

GESELLSCHAFT & ÖKONOMIE



■ Stefan Ouma

Security and insecurity in the global economy

On the externalisation of costs and risk to the Global South

■ Photo left: Fruit and vegetable market in Kampala, Uganda;
photo right: indoor market in Cannes, southern France (ist).

Uncertainty often also means insecurity. Insecurity and security are relative categories. They are subject to historical change and - depending on geographical and social circumstances - are experienced to a varying degree. What appears to be secure for one person is insecure/uncertain for another. Even in comparatively small-scale contexts, people who differ in their social status, for example, can be exposed to insecurity in unequal ways. For example, one person can expect a secure pension at the end of their working life, which will allow them to continue to enjoy a certain measure of material prosperity, while their neighbour, on the other hand, is threatened with poverty in old age.

However, insecurity and security are not only relative but also *relational* categories. As sociologist Stefan Lessenich has shown, the security derived from a certain level of prosperity, taken for granted in much of the Global North, is closely linked to the generation of insecurity for populations in the Global South.¹ Lessenich summarises this state of affairs with the term "externalisation". By this he means a way of life characterised by "the exploitation of foreign resources, the passing on of social and ecological costs to outsiders and the appropriation of profits internally, as well as the promotion of one's own advancement while impeding or preventing the progress

of others."² His succinct conclusion is: "We live well because we live off others"³ or, more precisely, live through the conditions of others.

Insecurities in the agricultural sector: a global-relational perspective

The interdependence of security and insecurity in the global economy will be demonstrated in the following using the example of three economic geography projects. These research projects are based on the same observations and fundamental questions. How is it that food security, the guaranteed fulfilment of consumer wishes, and the expectation of profit margins and returns are realized in the Global North? And what are the consequences of this manufactured security for places and people in the Global South, where many commodity chains - especially for agricultural products - originate? Will there possibly be an increase in insecurity here? What are the consequences for small and medium-sized agricultural production enterprises as well as for agricultural communities and workers in the Global South if the Global North ensures that economic actors - whether in commodity or financial markets - have the most stable possible horizons of expectation and can count on their fulfilment?



Fig. 1: Spinach harvest in a field in Kenya (ist).



Prof. Dr. Stefan Ouma is Chair of Economic Geography at the University of Bayreuth.

"Uncertainty" in economic geographic research

"At the Economic Geography research group at the University of Bayreuth, we deal with the question of how sustainable regional development - for example in the countries of East Africa - can succeed in the face of global challenges. The focus here is on increasing socio-spatial inequality worldwide, the looming climate crisis and the advancing marketisation and technologisation of central areas of the economy and society. For more than a decade, I have been working on networked structures, institutions, and processes that have very different, often even contradictory effects in the Global South and the Global North. One focus was initially global commodity chains, later

also global investment chains in the agricultural sector. Using the example of our own research projects, this article will show that the security of investors, companies, and consumers in globally networked relationships in one region is often associated with new uncertainties and insecurities in other parts of the world. Indeed, the terms "security" and "insecurity" are relative and relational.

This finding of social science research is reflected in the everyday experience of many people today - and not only in economic terms. Racialized discrimination and violence also mean that security and insecurity can be distri-

buted very differently even in a small area. Travelling and excursions, which for white and German-speaking people are usually not associated with major physical insecurities, can be a journey into the unknown for People of Colour in some regions of Germany. I myself, for example, am very reluctant to give academic lectures in eastern Germany, given the many documented racist attacks there - it is simply too unsafe for me. At the same time, it should be remembered that there are also many People of Colour in the East who are living their lives under these circumstances, as well as politically committed people working to improve these conditions.

■ Fig. 2: EurepGAP/GlobalGAP Certificate (2007)
(Photo: Stefan Ouma).

Safety standards for food

In 1997, European retailers belonging to the Euro-Retailer Produce Working Group (EUREP) launched a standard for food safety called "EurepGAP". As more and more companies outside Europe adopted this standard over the ensuing years, the name was changed to "GlobalGAP" in 2007. GlobalGAP now is a global organisation whose members voluntarily commit to complying with the standard. Its standard covers all stages of food production, from unprocessed agricultural products to further processing. Rules are formulated for fruit and vegetables, seeds and seedlings, livestock and aquaculture, as well as for the traceability of production and supply chains, all of which are intended to ensure the safety of food. In particular, contaminants are to be avoided or, if required, to be reduced. Companies can have compliance with these rules checked and certified by audit companies, which are accredited by GlobalGAP. In any case, the implementation of the GlobalGAP standard is associated with far-reaching consequences for the organisation of a company, and it is ultimately confirmed via an audit process.

