yields between present and 2050 (World Resources Institute, 2013)

The implications of GEC for crop yields can be seen in the above figure, and on the surface, Russia does, indeed, seem to benefit from a warmer world; however, the situation is not that straightforward. Russia has demonstrated its susceptibility to extreme weather events, and “regularly occurring bad harvests because of droughts” (Visser et al., 2014: 1590); the opinion is that an increase in temperature will only worsen the drought risk for Russia (N.
Further, the red shading on the map is precisely in Russia’s best grain production areas – the Black Earth region – whereas the green shading includes areas of less fertile, podzolic soil. The work of Dronin and Kirilenko (2011: 174) supports this, with the Black Earth region predicted to suffer a reduction in summer precipitation, and mostly the lesser productive regions of Eastern Siberia set to experience some improvement. As the authors contend – in opposition to more optimistic areas of academia – it seems unlikely that reduced productivity in the Black Earth region will be able to be compensated for by improvements in other regions, and Russia will, in due course, experience problems in its agricultural production levels.

2.3 The Four Papers

The main analysis of this thesis is contained within four chapters: the four academic papers that have either been published in scholarly journals, or submitted for publication. These papers collectively have analysed three manifestations of FDI – corporate, privately-funded investment; corporate, publically-funded investment; and smaller, individual private investment – and the specifics regarding each are expanded upon in the methodology chapter, and the four papers themselves. The first three papers are sole authored works, and the fourth is collaboration with another academic working in the same spheres of post-Soviet agriculture.

2.3.1 Paper 1: Corporate, Privately-Funded Foreign Direct Investment

The first paper – *Foreign Investment Adaptations to the Changing Political and Economic Environments of the Agro-Food Sector: A Case Study of Cargill Russia* – focuses on the Cargill corporation – one of the global four ‘ABCD’ traders – and its operations in Russia. This paper was largely written whilst the research was ongoing, and was published in 2016 in *Problems of Post-Communism*. It was an interesting paper to complete, as – given that Cargill executives were still being interviewed at the time of writing – it had to avoid many of the more sensitive topics and findings, so as to keep Cargill ‘on side’, and not risk hampering the progression of the research project. As such, many of the more sensitive topics are discussed in the second paper, which was written after the interview process was completed.

The article identifies criticisms of agro-food corporations, specifically foreign multinational corporations (MNCs), and examines their relevance in the case of Cargill Russia, confronting the corporation with these critiques. Of interest was how Cargill executives chose to respond to, and argue against, academic reproach; as such, analysis of the “truth” behind
the corporation’s words was of less importance than how it answered to its perceived stereotype.

The argument of the paper is located in a brief discussion of the agrarian transformation of Russia in the past quarter century, and in the role and development of agro-food corporations and MNCs as agents of food security. Subsequently, the conventional critique of agro-food corporations is rehearsed, before Cargill is analysed under five topics, four of which are Murphy et al. (2012: 10-12). These five topics are: Cargill’s role with respect to Russian food security, and its motivations for domestic supply or export; the power to shape and constrain the practices and choices of farmers; the ability to set the purchase price of agricultural goods, especially with farmers; control of agricultural stocks that can impact on grain prices, and help the corporation on the financial derivatives markets; and Cargill’s ventures into the financial sector, studying issues concerning speculation, trading priorities, and early information. Further, the paper discusses the notion of ‘distancing’, and schools of competing discourse surrounding the cause of global food price volatility.

2.3.2 Paper 2: Corporate, Privately-Funded Foreign Direct Investment

The second paper – Fear, Hope, and Imagination in Agro-Food Foreign Investment: Experiences of Geopolitical-Geoeconomic, and Operational Uncertainty for Cargill Russia – is a much more critical paper than the first. It was submitted to Europe-Asia Studies in 2017, and is currently in the process of peer review.

Examining the hopes and fears that form the geopolitical-geoeconomic, and operational ‘imagination’ of Cargill executives in Russia, this paper shows how imagination is shaped by ‘uncertainty’. This is mapped by exploring issues surrounding import and export bans, development perceptions of Russia, corruption environments, state-level discrimination, and Cargill’s (non-)engagement with the state through corporate social responsibility (CSR). Further, the view of the federal and regional governments, and the importance that the company places on the managing of relationships with the state, are analysed.

As with the first paper, a background to Cargill in Russia is provided, but this is expanded to include publically-available information on the violations, fines, and court orders that the corporation has been forced to face. In contrast to the first paper, preconception, perception, and assumption in the rhetoric of Cargill executives is analysed, as is the extent to which these are informed by popular opinion. Of interest is the display of embedded ‘unofficial’ prejudice in the Cargill executives, and the effect that this has on the hiring strategies of Russian workers.
2.3.3 Paper 3: Smaller, Individual Private Foreign Direct Investment

The third paper – *Adaptive Strategies of Smaller Foreign Investors in the Russian Agricultural Sector: Identity, Narrative, and Performance* – focuses on foreign versions of the ‘Stolypin-type’ *krestyansko-fermerskiye khoziaistva* (peasant farms) that were the early focus of Russian agrarian reform. It was submitted to *The Journal of Peasant Studies* in 2016, and, after successfully completing the peer review process, has been accepted for publication in 2017.

This paper differs from the other three in this thesis, as it utilises a qualitative narrative analysis approach to examine individual smaller foreign investors, aligning them along a performance and narrative spectrum. It also delves into how the investors construct their identities, how these constructions are guided by adaptive process on the ‘Turnerian’ frontier, and how this shapes business conduct, and interactions with labour forces and regional authorities. The paper explores issues of neo-colonial and ‘Cold War’ Western preconceptions, perceptions, and assumptions of Russia and its labour force, and issues that centre on culture, corruption, gift-giving, and blat.

2.3.4 Paper 4: Corporate, Publically-Funded Foreign Direct Investment

The fourth paper – *The Sinking of the Armada: Problems for the Three ‘Flagship’ Foreign Investment Agroholdings in Russia and Ukraine* – is a collaborative article co-authored by Dr. Brian Kuns, an academic at the Stockholm University. It was submitted to *Europe-Asia Studies* in 2017, and is currently in the process of peer review.

Building upon the work of Kuns et al. (2016: 213) – that looked at ‘internal’ factors affecting foreign agroholdings, or very large-scale farm corporate farm operations, in Russia and Ukraine – this paper analyses the ‘external’ factors that have impacted upon the decisions of three ‘flagship’ foreign agroholdings – Agrokultura, Agromino, and Black Earth Farming (BEF) – to either partially or wholly divest, or dismantle their operations.

The external factors broadly under study are that of corruption and theft, regional governmental pressure, and the crisis borne out of Russia’s annexation of Crimea. Of interest are the perceptions of corruption that the companies under study claim to have experienced, and to which environment – formal or informal – the corruption relates to. Regional governmental pressure is also under focus given its indication by smaller foreign investors in the third paper, and its existence in Ukrainian administration desires for livestock production (Allina-Pisano, 2007: 115-116). Lastly, as the research of Kuns et al. (2016: 200) “pre-dates” the tensions surrounding the ongoing conflict and accompanying economic crisis in Russia and Ukraine, this paper maps the responses of the companies to the developing turmoil, and highlights the severity of its role in shaping their performance.
As shall be described in the methodology, there was a distinct division of labour with the research so as to satisfy the conditions for including the paper as part of this thesis. Kuns was able to provide interviews that were conducted with all three companies as part of a larger research project, and also provided information from shareholder meetings. The rest of the work was conducted by myself, and consisted of: extensive interviews with Black Earth Farming, which provided the company’s primary source of quotes for this article; extensive interviews with the heads of two consultancy firms who were employed by the three companies; the coding of all of the interviews used in the article; a thorough analysis of the three companies’ publically available corporate documents, transcripts of quarterly results presentations, and audio recordings of shareholder telephone conferences; the collation and examination of newspaper and other media sources to report the divestments and takeovers of the companies; and the complete writing of the article.
3. Methodology

3.1 Research Design and Evolution

My navigation through the DPhil research has taken multiple turns that have shaped the nature of the research. I initially applied to the University of Oxford in 2010 with the intention of securing funding from various research councils, but was ultimately unsuccessful, in part possibly due to the budget cuts that had been placed on the Department of Innovation, Universities and Skills (Dius) as a consequence of the global recession (The Guardian, 2009). Instead, I decided to take up my place as a self-funded student in 2011, which dictated the constraints and boundaries of my research. The research was designed and planned around foreign direct investment in Russian agriculture, under the research questions as detailed above, and the decision was made to focus firmly on Western foreign investors.

It was both difficult and important to gain access to the foreign companies in Russia, and so I applied to the Alfa Fellowship Program (AFP), and was awarded a place from June 2013 to April 2014. The AFP is an international annual initiative that – at the time – offered up to 15 early-career young Americans and Britons the opportunity to complete a high-level professional development program in Russia. For five months of the program, Fellows are expected to complete work placements at leading institutions; however, the AFP allowed me to conduct my research through smaller placements with multiple companies. Throughout this program, I was also able to expand my knowledge of Russia by attending professional seminars, enrolling on visiting student lectures at the Moscow Higher School of Economics National Research University, and visiting the UK and US Embassies in Moscow, the British Consulate in St. Petersburg, and the Russian Embassy in Washington D.C.

I feel it necessary to discuss the evolution of my research to draw attention to two methodological particulars that have become apparent over time: the effect of global events on the research, and the effect of unexpected interview data on the research. Though this last particular seems, somewhat, obvious, it is worth discussing as it provides some insight into the unpredictability of interviewing the business world.

It is unsurprising that the initial research proposal for my application to Oxford differed greatly from the research that is contained in this thesis. In it, I wrote:

This research proposal focuses on modern farming and agriculture in post-Soviet regions with respect to the social and environmental impact of foreign direct investment (FDI). The aim is to conduct a comparative study between agricultural food industries in Russia and Ukraine. Topics such as global food chain positioning, the social impact of FDI on local communities,
environmental aspects of farms and attitudes of governmental departments will be addressed to give an overview of a subject that is of increasing global relevance and one that is being thrust vividly into the media limelight.

The only aspect of this proposal that has been partially preserved is the attitudes of the governmental departments, though this thesis has focused on the opinions of foreign investors with respect to the state, and not the attitude of the state towards FDI. The decision to switch this focus – as well as abandoning the idea of researching the local communities, and farm workers – was shaped by the opportunity afforded me by the AFP, as it was able to provide me with access to a wide range of corporate and private investors. I am most grateful to the AFP, however, for acting as a gatekeeper to Cargill – notoriously difficult to access – and introducing me to one of the senior executives from which my research was able to snowball.

With respect to my research intentions when I arrived in Moscow, likewise, these also shifted upon the production of unexpected interview data by the interviewees. It was not my intention to discuss sensitive issues at the outset, though I did eventually integrate this into the questions when it became apparent at how relaxed the interviewees were at discussing certain topics. Indeed, for example, in my original letter to Cargill, I explained how I was interested in researching risk, strategy, and investments, from a very broad ‘macro-business’ level, yet – as the second paper of this thesis shows – the executives ‘opened up’ in their answers, and provided explanations that, in some cases were different from what one would expect Cargill’s corporate line to be. This point is made more obvious in the third paper of thesis, where the interviewees spoke freely on very sensitive issues that I had not initially planned for, including topics that centred on culture, corruption, gift-giving, and blat. It is for this reason, that I was surprised at how my qualitative approach yielded more information than I had originally expected.

However, the most unexpected shaping of my research originated from outside of the interview environment, and concerns the “period of worsening East-West tension, political hardening, and suspicion of foreigners” that I indicate in the second paper of this thesis, and discuss further in this chapter below. When I first arrived in Moscow, as part of the schedule of the AFP, my group was invited to a meeting with Ambassador Michael McFaul – also a professor at Stanford University – at the US Embassy in Moscow. There, we were told of how the Russian-US relations had been “reset”, as the diplomat recounted the story of how Hilary Clinton – then Secretary of State – had physically pressed a symbolic button with Russian Foreign Minister Sergei Lavrov in 2009. Coincidentally, this button – fashioned by the US State Department – had the English word “reset” written on it, and the Russian word “peregruzka”; the US had mistakenly used the Russian word for “overload” (see Time (2010)).

The indication was that I was about to embark on my research during a period of relative calm; however, this was not to be the case, and by the time I had completed my interviews,
Russian relations with the West were at an all-time low. A multitude of happenings made their way into the global press during my time in Russia, which made for a very interesting researching environment as international concern rose: there had been much hype in the lead up to the Sochi Winter Olympics, and the Volgograd train station, and a separate bus, were targeted by suicide bombers six weeks before the event took place, raising safety concerns for the international event (Reuters, 2013c); members of the band Pussy Riot members were still serving prison sentences for staging a political protest in Moscow’s main Cathedral (BBC News, 2013a); outrage was expressed at the whipping of further Pussy Riot members by Cossack militia during the Sochi Olympics (The Guardian, 2014b); Russia passed a controversial ‘gay propaganda’ law that allowed for the imposing of heavy fines on people found guilty of providing information about homosexuality to anyone under the age of 18 (BBC News, 2013b); a Greenpeace naval vessel – the Artic Sunrise – was “illegally” confiscated by Russian authorities for attempting to board a Gazprom oil rig, and 30 activists were imprisoned for 3 months (The Guardian, 2014a); Edward Snowden sought asylum in Russia after he was wanted by the United States in connection with leaked sensitive material via the WikiLeaks website (Reuters, 2013a); and Moscow experienced tense rallies as Aleksey Navalny – a firm critic of Putin – challenged for the position of Moscow Mayor (Reuters, 2013b), causing some streets in Moscow to be barricaded by the Russian authorities (and for the AFP to prevent me from attending). None were so politically earthshattering, though, than the annexation of Crimea by Russia in 2014, the details of which have been discussed in the previous chapter.

Not only did Crimea open up an entirely new research avenue that I was able to exploit, it also – I believe – affected the responses of the interviewees that I was speaking to at the time. This is not to say that the research gained from the interviews was negatively affected, or that interviewee answers were tilted towards more ‘Russophobic’ notions, but rather it allowed for the foregrounding of more ‘truer’ sentiments, by fashioning an environment where all angles of Russia were being debated. I still remember how the fall-out between the West and Russia was repeated through the press every day until the moment I left Moscow. Liz Wahl, an American anchor for the Kremlin-funded news channel RT quit whilst live on air, stating “I cannot be part of a network funded by the Russian government that whitewashes the actions of Putin” (The Guardian, 2014d), and even Prince Charles became embroiled in the row as he seemed to compare the actions of Russia to the Nazis (BBC News, 2014b). I also remember standing on the balcony of my flat, looking out at some of the seven state-organised firework celebrations on the day that Crimea ‘officially’ became part of the Russian Federation, realising – even more so than before – the severe gravity of the situation.
3.2 The Research

3.2.1 Accessing the Companies

For the first and second papers of this thesis – focusing on Cargill – six executives of the corporation were interviewed; these executives were chosen specifically as they were the key decision makers in Cargill’s Russian operations, had experience over a number of years of the Russian operational environment – mostly since the early days of the first Putin administration – in some cases had met with Russian local and federal authorities in person, and – having worked for Cargill in various other locations – had the complete knowledge of the policies, approaches, and inner workings of the corporation. All were white, male, and mostly of ‘Western’ origin from Europe and the US, with one being Russian.

It is well known that researching large corporations, such as Cargill, can present numerous methodological problems. As Salerno (2016: 11) notes, “researching agro-commodity traders and the financialization of agriculture can be very difficult due to barriers in access to information”, and Verhage (2009: 79) agrees, explaining that the problems are because: the private sector will only cooperate if it has a shared interest, and will avoid research that may bring reputational risks; accessing the field is rather complex; researchers can sometimes be unaccustomed to the corporate environment; and researchers can find it difficult to comprehend the jargon, internal mechanisms, and culture of a corporation. Indeed, in 2014, when presenting a draft version of the first paper at the Finance, Food and Farmland Conference at the International Institute of Social Studies, The Hague, one audience member asked me three times during the question and answer session whether I was ‘sure’ that I had interviewed so many executives of Cargill, given her difficulty at accessing the corporation for research.

Thus, this was largely no different with the researching of Cargill: despite having a large public relations department, the company was difficult to access for interviewing; public relations employees entertained fears of corporate espionage and gaining a ‘bad press’; and the corporate environment – with its mechanisms, culture, and jargon – was difficult at first to navigate. Kneen’s (2002) book Invisible Giant alludes to the company’s desire not to draw attention to its corporate actions, and so I endeavoured to overcome these problems in a number of different ways.

I secured access through a gatekeeper in Moscow, who introduced me to one executive of Cargill’s Russian operations. After successful meetings, this executive introduced me to three more executives, and a former executive who had since been promoted to a position outside of Russia; this former executive had been involved in Cargill’s strategy at the fall of the Soviet Union, and so provided an interesting insight into operating in the early days of the Russian Federation. I was also introduced to a senior executive lawyer within Cargill, who had the responsibility of much of the interactions with the Russian federal and regional
authorities. These executives had ‘moved around’ the business, and so, collectively – through past and current experience – had understandings of all the business lines.

The three smaller foreign investors interviewed for the third paper of this thesis were a little easier to identify and contact. It must be noted that, in fact, ten smaller investors were interviewed for this avenue of the research, but only three were used in the analysis, as this was a sufficient number to construct the narrative and performance spectrum that is detailed in the paper; due to the word count placed by academic journals, the use of more foreign investors would have detracted from the analysis of the eventual three, and, ultimately, would not have offered any differing information to the paper’s findings. All of the investors operated their farms under single ownership, and as they were the primary decision maker, interviews could be agreed to without excessive deliberation. Gatekeepers, established in Moscow, led to access of the Western expatriate community, and the eventual interview participants, in a ‘snowballing’ effect. The three are paradigmatic individual private or peasant farmers, all of whom began their farming ventures in Russia during and after the transition period of the 1990s, and can almost be understood as archetypal.

These investors were selected and chosen for analysis as they represented various points along a narrative and performance spectrum (explained further below), and their farms could be classified under that of ‘peasant or private family farms’: a classification of krestyansko-fermerskiye khoziaistva that sits in the vast gap between the poles of the household plots and the large corporate enterprises. It is relevant to note that the development of the narrative and performance spectrum did not precede the selection of the interviewees; rather, the nature of the spectrum materialised once the narratives of the investors became apparent. The investors were white males, two of them from the US, and the other from the UK.

The fourth paper of this thesis details three large companies with a core focus on non-vertically integrated “pure-play” (Luyt, 2013: 35) or “broad-acre” (Byerlee et al., 2012) “arable crop production, cultivating cereals and oil-seed crops” (Kuns et al., 2016: 203). The three companies – Agrokultura, Agromino, and Black Earth Farming – come from a group of nine publically-listed firms that all share(d) these characteristics, and have invested in the Russian and Ukrainian agricultural sectors. Today, only six of these firms are still in operation, with four having either been liquidated and/or sold, or absorbed by other members of the group as a result of corporate takeovers. As such, the three companies that were researched represent a mix of former and current organisations.

Together with my collaborator, in total, we have interviewed six members of the senior management teams of the three companies. These interviews have consisted of (at the time of the research): one former senior manager of Agromino; one current, and one former senior manager of Black Earth Farming; and one current, and one former senior manager, and one former board member of Agrokultura. Five of the senior managers were male, and
one was female; all where white, non-Russian, and of ‘Western’ origin from Europe and the US. There was a distinct division of labour with these interviews: my collaborator provided interviews with all the senior managers, whereas I additionally interviewed the current senior manager of Black Earth Farming, which provided the company’s primary source of quotes for the article.

Additionally, I interviewed the heads of two Russian consultancy firms, who were employed by the three companies, and advised on issues of the operating environment, and the effects of the crisis surrounding the annexation of Crimea. The heads of the two consultancy firms were white, male, but of non-‘Western’ origin: one was African, and the other was Russian.

3.2.2 Research Approach

Each paper of this thesis employs a qualitative approach, and each company or investor participated in a series of in-depth interviews, chosen as the research was “interested in the situated knowledges of the group of people…interviewed”; by ‘situated’, I agree with the opinion of Rose (1997: 305) that the interviewees knowledge is ‘partial’, because like her, I share the view of “those feminist, postcolonial and post-Marxist critiques which argue that all knowledge is produced in specific circumstances and that those circumstances shape it in some way”. Participants were interviewed using a semi-structured format, so “that the interviewee’s responses…[were] not constrained to categories provided by the interviewer; respondents…[could] give whatever answer they wish[ed to produce]…rich and varied data” (Kitchin and Tate, 2000: 213).

The executives of Cargill were interviewed over a six month period between November 2013 and April 2014, and were also studied under participant observation conditions at Cargill’s Moscow and Efremov sites. The interviews were conducted ‘in the field’ of each executive’s own Cargill office, barring one who was interviewed over Skype due to his promotion out of the Moscow offices. This yielded over 20 hours of audio recorded interview data that was coded to reveal the principal strands running through the executives’ discourses. The backgrounding of the corporation’s views, opinions, and largely generic and unrevealing “guiding principles” (Cargill, 2016b), were based on articles on Cargill’s public website and press releases.

The three smaller foreign investors of the third paper were contacted ‘in the field’, and the interviews took place between February-April 2014; this yielded over 13 hours of audio recorded data. These interviewees chose their own ‘stages’ for the interviews – relevant to the narrative analysis that was applied to the research – and as such, the interviews took place in various settings as dictated by the investors: one investor chose an American themed 1950s diner in central Moscow; another chose the Radisson Royal hotel (historically
Christopher David Lander

‘Hotel Ukraina’), a five-star luxury hotel in Moscow that is a favourite of both wealthy expatriates and Russians alike; and the third chose an inconspicuous shopping mall restaurant that sold Italian style dishes, as well as traditional Russian food.

As a collaborative effort, the fourth paper displays a different approach to the first three. The research division of labour has consisted of: a series of interviews by myself with Black Earth Farming in Russia, and the two heads of the consultancy firms from 2013 to 2014; interviews by my collaborator between 2014 and 2016 with representatives of Black Earth Farming, both inside and outside of Russia; and a series of interviews by my collaborator between 2014 and 2015 with representatives of the other two companies, with one interview taking place in Ukraine whilst the rest were held in Sweden or Estonia. Where possible, these interviews were conducted ‘in the field’ of each interviewee’s own office, or, in the case of the senior managers, in the arable growing fields of their crops; however, one interview was conducted with a senior manager in a hotel after a shareholder meeting, and two others were conducted over Skype, though the senior managers were in their offices at the time. These yielded over 16 hours of audio recorded interview data.

I compared these interviews to the discourse contained in each of the companies’ publically available corporate documents, transcripts of quarterly results presentations, and audio recordings of shareholder telephone conferences. Additionally, my collaborator attended shareholder meetings (taking place in Stockholm or Copenhagen) of the three companies, first in 2009, but then later more regularly between 2013 and the time of writing this paper in March 2017. I also used newspapers and other media sources to report the divestments and takeovers of the companies, as – given that some of these developments are very new – they have not yet entered into the academic literature. We have, thus, utilised an expansive multi-sited approach (Marcus, 1995, 1999) that has combined information from extensive primary and secondary sources, and has employed the use of multiple methods (Philip, 1998).

As conditions set by stock markets require publically traded companies to reveal and publish certain aspects of their businesses, which results in greater (financial) transparency than that found with private companies, we were mindful that corporate documents of the three public companies “constitute an important, and as yet underutilized, source of information about large-scale agriculture in the former Soviet Union”, as indicated in previous research (Kuns et al., 2016: 202). Likewise, research that was conducted by my collaborator at eight shareholder meetings between 2009 and 2017 was also an important source, and, whilst the information divulged there did not differ greatly from the publically available corporate documents, it did allow for ethnographic observation, and opportunities to approach potential interviewees. To gain access to these shareholder meetings for research purposes, it was necessary for him to acquire a minimal amount of shares in each company, and as such, he now owns a small amount in Black Earth Farming and Agromino, with the
Agrokultura shares sold upon the company’s divestment in 2014; the shares are by no means a significant amount that would present a conflict of interest to the research.

### 3.2.3 Analysis Frameworks

#### 3.2.3.1 Paper 1: Cargill

Ouma (2014: 164) writes that much of the academic literature on financialisation of the agricultural sector exhibits an “explicit normative agenda”, in which financial actors’ actions are treated with “great suspicion or outright rejection”. Additionally, this is usually “accompanied by a limited engagement with actors from the financial industry themselves...who may have something interesting to say”, and has resulted in “grand narratives on ‘bankers-turned-farmers’, without any more situated fieldwork – be it interviews or ethnography – sustaining them...often los[ing] sight of the more technical, everyday dimensions of this [financialisation] process” (Ibid.: 164). Although the research contained within this paper is concerned with Cargill – an agricultural financial actor, in essence, a farmer-turned-banker – it aims to look beyond the ‘grand narrative’ of the company in contemporary academic literature to study the ‘more technical, everyday dimensions’.

Further, this paper looks to address contemporary academic literature that “has been rather silent on the role of space and place...featur[ing them] as mere stages for financial actors, but not as central elements in the reproduction of capitalist economic processes” (Ibid.: 165). By situating the research in such an important agricultural space as Russia, this paper attempts to resolve the ‘space and place’ oversight that “has resulted in an underestimation of the manifold place-based impediments to capitalizing farmland/agriculture,...[including that of] managing large-scale farming operations in difficult environments” (Ibid.: 165).

The research on Cargill’s operations and business strategy in Russia has specifically targeted its senior management level employees, enabling data to be produced on the nine separate businesses that Cargill operates within the country. Murphy *et al.* (2012: 10-14) have researched the motivations of the ABCD traders, and have listed certain points that they believe map the traders’ business model; this paper analyses five topics in detail, four of which are drawn upon from the work of Murphy *et al.* (2012: 10-12)¹.

---

¹ Murphy *et al.* (2012: 10-14) list ten points that they believe map the traders’ business model, six of which either lie outside of the scope of the thesis’ research, or are beyond the thesis’ research capabilities.
1. Food Security

As Ouma (2014: 164) states that companies, such as Cargill, are “often convinced [that] they do good by contributing to global food security”, it is, therefore, important to comment on Cargill’s role with respect to Russian food security, whether it is producing for the domestic market, or exporting Russian produced food to other regions of the world. Additionally, it is vital to understand Cargill’s motivations for domestic supply or export, what drives its decision making processes, and in which direction the company wishes to develop its businesses in the future. With respect to the FAO’s definition of “physical and economic access to sufficient, safe, and nutritious food” (quoted in Liverman and Kapadia (2010: 3)), it is interesting to explore where Cargill believes the responsibility for this lies: whether it is with Cargill, the Russian government, or with any other actors.

2. The Power to Shape and Constrain

Murphy et al. (2012: 10) believe that the ABCDs aim to be “originators of bulk commodities...so dominant...[that] they play a central role in the decisions that producers make about what to grow, where, how, in what quantities, and for which markets...by providing inputs and other services directly to farmers, and by securing the sale of those products to traders at harvest”. Further, the authors write that “the strategy is about more than sourcing from the farm,...it is also about deciding what the farm should grow” (Ibid.: 10). Liefert and Liefert (2015: 510) explain how “input suppliers, on the one side, and wholesalers and processors, on the other, are typically large and concentrated, such that they can use their market power vis-à-vis farms in determining the prices at which they sell to and purchase from the farms”. Therefore – although referring to “organisational technologies” – Bernstein’s (2013: 2-3) declaration that MNCs have the “power to shape and constrain the practices (and ‘choices’) of farmers” is broadly examined in the Russian setting.

3. Setting the Purchase Price

The same authors believe that the ABCDs look to increase their market power, “setting the purchase price, particularly with farmers...[and] with the grain elevators to which farmers in industrialized production systems deliver their grain” (Murphy et al., 2012: 11).
4. Impact on Grain Prices

Murphy et al. (2012: 12) explain that the ABCDs have developed global transportation, storage, and delivery systems, requiring effective logistical management. They believe that the ABCDs have “begun to hold more physical stocks”, and that the control of these stocks can impact on grain prices, as well as helping the companies on the derivatives markets (Ibid.: 12).

5. Speculation, Priorities, and Early Information

Finally, Murphy et al. (2012: 11) position that – as a priority – the ABCDs look to uphold large volumes in commodities trades, even in times of falling global grain prices. Although grain price is “certainly important to them,…these companies profit from other activities that surround and relate to the bulk grain trade, such as financial speculation on agricultural commodity markets and index funds, transportation, and storage” (Ibid.: 11); therefore, the access to early information that high volume trading in these commodities gives is more important to the traders than the actual trading of the commodities themselves. As Murphy et al. (2012: 11) explain, financial speculation, transportation, and storage allow the traders to “profit regardless of whether [world market grain] prices are rising or falling”.

3.2.3.2 Paper 2: Cargill

In its corporate responsibility statement, Cargill describes itself as “a diversified global company still grounded in a culture of trust and respect…operat[ing] with integrity and accountability” (Cargill, 2017a). This paper – focusing on Cargill’s Russian operations – looks to identify to what extent this corporate view has been internalised by its executives, and whether there are conflicting views, or assumptions of Russia present. Accordingly, of interest is the ‘reality’ of how Russia is viewed, and the executives’ attitudes towards the uncertainty of the geopolitical-geoeconomic, and operational environments.

To understand these, it is first useful to consider the geopolitical, and geoeconomic “imagination” frameworks as advanced by Sparke (2007). From geopolitics – the relation between geography, state territory, and global power politics (Ibid.: 339), used largely to discuss any locational aspect of politics (Cuddy-Keane, 2003: 540) – springs forth the concept of geopolitical imagination, defined as the “prevalent images, conceptualizations and discourses” that a national society holds with regards to its position amongst the global community: the “‘low culture’ foundations upon which more codified geopolitical perspectives are built” (O’Loughlin et al., 2005: 324). In this sense, the civilisation or country grouping that a national society believes it is a part of is important, as is how the society
identifies with, and differentiates from, other global identities (Ibid.: 324). Geoeconomics – articulating ideas of geography, business, and the economy – is used far less in academia, yet, in a similar vein, also allows for the production of “imaginative geographies” (Sparke, 2007: 339).

Sparke (2007: 340) argues that geopolitics constructs understanding[s] of ‘us’ and ‘them’ that “fetishize place” – in essence a ‘fear’ – such as that used by “American geopolitical discourse[…] [and its] fascination with foreign threats” that resulted in the US-led invasion of Iraq. Geoeconomics, though, allows for “the imagination of an expanding economic flatness rather than…visions of iron curtains, evil empires, and clashing civilization blocs” (Ibid.: 340); as such, for the Iraq war, it was geoeconomic discourse that “compensate[d] and console[d] [geopolitical fear] by offering a hope of transcending the divisions and correcting the failures”, and contended that every region and state can eventually be integrated under capitalism (Ibid.: 340). Thus, Sparke (2007: 339) reasoned that US-led geopolitical imagination consisted of geopolitical fear, and geoeconomic hope.

Geopolitics and geoeconomics are, unmistakably, interrelated, such that events in one sphere can produce consequences in the other; likewise, there is an interaction of events and consequences between the supranational and local domestic levels. For companies such as Cargill, the ‘imagination’ of geopolitics and geoeconomics contains certain hopes and fears, and these are shaped by ‘uncertainty’. Uncertainty in this context is taken to mean when events and consequences are known, or can be predicted, but the likelihood of their occurrence is not (Castree et al., 2013: 533). Consequently, uncertainty differs from ‘risk’, which quantifies uncertainty, and calculates the probability of each event (Ibid.: 533). This paper, therefore, explores the imaginative hopes and fears that Cargill executives have of geopolitical and geoeconomic factors in the agricultural sphere, and whether these have been shaped by what this paper terms ‘geopolitical-geoeconomic uncertainty’: the discourse of Cargill’s experience of conducting business within Russia, impacted upon by geopolitical and geoeconomic factors. Further, this paper moves away from the supranational level to discuss the imaginative hopes and fears that Cargill executives have of national and regional political and economic factors, and whether these have been shaped by ‘operational uncertainty’: the discourse of Cargill’s experience of conducting business within Russia, impacted upon by national and regional political and economic factors. It is, thus, important to note in the above that whereas ‘imagination’ is commonly analysed from the native viewpoint – where natives view their position amongst the global community – this paper focuses on ‘imagination’ of the non-native with regards to Russia’s position.
Three classifications of farm type usually appear in the literature: ‘household plots’, ‘peasant or private family farms’, and ‘agricultural companies, large farm enterprises, or corporate enterprises’ (Steggerda and Visser, 2013; Visser et al., 2014; Wegren, 1996). As Wegren (1996: 109) clarifies, “Russian rural dwellers are hardly ‘peasants’,…[and so] Western analysts have tended to refer to Russian peasant farms as ‘private farms’ or ‘individual farms’, thus avoiding the misapplication of the word ‘peasant’”. The distinction between the three categories is significant: observers can be influenced by connections made in the literature between farm type and the size of land under ownership. For example, Visser et al. (Visser et al., 2014: 1597) indicate the average sizes of typical household plots as 0.46 ha, peasant farms 60 ha, and agricultural companies 5390 ha, with the largest agroholdings – popularly described as mega farms – in this last category shown to operate huge tracts of land ranging from 100,000 to 700,000 ha. Yet, Steggerda and Visser (2013: 12) are concerned with classification by ‘operational model’ of the farm. Peasant or private family farms “combine and coordinate the demands and resources of…the domestic group or family and the farm enterprise” (Barlett, 1989: 271); in other words, family units “combine their own labour with management of the farms”, and this differs from corporate farms “in which land, capital and management are linked to separate groups of people: owners, managers and workers” (Steggerda and Visser, 2013: 12).

<table>
<thead>
<tr>
<th>Investor 1</th>
<th>Investor 2</th>
<th>Investor 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nomenclature</td>
<td>Lone Ranger</td>
<td>Tolstoyan</td>
</tr>
<tr>
<td>Venture</td>
<td>Fruit, Vegetables, and Cereal</td>
<td>Milk and Dairy</td>
</tr>
<tr>
<td>Land Status</td>
<td>120,000 ha owned</td>
<td>Dairy operation. 3,100 head of cattle</td>
</tr>
<tr>
<td></td>
<td>35,000 ha operational</td>
<td>Additional 4,500 ha owned</td>
</tr>
</tbody>
</table>

Table 1: The operations of the three smaller investors
In light of these differing foci, the investors’ information portrayed in Table 1 (above) can offer some confusion as to the farm classification if not properly evaluated. With regards to an association with size of land under ownership, it can be seen that one investor owns 120,000 ha of land, and another 17,000 ha. Using such a rudimentary tool as size of land under ownership would be misleading, as both could fall under the classification of corporate farming, when, indeed, they are far from corporate. With this first example, the land is split across eight different regions, with only 35,000 ha operational divided amongst a number of much smaller individual farms; as well, with the second example, the investor is trying to lease the majority of the land to other farmers, and only runs an operation of 440 head of cattle on a much smaller plot.

Thus, this paper categorises farm type on the definitions of Barlett (1989), looking primarily at the ownership structure of the farms. All of the farms operate under single ownership, with the management structure centring on the owner as the primary decision maker; as such, there is not a distinct separation between owner and manager, and the investors “combine their own labour with management of the farms”. A separation between manager and labour is, however, present, but this is permitted under the definition of private family farms (Steggerda and Visser, 2013: 12); all investors embrace this separation as employers of (predominately) Russian labour. Further, the investors’ farms cannot be classically considered as corporate: they do not receive external investment (other than bank loans), employ a board, answer to shareholders, or adopt internal corporate structures. It is, therefore, reasonable to classify the investors under that of ‘peasant or private family farms’: a classification of krestyansko-fermerskiye khoziaistva that sits in the vast gap between the poles of the household plots and the large corporate enterprises.

The interviews were examined using narrative analysis to understand the “how and why [the investors’] events [we]re storied” in particular ways, and “not simply the content to which [the investors’] language refer[ed]” (Riessman, 2008: 540). Narrative analysis allows for interviews to be treated as storied rhetoric, and has enabled this paper to “retain the voice and integrity of the original speaker” (S. Taylor, 2010: 127). There is already precedence for the use of narrative analysis within Russia, with Pallot and Katz (2017) discussing interactions between gender, identity construction, and the Russian penal system.

This paper seeks to identify the principal narrative strands amongst the investors, and how they construct their identity. Noting the dramaturgical perspective – advanced by Erving Goffman – of the “Shakespearian notion that ‘all the world’s a stage, and all the men and women merely players’”, this paper assumes that the investors dynamically altered their social performance “to construct impressions and evoke desired responses in their audience” (Cook, 2008: 235).

It is necessary to understand the construction of the performance, and scrutinise why the investors chose the identities, responses, and opinions that they did; identity construction
was not solely constrained to rhetoric, and was, indeed, embodied through appearance. Further, the interview locations that the investors chose are of importance, as they provided the performance stage, and, accordingly, constituted part of the research field. Thus, the analysis of this paper holistically assesses the performance of these investors, and looks for the ‘visual’, as well as the ‘spoken’, in their narratives.

The three investors of this paper have been labelled to aid the reader in the imagination of their performance. However, this categorisation is not a narrowing or simplification of the investors; indeed, they were chosen as they denoted points along a narrative and performance spectrum, and academic investment studies often categorise in such a way (see Mionel (2012: 55) for her four categories of investor). The investors exist under postcolonial “Western expatriate narratives of emplacement...situate[d]...in multiple temporalities – postcolonial, post-socialist and postmodern” (Farrer, 2010: 1225); salient for this research, the author finds that “postcolonial...imaginaries seem developed most fully among white European and American settlers,...[with] foreign men, unlike foreign women, often us[ing] sexuality as a way to connect” (Ibid.: 1226). The first categorisation – the ‘Lone Ranger’ – describes the type of foreign investor who seemingly resists all adaptation to Russian culture, and preserves their own culture under most (if not all) circumstances. The second – the ‘Tolstoyan’ – describes the foreign investor at the opposite end of the spectrum who seemingly embraces all aspects of Russian culture and business understanding, effectively ‘going native’. The third – the ‘Protean’ – indicates the foreign investor whose identity and behaviour fluctuates uneasily between that of their homeland, and that of Russia. At the time of the research, no foreign investor satisfied the attributes of a possible fourth category: a foreign investor who amalgamates aspects of both cultures, and thus differentiates from the ‘Protean’ due to the absence of uneasy fluctuation.

3.2.3.4 Paper 4: The Foreign ‘Flagship’ Agroholdings

Building upon the work of Kuns et al. (2016: 213) – that looked at ‘internal’ factors affecting foreign agroholdings, or very large-scale farm corporate farm operations, in Russia and Ukraine – this paper analyses the ‘external’ factors that have impacted upon the decisions of three companies to either partially or wholly divest, or dismantle their operations. The external factors broadly under study are that of corruption and theft, regional governmental pressure, and the crisis borne out of Russia’s annexation of Crimea, the frameworks of which have been discussed in great detail in the first two chapters of this thesis.

2 This term is used to reflect the nature of Proteus, a water god from Greek mythology who had the ability to shape-shift and alter identity.
3.2.4 Positionality

Bain and Nash (2006: 99) draw attention to “the role of the body as an ethnographic ‘research tool’” stressing the effect that researchers can have when “dressed, positioned and socialized with our researching bodies”. Recognising the feminist research of McDowell (1995) on “appropriate dress within fieldwork settings, acknowledging that how the body is presented can influence how the researcher is perceived and interacted with”, Bain and Nash (2006: 101) describe how “the research context within which scholars most commonly discuss appropriate attire is in interviews with elites, such as executives in business and politics, where conservative, formal clothing choices are the norm”. And so, this is no different in my discussion of the research with Cargill.

I felt it necessary to dress in a formal manner that was fitting of the Cargill corporate environment, in an attempt to blend in and offer more familiarity to the interviewing environment. As the original intention of my research with the corporation had been to research more along the lines of risk, strategy, and investments, the decision to adopt corporate attire was to legitimise myself as a corporate being, and give the outward impression that I was qualified to discuss the topics of the interviews; I felt that a more casual appearance would have hampered the interviewees willingness to engage in detailed examination of the topics. However, as the interviews progressed, and, indeed, the nature of the research altered as topics surfaced on such issues as geopolitical-geoeconomic imagination, preconceptions, perceptions, and assumptions, I realised that my appearance had adopted a very different role: the surfacing of these issues had, somewhat, been aided by my appearance as a Western corporate being, therefore ‘one of us’.

This relates, at least partially, to the research of Parr (1998) and the idea of ‘covert’ and ‘overt’ ethnography, and in that sense, by positioning myself (at first unknowingly) closer to the more sensitive research through the use of attire, this could be interpreted as a ‘covert’ manoeuvre; however, as Bain and Nash (2006: 103) assert when assessing the work of Parr (1998), both covert and overt research – neither one good, nor the other bad – “should be understood as inherently intertwined and central to the production of geographic knowledge”.

The first interviews with the three smaller foreign investors, Black Earth Farming, and the two heads of consultancy firms were carried out after my first round of Cargill interviews, and after I had begun to evaluate my appearance as ‘one of us’; thus, I had already realised the potential of my ‘researching body’, and although I maintained the formal appearance with Black Earth Farming and the two heads of the consultancy firms, I made the decision to alter my appearance for the three smaller investors. As these smaller investors were sole owners of their farms, I expected them to be different from the executives that I had met at Cargill, and, in all honesty, expected them to appear as an average expectation of a Western farmer. I was, evidently, wrong in this respect, and their appearance – indeed, their performance – became a main theme of the eventual paper. I had made the decision to
dress is a casual fashion: smart, but more adopting the appearance of someone from the UK who was meeting a friend for dinner. This, I felt, would give me a neutral appearance, and would help the investors to relax; I took the opinion that if I wore corporate attire, I may come across as a salesman, buyer, or contractor that the investors would have encountered as part of their business ventures. I believe that the investors were able to relax due to my neutral appearance, but, interestingly, I feel that this was because it allowed for the foregrounding of their performances. Each investor constructed their identity and performance in a certain manner, and their appearance seemed to be a central tenet in this; in a way, I was not a threat to, or competition for, their identity construction, and my attire aided their performance in being more ‘obvious’ against my ‘ordinary’ appearance.

Plowman (1995: 20) describes positionality as how one “is positioned, for example, by...gender, age, ethnicity, sexual identity and class”. As I am British, white, male, from a certain education bracket, and, at the time of the interviews, was in my late twenties, I put much thought into the power balance deemed appropriate for the interviews. I was interviewing from an assumed position of knowledge, and as Rose (1997: 318) describes, “power and knowledge are inextricably connected...[and] feminist geographers should keep these worries, and work with them”. For the interviews with Cargill, Black Earth Farming, and the heads of two consultancy firms, it was necessary for me to overcome the ‘corporate jargon’ present in the interviews, and position myself as an ‘interlocuteur’ and someone who could, through dialogue, learn from the interviewees. For the interviews with the smaller foreign investors, it was important for my positioning to adopt a more partisan approach, empathising with the struggles that the interviewees claimed to have faced, fully accepting of their performance.

Interestingly, I was able to draw on training that I had received as a ‘peer supporter’ for Oxford University, and the experience of ‘supportively listening’ to other students. Though my training was in no way connected to the purpose of interviewing, it was heavily focused on how, as a ‘supportive listener’, I had to be aware of my body language and facial expressions whilst at the same time having a dialogue with another person. Often the people who I was supportively listening to were discussing tough issues, and it was important for me to let them explain the situation without guiding their answers, interrupting, or using examples of my own experience in the dialogue (sometimes referred to as ‘making the issue about myself’). As well, my use of language was of great importance, and I received in-depth training on how to communicate neutrally, and on the differences between the ‘four types’ of language: aggressive, passive-aggressive, passive, and assertive.

This is worth highlighting, as I believe that it transpired to be a key skill in my interviews, and one that goes unnoticed in the methodology of the four papers. Some of the issues discussed during my interviews were uncomfortable, and there were certainly statements that I did not agree with. In fact, some of the explanations in interviews with the smaller investors that were omitted from the third paper bordered on racist and xenophobic
notions. Without my peer support training, I believe that it would have made the interview process much more difficult, as I am not sure whether my body language or facial expressions would have given away my confliction. As it was, I believed that I was able to control these aspects well, and – more importantly – maintain my neutrality so as to not be complicit in their ideas. Although, as a reflection, I struggled internally after the interviews at my inability to ‘speak out’, I resolved myself to doing the interviewees’ notions justice, and reporting on them thoroughly and academically through the four papers.

3.2.5 Truths

The reoccurring theme throughout the four papers is that I have not been interested in the ‘truth’ behind the interviewees’ statements. Firstly, analysing whether their statements are, indeed, true, is beyond the scope of this thesis as I did not interview any other party that could disagree with the interviewees. Secondly, the purpose of the papers has been to analyse the shaping of these ‘facts’, their temporality, the space in which they were created, and to which audience they are aimed at.

With regards to the first paper, the interviews confront Cargill with the critique of agro-food corporations, and of interest is how Cargill executives choose to respond to, and argue against, academic reproach; as such, analysis of the ‘truth’ behind the corporation’s words is of less importance than how it answers to its perceived stereotype. For the second paper, I have looked to study the executives’ ‘reality’ of how Russia is viewed, and identify the mechanisms at play behind their opinions. I did not expect the executives to either formally or informally agree with criticisms aimed at Cargill from academia, the media, and Russian political spheres, and therefore, it must be noted that it was impossible to garner whether the executives believed that Cargill was ever really deserving of such criticism. What is important for the research, is to partly analyse how Cargill executives engaged with the topics discussed, which topics they did not want to cover, and where their ‘silences’ fell. As Poland and Pederson (1998: 293-294) explain, “silence is frequently overlooked in qualitative research...[and] one could argue that in many cases, what is not said may be as revealing as what is said”.

Representativeness, therefore, is key in the studies of Cargill: the interviewees – as benefitting employees – may well not have been impartial in their opinion of Cargill and its operations. With respect especially to the first paper, Ouma (2014: 164) has found how companies involved in the financial sector, such as Cargill, are “often convinced [that] they do good by contributing to global food security”, and the paper analyses how Cargill seem to occupy a ‘third school’ of competing discourse surrounding food price volatility, which most likely affects the interviewees opinions and responses. The research, therefore, is not naive in recognising this bias, and agrees with the sentiments of Clapp (2014: 10) on how “narratives typically emanat[ing] from financial actors themselves as well as powerful
organizations that support them...often portray financialization as a solution to problems in the food system...instead of seeing the rise in financial investment in agriculture as a potential problem”.

The third paper follows the same sentiments as Stephanie Taylor (2010: 37), and Pallot and Katz (2017: 22) in looking beyond ‘truth statements’, as it is noted that these opinions may well be rehearsed. As mentioned above, this paper also assumes that the investors have, in fact, dynamically altered their social performance “to construct impressions and evoke desired responses in their audience” (Cook, 2008: 235).

Lastly, the fourth paper notes that caution should be applied to both the interview and corporate document sources; reality can be altered by interviewees, and corporate documents can “contain sources of error and discursive blind spots” (Kuns et al., 2016: 202). As such, this paper is not interested in the truth of opinions on Russian and Ukrainian culture, and governmental authorities, but rather looks to situate where these companies place their concern. Further, with respect to analysing the effect of the crisis in Crimea, the paper compares the narrative strands of the interviews and the corporate documents, to identify whether there are, indeed, discursive blind spots, and to highlight whether differing ‘reporting environments’ can result in variance amongst the comments of the companies; that is to say, to highlight possible differences in how a company chooses to comment ‘officially’ to the public, and anonymously to researchers.

3.2.6 Ethics

The research satisfies the conditions of, and was given permission to proceed by, the Oxford Central University Research Ethics Committee (CUREC). Each interviewee signed a Participant Information Sheet that explained the nature of the research, offered anonymity, and explained the procedure of withdrawing from the research.

For the first two papers, designated as ‘off-limits’ by Cargill in the research were topics such as detailed finances, and supplier contracts, due to commercial sensitivity and the complications surrounding the crisis in Crimea. Cargill also expressed concerns about an early draft of the first paper, asking for a redaction of information regarding local sourcing percentages of food inputs, and details of how contracts work with regards to export shipments. Additionally, there was unease expressed at highlighting the difference in Cargill’s global corporate ethos to that of its Russian strategy. Although the executives gave their informed consent for the interviews, and I had the freedom to publish their words in anonymised form, I was careful in planning for Cargill viewing my research as a ‘bad press’. This consideration was well-founded, and Cargill’s UK public relations office did eventually request to see draft versions of my two papers; though I did discuss certain topics with them, I rebuffed attempts to influence or embargo my findings.
At the request of Cargill, the identities of the executives have been anonymised in the first two papers. With the third paper on smaller foreign investors, just as Pallot and Katz (2017: 25) noted that their interviewees needed “extra reassurance about anonymity...[due to] the possible negative impact[s]” of the research, so did the participants of this study who were concerned about their image and relationships with the expatriate community, media, Russian state, and their labour forces. Instead, the investors were labelled to aid in the imagination of the narrative and performance spectrum. Anonymity allowed for the investors to express their narrative without fear of reproach, and thus aided the formation of a narrative that was closer to their ‘truer’ feelings, especially where sensitive topics were raised amongst the frameworks discussed above; this was indeed one of the reasons that online interviews were discounted as primary data sources, as the lack of anonymity obscures these sensitive topics behind a journalistic narrative veil of success, optimism, and respect for Russian culture and society.

For a number of reasons, my collaborator and I chose to anonymise the identities of the interviewees in the fourth paper: firstly, this was naturally included as part of informed consent; and secondly, given the tough and complex business environment of Russia and Ukraine, this was felt prudent. As such, rather than labelling each consultant and senior manager throughout the analysis section, we classified direct quotes by company, or consultancy. Further, although we used quotes from shareholder meetings in the analysis, we anonymised the identity of the related companies; shareholder meetings are semi-public gatherings, where even journalists are often in attendance, but since those present were not aware that they were being observed, we felt it correct and proper to refrain from identifying them in the research.
4. Foreign Investment Adaptations to the Changing Political and Economic Environments of the Agro-Food Sector: A Case Study of Cargill Russia

Journal: Problems of Post-Communism
Submitted for publication: 14th March 2016
Published online: 20th December 2016


4.1 Abstract

This article identifies criticisms of agro-food corporations, examining their relevance in the case of Cargill Russia. The findings indicate that Cargill has modified its operations according to the unique and peculiar political and economic environment of Russia, and that its actions are mediated by country and cultural processes, resulting in variance compared to its corporate ethos. This article posits a “third school” of competing discourse pervasive amongst employees of Cargill surrounding the cause of global food price volatility, and supports the notion that “distancing” has made it difficult to observe the connections between financial actors and the food system.

4.2 Introduction

A food system, or chain, encompasses how food evolves from “food to fork”, from entities such as farmers, agricultural companies, consumers, and the food itself, to policies and associated regulatory frameworks (Ericksen et al., 2010: 26). On a global scale, these systems are vast and complicated, and involve many actors. Agriculture at the farming level is “no longer the primary income generating (or labour employing) activity in food supply chains globally”; this instead falls under the provision of processing, packaging, distributing, and retailing (Ibid.: 26). ‘Downstream’ of the farming level lie agro-food corporations that market, process and distribute the food and products that are produced by the farm; some of these downstream corporations also involve themselves ‘upstream’ of the farming level by supplying ‘input technologies’ such as tools, fertilisers and seeds (Bernstein, 2013: 22).
The form does not necessarily end there, with “vertically integrated agribusiness…[able to control] each level of production, from farming to processing to marketing” (Ioffe et al., 2006: 31).

Attention from the academic world concerning ‘food security’ is helpful in framing Russia within the future of these global food chains. Food security, defined by the Food and Agriculture Organization of the United Nations (FAO) in 1996, concerns “when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life” (quoted in Liverman and Kapadia (2010: 3)). When the 2007-2008 global food crisis hit, a vast array of actions were taken by national governments in attempts to increase their own food security. Food importing countries were adversely affected as domestic food prices rose, and food became scarce; by 2008, nearly 40 countries had experienced riots as populations voiced their discontent (Branford, 2009: 79). As food-importing countries moved to increase their imports (Ibid.: 79), many of the exporting countries reduced their exports in order to control the inflation in domestic food prices (Brown, 2011a: 26) and reduce their own risk of shortages (Branford, 2009: 79). The main actors in this, amongst other smaller grain exporters, were Russia and Argentina, significant wheat exporters, and Vietnam, the second largest rice exporter (Brown, 2011a: 26).

The result was that importing countries were forced, or felt that they were forced, to make quick decisions about the future of their own food security. Many negotiated long-term supply agreements with exporting countries, and the more affluent importing countries focused their attentions on direct foreign investment in agriculture abroad (Ibid.: 26-27), something that has been highlighted as one of the factors in a recent trend of increasing ‘land grabs’ (Brown, 2011a: 27; Daniel and Mittal, 2009: 19). Misselhorn et al.’s (2010: 89) recognition of food insecurity as a “sustained outcome of a food system experiencing persistent structural failures” summarises the disjointedness of the global response.

Debate is still ongoing surrounding whom or what is best placed to ensure food security for the future, with some advocating “that markets are the most efficient means of achieving food security and adequate distribution of food globally”, whilst others favour protectionism and regulation of the market (Eakin et al., 2010: 256). In practice, in an age of industrialised multi-, inter-, and trans-national agriculture, ‘market self-regulation’ translates into greater influence from the dominant multinational agro-food corporations (MNCs) (Friedmann, 1995: 22; McMichael, 1995: xiv) – now with newfound involvement from financial players such as “pension funds, equity funds and sovereign wealth funds” (Luyt, 2013: iv) – and protectionism translates into the involvement of both national and international governance institutions, consumers, and social and environmental non-governmental organisations (NGOs) (Friedmann, 1995: 31).

The dilemma, as Friedmann (1995: 15) explains, is that “since the rise of industrial capitalism, history can be seen as a pendulum moving between self-regulation by markets
and self-protection by society...Food becomes important as the pendulum approaches either pole: self-regulation by the market wrecks havoc on land and labor and, therefore, on the long-term bases of the economy; however, self-protection against the market limits the manoeuvre and, therefore, the short-term profitability of capital”. Friedman (1995: 30-31) opines that it is “important neither to defend present regulation, which is ineffective, nor passively to support the corporate agenda simply to deregulate”. MNCs have received a great deal of criticism concerning their operations and the impact that they have, but those organisations in a position to regulate the market, for example the European Union (EU) (Bernstein, 2013: 3), have not been exempt from reproach either.

This article is organised as follows. First, the argument is located in a brief discussion of the agrarian transformation of Russia in the past quarter-century, and in the role and development of agro-food corporations and MNCs as agents of food security; then, the conventional critique of agro-food corporations is rehearsed, and the case study of Cargill as one of the global ‘ABCD’ traders is introduced; finally, the research methodology is described, and the findings presented.

4.2.1 The Re-emergence of Russian Agriculture

Russia, in the late nineteenth and early twentieth centuries, was a major grain exporter – the greatest agricultural export force on the European markets (Broadberry et al., 2010: 68) – and was popularly recognised as an historic “breadbasket” (Institutional Investor, 2009; Reuters, 2008). At the end of the First World War, suffering from “post-revolutionary turmoil...and the establishment of a state monopoly in foreign trade” (Ritschl and Straumann, 2010: 174), Russian agriculture was afflicted, and soon after, the newly formed Soviet Union decided to exit the European markets altogether (Buyst and Franaszek, 2010: 215). Exports continued and from 1945 were dominated by trade with the expanding number of communist countries in Eastern Europe, the Far East and the Americas (Medvedev, 1987: 213; Volin, 1970: 343).

In 1957, Nikita Khruşčev announced that he wished the Soviet Union to close the gap with the United States in the production of milk and meat, instigating an “agricultural race” despite the fact that the livestock sector had yet to recover from the losses of the collectivisation drive (Volin, 1970: 343). Khruşčev’s agricultural policies – from his maize campaign, and Virgin Lands campaign, to his support of the pseudo-scientist T. D. Lysenko – notoriously had adverse effects on agriculture. In 1963, crop failure resulting in food shortages necessitated the introduction of rationing and emergency imports (Medvedev, 1987: 195; Volin, 1970: 343). Foreign food imports were embarrassing for the Soviet government, especially in light of the ‘agricultural race’ and the continuing Cold War, and although imports were supposed to be an isolated one-off event (Medvedev, 1987: 195), over the next twenty years, through the 1964-1982 “years of stagnation” under Brezhnev
Foreign Direct Investment in the Russian Agricultural Sector

(Vietor, 2007: 174), the Soviet government “quietly...[dropped] the idea of self-sufficiency in grain production and...resign[ed] itself to the necessity of importing vast amounts of food and feed grain annually” (Medvedev, 1987: 237). The economic effect of supporting wasteful and inefficient agricultural methods and management, meant that total investment in the sector by the Soviet government rose to 35 percent of the available budget, but without corresponding output increases (ibid.: 418). Rising capital-to-output ratios in agriculture were a contributory factor in the collapse of the USSR in 1991.

The early 1990s marked the slow and imperfect transition of Russia to a market economy (Ioffe et al., 2006: 8), and after a very troubled period, Russian agriculture has now stabilised and is a focus of attention, with the FAO highlighting Russia as one of four countries that could have a key influence in meeting global food demands (Visser and Spoor, 2011: 300). This stabilisation, however, is not to be confused with a complete recovery, as despite “the image of Russia’s emergence as the global breadbasket...[being] based on the idea of growing wheat production,...the increase in production has been rather moderate” (Visser et al., 2014: 1593). As well, the briefest of glances at the FAO statistics during the period of this research, shows Russia to still be a substantial net importer of meat and livestock products (FAO, 2012).

The enhanced role of the Russian Federation in global agricultural markets, has taken place against the backdrop of far-reaching agrarian and land reforms that have been introduced since the collapse of communism over two decades ago. Although continuities in farm structure have been striking, with the fundamental dualistic structure of very large and very small farms carrying over from the Soviet period, the penetration of market relations into rural Russia, and the freeing up of the land market, have, nevertheless, meant that agriculture is a site of dynamic change. Visser (2008), Wegren (2009a), and O’Brien and Wegren (2002), have all discussed the reasoning behind, and the outcome of, successive reforms. In the years immediately following the collapse of the Soviet Union, the intention of policy makers was to replace Soviet-era kolkhozy and sovkhozy with smaller scale units that resembled owner-occupied Western family farms.

If the first phase of reform failed to achieve the destruction of the farm structure inherited from the Soviet era, the second phase – corresponding roughly to the period since the turn of the century – has far greater potential to dismantle the Soviet agricultural inheritance. In this case, the motor for change is the final removal of obstacles to the buying and selling of agricultural land, and changes in bankruptcy laws that have elevated the role of the market in restructuring agriculture. In the last decade, external capital has been able to take over large swaths of Russia’s most productive farm land. The new investors, which include some of Russia’s large corporations, as well as a smaller number of foreigners, are primarily motivated by profit and are less constrained by social obligation to rural communities than the previous farm managements. Twenty five years on from the USSR’s collapse, the full
integration of agriculture into the domestic and global market economy is, finally, on the agenda.

The Western press has reported on the Russian government’s desire to make the Russian Federation the world’s leading grain exporter as it was before the 1917 revolution (Associated Press, 2008; Financial Times, 2010; Reuters, 2009b), with the country aiming in 2009 to double its grain exports level over a 15-to-20 year timeline (Reuters, 2009c, 2009e) to 50 million tonnes (Agence France-Presse, 2009; Bloomberg, 2009). Other grain-exporting nations have confirmed Russia's potential dominance – the US Department of Agriculture (USDA), for example, initially estimated that Russia would achieve this by 2019 (Bloomberg Businessweek, 2010) – and with the increase in global temperature, cropping zones are predicted to shift from traditional growing regions towards current cooler zones (Misselhorn et al., 2010: 97), resulting in “increases in agricultural production at higher latitudes...in countries such as Russia and Canada” (Liverman and Kapadia, 2010: 18). Murphy et al. (2012: 5) believe that “the re-emergence of Russia and some of the former Soviet republics as agricultural powerhouses...[is] reshaping the global economy”.

Despite the political aim during the 2000s, Russia has since experienced some disappointing years in agricultural expansion. Grain growing area in in Russia fell “during 2001-2005 and since then has remained generally flat”, with various analysts becoming “skeptical [sic] about Russia’s potential to increase cropland substantially” (W. M. Liefert and Liefert, 2015: 506-507). The USDA has highlighted “risky marginal areas with high production and reclamation costs” that may question the economic rationale for bringing them into production (Ibid.: 507), with Russia’s future potential hinging on “whether world grain prices...[will rise to] be sufficiently high to cover the costs of producing on the new land” (Ibid.: 510). Visser et al. (2014: 1590) are unconvinced that Russia’s propulsion to the world’s third largest wheat exporter in 2009 is an indication of a “rapid, and ongoing, recovery and promising potential of wheat production in Russia”, as the country still suffers from “regularly occurring bad harvests because of droughts” and a persistent yield gap in production. Further, the authors (Ibid.: 1590-1591) argue that “a number of incorrect assumptions” have been made with respect to the role of largescale farming returning Russia to a global breadbasket; these mainly concern the persistent yield gap in production, a failure to recognise that “large stretches of abandoned land can[not] be re-cultivated for wheat production without substantial economic and environmental costs”, the low “availability of economically (and environmentally) re-cultivable land”, and the assumption that future production should follow the megafarm and large agroholding model.

The 2010s have seen a shift in the Russian Government’s policies, and an attempt to move towards national self-sufficiency, as indicated by the 2010 Food Security Doctrine, which stipulates the “following minimum self-sufficiency targets: 95 percent in grain and potatoes, 90 percent in milk and dairy products, 85 percent in meat and meat products and 80 percent in sugar, vegetable oil, and fish products...[although the Doctrine] does not
determine the time frame or means for achieving these targets” (Vassilieva and Smith, 2010: 1-2), and by the Russian Government’s agricultural program of 2013-2020 containing the aim of “expanding idled farmland...[as] a priority” (W. M. Liefert and Liefert, 2015: 507). The Food Security Doctrine “provides a political blessing and cover for the introduction of future legislation that might restrict trade through tariffs, quotas, and sanitary and phytosanitary measures” (Vassilieva and Smith, 2010: 3), and import substitution has been encouraged through “instruments that include border measures and input subsidies to provide incentives to agricultural producers...[to] boost domestic production” (FAO, 2014: 3).

The import substitution drive has been accelerated as a result of the geopolitical crisis surrounding Russia’s annexation of Crimea, Ukraine in February-March 2014; when the “the United States, European Union, and other Western countries imposed various economic sanctions on Russia, targeting the energy, banking, and defense sectors,...Russia retaliated by banning imports of many agricultural and food products from these countries” (W. M. Liefert and Liefert, 2015: 508). Although it was a reactive response to economic sanctions, “reflect[ing] the dramatic deterioration in relations with the West,...the food ban announced by President [Vladimir] Putin in August 2014 [nevertheless] flows from the 2010 food security doctrine...[and] also brings into focus the importance of food as a political weapon” (Wegren, 2015: 1).

Russian agricultural exports, however, are still on the political agenda, and President Putin – speaking at the 19th St Petersburg International Economic Forum in 2015 – has described how the import-replacement program aims to allow Russian producers “to learn how to produce quality, competitive goods that will be in demand not just here in Russia, but on the global markets too”, with the ultimate goal of making “fuller and more effective use of our internal resources to resolve our development tasks” (Global Research, 2015). This speaks of an emerging potential for Russian political leaders to use import restrictions as an advantageous opportunity to spur interest and investment in domestic agricultural production.

4.2.2 Agro-food Corporations and MNCs

On the global scale, there are only a handful of large MNCs who are vertically integrated; these have a “significant presence in a range of basic commodities”, operate “from the farm level all the way to food manufacturing”, and provide “seed, fertilizer and agrochemicals to growers...[and] financial services in commodity markets”, amongst other ventures (Jeremy Hobbs writing in Murphy et al. (2012: 3)). These companies are known collectively as ‘traders’, and the largest four – Archer Daniels Midland (ADM), Bunge, Cargill, and Louis Dreyfus – that control “as much as 90 per cent of the global grain trade”, are collectively
referred to as the ABCD traders (Jeremy Hobbs writing in Murphy et al. (2012: 3)). As Murphy et al. (2012: 5) write:

The ABCDs matter. They are not alone, nor unchallenged...what they do is central to understanding international markets (and the domestic politics of food in many countries, too)...They are shapers of the world they inhabit, but they are also shaped by it.

Existing studies on large agricultural MNCs mostly offer a macro picture of their global operations, and in-depth studies of the ABCD traders are virtually absent for a few notable contributions by academics such as Kneen (2002), Murphy et al. (2012), and Salerno (2016); certainly there has been little assessment of the ABCD traders’ activities within Russian borders.

The development of a market-orientated Russian agricultural sector has allowed large domestic agro-food corporations to grow, and MNCs to expand their operations within the country. Foreign agricultural investors were drawn to the region after the collapse of communism by low land prices, improvements in infrastructure, and the potential “of a long-term strategy of investing in food, feedstuff, and biofuels production” (Visser and Spoor, 2011: 311). Although the majority of “financial capital has penetrated the agribusiness sector since the mid-2000s and has caused a rapid process of financialisation of food and agricultural value chains” (Visser et al., 2014: 1590), the 1990s also saw the presence of large agricultural investors, as is evidenced later in this article by the history of Cargill’s business operations during this time.

Today, the Russian market is still dominated by domestic companies, and foreign players do not, as of yet, have a relatively large market share; however, given the nature of these companies to grow and accumulate large asset bases, the criticism that has been aimed towards them in other regions of the world, and their demonic portrayal in academic debates (see below), the relevance of their movement into the highly significant region of Russia will (and should) draw more attention in the future.

There has so far been little research conducted in Russia on agro-food corporations, and although interesting work has been published on both foreign and domestic investment in Russian agro-holdings – such as the writings of Visser and Spoor (2011), Visser et al. (2014), Luyt (2013), and (Kuns et al., 2016) – the focus has been mainly on the farming level of agriculture within the food system, and upstream and downstream of this level remains largely unexplored; this, no doubt, reflects the relatively recent appearance of agro-food corporations onto the agricultural scene.

This article focuses on precisely this newly developing area for Russia of food processing and trade activities downstream of the farm which, according to Jeremy Hobbs, former Executive Director of Oxfam International, is a “powerful, unique and poorly understood
sector” (Murphy et al., 2012: 3); it is a sector which needs to be made ‘visible’ “if food is to be susceptible to democratic regulation” (Friedmann, 1995: 29). The size of downstream activities is significant, with Liverman and Kapadia (2010: 6) calculating that “processed food sales...now accounts for about three-quarters of total world food sales”, whilst “food processing and retailing...have become the most concentrated stages in the value chain, with only a few processing and retailing companies relative to the number of primary producers and consumers at either end” (Schlipzand et al., 2010: 284). Global supply chains that integrate these downstream businesses, along with other actors such as banks, finance, and insurance institutions, “have emerged as arguably the world’s dominant organizational force” (Ibid.: 279).

4.2.3 The Conventional Critique

4.2.3.1 Agro-food Corporations and MNCs in General

Friedmann (1995: 22) describes the shift of power that accompanied the emergence of the agro-food corporations (not just MNCs) after World War II in terms of “strategic power” (control of wealth) and “numerical power” (“individuals who have the potential to act in concert as workers, consumers, or citizens”): “as strategic power shifted from farmers to corporations, numerical power in the food economy shifted from farmers to consumers and to food workers in manufacturing and services” (Ibid.: 23). These corporations, with their strategic power, are the embodiment of the self-regulated market, complete with all the incarnate “havoc”, mentioned above by Friedmann, and negative influence. Schlipzand et al. (2010: 276) describe how the corporations “have replaced...the definition of norms and rules” within the food sector, and it is for this reason that agro-food corporations attract the attention of global media and academia. For those opposed to the practices of these corporations, “the challenge is significant: enhancing food security without further compromising environmental and social welfare outcomes” (Ericksen et al., 2010: 25).

There is a rich literature concerning agro-food corporations, with neoliberal support including that of organisations such as the International Monetary Fund (IMF) and World Bank (WB); the latter argues that “both smallholder and large-scale agriculture are necessary to boost productivity and produce enough food to feed the world’s poor”, and that the investment for this “must come from the public and private sectors...including foreign direct investment, [which] must rise by nearly 50% (from some $142 billion per year to $209 billion) in order to feed a growing population” (The World Bank, 2014).

However, opinion amongst academic researchers is more critical of agro-food corporations, and doubts the reassurances given about the protection of small-holder and environmentally-friendly farming. Critical scholarship frames the companies as adversaries on topics including (but not limited to): the displacement of rural workers, peasants, and
small farmers (Daniel and Mittal, 2009: 11; Visser and Spoor, 2011: 317); related “social unrest, [and] socioeconomic inequities” (Daniel and Mittal, 2009: 11); “chronic economic marginalization, social exclusion, disempowerment and other forms of indirect violence” (Eakin et al., 2010: 246); the hampering of domestic food security (Ibid.: 253); “price volatility resulting from increased corporate control of food trade” (Daniel and Mittal, 2009: 19); ‘land grabbing’ (Visser and Spoor, 2011: 300); reducing consumer and environmental protection by “lobbying for free trade agreements which...[have removed] non-tariff trade barriers” (Schaeffer, 1995: 260); and the “power to shape and constrain the practices (and ‘choices’) of farmers and consumers...[through] new organisational technologies deployed...along commodity chains” (Bernstein, 2013: 3).

Agro-food corporations and MNCs have been criticised for their role in a new trend of financial speculation, and agro-food sector financialisation: the latter is defined as the “increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at the national and international levels” (Epstein (2005) quoted in Clapp (2014: 2-3)); and the former – in this case agricultural commodity speculation – “simply put, involves betting on fluctuating prices” (Salerno, 2016: 4). Speculation in agricultural markets is not a new phenomenon, and “the modern era of derivatives trading began when the Chicago Board of Trade was established in 1849” (Tett, 2009: 11); this nineteenth century development was “thought to enable commodity traders and processors to protect themselves against short term price volatility” (Salerno, 2016: 4). Since that time, regulations were put in place “to prevent market manipulation and sharp price shifts,...but those regulations began to be relaxed in the 1980s and 1990s” (Clapp, 2014: 6), and today, rather than acting solely as a protection, speculation can be used to capitalise on fluctuations in the market to generate significant profits (Salerno, 2016: 4); as Salerno (2016: 4) explains, what is a new phenomenon is “the current extent of this speculation”.

In 2007-2008, the first of two significant food crises hit (Branford, 2009: 80; Brown, 2011a: 24; Heinberg, 2007: 37; Mackintosh, 2008: 19), and academic attention began to recognise linkages between financial speculation on commodity futures markets, and the volatile price swings that have affected global food supply (Bernstein, 2013; Clapp, 2014; Salerno, 2016). The resulting literature has attempted to study the aspects – “from states’ embrace of neoliberal economic ideology to competitive pressures and lobbying by specific private interests” – responsible for deregulation and globalisation of financial markets, to identify the interrelationship of these with their actors (Clapp, 2014: 2).

Financial actors – including agro-food corporations and MNCs – although having had a “long...role within the food system via futures markets”, have increased in size and involvement within the agricultural sector in search of profit (Ibid.: 3), encouraged “by the development of financial derivatives that are based on land investment” (Ibid.: 7). This has been driven by the development of new investment products connected to the agrarian
Foreign Direct Investment in the Russian Agricultural Sector

sector, which “began to be offered by banks after 2000, including funds that invested not just in commodities, but also farmland and agriculture-based firms” (Ibid.: 7). The diversity of these financial actors is large, involving “investment banks, real estate firms, farm management enterprises, large agricultural companies (a broad and diverse category in and of itself), commodity trading firms, hedge funds, and pension fund managers” (Clapp et al., 2016: 2), as well as “sovereign wealth funds, insurance companies, asset management companies, family offices, endowment funds, high net-worth individuals and development finance institutions” (Ouma, 2014: 163); further, “intermediaries...such as information services, placement agents, consultants, [and] independent valuers” also play a role (Ibid.: 163-164).

Ouma (2014: 163) identifies three main modalities in which these actors are able to invest: firstly, pooling with other finance “in 'non-listed' vehicles such as private equity funds, managed investment trusts or farmland investment funds”; secondly, investing “in privately held or publically listed companies involved in primary production”; and thirdly, “targeted whole value chains from farm-to-fork, comprising companies involved in input production, production, processing, commodity trade, and logistics”. Some of these investment structures allow for trading on the stock markets, enabling accessibility to any common investor on the global scene, and providing significant “liquidity” (Ibid.: 163). Additionally, the development of these structures have altered the investment strategy of various actors: “commodity trading firms...[have increased] hedg[ing] their financial risks with more complex financial instruments,...banks [have] become more involved in trading physical commodities,...and investors now have more avenues to diversify their asset mix” (Clapp et al., 2016: 3).

For the investing actors, though, Ouma (2014: 164-165) asserts that ‘financialisation’ of agriculture is not innately straightforward, due an imperfect knowledge of agriculture; firstly, the notion of financialising agriculture in the same way as other sectors of the economy is misleading, as “in practice, enrolling households into financial markets or investing through private equity structures in manufacturing companies (to mention only two prominent examples of financialization) is obviously quite different from agriculture-based investments, which have a specific materiality and temporality, are weather affected, have commodity, reputational and political risks, and need to be physically engineered in the first place”.

Due to the diversity of these financial actors, and the integrated modalities in which they are able to invest through, it has become challenging to separate the various actors from one another, as well as the finance sector as a whole from that of agriculture (Clapp et al., 2016). Clapp et al. (2016: 2) have found that the historical financial institutions – such as banks, pension funds, and hedge funds – are overlapping with the agrarian sector by becoming more actively involved in “farming”, whilst traditional agro-food corporations are likewise venturing into the financial sector: “pension funds, for example, may be investing in
hedge funds, which in turn may be subsidiaries of large commodity trading firms”. The phenomenon of this boundary muddling is not only constrained to these examples, and also extends to “blurring…between bona fide hedging and pure financial speculation in agricultural commodity markets,…[and whether actors’] understanding of farmland ‘productivity’…refers to agricultural production, the returns on the financial asset, or both” (Ibid.: 2).

Clapp (2014: 1) states that financialisation has increased ‘distancing’ – “which includes the geographical expanse from farm to plate along global commodity chains, as well as knowledge gaps about the social and environmental impacts of food production” (Ibid.: 2) – which as well as allowing the number of actors involved to swell, has resulted in food becoming “abstracted…from its physical form into highly complex agricultural commodity derivatives”. Distancing has made it difficult to observe the connections between financial actors and the food system, with “financial investors’ funds…often [being] pooled and managed by others” (Ibid.: 10); this is important as not only does this affect the “distribution of power and influence over the governance of the food system” (Ibid.: 2), but it has also allowed the creation of “competing discourses” that – uncertain of the causes and effects of actors – look to explain the linkages between financial speculation and global food prices (Ibid.: 10).

Salerno (2016: 2) describes two ‘schools’ of competing discourse surrounding global food price increases: the first, consisting of “academics, economists, civil society, government departments, and development organizations”, looks to blame financial speculation; and the second, consisting of “financial actors, economists, and some large development organizations (such as the World Bank)” believes that the increases are a matter of supply-and-demand dynamics (including “transportation costs, gas prices, storage costs, government policies, etc.”). Murphy et al. (2012: 6) allude to this second school, and “a particularly heated debate among economists over whether the increase in investment in agricultural commodities futures markets via new financial derivatives is a main driver of recent food price volatility”, with Clapp (2014: 11) stating that “supporters of this view have made the case that there is little evidence to prove...[a] causal link and they suggest that critics of financial speculation have misunderstood the technicalities of how the markets work”. Owing to the complicated nature of creating “effective governance mechanisms”, Clapp et al. (2016: 3) describe how “voluntary rather than mandatory [governance] approaches” have been adopted, and much has been left to the interpretation and implementation of the various actors. Voluntary accountability inherently has its drawbacks and flaws – including “weak enforcement capacity, low participation rates, a weak business case for sustainability measures, and a confusing array of initiatives that can vary significantly in their requirements and effectiveness” – and as it becomes difficult to decide which actors should be accountable for which actions, ultimately “voluntary responsible investment initiatives for agriculture...shape discourse [more] than actual practice (Ibid.: 3).
Further to this, MNCs are seen to have little transparency (Daniel and Mittal, 2009: 19), as they screen and obscure their transactions; for example, using tariff reductions to reduce corporate taxes through intra-firm imports and exports (Schaeffer, 1995: 259). Transparency is not aided through the distancing caused by financialisation, and the competing narratives that the actors are able to align themselves with allow for disconnection in social and environmental responsibility (Clapp, 2014). MNCs’ ‘strategic power’ is viewed as enabling ‘private rulemaking’, giving the companies “responsibility for rules that range from food safety to trade to sustainability” (Schlipzand et al., 2010: 272). Their priorities have also been questioned, with the generation of profit deemed paramount over providing the global food security which they attest to (Daniel and Mittal, 2009: 19; Eakin et al., 2010: 252). An extensive literature also frames MNCs within global environmental change (GEC) (Eakin et al., 2010; Erickson et al., 2010; Liverman and Kapadia, 2010; Misselhorn et al., 2010; Schlipzand et al., 2010), and the movement towards an agrofuel sector, linked to unwanted social and environmental effects (Borras et al., 2011; Heinberg, 2007; McMichael, 2011; Sindayigaya, 2011; White and Dasgupta, 2011).

There are, however, certain positives surrounding MNCs that have crept into the same literature, mainly: “food system globalization...[bringing] numerous benefits, including increased efficiencies in moving commodities across geographic regions to satisfy emerging demands and to smooth price volatility and supply shocks” (Eakin et al., 2010: 250); the ability of MNCs to provide employment and improve infrastructure (Daniel and Mittal, 2009: 11), although employment positives are contended in the discourse of an industrial “agriculture without farmers” (McMichael, 2011: 38); and the ownership of “global storage and delivery systems that...governments call upon...for example in the delivery of food aid in response to humanitarian emergencies” (Murphy et al., 2012: 12).

### 4.2.3.2 Cargill and the Other ‘ABCD’ Traders

As discussed above, traditional agro-food corporations are now venturing into the financial sector, and included amongst them are the ABCD traders, which are “intimately linked to the world of complex agricultural commodity chains, with different aspects of their business touching all aspects of those chains from production to consumption” (Clapp, 2014: 7-8). Using their ‘unique bases of information’ – such as harvest predictions – these companies are effectively allowed to speculate (or bet) on the futures and derivatives markets3, and this has led to the development of financial business lines within the ABCD traders that prioritise the necessity for having accurate and early information for use on the financial markets. Through these business lines, the ABCDs can hedge risks, both in the markets and

---

3 Whilst a detailed exploration of these markets, and these types of derivatives, is outside of the scope of this paper, Gillian Tett’s (2009) book Fool’s Gold is recommended; it provides a detailed history of their conception, and the misuse of certain derivatives markets that ultimately played a role in the 2008 global financial crisis.
within their businesses, generate profits from speculation, and offer financial services to suppliers, customers, and other third parties (Murphy et al., 2012: 28-29).

Cargill transcends both these sectors, and has “recently expanded its activities into the financial realm through the creation of a number of financial subsidiary companies that actively invest in the agricultural sector” (Clapp et al., 2016: 2). Continuing its “longstanding practice of hedging its own financial risks in derivatives markets” (Ibid.: 2), in 1994 – behaving much like a bank – Cargill founded Cargill Risk Management “explicitly to sell individualized [over-the-counter] OTC products for its own purposes and for third-party customers”; a decade later, the company created “another independently managed subsidiary, Black River Asset Management, which started to manage the funds of third-party investors” (Clapp, 2014: 8).

Transcendence in this way makes possible what Murphy et al. (2012: 27) refer to as a legal – yet unregulated – form of “insider trading”, allowing Cargill “to speculate more efficiently than financial actors” by sharing information amongst its subsidiaries (Salerno, 2016: 2); whereas Cargill can make use of its networks and unique bases of knowledge, financial actors are more limited in what information they can use to inform their decisions (Ibid.: 2). Although legal, and largely unregulated, there are some conditions placed on traders, such as Cargill, that stipulate that “what...they cannot do...is to deliberately manipulate prices” on the global markets (Murphy et al., 2012: 27).

Quoting from an early draft of this research article, Salerno (2016: 2) believes that Cargill’s position amongst the two schools of competing discourses concerning global food price increases lies “somewhere in the middle”, with employees of the company on the one hand stating that price volatility is negatively influenced by the involvement of non-agricultural actors in the financial markets, whilst on the other claiming that speculators are also essential for providing liquidity to the markets. What is important here, though, is that the employees interviewed for this research article explicitly spoke of non-agricultural financial speculators as being both a positive and negative force in the markets, rather than financial speculators as a whole, lending the rhetoric of Cargill to a form of exclusivism as an agricultural financial player – a ‘qualified’ company that is ‘other’ to non-agricultural speculators, and one that is, therefore, supposed to be involved in these markets – abstracting the company from any questionable role within the first school. The findings of this article would argue that, in fact, Cargill has created a ‘third school’ of competing discourse, in which the company blames both supply-and-demand dynamics, and the involvement of non-agricultural players in financial speculation.

Despite this, because of the “blurring...between bona fide hedging and pure financial speculation in agricultural commodity markets” (Clapp et al., 2016: 2), it is difficult to discern which practices Cargill is involved in, and the effect of its actions (even as a ‘qualified’ agricultural financial player), creating “challenges for traditional regulatory prescriptions” (Ibid.: 3). The substantial profits that Cargill has made during times of global
food price volatility have been a particular target of criticism; the 2007-2008 global food crisis benefitted MNCS, investors, and agricultural suppliers alike (Branford, 2009: 80; Mackintosh, 2008: 17), but Mackintosh (2008) reported that Cargill was able to increase profits by 86 percent in the first quarter of 2008, with Branford (2009) stating that Cargill made nearly a 70 percent increase on its 2007 levels and a 157 percent increase on its 2006 levels. According to Murphy et al. (2012: 25), these record profits in 2008 amounted to $4 billion.

This criticism does not explicitly blame Cargill for any wrongdoing, but shows an association of Cargill – as a significant beneficiary – with a global socioeconomic catastrophe (for a graphical representation of the record profits in a time of increased food prices, see figures 3 and 4). Murphy et al. (2012: 24-25) summarise that the increase in profits for Cargill was helped by the company’s “unique base of information...not due to rising commodity prices alone, but rather to its ability to predict price changes in a period of volatility...which enabled it to clean up in futures markets...[whilst] other traders were caught going the other way”; however, the authors have stated that “it is very hard to determine the extent to which the traders’ strong profit performance is based primarily on their financial activities as compared to their traditional physical trading”.

Daniel and Mittal (2009: 19) state that “price volatility...[has resulted] from increased corporate control of food trade” (emphasis added), and this is key, as it makes explicit the implicit suggestion underlying academic debates: that these traders, such as Cargill, can control (and possibly conspire to increase), not just influence, the price of global food. Murphy et al. (2012: 15) write that because of “the onset of sharp food price volatility...important questions are raised about the role of these trading companies in either sparking or exacerbating food price volatility”, adding that “the existence and control of...[their] physical stocks can have an important impact on grain prices” (emphasis added) (Ibid.: 12).

A diverse literature also frames Cargill within issues surrounding land grabs and adverse impacts on rural communities; for an example, see a recent Oxfam International (2013: 3) report – Divide and Purchase: How land ownership is being concentrated in Colombia – which describes how “between 2010 and 2012, Cargill...acquired 52,576 hectares of...land in Colombia’s Altillanura region through 36 shell companies,...manag[ing] to evade the legal restriction through a method of fragmented purchases, exceeding the maximum size of land permitted by law for a single owner by more than 30 times”. Exploration of these topics, however, are beyond the boundaries of this article due to research limitations, and the fact that Cargill does not currently own or lease any agricultural land in Russia.
Figure 3: Profits of ADM, Bunge, and Cargill ($ millions) (in Murphy et al., 2012: 23)

Figure 4: FAO Food Price Index, 1990-2012 (2002–04 = 100) (in Murphy et al., 2012: 23)
4.3 The Research

4.3.1 Methodology

Ouma (2014: 164) writes that much of the academic literature on financialisation of the agricultural sector exhibits an “explicit normative agenda”, in which financial actors’ actions are treated with “great suspicion or outright rejection”. Additionally, this is usually “accompanied by a limited engagement with actors from the financial industry themselves...who may have something interesting to say”, and has resulted in “grand narratives on ‘bankers-turned-farmers’, without any more situated fieldwork – be it interviews or ethnography – sustaining them...often los[ing] sight of the more technical, everyday dimensions of this [financialisation] process” (Ibid.: 164). Although the research contained within this article is concerned with Cargill – an agricultural financial actor, in essence, a farmer-turned-banker – it aims to look beyond the ‘grand narrative’ of the company in contemporary academic literature to study the ‘more technical, everyday dimensions’.

Further, this article looks to address contemporary academic literature that “has been rather silent on the role of space and place...featur[ing] them as mere stages for financial actors, but not as central elements in the reproduction of capitalist economic processes” (Ibid.: 165). By situating the research in such an important agricultural space as Russia, this article attempts to resolve the ‘space and place’ oversight that “has resulted in an underestimation of the manifold place-based impediments to capitalizing farmland/agriculture,...[including that of] managing large-scale farming operations in difficult environments” (Ibid.: 165).

As Salerno (2016: 11) notes, “researching agro-commodity traders and the financialization of agriculture can be very difficult due to barriers in access to information”; despite this difficulty, research in this area is “crucial to explore in order to gain more insight into the changing scope of the agricultural system, the possible impact on food prices, and the place of agro-commodity traders in all of this”. As “essentially [a] family-owned [private] business” (Murphy et al., 2012), Cargill fall into this category of being ‘difficult’ to research – indeed, the title of Kneen’s (2002) book Invisible Giant alludes to the company’s desire not to draw attention to its corporate actions – and gaining access to its Russian component required the involvement of a large number of well-positioned gatekeepers. Additionally, during February-March 2014 – through the timeline of the research interviews – Russia annexed the region of Crimea in Ukraine; although economic sanctions against Russia took time to materialise, and the retaliatory food import ban by Russia was only implemented in August 2014, Cargill was nonetheless in the process of preparation for perceived impacts on its businesses, which complicated the access to interviewees and the issues that they were permitted to discuss.
The research on Cargill’s operations and business strategy in Russia has specifically targeted its senior-management-level employees, enabling data to be produced on the nine separate businesses (listed below) that Cargill operates within the country. The employees participated in a series of semi-structured interviews, carried out over a period of six months, between November 2013 – April 2014; at the request of Cargill, the identities of the interviewees have been anonymised. The interviewees were chosen specifically because of their experience and unique knowledge as key decision makers in the company, and their awareness and understanding of Cargill’s policies and approaches both globally and within Russia.

The purpose of the interviews has been to confront Cargill with the critique of agro-food corporations detailed above. Of interest was how Cargill employees chose to respond to, and argue against, academic reproach; as such, analysis of the ‘truth’ behind the corporation’s words is of less importance than how it answers to its perceived stereotype. What is important for the research, is to partly analyse how Cargill employees engaged with the topics discussed, which topics they did not want to cover, and where their ‘silences’ fell. As Poland and Pederson (1998: 293-294) explain, “silence is frequently overlooked in qualitative research...[and] one could argue that in many cases, what is not said may be as revealing as what is said”.

Representativeness, therefore, is key in such a study as this: the interviewees – as benefitting employees – may well not have been impartial in their opinion of Cargill and its operations. As discussed below, Ouma (2014: 164) has found how companies involved in the financial sector, such as Cargill, are “often convinced [that] they do good by contributing to global food security”, and this article will analyse later how Cargill seems to occupy a ‘third school’ of competing discourse surrounding food price volatility, both of which most likely affected the interviewees’ opinions and responses during the research. The research, therefore, is not naïve in recognising this bias, and agrees with the sentiments of Clapp (2014: 10) on how “narratives typically emanat[ing] from financial actors themselves as well as powerful organizations that support them...often portray financialization as a solution to problems in the food system...instead of seeing the rise in financial investment in agriculture as a potential problem”.

Designated as ‘off-limits’ by Cargill in the research were topics such as detailed finances, and supplier contracts, due to commercial sensitivity and the complications surrounding the crisis in Crimea. Cargill also expressed concerns about an early draft of this article, asking for redaction of information regarding local sourcing percentages of food inputs, and details of how contracts work with regards to export shipments. Additionally, there was unease expressed at highlighting the difference in Cargill’s global corporate ethos to that of its Russian strategy; this is discussed in more detail below.

Murphy et al. (2012: 10-14) have researched the motivations of the ABCD traders, and have listed certain points that they believe map the traders’ business model; this article analyses
five topics in detail, four of which are drawn upon from the work of Murphy et al. (2012: 10-12)\(^4\).

1. Food Security

As Ouma (2014: 164) states that companies, such as Cargill, are “often convinced [that] they do good by contributing to global food security”, it is, therefore, important to comment on Cargill’s role with respect to Russian food security, whether it is producing for the domestic market, or exporting Russian produced food to other regions of the world. Additionally, it is vital to understand Cargill’s motivations for domestic supply or export, what drives its decision making processes, and in which direction the company wishes to develop its businesses in the future. With respect to the FAO’s definition of “physical and economic access to sufficient, safe, and nutritious food” (quoted in Liverman and Kapadia (2010: 3)), it is interesting to explore where Cargill believes the responsibility for this lies: whether it is with Cargill, the Russian government, or with any other actors.

2. The Power to Shape and Constrain

Murphy et al. (2012: 10) believe that the ABCDs aim to be “originators of bulk commodities...so dominant...[that] they play a central role in the decisions that producers make about what to grow, where, how, in what quantities, and for which markets...by providing inputs and other services directly to farmers, and by securing the sale of those products to traders at harvest”. Further, the authors write that “the strategy is about more than sourcing from the farm,...it is also about deciding what the farm should grow” (Ibid.: 10). Liefert and Liefert (2015: 510) explain how “input suppliers, on the one side, and wholesalers and processors, on the other, are typically large and concentrated, such that they can use their market power vis-à-vis farms in determining the prices at which they sell to and purchase from the farms”. Therefore, Bernstein’s (2013: 2-3) declaration that MNCs have the “power to shape and constrain the practices (and ‘choices’) of farmers” (although he was referring to “organisational technologies”) will be broadly examined in the Russian setting.

\(^4\) Murphy et al. (2012: 10-14) list ten points that they believe map the traders’ business model, six of which either lie outside of the scope of this article’s research, or are beyond this article’s research capabilities.
3. Setting the Purchase Price

The same authors believe that the ABCDs look to increase their market power, “setting the purchase price, particularly with farmers...[and] with the grain elevators to which farmers in industrialized production systems deliver their grain” (Murphy et al., 2012: 11).

4. Impact on Grain Prices

Murphy et al. (2012: 12) explain that the ABCDs have developed global transportation, storage, and delivery systems, requiring effective logistical management. They believe that the ABCDs have “begun to hold more physical stocks”, and that the control of these stocks can impact on grain prices, as well as helping the companies on the derivatives markets (Ibid.: 12).

5. Speculation, Priorities, and Early Information

Finally, Murphy et al. (2012: 11) take the position that – as a priority – the ABCDs look to uphold large volumes in commodities trades, even in times of falling global grain prices. Although grain price is “certainly important to them,...these companies profit from other activities that surround and relate to the bulk grain trade, such as financial speculation on agricultural commodity markets and index funds, transportation, and storage” (Ibid.: 11); therefore, the access to early information that high volume trading in these commodities gives is more important to the traders than the actual trading of the commodities themselves. As Murphy et al. (2012: 11) explain, financial speculation, transportation, and storage allow the traders to “profit regardless of whether [world market grain] prices are rising or falling”.

Salerno (2016: 11) asks for more analysis of companies such as Cargill “to analyse...whether Murphy et al. (2012) are right to hypothesize that in the current financialized agricultural system, the information itself is more lucrative than the actual trading of commodities”, and so it is of interest to explore the drivers for investment of Cargill’s business lines in Russia.

4.3.2 A Background to Cargill in Russia

Cargill – a family-owned private company founded in the US by William Cargill in 1865 (Salerno, 2016: 5) – is the largest of the ABCDs, “with sales and other revenues of $119.5bn in 2011” (Murphy et al., 2012: 9). Since its early conception “mostly as a trader – collecting,
storing, and shipping grain and other commodities around the US”, the company has transformed and diversified into “various branches and subsidiaries in 68 different countries” (Salerno, 2016: 5). Three key financial subsidiaries – Black River Asset Management, Cargill Risk Management, and Carval Investors – use the company’s global knowledge and access to early information to engage in numerous financial activities, including “arbitrage, speculative trading, and equity positions” (Ibid.: 5). Such is the scale of Cargill’s reach, that “the former U.S. Secretary of Agriculture, Bob Bergland, described the company’s present-day ability to acquire political and economic intelligence as exceeding that of the Central Intelligence Agency” (Ibid.: 7).

According to its website, Cargill “began furnishing grain supplies to the USSR in 1963”, but only opened a representative office in the newly-formed Russian Federation in 1991 (Cargill.com). Once the Soviet Union collapsed, it was clear to Cargill that opportunities in Eastern Europe and former-Soviet countries would emerge. The decision to explore these opportunities was thought of as both strategic and visionary, with one interviewee describing the adopted mentality as, “go east and see what you can figure out”.

Cargill initially created business teams in the region – for example in Poland – whilst the headquarters that had housed Cargill from 1963 became the centre for business in the former-Soviet republics. It was soon revealed, however, that this was impractical due to the vast size of the regions, and the operations were split, with one business unit set up in Kiev, Ukraine, and another that stayed in Moscow. An interviewee explained that Cargill’s presence in Russia since 1963 had given the company some comfort, enabling it to build up contacts, and although these contacts did not constitute a large base – they were only in the grain business – they were enough to help with the initial construction of the new operations, and act as “friends”.