■ Fig. 3: Pineapple fruit at a market in Accra, Ghana (ist).

GlobalGAP is therefore an institution developed in the Global North: an action-guiding set of rules that

is intended to reduce uncertainties among consumers and supermarkets regarding the contamination of fruit and vegetables. But at the other end of the value chain, these rules have led to new uncertainties, as research in Kenya shows.⁴ In the Global North, supermarkets were able to buy the higher product quality at an unchanged price because they could delegate the costly certification process to other links in the value chain. At the same time, as GlobalGAP spread more rapidly around the world after 2007, it was increasingly uncertain for many Kenyan farmers whether they could continue to export their products to the EU, and who would pay for the costs of certification. In addition, it seemed questionable whether this investment would pay off in a market that was already characterised by strong producer price fluctuations. This created new costs and organisational uncertainties for producers in the Global South (Fig. 2).



A new variety revolutionises the pineapple market

Another economic geography research project funded by the German Research Foundation (DFG) dealt with the export of fresh pineapples from Ghana to the EU. In the mid-2000s, the West African country was considered one of the emerging countries in the global pineapple trade. Cultivation was concentrated in a region north of the capital Accra, and was largely carried out by smallholders, who in turn sold to exporters (Fig. 4). Some exporters also owned their own farms. In both cases, exporters supplied importers in Europe, who in turn supplied retailers.

By 1996, the conditions of competition in the global pineapple market had changed significantly. This was triggered by *Fresh Del Monte Produce*, a US-based transnational producer, distributor and marketer of fresh fruits, vegetables, and other products. That year, the company launched a designer pineapple that some called arguably the most valuable new fruit product in the world: the Gold Extra Sweet Pineapple, often cryptically called MD2.



■ Fig. 4: Old and new cultivation areas in Ghana's pineapple belt (Source: Stefan Ouma 2020).

MD2 came from corporate labs in Hawaii and had been optimised for capital-intensive production on the flat plains of Costa Rica. The crop was intended to change the market to the agribusiness group's advantage and redefine the geographic scope of its sales markets. Until the mid-1990s, the world market was clearly sub-divided. Southeast Asian countries such as Thailand, the Philippines, and later Indonesia were the centres of pineapple cultivation for processing into juices and preserves, Central American exporters, especially Costa Rica, mainly supplied the US market with the Champaka variety while the European market for fresh pineapples was largely dominated by Côte d'Ivoire (Ivory Coast) and Ghana with the *Smooth Cayenne* variety. MD2 was promoted by Del Monte as having many advantages, notably longer shelf life, golden colour, and a sweet taste. The variety could also be easily transported by sea from Latin America to North America and Europe. This threatened the competitive advantage of Côte d'Ivoire and Ghana that had existed until then due to their proximity to Europe. Like many other transnational agribusinesses, Del Monte had considerable supply chain power and controlled the entire fruit chain, consisting of research, production, logistics and distribution, and ripening centres. For logistics, Del Monte was able to rely on its own refrigerated containers, specialised vessels, and freight forwarding companies.

MD2 can therefore be seen as the product of a strategy by which a company used the power potential of its vertical integration to secure more market share.

The aim was to stabilise expectations and returns for investors, management, and employees. The sales argument was also to promise buyers more security with regard to the quality of the traded product – according to the motto "everything from a single source". For smallholders and exporters in Ghana, however, the flooding of the market with MD2 was an external shock that led to new insecurities. They were increasingly unable to sell their traditional pineapple varieties. In order to be able to convert their own production to MD2, it was necessary to learn the right way to handle the designer pineapple through a lengthy process of trial and error. Many exporters and farmers who could not afford to switch to MD2 dropped out of the pineapple business entirely. While there were between 50 and 70 exporters in the late 1990s and about 40 percent of the pineapples exported from Ghana were produced by smallholder farmers at that time, these numbers dropped drastically by 2009.