The Moscow office hired ethnic Russians into the business; some with experience of the industry, and others who needed training in the necessary skills. Cargill initially was only concerned with trading, and did so in seeds, grains, sugar, ‘food in general’ (which became the foundation for the businesses that exist today), and even steel and petroleum; after some time, Cargill moved into financial trading. Nowadays, the office is the company’s “coordinating center”, which, amongst other responsibilities, provides “consulting and auxiliary services to foreign branches of the company that deal with imports and exports of various agricultural and food products...on the Russian market” (Ibid.). Speaking of the 1991 expansion, one interviewee describes it thus:

_We...didn’t know the size of the opportunity, but we knew that...with this number of people, and...agricultural base...there should be opportunities. Seed was very important; we used seed as a way to learn the agriculture in both Ukraine and Russia. We subsequently sold that business, but that really was a very good...starting point._

120
Expanding into Russia so soon after the collapse of the Soviet Union was considered ‘risky’, and for Cargill, it was “as important to learn and have a foothold...from which we could grow fast when the conditions were right, as oppose to...being gigantic from the word go”. After three years, Cargill felt that it had learned enough – the company had been able to hire and train employees, build a legal understanding of Russia, and learn the principles of accounting in the region – and concluded that it had the “guts and the knowledge” to start buying fixed assets, mainly principled on a long-term, rather than a short-term, view of Russia.

Cargill began its asset search by scouting for a glucose facility, as Mars (a manufacturer of chocolate and other foods) had looked to Cargill to secure a domestic supply chain for its products, and the company eventually settled on an existing former-Soviet facility in Efremov, Tula Oblast, which it purchased in 1994. The procurement of the Efremov site took several years; Cargill hired the Russian bank Troika to buy the privatisation vouchers that were handed out to employees of the facility following the collapse of the Soviet Union, and then bought the remaining shares from the Tula Oblast regional authorities themselves. By the time Efremov was in ownership, Cargill’s base in Russia had grown, employing fifty workers, mostly Russian, in two offices. Efremov was a testing venture for Cargill, and it required careful public relations management, and levels of transparency:

> When we bought Efremov, we had to stand in front of people...hundreds of people, explain who we were, what we would do, and so forth. They were very afraid that we would fire a large number of people, ‘cause that’s what they knew about the Western world, that...we were ruthless in terms of...labour relations and so forth. We told them, ‘No, that's not the intention...People will be fired if they steal or if they sleep’. That worked, both of which happened.

Even though Cargill realised that it had more employees than it needed for the Efremov site, it felt that it had delivered on the promises that it had made, eventually shrinking employee numbers through “attrition” when workers retired.

Globally, Cargill operates five “business segments”: agricultural services; food ingredients and applications; origination (procurement of grain) and processing; risk management and financial; and industrial (Murphy et al., 2012: 9). Within Russia, Cargill operates various sub-units of these business segments, including: grain and oilseed trading; oilseed crushing, oil refining, bottling, and hardening; malt production; meat and poultry; animal feed formulation, production and distribution; production and sales of syrup, starches and starch derivatives; food and feed ingredients sales; vital wheat gluten production; and specialty food ingredients (Cargill.com).

Since the initial glucose business began in Efremov, other operational lines have been added so that now, the starches and sweeteners, malt, complex wheat processing, vegetable oil
and fat refinery, native wheat gluten production, and mixed feed businesses are all housed on the site \textit{(Ibid.)}. Efremov also houses a “\textit{non-dedicated}” poultry further processing plant, producing for various customers, such as MacDonald’s ventures in Russia \textit{(Reuters, 2010a)}.

Cargill’s grain and oilseeds business began in 1993, operating in the Krasnodar region, “selling seeds and delivering consulting and financial services to local agricultural producers” \textit{(Cargill.com)}. Only since 1998 has the company sold and exported grain, utilising Cargill-owned elevators for drying and storing of crops, and a river terminal for grain shipment in Rostov-on-Don \textit{(Ibid.)}. In 2011, Cargill acquired Provimi – “a global animal nutrition company” \textit{(Ibid.)} – along with its Russian facilities and employee base of 1200 workers, and as of 2013, Cargill was constructing a new $200 million oilseed-crushing plant in Volgograd.

The Efremov site, along with investments in grain infrastructure elsewhere, has brought Cargill’s total investment in Russia to over $900 million, with the new oilseed-crushing plant in Volgograd expected to push this over $1 billion \textit{(Ibid.)}. One interviewee revealed that by Cargill’s standards, this investment in Russia is “\textit{reasonable}”, indicating that expansion in Russia may well continue to grow in the future. At the time of the research, Cargill did not own or lease any agricultural land in Russia for the purposes of production.

\textbf{4.4 Analysis}

\textbf{4.4.1 Food Security}

As mentioned above, the Efremov site now houses a number of businesses, all of which supply the Russian domestic market with the exception of the vital wheat gluten business (a by-product of the sweeteners and starches process); the vital wheat gluten is used in Europe in the baking and aqua-feed industries, and there is currently not a market for it in Russia. For all of these businesses, Cargill’s goal is to source 100 percent of the inputs from within Russia, except where the inputs are not available on the Russian market, for example, with the sourcing of palm oil, or coating ingredients for its poultry further processing products.

This goal, however, is not being met in some situations, as with the poultry further processing facility, which currently is only able to source less than half domestically. The driving factor, in this example, is that the food safety, quality, and animal welfare standards set on the chicken products by Cargill’s customers, render much of the available Russian supply unusable. These standards far exceed those that are deemed acceptable under Russian legislation, and although Cargill tries to entice suppliers to adopt these standards in their production by offering a premium, the suppliers do not deem the alterations economically sensible when there is a current demand for their products on the Russian domestic market. This seems to be a positive when considering the provision of “sufficient, safe, and nutritious food” \textit{(quoted in Liverman and Kapadia (2010: 3))}: whilst the ‘nutrition’
of processed food can be debated outside of this article, the use of stricter standards and quality demands than those enforced by the Russian government, would seem beneficial to the Russian consumer. Cargill’s role in this, however, could be questioned, as the requirements are being driven by the demands of Cargill’s customers, rather than the corporation itself. Likewise, for the malt business, the aim of 100 percent sourcing can sometimes not be met if unforeseen weather and droughts impact on the Russian barley harvest, rendering it substandard to Cargill’s customers’ specifications. In some bad years, Cargill has only been able to source 10-15 percent locally, and has been forced to import the remainder from abroad.

The reasons behind Cargill’s goal of 100 percent sourcing are that it is more cost-effective, requires less logistics and costs associated with transportation, builds shorter and more sustainable supply chains, and reduces the likelihood of politically-related complications. The remaining chicken that Cargill sources for its poultry further processing facility – standing at more than half of its quota – in 2014 was being imported from Brazil, an unsustainable food chain that Cargill sees as a “window of time”. As well, the potential for political impact on food imports, such as trade embargos, is a real concern for Cargill; as discussed above, the Crimea crisis developed during the period of this article’s research, and as part of the ongoing ‘sanctions row’, Russia has targeted food import bans at the United States, the European Union, Norway, Canada, and Australia (BBC News, 2014c).

The advantages of local supply chains were made clear to Cargill in 1998, when a financial crisis hit Russia; the foreign exchange rates dropped dramatically and rapidly, which made imports expensive, so that local production became increasingly attractive. Cargill adapted the Efremov plant to produce a sweetener that was used in the production of beer as a substitute for malt, and after imports of beer decreased due to the exchange rate difference, the demand for locally produced beer rocketed. These events were not foreseen by Cargill, but played into its hands, and confirmed to it the necessity for localisation. The goal is so important for Cargill, that even if import prices were to become more favourable than domestic prices in future years, Cargill would still source locally:

We have to look at it long-term, and we can’t screw the local supplier this year just because there’s a bumper crop over there. You can imagine the signal we’d send to the suppliers if we, you know, bumped them off the seed for one season, and you can imagine how excited they would be to come back to us the following year to sign that contract. That short-term behaviour wouldn’t get us very far.

Cargill additionally imports certain products that lie outside of its processing capabilities at Efremov, and supply them to the Russian market, such as olive oil, chocolate, cocoa, and beef. The company also used to import sugar, but Russia has now become self-sufficient in sugar production, and Cargill was forced to close that business after the demand for imported sugar fell.
Like the Efremov site, Cargill’s Russian Grain and Oilseeds Business aims to have a 100 percent local supply chain. The business is part of a larger ‘Business Unit’ called ‘Grain and Oilseeds Supply Chain Europe’, and has “two heads”: one that deals with export or domestic supply of the crops, and the other that ensures that Cargill’s other domestic operations are supported. As such, the Grain and Oilseeds Business is responsible for sourcing malting barley, wheat, corn, and sunflower oil for the Efremov site. The crops are sourced from ‘European’ Russia, mainly from the Krasnodar, Stavropol, Volgograd, and Voronezh regions. Between 80-90 percent of the suppliers used are local Russian producers, and the remaining 10-20 percent are foreign producers; Cargill has stated that for the grain, it does not have a priority with respect to export or domestic supply. Typically, Cargill’s suppliers own farms that are between 3000-4000 hectares, which in Cargill’s experience, is comparatively large.

It would appear, then, that the goals to source 100 percent domestically, and supply the domestic market (with the exception of a few products and export grains, see below), enable Cargill to positively influence the food security of Russia, reducing the country’s dependence on imports, and aiding domestic production. Whilst Cargill’s motivations are not centred on Russian food security – with the main drivers being costs, logistics, and related to politics – the effect is positive for Russia nonetheless. This may well be a controversial finding for academic fields that are concerned with Cargill, but attention should be paid here to the specific nature of Cargill’s operations in Russia: Cargill has been keen to point out that 100 percent domestic sourcing is not a corporation-wide policy; it is country-specific, in this case to Russia. The corporation’s fundamental view concerning food security, is that food should (and must) move from areas of surplus to areas of deficit, with no barriers to trade. However, this finding is not to say that Cargill as a global corporation is having a ‘net positive’ effect on the food security of Russia; as has been discussed above in detail, Cargill’s role in the financialisation of the agrarian sector, and its dealings within the financial markets, may well be negatively impacting Russian food security through the process of global food price volatility.

4.4.2 The Power to Shape and Constrain

It is important to define exactly how Cargill interacts with the farmer in Russia. The assertion of Murphy et al. (2012: 10) that Cargill plays a “central role in the decisions that producers make about what to grow, where, how, in what quantities, and for which markets” is correct, but this does not explore the relationship between Cargill and the farmer, and the statement that “the strategy...is also about deciding what the farm should grow” (emphasis added), seems open to interpretation in the Russian context; Cargill would argue that a more accurate term would relate to soft power.

‘Soft power’ is a term coined by Joseph Nye of Harvard University – initially to discuss international relations – and the application of the term here seems appropriate in the
context of US and Russian businesses. Writing for the Harvard Business School (2004), Nye explains:

Soft power is not merely the same as influence. After all, influence can also rest on the hard power of threats or payments. And soft power is more than just persuasion or the ability to move people by argument, though that is an important part of it. It is also the ability to attract, and attraction often leads to acquiescence. Simply put, in behavioral terms, soft power is attractive power.

Cargill purchases crops as per the demand of the customer, and, as with the poultry further processing facility described above, it will only purchase if specifications are met and approved. These specifications are conveyed to the farmer, along with approved crop seeds, inputs (such as fertiliser), protections (such as pesticides, and financial models to protect earnings), new market opportunities, and pricing options. Cargill, therefore, has a role in the decisions that a producer/farmer makes about what to grow, but, for a number of reasons, indicates that it cannot decide for the farmer: firstly, Cargill says that it “market[s] the grains of the farmer” no matter their choice, whether for export or domestic supply, which would then alter the need for adopting certain specifications on the crops; secondly, Cargill maintains that it has a low market share in Russia, compared to Russian and other foreign competitors, which means that farmers do not have to choose to supply Cargill (as is the case with the chicken suppliers described above); and thirdly, with the significant risk of farmers defaulting without legal accountability in Russia, deciding could potentially backfire if a better opportunity consequently appears for the farmer. The low market share of Cargill is important when considering the opinion of Liefert and Liefert (2015: 510) whereby a company, such as Cargill, “can use their market power vis-à-vis farms in determining the prices at which they sell to and purchase from the farms”, and shows how this market power is not (yet) realisable for Cargill in the Russian context. For these reasons, Cargill’s “power to shape and constrain” (Bernstein, 2013: 2-3) within Russia would seem to be more soft power, with the company’s strategy built around attraction and co-optation for the farmer, rather than coercion.

It is all driven by the consumer, mainly, to make sure you are sustainably delivering what they want...So, we don’t go to farmer and say ‘we want this, we want that’; it’s rather...we say ‘consumer wants this, consumer wants that’, and try to partner with the farmer to make sure we supply the needs.

Cargill demonstrates this soft power through its business arrangements with the farmer: if the farmer decides to supply Cargill with a crop, there is nothing contractually in the purchase agreement that states that the crop inputs have to be bought from Cargill, just as long as it meets the specifications; and, in the reverse, if the farmer decides to buy crop inputs from Cargill, there is nothing contractually in the purchase agreement that states that the crop has to be sold back to Cargill (unless Cargill have supplied the inputs on credit,
which would require the crop to be sold back to the company). The company has recognised, though, that in adopting this model, there is a high correlation with farmers who bought crop inputs from Cargill selling the finished crops back to the company. Cargill identifies that this correlation negates the risk of farmers purchasing inputs only to sell the finished crops to Cargill’s competitors.

*We don’t put it as a prerequisite. It’s just sell the seeds, sell the fertiliser. If they want to sell the grain and oilseeds, as far as we are there to buy at the market price...it’s not a barter. We try to avoid that concept because...it then becomes like a contract farming, and it’s a little bit different than what we want to achieve.*

However, as with food security, this article must point to the uniqueness of the Russian context in guiding the actions of Cargill, and recognise that soft power may not be reflected in the corporation’s global activities. Cargill “has intensified private equity investments in suppliers” (Clapp *et al.*, 2016: 2), and this could be viewed as creating supplier dependency on the corporation: Salerno (2016: 8) describes how “Cargill first distinguishes its suppliers who are not able to meet the demands of Cargill, and then has Black River [one of its financial subsidiaries] invest in the company to boost their output, and finally (in most cases) the company in turn sells back the increased supply to Cargill”. By “help[ing] them to grow” (*ibid.*: 8), Cargill may well have more of a “central role in the decisions that producers make about what to grow, where, how, in what quantities, and for which markets” (Murphy *et al.*, 2012: 10).

### 4.4.3 Setting the Purchase Price

As Cargill does not have a priority with respect to export or domestic supply of grains and cereals, the company’s priority is to simply “market the grains of the farmer”. Originally, Cargill was more export-orientated; however, upon adoption of its new company motto, “Thrive”, it claims solely to seek out the best price for the farmer. As well, Cargill has stated that sole export-orientation only allows it to be ‘in the market’ when export prices are better than domestic ones, and so it seeks better “optionality” instead. In the south of Russia, the majority of the grains that it secures, or “originate[s]”, are exported due to the access of the international market through the Black Sea, and relatively favourable transportation costs. Better prices for the domestic market are usually found in the Central Region of Russia, south of Moscow, and so grains originated here usually enter these domestic flows. In years when there are deficiencies in the Central Region, resulting in better domestic prices, or when export demand or prices are low, then grain is moved away from export and redirected domestically. Additionally, the recent developments surrounding the ongoing ‘sanctions row’ and food import bans may well affect this import-export decision.
The logistics surrounding the export of grain from Russia involves Cargill’s centralised trading business, which coordinates all of Cargill’s global grain and oilseed flows, and creates the contracts with the customers who are seeking to purchase grains and oilseeds. The prices of these contracts are dictated by both the Russian farmer, and the customers of Cargill; Cargill does not set the purchase price itself. A customer will approach the central business with a price that they are willing to pay for grains or oilseeds; this is then relayed to Cargill Russia, who consequently approaches the Russian farmer. If the farmer deems this price acceptable, then the transaction is secured; if the price is not deemed acceptable, then Cargill Russia feeds back that a better price is needed, and the central business negotiates with the customer. It is for this reason, that Cargill says that it does not control the price of the grains or set the purchase prices; the company points to the market dictation between the supply (farmer) and the demand (customer). It is, however, logistically difficult for Cargill Russia to approach each individual farmer whenever the central business is approached by a customer looking to bid for a contract, and so Cargill Russia looks to build a “stock” of grain at the beginning of each season for use in the contracts; the size of this stock is strongly linked to the demand, and Cargill will not purchase grains unnecessarily.

Sometimes, however, the purchasing of grains can be difficult, especially if the farmer decides to be “bullish” and chooses not to sell on the belief that the market price will increase. Cargill can also be “bullish”, and if it believes that the market price will increase in the future, it can look to ‘buy early’ and store the grain for future use; Cargill calls this “position taking”. If the prices do then increase, Cargill is able to capture the saving. The grain is stored in Cargill’s silos, or, ironically in the case of future price increases, in the farmer’s own storage. An alternative swing on ‘position taking’ is when Cargill believes that the market will go down, and sells grain to a customer before it is originated from the farmer; the grain is then bought from the farmer at a later date. This alternative, obviously, carries a risk, and Cargill does not implement this in Russia very often, opting to avoid the risk of defaulted contracts and contractual financial penalties. As with any trading company, Cargill makes decisions on whether to ‘spot trade’, whereby Cargill approaches the farmer and buys grain ‘on the spot’, or whether to follow ‘deferred book trading’, whereby Cargill purchases grains a number of months in advance; however, exploration of this topic lies outside of the scope of this article.

4.4.4 Impact on Grain Prices

Although Cargill sees itself as “one of the top five exporters” in Russia – with the others being “multinationals like us...Glencore, Dreyfus, Bunge...little bit Noble” – it explains that it is not the largest, and has a low domestic market share compared to its Russian competitors. As such, its ability to hold physical stocks would have no impact on the supply of grain within Russia, and, therefore, no impact on grain prices. Moreover, Cargill claims that its silo capacities are not large enough to stockpile grain, with much of its grain still
stored “on-farm”, and that it owns “very old fashioned” ex-Soviet silos that are in need of upgrading for longer-term grain storage. Additionally, storage in silos carries operational costs, and it ties up working capital in grain that is not being sold on; Cargill does not look to stock past that necessary for the creation of its ‘buffer’.

Cargill claims that United Grain Company (OZK) – the Russian state-owned trader – is the only company within Russia who can “influence” the price of food. As Cargill explains, United Grain Company build up large stocks of grain, and when the government deem domestic prices to be too high, reaching the “intervention price”, it releases its stocks to bring the prices back down, and relieve domestic demand and inflation in the food sector. When the cost of grain is below this intervention price, then the company begins to stockpile again. Cargill believes that this creates speculation on the markets, and also restricts the ‘free market’. Furthermore, Cargill consider the Russian government to be the only entity capable of controlling food prices through export bans, which it has employed in the past.

4.4.5 Speculation, Priorities, and Early Information

Given the already discussed issues and controversies surrounding financialisation of the agricultural sector, financial speculation, and global food price volatility, it is essential to evaluate the priorities of Cargill. It can be seen that “since Cargill began financializing its strategies, the company has not only grown but has flourished” (Salerno, 2016: 6), and in light of significant profits of the ABCDs on the financial markets in times of global food crises, it is understandable why Murphy et al. (2012: 11-12) pose that access to information is more important to the traders than the actual trading of the commodities themselves; as Salerno (2016: 10) indicates, though, “Cargill itself may not be directly causing food price volatility, but they are likely benefitting from it via the financialization of the agricultural system”.

The question raised here, then, centres on what has changed: has access to early information increased in importance, or have the commodities themselves become less important? Salerno (2016: 10) believes both to be true, with the “impl[ication being] that agro-commodity traders may be concerned less about the traded commodity and more about the information regarding the commodity”. Whilst this article agrees with the sentiment that it “is difficult to say...whether or not this is true” (Ibid.: 10), it is able to comment on Cargill’s view of the physical commodities.

Cargill has stated throughout that its investments in Russia have been for the long-term, and this can be seen by its business expansion and diversification strategy, and the fact that the investments are nearing the $1 billion mark. All of the aforementioned businesses within Cargill – dealing with the trade and processing of the physical commodities – are designed
to generate a profit, and have to prove that they at least have the potential to be profitable in the future to secure new investments from Cargill’s headquarters, and to avoid being decommissioned.

If the profitability picture doesn’t add up, then we can do nothing else...Nobody – even the most altruistic member of Cargill’s family – will agree just to throw money down a black hole, into a business...they have to have a return.

This, therefore, indicates that the primary (or at least equal) driver for investment in the business lines is profitability lying outside that of financial speculation, and that Cargill will not support long-term loss-making businesses; this is not to say, however, that the main global focus of the corporation does not now lie in financial speculation, but that these business lines still hold value more than simply providing early access to information. It may well be that this access to early information has increased in importance to the company, but – at least in Russia – this article argues that the physical commodities have not reduced in significance as a result.

Lastly, this article finds that – through the rhetoric of its senior management level employees – Cargill has created a ‘third school’ of competing discourse concerning global food-price volatility. Instead of lending itself to the first school – which looks to blame financial speculation as a whole – Cargill claims that the volatility is caused by the involvement of non-agricultural actors on the financial markets:

It’s really very liquid market and all the prices are dictated by the fundamentals...not the commodity fundamentals but...cash liquidity fundamentals. So, if the stock markets are coming down...the [investment] funds are looking for other means, and they come to the commodity market. Even though you believe wheat is surplus, so the prices should go down, then you suddenly realise...wheat prices are going up because liquidity is coming for a new place...So, I should say companies like Cargill cannot control whole pricing of this. Yes, we take the leverage of understanding the market, and yes we trade these markets, but we do not dictate it.

That being said, Cargill’s opinion is that these non-agricultural speculators are still necessary:

There has to be the speculators in the market...You cannot accuse speculators all the time, saying that they are causing all this mess. You need those speculators...you need those guys to give the liquidity to the market...you need the funds, you need the pension funds, you need the speculators.

As discussed above, Cargill transcends both the agricultural and financial sectors (Clapp et al., 2016: 2), and enters the financial markets in this form; however, by identifying non-
agricultural actors as contributing to the volatility, and excluding the corporation from the same grouping, employees lend their rhetoric to a form of exclusivism as ‘Cargill the agricultural financial player’ – a ‘qualified’ company that is ‘other’ to non-agricultural speculators, and one that is, therefore, supposed to be involved in these markets – abstracting the company from any questionable role within the first school. The third school thus consists of agricultural financial actors who blame non-agricultural financial actors for global food price volatility, as well as supply and demand dynamics.

The emergence of this third school of competing discourse from employees of Cargill is unsurprising given their representativeness; however, by finding explanations elsewhere for the causes of food price volatility, and with their main competitors, it may help to explain how companies involved in the financial sector, rightly or wrongly, are “often convinced [that] they do good by contributing to global food security” (Ouma, 2014: 164).

It must be noted though, that the logic for this third school can be questioned, as some of the financial subsidiaries of Cargill act with, and trade on behalf of, non-agricultural investors (Salerno, 2016: 6). As Salerno (2016: 6) explains:

> Cargill Risk Management engages in market speculation on behalf of corporations and financial bodies (such as funds), and engages in natural independent hedging...for large farmers. Cargill’s risk management firm invests in agricultural risk for customers such as pension funds wanting to invest in agri-expenses...They do so by focusing on when and how to hedge using financial instruments to manage exposure to risk through OTC swaps, exchange cleared swaps, futures, and commodity linked notes in commodity markets such as corn, wheat, soybean, vegetable oils, livestock, etc. Cargill Risk Management and Black River engage in both proprietary trading on behalf of Cargill as well as providing financial strategies for customers.

The rhetoric of this third school, in contradiction with Cargill’s financial business practices, would, therefore, appear to support Clapp’s (2014: 10) notion that distancing – even distance within a company – has made it difficult to observe the connections between financial actors and the food system (including, apparently, for the employees of the companies themselves), and has contributed to the creation of competing discourses.

4.5 Conclusion

Cargill has modified its operations according to the unique and peculiar environment of the Russian context. It has been shown that a company’s – such as Cargill’s – actions can be mediated by country and cultural processes, resulting in variance in the way that business is conducted compared to elsewhere in the world, and, in some cases, contrasting with the findings of more macro, global academic studies of corporate behaviour. The findings of this
Christopher David Lander

article may well be useful when considering studies of agro-food corporations in other post-Soviet spaces important to global food supply, such as that of Ukraine and Kazakhstan. The 2010s have seen a shift in the Russian Government’s policies, and an attempt to move towards national self-sufficiency – as indicated by the 2010 Food Security Doctrine – and this has combined with the new import-substitution drive accelerated as a result of the geopolitical crisis surrounding Russia’s annexation of Crimea; although this would seem restrictive for international business, companies well placed and rehearsed in the practice of domestic sourcing and supply stand to benefit.

An example of this variance is displayed through Cargill’s soft power strategy of conducting business with Russian farmers, resulting from Cargill’s low market share in Russia, and the existence of Russian-specific risks concerning contract defaults and legal accountability. Another is Cargill’s goal of 100 percent local sourcing – which the company claims improves the food security of Russia, but is contested in academia by the company’s behaviour on the global financial markets – partly being informed by persistent and adversely-regarded international politics. These two examples seem to contradict the global corporate ethos of Cargill, with academic literature highlighting supplier dependencies in other regions of the world, and – as one Cargill email communication concerning the first draft of this article highlighted – the local sourcing model contradicting Cargill’s fundamental view:

Strong leaning towards sourcing locally 100% – while this is true perhaps of the Russian market – [the author]...does need to be aware of our fundamental view around food security – that food must move from surplus to deficit. It’s often hard to balance the local versus global view.

As discussed above, the potential for political impacts is driving the desire for Cargill to create domestic supply chains – that is domestic in both sourcing raw food materials and supplying the consumer base – and this conflicts with the literature highlighted earlier that frames MNCs in developing regions as having dangerous, export-orientated designs. Cargill’s non-preference as to export or domestic supply of grains is, in no small part, also a result of the existence of a strong domestic market in Russia, something that is not apparent in other developing regions in the world, such as Africa. This domestic market, along with the existence of strong Russian producers, and the use of soft power in Russia, will affect debates on issues such as land grab, food security, and food sovereignty, and highlight the crudeness of studies conducted elsewhere that have linked their findings to the future of Russia (see Graham et al.’s (2011: 6) and Sindayigaya’s (2011: 7) work on Africa, and Borras et al.’s (2011: 9) comments on the ‘bio-fuel complex’).

This article has also discussed whether physical commodities have reduced in significance to Cargill with the possible rise in importance of access to early information for financial speculation purposes; the findings suggest that this is not the case, and are reinforced by the fact that Cargill will not support long-term loss-making businesses, and views profit-making outside of speculation as the primary (or at least equal) driver for future investment.
Lastly, this research has posited a ‘third school’ of competing discourse surrounding the cause of food price volatility pervasive amongst employees of Cargill: that non-agricultural financial actors, as well as supply-and-demand dynamics, are responsible for global food price volatility. This displays a form of exclusivism as ‘Cargill the agricultural financial player’ – a ‘qualified’ company that is ‘other’ to non-agricultural speculators, and one that is, therefore, supposed to be involved in financial markets – abstracting the company from any questionable role within the first school of competing discourse. Juxtaposing this competing discourse against the research of Salerno (2016: 6) – in which some of Cargill’s financial subsidiaries are found to act with, and trade on behalf of, non-agricultural investors – seems to support Clapp’s (2014: 10) notion that distancing – even distance within a company – has made it difficult to observe the connections between financial actors and the food system, and has contributed to the creation of competing discourses. Given the emergence of this ‘third school’ of competing discourse, this article has highlighted the need for in-depth research on the causes of food price volatility, to explore where the responsibilities lie, and for a solution on how best to mediate future crises.
5. Fear, Hope, and Imagination in Agro-Food Foreign Investment: Experiences of Geopolitical-Geoeconomic, and Operational Uncertainty for Cargill Russia

Journal: Europe-Asia Studies
Submitted for publication: 14th August 2017
Status: Under Peer Review

5.1 Abstract

Examining the hopes and fears that form the geopolitical-geoeconomic, and operational ‘imaginations’ of Cargill executives in Russia, this article shows how imagination is shaped by ‘uncertainty’. This is mapped by exploring issues surrounding import and export bans, development perceptions of Russia, corruption environments, state-level discrimination, and Cargill’s (non-)engagement with the state through corporate social responsibility (CSR). This article finds ‘fear’ present in the executives’ imagination, but ‘hope’ absent, due to Cargill’s need to adapt to – rather than exploit – uncertainty. Executives viewed Russia – in aspects of society, economy, and politics – as ‘underdeveloped’, and this was constructed through popularly-informed brands of preconception, perception, and assumption; due to discourse internalisation, executives have not modified their views to more ‘modern’ understandings. Further, executives displayed embedded ‘unofficial’ prejudice, and structured hiring strategies on perceptions of corruption amongst Russian workers. The federal government was viewed as unpredictable and ‘backward’, and dissembling regional authorities as discriminatory; this raised the importance of managing relationships with the state. Cargill does seem, however, to be ahead of certain Western-viewed models of CSR in Russia, and although ‘political embeddedness’ is the preferred CSR mechanism of the authorities, Cargill – as a large, powerful corporation – has been able to resist its advance.

5.2 Introduction

The focus of this article concerns the Cargill corporation and its operations in the Russian Federation. As one of the ‘ABCD traders’ – Archer Daniels Midland (ADM), Bunge, Cargill, and Louis Dreyfus – a collection of the largest four global agricultural traders that control approximately 90 per cent of the world’s grain trade, in-depth studies of the corporation –
that are virtually absent save for a few notable contributions by academics – are needed to analyse the full effect of their operations on the global food system; as Murphy (2012: 5) state: “the ABCDs matter”.

Of interest is how a large foreign corporation responds, and gives meaning, to the environment of doing business in Russia; an environment that is now gaining much coverage, and generating vast disputes amongst both the Western and Russian press, in the post-Crimea era of food sanctions, import bans, and geopolitical turmoil. This article adapts the framework of Sparke (2007) to analyse the hopes and fears that form the geopolitical-geoeconomic, and operational ‘imaginations’ of Cargill executives, shaped by ‘uncertainty’ generated in the same spheres. To map these uncertainties, issues surrounding import and export bans, the perceived development stage of Russia, its corruption environments, and state-level discrimination, are explored, as well as Cargill’s (non-)engagement with the state through corporate social responsibility (CSR) initiatives.

The article is organised as follows: first, an overview of Cargill is given, followed by how this article frames uncertainty with respect to Cargill executives’ imaginative hopes and fears; secondly, the qualitative methodology used is described, detailing the interview process of the executives; and finally, the findings are presented, comparing the executives’ responses against the academic literature on each subject.

5.2.1 Cargill in Russia

I have discussed the history of Cargill’s Russian operations in a previous paper (Lander, 2016: 10-11); there I gave a summary of its first ventures into the Soviet Union – under much secrecy – in the 1960s as a grain trader, to its modern day portfolio consisting of nine business lines5, coordinated from its Moscow head office, and various other sites in Russia, including its Efremov site, Tula oblast. Cargill’s investments in Russia stand at over $1.1 billion (Cargill, 2016a), indicating that it is an important region for the corporation, and one that holds the potential for expansion.

Cargill has been in Russia for over five decades, and through this time its employees have lived through the USSR under communism, the collapse of the Soviet Union in 1991, the difficult transition period of the 1990s and early 2000s, and the continuing era of the Putin administration with its (agricultural) geopolitical events, and movement towards agricultural self-sufficiency. The company has had sufficient time to build a corporate view of Russia, and this will have manifested in the opinion of its executives – former and current – evolving through the decades, largely shaped by the ‘generational’ transfer of knowledge. Executives

5 The nine business lines that Cargill operate in Russia: grain and oilseed trading; oilseed crushing, oil refining, bottling, and hardening; malt production; meat and poultry; animal feed formulation, production and distribution; production and sales of syrup, starches and starch derivatives; food and feed ingredients sales; vital wheat gluten production; and specialty food ingredients.
will be aware that globally, in some quarters, the corporation has a negative reputation, and has received a ‘bad press’; it is an organisation that must recognise, on some level, that it has to justify its actions.

Kneen (1999: 161-164) – a critical academic who branded Cargill “invisible” from public and legal scrutiny – describes how the corporation looks to reorganise “the world”, and “restructur[e]” the food system to control and create dependency, by placing itself “above and beyond the reach of any particular nation state”, and spending “considerable imagination and energy...[in] shaping international and national agencies, institutions, and policies”; the restructuring is thought to be “deliberate,...human, [and] intentional...to ensure corporate profits”. He also views Cargill’s close association with Monsanto, a genetics company that has the intellectual property rights to the controversial “Terminator Technology”6, as a cause of concern: “Monsanto is restructuring life from the inside and Cargill from the outside” (Ibid.: 163).

Further academic literature – including my previous paper (Lander, 2016: 17) – has pointed to criticisms of Cargill’s behaviour on the financial markets (Kneen, 1999; Murphy et al., 2012; Salerno, 2016), and I drew attention to the corporation’s role in distancing, which has made it difficult to observe the connections between financial actors and the food system, and has contributed to the creation of competing discourses. Some areas of academia are more explicit in their accusations of financial foul play: “it may be that Cargill manipulates the futures market – certainly a lot of its financial muscle is now based in the high-level shell game called trading in derivatives” (Kneen, 1999: 165).

In the more public domain, online watchdogs have attempted to track a number of Cargill’s violations, and report instances where the corporation has been called into question over issues of: expansion and diversification; environmental compliance; product safety; occupational safety and health issues; labour relations and fair labour standards; discrimination; child labour; antitrust and anticompetitive practices; and tax evasion (Corporate Research Project, 2014). Amongst these numerous examples include: a $2 million fine in 1988 for a subsidiary of Cargill spilling “40,000 gallons of phosphoric acid...into the mouth of the Alafia River in Florida,...which killed a large quantity of fish” (Ibid.); a $7.7 million fine for another subsidiary to “settle allegations that it misled the state about emissions from the company’s mill near Kingman” (The Associated Press, 2001); a $1.6 million fine, and a commitment to further investment of $3.5 million, for Cargill “significantly underestimate[ing] emissions from its operations in 13 states” in the US (United States Environmental Protection Agency, 2005); a $1.5 million fine, and “$4 million payment in back taxes”, after Cargill “pleaded guilty to two charges of failing to report all its income for two years” in a tax evasion scandal (The New York Times, 1981); a lawsuit in a

---

6 Terminator Technology: crop “varieties developed incorporating this [genetic] technology will allow farmers to grow a normal crop the first production season; however, seed produced and saved from this crop will not germinate the following generation and will eliminate the ability to gain multiple use from one purchase” (Delta & Pine Land Co. quoted in Kneen (1999: 163)).
“U.S. federal court...[for an alleged] $1.5 million bribe” to a politician in Thailand (The Wall Street Journal, 2004); attention from NGOs concerned about Cargill’s destruction of the Amazonian Rainforest (Greenpeace, 2006), and land grabs in Australia (Oxfam Australia, 2016); and accusations of “large-scale tax evasion in a landmark series of cases being brought against...[Cargill] by the Argentinian government” (The Guardian, 2011a).

5.2.2 Framing Uncertainty

In its corporate responsibility statement, Cargill describes itself as “a diversified global company still grounded in a culture of trust and respect...operat[ing] with integrity and accountability” (Cargill, 2017a). This article – focusing on Cargill’s Russian operations – looks to identify to what extent this corporate view has been internalised by its executives, and whether there are conflicting views, or assumptions of Russia present. Accordingly, of interest is the ‘reality’ of how Russia is viewed, and the executives’ attitudes towards the uncertainty of the geopolitical-geoeconomic, and operational environments.

To understand these, it is first useful to consider the geopolitical, and geoeconomic “imagination” frameworks as advanced by Sparke (2007). From geopolitics – the relation between geography, state territory, and global power politics (Ibid.: 339), used largely to discuss any locational aspect of politics (Cuddy-Keane, 2003: 540) – springs forth the concept of geopolitical imagination, defined as the “prevalent images, conceptualizations and discourses” that a national society holds with regards to its position amongst the global community: the “‘low culture’ foundations upon which more codified geopolitical perspectives are built” (O’Loughlin et al., 2005: 324). In this sense, the civilisation or country grouping that a national society believes it is a part of is important, as is how the society identifies with, and differentiates from, other global identities (Ibid.: 324). Geoeconomics – articulating ideas of geography, business, and the economy – is used far less in academia, yet, in a similar vein, also allows for the production of “imaginative geographies” (Sparke, 2007: 339).

Sparke (2007: 340) argues that geopolitics constructs understanding[s] of ‘us’ and ‘them’ that “fetishize place” – in essence a ‘fear’ – such as that used by “American geopolitical discourse[...][and its] fascination with foreign threats” that resulted in the US-led invasion of Iraq. Geoeconomics, though, allows for “the imagination of an expanding economic flatness rather than...visions of iron curtains, evil empires, and clashing civilization blocs” (Ibid.: 340); as such, for the Iraq war, it was geoeconomic discourse that “compensate[d] and console[d] [geopolitical fear] by offering a hope of transcending the divisions and correcting the failures”, and contended that every region and state can eventually be integrated under capitalism (Ibid.: 340). Thus, Sparke (2007: 339) reasoned that US-led geopolitical imagination consisted of geopolitical fear, and geoeconomic hope.
Geopolitics and geoeconomics are, unmistakably, interrelated, such that events in one sphere can produce consequences in the other; likewise, there is an interaction of events and consequences between the supranational and local domestic levels. For companies such as Cargill, the ‘imagination’ of geopolitics and geoeconomics contains certain hopes and fears, and these are shaped by ‘uncertainty’. Uncertainty in this context is taken to mean when events and consequences are known, or can be predicted, but the likelihood of their occurrence is not (Castree et al., 2013: 533). Consequently, uncertainty differs from ‘risk’, which quantifies uncertainty, and calculates the probability of each event (Ibid.: 533). This article, therefore, explores the imaginative hopes and fears that Cargill executives have of geopolitical and geoeconomic factors in the agricultural sphere, and whether these have been shaped by what this article terms ‘geopolitical-geoeconomic uncertainty’: the discourse of Cargill’s experience of conducting business within Russia, impacted upon by geopolitical and geoeconomic factors. Further, this article moves away from the supranational level to discuss the imaginative hopes and fears that Cargill executives have of national and regional political and economic factors, and whether these have been shaped by ‘operational uncertainty’: the discourse of Cargill’s experience of conducting business within Russia, impacted upon by national and regional political and economic factors. It is, thus, important to note in the above that whereas ‘imagination’ is commonly analysed from the native viewpoint – where natives view their position amongst the global community – this article focuses on ‘imagination’ of the non-native with regards to Russia’s position.

Amongst discussing the hopes and fears, this article shall show ‘operational fear’ to be constructed through notions of preconception, perception, and assumption, aspects that, in a previous paper (Lander, 2016: 2), I found to be pervasive amongst smaller foreign investors in the Russian agricultural sector. These constructs are situated amongst ‘Cold War’ opinion, informed by neo-colonial attitudes, and a lack of knowledge and experience of the cultural context, and are set within the imaginative geography of a “peripheral [and] backward”, culturally divided Russia, that still “struggles for identity” (Suder, 2004: 64). Lieven (2000: 25) notes how the West has an “inherited…hostility toward Russia”, and Shekshnia (1994: 298) opines that the prejudiced depiction of myths and assumptions surrounding Russia cause difficulty for international investors; this “Russophobia” is grounded in “architectures of hatred, selected or invented historical ‘facts’ about the ‘enemy’ nation, its culture, and its racial nature” (Lieven, 2000: 28). Western commentators have stressed that Russian society must overcome its Cold War attitude if it is to modernise, and integrate into the global community (Ibid.: 25), and argue that “ethnocentric and egocentric tendencies” have unsettled the trust involved between international business and Russia (Brenkert, 1998: 308), centring on historical issues, especially regarding past colonialism and imperialism, economic (historical) ideology, racism, and cultural difference and openness. Further, as I have shown (Lander, 2016: 11-13), smaller foreign investors in the Russian agricultural sector have alluded to interference and doctrinaire behaviour from
the regional governments, and generalised discrimination in the business and legal environment, with the investors believing that the issue stemmed from the historical period of poor relations between the West and the Soviet Union.

5.3 Methodology

It is well known that researching large corporations, such as Cargill, can present numerous methodological problems. As Verhage (2009: 79) explains, this is because: the private sector will only cooperate if it has a shared interest, and will avoid research that may bring reputational risks; accessing the field is rather complex; researchers can sometimes be unaccustomed to the corporate environment; and researchers can find it difficult to comprehend the jargon, internal mechanisms, and culture of a corporation. Thus, this was largely no different with the researching of Cargill: despite having a large public relations department, the company was difficult to access for interviewing; public relations employees entertained fears of corporate espionage and gaining a ‘bad press’; and the corporate environment – with its mechanisms, culture, and jargon – was difficult at first to navigate. I endeavoured to overcome these problems in a number of different ways.

I secured access through a gatekeeper in Moscow, who introduced me to one executive of Cargill’s Russian operations. After successful meetings, this executive introduced me to three more executives, and a former executive who had since been promoted to a position outside of Russia; this former executive had been involved in Cargill’s strategy at the fall of the Soviet Union, and so provided an interesting insight into operating in the early days of the Russian Federation. I was also introduced to a senior executive lawyer within Cargill, who had the responsibility of much of the interactions with the Russian federal and regional authorities. These executives had ‘moved around’ the business, and so, collectively – through past and current experience – had understandings of all the business lines.

Given the difficulty of accessing such corporations, the opportunity to interview six executives of the corporation provided some significant potential for the research; these executives were chosen specifically as they were the key decision makers in Cargill’s Russian operations, had experience over a number of years of the Russian operational environment – mostly since the early days of the first Putin administration – in some cases had met with Russian local and federal authorities in person, and – having worked for Cargill in various other locations – had the complete knowledge of the policies, approaches, and inner workings of the corporation. All were white, male, and mostly of ‘Western’ origin from Europe and the US, with one being Russian.

Following from Rose (1997: 305), and Kitchin and Tate (2000: 213), I undertook a qualitative approach to the research by interviewing the executives in an in-depth, semi-structured format over a six month period between November 2013 and April 2014, as well engaging in
participant observation at Cargill’s Moscow and Efremov sites, paying attention to the ‘dress, positioning, and socialisation’ of my ‘corporate’ body as theorised by McDowell (1995) and Bain and Nash (2006). The interviews were conducted ‘in the field’ of each executive’s own Cargill office, barring one who was interviewed over Skype due to his promotion out of the Moscow offices. This yielded over 20 hours of audio recorded interview data that was coded to reveal the principal strands running through the executives’ discourses. The backgrounding of the corporation’s views, opinions, and largely generic and unrevealing “guiding principles” (Cargill, 2016b), were based on articles on Cargill’s public website and press releases.

To overcome the ‘corporate jargon’ present in the interviews, it was important for me to position myself as an ‘interlocuteur’, and someone who could, through dialogue, learn from the executives. Although the executives gave their informed consent for the interviews, and I had the freedom to publish their words in anonymised form, I was careful in planning for Cargill viewing my research as a ‘bad press’. This consideration was well-founded, and Cargill’s UK public relations office did eventually request to see draft versions of various articles; though I did discuss certain topics with them, I rebuffed attempts to influence or embargo my findings.

I did expect the narratives of the executives to indicate a distinctive and unusual operating environment, and a strategy that showed variance from Cargill’s global corporate view – I have shown in a previous paper (Lander, 2016: 16) how the Russian environment modified the corporation’s nature and behaviour – yet, I was surprised at how my qualitative approach yielded more information than I had originally expected, and at how the executives were remarkably lax in their answers that they gave. They seemed to ‘open up’ straight away – possibly aided by the fact that I had been introduced to them by trusted sources – and it was interesting to note the way in which their views were candid, largely correlated to each other’s, and, in some cases, different from what one would expect Cargill’s corporate line to be. It is interesting and puzzling at how frank the executives were, and how they seemed to repeat popular discourses that exist in the West concerning Russia; perhaps this could have been affected through my positionality as a researcher from the West – therefore, ‘one of us’ – but this does not explain why there seemed to be a distinct lack of internalisation of alternative discourse, given that Cargill had been in Russia since the 1960s.

Throughout the research, I have not been interested in ‘facts’ or whether the executives are ‘telling the truth’ – especially where opinions of Russian labour, and culture are concerned – but instead, I have looked to study their ‘reality’ of how Russia is viewed, and identify the mechanisms at play behind their opinions. After all, they – as benefitting employees – may well not have been impartial in their opinion of Cargill. I did not expect the executives to either formally or informally agree with criticisms aimed at Cargill from academia, the media, and Russian political spheres, and therefore, it must be noted that it was impossible
to garner whether the executives believed that Cargill was ever really deserving of such criticism. The opinions of the executives were, though, extremely similar, and they all appeared to share the same world views, with so little difference between their answers; this may have been influenced by the commonalities in their vast experience, their similar ages, or their length of service to Cargill. As such, due to these homogenised views, and the fact that the executives had the authority to speak on behalf of multiple business lines, I have conflated their accounts and descriptions in the analysis that follows.

Lastly, this research needs to acknowledge the effect of Russia's annexation of Crimea on the narratives – especially the ‘imagination’ – of the executives. The situation had escalated in Ukraine throughout the interview period, and, at the time, it was very difficult to discern precisely how events were developing. The effects of this event on the views of the executives can never be quantified, but their background presence in the discourses must be recognised, as well as the fact that Crimea had occurred at the end of a period of worsening East-West tension, political hardening, and suspicion of foreigners. This does not necessarily mean that the executives’ responses were negatively affected, or tilted towards more ‘Russophobic’ notions; likewise, the crisis may well have aided the foregrounding of more ‘truer’ sentiments, by fashioning an environment where all angles of Russia were being debated. Indeed, from a business perspective, Cargill – as a company that is well-placed and rehearsed in domestic sourcing and supply – stood to benefit from the import-substitution drive that resulted from the international sanctions dispute.

5.4 Analysis

5.4.1 Geopolitical-Geoeconomic Uncertainty

The Putin era has been characterised by a number of geopolitical and geoeconomic events where the agricultural sector is concerned. At the time of the research, Russia's annexation of Crimea was still a developing situation, and so the effects of this event could not be explored in great detail with Cargill; however, it is an important event to discuss nonetheless, as it helps to foreground the geopolitical-geoeconomic uncertainty felt in the region.

Following the annexation in 2014, the US, EU, and other Western countries enforced economic sanctions on Russia, targeting energy, banking, and defence (W. M. Liefert and Liefert, 2015: 508); Russia responded by issuing an import ban on food and agricultural goods, mainly dairy, meat, fish, fruits, and vegetables (Kutlina-Dimitrova, 2015: 2). The ban was originally instated for 1 year but was extended many times, and is now set to end on 31st December 2017 (European Commission, 2017). What differentiates this Crimea-related import ban from those pre-Crimea (discussed later), is that the Russian government did not
cite any health concerns as a motivating factor; whilst, on the surface, it seemed a geopolitical retaliation, there are, in fact, (geo)economic motivations also present that are sometimes overlooked.

The opinion amongst some commentators is that through this import ban, Russia has severely damaged its own economy, whilst having a minimal effect on the ban’s targeted countries: Capital Economics explain “the biggest loser from the import ban looks set to be Russia” (quoted in BBC News (2014c)). Russia has suffered deteriorating oil prices, economic recession, geopolitical conflict, and worsening trade relations, as well as the devaluation of the ruble (Fedoseeva, 2016; Meyers and Schroeder, 2016; Shagaida, 2016). Nevertheless, this article agrees with Wegren (2015: 1) in that “the food ban...flows from the 2010 food security doctrine...[and] brings into focus the importance of food as a political weapon”. Petrick (2015: 1) writes that “it was not by accident that the Russian administration chose the agricultural sector...for import restrictions,...[and that] self-sufficiency in food has become a key political goal of the Russian government”. The turmoil with the West was, thus, “possibly welcome[d]” by Russia, as it allowed for progress to be made on the 2010 Food Security Doctrine through import substitution policies (Ibid.: 1). It may, therefore, be possible that some Western commentators – such as Kutlina-Dimitrova’s (2015) work for the European Commission – may be guilty of over-simplification with respect to Russia’s motivations; this oversimplification is important to note, as there is a tendency in Western popular discourse to focus on motivations of short-term ‘pain’ infliction, and “tit-for-tat” politics (see The Guardian (2014c)). The crisis has shown that food import bans are still a preferred mechanism for Russia during disputes, and are likely to continue as a reoccurring theme.

### 5.4.1.1 Import Bans

Prior to the annexation, Russia had been involved in many food import trade disputes, often citing health and contamination concerns; a question persists as to whether these bans were solely motivated by these concerns, or whether geopolitical and geoeconomic factors were present. The 2000s saw such examples as embargoes on “Polish meat, Georgian wine, and Kazakh poultry”, and a “milk war” with Belarus (Wegren, 2009b: 472). At the time, President Lukashenka claimed that Russia was “blackmailing” Belarus over the country’s failure to diplomatically recognise Abkhazia and South Ossetia, but Russia – “somewhat disingenuously[ly]” – held to “health or sanitary standards” as the cause (Ibid.: 472). No other trade dispute, though, epitomises this perceived duplicity than that of the “Bush’s legs” (BBC News, 2002) poultry dispute between Russia and the US. Beginning under the US presidency of George W. Bush in late 1995, this dispute continued until 2010 – despite ‘resolving’ many times and undergoing various forms of genesis – eventually discontinuing (as of yet) under the later administrations of Dmitry Medvedev and Barack Obama. The latest round of the US-Russian ‘chicken war’ was finally resolved in 2010 – after the two
Presidents had visited a hamburger restaurant together (The Huffington Post, 2010) – but it was by no means a straightforward process, and the issue of Russia’s accession to the WTO had been central.

The Cargill executives stated that import bans instigated by the Russian government had affected the company’s operations, and in previous research (Lander, 2016: 12) I indicated that Cargill’s strategy was to (eventually) source 100 percent of its inputs from domestic markets, partly to reduce the likelihood of politically-related complications. Examples of import restrictions given included: Ukrainian confectionary, French meat, and Brazilian sugar. One executive explained that during the transition period, Cargill imported “millions of tonnes” of sugar, but this business was ruined because of governmental mandates to “boost local production” by introducing artificial tariffs. Further, a ban on French meat affected Cargill’s French operations that was responsible for the contract to supply McDonald’s in Russia. Another executive spoke of how, after Russian veterinaries shut down a number of French facilities, Cargill had to use its corporate flexibility in a “kind of triangle to overcome” the restrictions: Cargill’s German operations instead fulfilled the contract to McDonald’s, and Cargill’s French business sold its meat to Cargill’s German business to replace the shortfall in stocks, in a corporate “reallocation of volume”. The ordeal was “a lot of work, [with] high concerns”, and subsequently, McDonald’s has put Cargill under pressure to have “a larger percentage of the raw material…produced in Russia” to reduce costs, guarantee supply, and avoid unexpected future bans.

The links that executives made between import bans, and geopolitical and geoeconomic factors during the interviews is a salient point, and one that speaks of fear; the “state sanitary service” was referred to as the “authority that’s used sometimes for political purposes”, and examples were cited of its involvement in Georgian, Moldovan, Ukrainian, and UK food-related disputes. One Cargill executive claimed that import restrictions placed on Ukrainian confectionary was “linked to the Ukrainian talks with the European Union about accession…to the agreement on the free trade with the EU”, and another explained that the import ban on French meat “was very clearly a retaliation of something that France had done, so nothing that we had done”, whilst a further described how it was all exacerbated by a “previous health minister [who] was notorious for really being strict and applying import bans on products coming from countries…where there might have been some other political issue going on”. Although that particular health minister had since vacated office, the executive believed that he had “left a legacy of that now”, in which politicised import bans had become the norm.

One executive alluded to a corporate-wide opinion of geopolitical-geoeconomic interplay with respect to import bans, and forwarded his belief that “international food standards and legislation are put in place not with only food safety in mind, but also to create non-tariff barriers, so this becomes political, unfortunately”. Evidently, this is a sceptical view, and
holds that food safety concerns at the geopolitical level do much to shroud economic undercurrents, and do not exist as pure, isolated rationalisations:

*One example of that:...no US meat to Europe, because of hormones. People would argue, ‘it’s for food safety, we’re worried about all these hormones’, but it also becomes a very nice non-tariff barrier, obviously.*

### 5.4.2 Operational Uncertainty

#### 5.4.2.1 An Undeveloped Russia

When analysing the operational uncertainty that Cargill feels is present in Russia, it is first important to draw attention to how Russia is viewed. Cargill entered Russia during the 1960s whilst it existed as part of the Soviet Union; for Western business, this would have been a difficult arena to function within, and due to the nature of the ‘Cold War’, it is not surprising that Cargill worked under much secrecy. Over the last 50 years or so, Cargill developed and consolidated a view of Russia in the global context. It is interesting today, that Cargill executives still deem Russia – in aspects of society, economy, and politics – as ‘underdeveloped’ compared to Western countries: “In Russia, it’s different than in the majority of the other countries, let’s say developed countries”. One executive claimed the “reality” of Russia’s food and agricultural sectors as “not as advanced as the Western world,...[with] some risks involved in the supply chain in terms of food safety”, and another spoke of how Russia’s “political risks...[we]re generally not present in the developed world”.

The construction of this rhetoric is significant: the executives drew upon their lived experiences to inform their perceptions of Russian culture and society, but also combined this with media information and opinion. In essence, this construction was a popularly-informed brand of preconception, perception, and assumption; appearance in the daily news was a common justification to explain societal generalisations. However, concerning perceptions of regional and federal government, the executives also drew upon the ‘experience’ and ‘hearsay’ from other – mostly non-agricultural – companies, and industry sectors. This is noteworthy for backgrounding negative sentiments felt towards the Russian authorities, and aids in identifying the origins of the executives’ cynicism and distrust:

*Syngenta...had a big investment plan in Krasnodar, and then the governor said ‘find a legal reason’ [to stop the development] and...they were out. So, it appears you should...manage your relationships with local governors.*

*One of the most famous examples is Ikea. In 2004, the first Ikea store in Moscow opened in the absence of any regulatory rules...Then, all of a sudden,...the local government said, ‘now you have to build this road in order to get to it; it will cost you another hundred million rubbles’. And they said,
‘shouldn’t it be paid by the [public] budget?’ The government said, ‘no’…They built it, they donated it to the government, it was just pure cost for them. Unexpected.

This popular construction of the executives’ preconception, perception, and assumption, lends itself much to generalisation, oversimplification, and possible inaccuracies. This approach was a key component of how they processed, reasoned, and justified actions in the operational environment, and was a theme that underpinned their views on export bans, corruption, and state-level interactions.

5.4.2.2 Export Bans

Regarding Russia’s export bans, the motivating factor has been the protection of the domestic grain sector – rather than the alleged health and safety motives concerning imports – and, thus, the issue falls under operational uncertainty. Restrictive export practices have been a “typical feature of grain policy in Russia”, and were common during the transition period of the 1990s (Götz et al., 2013: 216). Russia is important to global supply, and is amongst the world’s largest exporters: it was the second largest wheat exporter in 2008-2009 with 13.1 percent of global wheat exports (Ibid.: 217), and the fourth largest in 2010 with 14 percent (Johnstone and Mazo, 2011: 12). Russia played a significant role in two global food price crises – 2007-2008, and 2010-2011 – and during these, limited its grain exports (Götz et al., 2013: 217).

During 2007-2008, when global prices spiked, Russia was one of fifteen countries that implemented export restrictions, using export taxes to virtually stop wheat outflow from the country; in 2010-2011, it instead implemented a complete blanket ban (Ibid.: 214-217). The blanket ban came after a severe heat wave, and resulting droughts that were the worst for 130 years (BBC News, 2010; Bloomberg, 2010; Reuters, 2010b; The New York Times, 2010b; Welton, 2011: 3). On the prediction of a poor harvest, which drastically inflated global prices, the export ban was applied to help protect domestic consumers and industry (Welton, 2011: 3); this, unfortunately, further increased international market prices (BBC News, 2011; Bloomberg, 2011; Financial Times, 2010; Moscow Times, 2010; Welton, 2011: 3). Once this increase was worsened by grain speculators within Russia, panic buying ensued, and the government intervened in the market by releasing 3 million tonnes of grain from the national reserves (Welton, 2011: 12-13). The government also added to this unpredictability by extending the ban past its original end date (Ibid.: 13). Welton (2011: 4) writes how Russia “helped create an environment where price spikes and general instability are far more likely in the future”, and how the country damaged its reputation as a reliable global exporter. Commentators believe that the ban made Russia more uncertain, unstable, and unpredictable, and less attractive to farmers and large agricultural investors alike (Götz et al., 2013: 214-215; Welton, 2011: 24).
Cargill’s corporate line opposes “export restrictions that affect the free flow of food”, on the basis that they “do not work, and they damage trade” (Cargill, 2017b). An executive explained that the 2010-2011 ban caused problems as the company found itself with grain stocks in the country’s south that it was not able to export. Instead, it was forced to redirect the grain to the domestic market at a lower price than the export value, whilst also supporting the loss-making grain and oilseed business which had to continue employing workers, and operating storage sites. The diversity of Cargill’s operations did partially alleviate this stress, though, as the Efremov site – effectively a domestic customer for Cargill’s grain and oilseed business – purchased some of the surplus wheat and corn for further processing.

A major consequence of the ban concerned Russia’s relationship with Egypt, and Cargill executives believed Russia damaged its reputation as a reliable global supplier. One such executive claimed that Egypt was “really pissed off” as – given that Egypt is a traditional importer of Russian wheat – it “legitimately and fairly thought that they should have been consulted before such measures” were introduced. Executives claimed that for subsequent months after the ban, Egypt “deliberately did not allow Russian suppliers, and Russian wheat to be supplied to Egypt, including Cargill”. However, Cargill was able to use its global supply chain to honour contracts with wheat from its Ukrainian, Kazak, Argentinian, and Brazilian businesses.

For the executives, the actions of the Russian government certainly supported the assertions of Welton (2011: 24), and Gotz et al. (2013: 214-215) that the ban was indicative of uncertainty, instability, and unpredictability. It damaged the trust executives held for government, and made them sceptical of future promises. During the 2012-2013 season, there was another harvest failure, and – although Russia’s recent WTO accession did not permit it to impose export restrictions – executives’ expectations were that interference was inevitable. Admitting that the “government from the beginning said ‘we will not interfere’”, an executive explained that “it was not a guarantee...you don’t know what will happen”. Consequently, Cargill decided not to stock grain for export, whereas some key competitors did, and, ultimately, the competitors were correct as no ban was announced; Cargill’s business subsequently suffered. Following this, and although still sceptical, the executives were, nevertheless, assured and more optimistic of governmental adherence to WTO rules.

Operational fear was evident in the executives’ rhetoric surrounding export bans. The federal government was viewed as unpredictable, and ‘backward’ – as one executive explained, “the challenging thing in Russia: they just announce it, they don’t let you see the [market] forces” – and the executives spoke of how the speed of the ban announcement had caught Cargill by surprise. Believing the ban to be a “highly politicised panic action”, another executive claimed that it “was not based on thorough crop risk analysis”, and
berated the government for not preparing, and consulting with, industry. Interestingly, he also speculated on an industry conspiracy in the lead up to the ban:

*People at the highest levels [of government]...received information which was either misinterpreted or presented in a manner in order to influence [the ban]...’cause some particular industry players benefited. It allowed them not to execute the contracts at a price which would be loss making for them.*

He believed that most of the grain industry was disadvantaged by the ban, except for a small number that benefited, and – especially given “*a number of Russian players [that] went bankrupt*” that were large employers – asserted that a “*lot of people in the federal government eventually regretted*” their decision.

Seemingly exacerbated by the generation of fear, and the removal of trust, resulting from prior events, one executive revealed his opinion that the government circumvented WTO rules by utilising other “*quarantina*” tools during 2012-2013 to “*regulate the flows*[and] *block grain transportation*”. The executive claimed that the government’s reasoning – much like with geopolitical-geoeconomic uncertainty – was “*all related to food safety*”:

*Now, can they ban exports after signing WTO [agreements]? Not as easily, but...they can use these quarantina: XYZ certification needed, ‘you have to now go to Moscow or Siberia’. They can put lots of pressure to make life harder to export.*

### 5.4.2.3 Corruption Environments

Although there has been an extensive scholarly literature on corruption and its impacts on poverty, inequality, crime, and economic efficiency, until recently, concern in the business community has been relatively muted (Branco and Delgado, 2012: 363). The historical definition of corruption has usually concerned the “use” (Keig *et al.*, 2015: 93) or “abuse” (Branco and Delgado, 2012: 359) of public office and power for private sector benefit. However, corruption can also be “experienced, observed, or perceived...in the day-to-day lives of ordinary citizens”, and so more expansive definitions – such as Transparency International’s – discuss the “the misuse of entrusted power for private gain” (Keig *et al.*, 2015: 93). Branco and Delgado (2012: 357) note that an Organisation for Economic Co-operation and Development (OECD) report at the beginning of the 2000s found that less than a quarter of codes of corporate conduct discussed, and attempted to tackle, concerns of bribery and corruption, with guidelines, aims, and standards from such institutions and programs as the Global Reporting Initiative (GRI), UN Global Compact (UNGC), and FTSE4Good criteria, only beginning to address the issue in the same decade.
Keig et al. (2015: 94-97) point to the difference between formal and informal corruption; whereas formal corruption usually involves positions of power within the public and private sectors, such as persons within governments and corporations, informal corruption is believed to establish “within the everyday experiences, observations, and perceptions of individual citizens”, and goes beyond the boundaries of this high level. They show how a formal corruption environment consists of corrupt conduct “that originates from powerful high-level individuals within formal institutions”, and an informal corruption environment concerns the “socio-cultural nature of corruption...[with the] essence...found in its social and cultural foundations”. Companies operating in high formal or informal corruption environments – or a sufficiently high mixture of the two – increase their prospect of encountering corruption, and by virtue, are more likely to become engaged in corrupt behaviour.

As corruption is more pervasive in emerging economies because of the weaknesses in institutional infrastructure, it is unsurprising that there was an expectation of its presence in Russia. Keig et al. (2015: 97) explain that “formal and informal corruption dimensions are not necessarily completely uncorrelated, because there...[are] some grey area[s] where it may be difficult to discern between the two”; for example, everyday corruption can create an informal corruption environment within a firm, which in turn can transition to a formal corruption environment once employees “become socialized into the corruption to the point where they do not necessarily object to participating in it in business contexts” (Ibid.: 97). Recognition of informal corruption is important, not only for companies – especially multinational corporations (MNCs) – but also for academia that has a tendency to overlook the interconnectedness of the two corruption environments (Ibid.: 109).

Surprisingly, few Cargill executives were prepared to speak in terms of ‘corruption’, and specific examples were rarely given; nonetheless, it was possible to detect contrasting opinions on the phenomenon. On the one hand, some seemed aware of both the two corruption environments, but others would explain, “I don’t deny that there is corruption; I haven’t seen it, I read about it” or “I may or may not see it”; indeed, this was indicative of a ‘muted concern’. Executives did not seem to pay the phenomenon much attention, and referred to the ‘guiding principles’ – Cargill’s corporate code of ethics – as a sufficient enough tool for disabling corrupt tendencies, especially amongst Russian employees: “One of my jobs was to instil the guiding principles in people with no exceptions”. The presence of a formal corruption environment was alluded to through executives’ admissions that they had received offers of bribery whilst in positions of power, though this topic could not be expanded upon as, according to one executive, after they refused to participate in these offers, “people stopped asking”.

In a previous paper on smaller agricultural foreign investors in Russia (Lander, 2016: 1), I gave attention to the academic business literature concerning the overlapping nature of
culture, corruption, gift-giving, and blat, and was able to demonstrate that blat behaviour – favours, agreements, connections, and exchanges (Ledeneva, 2008: 119) – has an ability to transcend both of the corruption environments. On this topic, one executive explained that all employees are thought of as needing to know “from a principle standpoint what you should be doing, and what you definitely should not be doing”, and specifically, “here amongst the [Russian] population,…[there are] newcomers that are not familiarised; it’s not part of their DNA yet”. The everyday corruption – that was deemed visible in the Russian worker – produced an operational fear, and affected the company’s hiring strategy – especially on the management side – and, as another executive explained, “matching people” to the corporate ethos was considered “crucial because of those risks”; he continued that “Cargill is very paranoid on these ones,…very sensitive on guiding principles issues”, and that Cargill gave high priority to ensuring that employee ethics was in line with company standards.

5.4.2.4 State-Level Discrimination

An area that the executives were not reluctant to discuss concerned that of state-level bureaucracy, and discrimination. Executives claimed that bureaucracy had impacted upon the ability of Cargill to expand within Russia, especially affecting the development of a multi-million dollar oilseed crushing plant in the Voronezh region. Cargill sited the plant on land classified as agricultural – upon which, under Russian law, industrial developments are not permitted – and had to legally convert it to industrial. At that time, the law covering the conversion process was only in the drafting stage, and was not approved by the federal legislature. As one executive explained, Cargill met with the Voronezh regional governor, who said, “I will issue my personal governor’s decree on the conversion of this land; will this satisfy you?”. Cargill accepted, but asked also for a federal decree to avoid any future complications, and so the regional governor approached the federal government. The executive revealed that Cargill spent an “enormous amount of time and effort getting through the corridors of the federal government” only for the government eventually to be dismissed, and for Cargill to be instructed to “go through these cycles again…for another year”; Cargill took the commercial decision that a year with no guarantee of success was too long a wait, and so relocated the development to the Efremov site.

The perceived bureaucracy supported the executives’ lament over discrimination compared to Russian businesses: one executive claimed that whereas “twenty years ago” Russian authorities were concerned about “what would foreigners do – will they rob us?”, in the modern day, “it’s more like...why should we share the opportunities with foreigners who are

7 Though blat is thought of as a redundant term in certain circles of academia to describe contemporary corruption in the Russian Federation, this article agrees with the assertion of Ledeneva (2008: 134) that “to claim a decline in the use of the term, however, is not the same as to claim a decline in the practice...[blat] residues are everywhere, even in the present day”.

148
very capable competition?”. It was believed, in this respect, that Cargill was disadvantaged, and another executive cited examples of time-related issues with the governmental and regulatory authorities:

> It takes us much more time compared to Russian competitors to get certain regulatory approvals, permits, certificates...Even if the legislation says thirty days, we would get it in sixty,...but the Russian competitor will get it on the second day after the application.

Russian businesses were thought to have preferential treatment from the authorities, and an executive explained that they were afforded “more time and flexibility” than Cargill to rectify violations, and at cheaper costs; another executive opined that “Russian competitors are more agile in navigating the corridors of power”, and this view was guided by the “sense...[that] they know a lot of the right people,...who they should talk to, and we...may not”. Whether Russian businesses are given a greater degree of flexibility is unknown, and though the executives did not offer any evidence, they were, nonetheless, firm in their conviction.

Due to the perceived discrimination, executives explained how it was important for Cargill to maintain and manage its relationships with regional governors; this responsibility fell to one sole Cargill employee who was the “implied country manager”, and the ‘face’ of Cargill’s multiple regional “government relations teams”. One executive described how it was “important – critical – to have a working relationship with the governor, with the mayor, with the head of the governing bodies, regulatory bodies”, but that it was crucial to avoid “having] a warm, lovey-dovey kind of relationship”. He stated that Cargill was apprehensive of the “slippery slope” of having personal ties with people in government, and engaging in blat behaviour, as “it could mean gifts, or expenses; you start feeding that, and it’s only going to get hungrier, worse, and spiral out of control”. Another executive shared the apprehension that “pretty quickly it could be too close...[and] it will just be very expensive for your business”, and the fear that the company would be expected to follow the ‘norm’ of “Russian businessmen [who] are ready to entertain in a corrupt form...expecting that the state, the region, the government, someone personally, to do something in return, providing them with a licence for some oil, mines, or any other benefits”.

As well as the distrust of close personal relationships, the executives adopted a strict policy to reject certain requests from regional authorities, guided by the US Foreign Corrupt Practices Act; sometimes, this had led to confrontation. One executive explained how Cargill was approached by the authorities – on behalf of the United Russia party – for donations towards a football stadium construction that would help “attract voters”. Although Cargill told them that it was “ready to participate in something good”, it, ultimately, refused the request. The executive claimed that as a result, the authorities “decided to apply some pressure...[as] they thought it was just a nice excuse not to make it”, and sent sanitary inspectors and auditors to Cargill’s sites to seek out violations, and implement fines.
Interestingly, the subsequent version of events described by the executives surrounding these inspections, audits, and fines varied greatly; yet, consolidated amongst them, was the belief that the authorities were dissembling their true intentions. Contrasting the opinion from one executive that the inspections were a result of “some particular people [that] were hurt by this rigid denial from us to make this contribution to their political party”, another declared that the authorities had “no reason” for the inspections, and that the inspections “were always a surprise”, with Cargill being assessed on “the assumption of guilt of the business”. Other executives’ explanations pointed to “regulators [viewing] Cargill...as deep pockets...hence the frequency of those kinds of visits, and spot audits increase[ing] exponentially since Cargill came in to the picture”, politicians wanting to “put the business in a place where it should be as per their beliefs”, and problems with the inspectors being “evaluated by the number of violations that they find”:

The inspectors’ efficiency is based on how many breaches they find...If they come to a business where they find only few minor stuff, their controlling...authorities, or their federal government, might be concerned that they were either corrupted by the company who they audited, or they were not professional...That’s a kind of circle which is wrong, and which is understood by a lot of people in power.

Further to these inspections, the executives felt Cargill had experienced unnecessary control from the regional authorities over quarantines placed around the company’s operations, specifically concerning the weed Ambrosia, also known as Ragweed. The detrimental effects of Ambrosia are well known, with a European Commission report stating that the “common ragweed Ambrosia artemisiifolia is a non‐native species which is highly invasive across Europe and has harmful impacts on a range of sectors, especially human health and agriculture” (Bullock et al., 2012). Executives explained that the authorities targeted Cargill’s corn shipments, in which “they analysed,...and found the seeds of this weed in the shipments”, and consequently implemented a “special quarantine zone” around the Efremov site which prohibited any shipment of grain and food products without prior “pass[ing off] the lab control by the state inspectors”. The process was time intensive and costly, as each shipment required the issuing of a certificate from the inspectors.

One executive believed that there was “a high level of subjectivity and discretion” surrounding the quarantines – especially given that Ambrosia is prevalent in various regions of Russia, especially south in the ‘Black Earth’ belt – and he explained that Cargill would not accept that the restrictions were reasonable: “we genuinely believe that there is no threat at all”. Again, executives’ explanations as to the dissembling intentions of the authorities were apparent: as above, these quarantines were thought to play into a larger federal strategy to restrict exports during times of harvest failures; other explanations spoke of the quarantines as “a tool to control us in one way or another”; and, yet, further opinions spoke of “very pragmatic personal interest”, stating how the quarantine inspectors “receive a fee for this
Christopher David Lander

...[and as the] organisation is funded from the state budget, the more fees they collect, the more budget they have to operate with so they can purchase new equipment, new corporate cars,...[and] refurbishments in their office”.

5.4.2.5 (Non-)Engagement with the State through CSR

The “particularly messy and murky” privatisations of the 1990s deeply afflicted, and generated distrust of market economics amongst, the Russian population, leading to reputational problems for companies tarred with stories of fraud, corruption, and dishonest conduct (Kuznetsov et al., 2009: 39). Consequently, CSR was explicitly moved onto the political agenda (Zhao, 2012: 442), with Moscow-based international conferences organised, and public addresses from President Putin targeting corporate involvement in CSR initiatives (Kuznetsov et al., 2009: 37). The Russian state has endeavoured to encourage CSR, and has pressed corporations to resolve social issues that, under Soviet times, fell under state remit (Ibid.: 42-43), mainly “health, education, housing, and culture public infrastructure” (Zhao, 2012: 440).

There currently exist “significant” gaps in the research of CSR in Russia (Fifka and Pobizhan, 2014: 192), including a tendency to overlook the nuances in, and engrained Soviet legacy of, social responsibility that forms – at the very least – a precursor to modern day understandings and interpretations (for example, see Belyaeva (2013), and Zhao (2012)). Fifka and Pobizhan (2014: 192), though – showing CSR to be fostered by Western concepts, but also shaped by Russia's institutional environment – explicitly state that it is “an extension of traditional social roles” that has developed from the period of communism.

However, welfare structures are still underdeveloped, and the relatively low governmental support is attributed to Russia’s Soviet past whereby “monotowns” were constructed around businesses whose remit was also to provide for the community; this resulted in societal expectation of these companies as “social caretakers”, and although privatisation processes attempted to reduce this dependency – largely unsuccessfully – the cultural expectation remains, with “most companies still provid[ing] at least some form of social service” (Ibid.: 194).

It is interesting that, despite this Western tendency to overlook the Soviet legacy of social responsibility, the Cargill executives recognised that CSR in Russia had evolved out of the “old times [where] the regional governments...want[ed] any business to participate in local, social, and political programs”, especially those of “schools, kindergartens, [and] hospitals”. An executive described how this had shaped Cargill’s CSR strategy, and attention had been placed on targeting “core areas...with children, health, environment”. Combining this with the monotown-like existence of Efremov – that houses a large part of Cargill’s operations – and a picture is painted of Cargill as a ‘social caretaker’; if correct, this lends support to the notion that Cargill recognises some of the nuances of social responsibility that have
emerged from the communist period, and may well indicate that the company is ahead of certain Western-viewed models of CSR in Russia.

The definitions of CSR in the academic literature range (for example, see Branco and Delgado (2012: 357), Fifka and Pobhizhan (2014: 193), Kuznetsov et al. (2009: 38), Pinkston and Carroll (1996: 200), and Zhao (2012: 440)), and given this range, Osuji (2011: 50) demonstrates that CSR initiatives can, thus, be separated into two categories – instrumental, and ethical (or pure) – where: instrumental CSR encourages correct and proper corporate behaviour through shareholder and stakeholder pressure; and ethical CSR focuses on “the public goods aspects, the promotion of moral principles, and the need for regulation”, all of which may, for the corporation, be independent of economic considerations.

Further, with its roots in political science, legitimacy theory has been used by various corners of academia to conceptualise CSR as a process that companies undertake to ‘legitimise’ themselves with society through a “generalised perception” of aligning with “socially constructed system[s] of norms, values, believes [sic] and definitions” (Kuznetsov et al., 2009: 38). Through legitimacy, companies focus on creating positive public images, usually centred on philanthropy and social welfare; this has the added advantage of “increasing profit or strengthening intangible assets” such as reputation (Ibid.: 39). As a more instrumental approach to CSR, cynically, legitimacy theory suggests that the motivation of companies is more to “enhance corporate profit or shareholder gain”, and that implementing CSR strategies is rarely for ‘pure’ moral or ethical reasons (Ibid.: 39).

Kuznetsov et al. (2009: 39) believe that as CSR has allowed companies to “align corporate profits and social costs”, legitimacy in CSR is relevant for post-communist countries, especially Russia, as companies attempt to show that corporate profit can be tantamount to social good, a tenuous relationship that was stressed through the transition period of mass privatisation in the 1990s, and the associated reduction in social welfare.

The executives demonstrated a reoccurring theme of a ‘business case’ in issues of CSR, supporting this notion for the ‘alignment of corporate profits and social costs’, and indicating an approach that was more towards the ‘instrumental’ end of the CSR spectrum, and less towards that of the ‘pure’ or ‘ethical’. As one explained, CSR engagement centred on commercial benefits – “it’s good for business, it’s part of who we are, it’s just genetically [who we are] as a company” – and when discussing community needs, did not decouple CSR from its business case: “I think we were always clear that we intend to thrive in the business, thrive in the community, and help the community thrive”. Legitimacy was, thus, premised on

---

8 Other theoretical framings of CSR have emerged from the business and economic environments, and, although different to legitimacy theory, share some of the same fundamentals; for instance, stakeholder theory evaluates the ability of companies to “maintain trustful and mutually respectful relations with various constituents as customers, suppliers, employees, the general public and the government”, and recognises that components of these relationships will be informed by expected norms, rather than legislation (Kuznetsov et al., 2009: 38).
the notion that corporate profit can be tantamount to social good, continuing the abovementioned tenuous relationship, as the executives looked to legitimise the company through the creation of a positive public image amongst its local communities.

Zhao (2012: 439), through studying the reporting of CSR in China and Russia in 2009, further breaks down legitimacy into differing views. The first, a political legitimacy view, describes where both government and society agree that a CSR venture is fitting in light of the prevalent social norms, customs, and laws (Ibid.: 439). Through this, CSR that improves social and environmental welfare enables a company to garner political kudos, and may result in support from the state; this is important for a transitional economy such as Russia where the state is still a motivating force for the adoption of CSR strategies (Ibid.: 440). The second, a political embeddedness view of CSR, has two aspects, in as much as it recognises how political institutions shape the nature of CSR ventures, whilst also identifying the interaction of the state with business on issues above and beyond that required simply by the law (Ibid.: 441). Whereas the third, a strategic view of CSR, highlights the voluntary and philanthropic ventures of companies as a means of increasing profit, political embeddedness draws attention to the fact that the state is much more involved in CSR ventures – as opposed to simply praising successful CSR strategies adopted by business – through “deploying incentives and enforcing pressures...[via] a network of social and political agencies” (Ibid.: 441).

He also states how “regulation implementation and enforcement is often a problem” in Russia, due to a lack of regulatory infrastructure and fragile social organisations, and that non-regulatory influence, such as that of “administrative requests or normative/ideological influence” substantially shapes the nature of CSR in the region, something that is more pronounced than would be found in the West (Ibid.: 441). The Russian state “formally pushes companies to take care of social welfare through social-economic agreements between companies and local governments”, and it is made known to the companies the type of ventures expected, and how they can be used to improve state-business relations (Ibid.: 442). Although the strategic view can, in some respects, recognise the state relationship as a ‘return’ on voluntary ventures, political embeddedness embraces the “substantive content of different approaches through which CSR assists companies to influence the state agenda or seek state resources” (Ibid.: 442).

The executives’ explanations supported the notion that political embeddedness seemed the preferred mechanism for the authorities, and several examples of perceived political attempts to shape the nature of CSR ventures were offered. The executives described how Cargill refused numerous requests for CSR initiatives from the authorities, including investing in improvements to the Efremov railway station, and the abovementioned football stadium; although some of these refusals were due to the association with United Russia, others were not. Indeed, they cited examples of state pressure via the aforesaid “network of social and political agencies”, resulting in quarantines, inspections, and audits once the
requests were rejected (Ibid.: 441). One executive stated that “we don’t have to step up to the plate” for CSR initiatives proposed or pressured by the authorities, and although Cargill had a desire “to be aligned with the government,...[CSR ventures were] not driven by the government”. Shaping another executive’s opinion of governmental involvement in CSR, was the fear that “when you start donating, the list never ends and the demands will only grow”. The executives believed that the regional authorities were preoccupied with the “fairness” – or, indeed, unfairness – of the federal budget, and, as one executive claimed, “one of the reasons why the regional governments want local business to cooperate with them...[is to fulfil] local, regional interests which require additional financing”.

These opinions point to the adoption of Zhao’s (2012: 441) strategic view of legitimacy, highlighting Cargill’s voluntary and philanthropic ventures as a means of increasing profit: the political legitimacy view seemed absent, as the executives did not seem motivated to garner political kudos – indeed rejecting the need for close personal relationships – and the company was often involved in conflict with state authorities; and the political embeddedness view was resisted and, effectively, neutralised by Cargill’s actions in rejecting numerous CSR requests.

Zhao (2012: 439) writes how there is a lack of research on: one, how companies strategically manage the relationship with the state through CSR; and two, how this strategy evolves under political influence. In the case of Cargill, these points can be answered by analysing its approach. An executive spoke of how CSR was not really a primary concern for Cargill – “Is it one of my first priorities today? Not yet” – and how it is “quite frankly one of the toughest things to teach employees charity”. Therefore, point one seems to be that Cargill simply does not look to strategically manage its state relationships through CSR. For point two, the shape that this non-strategy appears to take under the influence of political institutions is one of staunch resistance to the political embeddedness approach of the state. Another executive claimed that not only was Cargill important to local regions in terms of the social programs that it ran, but it was also important as a large employer, and used this fact as leverage to resist governmental advances for CSR ventures:

> If the regional government would decide to put pressure on us,...we certainly have the leverage because we’re one of the biggest employers, we pay a lot of taxes, [and] we participate in local social programs.

Fifka and Pobhizan (2014: 200) state that for foreign business to operate in Russia, “they have to realize that CSR in Russia shows country-specific patterns that should not be neglected”, meaning that they have to be mindful of supporting employees and the local community, and endorse the notion that “coordination with Russian authorities on CSR activities” is a valuable venture (Ibid.: 200). It is apparent, therefore, that the Cargill executives did not adhere to all of these recommendations, and the intentions of the authorities were viewed with much distrust.
5.4.3 Imaginative Approaches to Uncertainty

Whilst the executives displayed levels of ‘fear’ when conversing on issues of uncertainty, so they also presented aspects of adaptability, enabled largely by the power and longevity of the Cargill corporation. Cargill’s investments are based on long time horizons – “sometimes thirty to fifty years” – and an executive explained that Cargill’s expansion in 1991 was “not to make money in the beginning,...the vision of Cargill is much broader than just profitability”. Kneen (1999: 164) describes how, as it does not need to appease shareholders every quarter – as with publically traded companies – the “corporate genetics” of Cargill is “precise,...meticulous,...deliberate and steady...on a very large scale”, and it can reinvest its own profits to aid expansion, rather than seek publically funded money. An executive explained that Russia was “too important not to be here”, and Cargill felt that it “need[ed] a presence in Russia full stop”, with another executive pointing to Russia as “one of the key countries in the Black Sea region with a surplus in grain and oilseeds...[to supply] North Africa, Mid East and South Med”.

When Sparke (2007: 340) wrote of ‘geoeconomic hope’ that had the ability to console geopolitical fear, he was more referring to the fact that the US-led invasion of Iraq was looking to exploit the war to its advantage: integrating Iraq into the global capitalist community, and generating profit from the region. However, the Cargill executives have alluded to the fact that the corporation’s response to its fears was one of damage limitation: Cargill appeared to adapt to, rather than exploit, the uncertainty in the geopolitical-geoeconomic, and operational environments. Thus, ‘hope’ seems absent, as the executives explained how Cargill, ultimately, was forced to navigate through the Russian environment, and adjust to unforeseen and unexpected obstacles that presented in its way.

It is important to recognise that the executives did, indeed, view Russia as a frontier on the edge of Sparke’s (2007: 340) “expanding economic flatness” – as an executive declared, “it’s like the wild, wild west!” – and one that is only temporarily separated from the global capitalist sphere. For one executive, future alleviation of geopolitical-geoeconomic uncertainty with respect to import bans centred on the ‘inevitability’ of Russia adopting “more of a free-trade model, and less of a government mandate or managed economy around imports”, and although this was not expected to happen in the short-term, another executive predicted that as “everybody goes through this maturation,...so Russia will go through this maturation as well”.

The executives also perceived the operational uncertainty concerning export bans to be addressed by the same governmental adoption of a more free-trade model, and a lowered tendency to intervene. Corruption could be effectively rebuffed as, according to one executive, it was “no different...[than from] other developing countries”. This idea of ‘maturation’ was also extended to the Russian regional authorities, who were expected to eventually dissipate their ‘discrimination’ and abandon their political embeddedness – one executive opined that “the state authorities, the officials – including inspectors – they will
also gradually develop, but not evenly” – and through this, it was predicted that state relationships would improve. The executives were, thus, confident that Cargill could “position” itself as an international company in the region, waiting for opportunities of ‘hope’, and the prospect of ‘exploiting’ Russia’s large potential in the future. As an executive described, Cargill held the “firm opinion...[that] the future of Russian agriculture would be much brighter at some point;...I think you can argue that it’s taking longer than we thought”.

5.5 Conclusion

It is evident that ‘fear’ existed as part of the Cargill executives’ imagination of Russia, and ‘hope’ was absent, due to Cargill’s need to adapt to – rather than exploit – the uncertainty in the geopolitical-geoeconomic, and operational environments. Russia was viewed as undeveloped: a view constructed through a popularly-informed brand of preconception, perception, and assumption, including the ‘experience’ and ‘hearsay’ from other – mostly non-agricultural – companies, and industry sectors. The executives acknowledged the operational “rules of the game” (Kuznetsov et al., 2009: 93) of the formal and informal corruption environments – stating that Cargill had received offers of bribery, and recognising that some of the Russian population lacked the basic ‘DNA’ of non-corrupt behaviour – yet, they were reluctant to speak too freely on the topics.

The corporate approach to corruption had been fully internalised by the executives as they attempted to control it through the repetitive recitation of the generic ‘guiding principles’, the refusal to engage in corrupt behaviour, and the refusal of requests that were deemed illegal. With respect to Russian employees, the executives – displaying embedded ‘unofficial’ prejudice – endeavoured to ‘familiarise’ them with correct behaviour, and structured their hiring strategy on matching the ‘right’ people – people who were capable of adopting Cargill’s ‘DNA’ – to the corporate ethos; given the fear surrounding corruption in the general population, this could possibly explain why most of the executives were mostly of US and European nationality.

The federal government was viewed as unpredictable and ‘backward’: import bans were understood as being implemented for political and economic reasons, and not for the cited health concerns; and operational fear arising from previous export bans drove Cargill to refrain from stocking any grain for export during the 2012-2013 harvest failure, negatively affecting Cargill’s business. When it came to regional authorities, the executives spoke of how they felt Cargill was discriminated against compared to Russian businesses, and because of that, it was deemed important to maintain and manage relationships with regional governors; however, they were fearful of ‘close ties’ as this would lead to corrupt ‘Russian businessmen-like’ – or more appropriately, blat – behaviour.
Cargill did appear to embrace a ‘social caretaker’ role on issues of CSR; this recognised some of the nuances of social support that have emerged from the communist period, and may well indicate that the company is ahead of certain Western-viewed models of CSR in Russia. Cargill’s approach to CSR was more ‘instrumental’ than ‘pure’ or ‘ethical’ – due to the existence of a reoccurring ‘business case’ behind executives’ CSR motivations – and the company adhered to Zhao’s (2012: 441) strategic view of legitimacy, looking to CSR as a means of increasing profit. Attempts at political embeddedness of the regional authorities was resisted due to the executives’ fears that coordination with the state would only increase future demands; therefore, it was apparent that Cargill does not look to manage its relationship with the state through CSR ventures.

As mentioned above, in its corporate responsibility statement, Cargill describes itself as “a diversified global company still grounded in a culture of trust and respect…operating with integrity and accountability” (Cargill, 2017a). This is interesting as it poses questions concerning the ‘words’ of the executives; this article has found that the corporate view on this matter has not been internalised by the executives as much as one might have expected, and much of their opinions were guided by fear, preconception, perception, and assumption of the Russian environment. The ‘reality’ that the executives painted was not one of trust and respect, but rather one of suspicion and disdain. Moreover, the notion of ‘maturation’ – whereby executives expected both the federal government to embrace more of a free-trade model, and the ‘discriminatory’ nature of the regional government to dissipate, as Cargill progressed under a long time horizon – is a teleological assumption that dates back to the theorisation of transition in the 1990s. Despite the critiques of the Washington Consensus, and clear evidence that Russia is not following the expected reform and development trajectory that the West envisioned in the 1990s (see Babb (2013), Stiglitz (2005), and Williamson (2000)), it is interesting to note that the executives have not modified their views to adopt a more ‘modern’ understanding; indeed, they still expect that Russia will ‘mature’ to a more ‘Western’ environment. It was, certainly, unexpected at just how unified the executives were in their internalised discourses, but this could be explained by the rigid embedding of this particular “policy paradigm[…]in the practices of powerful organizations,…[and] private corporations” (Babb, 2013: 290).

Russia was viewed – in aspects of society, economy, and politics – as ‘underdeveloped’ compared to Western countries, and this was informed by popular discourse. The executives held the view that authorities were dissembling their true intentions, punishments for violations were often for other reasons, and rarely for the actual violations themselves, and that Cargill was disadvantaged in state relations compared to its ‘more agile’ Russian competitors. It is possible that all of this is the case, but it does not discount the fact that there was a distinct lack of taking responsibility on the side of the executives, the Russian authorities were victim of generalised stereotyping, and the large variations on the ‘true intentions’ of the authorities lent itself much to speculation, and, indeed, ‘imagination’.
However, a question – that will remain unanswered – surrounds the issue of whether the authorities were justified in their approach to Cargill. The company, to a certain extent, could represent the “chaotic form of capitalism” (Fifka and Pobizhan, 2014: 193) to the authorities, that has extended from the mass privatisation of the 1990s, of which the associated reduction in social welfare was a partial driving force behind the need to legitimise through CSR activity. As well, given the vast number of violations that Cargill has been accused of – and in some cases, found guilty of, paying millions of dollars in fines – readily available in the public domain, could the authorities be blamed if they were not at the very least suspicious of Cargill’s actions, and at the most guilty of ‘imagination’ themselves? This article has not been concerned with the ‘truth’ behind the executives’ statements, yet, there was a distinct silence from the them surrounding Cargill’s prior violations; Poland and Pederson (1998: 293-294) explain, “silence is frequently overlooked in qualitative research...[and] one could argue that in many cases, what is not said may be as revealing as what is said”.

Ultimately, the executives’ answers do display evidence that there may be substance to some – not all – of the Russian authorities’ attentions: one only has to look at the admission that the weed Ambrosia was found in Cargill Russia’s shipments, and question why – even if it was present in the Russian countryside, in light of respected research on the weed’s harmful impacts to human health and agriculture – one executive stated “we genuinely believe that there is no threat at all”, and proposed alternative explanations formed through operational fear. Maybe, that is the answer right there: that fear generated by virtue of, and within, the Russian environment is so prevalent and pervasive, that it has done much to obscure notions of Occam’s razor.
6. Adaptive Strategies of Smaller Foreign Investors in the Russian Agricultural Sector: Identity, Narrative, and Performance

Journal: The Journal of Peasant Studies

Submitted for publication: 10\textsuperscript{th} November 2016

Accepted for publication: 7\textsuperscript{th} July 2017

6.1 Abstract

This paper utilises a qualitative narrative analysis approach to examine smaller foreign investors operating within the Russian agricultural sector as private farmers: the foreign versions of the \textit{krestyansko-fermerskiye khoziaistva} (peasant farms) that were the early focus of agrarian reform. With difficulty experienced by foreign investment in Russian agriculture, and with the Putin administration shifting its focus to larger-scale agriculture, interest lies in the fate of these smaller foreign investors, set in the broader question of: ‘is there really a future for smaller foreign investors in Russia?’ The investors were aligned along a performance and narrative spectrum, and the construction of their identities – guided by their adaptive processes on the ‘Turnerian’ frontier – were found to shape their business conduct, and interactions with labour forces and regional authorities. Negative prejudgment of the labour force existed amongst the investors – with associated negative notions of trust, inefficiency, laziness, morality, and sexual deviancy – and they were involved in explicit or ambiguous forms of gift-gifting, drawing parallels to Soviet \textit{blat} behaviour. This paper concludes that despite efforts to construct identity, the narratives of the investors betrayed themselves in certain aspects, with elements of ‘undoing’ in the identity process.

6.2 Introduction

The focus of this paper concerns smaller foreign investors operating in the Russian agricultural sector as private farmers; essentially the foreign versions of the \textit{krestyansko-fermerskiye khoziaistva} (peasant farms) that were the focus of the early years of agrarian reform in the Russian Federation, and who began their operations in the region during the “land rush...as part of the larger ‘hunt for the Next Big Thing’” (Visser \textit{et al.}, 2012: 909). As
recent research has indicated signs of general difficulty experienced by foreign investment in Russian agriculture – with even the flagships of Black Earth Farming and Trigon Agri described as “unprofitable” (Visser et al., 2014: 1600) – and with the Putin administration shifting its focus to larger-scale agriculture, interest lies in the fate of these smaller foreign investors, set in the broader question of: ‘is there really a future now for smaller foreign investors in Russia?’. Of further curiosity is whether smaller foreign investors have displayed evidence of a ‘frontier mentality’ in the “unique and peculiar” Russian space (Lander, 2016: 1). There is an indication that there is still a gap present in Russian agriculture for the smaller foreign investors to operate within, but that a great deal of adjustment and navigation is required compared to their larger corporate counterparts. As such, this paper focuses its attention on the adaptive strategies that these foreign investors employ on the Russian ‘frontier’, looking to evaluate the close association with identity, and scrutinising the principal strands that run through the investors’ narrative and performance.

The paper is organised as follows: first, the nature of the ‘Stolypin-type’ krestyansko-fermerskiye khoziaistva is discussed to highlight the sector now penetrated by smaller investors; then, neo-colonial and ‘Cold War’ Western preconceptions, perceptions, and assumptions of Russia and its labour force are detailed to indicate the continuing and pervasive mechanisms still apparent amongst the spheres of business; additionally issues that centre on culture, corruption, gift-giving, and blat are comprehended to provide a framework for analysing investor behaviour and the adaptive processes that they employ; subsequently, the qualitative research methodology – consisting of in-depth, semi-structured interviews with three Anglo-American foreign investors, that were evaluated using narrative analysis techniques – is described; and finally, the findings presented.

6.2.1 Krestyansko-Fermerskiye Khoziaistva

The agricultural sector encompassed by the rule of the Russian Empire, the Soviet Union, and the Russian Federation has been in perpetual difficulty for the last two hundred years (Macey, 1994: i). With the initiation of Perestroika in 1985, Soviet attempts as a “‘moral’ imperative” to remove the last remnants of Stalin’s influence in the agricultural system, turned to the pre-revolutionary ideas of Stolypin’s – Prime Minister of the Russian Empire from 1906 until his assassination in 1911 – agrarian reforms, seeking to construct “a system of individual family farms based on private property ownership” (Ibid.: 1). Gorbachev’s political agenda – along with the dismantling of the sovkhozy (state farms) and kolkhozy (collective farms) – was to create “Stolypin-type” farms (Ibid.: ii), or “‘peasant farms’ (krest’ianskie-fermerskiye) khoziaistva”, often referred to in the Western literature as private or individual farms (Wegren, 1996: 109). These reforms continued under Yeltsin in the early 1990s; however, by 1995, it was widely recognised that expectations had not been met, and the private farms were failing (Macey, 1994; Pallot and Nefedova, 2007; Wegren, 1996).
Putin’s ascension to power in 2000 brought a change in focus for the agricultural sector, as firstly Russia was propelled onto the world stage as a grain exporter, and now in recent times, an introverted agenda has altered attention towards self-sufficiency (Vassilieva and Smith, 2010). Russian land reform has shifted significantly: whilst Yeltsin had looked to smaller private farms to solve the “achilles’ heel” (Jasny, 1951) of the Russian agricultural sector, Putin’s administration has focused on improving the production of larger-scale farms, and financial apparatus have been utilised to this effect (Wegren, 2009a: 79). Thus, “super-large” farm companies have developed, and although hope was held for the realisation of the early 1990s reforms, smaller individuals have largely failed to establish themselves (Ibid.: 5-6, 81), and the “peasant (or individual) farm sector...has remained relatively small” (Visser et al., 2014: 1596).