By 2011, only 14 exporters were still active in the market. Ghana's pineapple exports remained relatively constant only because the large-scale farmers who managed to convert to the new variety compensated for the loss of *Smooth Cayenne* exports. The surviving exporters spread their MD2 plantations to a new area west of Accra, where they opened up large tracts of land to an increasingly mechanised form of pineapple cultivation (Fig. 4). This in turn led to many migrant (non-autochthonous) smallholders with weak land rights losing access to land. Here too, people without ancestral land rights were suddenly

RECOMMENDED READING

Parts of this SPEKTRUM-essay appeared in: S. Ouma: Waren, Wissen und „Raum“: Die Dunklen Seiten globaler Lieferketten im Lebensmittelhandel, in: N. Baur et al. (eds.): Waren – Wissen – Raum. Interdependenz von Produktion, Markt und Konsum in Lebensmittelwarenketten. Wiesbaden 2020, 486-516.

Further studies:

T. J. Klinge: Foreign investments in New Zealand's agricultural sector and their regulation, 2001–2017. *Globalizations*, S. 1-18. DOI: 10.1080/14747731.2020.1795427.

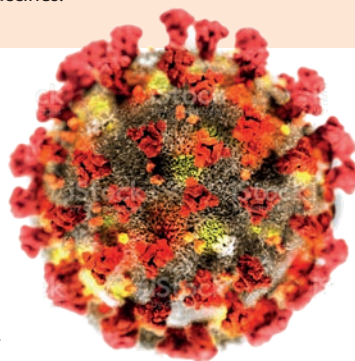
S. Ouma: Agriculture as Financial Asset: Global Money and the Making of Institutional Landscapes. Newcastle 2020. Open Access: <https://www.agendapub.com/books/95/farming-as-financial-asset>.

A. Vorbrugg, S. Ouma: Transformationen des Ländlichen: Land und Landwirtschaft in der Globalen Marktgesellschaft, in: H. Gebhardt et al. (eds.): *Geographie: Physische Geographie und Humangeographie*. Berlin 2020, 905-91.

The Covid 19 Pandemic: Externalisation in Crisis

In the Global North, the Covid 19 crisis has had the effect of shattering previous - supposed - certainties. Massive economic downturns, the imminent collapse of health systems, curfews and radical eschewal are experiences that were previously more likely to occur in the Global South. At the same time, the pandemic has exacerbated the well-known systemic imbalance. In Germany, many people were saved from the worst economic consequences through short-time allowances and other transfer mechanisms. However, these instruments are by no means available to every state, nor would every state that was fiscally capable mobilise its resources in the same way. Moreover, Germany and some other states in the Global North have been able to develop their own vaccines.

However, the new securities generated in this way cannot be experienced globally. Broad-based access to COVID-19 vaccines is made more difficult or even prevented, among other reasons, because numerous countries of the North cling to patent protection, even though the TRIPS framework of the World Trade Organisation (WTO) provides for exceptions. On the other hand, it is already clear today that without such access, there will be no lasting protection against the SARS-Cov-2 coronavirus and its variants, even for the Global North. It appears that the mechanisms of externalisation described by sociologist Stefan Lessenich, which this SPEKTRUM article illustrates with examples from agriculture, have been called into question in their very foundations for the first time by this pandemic.



■ Abb. 5:
3D view of the
corona virus (ist).

confronted with new insecurities as a result of the expansion of the MD2 cultivation area.⁵

Global investment in agricultural land

In a recent DFG-funded project, the Economic Geography research group at the University of Bayreuth investigated the influence of global investment chains on land markets in Tanzania and New Zealand.⁶ Such chains are largely driven by asset managers, especially private equity firms, which invest money from endowments, pension funds, wealthy individuals, and other sources in agricultural land and associated farms (Fig. 6). In the wake of the 2007-2008 financial crisis, agriculture became a new asset class. Due to a rising global population and an interesting risk-return profile, farmland and agriculture were seen as a safe haven for investment. Financial players cleverly cultivated the narrative of land (agriculture) as a new alternative asset class and set out to institutionalise and professionalise it in