Since the collapse of the Soviet Union, foreign investors have penetrated the Russian agricultural sector in various forms. The focus – both in academic literature and the media – has been on larger forms of foreign investment, especially that of a more ‘corporate’ nature (Capital Markets Consultative Group, 2003; Kuns et al., 2016; Kuzmina et al., 2014; Luyt, 2013). Outside of these lenses, however, are situated the smaller foreign investors who – with various degrees of success – have been operating in the Russian agricultural sector for some time as foreign versions of the krestyansko-fermerskiye khoziaistva.

### 6.2.2 Preconceptions, Perceptions, and Assumptions

Operating within Russia, all of the investors studied in this paper employ Russian labourers, and interact with the Russian business and political arenas; they have encountered a different living and working culture to that of their home countries, which they have attempted to interpret and navigate. There is a rich and diverse academic literature on the assumptions that foreign investors make about the Russian people and Russian labour, often constructed through ‘Cold War’ perceptions, informed by neo-colonial attitudes, and a lack of knowledge and experience of the cultural context; interestingly, some of these same preconceptions and biased opinions occasionally manifest in the literature itself. There is a trend in the literature to focus mainly on non-agricultural forms of investment, and, currently, very little exists of foreign investor opinion at the peasant or private family farm level of the agrarian sector; however, some effort has been made to close this gap, such as the research of Steggerda and Visser (2013) on Dutch farmers, and although their paper – as of yet – remains unpublished, it is a useful source for the purpose of cross-referencing against the more corporate, non-agrarian focused literature.

Lieven (2000: 25) opinions that the West has an “inherited...hostility toward Russia”, and Shekshnia (1994: 298) explains that the unfair representation of myths and assumptions surrounding Russia “cause serious problems for international investors”; this “Russophobia” is grounded in “architectures of hatred, selected or invented historical ‘facts’ about the
Foreign Direct Investment in the Russian Agricultural Sector

‘enemy’ nation, its culture, and its racial nature” (Lieven, 2000: 28). Whilst Steggerda and Visser (2013: 8) do not speak of ‘architectures of hatred’, they parallel aspects of this sentiment, by pointing to the rhetoric of Dutch farmers in Russia who “fram[e]...culture as the all-compassing explanation for frictions faced in Russian agriculture”.

Shekshnia (1994: 299) describes how for Westerners in the 1990s, “the image of [a] highly educated, smart, foreign language speaking ‘average Russian’ emerged” from the Soviet period. Although this image is positive, ever since Russia’s transition to a market economy, opinion amongst Western analysts and observers has changed, with the view that Russia – and its population – is in need of shedding its Cold War attitudes in an attempt to modernise, and normalise integration into the global community (Lieven, 2000: 25). Translating this to business, Russians are viewed as a skilful, yet naïve and misinformed group, in need of guidance and ‘Westernisation’ (Ahrend, 2000: 29). Due to ill-judged preconceptions, foreign investors entering Russia in the 1990s found Russian labour “the ‘riddle wrapped in an enigma’” (Puffer, 1993: 473), and the hopes that Western businesses had were often not realised (Shekshnia, 1994: 299).

Academic literature urges Western business to reflect on “one...perplexing aspect[] of the ‘Russian mind’:...motivation” (Puffer, 1993: 473), and attempt to ‘understand the Russian worker’. Whereas negative assessments in the agricultural sector point to lack of skills, demoralised workers, alcoholism, low productivity, youth emigration, and an ageing labour force (W. M. Liefert and Liefert, 2015: 509-510), more positive opinions in the services sector find workers to be educated, and aspirational, as long as “effective workplace motivational systems” are in place (Upchurch et al., 2000: 512). The old ‘Soviet mentality’ – of a “reluctant[ance] to make decisions, take initiative and assume responsibility” – is thought to play a significant role in shaping the modern day Russian approach to the working environment, a hangover from the Soviet centralised command economy (Shekshnia, 1994: 303); this view is contentious, as other academics believe that communism generated a tradition of group work and loyalty (Fey and Denison, 1998; Linz, 2004; Upchurch et al., 2000). Agrarian academia takes the view that Soviet policies “undermined the peasant’s motivation to work hard or efficiently...[creating] the image of an indolent, overpaid and supine peasantry...[amongst] contemporary commentators” (Wegren, 1992: 9).

Academic literature also closely links motivation to salary, and a cynical view on the Russian worker is that “salary in their eyes is attached to the position, not to the performance” (Shekshnia, 1994: 303). Linz (2004: 277) finds that although pay is important to the worker, other factors such as “the chance to do something that makes them feel good as a person,...job security,...receiving respect from co-workers,...receiving praise from supervisor[s],...and the friendliness of co-workers” are related. Historically, the use of bonuses in agrarian Russia has rarely had a positive effect on motivation and effort: as a reward, its use was ineffective in the Soviet period as “labour productivity depended more
on...machinery and other inputs than on real labour input” (Steggerda and Visser, 2013: 31); and as a punishment the withdrawal of bonuses was “an extreme step that often arouse[d] considerable antagonism” (Clarke, 2004: 417). Now, in modern times, business managers still do not treat the withdrawal of bonuses as an effective tool (ibid.: 418).

Academic consensus is that Western business should embrace motivational incentives that consider the Russian cultural context, instead of simply following a blunt trajectory of ‘Westernisation’ (Linz, 2004; Shekshnia, 1994; Upchurch et al., 2000). However, the translation of these ideas to smaller foreign investors may still be lacking: Steggerda and Visser (2013: 25-30) highlight how Dutch farmers combined increases in salary and bonuses with a change in management approaches which ignored non-financial motivational ‘perks’, and a reduction of employees negatively affected job security (ibid.: 25).

A divide in academic consensus appears at engendering reflexivity amongst Western managers. Although still recognising the Russian cultural context, Shekshnia (1994: 303) writes – in very neo-colonial, and possibly ‘Russophobic’, terms – of the need for staunch resistance to ‘Sovietisation”; his research describes the “‘Westernization’ (positive outcome) and ‘Sovietization’ (negative outcome)...[where] one side has ‘overpowered’ the other and the whole venture has adopted its organizational culture, values, style, ethics” (emphases added). Rather than finding compromise, and adjusting management styles to assimilate the advantageous aspects of both cultures, the notion is for Westerners to ‘resist the Russian way’, “build[ing] on Russians' strengths...and block[ing] their weaknesses” (ibid.: 304-305); this rigid approach, ultimately, advocates Western business as the ‘utopian model’. Puffer (1993: 479) alternatively suggests that Western business can integrate into the Russian environment through relationship building, and mutual cultural respect. Steggerda and Visser (2013: 25-29) show how Dutch farmers looked to involve themselves in participatory management to ‘get alongside’ the labour force, and although this was motivationally successful, there was “a certain distance...[and] high level of control” maintained with the labour force.

When studying how ‘the West meets Russia’, it is important to consider the “ethnocentric and egocentric tendencies” that disrupt the trust involved with international business (Brenkert, 1998: 308), the contexts of which include: historical issues, especially where past colonialism and imperialism are concerned; economic (historical) ideology, such as that of capitalism, socialism, and communism; racism; and cultural difference and openness. This was a salient point in the research of Steggerda and Visser (2013: 18) whose Dutch interviewees found that their “presence...was accompanied by distrust”. Bahry et al. (2005: 526) find that, amongst other factors, ‘outgroup’ trust depends on held stereotypes, and “an individual’s sense of being the victim of ethnic discrimination”, and the authors conclude that “we should not prejudge the proportions” of trust exhibited by the Russian people, as it will depend on the attachments to a specific ‘ingroup’, and the stereotyping – or exposure to – certain ‘outgroups’ (ibid.: 529-530).
6.2.3 Blat and Gift-Giving

Further preoccupying academic literature are issues that centre on culture, corruption, gift-giving, and blat, the boundaries of which are often ‘hazy’. The roots of modern day corruption in Russia are thought to have been established during the Soviet period (Cheloukhine and King, 2007: 108). Informal practices – defined as “regular strategies to manipulate or exploit formal rules...shaped by historical and cultural factors” (Ledeneva, 2008: 119) – such as favours, agreements, connections, and exchanges, became common place; all encapsulated by the Russian term blat (Ibid.). More recently, blat has been considered a redundant term to describe contemporary corruption in Russia, replaced with the more categorised terms of “kleptocratic, crony, or oligarchic capitalism”; however, “to claim a decline in the use of the term,...is not the same as to claim a decline in the practice;...[blat] residues are everywhere, even in the present day” (Ibid.: 134-140). As Ledeneva (2008: 134) explains, it is useful to discern the continuing and pervasive nature of blat, often discussed in the West as the endurance of the ‘socialist mentality’. The author believes that modern day blat is now used (often as a circumventive measure) in business environments, especially those relating to regional bureaucracy (Ibid.: 134-137).

Blat practices include gift-giving; it is widely understood that “virtually any resource, whether tangible or intangible, can be transformed into a gift”, and that this transformation is a social enactment set in various contexts (Sherry, 1983: 160). During Soviet times, gift-giving – thought of as ‘corrupt’ by Cheloukhine and King (2007) – was ubiquitous, widespread, and considered the norm. This has shaped modern day Russian ‘moral’ notions, and in the context of foreign investors operating in Russia today, the question arises of whether gift-giving is acceptable or desirable. Steidlmeier (1999: 121) explains how “many Westerners unfamiliar with Chinese culture often make the easy identification of gifts with bribes” and that this is “incorrect...[as] within Chinese culture...there are...moral parameters to distinguish morally proper gift giving from bribery and corruption”. Applying this notion to Russia – contrary to much of the contemporary literature – it may well be possible that gift-giving can be separated from that of bribery in certain contexts, dictated by Russian ‘moral parameters’. As navigating this dichotomy may be both confusing and problematic for foreign investors, the moral intention is, therefore, key in understanding the transition of a gift into corrupt behaviour.

According to Steidlmeier (1999: 125), reciprocal exchange can be separated into three categories: gratuity (including that of gifts), bribery, and commission. The analysis of which category an action will fall into needs to draw “upon core human values, respect for local traditions, and an appreciation of context”. The social purpose of a bribe is to “gain acquiescence”, whereas a gratuity is to express gratitude, and a commission is to simply pay for a service (Ibid.: 126). Steidlmeier (1999: 126) explains that there is a difference in the “degree of freedom” between a bribe and a gratuity, and that a bribe can be seen as a “condition for success”, whereas a gratuity can be “voluntary, but there may [also] be social
pressure”. The author admits that “it is difficult to distinguish...[and that] the key difference seems to reside...in the intention of those who are involved” (*Ibid.*: 127).

Sherry (1983: 159) writes that a gift is not supposed to form a requirement of reciprocity, but in the West, this “basic etiquette” is usually ignored, and recipients are pressured to give back in return. Olivier de Sardin (1999: 34) indicates that parties involved in corrupt practices can consider their actions to be valid and genuine; with respect to gift-giving, these parties can consider it to be a non-corrupt form of expressing gratitude, and, hence, “the real [corruption] borderline...fluctuates” (*Ibid.*: 34). In contrast, it is also possible for the parties involved to use this ‘fluctuation’ to publically obscure the real intentions of the transaction by disguising bribes as ‘gifts’, whilst privately maintaining an openly corrupt stance. For this reason, Lambsdorff and Frank (2010: 348) contest the notion that gifts and bribes are the same as “bribes include a clear request for reciprocity...[and] gifts...include a vague expectation of favorable future treatment”.

6.3 Methodology

This paper presents a qualitative approach to exploring the experiences of smaller foreign investors in the agricultural sector of Russia, drawing upon the interviews of three paradigmatic individual private or peasant farmers, all of whom began their farming ventures in Russia during and after the transition period of the 1990s, and can almost be understood as archetypal. These investors were selected from a broader study of ten Western foreign investing companies in Russia, and they were chosen for analysis as they represented various points along a narrative and performance spectrum.

Three classifications of farm type usually appear in the literature: ‘household plots’, ‘peasant or private family farms’, and ‘agricultural companies, large farm enterprises, or corporate enterprises’ (Steggerda and Visser, 2013; Visser et al., 2014; Wegren, 1996). As Wegren (1996: 109) clarifies, “Russian rural dwellers are hardly ‘peasants’,...[and so] Western analysts have tended to refer to Russian peasant farms as ‘private farms’ or ‘individual farms’, thus avoiding the misapplication of the word ‘peasant’”. The distinction between the three categories is significant: observers can be influenced by connections made in the literature between farm type and the size of land under ownership. For example, Visser et al. (*Visser et al.*, 2014: 1597) indicate the average sizes of typical household plots as 0.46 ha, peasant farms 60 ha, and agricultural companies 5390 ha, with the largest agroholdings – popularly described as megafarms – in this last category shown to operate huge tracts of land ranging from 100,000 to 700,000 ha. Yet, Steggerda and Visser (2013: 12) are concerned with classification by ‘operational model’ of the farm. Peasant or private family farms “combine and coordinate the demands and resources of...the domestic group or family and the farm enterprise” (Barlett, 1989: 271); in other words, family units “combine their own labour with management of the farms”, and this differs from corporate
farms “in which land, capital and management are linked to separate groups of people: owners, managers and workers” (Steggerda and Visser, 2013: 12).

In light of these differing foci, the investors’ information portrayed in Table 2 (below) can offer some confusion as to the farm classification if not properly evaluated. With regards to an association with size of land under ownership, it can be seen that one investor owns 120,000 ha of land, and another 17,000 ha. Using such a rudimentary tool as size of land under ownership would be misleading, as both could fall under the classification of corporate farming, when, indeed, they are far from corporate. With this first example, the land is split across eight different regions, with only 35,000 ha operational divided amongst a number of much smaller individual farms; as well, with the second example, the investor is trying to lease the majority of the land to other farmers, and only runs an operation of 440 head of cattle on a much smaller plot.

Thus, this paper categorises farm type on the definitions of Barlett (1989), looking primarily at the ownership structure of the farms. All of the farms operate under single ownership, with the management structure centring on the owner as the primary decision maker; as such, there is not a distinct separation between owner and manager, and the investors “combine their own labour with management of the farms”. A separation between manager and labour is, however, present, but this is permitted under the definition of private family farms (Steggerda and Visser, 2013: 12); all investors embrace this separation as employers of (predominately) Russian labour. Further, the investors’ farms cannot be classically considered as corporate: they do not receive external investment (other than bank loans), employ a board, answer to shareholders, or adopt internal corporate structures. It is, therefore, reasonable to classify the investors under that of ‘peasant or private family farms’: a classification of krestyansko-fermerskiye khoziaistva that sits in the vast gap between the poles of the household plots and the large corporate enterprises.

Foreign investors for the research were contacted ‘in the field’, and the interviews took place between February-April 2014. Gatekeepers, established in Moscow, led to access of the Western expatriate community, and the eventual interview participants, in a ‘snowballing’ effect. It is relevant to note that the development of the narrative and performance spectrum did not precede the selection of the interviewees; rather, the nature of the spectrum materialised once the narratives of the investors became apparent. The interviews were in-depth, and semi-structured – methods championed by Rose (1997), and Kitchin and Tate (2000) – and were examined using narrative analysis to understand the “how and why [the investors’] events [we]re stori[ed]” in particular ways, and “not simply the content to which [the investors’] language refer[ed]” (Riessman, 2008: 540).

Narrative analysis allows for interviews to be treated as storied rhetoric, and has enabled this paper to “retain the voice and integrity of the original speaker” (S. Taylor, 2010: 127). There is already precedence for the use of narrative analysis within Russia, with Pallot and Katz (2017) discussing interactions between gender, identity construction, and the Russian
penal system. The narrative-based research of Stephanie Taylor (2010: 37), and Pallot and Katz (2017: 22) have both not been interested in ‘facts’ or whether interviewees are ‘telling the truth’; it is the shaping of these ‘facts’, their temporality, the space in which they were created, and to which audience they are aimed at that is of more importance.

In the same vein, this paper seeks to identify the principal narrative strands amongst the investors, and how they construct their identity; of less importance are ‘truth statements’, especially where opinions – that may well be rehearsed – of the people, culture, and ‘place’ of Russia are concerned. Noting the dramaturgical perspective – advanced by Erving Goffman – of the “Shakespearian notion that ‘all the world's a stage, and all the men and women merely players’", this paper assumes that the investors dynamically altered their social performance “to construct impressions and evoke desired responses in their audience” (Cook, 2008: 235).

It is necessary to understand the construction of the performance, and scrutinise why the investors chose the identities, responses, and opinions that they did; identity construction was not solely constrained to rhetoric, and was, indeed, embodied through appearance. Further, the interview locations that the investors chose are of importance, as they provided the performance stage, and, accordingly, constituted part of the research field. Thus, the analysis of this paper holistically assesses the performance of these investors, and looks for the ‘visual’, as well as the ‘spoken’, in their narratives.

Just as Pallot and Katz (2017: 25) noted that their interviewees needed “extra reassurance about anonymity...[due to] the possible negative impact[s]“ of the research, so did the participants of this study who were concerned about their image and relationships with the expatriate community, media, Russian state, and their labour forces. Anonymity allowed for the investors to express their narrative without fear of reproach, and thus aided the formation of a narrative that was closer to their ‘truer’ feelings, especially where sensitive topics were raised amongst the frameworks discussed above; this was indeed one of the reasons that online interviews were discounted as primary data sources, as the lack of anonymity obscures these sensitive topics behind a journalistic narrative veil of success, optimism, and respect for Russian culture and society.

Attention should also be drawn to Russia’s annexation of Crimea, Ukraine in 2014, and these feelings of insecurity, and apprehension most certainly impacted on the participants, and possibly on their assessment of Russia. Though no tangible effect can be placed on the narratives of the investors, the research must acknowledge that this geopolitical event would have entered their psyches. This is not to say, however, that this event would have skewed the narratives towards more xenophobic notions; equally, it may have allowed for the unveiling of ‘truer’ feelings, by creating an environment – especially amongst the expatriate community – where frank opinions of Russia were being openly discussed.
The three investors of this paper have been labelled to aid the reader in the imagination of their performance. However, this categorisation is not a narrowing or simplification of the investors; indeed, they were chosen as they denoted points along a narrative and performance spectrum, and academic investment studies often categorise in such a way (see Mionel (2012: 55) for her four categories of investor). The investors exist under postcolonial “Western expatriate narratives of emplacement...situate[d]...in multiple temporalities – postcolonial, post-socialist and postmodern” (Farrer, 2010: 1225); salient for this research, the author finds that “postcolonial...imaginaries seem developed most fully among white European and American settlers,...[with] foreign men, unlike foreign women, often us[ing] sexuality as a way to connect” (Ibid.: 1226). The first categorisation – the ‘Lone Ranger’ – describes the type of foreign investor who seemingly resists all adaptation to Russian culture, and preserves their own culture under most (if not all) circumstances. The second – the ‘Tolstoyan’ – describes the foreign investor at the opposite end of the spectrum who seemingly embraces all aspects of Russian culture and business understanding, effectively ‘going native’. The third – the ‘Protean’ – indicates the foreign investor whose identity and behaviour fluctuates uneasily between that of their homeland, and that of Russia. At the time of the research, no foreign investor satisfied the attributes of a possible fourth category: a foreign investor who amalgamates aspects of both cultures, and thus differentiates from the ‘Protean’ due to the absence of uneasy fluctuation.

---

9 This term is used to reflect the nature of Proteus, a water god from Greek mythology who had the ability to shape-shift and alter identity
### 6.3.1 The Investors

<table>
<thead>
<tr>
<th></th>
<th>Investor 1</th>
<th>Investor 2</th>
<th>Investor 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nomenclature</strong></td>
<td>Lone Ranger</td>
<td>Tolstoyan</td>
<td>Protean</td>
</tr>
<tr>
<td><strong>Nationality</strong></td>
<td>US</td>
<td>UK</td>
<td>US</td>
</tr>
<tr>
<td><strong>Venture</strong></td>
<td>Fruit, Vegetables, and Cereal</td>
<td>Milk and Dairy</td>
<td>Beef Cattle</td>
</tr>
<tr>
<td><strong>Land Status</strong></td>
<td>120,000 ha owned</td>
<td>Dairy operation, 3,100 head of cattle Additional 4,500 ha owned 3,000 ha operational</td>
<td>17,000 ha owned</td>
</tr>
<tr>
<td><strong>Regions Active</strong></td>
<td>Bryansk, Astrakhan, Tver, Vladimir, Volgograd, Rostov, Anapa, Smolensk</td>
<td>Vladimidskaya oblast</td>
<td>Tambov, Penza and Saratov oblasts</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>95</td>
<td>43</td>
<td>Varying (due to farming co-op structure)</td>
</tr>
<tr>
<td><strong>Financial Status</strong></td>
<td>Profit making</td>
<td>Loss making, in severe debt</td>
<td>Profit making</td>
</tr>
</tbody>
</table>

Table 2: The operations of the foreign investors
6.3.1.1 Investor 1: The Lone Ranger

Investor 1 is a white, male, US national, from a line of family cattle ranchers in Iowa; he was interviewed multiple times in February-March 2014. Born in 1950, his formative years had been during the heightened periods of tension between the West and the Soviet Union. Despite no Russian language, nor having any contacts in Russia, he boarded a plane to Moscow in 1989, and become involved in agricultural supply. In 1998, he started growing potatoes on a small scale, and in 2001 he began importing seeds and fruit, expanding his operations considerably over time. In 2008, after realising that there was a Russian market for high quality produce, he started to buy agricultural land to grow and replace the crops that he was importing.

At the time of the research, he was involved in producing cereal, fruit and vegetable crops, in the regions of Bryansk, Astrakhan, Tver, Vladimir, Volgograd, Rostov, Anapa, Smolensk, and Chechnya. He owned 120,000 hectares of farmland, of which 85,000 were still to be developed, and employed approximately 95 workers. He asserts than in 1989, he came to Russia with $5 million, and that once he decides to leave Russia, he will “walk out with about two, three hundred million dollars”.

As a Lone Ranger, investor 1 was a strong enforcement of an American stereotype. During interviewees, he wore the boots and hat of a traditional cowboy, and walked through Moscow proudly displaying his cultural heritage; indeed, the first interview – on his request – was held in the ‘Starlight Diner’, an American themed 1950s diner in central Moscow that was to become the ‘stage’ and visual extension of his narrative during many of the interviews. Investor 1 was ‘visible’, and although he requested anonymity in his interviews, he was loudly audible – even with ‘controversial’ statements – and was not concerned with who could overhear him.

6.3.1.2 Investor 2: The Tolstoyan

Investor 2 is a white male, who first moved to Russia “to find certain types of coal” for a Romanian steel mill. Soon after, he married a Russian woman in 1994, and converted from British to Russian citizenship in 1997. “Romanticism and Russian faith” in the Orthodox religion led him to his “destiny” of farming, and, in 2005, he completed a “Western-style” milk farm in the Vladimirskaya oblast after purchasing the land of an old collective farm. According to his website, his farm holds 3100 head of cattle, and employs 43 staff. He invested a vast amount of personal finance into his farm; however, the farm had not been financially successful: “It’s a bad decision. I like it as business – I think as an individual, it’s made me very rich, it’s given me insight into a way of life – but I’ve lost a hell of a lot of money on it”. Recently, this research has discovered through Russian media that he is selling
Christopher David Lander

the farm, citing age and his children’s reluctance to assume the management of its operation.

The Tolstoyan category is particularly interesting given its relevance to Shekshnia’s (1994) ‘Sovietisation’, and its appearance in academic literature; Ferraro and Briody (2016: 247) state how one’s behaviour should “not entail adopting the thoughts and behaviors of others as your own – that is, ‘going native’”; here, a ‘Tolstoyan’-type is viewed as the opposite to “hav[ing] high self-esteem, valu[ing] their cultural roots, and com[ing] to the global arena as [a] mature adult”. The same authors suggest that by “going native,…many people tend to be suspicious of anyone imitating their gestures or behaviors” (Ibid.: 162).

As a Tolstoyan, investor 2 had abandoned the Western appearance of his English heritage, and instead donned deeply traditional Orthodox clothing – during the interviews this consisted of brightly coloured, patterned blue and green shirts – and a traditional long white beard. Investor 2 chose his stage for the March-April 2014 interviews: the Radisson Royal hotel (historically ‘Hotel Ukraina’), a five-star luxury hotel in Moscow that is a favourite of both wealthy expatriates and Russians alike, and the place that investor 2 stayed at between his business visits. Investor 2 was also ‘visible’, and chose to have the interviews in the main lobby of the hotel, stopping to converse with social and business acquaintances that passed by; his insistence on anonymity thus kept his rhetoric secret, whilst his performance - of being interviewed and ‘important’ – was in view of these acquainted circles.

A year after the interviews concluded, investor 2 questioned President Vladimir Putin, in person, during Putin’s annual televised marathon phone-in; Putin’s response on learning that he had British origins was to ask if he had migrated to Russia to “cherchez la femme” (find the woman). This is a relevant point to consider with regards to his identity construction, as this attitude points to long-held resentments at expatriate migrants marrying Russian women, and the broader well-publicised phenomenon of Western men ‘looking East’ for women of a certain age and perceived beauty who may not be available to them in their homelands (for an interesting insight, see the BBC documentary “Louis Theroux’s Weird Weekends: Thai Brides”).

6.3.1.3 Investor 3: The Protean

Investor 3 is a white, male, US national, and was interviewed in April 2014, both in person in a shopping mall restaurant in Moscow, and over Skype where he was at home. Like investor 2, he is married to an ethnically Russian woman. His land consists of 17,000 ha spread across the Tambov, Penza and Saratov oblasts, bought in 2009.

The intention was to bring the land into production, and prepare it for an Initial Public Offering (IPO) on a stock exchange using investors in New York; however, this was never
realised after a dispute with a Russian consultant who was hired by the New York investors. Investor 3 claims that this consultant operated out of a Cypriot holding company, and managed to forge his signature, gain control, empty the bank accounts, and “make it look like...[he] had voluntarily sold the company to some alcoholic”. The consultant subsequently vanished, and has never been able to be traced or prosecuted: “I look for him on Yandex every now and then; five years later...still nothing shows up”. Investor 3 was eventually able to claim compensation from the New York investors, and keep control of the farm – “I think they would have paid me to shut up, because they were in a situation where they...[had] hired some bandit who robbed me” – but, soon after, they subsequently withdrew their financial backing for the IPO.

Following this, his intention was to lease the land to farmers, but he was unable to find enough people, and so only leases approximately 2500 hectares to local Russians who use it to grow crops. In Tambov, he has a cattle ranch holding 440 head, and supplies beef to the Russian domestic market. He works with a Russian employee, and uses a farming co-op to supervise the herd in his absence.

The appearance of investor 3 was entirely unremarkable; that is to say that he would not ‘stand out’ amongst a crowd in either the US or Russia. His clothes were loose fitting and comfortable, his face shaven and hair short, and every aspect of his appearance was quite non-descriptive. His chosen stage was an inconspicuous shopping mall restaurant that sold Italian style dishes, as well as traditional Russian food, and reflected his protean nature.

6.4 Analysis

6.4.1 Relationship with State Institutions

Russian law “prohibits agricultural land sales to foreigners, foreign firms, persons without Russian citizenship, and Russian firms in which foreigners hold a majority stake” (Wegren, 2002: 654), though foreigners are permitted to lease agricultural land for a maximum of 49 years (Butler, 2006; Wegren, 2002). Despite this legal deterrent to foreign land ownership, the investors have, in fact, been able to ‘modify the identity and nationality’ of their farms to circumvent these regulations, thus highlighting a distinct ‘loophole’ within the law. The ‘loophole’ works on the basis of a grandparent structure, whereby a foreign company (the grandparent) owns a Russian subsidiary company (the child), that in turn owns another Russian subsidiary company (the grandchild); under Russian law, this grandchild company – technically owned by a Russian company – can then own agricultural land:

*I have my American company own a Russian company. This Russian company owns another Russian company, and that owns the land. It’s one step removed. (11 Lone Ranger)*
The investors believed that this loophole was a purposeful mechanism, through which the Russian government was able to encourage foreign investment ‘behind the scenes’, whilst publically denying political support. All the investors employed this grandparent subsidiary structure.

Regulations for the operational rules and procedures of agricultural land in Russia are divided between several laws. Of importance is the Civil Code of the Russian Federation, which details two conditions in which land can be removed from the owner: 1. the land has not been used for its allocated and intended purpose for three years; and 2. the rules for the use of the land have been violated, such as those concerning pollution and environmental preservation (Kadastr.org, 2014).

It is quite rare for smaller foreign investors to structure an integrated legal department to advise throughout; reliance is instead placed on hired lawyers. As such, the investors did not tend to fully understand, or pay attention to, the intricacies of the law, and, indeed, left themselves open to prosecution. In these instances, the investors viewed legal enforcement as doctrinaire, often acting against reasonable operating expectations of the land: “Who gives a shit?” (I3 Protean). When faced with the possibility of fines or repossession for violations, the investors could choose various forms of direct consultation with regional governments. Negotiation and lobbying could yield favourable outcomes if a rapport could be struck with the administrators and governors in charge, or alternatively, the investors could elect to challenge the regional governments in court. Court proceedings were primarily used because the investors felt that regional governments needed to recognise that foreign investors could challenge them effectively. When lobbying or court proceedings were deemed pessimistic, or indeed tedious, alternatively the investors could decide to simply accept the fines, although they found this route irritating.

The investors that fell on difficult financial times – such as those created by macro-economic conditions, or by changes to farm subsidy structures – and could not continue to operate parts of their land as a result, felt a lack of understanding and support from the regional governments, who perpetuated difficult economic environments by fining for land use violations (in these cases under-usage). This had, on occasion, forced the investors into insincere gestures of obedience, such as investor 2 (Tolstoyan), who rented out some of his land that he could not afford to operate, and mowed the grass on other parts every four years to ‘prove’ that the land was not violating agricultural usage policy.

The investors spoke of how they tended to rely heavily on subsidies – the two forms of which are federal and regional – for the successful operation of their businesses. Subsidies are only available to Russian farms, and so the grandfather structure of the foreign investors played a vital role in securing them: “get yourself a Russian company with you as a very silent owner” (I1 Lone Ranger). The investors explained that significant economic difficulties arose when governors decided to cut subsidies whilst still maintaining the same farming
expectations for the land; these difficulties resulted not only from the loss of income, but also legal fines for not satisfying the Civil Code land requirements.

Despite reaching self-sufficiency in grain – and indeed becoming an exporter – by the mid-2000s, Russia had struggled to reach the same independence in its livestock sector. In 2010, the government published the Food Security Doctrine of the Russian Federation: a “framework that outlines Russia’s objectives and goals for ensuring domestic food security” (Vassilieva and Smith, 2010: 2). With the food security issue widely recognised as being politically driven by the need for self-sufficiency, rather than competitor advantage, the Doctrine details minimum production targets as the share of domestic production: 95 percent for grain, 85 percent for meat, and 90 percent for milk and dairy products (Ibid.: 2). The Doctrine lacks a “time frame or means for achieving these targets”, but calls on “public authorities...[to] pursue a common national economic policy...taking into consideration regional specifics” (Ibid.: 11).

The investors felt that the regional interpretation of the Doctrine had been problematic as “all the different regions [were] being made to justify themselves in Moscow as to, ‘what are you doing to grow more beef?’” (I3 Protean). This meant that as the regional governments were under pressure to increase their numbers of beef and dairy livestock, a great deal of pressure began to be applied to the investors – even those who were solely arable producers – to diversify into this type of production. Interestingly, this pressure was not in the legal form, and the investors claimed that it was often applied ex post facto after land purchases had been agreed and ratified, and without any consideration of its economic viability.

The interference by the regional authorities into what ventures should operate on the investors’ private land, indicates a cultural difference of what exactly constitutes ‘private land’. Russian views of land ownership are formed from the Soviet opinion that ‘land not used is land wasted’ – “an argument that carries much emotional weight in Russia” (Pallot and Nefedova, 2007: 102) – and the investors felt that the Russians did not comprehend the concept of fallow land. Their ‘Western’ understanding of land ownership differed greatly to this, and they expected more autonomy: “There’s a law for not working on farm land that I bought, my own land that I now own!” (I2 Tolstoyan). Effectively at an impasse, expectations that both parties had of each other endured in an antagonistic relationship, and indicated no sign of abating. It is possible that both parties were dissembling their true opinions: the local authorities may well have understood the concept of private ownership, but preferred to chase the fines; and the investors’ reasons for moving to Russia may well have been to escape regulation on private land ownership in the West (a form of ‘frontier mentality’).

It is significant to note that rather than anticipating and proactively adapting to Russian regulation and agricultural law, the investors chose reactive steps to address issues through negotiation, lobbying, and challenging decisions; fines for regulation violations were only
reluctantly accepted, lamenting “these idiots” (I2 Tolstoyan) and “the problems they identified [that] were bullshit” (I3 Protean).

6.4.1.1 Discrimination

The investors seemed to certainly “prejudge the proportions” (Bahry et al., 2005: 529-530) of trust exhibited by the Russian people. Alluding that they have suffered generalised discrimination, the investors believed that “things haven’t changed” (I1 Lone Ranger) since the Soviet period, when the Soviet Union was opposed to the West: “sixty percent, seventy percent of Russians still think Americans are not nice people anyway” (I2 Tolstoyan); “I don’t think they want foreigners here; Russia’s for the Russians” (I1 Lone Ranger).

The investors’ continued use of ‘Cold War’ rhetoric to problematize feelings of animosity, sustained Western “perceptions about how things were like” in Russia, and aided supposition that the political environment was a result of the “thought [that] we were gonna come in, and invade ‘em, and kill ‘em, and take ‘em over” (I1 Lone Ranger). This discrimination was felt to transcend into the business and legal environment, hampering the investors’ effectiveness of using regulatory systems:

My interpreter was interpreting,...and the judge stopped, ‘Who’s talking when I’m talking?’; and she said, ‘Well he’s an American; I’m interpreting what you’re saying’, and he said, ‘Case dismissed!’. And so he changed judges. (I1 Lone Ranger)

Interestingly, in the investors’ discourse, notions of discrimination were separated from corruption, which the investors claimed to be pervasive throughout. Corruption could be controlled or abated – “corruption is everywhere;...it is just how you deal with it” (I2 Tolstoyan) - and did not appear to be as feared as discrimination.

6.4.1.2 Maintaining Relationships

Given the abovementioned topics, the investors realised the necessity to “get on with your governor very well” (I2 Tolstoyan); the ability to read the personality of the regional administrators was, therefore, advantageous. The approach to maintaining relationships of investor 2 (Tolstoyan) hinged on the hope of being recognised as someone who had internalised Russian (or sometimes Communist) culture, therefore becoming ‘one of us’ – to an outsider, ‘going native’ – and trust was given to the authorities based on the assumption that Russian members of state would – at least in part – possess positive remnants of Communist ideology: “I made an assessment that in Vladimir, we had the last Communist governor, and I thought he would help more;...it worked the other way round” (I2 Tolstoyan). Investor 1 (Lone Ranger), on the other hand, viewed relationships as a ‘double-edged
sword’, in as much as the relationships could lean towards certain ‘alien’ notions of blat, generating unanticipated pressure, and he looked to build relationships whilst reserving trust:

> When you go to a new region...[the governor] will want to introduce you to his friends. He doesn’t really push you to do it, but you need to do something with his friend because somehow, there’s a benefit to him in that project...If you cut him out completely, he’ll see no need to help you out in the future...What you call ‘one hand watches the other’. (I1 Lone Ranger)

Investor 3 (Protean) fitted somewhat in between, neither largely giving nor withholding trust, and instead indicated that the maintenance of relationships was of less importance.

In addition, relationships with governors could allow for the creation of power to fend against business associates “screw[ing] you” (I1 Lone Ranger); however, relationships such as these could be somewhat fickle, and the investors expressed caution at ‘over-valuing’ their longevity “because...they can get rid of you if somebody better comes down the road” (I1 Lone Ranger).

### 6.4.1.3 Gift-Giving

The investors described interesting processes used in their relationships with regional governors, interpreted here following Sherry’s (1983: 160) ‘tangible’ and ‘intangible’ gifts. One such intangible example appealed to the egos of the governors, and offered them beneficial publicity: governors were often invited (or allowed) to give public speeches and addresses at the farms, or ‘cut tape’ at new buildings, to showcase their own political agricultural focus. Investors 1 (Lone Ranger) and 3 (Protean) tended to treat this process as intangible in the true sense, as given that there was often no request for reciprocity – with “an appreciation of the context” – the appearance was one of a gratuity: “voluntary...[though] there may [also have] be[en] social pressure” (Steidlmeier, 1999: 126).

On the other hand, investor 2 (Tolstoyan) described the same type of process, but with the identification of the need for reciprocity, and an admission of his true intentions: “We socialise with the local administration, and help the local governor...It’s not political influence; it’s local administration influence to tell them to stop, or reduce the fine” (I2 Tolstoyan). As the “the key difference seems to reside...in the intention”, this help could be viewed as an act of bribery, especially given the existence of a “condition for success” (Ibid.: 127) or a “clear request for reciprocity” (Lambsdorff and Frank, 2010: 348), and no contrary evidence that this help is borne out of “respect for local traditions” (Steidlmeier, 1999: 125).

Again, regarding tangible gifts, there appeared to be a split between that of investors 1 (Lone Ranger) and 3 (Protean) on the one hand, and investor 2 (Tolstoyan) on the other. The
former accepted the roles and implications of tangible gifts in issues of bribery, especially concerning respective corruption laws pertaining to their home countries: “You gotta be careful ‘bout the presents you give ‘em...because it’s a US law” (1 Lone Ranger). Investor 2 (Tolstoyan) – in spite of knowledge of Western laws that indicate the contrary – only seemed to identify bribery as a monetary device, and did not equate gift-giving in the same moral vein: “I don’t pay any [bribes], I’ve never paid any...We give presents at Christmas,...but to me this is normal;...now in America you can’t do it” (12 Tolstoyan). What is apparent is that all the investors recognised that the process of gift-giving may indeed be questionable; however, even with investor 1 (Lone Ranger), this did not seem to be sufficient enough to act as a deterrent, with the investors choosing to project ambiguity over any dubious actions:

There’s a vice governor, president,...[and] the Raion administration from two regions; they’ve been for two weeks to my home in America...Free trips; take people to the states. Never pay a bribe because that’s starting down the wrong road. (11 Lone Ranger)

Further, this paper agrees with the assertions of Ledeneva (2008: 134) that “to claim a decline in the use of the term [blat], however, is not the same as to claim a decline in the practice”. The investors gave examples of the continuity of favours, agreements, connections, and exchanges associated with blat behaviour “in which non-monetary forms of exchange sustain or adapt to new conditions” (Ibid.: 134):

We have a new governor; she is very close to Putin...She phones up, ‘can I have more hampers of food?’ I give her the hampers of food, but now I’ve got a new road thanks to her; fifty million ruble road...It’s not even corruption, it’s evolution...The point is, I’ve got access to a governor, and she’s pumping my products; this is the old school tie network in a different form. (12 Tolstoyan)

6.4.2 Relationships with the Labour Force

6.4.2.1 Prejudgment

Surprisingly, in general, there were no differences between the investors when it came to perceptions of the Russian peoples’ ‘moral standard’, especially concerning sex, marriage, and inter-marital affairs: “No matter what prostitutes you see on the street, and what mistresses they have, they have different moral standards; it’s all to do with hypocrisy...They have a different culture” (12 Tolstoyan). Treating this morality as a cornerstone of Russian culture, the investors linked sexual ‘deviancy’ to ideas of trust and professional conduct in business, believing that a sexually ‘immoral’ individual would also harbour traits of business immorality:
Sex is nothing...It’s a whole different moral situation here than what we have in the rest of the world...You have a partner who comes to America, the first talk that comes out of his mouth: he wants a prostitute for the night. Shit, you just left your wife two nights ago,...and here you are wanting to cheat on your wife: the person you’re closest to...I’m your partner, are you going to cheat on me the next day?...If a guy is going to shit on his wife – that’s the person that he has just made the biggest contract of his life – who are you? Sure, he’s gonna shit on you too, every chance he gets. (I1 Lone Ranger)

Further, trust in the labour force centred on two additional topics: alcohol consumption and theft. Investor 2 (Tolstoyan) pointed to experience of alcohol usage problems within his farm – “First,...if you’re drunk you can’t come to work, so we lost forty percent immediately; then the other twenty percent that couldn’t stop being drunk, we also got rid of” (I2 Tolstoyan) – whilst, for investor 1 (Lone Ranger), the stereotyped reputation of alcohol abuse amongst Russians was sufficient to shape operational decisions, with him eventually removing facilities such as canteens where alcohol abuse may have arisen. The investors stereotyped theft and dishonesty – “you need to worry about employee theft” (I3 Protean) – and indicated that they could completely withhold trust, and opt to take pre-emptive preventative steps. What drove these pre-emptive steps was fear grounded in interpretations of historical cultural developments: “It’s a mentality that’s been here for four or five hundred years: ‘you never know about tomorrow, so steal everything you can today’” (I1 Lone Ranger). Fear and distrust was so apparent in the investors’ rhetoric, that some of their business decisions appeared to border on near-paranoid levels of caution – “Thirty percent of my workers are guards” (I1 Lone Ranger) – and the investors resorted to excessive monitoring of their own workforce; these steps were taken, even if there had been no experience of theft before:

I’ve not had that [stealing] problem, no. We had a problem with needing to hire a lot of security people so they didn’t steal, which is also a cost, but least you know what the cost is. (I3 Protean)

6.4.2.2 Assessment of the Labour Force

The investors held the consensus that Russian workers were in need of ‘Westernisation’, and asserted that there was a lack of suitable talent in the rural labour pools, coming as a result of an exodus from the countryside when the Soviet Union collapsed; yet, the investors believed that those who chose not to join the exodus, did so because of various ‘Russian flaws’, such as those of laziness and stupidity. This representation of agrarian labour was a reoccurring negative stereotype – “sometimes they’ve got nothing between their ears” (I2 Tolstoyan) – often repeated in business language as “inefficiency” of the labour force. In essence, the investors’ sentiment of labour in the Soviet period can be summarised thus:
What they said in the Soviet time is, ‘I pretend to work, and they pretend to pay me’, and that’s still the philosophy: I pretend to work, and you pretend to pay me. (I1 Lone Ranger)

Additionally, the investors did not recognise within their labour forces the aspects of motivation as detailed by Linz (2004), above. Instead, all the investors seemed to agree with the views of Shekshnia (1994), and highlighted monetary requirements as the primary – or, indeed, only – motivating factor behind the labour force: “They get their salary every month...no matter what the harvest is” (I1 Lone Ranger). The contention was that Russians view agricultural work as ‘demeaning’: “Our Russians don’t want to work on the land: menial labour” (I2 Tolstoyan). Yet, despite the realisation that “Russians tend to choose all the technical” jobs (I2 Tolstoyan), and, certainly, that the labour force may find these routes of employment less demeaning, the preconception and ethnic stereotyping employed by investor 2 (Tolstoyan) made him reluctant to allow such mobility in his own working environment; viewing the labour force as needing control and correction, opportunities were often withheld:

I think it’s harder to find the top level Russians that can coordinate things, rather than the lower level...The lower level is just about general discipline. (I2 Tolstoyan)

6.4.2.3 Management Styles

The interview process revealed that even if the investors shared the same ‘Western’ views towards the labour force as Shekshnia (1994), they did not fulfil all the requirements that the author details for Western managers to shape employees, and resist ‘Sovietisation’. Specifically, whilst there was abundant evidence that Russian ‘weakness was blocked’, there was no recognition of the strengths that the labour force may have possessed, nor any attempt shown to build on these, as Shekshnia (1994) recommends. As above, investor 2 (Tolstoyan) constructed ‘glass ceilings’ for his Russian employees, and displayed clear rhetoric of prejudiced views based upon ethnic background:

In management it was difficult, but I brought in for a while an American manager, until I had to fire him because he became Russian; started taking remissions. (I2 Tolstoyan)

‘Blocking the weakness’ of the Russian worker was usually realised through attempts to control the labour force, as with the example of the removal of sociable canteens, above; the rhetoric pointed, again, to a lack of trust – and perhaps fear – driving this attitude of control. Where Steggerda and Visser (2013: 25) give examples of Dutch farmers looking towards participatory management to ‘get alongside’ their labour force – albeit maintaining “a certain distance...[and a] high level of control” – investor 1 (Lone Ranger) spoke of his
management style as “shadow leadership”; however, where ‘shadow leadership’ in the business environment refers to the positive and negative influence that, for example, a head of a company has whilst not necessarily being physically present (hence the shadow), his interpretation differed:

_We call it shadow leadership: the American is there, and the shadow is the Russian guy...I’m afraid to turn them loose._ (I1 Lone Ranger)

Given the vast discussions in the literature, detailed above, concerning the nature of salary and bonuses, it can be seen that it is beneficial for businesses to treat them with much consideration and sensitivity. Investor 2 (Tolstoyan) – rather than using monetary incentives as a motivational tool in the positive sense – targeted employees’ earnings in attempts to ‘inspire through fear’, essentially taking Clarke’s (2004: 417) “extreme step”. Under Russian law, it is illegal to fine employees and deduct from their salaries; however, investor 2 (Tolstoyan) had found ways to circumvent these laws by utilising bonus systems. Claiming that “I’ve got people who have worked for me for fifteen years, so it _must_ [motivate] _somewhere_” (I2 Tolstoyan), he described how he opted to pay the legal minimum wage, and had the remainder of the pay available through bonuses; where employees did not perform acceptably, bonuses were withheld whilst satisfying the law:

_We give them a thousand rubles to meet the law, and then…we say, ‘your salary, you should be getting twenty three thousand/thirty thousand rubles this month; you’ve only got eight because here…you didn’t get your bonus._ (I2 Tolstoyan)

Interestingly, investor 2 (Tolstoyan) held that he was not penalising employees, and that the outcome was firmly the responsibility of the Russian worker: “you _didn’t_ get your bonus, _not that you were penalised_” (I2 Tolstoyan). This practice was an adaptive strategy on the behalf of investor 2 (Tolstoyan) that he claimed was to counter low motivation amongst his workforce, and something that he believed had worked; however, this paper must indicate that mechanisms such as these in a buyers’ market do create opportunities and the potential for exploitative behaviour to surface – intended or otherwise – especially amongst the vagueness of Russian employment legislation that allows for such systems to occur in the first place.

As above, concerning Linz’s (2004) job security as a motivational tool for the labour force, again, the investors showed that they had opted for ‘inspiration through fear’. For members of the labour force whose loyalty could not be attained, or who were deemed problematic, solutions were found in avoiding Russian employment from the outset – “[Preferred employees are] Tajiks and Uzbeks [as] there’s no Russian that works;…there’s no mechanism for motivating them, and they just _don’t_ care” (I1 Lone Ranger) – or entirely dispensing with their services:
Farming, basically, I think, is more social than setting up a car factory. You know, communism, socialism, thinking of the masses; what employs the masses? [On firing half of the work force]...Well that’s efficiency; that’s management. (I2 Tolstoyan)

Investor 2 (Tolstoyan) recognised that “the good thing is, there aren’t that many other places to work,...so either people adapt, and we pay them a lot more,...or they can be lazy, and get ten [thousand roubles]”; this rhetoric spoke of a distinct power imbalance that could be utilised by the investors in their dealings with the labour force, offering a ‘motivational mechanism’ that’s definition encompassed more than simply that of job security and bonus consequences, but presented an alternative to employees in their current system more accurately described as ‘eternal unemployment’. The sustenance of this mechanism seemed to be connected to the opinion of investor 2 (Tolstoyan) that “I’m the owner, I can do whatever I like”; unchecked, this attitude led to his use – and admittance – of illegal workplace practices:

Their salaries were reduced by the number of hours they worked, and some people didn’t like the fact that they had to work...I said, ‘well sorry, we work twelve hour shifts here’...And our farm today, according to the labour laws of Russia, is not working legally because they should only work thirty five hours a week or something. Our workers work twelve hours a day. (I2 Tolstoyan)

Lastly, the investors gave examples of ambiguously intentioned management techniques that they employed. Investor 2 (Tolstoyan) described how in the rural countryside “we try to run a – it’s almost like a feudal type – system: we birth and we bury them”, and although he claimed that this was in aid of creating a sense of “community”, he admitted that “seriously,...people have worked with me for twenty years because when they’re ill, they know we will help them financially at home; when they have problems with their granddad, and when they bury their dad, we give them [money]”; this type of endeavour could be an imitation or continuation of common practices under the Soviet kolkhozy. Investor 1 (Lone Ranger) has also demonstrated philanthropic tendencies by sponsoring seven of his employees’ children through US universities, and aiding them with US passport applications, but overtly acknowledges that this was to buy “a whole lot of loyalty”.

6.4.3 Adaptation on the Frontier

In evaluating the narratives of the investors, it is interesting to ponder over the stories that they shared, and whether they could have had an impact on the reasons for their chosen identities. Investor 3 (Protean) may have been shaped by his initial experiences with the Russian consultant “bandit who robbed me”, and this could have affected his choice to withhold from full-integration into Russian culture, and maintain his expatriate status. Both
investors 2 (Tolstoyan) and 3 (Protean) married Russian women, and this may well also be a fundamental cause for their (partial) adoption of perceived Russian culture and values. Putin cut through the ‘Orthodox performance’ of investor 2 (Tolstoyan) on live television with his “cherchez la femme” comment, and discarded the identity of investor 2 (Tolstoyan) as secondary to that of wanting a Russian woman; one does wonder at this issue’s centrality to identity for both investors 2 (Tolstoyan) and 3 (Protean), and whether there is a desire for legitimisation and disassociation from accusations of this sort.

For investor 1 (Lone Ranger), his choice to maintain as an ‘outsider’ may have had to do with the identity of Russia that he had constructed. S. Taylor (2010: 11) writes of how “the identity of the area can also make people feel that they do not belong...[and that] perhaps the ultimate marker of not belonging is physical danger”. As such, investor 1 (Lone Ranger) gave numerous examples of violence:

\[I've \text{ been shot at, you know, a couple of times...I was out trying to repossess a piece of equipment I had given the guy, and the guy came up behind me, and he called his mafia friends, and they stood on the side of the field and took a shot...And I punched the guy out. Said, 'If you’re going to scare me, you’re gonna die right here with me'. (I1 Lone Ranger)\]

This is significant when considering S. Taylor’s (2010: 132) assertions that where “the research of Amy Chasteen (1994)...suggested that a feeling of safety involves not feeling ‘out of place’, I suggested...a threat to personal safety is a reminder that one is out of place”.

However, this paper positions that the identity constructions of these investors are heavily affected by the Russian environment, and are, thus, a result of adaptive processes on the Russian ‘frontier’. Jackson Turner, in his 1893 environmental theory of the American frontier, believed that the “availability of free land and an ever-receding frontier” in nineteenth Century America acted as a “magnet to draw men westward, attracted by the hope of economic gain or adventure”; although his theory has been contested (Billington, 1958: 86-87), the investors as part of the Russian “land rush” (Visser et al., 2012: 909) – may well be a ‘truer’ realisation of his hypothesis. The assumption of free land as the only ‘drawing’ factor, however, is limiting – especially given that two of the investors have married Russian women – but certainly, it has been an enabling feature.

The ‘frontier mentality’, as defined in the literature, is typified by a “distinctive brand of individualism,...[a] dislike of governmental interference in economic functions,...[and a desire for] no hindrance from society as...[one] exploit[s] nature's riches” (Billington, 1958: 86). As such, the investors have sought freedoms on the Russian frontier: financial freedom, freedom from the authorities, integrative freedoms, and freedoms for their families. However, to varying degrees, these freedoms have not been achieved or experienced, and the investors have, largely, failed. To justify these failings, the investors have adopted narratives, which themselves construct identity, and these have grown from their
interactions in the Russian environment. Pallot and Katz (2017: 30), describing how women relatives of prisoners in Russia are faced with a “task...to convince themselves, people close to them and society at large that they are not themselves also delinquent”, write that the women have to provide “satisfactory explanation[s]...to protect themselves against [this] courtesy stigma”. In the same vein, the investors have to protect themselves from ‘failure stigma’, and in doing so, have created narratives and performances that legitimise the reasons for their failures.

Investors 2 (Tolstoyan) and 3 (Protean) spoke of a lack of financial freedom: the latter claimed that he had been “robbed”, and had consequently lost the commercial backing for his IPO; and the former asserted that his farming venture “lost a lot of money”, with the farm eventually being placed on the market. Likewise, investor 2 (Tolstoyan) explained, “I would like my kids to take over”, and also linked this failure to his financial difficulties: “If my son stayed with his dairy farming, I would be making money”. Investor 2 (Tolstoyan) had not accomplished the freedoms for his family that he was initially hoping for, and lamented his children for this disappointment: “All the money I pay in salary at the moment would go into my son’s pocket, he would be quite well off, but he doesn’t want to get into farming”. None of his five children wanted to assume the family business, nor live in the remote Russian countryside, and, indeed, he spoke of one of his daughters “escaping” to live in the UK.

As above, the investors claimed that they had not experienced freedom from governmental interference, and further, their narratives described how they had not attained certain integrative freedoms into society, such as that depicted by the account of investor 1 (Lone Ranger) in which he was shot at; for him, this lack of integration cemented his feelings as an ‘outsider’, and resulted in his adoption of ‘Hollywood Wild West’ behaviour:

The best thing I’ve ever done is be a partner with a Chechen guy...They’re scared of me now because they know [if] they do something wrong, I’ll make a phone call and a guy come and visit you...I don’t [actually use the Chechens], just the threat of it. (I1 Lone Ranger)

6.5 Conclusion

6.5.1 ‘Undoing Identity’

There is a distinct narrative and performance spectrum that the investors are situated on, and one that has some interesting characteristics; although not all smaller foreign investors in Russia will necessarily occupy the same positions on the spectrum as the three investors in this paper, they will nonetheless occupy the space largely defined between investors 1 (Lone Ranger) and 2 (Tolstoyan). Visibility seems oscillatory on the spectrum, with investors 1 (Lone Ranger) and 2 (Tolstoyan) at either pole discernible through dress, image, and their
choice of stage upon which they perform, and investor 3 (Protean) fluidly ‘shape-shifting’ discreetly in his occupation of the middle ground; moreover these poles are separated by notions of the ‘outsider’ and the ‘native’, with the centre alluding to neither.

The nature of each investor’s categorisation affected how they sought to interact, and maintain relationships with regional authorities. Investor 2 (Tolstoyan) focused on acceptance, and endeavoured to appear Russian, adopting traditional Orthodox imagery to support his religious beliefs, and hinging trust and the maintenance of relationships with regional authorities on the hope of being recognised as someone who has internalised Russian (or Communist) culture. He did not choose ambiguity in intangible gifts, and openly communicated that reciprocity was expected; this could – under Steidlmeier’s (1999: 127) analysis – be interpreted as bribery. Further, he embraced the use of physical gifts, and although he acknowledged that this is viewed as a corrupt practice in Western culture, investor 2 (Tolstoyan) regarded this as a process of embedding into Russian values of gift-giving. Investor 1 (Lone Ranger) contrasted this, sustained his appearance as an American ‘outsider’, and built his relationships with regional authorities whilst reserving trust. Although he maintained ambiguity with both tangible and intangible gifts, he did not make explicit a request for reciprocity, and was conscious of the laws governing his home nationality, avoiding giving physical gifts in the process. Investor 3 (Protean) navigated the extremes between the two, but seemed closer to investor 1 (Lone Ranger) in his approach to maintaining relationships and gift-giving.

However, despite these efforts to construct identity, the narratives of the investors betrayed themselves in certain aspects, and there were elements of ‘undoing’ in the identity process. Firstly, the research has shown that prejudgment of the labour force existed amongst all the investors, with associated negative notions of trust, inefficiency, laziness, morality, and sexual deviancy. The investors assumed Russian labour to drink and steal, and thought of them as in need of ‘Westernisation’. The investors moved to ‘block Russian weakness’, using bonuses, salaries, and job security to ‘inspire through fear’, rather than focusing on more positive methods to motivate Russian labour; especially for investor 2 (Tolstoyan), this is problematic as he showed a distinct lack of understanding of Russian (and Soviet-rooted) culture – causing friction with his attempts to appear Russian – and an absence in recognition of non-monetary motivational tools that could have formed a progressive approach towards Russian labour.

Further, whereas the identity of investor 1 (Lone Ranger) as an ‘outsider’ seemed rigid and unmoving, the extension of identity to his farm did not follow, and indeed, all the investors modified the identity of their farms to appear Russian, utilising the loophole in land ownership laws. This is, admittedly, understandable – as leasing land as a foreign investor would bring inconveniences – but is an interesting point given that the identity construction of investor 1 (Lone Ranger) was fought and defended through interactions with regional
government, the court system, and his labour force, but was not extended holistically to the central theme running throughout those clashes: his farms.

Navigating a fluidic existence, curiously, the identity of investor 3 (Protean) cannot be ‘undone’; his identity construction allowed him to ‘pick and choose’ which approach he wished to take with respects to the Russian environment, and which lens he wished to be viewed through. For investor 2 (Tolstoyan), however, his nationality during the interview process became quite a contradiction: at times he would speak of his frustration at how the Russians did not treat him as one of their own; at other times he would talk of his “ace card” of being a foreigner, which he could use in official dealings with Russians as “the Russians have great respect for the foreigner”; and yet at others, he would purposely separate himself from the ‘culture of Russia’ that he did not approve of, especially that of the Russian labour force. Part of his identity construction – of alluding to success and indulgence by regularly frequenting a five-star hotel, and making himself visible to his business and social circles – also seemed to conflict with his business and financial affairs that were forcing him to sell his farm.

6.5.2 The Future

It is poignant to return to the question of ‘is there really a future now for smaller foreign investors in Russia?’. It is, ultimately, too early to surmise; the Putin administration is focusing on larger-scale agriculture in favour of smaller private farms, yet these companies are closing the yield gap with larger agroholdings (Visser et al., 2014: 1596), which evidences some resilience in the sector. As well, even though smaller foreign investors lack some beneficial corporate operational structures – which raises its own operational difficulties – the narratives of the investors in this paper have suggested that a lack of corporate structure may in fact aid adjustment and navigation, especially where smaller foreign investors can be afforded more freedom and flexibility in their methods of relationship building than their corporate counterparts. In the aftermath of the annexation of Crimea, foreign investors in the agricultural sector stand to potentially benefit if they can ride the turbulence of the current Russian recession: a national policy of import substitution, coupled with a social desire for domestically produced food, will inevitably increase demand.

It is evident, though, that the smaller foreign investors – the foreign versions of the krestyansko-fermerskiye khoziaistva – lie within an uneasy space between the heavily regulated large farm enterprises that are too regulated to afford the same fluidity in their navigation – yet may have access to capital and resources that afford concessions or influence in the legal system – and the personal household plots of the rural population that are an effectively unregulated component of Russian agriculture. In order for foreign investors of a more ‘medium’ size to be attracted to Russia, the Russian state must improve
the secure legal and practical environment; if it fails to do this, then Russia may well only remain attractive for those similar to the conflicted investors described in this paper, or those who are prepared to take larger, more dangerous risks.
7. The Sinking of the Armada: Problems for the Three ‘Flagship’ Foreign Investment Agroholdings in Russia and Ukraine

Journal: Europe-Asia Studies
Submitted for publication: 7th June 2017
Status: Under Peer Review
Authorship: This was a joint authorship with Dr. Brian Kuns, Stockholm University.

7.1 Abstract
This paper examines factors that have impacted the recent divestment of three flagship Nordic investors from the Russian agricultural sector. Factors include corruption, pressure from regional administrations, and the economic downswing arising from geopolitical tensions related to the Russian annexation of Crimea. The companies all sought to project calm as geopolitical tensions rose. This calm, however, belied a concern for the impact of the crisis on corporate operations. While the geopolitical crisis affected the companies, all the companies had been experiencing prior difficulties, and it is argued that the Crimean crisis was only one factor, among others, leading to the divestments.

7.2 Introduction
Building upon the work of Kuns et al. (2016: 213) on foreign agroholdings, or very large-scale farm corporate farm operations, in Russia and Ukraine, this paper looks to identify the ‘external’ factors that have impacted upon the decisions of three ‘flagship’ foreign agroholdings – Agrokultura, Agromino, and Black Earth Farming (BEF) – to either partially or wholly divest, or dismantle their operations. Kuns et al. (2016: 213) analysed the consequences of “the involvement of (stock-market) finance in farming companies”, and how this altered company strategy – in essence, ‘internal’ factors – and the aim of this study is to draw attention to the way in which the external factors have impacted upon company strategy in unexpected and unforeseen ways.

The external factors broadly under study are that of corruption and theft, regional governmental pressure, and the crisis borne out of Russia’s annexation of Crimea. Of interest are the perceptions of corruption that the companies under study claim to have
experienced, and to which environment – formal or informal – the corruption relates to; exposure to this phenomenon is expected in the Russian and Ukrainian spheres given that corruption is more common in “emerging economies because of weaknesses in institutional infrastructures” (Keig et al., 2015: 95). Regional governmental pressure is also under focus given its indication by smaller foreign investors in the Russian region (Lander, 2017: 12), and its existence in Ukrainian administration desires for livestock production (Allina-Pisano, 2007: 115-116). Lastly, as the research of Kuns et al. (2016: 200) “pre-dates” the tensions surrounding the ongoing conflict and accompanying economic crisis in Russia and Ukraine, this paper looks to map the responses of the companies to the developing turmoil, and to highlight the severity of its role in shaping their performance.

This paper is organised as follows: firstly the nature of the three flagship companies is discussed, as well as the problems that they have experienced; then the methodology describing the expansive multi-sited approach to the research is detailed; subsequently the findings are presented under the three sub-headings of the external factors; and lastly the role, and cost implications, that these factors had in ‘sinking the armada’ of these flagships is discussed, and the conclusions argued.

7.2.1 The Problems of the Flagships

There has been much focus amongst academia and the media on the operations of foreign “major publically listed pure-play farmland companies” in Russia and Ukraine: mainly Alpcot Agro, Trigon Agri, and BEF (Luyt, 2013: 46), with recent research including a focus on a fourth company, Grain Alliance AB (Kuns et al., 2016: 200). The first three companies – the subjects of this paper – after various divestments, and takeovers, are now named Agrokultura, Agromino, and Black Earth Farming (BEF) respectively, and, for simplicity’s sake, shall be referred as such henceforth. BEF, in particular, has received much coverage in the Western press as the flagship example of foreign investment in Russian agriculture (Bloomberg, 2009; Institutional Investor, 2009; Reuters, 2008). Yet, these companies have all experienced difficulties; their businesses have been “unprofitable” (Visser et al., 2014: 1600), and their overall performances have been described as “disappointing” (Kuns et al., 2016: 200).

In-depth analysis of these companies has mapped their inception in the mid to late 2000s up until the present day, and highlighted factors that have changed and altered the companies’ strategies (Kuns et al., 2016; Visser et al., 2014). BEF was formed in 2005, and in 2006, two major Swedish investors – Kinnevik and Vostok Nafta – “bought into and together took over the company at a very early stage of its development” (Kuns et al., 2016: 204).

Whilst agricultural-related investments had historically constituted a small, but stable, part of Kinnevik’s portfolio, its main focus in recent years has been fashion, internet commerce,
telecommunications, and media, and the investment in BEF thus represented a significant expansion into agriculture; Vostok Nafta – which had previously focused its investments in Russian oil and gas – had no prior experience whatsoever in agriculture (Ibid.: 204). Vostok Nafta exited the company in 2013; according to Affärsvarlden (2017), “the Lundin family had...gotten tired of Russia,...[and] the family sold Vostok Nafta to the American fund Luxor, which...did not have any interest for agriculture”. The core ‘pure-play’ focus of BEF was on “arable crop production, cultivating cereals and oil-seed crops” (Kuns et al., 2016: 203) in the Russian regions of Voronezh, Tambov, Lipetsk and Kursk, and at its height during 2009, the company owned 330,000 ha of land (Black Earth Farming, 2010: 3).

Alpcot Agro was founded in 2006 by its main investor Alpcot Capital Management that had venture capital experience in Eastern Europe (Kuns et al., 2016: 204). In 2014, it changed name to Agrokultura, and took over British-owned Landkom that owned “70,000 ha in Ukraine” as part of a “corporate buy-out in 2011-2012” (Ibid.: 207). The company focused on pure-play in thirteen regions across Russia and Ukraine – including in the same four Russian regions as BEF – and during 2012, when it reached its peak land, owned or leased 254,000 ha of agricultural territory (Alpcot Agro, 2013: 4). Trigon Agri was founded in 2006 by its main investor Trigon Capital that had a “portfolio including real-estate assets and a home-gardening company in the Baltic countries, [and] had also earlier invested in the dairy sector in Estonia” (Kuns et al., 2016: 204). In 2017, the company changed its name to Agromino (Trigon Agri, 2017a). The company focused on pure-play in five regions across Russia and Ukraine, and during its peak of 2011, owned or leased 176,891 ha of land10 (Trigon Agri, 2012: 8).

There has been an academic inclination to treat agricultural investments as “either productive or speculative” (Fairbairn, 2014: 786), viewing a dichotomy between where investing companies see value: in the appreciation of the land price over time, or in the potential that the land has to produce profit-making yields. In business terms, the former is thought of as an ‘asset play’, and the latter a ‘yield play’; and yet, in reality, these two are less of a dichotomy, and are instead interwoven (Kuns et al., 2016: 201-202).

Initially, the three companies “believed that speculating on rising land values and pursuing a strategy of agricultural production were compatible” (Ibid.: 200), and embarked on ‘own-operate’ (in the case of Russia) or ‘lease-operate’ (in the case of Ukraine) investment models that “while still interested in returns from rising land values, also ha[d] a longer-term interest in profits from production” (Ibid.: 202). Though the companies believed that profit would be generated through the combination of asset and yield plays, there was evidence that the investors providing the money behind these companies were “primarily interested in land speculation, i.e. an asset play” (Ibid.: 205). The asset play strategy appeared to work

10 Note that, in 2011, Agromino conducted ‘pure-play’ agriculture across five regions in Russia and Ukraine. It also had dairy operations in the Pskov oblast of Russia, and a dairy operation in Estonia; thus, the total land area of 176,891 ha includes the 5,407 ha of dairy assets.
in the early years of the companies’ operations, as share prices generally rose (Ibid.: 205), following trends in increasing land prices (Visser and Spoor, 2011: 307). However, as grain prices decreased in 2008, coupled with the effects of the global financial crisis, land prices – especially in Russia – remained stationary, causing negative effects on the companies’ share values; despite this “even after the collapse in the value of the shares, the broad class of investors remain[ed] primarily interested in making an asset play” (Kuns et al., 2016: 205).

The biased focus on the asset play had an important role in shaping the companies’ early strategy, with much focus given to land accumulation. The press (Agrimoney, 2013; Institutional Investor, 2009), and academia (Visser et al., 2012; Visser and Spoor, 2011; Visser et al., 2014) have placed this land accumulation strategy under the adverse description – however ‘loaded’ – of “land grabbing”: “Due to the opaque nature of the land transactions, the minimal or lack of compensation provided to land shareholders, and speculative motives to acquire large tracks of land,....which characterise a substantial part of the land deals in the process of land concentration, they can be classified as ‘land grabbing’” (Visser et al., 2014: 1590). Farm land in Russia was expected to rise from $600-$800 per hectare to “the prevailing Brazilian market level” of $3500 per hectare (Luyt, 2013: 20), and so these three companies – as well as others in the industry sector – embarked on accumulation on a grand scale, and across various and differing geographies within Russia and Ukraine, “rushing to buy up as much land as possible while it was seen to be cheap” (Kuns et al., 2016: 213). As well as this ‘land grab’ factor, the geographical diversification was partly driven by a perceived need to implement “weather hedging, which is the geographic dispersion of land holdings such that poor weather in one area can be offset by more favorable weather on holdings elsewhere” (Ibid.: 209); however, the companies eventually resigned themselves to the fact that weather hedging had been a “suboptimal” strategy (Ibid.: 211).

The fast and frantic nature of the land accumulation strategy led to an asset portfolio of “large and dispersed landholdings” that was challenging and problematic to oversee, especially from a logistical point of view (Ibid.: 213). Land prices did not increase in value as expected, due to a sustaining excess of farm land in Russia’s Black Earth region (Visser, 2017: 194), and did not “live[] up to the exuberant initial predictions that land...would increase by 50 to 70% annually” (Kuns et al., 2016: 209). As the “land speculation bubble burst in 2008”, the failing success of the asset-play foregrounded yield-play as a possible solution to the companies’ continuing difficulties (Ibid.: 208); the companies’ strategy, thus, altered quite dramatically as land accumulation rates slowed, and the firms began to “shrink[], consolidate[e] and geographically shift[] their land banks so that, as one [company]...put it: ‘the land isn’t spread out over half of Russia’” (Ibid.: 211). In general, companies tended to shift from drier regions towards ones with more rainfall, sometimes “selling to, or swapping assets with, other companies” (Ibid.: 205-211) – Russian, Ukrainian, and foreign alike – as they looked for ways of “shrink[ing] to victory” (Agrimoney, 2014) to
control their logistical problems, and generate profits through an enhanced focus on production and yield-play (Kuns et al., 2016: 213).

The yield-play strategy, though, was not without its problems either: “the ratio of cultivated land to uncultivated land was slow to rise, [and] only four to five years after initial investment were the public companies cultivating half of their holdings” (Ibid.: 205). BEF had most of the success, and did achieve “much of their holding under cultivation”, but “Trigon Agri [now Agromino] and Agrokultura (before delisting) never cultivated more than half of their maximum area” (Ibid.: 205). As well, whilst yields for crops – such as sunflower and maize – did follow general yield improvements across Russia and Ukraine, the predication of BEF that the wheat yield would increase fell significantly short of the company’s promise of 200 percent (Lindstedt, 2008: 226; SvD Näringsliv, 2008), and 300 percent (Lindstedt, 2008: 181) yield increases on post-Soviet averages; this was, likewise, the case for the other companies (Kuns et al., 2016: 209-210).

As is described in more detail, below, the companies’ Russian operations have now largely been sold – or are in the process of being sold – to Russian businesses. In early 2017, BEF announced that it was being bought by Volgo-DonSelkhozInvest (Agweb, 2017), a company that is “owned by the Kukura family, which is best known for its links to oil and gas giant Lukoil” (Agrimoney, 2017). The now defunct Agrokultura was bought by Prodimex in 2014 – a sugar refiner that is one of the largest privately-owned Russian agroholdings (Vedomosti, 2014) – that then engaged in a land swap deal with a large Ukrainian agroholding, Mironivsky Hliboproduct (MHP): in exchange for all of Prodimex’s Ukrainian land, MHP swapped all of its Russian land (Kommersant, 2015), and so the original land assets of Agrokultura are now essentially split between two companies, across the two countries.

Agromino (then known as Trigon Agri) sold its Rostov cluster in late 2015, retaining only its dairy operation in the Pskov oblast, close to, and serving, the St. Petersburg market; although the company, thus, does still own land in Russia, it has classified this dairy farm as a non-core operation, meaning that it has sought to sell it. The purchaser of the Agromino’s Rostov cluster was a Cypriot company that, until this day, remains impossible to identify beyond the name of “Ellania Business Inc.” (Vedomosti, 2015); indeed Vedomosti (2015) states that nothing is known about the company, and there was no such company in the Commercial Register of Cyprus at the time of the purchase. Although Ellania Business Inc. appears Cypriot, conjecture can be made that it is, instead, Russian in nature, due the tens of billions of dollars of “Russian money in Cypriot bank accounts”, and the large amounts of money – the ratings agency Moody’s estimated $40 billion in 2013 – that “has been loaned to Russian companies based in Cyprus” (BBC News, 2013c). As Dmitrii Rylko, General Director of The Institute for Agricultural Market Studies (IKAR), in an interview with AgroPortal (2016) stated on Cypriot investment in general:

We don’t consider them foreign. They are of course Russian citizens. Otherwise, half of the agroholdings would be foreign.

191
7.3 Methodology

The companies possess attributes that can distinguish them from other forms of foreign agricultural investment in Russia and Ukraine. All are, or have been, publically traded, and as a result, have been required to consistently publish corporate information – detailing financial and operational details – in the form of publically available reports. Each company originally had in place a management agreement with its respective main investor, such that their highest ranking manager – the Chief Executive Officer (CEO) – was provided by the main investor; these CEOs have been ex-patriots, and are not of Russian ethnicity. The companies’ core focus has been on non-vertically integrated “pure-play” (Luyt, 2013: 35) or “broad-acre” (Byerlee et al., 2012) production, and all operate on vast amounts of land; these companies are, therefore, large players in the agricultural sphere.

The three companies come from a group of nine publically-listed firms that all share(d) these characteristics, and have invested in the Russian and Ukrainian agricultural sectors; today, only six of these firms are still in operation, with four having either been liquidated and/or sold, or absorbed by other members of the group as a result of corporate takeovers. As such, the three companies that we researched for this paper represent a mix of former and current organisations; as Kuns et al. (2016: 203) state, “this is a dynamic sector with companies regularly appearing, merging and disappearing”.

This paper is a collaboration between two research efforts on agricultural foreign investment, with the first author having focused specifically on a range of foreign investors in Russia, and the second author – as part of a broader team – having focused on publically-funded foreign investors operating in both the Russian and Ukrainian spheres. The combined effort thus consisted of: a series of interviews between 2014 and 2016 with representatives of BEF, both inside and outside of Russia; and a series of interviews between 2014 and 2015 with representatives of the other two companies, with one interview taking place in Ukraine whilst the rest were held in Sweden or Estonia. We compared these interviews to the discourse contained in each of the companies’ publically available corporate documents, transcripts of quarterly results presentations, and audio recordings of shareholder telephone conferences. Additionally, the heads of two Russian consultancy firms – who were employed by the three companies, and advised on issues of the operating environment, and the effects of the crisis surrounding the annexation of Crimea – have been interviewed, and shareholder meetings (taking place in Stockholm or Copenhagen) of the three companies have been attended, first in 2009, but then later more regularly between 2013 and the time of writing this paper in March 2017. Lastly, we have used newspapers and other media sources to report the divestments and takeovers of the companies, as – given that some of these developments are very new – they have not yet entered into the academic literature. We have, thus, utilised an expansive multi-sited
Approach (Marcus, 1995, 1999) that has combined information from extensive primary and secondary sources, and has employed the use of multiple methods (Philip, 1998).

Together, in total, we have interviewed six members of the senior management teams of the three companies to provide insight into corporate operations and experiences. These interviews have consisted of (at the time of the research): one former senior manager of Agromino; one current, and one former senior manager of BEF; and one current, and one former senior manager, and one former board member of Agrokultura. Five of the senior managers were male, and one was female; all where white, non-Russian, and of ‘Western’ origin from Europe and the US. The interviewed heads of the two consultancy firms were also white, male, but of non-’Western’ origin: one was African, and the other was Russian.

Following from Rose (1997: 305), and Kitchin and Tate (2000: 213), we undertook a qualitative approach to the research by interviewing the participants in an in-depth, semi-structured format. Where possible, these interviews were conducted ‘in the field’ of each interviewee’s own office, or, in the case of the senior managers, in the arable growing fields of their crops; however, one interview was conducted with a senior manager in a hotel after a shareholder meeting, and two others were conducted over Skype, though the senior managers were in their offices at the time. These yielded over 16 hours of audio recorded interview data that was coded to reveal the principal strands running through the interviewees’ discourses.

As conditions set by stock markets require publically traded companies to reveal and publish certain aspects of their businesses, which results in greater (financial) transparency than that found with private companies, we were mindful that corporate documents of the three public companies “constitute an important, and as yet underutilized, source of information about large-scale agriculture in the former Soviet Union”, as indicated in previous research (Kuns et al., 2016: 202). Likewise, research that was conducted by the second author at eight shareholder meetings between 2009 and 2017 was also an important source, and, whilst the information divulged there did not differ greatly from the publically available corporate documents, it did allow for ethnographic observation, and opportunities to approach potential interviewees. To gain access to these shareholder meetings for research purposes, it was necessary to acquire a minimal amount of shares in each company, and as such, the second author now owns a small amount in BEF and Agromino, with the Agrokultura shares sold upon the company’s divestment in 2014; the shares are by no means a significant amount that would present a conflict of interest to the research.

Though we – and others – have applied qualitative techniques with great success to previous research on foreign investors in the Russian and Ukrainian environments (for example, see Kuns et al. (2016), Lander (2016, 2017), and Visser et al. (2012)), we must note caution with both the interview and corporate document sources; reality can be altered by interviewees, and corporate documents can “contain sources of error and discursive blind spots” (Kuns et al., 2016: 202). As such, this paper is not interested in the ‘facts’ of the
sources – especially where opinions of Russian and Ukrainian culture, and governmental authorities are concerned – but rather looks to situate where these companies place their concern. Further, with respect to analysing the effect of the crisis in Crimea, we look to compare the narrative strands of the interviews and the corporate documents, to identify whether there are, indeed, discursive blind spots, and to highlight whether differing ‘reporting environments’ can result in variance amongst the comments of the companies; that is to say, to highlight possible differences in how a company chooses to comment ‘officially’ to the public, and anonymously to us as researchers.

For a number of reasons, we have chosen to anonymise the identities of the interviewees: firstly, this was naturally included as part of informed consent; and secondly, given the tough and complex business environment of Russia and Ukraine, this was felt prudent. As such, rather than labelling each consultant and senior manager throughout the analysis section, we have classified direct quotes by company, or consultancy. Further, although we have used quotes from shareholder meetings in the analysis, we have anonymised the identity of the related companies; shareholder meetings are semi-public gatherings, where even journalists are often in attendance, but since those present were not aware that they were being observed, we felt it correct and proper to refrain from identifying them in the research.

Lastly, it is important to consider the representativeness of the researched companies; although researching three companies seems to indicate a relatively small sample size, it must be remembered that there are only six public ‘pure-play’ companies remaining from an original nine. Though our research findings cannot be broadly applied to all foreign investors of this nature in Russia and Ukraine, they do offer an indication into the challenges that foreign investment faces in the region, and the adaptive processes that the companies may choose to employ.

7.4 Analysis

7.4.1 Navigating Corruption and Theft

Evaluations of corruption are incredibly rehearsed in academia, and often details the “use” (Keig et al., 2015: 93) or “abuse” (Branco and Delgado, 2012: 359) of power and public trust to the advantage of the private sector; however, it is widely recognised that corruption can also be “experienced, observed, or perceived...in the day-to-day lives of ordinary citizens” (Keig et al., 2015: 93). Unsurprisingly, general academic opinion of corruption is negative, with a vast literature highlighting its evolution under the umbrellas of globalisation, and trade and investment (Osuji, 2011: 43), and how it “undermines business success but also contributes to poverty, inequality, crime, and insecurity” (Branco and Delgado, 2012: 363).
Its foregrounding at the centre of business concerns, though, has been a relatively new development: Branco and Delgado (2012: 357) highlight an Organisation for Economic Co-operation and Development (OECD) report in the early 2000s that claims that only 23 percent of corporate codes of conduct discussed bribery and corruption, and further show how Global Reporting Initiative (GRI), UN Global Compact (UNGC), and FTSE4Good criteria guidelines aimed at tackling the phenomenon only began to appear in the same decade. This could, in part, be a result of “some kind of ethical justification for corrupt actions”, which does appear in some spheres of academia, and contradicts the status quo: here, morality and corruption can be detached from one another, especially in, for instance, countries where corruption is widespread and considered the norm, thus rendering corruption as a form of “competitive requirement” (Ibid.: 360).

There is a distinct difference between formal and informal corruption, with the former usually being enacted by individuals in positions of power within both the public and private sectors – for example, within governmental and corporate organisations – and the latter being expressed “within the everyday experiences, observations, and perceptions of individual citizens” outside of these official levels (Keig et al., 2015: 94-96). The formal corruption environment, thus, involves corrupt actions “that originate[] from powerful high-level individuals within formal institutions” (Ibid.: 94), and the informal corruption environment consists of the “socio-cultural nature of corruption…[with the] essence of corruption…[being] found in its social and cultural foundations” (Ibid.: 96). It is interesting to note that firms functioning in either, or both, of these two corruption environments, not only are more likely to encounter corruption, but also stand a higher probability of participating in corrupt conduct (Ibid.: 94-97). It is important to note that the formal and informal corruption environments may not necessarily be disconnected from one another, due to “grey area[s]” that render differentiation challenging; examples of this include formal corruption environments within companies that have been fashioned as a result of informal, everyday corruption amongst employees, who themselves have “become socialized into the corruption to the point where they do not necessarily object to participating in it in business contexts” (Ibid.: 97).

Attention must be paid to previous research on smaller foreign investors in the Russian agricultural sector, and its recognition of academic business literature detailing the overlapping nature of culture, corruption, gift-giving, and blat\(^\text{11}\) (Lander, 2017: 1). Modern-day corruption in Russia is believed to have sprung forth from informal practices under the Soviet system – thus also relevant to the Ukrainian environment – in which corruption was a crucial mechanism for the continuing functioning of the economy (Cheloukhine and King, 2007: 108; Clark, 1993: 260); these practices, condensed under the term blat, include

\(^{11}\) Though blat is thought of as a redundant term in certain circles of academia to describe contemporary corruption in the Russian Federation, this paper agrees with the assertion of Ledeneva (2008: 134) that “to claim a decline in the use of the term, however, is not the same as to claim a decline in the practice...[blat] residues are everywhere, even in the present day”.

195
favours, agreements, connections, and exchanges (Ledeneva, 2008: 119). The study showed that smaller foreign investors had issues of trust surrounding theft by their employees – itself a ‘grey area’, with everyday corruption entering the formal domain – and that the fear of theft drove the investors to take “pre-emptive preventative steps”, including that of “near-paranoid levels of…excessive monitoring of their own workforce[s]; these steps were taken, even if there had been no experience of theft before” (Lander, 2017: 16). Explicitly in the formal corruption environment, the investors claimed that they had experienced “discrimination…[in] the business and legal environment, hampering the investors’ effectiveness of using regulatory systems”, including the court systems (*Ibid.*: 13). Lastly, as the conduct of the smaller foreign investors was revealed, in some cases, to have resembled blat (*Ibid.*: 15), the consideration of behaviour of this nature amongst employees in the companies studied for this paper – larger, corporate, and more ‘formal’ entities – is, thus, important; further, it will aid in addressing the academic literature gap that has formed as a result of a propensity to ill-recognise the links between the two corruption environments (Keig *et al.*, 2015: 109).

Through the companies’ discussion of corruption in their immediate operating environments, both the formal and informal corruption environments were alluded to. Interviewees stated that they had “experienced a fair bit” of corruption from “high-ranking political servants”, and how “a lot of the stuff they ask you to do…is not to serve public office” (Int. BEF), and this was thought to descend down to include the informal environment: “there was corruption everywhere;…there was corruption at every step unfortunately,…from the kolkhoz director and tractor driver, all the way up to the governor” (Int. Agrokultura). Indeed, corruption and illegal activity had been a concern for the companies from the outset, though the corporate literature has revealed that this was only considered on formal level, and ignored the informal; Lindstedt (2008: 64) writes how investors had quizzed BEF for “several hours asking about the Russian mafia”.

Specific examples of the formal corruption environment were varied. BEF spoke of having “problems in the early days getting railcars reliably”, stating that “there was something more at play,…[and] there were people [in politics] who agreed to try and keep…[BEF] out of that particular aspect of business”; this, apparently, was not uncommon as “there’s quite a lot of situations like that in Russia” (Int. BEF). Agrokultura also explained that it was the subject of a hostile takeover attempt by another company with a “Ukrainian crook” in charge; this individual it “thought…had political ties, and all this other stuff,…and he tried to buy off the authorities to steal everything” (Int. Agrokultura). Further, one company declared in a shareholder meeting that it felt the Russian port services to be corrupt, and to a greater extent than those in Ukraine; according to this company, the port in Novorossiysk was owned by the “girlfriend of Putin”, and controlled by Kremlin officials, resulting in high port fees, lengthy bureaucratic procedures, and a lack of transparency.
In the telephone conference of its third quarter of 2015, Agromino discussed how shortly after the completion of a land swap transaction, in which the company was divesting its land owned in the Rostov region, a “legal dispute...was drawn up against” the company by the “local operatives” (Trigon Agri, 2015a). The company felt that it had a “very strong legal case”, but because taking the dispute through the legal system would have “meant a drawn out process”, the company decided to settle (Ibid.). During the telephone conference the company explained:

I guess that it just shows that Russia is a difficult market...The reason for it is partly related to how, overall, the environment in Russia has changed, which causes...local operatives to review all possible transactions. They've been part of [that] historically, and [they] see what they can squeeze out [of] something, or push for...extra from any other counterparties. (Ibid.)

Agromino reported during the same telephone conference that this divestment of Rostov “resulted in a...write-down of over thirty million euros in our balance sheet” (Ibid.), a combination of the costs involved with settling the legal dispute, and the general economic environment created by the crisis surrounding Russia’s annexation of Crimea.

Instances that displayed the close interaction of the formal and informal corruption environments were also apparent, and companies held the belief that it was “much more of a daily war to do business out here than it [wa]s in the West” (Int. BEF):

We've had instances where we’ve had semi-criminal groups trying to put pressure on us as a company. We’ve had people putting their own people into our organisation, and trying to get in control of things like sales and marketing, or trying to sabotage aspects of our business. (Int. BEF)

The above demonstrates the possibility of Keig et al.’s (2015: 97) “grey area”, as the formal corruption environment created within the company also involved employees – “the people that let them in” (Int. BEF), who were eventually discovered by the senior management and fired – who may well have been “socialized into the corruption”.

Despite the companies fighting these examples in court, opinion – especially with BEF – was that the “judicial process [wa]s quite flawed” (Int. BEF). One interviewee claimed that it was especially problematic at the local level concerning land ownership disputes, due to the penetration in the legal system of blat behaviour and family links:

We’ve had situations where people were trying to challenge the land ownership, or some aspect to the process, and it had been set up very carefully with people inside our company with family links in the local land registration office, family links to the local court judge. (Int. BEF)
The local court, ultimately, “imposed fines, and made things operationally difficult” for the company, and so the decision was taken “to take it to the next court up” (Int. BEF). This was a time consuming process, and added to the costs of fighting corruption; the interviewee admitted, “when I was trying to straighten the company out, we spent over a million dollars in legal fees…I took the view that we would absolutely defend our interests legitimately, and we would kick out any of these bastards that thought they were going to make money out of us” (Int. BEF).

In the informal corruption environment – as with the previous studies of smaller investors (Lander, 2017) – a major contributing component was that of theft. Interviewees gave figurative examples to indicate that the general population could (and would) steal anything. As a former manager from Agrokultura put it: “If there is a saffron bun [lussebulle – traditional Swedish Christmas treat] on the table, they they’ll take it. No is watching. Quickly!” (Interview Agrokultura). Interviewees also gave specific examples of the theft of items that directly affected the businesses, especially the “crops [that] can disappear” (Int. Agromino):

Every day; it’s absolutely crazy what these people steal, and there’s so much of it going on, and you don’t see it...They’re very clever about it...It’s fuel, it’s fertilizer, it’s herbicides, it’s seeds, it’s part of the harvest; and then you’ve got the outside people – the local villagers – coming into your fields, and stealing the corn, the wheat...Our security people last year caught ten people out in the fields stealing corn. (Int. Agrokultura)

For the companies, concerns arose over the cost implications of having items stolen. One company stated in a shareholder meeting that theft was not ‘Profit and Loss’ (P&L) impactful, but this official view did not seem to be reflected amongst the interviewees. As one consultant explained, the theft of “fertilisers [had] implications on yields” (Int. Consultant), and another interviewee spoke of how as “agricultural margins are so small...[theft] hurts”, likening the effect of stealing to “dropping [profits]...from twenty percent down to maybe ten percent” (Int. Agrokultura). A further stated that “it’s like a tax on [top of] the tax;...you have to do your calculations, then do them over with twenty five percent to thirty percent, [to] take into account what people steal” (Int. Agrokultura).

As a result, the companies employed an array of preventative measures aimed at tackling theft. Companies followed traditional methods of protecting their assets – such as hiring security “guards with dogs”, and building “fort[s] where we locked all our equipment behind high walls, and barbed wire” – but also, in attempts to deter other potential thieves, looked to prosecution to help “get that word around” that the companies would use the legal systems available (Int. Agrokultura). Combined with these tactics, interestingly, companies additionally resorted to more technological approaches of theft prevention to “keep an eye” on their property (Int. Agrokultura): Global Positioning Systems (GPS) monitoring was used to track the movement of machinery, and map any unauthorised journeys, especially ones
that indicated the transfer of crops, seeds, and fertiliser from warehouses to offsite locations; and fuel monitors were installed on machinery to measure any illegal draining from the tanks. Agromino (then Trigon Agri) were presented with a Border Breaker Award by the Estonian Association of Information Technology and Telecommunications for “successfully integrating IT solutions (Telematics) with its business processes” (Trigon Agri, 2014f). Amongst other effects, this Telematics system afforded the company “transparency of production process...[and] security of fieldwork and transportation processes”, gave a “continuous overview of machinery usage, completed work and results”, and allowed for the “optimization of inputs (fuel, seeds, fertilizers, workforce, etc.)”. It is intriguing that whilst this GPS system, on the surface, appears as ‘precision agriculture’ – a farming management concept of using satellite technology to optimise crop yields – it is, in fact, everything but; its main purpose has been to monitor the labour force who were, indeed, referred to as an ‘input’ themselves.

For the interviewees, entangled amongst theft were notions of family and local links – “it’s...people buying the [stolen] spare parts; they’ll buy them from his brother, whose brother jacks up the price” – and this decided companies’ external use of security; Agrokultura “had to hire a security company from other oblasts...because [they] could not have local security companies that guard against the local population” (Int. Agrokultura). These local and familial connections were deemed to fall under the description of blat behaviour:

There’s all kinds of relationships, and friendships, and alliances with the whole law enforcing authorities, and with other local businesses, so the opportunity is rife for theft, and fraud, and collusion on a vast level. (Int. Consultant)

What is interesting is that interviewees positioned distinct cultural and ethnocentric links to the pervasiveness of theft. Suspicion of the general population was high – “they stopped...[stealing] it that way, but they’ll come up with another way; they’re clever enough” – and trust could be withheld: “I haven’t been involved in any monetary transaction – you know, a brown envelope – I can’t swear that some local employee didn’t do that; that I can’t say” (Int. Agrokultura). One consultant explained that theft is borne from the “saying in Soviet times: ‘everything is collective, everything is mine’...[that] means that you can steal something”, and another described how as local farm labourers were generally “badly paid, everyone’s on the take now, and nobody cares very much” (Int. Consultant). These opinions had, in some cases, shaped company strategy: one interviewee claimed that the “reasons why [Agrokultura]...had us Westerners here,...in key positions [was so] that we could...control thefts and kickbacks that generally occur on your purchasing and sales”, adding that “now...a Ukrainian [is] in charge of that,...that’s a concerning issue to me” (Int. Agrokultura). Specifically, “Americans, [and] foreigners” were seen to have more “trustworthiness”, and as companies could not “have Ukrainian people in charge of huge investments with the reputation that the Ukrainians have in international finance
7.4.2 Navigating Governmental Issues

7.4.2.1 Control

The interviewees explained that the regional governments, and “local administration[s] can be more of a challenge than [a] support”, and that this held “probably less in Ukraine but more in Russia” (Int. Agromino). The ‘challenge’ seemed centred on regional government “taking a position of controlling”:

‘What are you doing in terms of your operations; how?’...They would come in, they would ask...’why are you planting this and that?’... And then they will tell you that you should really plant something differently, and they would also tell you how many people you should employ, and they would tell you what you should pay as a salary...’We in these regions have been, for fifty years, doing differently: you are spoiling our land, you are trying to damage our village’. It is a big problem. (Int. Agromino)

This control was not only limited to criticism and instruction, and regional governments were also perceived to “make a lot of threats” (Int. BEF), and view the companies “as an enemy” (Int. Agromino); although there was “no legal basis” (Int. BEF) to these threats, they were, nevertheless, difficult and uncomfortable for the companies to resolve. The Agromino interviewee explained that regional governments in “both in Russia and Ukraine” posed more of a problem than the “mafia, or...with the crime” (Int. Agromino).

Interviewees seemed to accept that “this is the market” of Ukraine and Russia, and assigned a historico-cultural aspect to the behaviour of the regional governments: “these are the things which are the leftovers from Soviet period” (Int. Agromino). The issue for the companies was that “unfortunately,...especially in Russia, this local administration has a lot of power” (Int. Agromino), and appeared to follow “their own agenda”. The reasons given for this varied; the regional government was accused of attempting to “create some political popularity,...[through] trying to push [companies]...to pay more salaries to people” (Int. Agromino), whilst other examples pointed to more corrupt behaviour. One company claimed during a shareholder meeting that the local government were trying to find “leverage, or some way to get a leg up”, explaining “the Russian business landscape is what it is”.