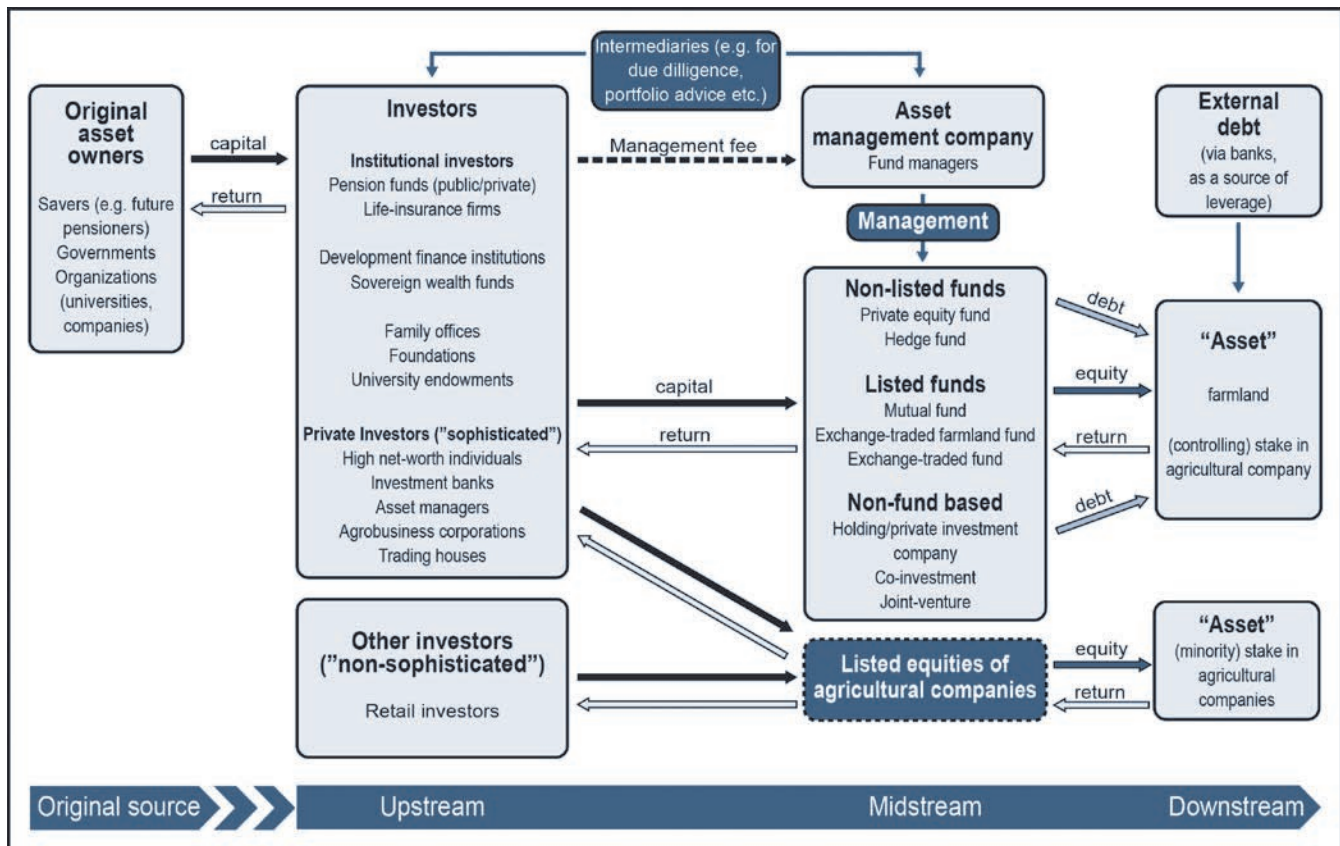
order to reduce uncertainties for potential investors. For many investors, agriculture was by no means a self-evident safe investment, as one capital manager (asset manager) reported in 2014:

"You have to constantly explain and preach: Agriculture is a system with extremely many equations and even more unknowns. This means that many decisions are made under conditions of uncertainty. You can never capture all the factors 100 per cent. This is not industrial production. And you have a lot of volatility, not only in terms of prices that you might get away with, but also in terms of yields. And these compound on each other, which means the volatility of returns will be x times the volatility of prices. Investors need to understand that."

The stabilisation of the new "agriculture" asset class via social, communicative, and institutional investments by the financial sector has ultimately caused more institutional investors to venture into agriculture. This connection can be clearly illustrated by the example of New Zealand, one of the global "hot spots" for private equity investments in land and farms.⁷ Fig. 7 clearly shows how investments by institutional investors (summarized under "equity-driven investors") – for example pension funds – have increased since 2010. These investments target farms exclusively as an object of return.

The stabilisation of agriculture as an alternative asset class reflects the fact that the risks perceived by

- 1 S. Lessenich (2017): Neben uns die Sintflut. Die Externalisierungsgesellschaft und ihr Preis. 4. Auflage, München – Berlin.
- 2 *ibid.*, 23-25.
- 3 *ibid.* 24.
- 4 S. Ouma (2010): Global Standards, Local Realities: Private Agrifood Governance and the Restructuring of the Kenyan Horticulture Industry. *Economic Geography* 86 (2), 197-222.
- 5 C. B. Barrett et al.: Smallholder Participation in Contract Farming: Comparative Evidence from Five Countries. In: *World Development* (2012), 40 (4), 715-730. DOI: 10.1016/j.worlddev.2011.09.006.
- 6 Stefan Ouma (2020): Agriculture as Financial Asset, see Recommended Reading.
- 7 T. Klinge, S. Ouma (2019): Zur nationalen Regulierung globaler Agrarinvestitionen, see Recommended Reading.



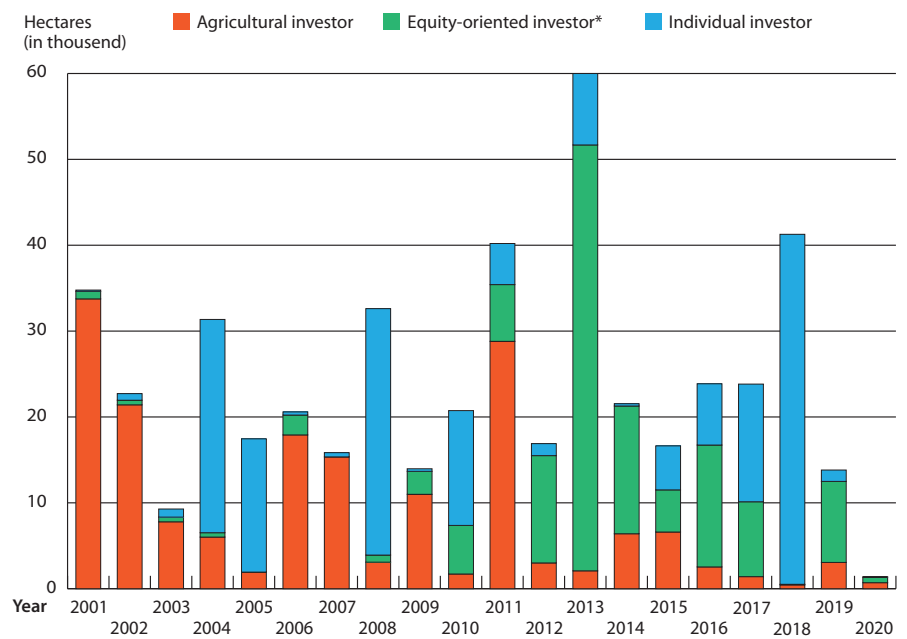
■ Fig. 6: Channels for investment in farmland and farms (Graphic: Stefan Ouma).

investors in this investment domain have decreased. On the one hand, this development releases new capital flows for investment. On the other hand, it often leads to new processes of concentration in land ownership and to price increases on land markets. For New Zealand, our research found that farmers who are already landowners benefit from this because it increases their capital value. For farmers who do not own land, on the other hand, this dynamic creates new uncertainties about access to and the price of agricultural land. Foreign investors cannot be held solely responsible for these developments, but they sometimes have a share in them.

Conclusion

These three examples from economic geography research show that the creation of security for certain groups in certain places in the global economy can be accompanied by the creation of insecurity for other groups in other places. Global supply and investment chains are the transmission belts for the spatial redistribution of security and insecurity. Therefore, they deserve special scholarly attention.

■ Fig. 7: Trends in farmland investment in New Zealand by investor type, 2001- 2020 (Source: Editing by Sebastian de la Serna, research group of Economic Geography, Univ. of Bayreuth, based on data from the Overseas Investment Office and CAFCA).



(n=1174) Observation year: 2021 *includes both investors operating according to private and public equity principles