BEF – as like Agromino, above – also became embroiled in a legal dispute during 2015 – this time with the regional authorities – as a senior manager of one of its daughter companies, Sosnovka-Agro-Invest, was entangled in an investigation of a fraudulent VAT reimbursement.
scheme (Abireg, 2015, 2016; VestiTambov, 2015). The CEO of BEF, quoted in Abireg (2016), explained that a transport company that was supplying a service to Sosnovka-Agro-Invest “went bankrupt and didn’t pay its taxes”, which resulted in the opening of the case; one consultant interviewee explained the implication was that the local tax authorities wanted to recover the debt owed by the transport company, and so “went after” its clients, including BEF. The senior manager was eventually fully acquitted, and BEF later sued Abireg for inaccurately reporting that the executives and top managers of the parent company were implicated under the investigation; the media outlet was forced to publish a retraction attached to its original article (Abireg, 2015; Vremya Voronezha, 2016). The legal case, though, had brought attention, and caused a reactionary response; at the same time, Alexei Zhuravlev, Deputy of the State Duma of the Voronezh Region, pushed for a bill to be passed at the federal level limiting the rights of foreign land ownership and leasing, though this was not necessarily prompted by the BEF case specifically (Nezavisimaya Gazeta, 2016; Vedomosti, 2016). BEF were vilified in the press as an example of foreign failures in the sector (Abireg, 2015; Moskovsky Komsomolets Voronezh, 2016; Nezavisimaya Gazeta, 2016; Vremya Voronezha, 2016), and the Chairman of the Duma Committee on Agrarian Policy, Mykola Gaponenko, when speaking specifically about BEF’s Russian subsidiary Agro-Invest, threatened through Vremya Voronezha (2016) that the authorities would look to “find out...who uses land inefficiently, or does not use it,...[as] this land w[ould] be seized and sold on a competitive basis”.

7.4.2.2 Livestock Pressure

Though post-Soviet Russia has become self-sufficient in grain production, and has since moved to become a global exporter, it has failed to reach the same heights in its meat and dairy sectors (Lander, 2017: 12). The federal government produced the Food Security Doctrine of the Russian Federation in 2010 – a “framework that outlines Russia’s objectives and goals for ensuring domestic food security” (Vassilieva and Smith, 2010: 2) – which is largely viewed as a political yearning for self-sufficiency that ignores competitor advantage, and sets “minimum production targets as the share of domestic production: 95 percent for grain, 85 percent for meat, and 90 percent for milk and dairy products” (Lander, 2017: 12). The Doctrine does not detail a “time frame or means for achieving these targets”, and instead instructs “public authorities...[to] pursue a common national economic policy...taking into consideration regional specifics” (Vassilieva and Smith, 2010: 11); previous research has indicated that smaller foreign investors in Russia felt the interpretation and implementation of the Doctrine by regional authorities had caused them problems (Lander, 2017: 12).

The focus by the Russian government, so far, has been in favour of meat production over that of grain: “the majority of the Ministry of Agriculture budget” has been spent in the meat sector, with approximately a 60 percent share in 2010 in subsidies, totalling roughly
Foreign Direct Investment in the Russian Agricultural Sector

163bn roubles ($5.8bn) (Welton, 2011: 11). Comparatively, as of 2011, less than 20 percent had been focused on grain subsidies, equating to approximately 30bn roubles ($1bn) (Ibid.: 11). The study of smaller foreign investors has shown that ‘pure-play’ businesses can feel under pressure from regional authorities to diversify into livestock and dairy production, with the authorities themselves believed to be under pressure from the federal level above (Lander, 2017: 12). The investors claimed that the “pressure was not in the legal form,...applied ex post facto after land purchases had been agreed and ratified, and without any consideration of...economic viability” (Ibid.: 12). As a result, the foreign investors clashed with the regional authorities over cultural understandings of “what exactly constitute[d] ‘private land’...[and] expectations that both parties had of each other endured in an antagonistic relationship, and indicated no sign of abating” (Ibid.: 12). In essence, the difference of opinion in notions of land ownership was borne of the ‘Western’ expectation of autonomous control over land that was purchased or leased, and the Russian view – rooted in Soviet beliefs that ‘land not used is land wasted’, “an argument that carries much emotional weight in Russia” (Pallot and Nefedova, 2007: 102) – to the contrary (Lander, 2017: 12).

It is important to note that this desire for livestock production is not solely constrained to Russia, as, indeed, the Ministry of Agrarian Policy and Food of Ukraine announced targets to "increase meat production to 3.1 million tons" by 2020 (Ministry of Agrarian Policy and Food of Ukraine, 2012), and, as shall be discussed, investors have indicated that local Ukrainian regional authorities behave in a similar fashion with respect to encouraging agroholdings to maintain and/or invest in livestock or dairy farming (for a Ukrainian example of local administration pressure to retain livestock, albeit not specifically relating to agroholdings, see Allina-Pisano (2007: 115-116)). The similar behaviour on the part of regional authorities in Russia and Ukraine on this question can partially be explained by a shared desire to boost rural employment, as livestock and dairy farming in Russia and Ukraine is labour intensive. This pressure is also indicative of a shared nostalgia for the large Soviet livestock and dairy farming complexes which, for a variety of reasons that are beyond the scope of this paper, experienced the greatest decline within the agricultural sector in both countries following the collapse of the centralised planning system in the 1990s. What is important to keep in mind is that these production complexes were immense and received considerable resources in the late Soviet period; the investments in livestock and dairy farming were, on the one hand, ineffective in terms of return on investment (N. M. Dronin and Bellinger, 2005: 279-288; Ioffe and Nefedova, 1998: 76; Medvedev, 1987: 277-280), yet, on the other hand, production of meat and milk did greatly increase over the late Soviet period, and there is evidence of greater per capital consumption of meat compared to non-socialist countries with similar per capita GDP (Sedik, 1993). Whilst many Russian agricultural experts have clear-eyed views of the economic problems of the Soviet era livestock farming complexes, these expert views, were often not – at least publically – reflected amongst decision makers, particularly at the regional and local level, where the post-Soviet collapse
of livestock and dairy farming was usually ascribed to, amongst other factors, unfair foreign competition (Ioffe et al., 2006: 41-42); this is the broader context of which foreign agroholding comments – concerning the pressure to diversify into unprofitable bovine livestock farming – are to be understood.

During the interviews, this reoccurring theme of pressure from the regional governments to diversify into livestock production was present: "the biggest part that we always have to deal with is the animals husbandry;... for the [Ukrainian] politicians, of course, is it a big thing" (Int. Agromino). Interviewees felt that this diversification was a poor business strategy across both countries as “the livestock industry is a real loser...due to the high grain prices;...it never makes a profit,...and you’re just losing money on that” (Int. Agrokultura).

One interviewee explained that “it’s widely known that we don’t like beef and dairy, [and] there’s been quite a lot of government pressure on us to do that”, and that developing a sector based on “self-sufficiency rather than competitor advantage” was challenging:

Now, for me, with a Western background – free-trade economics – that doesn’t sound too clever. One of the issues it throws up is that the Russian government is trying to encourage investment in things that you don’t have a competitor advantage in. We can’t grow a lot of grass over here compared with New Zealand, and South America, which is why it’s not easy for Russia to have global competitor advantage in beef and dairy...I don’t think that’s too wise as a federal strategy. (Int. BEF)

A consultant interviewee explained that governmental pressure was particularly pervasive in the Voronezh region of Russia, where local authorities had an “unofficial rule” (Int. Consultant) that required companies owning a certain amount of land to include bovine livestock in their business operations. An interviewee from BEF explained that this had certainly affected the company as it was faced with the “choice of: we invest heavily in livestock, and have capital tied up in loss making activities that we’d rather use elsewhere, making very poor returns and a good government relationship; or we have a less good government relationship, and we do what we wish with our capital” (Int. BEF). The company “obviously chose[...]the latter” that resulted in an “unfortunate public dispute with the Voronezh administration...[that got] a little out of hand” (Int. BEF); through “fighting” the unofficial rule, the company generated a “very bad relation with local authority...[with the] minister of agriculture...just screaming, and sending letters to Black Earth Farming: ‘you are bad farmers, you don’t have any dairy!’” (Int. Consultant). Accordingly, the Voronezh government “started imposing fines, and making things operationally difficult”, and as BEF felt that there was no “legal basis for them to do that”, the company chose to “go to court and challenge the fines, and occasionally make them aware that [it could] stand up for [itself] perfectly well” (Int. BEF). One interviewee questioned “the motives of Voronezh administration”, and stated that they thought “there [was] more to it than federal agri strategies” (Int. BEF).
7.4.3 Navigating Geopolitical Crisis

In November 2013, the then-President of Ukraine, Viktor Yanukovych, withdrew from an association agreement with the EU, seemingly under pressure from Moscow (Biersack and O’Lear, 2014: 248). Anti-government protests began in Kyiv, and intensified in clashes with governmental forces (Ibid.: 248). In February, after approximately 100 deaths, the police, hoping to reduce tensions, yielded, which in turn prompted President Yanukovych to flee Ukraine on the 21st of February, and relinquish control to a newly formed pro-EU government (Ibid.: 248). Russia perceived a danger to its interests in Ukraine, (Ibid.: 249), and on 27th February, plain uniformed soldiers appeared in Crimea, and encircled military assets, claiming their presence as a means of protecting the local (mainly ethnic Russian) population from the perceived threat of the newly-formed Ukrainian government (Ibid.: 249); these “pro-Russian forces” remained in the region to enforce a local election that led to the eventual absorption of Crimea into the Russian Federation (BBC News, 2014a).

Following the annexation of Crimea in March 2014, “the United States, European Union, and other Western countries imposed various economic sanctions on Russia, targeting the energy, banking, and defence sectors” (W. M. Liefert and Liefert, 2015: 508); Russia responded by issuing import bans on food and agricultural goods on 7th August 2014 – namely “dairy, most of the meat products, fruits and vegetables as well as fish products” – targeting imports originating from the EU, US, Norway, Canada, and Australia (Kutлина-Dimitrova, 2015: 2). The ban was originally instated for 1 year – initially affecting EU exports to the total of “€5.2 billion” (Ibid.: 4) – but was extended many times, and is now set to end on 31st December 2017 (European Commission, 2017). Through the geopolitical turmoil, Russia suffered “falling oil prices,…an unleashing recession, active involvement in various geo-political conflicts and overall deteriorating trade relations” (Fedoseeva, 2016: 11), as well as the devaluation of the ruble (Fedoseeva, 2016; Meyers and Schroeder, 2016; Shagaida, 2016).

Ukraine also experienced severe economic effects as the hryvnia depreciated further than the rouble (Dabrowki, 2016: 312-313), becoming one of the worst performing currencies of 2015 (Bloomberg, 2015a). This prompted the Ukrainian Central Bank to institute capital controls to curb hard currency losses from the country, which still remain in place today (Bloomberg, 2015b; VoxUkraine, 2016). Whilst these controls have been eased somewhat over time, their effects are still being felt: recently, Agromino was forced to agree a credit facility with its new majority shareholders to ensure working capital for the 2017 agricultural season (Trigon Agri, 2017d). Further, some Ukrainian agricultural producers have been caught between expanded though ultimately still ungenerous (from an Ukrainian standpoint) agricultural quotas under the Deep and Comprehensive Free Trade Agreement with Europe (DCFTA) – agreed as a part the Association Agreement with the EU (The New York Times, 2016) – and the Russian import ban on Ukrainian agricultural produce.
implemented in 2015 (Radio Free Europe/Radio Liberty, 2015); pure-play companies that focus on international exports, however, have been less affected by these simultaneous adjustments in trade regimes.

The turmoil, inevitably, will have affected agricultural foreign investors in the region, especially those whose operations are straddled between Russia and Ukraine, and who have their capital locked in banks targeted by the Western sanctions. Kutlina-Dimitrova (2015: 2-3) points to the fact that import bans – and wider economic sanctions in general – reduce the opportunities for foreign direct investment, as well as having adverse effects on welfare, and “redistributio nal impact[s]” on both the sanctioning and target countries (Ibid.: 15).

This paper supports the notion of Wegren (2015: 1) that “the food ban announced by President Putin in August 2014 flows from the 2010 food security doctrine...[and] also brings into focus the importance of food as a political weapon”. Petrick (2015: 1) writes that as a response to Western sanctions, “it was not by accident that the Russian administration chose the agricultural sector as an arena for import restrictions,...[and that] self-sufficiency in food has become a key political goal of the Russian government”. The geopolitical turmoil with the West was “possibly welcome[d]” by Russia, as it allowed for progress to be made on the 2010 Food Security Doctrine through a policy of import substitution (Ibid.: 1).

The reports of BEF contained an equal amount of optimism and concern regarding the crisis. When it broke, the company spoke of how “international markets remain[ed] relatively bearish” (Black Earth Farming, 2014a: 6), and how the crisis coupled with “dry conditions in the US plains” had increased international and domestic crop prices, to the benefit of the company (Black Earth Farming, 2014f: 1); however, later the company explained how it was facing a “challenging price environment” (Black Earth Farming, 2015c: 7), and how “risks and uncertainty factors...in the Company’s business environment” were predicted to increase (Black Earth Farming, 2014c: 11), a consequence of Russia’s economic recession – itself a result of low oil prices, political tension, and international sanctions – the decline in GDP (Black Earth Farming, 2017: 19), and the downgrading of Russia’s credit rating (Black Earth Farming, 2015b: 20). The depreciation of the Russian rouble was a reverse on this worsening optimism: in 2014, BEF described how the depreciation had impacted “in hard currency terms, in the value of...[its] assets” (Black Earth Farming, 2015a: 8), but by 2015, the company declared that “the weaker RUB ha[d] helped with making the company more operationally competitive” (Black Earth Farming, 2016: 8).

Ultimately, during the crisis, the reports indicated that the company seemed unable to decide whether the crisis was a positive or negative development, and repeated many times how “the impact of these developments on the future operations and financial position of the Company is at this stage difficult to determine” (Black Earth Farming, 2014a: 18; 2015a: 40). Whilst they recognised such problems as the company’s reduced access to credit for agricultural inputs from Russian state banks (Black Earth Farming, 2014a: 18; 2014d: 10), a more “difficult environment for investors” in Russia (Black Earth Farming, 2014e: 6), and the
potential of an “impact...to free trade principles” in Russia (Black Earth Farming, 2014a: 37), they also spoke of Russian import bans that would be “generally positive” for the company “as import replacement drives demand for company products” (Black Earth Farming, 2016: 40), and a “more favourable commercial environment in terms of our cost base” that convinced the company to alter its strategy by “preparing for a more rapid expansion of...[its] irrigation root crop enterprise” (Black Earth Farming, 2015d: 6); this plan to expand the company’s root crop operations, coincidentally, was stifled in 2015 by “the Polish seed bans which [was] where the majority of...[the company’s] seed was being sourced from and low water levels in one of...[the] irrigation lakes” (Black Earth Farming, 2015c: 4).

The indecision of the company is typified by such examples of describing Russian retaliation to international sanctions as having the potential to “affect the Company’s supply and marketing strategy both negatively and perhaps positively in the medium term” (Black Earth Farming, 2014b: 2), and asking investors to ignore the “wider picture”: “if you just consider, in terms of the import ban and not the wider picture, [there are] potentially some positives in the medium term” (Black Earth Farming, 2014d: 8). The most recent reports, however, seem to have resolved this uncertainty, and have stated how the operating environment generated by the crisis has had “a significant impact on the Group’s operations and financial position” (Black Earth Farming, 2017: 20).

Unlike BEF, Agromino had a distinct shift from early optimism to later concerns. There was initial apprehension surrounding the potential for conflict near the company’s operations, especially in the Kharkiv region where “a significant part” of its operations were located – Agromino explained how “it [wa]s impossible to predict how far the ambitions of Russia will go in Ukraine and whether Russia w[ould] try to invade eastern Ukraine” (Trigon Agri, 2014e: 64) – but this, ultimately, did not occur, and the company declared that the “operations on the ground ha[d] not been impacted by the military operations ongoing in Ukraine” (Trigon Agri, 2014a: 2). At the outset of the crisis, the company explained how “the Ukrainian situation, whilst it’s dramatic and continues to be dramatic, so far anyway we view it as a very positive development” (Trigon Agri, 2014d: 4).

This opinion was based on a positive assessment of the depreciation of the Ukrainian hryvnia – as the company’s domestic costs were “fixed in the hryvnia,...in euro or dollar terms, what we are seeing is a drop in our running costs” – an expected lowering of legal costs involved with fighting tax authorities who had been “impos[ing] made-up taxes on businesses in Ukraine”, a “more transparent form of governance...[that would] lower our running, consulting and legal costs quite significantly”, and “an association treaty with the EU [that] would of course be highly beneficial to the Ukrainian agricultural and food processing industries and could have a significantly positive impact on the general price environment for soft commodities in Ukraine” (Trigon Agri, 2014d: 4). The company believed that there was a “strong probability...[that the crisis would] lead to a better business environment than the one...[it] had to operate in during recent years” (Trigon Agri,
Christopher David Lander

2014c: 2), and recognised in 2014 that as the “political, economic and financial situation” had affected the access to working capital for agricultural producers – and that this could negatively affect the regional harvest – this “should be [a] positive”, as it had already secured its working capital for the 2015 season, and stood to benefit from “likely price developments” across Russia and Ukraine (Trigon Agri, 2015b: 2). Subsequently, “[Ukrainian] wheat production increased by 10 percent, which made it a record-breaking harvest”, and barley production remained largely “unchanged”; this would have, likely, dampened the price developments that the company was hoping for, although “corn production plunged by over 18 percent” (USDA GAIN Report, 2016: 1-2) which could have, somewhat, compensated.

As time progressed, though, the reports of Agromino started to shift towards more negative opinions. The company was concerned about the “impact on…[its] operations and financial position” (Trigon Agri, 2014c: 36), with the crisis recognised as having a “negative effect on supplies and export” (Trigon Agri, 2014a: 20). Interestingly, at the beginning of 2014, Trigon Agri stated that “the sharp drop in the value of the Hrivna [sic] will not impact our operating results in a major way as our income is dollar denominated…[and] about a third of our operating expenses are paid in Hrivna [sic] but they are likely to adjust fairly rapidly towards pre-crisis dollar equivalent levels” (Trigon Agri, 2014b: 2); however, by the financial reporting of the fourth quarter, Agromino admitted that it had made a net loss of “EUR 13.3 million” (Trigon Agri, 2015b: 1). This net loss included “EUR 12.3 million of non-cash currency translation losses due to the dramatic depreciation of the Rouble and Hryvna”, that could potentially recover upon stabilisation of the currencies; nevertheless, the company stated that the currency devaluation had also affected the value of its “assets measured in euros” (Ibid.: 1-2). As well as this, Agromino reported that the “deterioration of the political and economic situation in Russia lead [sic] to losses in amount of EUR 3.6 million”, a result of “receivable write offs, land revaluation loss”, and losses in the divestment of Penza that was purchased below its expected valuation (Ibid.: 9).

Another financial impact for the company was that for certain periods of time it was unable to repatriate capital that had been invested into its Ukrainian subsidiaries, due to temporary restrictions that were put in place by the Ukrainian government (Trigon Agri, 2015c: 59); the company was also concerned that there was the potential for this risk to surface in Russia too (Trigon Agri, 2014e: 62). The “third level sanctions” imposed on Russia meant that Agromino was unable to sell some of its assets in Russia, in particular the Pskov dairy operation, about which it has been in “detailed discussion” during 2014 (Trigon Agri, 2014a: 2); the company blamed the crisis for the “economic contraction…[that] made it extremely challenging to find buyers interested in the assets” (Trigon Agri, 2016: 2).

By 2015, the company had divested its Rostov cluster, and held the opinion that “the rapidly deteriorating economic and financial environment in both Ukraine and Russia had a material negative impact on the Company” (Ibid.: 2). During its third quarter telephone conference,
the company described how before the economic sanctions were imposed, “the largest investment bank – which is a subsidiary of Sberbank, the largest Russian bank – had taken on the task of looking for investors for the Rostov land, and...there was significant interest,...with one of the buyers...close to coming to an agreement”; however, the “price levels...that Sberbank was working on were totally different” to the price that Agromino eventually divested the asset for, and the company placed the blame on how “this particular divestment [wa]s particularly strongly impacted by the Russian crisis” (Trigon Agri, 2015a).

Interestingly, Agrokultura detailed the effects of the crisis in Crimea much less than the other two companies, possibly because 2014 was the company’s only profitable year. Agromino cite their Estonian management, and knowledge of both the Western and post-Soviet environments as a “competitive advantage” (Kuns et al., 2016: 204), and – through a possibly better “know-how...[of] the former Soviet Union setting (Trigon Agri, 2016: 5) – this may explain why the company was more open and detailed in its discussion of the impacts in the region. Initially, Agrokultura stated that the crisis did not have “any material disruption to the Groups operations”, although it admitted that the devaluation of the Hryvnia “reduced the Groups ability to draw down short term working capital bank debt” (Agrokultura, 2014b: 22). To overcome this issue of access to credit, the company moved to “reduc[e] planting and redeploy[] resources from other areas” (Ibid.: 22), the latter of which meant securing a “$12 million of short term working capital loan”, and further “shareholder loans” (Agrokultura, 2015: 19-20). As such, the company later stated that the “currency weakness in Ukraine and Russia [was] generally positive for operations despite increased financing rates” (Ibid.: 2). Agrokultura also, at one point, did control land in Crimea, but disposed of this in 2013 before the crisis started (Agrokultura, 2014a: 20); at this time, the company was looking to sell the “entire business for a sum in excess of book value but political events put those discussions on hold prior to completion” (Agrokultura, 2014b: 2).

Despite the mixed opinions contained within the reports, the interviewees focused solely on the negative impacts of the crisis. One BEF interviewee explained how “prior to Crimea, Russia had a bad press”, but that this had changed with the increase in political risk (Int. BEF). This reflected the company’s 2014 concerns of the depreciation of the ruble – “we immediately have a problem there” – but the interviewee did position that it could “long term, make the company more competitive, because a lot of international commodities re-price straight away”, although “not all of the contracts work[ed] like that” (Int. BEF). The company changed its financial strategy in an attempt to minimise this risk, and “began converting a lot of rubles into hard currency because we felt the downside was so big” (Int. BEF). As well, concern was expressed at the “meltdown” and “hopeless...steady slowing down of all processes” surrounding credit access, as certain Russian banks were “almost frozen in terms of activity” (Int. BEF). An interviewee from Agrokultura also reflected this as “the war situation” meant that the Ukrainian “bank didn’t give [the company]...the loan” to purchase equipment, and the purchase of agricultural inputs was affected after “they froze
bank accounts;...when you have frozen bank accounts, you're really screwed” (Int. Agrokultura).

Apprehension was also expressed by the interviewees, as “things start[ed] to weigh down” (Int. BEF). Despite the 2013 Annual Report of BEF stating that “Russia’s entry to the World Trade Organization could reduce the probability of trade distortions” (Black Earth Farming, 2014a: 37), one of the company’s interviewees – prior to the report’s publication – declared, “do I expect Russia to behave impeccably as a WTO member? No” (Int. BEF). This anxiety continued to grow, as interviewees admitted to panicking:

Then you might start to think, ‘what else might happen, might we get banking restrictions? Etcetera, etcetera. (Int. BEF)

BEF embarked on a process of ‘financial repatriation’ after the eventual banking restrictions faced the company with the choice of keeping its capital in Russia, or moving it to “Jersey or Cyprus” (Int. BEF). This was a potentially sensitive topic as Putin had previously targeted capital flight as a priority, although this political focus was more motivated by Russian corporate tax evasion as part of a “crack down on corruption” (Reuters, 2012). BEF “moved quite a bit of cash out to protect...[its] own interests”, and admitted that this information was “not in the market” (Int. BEF). As shall be discussed further in the conclusion, this brings into question a methodological issue concerning the transparency of the corporate literature; although BEF can be, in many respects, praised for its transparency, the crisis forced the company to protect its own interests whilst projecting a calmer exterior – through choosing not to include the information in its financial reports – so as to not scare investors, or draw unpleasant attention from the media. This is not to say that the company was engaged in ‘secretive’ behaviour – as certainly it would be surprising if the main shareholders were not informed, and the company would have had to follow Russian laws by reporting the repatriation to the relevant authorities – but it is, nonetheless, a sign of ‘panic’ and concern by the company.

7.4.4 The Sinking of the Armada

As mentioned above, Agrokultura was bought by the sugar refiner, Prodimex, in 2014 (Vedomosti, 2014), and although several of the main owners of Agrokultura sought to fight this process, ultimately they failed. The founders of the company, Björn Lindström and Peter Geijerman, had expressed unhappiness at the company as far back as September 2013, and, indeed, had called for the liquidation of the business, with Lindström stating:

If we can’t get a profit from the company’s assets today that are the basis for a stock market value which is around the book-keeping value of our own capital, then we think that it is obvious that that is the best option. (Affärsvälden, 2013)
Agromino (then known as Trigon Agri) sold its Rostov cluster in late 2015 to Ellania Business Inc. (Vedomosti, 2015) – retaining only its non-core dairy operation in the Pskov oblast of Russia (which it has earlier also sought, unsuccessfully, to sell) – thus, taking the decision to largely divest from Russia, and focus on its Ukrainian operations. Announced in early 2017, BEF has now largely sold – or is in the process of selling – its business to Volgo-DonSelkhozInvest (Agrimoney, 2017; Agweb, 2017). Vostok Nafta – one of the company’s largest investors that “took over the company at a very early stage of its development” with Kinnevik (Kuns et al., 2016: 204) – exited the company in 2013, but there were indications that Vostok Nafta were looking to retreat from the Russian market beforehand: in 2012, Vedemosti (2012) reported that Vostok Nafta had sold its shares in several Russian companies as it had “invested a lot of money here [in Russia] and received a very small return on capital”, and Affärsvärlden (2017) stated that the owning family of Vostok Nafta had grown “tired of Russia”. Affärsvärlden (2014) had predicted Kinnevik’s eventual divestment some years before, stating that “it is just a question of time before Kinnevik sells Black Earth Farming”, and Dagens Nyheter (2016) indicated in 2016 that the new CEO of Kinnevik had wanted to reduce the number of Russian-based companies that it was invested in from 35 to 15; despite this apparent movement away from the region, the CEO claimed – in quite a guarded fashion – “but there is nothing wrong with Russia”.

When answering the question of why these companies divested – either completely from Russia and Ukraine in the cases of Agrokultura, and BEF, and just from Russia in the case of Agromino – attention has to be paid to both the internal and external factors that have affected the companies, and the extent to which these have hampered their success, or guided their decision to exit from the market.

Kuns et al. (2016: 200) posed the question: “why have these investments not been more successful?” and drew attention to internal factors that had impacted upon the companies. Following a developing literature detailing a mismatch between financial investment and the agricultural sector (for example, see Magnan (2015), and Ouma (2014)), reasons for the discordant performance included a “lack of balance and synergy between land speculation and production strategies” – as detailed above through the movement from ‘asset-play’ to ‘yield-play’ – and a scale up of operations that moved too quickly, all guided by the pressurised investor short-termism of requiring quick returns on the investments which had been made (Kuns et al., 2016: 200-213). Investors to these three companies – working on the basis of short time horizons – thus, had the option of divesting from their share ownership once the companies showed signs of operational and financial struggles, and, indeed, “many investors” did just that when plummeting grain prices impacted on land appreciation values in 2008 (Ibid.: 202-207).

Managers of BEF, and Agrokultura spoke of the need for experience in these types of agricultural ventures, as “it takes more time than five to seven years to build up a successful farming company at such a scale” (Ibid.: 208); the investors of the three companies,
however, had a distinct lack of farming experience – “in the first year of operation for the three public companies not one non-executive board member in any of the companies had agricultural experience” – with much of their business acumen related to “real-estate, finance and investment, and oil and mining” (Ibid.: 208). Moreover, only approximately “one-fifth of all board members had had prior experience in Russia and/or spoke Russian” (Ibid.: 208).

As well as the mapping of the companies’ difficulties, areas of academia and the media have commented on the financial losses that the companies made through their ventures as factors that may have driven their eventual divestments. In 2013, Dagens industri (2013) pointed to the fact that “Kinnevik ha[d] ploughed in 790 million kr in the Russian soil”, resulting in a loss of “about half a billion kr if one compares to the value of Kinnevik’s shares in BEF”, and the Chairman of BEF had previously commented on unforeseen financial losses:

One day of pouring rain meant that we lost 8 million USD. It’s then that one starts to wonder if there are not better ways to make money. (Affärsvärlden, 2017)

As Kinnevek will lose over SEK 400 million (approximately $45.3 million) through the sale of BEF in 2017 – with Alecta Försäkring, a large Swedish insurance company also losing SEK 200 million (approximately $22.7 million) – the divestment is indicative of the company ‘cutting its losses’, and ‘taking a hit’ to avoid future financial implications (Ibid.).

The question, then, concerns to what extent the external factors – discussed in this paper – infer cost implications, and whether they were an exacerbating, or aggravating force on the three companies’ decisions to divest; these factors are not limiting, though, as, certainly, multiple reasons are hidden behind the companies’ choices to exit the markets.

The interviews with the consultants sometimes pointed to much simpler reasoning behind the divestments: the poor yields were to blame; the companies “had an attitude of, and were hoping for, that it could be easy…and it didn’t work out that way”; and the companies were too reliant on the belief that more money invested into management teams would create better results. In agreement with the research of this paper, the consultants were firm in their belief that the companies did not consider, and “were, in many cases, not prepared to deal with...[the perceived] post-Soviet mentality” (Int. Consultant). Certainly, as is detailed above, the companies were reactionary in their response to the formal and informal corruption environments, and there seemed an apparent oversight in what the companies were expecting, with inadequate preventative measures implemented from the outset; these errors in judgments, ultimately, had cost implications that impacted upon the companies.

Lindstedt (2008: 64) reported how investors of BEF were expecting problematic interactions with the Russia mafia, and this seems to indicate a focus on highly organised, formal forms
of corruption – a popular view of post-Soviet corruption – and an ill consideration of the everyday, informal forms of corruption that can be, in many ways, more difficult to identify and resolve. Indeed, this was reflected in the corporate prospectuses of the companies (issued before stock listing): all shortly mentioned, in generic terms, “crime and corruption”, but none referred to theft, nor ways to manage or prevent the risks that had been identified (Alpcot Agro, 2009: 9; Black Earth Farming, 2007: 4; Trigon Agri, 2007: 18). Moreover the companies’ generic approach to considering these risk factors is extremely apparent through the cross-company regurgitation of exactly the same (or enormously similar) passages, for example:

It is important to call attention to the fact that the Company operates in an environment subject to corruption, where government officials at all levels often have interests which collide with their role as government officials. (Repeated verbatim in Alpcot Agro (2009: 17) and Black Earth Farming (2007: 22))

With respect to the mafia, interviewees stated that at most, they had only experienced “semi-criminal groups” (Int. BEF), but did not seem prepared for the “time consuming process” of using the judicial system that was “time you start to waste when you should be working on the business” (Int. BEF). The issue of theft, also, seemed to surprise the companies, and steps were only taken to tackle the problem once the implications became palpable.

It is impossible to quantify the full extent that corruption had on the costs of the businesses, and to what degree it impacted on their profits. Whilst one company had, apparently, ‘only’ “spent over a million dollars in legal fees” fighting corruption (Int. BEF), which does not seem operationally impactful against the large quantities of money that the companies have lost in total, the financial implications of theft are clouded by the official line that companies took with their investors in asserting that theft was not ‘Profit and Loss’ (P&L) impactful; essentially, this has allowed for the non-reporting of theft – and the amounts that companies have spent on protecting their assets – in the financial statements of the companies. Affärsvärlden (2017) tell of how BEF allocated “a lot of resources...on monitoring and security” in attempts to protect its “expensive foreign made machines...[that were] worth millions [and] were also objects of theft”, and this notion is supported by the interviewees of this paper, whose discourse displayed a definite variance to the official corporate line. The interviewees indicated that theft had the potential to underpin financial loss in other areas, such as the theft of fertilisers that caused a reduction in yields, a lowered harvest, and, therefore, a hampered profit. Further, the likening of theft to “dropping [profits]...from twenty percent down to maybe ten percent”, or to the creation of “a tax on [top of] the tax [that has to be done] over with twenty five percent to thirty percent” added (Int. Agrokultura), also appears to stray from the official corporate line. When one considers the cost implications of hiring security “guards with dogs”, building
“fort[s]...[of] high walls, and barbed wire” (Int. Agrokultura), prosecuting thieves in court, and employing – or, indeed, designing and developing – advanced technological GPS monitoring systems, then the scale of theft as an exacerbating or aggravating factor can begin to be comprehended.

The role of interactions with regional government in the companies’ decisions to divest is also something that is difficult to quantify; however, it would have undoubtedly been a phenomenon that increased pressure on the companies’ operations, especially, in the case of BEF, given the “very bad relation[s]” (Int. BEF) that developed as a result of rejecting the option to diversify into bovine livestock production. Interviewees have made the costs of governmental pressure apparent – including that of fines, impacts on the operations of the businesses, and the legal fees involved with challenging the regional governments in court – and this would have had some implication in overall corporate profits. As well, it is apparent that these costs could be amplified in companies that choose the opposite path of BEF, and agree to invest heavily in livestock, as they will face the real possibility of “having capital tied up in loss making activities that...could be used elsewhere” (Int. BEF). In 2014, BEF “re-balanc[ed] its holdings away from...Voronezh towards the northern part of its production area”, and although this had the appearance of moving from a “relatively drier [region to]...where rainfall is somewhat better” (Kuns et al., 2016: 211), the poor relations with the Voronezh regional government cannot be ignored as a possible aggravating factor; it would be interesting to know the full extent of this factor in corporate decisions to divest, but as the companies do not detail disputes of this nature in their corporate material, nor break down costs by region in their financial statements, it, unfortunately, continues to remain a subject of conjecture and supposition.

Lastly, the role of the geopolitical crisis in the companies’ decisions to divest raises some interesting arguments. Though, officially, BEF seemed indecisive on whether the crisis was a positive or negative event for the company’s business, with Agrokultura also expressing a mixed opinion, Agromino displayed a distinct shift from early optimism to later concerns; however, the calm portrayals that the companies depicted in their corporate literature were not reflected through the interviewees’ reactions to the crisis, which were much more ‘panicked’, and suggested further variance from the official corporate line.

The shift of Agromino is curious. By the time the company was in the advanced stages of divesting from its Russian operations, it was largely using the crisis as a major motivating factor; however, there is evidence that the problems that the company was experiencing occurred before the crisis. When Agromino was asked in 2016 by Dagens industri (2016) if the political developments in Russia were a factor in the company’s decision to divest, it answered, “this is sensitive; it is not advantageous for our business that we talk about this”, adding much secrecy to its rationale. In fact, the company had been concerned about its indebtedness for some time: the 2013 fourth quarter telephone conference detailed – at the same time as stating that the crisis had “not impacted...[the company] so far” – the
pressing need to resolve the “total debt burden” of the company (Trigon Agri, 2014c: 3). Moreover, this telephone conference was held on 28th February 2014, just one day after the plain uniformed soldiers appeared in Crimea, and, certainly, before the peak of the geopolitical turmoil. This debt burden had been caused by SEK 350 million worth of bonds with an annual interest rate of 11 percent (Trigon Agri, 2016: 6) that the company had issued in 2011 to aid in its ‘asset-play’ land accumulation strategy, and had consequently been unable to pay back, due to its disappointing corporate performance, and poor farmland values in Russia (Agrimoney, 2017).

The company’s 2013 Annual Report stated that “covenants [w]ere attached to the bonds...[requiring] financial indebtedness to shareholders’ equity...[to] at all-time be below 75%;...as of 31 December 2013...[it was] 71%” (Trigon Agri, 2014e: 64). The report – released on 31st March 2014 – declared that “if the situation in Ukraine g[ot] worse”, then the company could be pushed beyond this 75% threshold, and could be made “to repay the bond early,...launch[ing] a fire sale of non-core assets and, if necessary, includ[ing] parts of core assets to the sale” (Ibid.: 64). Ultimately, Agromino was able to renegotiate with the bondholders to extend the maturity of the bonds from 2015 to 2017 in order to effect the sale of assets (Trigon Agri, 2015d), and the corporate reports of Agromino began discussing the impacts and effects of the crisis on its operations in much more detail than the other companies; this may well have been due to the company’s Estonian management, as discussed above, but the question needs to be asked if, unsurprisingly, Agromino was attempting – albeit through implicit inference – to deflect attention away from its operational mistakes that were made before the crisis broke. This is an interesting issue, as it questions how much blame can be placed on the crisis; after all, the company was already operating close to the 75% level of financial indebtedness to shareholder’s equity before the crisis unfolded. Nevertheless, the company has claimed that the crisis did push the indebtedness over this threshold, and so it can – at the very least – be considered as an exacerbating or aggravating factor.

For Agromino, ultimately, speculation was left to the media, with ATL (2016) naming the firm as the only company divesting from Russia due to the crisis, and the subsequent economic effects: “Swedish listed company disposes of 154 000 hectares of arable land...following Russia's annexation of Crimea almost two years ago”. The company sold its Rostov cluster in late 2015 (Vedomosti, 2015), but made a large loss, and was not able to pay the bond holders in full; as a result, the bond holders were given a stake in the company, becoming “major shareholders” (Trigon Agri, 2017b: 3); the Chairman of the Board, Joachim Helenius – considered the founder – was replaced; and Trigon Capital ceased its listing in the top ten shareholders of the company, coincidentally triggering the company’s rebranding from Trigon Agri to Agromino (Trigon Agri, 2017c).
7.5 Conclusion

This paper has discussed the impact of internal and external factors on the performance, and decisions to divest, of three foreign ‘flagship’ agroholdings in Russia and Ukraine, with a specific focus on the external factors of corruption and theft, regional governmental pressure, and the crisis surrounding Russia’s annexation of Crimea. As has been shown, navigating the operating environment had been challenging and uncomfortable for the companies, and whilst it is difficult to reveal the exact impact of the external factors in terms of cost implications, nevertheless, the corporate literature and interviews have revealed that they were significant. Some of these external factors were beyond prediction – such as the geopolitical crisis, and resulting economic turbulence – yet, companies were also guilty of oversight in certain areas, especially concerning regional governmental interactions, theft, and the well-documented pervasiveness of blat behaviour. That aside, the companies did demonstrate that they were able to adapt to these problems – for instance by using the legal systems, and developing GPS monitoring technology – but an issue lies in whether this adaptation came too late to save the companies from their financial and operational struggles.

With respect to the crisis, the paper has shown that it certainly did have an effect on the companies, and resulted in, amongst other events: a challenging price environment; currency depreciation that impacted on the value of assets; currency translation losses; difficulty in repatriating capital; access issues to credit; a reduced expansion potential of operations; lowered buyer interest in company assets, which would have affected the companies’ consolidation strategies; and financial implications. Despite the balancing of these negative consequences against more positive sentiments in the corporate statements, the interviewees from the companies focused solely on negative concerns, and were much more ‘panicked’. This is important to consider, as it shows variance between the ‘reality’ of the environment and the official corporate line that companies discussed with their investors and shareholders; certainly, it is a point that other areas of academia relying heavily on corporate documents as a main source of primary empirical material should consider.

The performance problems that the companies have experienced had their roots in issues that pre-dated the crisis, with Kuns et al. (2016: 200) detailing the significant losses that the companies had made since their inception. It is for this reason that the role of the crisis in the divestment decisions of the companies should be considered in context; indeed, Agromino implicitly inferred that the crisis was a major factor in its decision to divest, and this had the appearance of attempting to deflect attention away from its operational mistakes.

Following from this, it is important to consider the methodological implications of using corporate literature for research. The transparency that the companies displayed in
revealing their documents and audio recordings online, and through employees meeting for
interviews, can be praised; however, this transparency obviously has its limits. Whilst it is
legitimate for the companies – given the tense geopolitical situation – to try to make the
best of the crisis situation in their public statements, on the other hand, this public face was,
to a certain extent, a façade, as the interviewees were quite clearly concerned. With the
effects of theft on the performance of the companies, again, this was downplayed officially,
but struggled with privately. When considering this, though, there is an irony present: even
whilst softening the effects of corruption and theft in the corporate literature, the
companies have displayed a will to fight for the rule of law in Russia, often spending
considerable financial and time resources. BEF winning its court case is notable, and shows –
at least in business disputes – that the legal system can work; thus, although Russia is a
tough environment to operate in, it is not impossible. For effective research, though,
corporate literature can only go so far, and this paper has highlighted the existence of
“sources of error and discursive blind spots” (Kuns et al., 2016: 202).

Another observation to make is that all companies have divested from Russia, with
Agromino continuing to operate, but in Ukraine. In this regard, while Agromino has only
achieved net profitability twice over the last nine years (2008-2016), it has had a positive
operating result (EBITDA) in Ukraine for five of those years. Amongst other reasons, this is
probably a result of Ukraine’s more favourable agricultural conditions compared to Russia. It
is, in any case, noted that the most consistently profitable public ‘pure-play’ agroholdings
are located in Ukraine (Ibid.: 213). Beyond agricultural conditions, this may also reflect the
regulatory environment, as Ukraine’s ongoing prohibition on the sale of agricultural land has
forced investors to pursue production oriented strategies, as opposed to strategies
orientated on speculation (Ibid.: 213).

Through the sales of Agrokultura to Prodimex, BEF to Volgo-DonSelkhozInvest, and the
divestment of Agromino’s Russian assets to Ellania Business Inc., the Russian assets that
were once owned by foreign investors have now re-entered into Russian hands; that is, of
course, if the link between Russian money and Cypriot based companies holds true in the
case of Ellania Business Inc. These Russian buyers have inherited not only agroholdings that
are largely operational, and now consolidated into operative clusters, but assets of
machinery, irrigation, and an employed labour force. Though these agroholdings may not be
operationally profitable, they are in the process of improving (Kuns and Visser, 2016), and
they were purchased at a cheap price; in the cases of BEF and Agromino, this low price was
further dampened by the crisis and the economic recession. For the foreign companies, they
have invested a large amount of finance in taking over and operating either ‘idle’
agricultural land or failing post-Soviet farms, have not realised their ambitions surrounding
‘asset-play’ and ‘yield-play’ strategies, and have not been able to make the businesses
commercially viable for the shareholders and investors backing their operations, all whilst
navigating a difficult and unforeseen operational environment; combined with the fact that
the assets were then sold at a loss for the companies, to many this is indicative of a failure.
One wonders whether, now that Russian companies are in control of the land again, this aids the Putin administration’s desire for self-sufficiency. The foreign companies displayed resistance to advances from the regional governments, and used the legal system to challenge – as well as flatly refuse – the perceived exerted pressure and control; if the interviewees are to be believed, and there was a historico-cultural aspect to the behaviour of the regional governments, then Russian ownership of the agroholdings may dissolve that apparent ‘cultural clash’, and make it easier for government to achieve its aims. However, for this to occur, then the clashes with the regional governments do, indeed, have to have been cultural in nature; the livestock sector was identified as a “real loser” in terms of finance (Int. Agrokultura), and that it was challenging to run on “self-sufficiency rather than competitor advantage” (Int. BEF), and it is not for certain that Russian business would agree with a loss-making project just to appease regional government. Likewise, it is not for certain that Russian ownership of the agroholdings will necessarily bring about a large change in fortunes on the operational and financial side; this is an area of research that must continue, and will help to frame the failures of the foreign ventures against the larger picture.

What is clear from this research is that this armada of foreign ‘flagship’ agroholdings – experiencing a range of internal and external complicating factors – have, essentially, sunk in their maiden voyage to the post-Soviet region. Kuns et al. (2016: 213) explain that “the problem is...how investors relate to agronomical best practices and their naïve belief that it can be deployed all over the world”, but this paper would look to add to that by indicating that a further problem lay in the way that foreign investors viewed the ‘new world’ of the post-Soviet space, especially Russia. The companies, as above, misjudged the operating environment in certain respects, and the culmination of the internal and external burdens did much to hamper their progression; issues were given lip-service that followed popular images of Russia and Ukraine – such as considering only the highly organised, formal corruption environments – but the real problems that lay on the horizon were not sufficiently anticipated. Why this was the case is difficult to discern; possibly it was due to the fact that “in the first year of operation,...not one non-executive board member in any of the companies had agricultural experience” (Ibid.: 208).
8. Conclusion

8.1 Key Themes of the Thesis

8.1.1 Summaries of the Papers

8.1.1.1 Cargill

As the first paper showed, Cargill has modified its operations according to the unique and peculiar environment of the Russian context. It has been shown that a company’s – such as Cargill’s – actions can be mediated by country and cultural processes, resulting in variance in the way that business is conducted compared to elsewhere in the world, and, in some cases, contrasting the findings of more macro, global academic studies of corporate behaviour. The 2010s have seen a shift in the Russian Government’s policies, and an attempt to move towards national self-sufficiency – as indicated by the 2010 Food Security Doctrine – and this has combined with the new import substitution drive accelerated as a result of the geopolitical crisis surrounding Russia’s annexation of Crimea; although this seems restrictive for international business, companies well placed and rehearsed in the practice of domestic sourcing and supply stand to benefit.

An example of this variance is displayed through Cargill’s soft power strategy of conducting business with Russian farmers, resulting from Cargill’s low market share in Russia, and the existence of Russian-specific risks concerning contract defaults and legal accountability. Another is Cargill’s goals of 100 percent local sourcing – which the company claims improves the food security of Russia, but is contested in academia by the company’s behaviour on the global financial markets – partly being informed by persistent and adversely-regarded international politics. These two examples seem to contradict the global corporate ethos of Cargill, with academic literature highlighting supplier dependencies in other regions of the world, and the local sourcing model contradicting Cargill’s fundamental view.

The potential for political impacts is driving the desire for Cargill to create domestic supply chains – that is domestic in both sourcing raw food materials and supplying the consumer base – and this conflicts with the literature highlighted earlier that frames MNCs in developing regions as having dangerous, export-orientated designs. Cargill’s non-preference to export or domestic supply of grains is, in no small part, also a result of the existence of a strong domestic market in Russia, something that is not apparent in other developing regions in the world, such as Africa. This domestic market, along with the existence of strong Russian producers, and the use of soft power in Russia, will affect debates on issues such as land grab, food security, and food sovereignty, and highlight the crudeness of studies conducted elsewhere that have linked their findings to the future of Russia.
The first paper has also discussed whether physical commodities have reduced in significance to Cargill with the possible rise in importance of access to early information for financial speculation purposes; the findings suggest that this is not the case, and are reinforced by the fact that Cargill will not support long-term loss-making businesses, and views profit-making outside of speculation as the primary (or at least equal) driver for future investment.

Lastly, the first paper has posited a ‘third school’ of competing discourse surrounding the cause of food price volatility pervasive amongst employees of Cargill: that non-agricultural financial actors, as well as supply and demand dynamics, are responsible for global food price volatility. This displays a form of exclusivism as ‘Cargill the agricultural financial player’ – a ‘qualified’ company that is ‘other’ to non-agricultural speculators, and one that is, therefore, supposed to be involved in financial markets – abstracting the company from any questionable role within the first school of competing discourse. Juxtaposing this competing discourse against the research of Salerno (2016: 6) – in which some of Cargill’s financial subsidiaries are found to act with, and trade on behalf of, non-agricultural investors – seems to support Clapp’s (2014: 10) notion that distancing – even distance within a company – has made it difficult to observe the connections between financial actors and the food system, and has contributed to the creation of competing discourses. Given the emergence of this ‘third school’ of competing discourse, the first paper has highlighted the need for in-depth research on the causes of food price volatility, to explore where the responsibilities lie, and for a solution on how best to mediate future crises.

The second paper of this thesis delved more into the rhetoric of the Cargill executives, and found that ‘fear’ existed as part of the executives’ imagination of Russia, and ‘hope’ was absent, due to Cargill’s need to adapt to – rather than exploit – the uncertainty in the geopolitical-geoeconomic, and operational environments. Russia was viewed as undeveloped: a view constructed through a popularly-informed brand of preconception, perception, and assumption, including the ‘experience’ and ‘hearsay’ from other – mostly non-agricultural – companies, and industry sectors. The executives acknowledged the operational “rules of the game” (Kuznetsov et al., 2009: 93) of the formal and informal corruption environments – stating that Cargill had received offers of bribery, and recognising that some of the Russian population lacked the basic ‘DNA’ of non-corrupt behaviour – yet, they were reluctant to speak too freely on the topics.

The corporate approach to corruption had been fully internalised by the executives as they attempted to control it through the repetitive recitation of the generic ‘guiding principles’, the refusal to engage in corrupt behaviour, and the refusal of requests that were deemed illegal. With respect to Russian employees, the executives – displaying embedded ‘unofficial’ prejudice – endeavoured to ‘familiarise’ them with correct behaviour, and structured their hiring strategy on matching the ‘right’ people – people who were capable of adopting Cargill’s ‘DNA’ – to the corporate ethos; given the fear surrounding corruption in the general
population, this could possibly explain why most of the executives were mostly of US and European nationality.

The federal government was viewed as unpredictable and ‘backward’: import bans were understood as being implemented for political and economic reasons, and not for the cited health concerns; and operational fear arising from previous export bans drove Cargill to refrain from stocking any grain for export during the 2012-2013 harvest failure, negatively affecting Cargill’s business. When it came to regional authorities, the executives spoke of how they felt Cargill was discriminated against compared to Russian businesses, and because of that, it was deemed important to maintain and manage relationships with regional governors; however, they were fearful of ‘close ties’ as this would lead to corrupt ‘Russian businessmen-like’ – or more appropriately, blat – behaviour.

Cargill did appear to embrace a ‘social caretaker’ role on issues of CSR; this recognised some of the nuances of social support that have emerged from the communist period, and may well indicate that the company is ahead of certain Western-viewed models of CSR in Russia. Cargill’s approach to CSR was more ‘instrumental’ than ‘pure’ or ‘ethical’ – due to the existence of a reoccurring ‘business case’ behind executives’ CSR motivations – and the company adhered to Zhao’s (2012: 441) strategic view of legitimacy, looking to CSR as a means of increasing profit. Attempts at political embeddedness of the regional authorities was resisted due to the executives’ fears that coordination with the state would only increase future demands; therefore, it was apparent that Cargill does not look to manage its relationship with the state through CSR ventures.

In its corporate responsibility statement, Cargill describes itself as “a diversified global company still grounded in a culture of trust and respect...operating with integrity and accountability” (Cargill, 2017a). This is interesting as it poses questions concerning the ‘words’ of the executives; this paper has found that the corporate view on this matter has not been internalised by the executives as much as one might have expected, and much of their opinions were guided by fear, preconception, perception, and assumption of the Russian environment. The ‘reality’ that the executives painted was not one of trust and respect, but rather one of suspicion and disdain. Moreover, the notion of ‘maturation’ – whereby executives expected both the federal government to embrace more of a free-trade model, and the ‘discriminatory’ nature of the regional government to dissipate, as Cargill progressed under a long time horizon – is a teleological assumption that dates back to the theorisation of transition in the 1990s. Despite the critiques of the Washington Consensus, and clear evidence that Russia is not following the expected reform and development trajectory that the West envisioned in the 1990s (see Babb (2013), Stiglitz (2005), and Williamson (2000)), it is interesting to note that the executives have not modified their views to adopt a more ‘modern’ understanding; indeed, they still expect that Russia will ‘mature’ to a more ‘Western’ environment. It was, certainly, unexpected at just how unified the executives were in their internalised discourses, but this could be explained by the rigid
embedding of this particular “policy paradigm[...in the practices of powerful organizations,[and] private corporations” (Babb, 2013: 290).

Russia was viewed – in aspects of society, economy, and politics – as ‘underdeveloped’ compared to Western countries, and this was informed by popular discourse. The executives held the view that authorities were dissembling their true intentions, punishments for violations were often for other reasons, and rarely for the actual violations themselves, and that Cargill was disadvantaged in state relations compared to its ‘more agile’ Russian competitors. It is possible that all of this is the case, but it does not discount the fact that there was a distinct lack of taking responsibility on the side of the executives, the Russian authorities were victim of generalised stereotyping, and the large variations on the ‘true intentions’ of the authorities lent itself much to speculation, and, indeed, ‘imagination’.

However, a question – that will remain unanswered – surrounds the issue of whether the authorities were justified in their approach to Cargill. The company, to a certain extent, could represent the “chaotic form of capitalism” (Fifka and Pobizhan, 2014: 193) to the authorities, that has extended from the mass privatisation of the 1990s, of which the associated reduction in social welfare was a partial driving force behind the need to legitimise through CSR activity. As well, given the vast number of violations that Cargill has been accused of – and in some cases, found guilty of, paying millions of dollars in fines – readily available in the public domain, could the authorities be blamed if they were not at the very least suspicious of Cargill’s actions, and at the most guilty of ‘imagination’ themselves? This paper has not been concerned with the ‘truth’ behind the executives’ statements, yet, there was a distinct silence from the them surrounding Cargill’s prior violations; Poland and Pederson (1998: 293-294) explain, “silence is frequently overlooked in qualitative research...[and] one could argue that in many cases, what is not said may be as revealing as what is said”.

Ultimately, the executives’ answers do display evidence that there may be substance to some – not all – of the Russian authorities’ attentions: one only has to look at the admission that the weed *Ambrosia* was found in Cargill Russia’s shipments, and question why – even if it was present in the Russian countryside, in light of respected research on the weed’s harmful impacts to human health and agriculture – one executive stated “we genuinely believe that there is no threat at all”, and proposed alternative explanations formed through operational fear. Maybe, that is the answer right there: that fear generated by virtue of, and within, the Russian environment is so prevalent and pervasive, that it has done much to obscure notions of Occam’s razor.
8.1.1.2 The Smaller Foreign Investors

The third paper of this thesis has shown that there is a distinct narrative and performance spectrum that the smaller investors are situated on, and one that has some interesting characteristics; although not all smaller foreign investors in Russia will necessarily occupy the same positions on the spectrum as the three investors in this paper, they will nonetheless occupy the space largely defined between investors 1 (Lone Ranger) and 2 (Tolstoyan). Visibility seems oscillatory on the spectrum, with investors 1 (Lone Ranger) and 2 (Tolstoyan) at either pole discernible through dress, image, and their choice of stage upon which they perform, and investor 3 (Protean) fluidly ‘shape-shifting’ discreetly in his occupation of the middle ground; moreover these poles are separated by notions of the ‘outsider’ and the ‘native’, with the centre alluding to neither.

The nature of each investor’s categorisation affected how they sought to interact, and maintain relationships with regional authorities. Investor 2 (Tolstoyan) focused on acceptance, and endeavoured to appear Russian, adopting traditional Orthodox imagery to support his religious beliefs, and hinging trust and the maintenance of relationships with regional authorities on the hope of being recognised as someone who has internalised Russian (or Communist) culture. He did not choose ambiguity in intangible gifts, and openly communicated that reciprocity was expected; this could – under Steidlmeier’s (1999: 127) analysis – be interpreted as bribery. Further, he embraced the use of physical gifts, and although he acknowledged that this is viewed as a corrupt practice in Western culture, investor 2 (Tolstoyan) regarded this as a process of embedding into Russian values of gift-giving. Investor 1 (Lone Ranger) contrasted this, sustained his appearance as an American ‘outsider’, and built his relationships with regional authorities whilst reserving trust. Although he maintained ambiguity with both tangible and intangible gifts, he did not make explicit a request for reciprocity, and was conscious of the laws governing his home nationality, avoiding giving physical gifts in the process. Investor 3 (Protean) navigated the extremes between the two, but seemed closer to investor 1 (Lone Ranger) in his approach to maintaining relationships and gift-giving.

However, despite these efforts to construct identity, the narratives of the investors betrayed themselves in certain aspects, and there were elements of ‘undoing’ in the identity process. Firstly, the research has shown that prejudgment of the labour force existed amongst all the investors, with associated negative notions of trust, inefficiency, laziness, morality, and sexual deviancy. The investors assumed Russian labour to drink and steal, and thought of them as in need of ‘Westernisation’. The investors moved to ‘block Russian weakness’, using bonuses, salaries, and job security to ‘inspire through fear’, rather than focusing on more positive methods to motivate Russian labour; especially for investor 2 (Tolstoyan), this is problematic as he showed a distinct lack of understanding of Russian (and Soviet-rooted) culture – causing friction with his attempts to appear Russian – and an
absence in recognition of non-monetary motivational tools that could have formed a progressive approach towards Russian labour.

Further, whereas the identity of investor 1 (Lone Ranger) as an ‘outsider’ seemed rigid and unmov ing, the extension of identity to his farm did not follow, and indeed, all the investors modified the identity of their farms to appear Russian, utilising the loophole in land ownership laws. This is, admittedly, understandable – as leasing land as a foreign investor would bring inconveniences – but is an interesting point given that the identity construction of investor 1 (Lone Ranger) was fought and defended through interactions with regional government, the court system, and his labour force, but was not extended holistically to the central theme running throughout those clashes: his farms.

Navigating a fluidic existence, curiously, the identity of investor 3 (Protean) cannot be ‘undone’; his identity construction allowed him to ‘pick and choose’ which approach he wished to take with respects to the Russian environment, and which lens he wished to be viewed through. For investor 2 (Tolstoyan), however, his nationality during the interview process became quite a contradiction: at times he would speak of his frustration at how the Russians did not treat him as one of their own; at other times he would talk of his “ace card” of being a foreigner, which he could use in official dealings with Russians as “the Russians have great respect for the foreigner”; and yet at others, he would purposely separate himself from the ‘culture of Russia’ that he did not approve of, especially that of the Russian labour force. Part of his identity construction – of alluding to success and indulgence by regularly frequenting a five-star hotel, and making himself visible to his business and social circles – also seemed to conflict with his business and financial affairs that were forcing him to sell his farm.

It is poignant to return to the question of ‘is there really a future now for smaller foreign investors in Russia?’. It is, ultimately, too early to surmise; the Putin administration is focusing on larger-scale agriculture in favour of smaller private farms, yet these companies are closing the yield gap with larger agroholdings (Visser et al., 2014: 1596), which evidences some resilience in the sector. As well, even though smaller foreign investors lack some beneficial corporate operational structures – which raises its own operational difficulties – the narratives of the investors in this paper have suggested that a lack of corporate structure may in fact aid adjustment and navigation, especially where smaller foreign investors can be afforded more freedom and flexibility in their methods of relationship building than their corporate counterparts. In the aftermath of the annexation of Crimea, foreign investors in the agricultural sector stand to potentially benefit if they can ride the turbulence of the current Russian recession: a national policy of import substitution, coupled with a social desire for domestically produced food, will inevitably increase demand.

It is evident, though, that the smaller foreign investors – the foreign versions of the krestyansko-fermerskiye khoziaistva – lie within an uneasy space between the heavily
regulated large farm enterprises that are too regulated to afford the same fluidity in their navigation – yet may have access to capital and resources that afford concessions or influence in the legal system – and the personal household plots of the rural population that are an effectively unregulated component of Russian agriculture. In order for foreign investors of a more ‘medium’ size to be attracted to Russia, the Russian state must improve the secure legal and practical environment; if it fails to do this, then Russia may well only remain attractive for those similar to the conflicted investors described in the first paper, or those who are prepared to take larger, more dangerous risks.

8.1.1.3 The Foreign ‘Flagship’ Agroholdings

The fourth paper of this thesis has discussed the impact of internal and external factors on the performance, and decisions to divest, of three foreign ‘flagship’ agroholdings in Russia and Ukraine, with a specific focus on the external factors of corruption and theft, regional governmental pressure, and the crisis surrounding Russia’s annexation of Crimea. As has been shown, navigating the operating environment had been challenging and uncomfortable for the companies, and whilst it is difficult to reveal the exact impact of the external factors in terms of cost implications, nevertheless, the corporate literature and interviews have revealed that they were significant. Some of these external factors were beyond prediction – such as the geopolitical crisis, and resulting economic turbulence – yet, companies were also guilty of oversight in certain areas, especially concerning regional governmental interactions, theft, and the well-documented pervasiveness of blat behaviour. That aside, the companies did demonstrate that they were able to adapt to these problems – for instance by using the legal systems, and developing GPS monitoring technology – but an issue lies in whether this adaptation came too late to save the companies from their financial and operational struggles.

With respect to the crisis, the paper has shown that it certainly did have an effect on the companies, and resulted in, amongst other events: a challenging price environment; currency depreciation that impacted on the value of assets; currency translation losses; difficulty in repatriating capital; access issues to credit; a reduced expansion potential of operations; lowered buyer interest in company assets, which would have affected the companies’ consolidation strategies; and financial implications. Despite the balancing of these negative consequences against more positive sentiments in the corporate literature, the interviewees focused solely on negative concerns, and were much more ‘panicked’. This is important to consider, as it shows variance between the ‘reality’ of the environment and the official corporate line that companies discussed with their investors and shareholders; certainly, it is a point that other areas of academia relying heavily on corporate literature as a main source of primary empirical material should consider.
Foreign Direct Investment in the Russian Agricultural Sector

The performance problems that the companies have experienced had their roots in issues that pre-dated the crisis, with Kuns et al. (2016: 200) detailing the significant losses that the companies had made since their inception. It is for this reason that the role of the crisis in the divestment decisions of the companies should be considered in context; indeed, Agromino implicitly inferred that the crisis was a major factor in its decision to divest, and this had the appearance of attempting to deflect attention away from its operational mistakes.

Following from this, it is important to consider the methodological implications of using corporate literature for research. The transparency that the companies displayed in revealing their documents and audio recordings online, and through employees meeting for interviews, can be praised; however, this transparency obviously has its limits. Whilst it is legitimate for the companies – given the tense geopolitical situation – to try to make the best of the crisis situation in their public statements, on the other hand, this public face was, to a certain extent, a façade, as the interviewees were quite clearly concerned. With the effects of theft on the performance of the companies, again, this was downplayed officially, but struggled with privately. When considering this, though, there is an irony present: even whilst softening the effects of corruption and theft in the corporate literature, the companies have displayed a will to fight for the rule of law in Russia, often spending considerable financial and time resources. Black Earth Farming winning its court case is notable, and shows – at least in business disputes – that the legal system can work; thus, although Russia is a tough environment to operate in, it is not impossible. For effective research, though, corporate literature can only go so far, and the fourth paper has highlighted the existence of “sources of error and discursive blind spots” (Kuns et al., 2016: 202).

Another observation to make is that all companies have divested from Russia, with Agromino continuing to operate, but in Ukraine. In this regard, while Agromino has only achieved net profitability twice over the last nine years (2008-2016), it has had a positive operating result (EBITDA) in Ukraine for five of those years. Amongst other reasons, this is probably a result of Ukraine’s more favourable agricultural conditions compared to Russia. It is, in any case, noted that the most consistently profitable public ‘pure-play’ agroholdings are located in Ukraine (Ibid.: 213). Beyond agricultural conditions, this may also reflect the regulatory environment, as Ukraine’s ongoing prohibition on the sale of agricultural land has forced investors to pursue production oriented strategies, as opposed to strategies orientated on speculation (Ibid.: 213).

One wonders whether, now that Russian companies are in control of the land again, this aids the Putin administration’s desire for self-sufficiency. The foreign companies displayed resistance to advances from the regional governments, and used the legal system to challenge – as well as flatly refuse – the perceived exerted pressure and control; if the interviewees are to be believed, and there was a historico-cultural aspect to the behaviour
of the regional governments, then Russian ownership of the agroholdings may dissolve that apparent ‘cultural clash’, and make it easier for government to achieve its aims. However, for this to occur, then the clashes with the regional governments do, indeed, have to have been cultural in nature; the livestock sector was identified as a “real loser” in terms of finance (Int. Agrokultura), and that it was challenging to run on “self-sufficiency rather than competitor advantage” (Int. BEF), and it is not for certain that Russian business would agree with a loss-making project just to appease regional government. Likewise, it is not for certain that Russian ownership of the agroholdings will necessarily bring about a large change in fortunes on the operational and financial side; this is an area of research that must continue, and will help to frame the failures of the foreign ventures against the larger picture.

8.1.2 Experiences of Failure

This thesis would argue that all of the foreign investors studied have experienced – in some form or another – failure on the Russian frontier. From the strategic level, Cargill has had to modify its operations in contradiction the global corporate ethos of Cargill, and this has been mediated by the country and cultural processes of Russia. The question is still being asked as to whether the corporation does, in fact, help global food security as it claims to: the executives blame non-agricultural financial actors, as well as supply and demand dynamics, for global food price volatility, yet Salerno (2016: 6) shows that Cargill’s financial subsidiaries are found to act with, and trade on behalf of, these non-agricultural investors. Whether the opinion of the Russia-based executives is due to a ‘siloeed’ mentality on the frontier is unknown, but, at the very least, this shows that the corporation has failed to instil a coordinated global rhetoric amongst its senior management.

Further, by the very nature that Cargill had to adapt to, rather than exploit, the uncertainty in the geopolitical-geoeconomic, and operational environments, shows that, even for a corporation with as much financial backing, and knowledge as Cargill, it is possible to still experience unforeseen situations in Russia. This thesis would argue that Cargill misjudged Russia, as the executives displayed ‘fear’ in relation to the ‘dissembling’ authorities, rather than adopting a manner of preparedness and acceptance that this could be part of the status quo of Russia. Moreover, the notion of ‘maturation’, and the teleological assumption that the executives displayed is curious given that – as discussed in the theory section of chapter 1 – Russia is quite clearly following a different development path than that championed by the Washington Consensus, and the business environment of the country differs greatly from that of the West; the question here remains, ‘are Cargill still misjudging Russia?’.

Likewise, with the smaller investors, this thesis would argue that there is evidence of failure. The identity constructions of these investors are heavily affected by the Russian
environment, and are, thus, a result of adaptive processes on the Russian ‘frontier’. Through adopting this ‘frontier mentality’, the investors have sought certain freedoms: financial freedom, freedom from the authorities, integrative freedoms, and freedoms for their families.

To varying degrees, these freedoms have not been achieved or experienced: investors 2 (Tolstoyan) and 3 (Protean) spoke of a lack of financial freedom; investor 2 (Tolstoyan) had not accomplished the freedoms for his family that he was initially hoping for; and all the investors claimed that they had not experienced freedom from governmental interference, nor attained certain integrative freedoms into society. To justify these failings, the investors have adopted narratives, which themselves construct identity, and these have grown from their interactions in the Russian environment. Pallot and Katz (2017: 30), describing how women relatives of prisoners in Russia are faced with a “task...to convince themselves, people close to them and society at large that they are not themselves also delinquent”, write that the women have to provide “satisfactory explanation[s]...to protect themselves against [this] courtesy stigma”. In the same vein, the investors have had to protect themselves from ‘failure stigma’, and in doing so, have created narratives and performances that legitimise the reasons for their failures.

For Agrokultura, Agromino, and Black Earth Farming, the Russian assets that were once owned by these foreign investors have now re-entered into Russian hands: Agrokultura have sold to Prodimex, Black Earth Farming to Volgo-DonSelkhozInvest, and Agromino to Ellania Business Inc. The Russian buyers have inherited not only agroholdings that are largely operational, and now consolidated into operative clusters, but assets of machinery, irrigation, and an employed labour force. For the three foreign companies, they have invested a large amount of finance in taking over and operating either ‘idle’ agricultural land or failing post-Soviet farms, have not realised their ambitions surrounding ‘asset-play’ and ‘yield-play’ strategies, and have not been able to make the businesses commercially viable for the shareholders and investors backing their operations, all whilst navigating a difficult and unforeseen operational environment; combined with the fact that the assets were then sold at a loss for the companies, to many this is indicative of a failure.

What is clear is that this armada of foreign ‘flagship’ agroholdings – experiencing a range of internal and external complicating factors – have, essentially, sunk in their maiden voyage to the post-Soviet region. Kuns et al. (2016: 213) explain that “the problem is...how investors relate to agronomical best practices and their naïve belief that it can be deployed all over the world”, but the fourth paper would look to add to that by indicating that a further problem lay in the way that foreign investors viewed the ‘new world’ of the post-Soviet space, especially Russia. The companies, misjudged the operating environment in certain respects, and the culmination of the internal and external burdens did much to hamper their progression; issues were given lip-service that followed popular images of Russia and Ukraine, but the real problems that lay on the horizon were not sufficiently anticipated.
Why this was the case is difficult to discern; possibly it was due to the fact that “in the first year of operation,...not one non-executive board member in any of the companies had agricultural experience” (Ibid.: 208).

A final consideration to discuss is the possibility that, perhaps, certain problems encountered by the foreign investors were exacerbated by virtue of operating in the agricultural sector. How much this exacerbation inflated failure for the foreign investors is difficult to determine, but it was, most likely, a significant factor. A simple comparison to make in this regard is with the oil and gas sector of Russia. Foreign investment in oil and gas is certainly not without its problems, and, in some respects, failures. McFaul and Stoner-Weiss (2008: 76) explain how Putin and “his Kremlin associates” have moved to use their political power to renationalise much of the sector: the assets of Yukos were seized and resold to state-owned Rosneft; Sibneft, a private Russian oil company, was forced to sell stakes to state-owned Gazprom; and Royal Dutch/Shell were made to sell a majority share in the Sakhalin-2 project to Gazprom. As well, there have been further examples, such as the much publically discussed forced sales of TNK-BP (Forbes, 2012; Independent, 2012; The Guardian, 2007). This – as with the experiences of the agricultural investors of this thesis – indicates problematic interactions with the Russian state; however, the difference here is that within the oil and gas sector, problematic interaction seems more prevalent at the federal level, rather than at the regional level as is more common in the agricultural sector. This notion is supported by Watson (1996: 443) who showed how, in the early years of the Russian Federation, the problems experienced by foreign investors in oil and gas originated at the federal level, from the “federal authorities...engage[ment] in their own ‘war of laws’ with regional administrations” that resulted in “messy” energy policy, to the “executive and legislative branches...[that became] locked in a battle for political authority”.

As is discussed in the introduction of this thesis, regional governors have been appointed and placed within their roles by Putin, with the claim that this has made them “more accountable and effective” (McFaul and Stoner-Weiss, 2008: 71). Through this ‘new authoritarianism’, the regional governors have been made more accountable to the Kremlin, if not Putin himself, which echoes the sentiments of one smaller foreign investor who exclaimed that “all the different regions [we]re being made to justify themselves in Moscow”. Evidently, the regional level in Russia is heavily involved in agrarian issues – more so than the federal level – and the pressured control placed on the regional governors has resulted in the exacerbation of problems for foreign investors, especially in the case of the 2010 Food Security Doctrine. If the stories of the investors are to be believed, then the introduction of this legislation – dictated at the federal level, but implemented at the regional scale – created a ‘toxic mix’ whereby regional authorities were compelled to act on strict (and, somewhat, unrealistic) targets for livestock and dairy production, and, as part of this enactment, chose to exercise increased levels of control and pressure on the foreign investors to diversify production. This brought the foreign investors into frequent and close contact with the regional authorities, and allowed for increased incidences of conflict, as has
been discussed throughout this thesis; it is by virtue of operating within the agricultural sector – with increased regional government interactions – that these problems were exacerbated for the foreign investors.

Likewise, it is also possible that, by virtue of operating in the agricultural sector, problems encountered through foreign investors’ interactions with the labour force were also exacerbated. In much of the literature related to the oil and gas industry in Russia, labour is not usually listed under the factors that are detrimental to foreign investment; instead, more ‘macro’ concerns are discussed, such as “inadequate legal guarantees, high taxes and export regulation” (Watson, 1996: 429), groups that resist foreign investment and the reforms needed to encourage it, groups that “fear...Western ‘colonisation’ and the ‘theft’ of Russian natural resources” (Ibid.: 443), and the “hybrid political regime” (Bayulgen, 2010: 124). Where labour is discussed, it is often described in terms of a “culture clash between Russian and Western oilmen”, usually instigated through misunderstandings of each other’s “ways of doing things”, and the “resent[ment of Russians] being patronised by Western counterparts who belittle their achievements” (Watson, 1996: 446-448). Where foreign interactions with labour are given proper attention within academia – as stated in chapter 6 – the setting is often varied across industries (see Ahrend (2000), Clarke (2004), Fey and Denison (1998), Linz (2004), Puffer (1993), Shekshnia (1994), and Upchurch et al. (2000)), and only a few offer a view into agriculture (for one unpublished example, see Steggerda and Visser (2013)). The question to ask here – which, coincidentally, this thesis cannot fully answer – is, ‘why are foreign relations with labour only a problematic factor in some of these studies?’

The foreign investors of this thesis listed several examples of the problems that they claimed to encounter in their experiences of the Russian labour force. For example Russians were believed: to be corrupt, alcoholic, and to thieve to levels impactful to company profits; to have a lowered ‘moral standard’, which affected ideas of trust and professional conduct in business; to be inefficient, described in colloquial terms as lazy and stupid; to have monetary recompense as the primary – or, indeed, only – motivating factor for their participation in work; and to be in need of control, shadow leadership, and inspiration through fear. Given this broad range of examples, it is interesting to note its absence from the oil and gas literature, and only its partial appearance in other literatures; there can only be a select few reasons for this.

A first explanation would be to assume the rhetoric of the literature in chapter 6 – the literature that broadly enforces a stereotype of Russian labour – and recognise that these characteristics should have transcended the oil and gas labour forces; this would mean that either the oil and gas sector can cope with, or nullify, the adverse characteristics of Russian labour, or that the agricultural sector in some way intensifies the manifestation of these characteristics amongst agrarian labour, causing harm to company operations. A second explanation would be to doubt the rhetoric of the literature in chapter 6, recognising that
Russian labour will differ across sectors: further exploration would be needed, but
differences in agrarian labour to that of oil and gas could be explained by socioeconomic
dynamics, such as whether labourers are skilled or unskilled, rural or urban, old or young.
There are other explanations too, such as the cultural importance of agricultural land in the
Russian psyche; perhaps Russian labour is less willing to perform for a foreign agrarian
company. Or, quite feasibly, research on the oil and gas industry in Russia has not yet cast
an in-depth qualitative eye over labour relations with foreign companies. Whatever the
answer, it is worth noting that there may well be the potential for dynamics within the
agricultural sector to play a role in the problems experienced between foreign investors and
Russian labour.

8.1.3 The Effect of Investment Form

Though all of the investors researched in this thesis have experienced failure, there have
been certain successes in terms of the businesses themselves. Cargill has, evidently, been
profitable, as the corporation would not have supported loss making businesses in Russia,
and so too have investors 1 (Lone Ranger) and 3 (Protean) of the third paper. The question
posed is, ‘could this be due to the investment form of the companies?’

Cargill, as an entity that sits within the corporate food regime, is a “key vector of the project
of global development”, and as such, is a part of the “phenomenal dynamics...[involved in the]
reorganization of food supply chains,...centralization of agri-food relations,...deepening of commodity relations,...and the transformation of food security into a private relation” (McMichael, 2005: 270, 295-296). Corporate ideology dictates that
the corporation is “the fount of wisdom and the most competent body to plan global
production and distribution”, and, in this regard, Cargill is thought to have undertaken the
self-given responsibility of “develop[ing] the backward (that is, unindustrialized) peoples of
the world” (Kneen, 2002: 198). Its appetite for expansion has been rapacious, and, at one
time, it stated the aim of “doubling of its size every five to seven years”, though it has now
abandoned that philosophy to adopt a more measured approach (Ibid.: 198). It is an old
company – yet, “more limber than ever despite its age” – having been established in 1865,
and draws on its experience and history “in the interest of its own immortality” (Ibid.: 194).
As a private company, it is able to continuously “reposition itself, taking advantage, as it
does so, of the mistakes, bad judgement, limited vision, wishful thinking and big egos of its
less fit competitors, suppliers and customers” (Ibid.: 194); Kneen (2002: 197) regards it as an
“immortal organism”.

It’s ‘immortality’ has been aided by a few key factors: Cargill has been able to keep itself
“invisible” from public and legal scrutiny (Kneen, 1999: 164), partially aided by its corporate
‘personality’ that actively looks to avoid “reputational risks” (Verhage, 2009: 79); and its
private ownership has allowed it to avoid a short-termism approach (i.e. pressure from
public investors requiring quick returns on investments), and afforded it a longer time horizon on which to operate with its investments. This latter point is key to its profitable success within Russia, as it has a potentially infinitely long time horizon with which to ride through tough social, political, and economic times in the operating environment. This is not to say, though, that the teleological assumption of Cargill is correct, and that Russia will ‘mature’ over time, bringing with it a period of more favourable conditions; rather, it has less time pressure on its operations, and can continue to function in periods where it may be difficult for business.

Likewise, as private businesses, the smaller investors also operate on relatively long time horizons, avoiding short-termism in their operations; their time horizons end on the day that they retire, or sell their businesses. This – as with their private corporate counterparts – allows for adaptation and resilience in difficult social, political, and economic periods. The small farm business model is durable, as evidenced by its “historical and special ubiquity: small farms exist in all environments, in all political and economic contexts, in all historical periods over the last 5,000 years, and in every known cultural area” (P. Rosset, 1999: 4).

In terms of crop production, the small farm business model has other advantages that its larger contemporaries do not, and a United States Department of Agriculture (USDA) National Commission on Small Farms report in 1997 detailed how “larger farms are not more efficient than small farms”, due to diseconomies of scale as farm size increases (Volkmer, 1998: 15). Small farms are “more productive, more efficient, and contribute more to economic development than large farms”, and this “holds true whether we are talking about an industrial country like the United States, or any country in the Third World” (P. Rosset, 1999: 1, 6); this is known as the ‘inverse relationship’ between farm size and productivity (Fan and Chan-Kang, 2005: 141; Hazell et al., 2010: 1352).

Though the specifics of each of the smaller investors’ business models were not explored in detail in this thesis, the nature of the small farm structure could explain why investor 1 (Lone Ranger) was successful in crop production. Investor 2 (Tolstoyan), however, owned a dairy farm that was loss making, and in severe debt, despite experiencing an absence of time pressure, and existing under a relatively long time horizon. The explanation for this could be that the small business model does not favour livestock operations in Russia, or that the business has simply been unsuccessful, either through poor management, or just bad luck. This would suggest that a lack of short-term pressure on a smaller investor may not be enough on its own to create a profitable operation within Russia, but that, rather, a combination with a solid business plan is required.

Short-term pressure does become important again for the corporate agroholdings – Agrokultura, Agromino, and Black Earth Farming – who were publically-funded through the stock market by investors who wanted quick returns on their capital input. As Kuns and Visser (2016: 2) explain, the “the jury is still out in terms of determining if...[the corporate agroholding business model] is a superior farm organization” for operating in Russia and
Ukraine. Academic thinking seems divided, with some corners pointing to competitive advantage, others showing “tensions and downsides of large farm companies”, and others remaining undecided (Ibid.: 2). However, as this thesis has shown, the public investors to these three companies – working on the basis of short time horizons, and pressurised short-termism – had the option of divesting from their share ownership once the companies showed signs of operational and financial struggles, and, indeed, “many investors” showed a tendency to do just that (Kuns et al., 2016: 202-207). Whilst this was not the only factor that led to the divestments of these companies, it certainly was a key factor.

Another key factor in the failure of the corporate agroholding model is a geographical consideration, and one that can be examined by Agromino’s ability to remain operational in Ukraine. Not only are the most consistently profitable public ‘pure-play’ agroholdings located in Ukraine, but they also are able to function under a more ‘agreeable’ regulatory environment (Kuns et al., 2016: 213). That aside, what is evident is that the ongoing prohibition on the sale of agricultural land in Ukraine disrupted the foreign investors’ ability to pursue ‘asset-play’ strategies, which they were able to explore in Russia; this, ultimately, contributed to their difficulties within the Russian environment, and their eventual demise.

A last consideration to explore is the effect of investment form on the ability to navigate the regulatory environment. The differing business models influence the way in which governmental authorities are interacted with: in corporations, employees are expected to adhere to strict ethical guidelines, and codes of conduct (for example, Cargill’s ‘guiding principles’), but these are not present in the small farm business model, whereby the investor has the freedom to (legally) interact as they see fit. This thesis has highlighted the many ways in which these interactions manifested, and there is a clear divide between the corporate world, and the smaller investors. Whereas the corporate models interacted on the ‘official’ level – in the case of Cargill, this was to create a government relations team, faced by an “implied country manager” – and, indeed, were only able to challenge authorities through legal means when it was felt that they were being discriminated against, the smaller investors displayed an ability to be more flexible in how they approached the maintenance of relationships. As such, the smaller investors were able to engage in blat behaviour, gift-giving, and attempts to construct identity to aid their acceptance by regional governors, avenues that their corporate counterparts were unable to explore. Though this did not rid the smaller investors of all their perceived problems with the regional authorities, it did go far to easing some of the pressures, and had a positive impact on aspects of the business.

8.1.4 The Washington Consensus and ‘New Authoritarianism’

In this last section of the thesis, it is important to comment on agricultural foreign direct investment in Russia, its relationship with the Washington Consensus, and its existence
under the ‘new authoritarianism’ of the Putin regime. Given the knowledge and understanding of ‘new authoritarianism’ that has been detailed from the literature in chapter 1, it would be expected that the foreign investors were aware of the current circumstances created by Russia’s partial reform path. They should have been aware of the existence of the “dual state” that incorporates both democratic and authoritarian features (Sakwa, 2010: 187), current day sistema that creates a paradoxical governance system that “adher[es] to official rules and formal procedures but also follow[s] unwritten codes and practical norms” (Ledeneva, 2013: 20), and the control exerted by Putin over his self-appointed regional governors (McFaul and Stoner-Weiss, 2008: 71). However, the foreign investors intriguingly believed that Russia was continuing its development along the lines of the Washington Consensus.

The Washington Consensus brought with it the promise of the ‘Midas touch’ approach to transitology, whereby advocates believed that once market prices were liberated, a market economy would be established that engaged with the global economy-polity. This ‘Midas touch’ was expected by the foreign investors, evidenced, as above, by Cargill’s teleological assumptions, and the other foreign investors surprise and annoyance at the operational environments of Russia that differed greatly from that of Western economies. The foreign investors largely expected Russia to be ‘maturing’ on this path, and did not seem prepared for the reality of the political, cultural, and social conditions of Russia. Just as Kouznetsov and Jones (2009: 93) showed in the case of large multinational manufacturing enterprises investing in Russia, that the companies disregarded the “political, cultural, technological, and social conditions in Russia” and were only interested in the economic conditions of the country, so it was the same for agricultural foreign investors of this thesis, who expected to adapt to the conditions that they were moving into.

As such the companies experienced problems and consequences for this oversight, as exampled by the heavy regulation of their business dealings, which, in some cases, impacted on their operations. Though some of these aspects may have been quite difficult to predict – especially for those investors with no experience in the agricultural sector – others possibly should have been better foreseen, especially given the extensive research available in the public, academic, and business domains. Discussed previously, the World Bank (1996: 64) stated that “all foreign investors have the same concerns”, centring on such issues as transparency, and stability in the legal, political, and economic environments, but, as Bradshaw (2001: 40) explained, this did not seem to be as great a deterrent to FDI as predicted; could it be that the investors only extended their concerns to the stability of the Russian environment, rather than the implications of operating within it? Based on the findings of this thesis, it would stand to reason that either the investors had not considered ‘new authoritarianism’, or were not aware of its existence in Russia, or had chosen to ignore the implications of its manifestation; all of these explanations are, ultimately, curious.
A final consideration concerns whether the Washington Consensus was correct in assuming that FDI would simply ‘flood in’ once barriers to entry were removed from developing countries. In the case of agricultural FDI, this was not, and was an oversight of the Consensus’ policies, a result of the vagueness that was paid to FDI as a prescriptive necessity to engender reform without explaining the causational links in-depth. It would appear, therefore, that in the case of agricultural FDI, the Consensus remains open to the possibility of critique and disconfirmation. As has been evidenced in this thesis, certain modes of agricultural FDI, after a period of early optimism, are ‘flooding out’ of Russia, with many of the publically-funded ventures returning to Russian hands. This example of agriculture has shown that the sector favours FDI of a more private, corporate nature, although smaller private investors have also had some success to varying degrees. As has been shown, the Russian operating environment is indeed unique, peculiar, and unpredictable, with a tendency to produce substantial obstacles that, for investors, are difficult to overcome. Whilst Russia is not an unsuitable market for agricultural FDI to find success in per se, it is a market that is difficult to adapt to, irrespective of whether investors have “international business experience and substantial resources” (Kouznetsov and Jones, 2009: 93). Through the words of the investors in this thesis, they have experienced considerable difficulty; for agricultural FDI to avoid these struggles, the conditions need to be anticipated and prepared for, with clear strategies painstakingly thought through before any venture physically begins on Russian soil.

8.2. Relevance of the Thesis to Wider Audiences

Through the in-depth, qualitative and multiple methods analysis of the exampled foreign investors in the agricultural sector of Russia, this thesis has produced some unique findings that have implications and relevance to the wider spheres of academia, business, and society. Its focus on three manifestations of foreign direct investment – corporate, privately-funded investment; corporate, publically-funded investment; and smaller, individual private investment – has allowed for an overarching view of the variable nature of the Russian agricultural sphere, and the problems that exist within its boundaries. Thus, not only are the papers contained within this paper stand-alone, individual works of research, but they also complement each other, and knit together to give a more comprehensive assessment of the contemporary situations within the borders of Russia.

The thesis has challenged certain academic literatures – especially those detailed in chapter 1 which expressed opinions of the Russian labour force, and how to operate as a foreigner amongst Russia culture – and portrayed the advantages of choosing a qualitative methodology. Through this choice, the papers of this thesis have analysed the interaction of foreign investment with Russian labour, and the regulating authorities, in a novel way, noting the obstacles present, and the navigation strategies of the investors; it is interesting
to note, that this focus is still largely absent from other studies of foreign investment, even those that are, indeed, qualitative, for example in the oil and gas literature. Though quantitative studies have their valuable place in research, their ability to miss the nuances involved in the adaptive strategies of the investors, and to discount the insightful rhetoric of the interviewees of this thesis, would have done much to obscure the ‘rules of the game’ of the Russian environment, and correlate the investors into rigid categorisations of behaviour.

The research of this thesis has also included other novel approaches, and presented unique findings: it has described the ‘loophole’ within the law that has allowed foreign companies to own agricultural land through a grandparent structure, an intriguing strategy that is completely absent from the academic literature of Russia; it has posited a ‘third school’ of competing discourse surrounding the cause of global food price volatility, a consideration that will become more relevant as academia continues to pique its interest in the new wave of financialisation of the agro-food sector; it has investigated Cargill, the world’s largest private company and grain trader, notoriously ‘invisible’ and difficult for academia to access for research; and it has moved to analyse the ‘success’ of the foreign investors beyond that simply of profit, giving attention to the existence of hopes and fears, constraints of freedoms, and the need to modify operations, change strategy, and adapt to – rather than exploit – uncertainty in the Russian environment. Further, the thesis is an important piece in the temporal story of foreign investment in the Russian agricultural sector: it has not only detailed, and provided insight into, the effects of Russia’s annexation of Crimea on the operations of the foreign investors, but it has also analysed the temporary existence of the publicly-funded foreign agroholdings that came to Russia only to disappear soon afterwards, with no indication that they may return in the future.

In theory, as this thesis is situated within the fields of Human and Economic Geography, but also draws upon, and contributes to, the fields of Finance, International Business, Management Studies, Politics, and Russian Area Studies, its dissemination could be broad across business (and academia), with the potential to affect ventures either already operating in Russia, or those that are looking to begin anew. However, as has been discussed above, by the indication that the foreign investors had not considered ‘new authoritarianism’, or were not aware of its existence in Russia, or had chosen to ignore the implications of its manifestation, despite it being discussed widely in the literature, it could be unwise to expect its penetration into the thinking of the commercial world. However, if business were to read the findings presented above, then it would find well-founded advice on: the importance of investigating the Russian social, cultural, and political environments; the need for considerate strategies of managing Russian labour; the reality of dealing with regulatory authorities under the ‘new authoritarianism’ of Russia; the necessity of challenging Western assumptions, and Western standards of conducting operations; and the need for strategies to limit the impacts of investment short-termism, either through better communication with investors on the time-scale required for profitable success, or the placement of time-dependent conditions on the withdrawal of financial backing. This, it
could be argued, would enable business to plan more effectively before ventures physically
begin in Russia, and help to avoid some of the same obstacles and difficulties that the
foreign investors of this thesis have experienced.

It is also hoped that the dissemination of the papers of this thesis aids the academic sphere
in its approach to the studying of Russia, especially in its considerations and analysis of
Russian labour, which, in the opinion of this thesis, in some cases presents conflicting,
negative, and inappropriate sentiments. Further, this thesis is optimistic it will aid the
understanding for those studying the future of global food supply, and provide initial
insights into the region of Russia that will increase in importance as global environmental
change continues to consolidate growing regions within its borders.

Moving beyond the scope of Russia, the research of this thesis may well be useful for the
understanding of the peculiarities of other former Soviet, post-socialist, and emerging
countries. Not only may comparisons be drawn between the labour forces in these
countries that, like Russia, may either function in much the same way, or be treated by
foreign business in the same regard, but also between the effects of (partial) reform.
Kazakhstan, Morocco, Peru, Singapore, and Malaysia are some examples of a growing
number of semi-authoritarian regimes (Ottaway, 2003), and the relationships between the
federal and regional levels, and the policies dictated by the state, may have similar or
contrasting effects on foreign investor-state interactions. It is interesting to note that the
approach of the Russian state has had certain national benefits that other countries could
recognise and exploit; one such example concerns Cargill’s decision to create domestic
supply chains – partially a result of the threat of the Russian government’s intervention in
trade markets – which aided domestic food security. Further, the findings of the thesis could
be useful for countries with inexpensive agricultural land that are in need of legislation to
regulate the adverse effects of foreign investors attempting ‘asset-play’ strategies.

8.3 Further Research

There are many avenues for further research to explore on the topics discussed within this
thesis. The notion of success and failure was a main theme that ran through the research,
and it would be interesting to explore just how important each success and failure is to a
foreign investor; in essence, attempting to quantify the implications for each foreign
investors in their own words. This would begin to show whether the investors are aware of
the successes and failures that this thesis has identified, or whether some exist on a
subconscious or unrealised level, such as, possibly, the constraint of freedoms for the
smaller foreign investors. This is important as it could help to shed light on the self-
awareness of investors, and delve into the reasons behind the decisions they make in
adapting and creating strategies.
Having interviewed the respondents, it would also be fascinating to explore the illegal experiences that they have either experienced, or engaged with in Russia. The research did not delve into this in great detail as the disclosure of the some of the companies was preferred for the writing of some of the papers; discussions of their possible illegal activity would have, in all likeliness, brought with it requests for blanket anonymisation. In this regard, there is the potential to examine issues of blat and corruption in more detail, to go into the specifics of whether it is a common practice amongst foreign investors in Russia, and the reasoning for its pervasiveness.

The ‘loophole’ in land ownership law is another aspect that would be worth further exploration. It is intriguing that the mechanism is so well known amongst the foreign investors, but rarely reported in the public spheres. The politics of Russia will have a large part to play in this story, and the interviewing of regional and federal governors could provide more insight into the motives for its conception and use. Certainly, its use to enable foreign investment to appear Russian may well allow politicians to ‘save face’ in the eyes of the public, but it is possible that this is not the only reason, as, surely, exposure of this practice could, in effect, be political suicide for a permitting politician.

Another interesting insight of the thesis surrounds the effects of stealing on company profits, especially for the publically-funded corporate agroholdings. The research was not able to establish the truth in this, and was informed by the opinion of the interviewees, but it would be useful to quantify this effect, especially given that it was an unexpected phenomenon for the foreign investors that revealed itself to be ‘profit and loss’ impactful.

A further key and paramount concern of the thesis relates to the financialisation of agriculture, and financial speculation on the global agricultural markets. This is a very new and developing area of research, and, as of yet, academics are finding it difficult to penetrate the main players in this story. This is unsurprising given the challenges of researching corporate and financial structures, their “barriers in access to information” (Salerno, 2016: 11), and their lack of cooperation in research activities (Verhage, 2009: 79).

As discovered through the research of this thesis, there is also a tendency amongst corporate businesses to attempt to enforce confidentiality and censorship. A noteworthy example of ways in which to overcome these problems is the ethnographic study of anthropologist Karen Ho (2009), a researcher who used her job in a Wall Street Investment Bank to show how financial markets, particularly booms and busts, are constructed.

It is also possible to expand on the methodologies that were used for this research study. The thesis is a qualitative piece which, despite its many advantages, does not paint a complete picture. Continuing research could employ the use of questionnaires and surveys to produce quantitative statistical analyses of the topics discussed above; this would potentially enable the findings to be more reproducible. That being said, perhaps more qualitative research is needed in areas related to Russian labour forces, such as that studied by the oil and gas literature; this would aid in establishing whether the perceived problems
of Russian labour as detailed by the agricultural foreign investors are absent in oil and gas workers, or whether the literature has, instead, absented their consideration. Further, the thesis targeted the foreign investors, who are only part of the equation of the investment scenario in Russia; it would be incredibly revealing if future studies could include research on the regional authorities, labour forces, and non-executive employees of the foreign investors. This would allow for effective triangulation of the investors opinions and versions of events – ultimately revealing the ‘truths’ that this thesis has not been interested in evaluating – and could help to elucidate some of the findings.

Lastly, there is a need to study all of the abovementioned more systematically, in contexts larger than just the Russian environment. This will, obviously, require the same expansion of methodology into the quantitative arena, and the analysis of regional authorities, labour forces, and non-executive employees, but would assist in contextualising post-Soviet, post-Socialist, and developing countries into a global, geographical understanding. This will, certainly, present difficulties: foreign investment in agriculture is still a relatively small development in these regions; there are access issues to researching the companies involved; and some publically-funded corporate agroholdings, evidently, are no longer in existence. However, in a time of increased globalisation and market integration, it would seem that foreign direct investment will still play a decisive and enduring role.
References


Foreign Direct Investment in the Russian Agricultural Sector


4N3O94/3039445111x0x884728/8756A9D0-C64F-44BE-B640-47370E3D7156/bef_ar_2015.pdf [Accessed 3rd April 2017]


Foreign Direct Investment in the Russian Agricultural Sector


252


Foreign Direct Investment in the Russian Agricultural Sector


Christopher David Lander


**Vedomosti** (2014) Компания Игоря Худокормова купила 17% «Агрокультуры».

Author: Kunle, M., Skrynnik, I. [online] Available at: https://www.vedomosti.ru/business/articles/2015/11/05/615581-finni-proschayutsya-rostovskoi-oblastyu [Accessed 18th April 2017].

**Vedomosti** (2016) Минсельхоз предлагает ограничить 15 годами срок аренды сельхозземель для иностранцев.


VestiTambov (2015) Уголовное дело за неуплату НДС.


