

**Testimony of David L. Ortega, Ph.D.**

**before the United States Senate Committee on Agriculture, Nutrition, and Forestry**

*Hearing on “Foreign investment in U.S. agriculture”*

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Chairwoman Stabenow, Ranking Member Boozman, and Members of the Committee thank you for the invitation to be here today. I am a food and agricultural economist. I work at Michigan State University, where I am an associate professor in the Department of Agricultural, Food and Resource Economics and hold the title of Faculty Laureate in the College of Agriculture and Natural Resources.

I will begin by providing some background on foreign ownership of U.S. agricultural land. Then, I will shift my focus to key issues that I believe are important to consider in understanding this very complex and dynamic topic: data constraints and availability, Chinese ownership of agricultural land, and issues surrounding threats to U.S. food security.

### **Overview of foreign ownership of U.S. agricultural land**

The United States has close to 1.3 billion acres of privately held agricultural land, and there has been growing interest and concern about the amount of this land that is foreign-owned. Under the provisions of the Agricultural Foreign Investment Disclosure Act (AFIDA), all foreign acquisitions of U.S. agricultural land, which includes land used for forestry production, must be reported to the U.S. Department of Agriculture (USDA). The USDA publishes an annual report detailing these transactions, which currently serves as the principal source of information regarding foreign ownership of agricultural land in the U.S.<sup>1</sup> Out of the 1.3 billion acres of privately owned land, around 40 million acres were under full or partial foreign ownership as of 2021. This is a 50% increase from 2011 when approximately 26 million acres were owned by foreign entities. Current foreign agricultural holdings represent 3.1% of the country's privately owned agricultural land.

Foreign governments themselves generally do not own U.S. agricultural land. The majority of foreign-owned land in the U.S. is owned by Canadian interests (31% or 12.8 million acres). Other major stakeholders originate from the Netherlands, Italy, the United Kingdom, and Germany, together accounting for 31% of foreign-owned land in the U.S. Entities from China own a smaller portion, slightly under 1% of all foreign owned agricultural land. Foreign entities purchase agricultural land for many reasons, including food production, energy production (e.g., wind farming), or as an investment. Nearly half (47%) of foreign-owned land is forest land (timber or forest), 29% is dedicated to crops and 22% to pasture and other agricultural land. With the exception of Maine, which has 20.1% of its private land under foreign ownership (mainly forestland and Canadian ownership), most states have nominal foreign holdings. The proportion of foreign-held to privately held agricultural land is in the low to mid-single digits for all other states; notable exceptions include Hawaii (9.2%, majority pasture) and Washington (7.2%, majority forestland). Foreign land holdings are concentrated in the Western and Southern regions of the country. These holdings often tend to be concentrated within specific regions of a state. For example, in my home state of Michigan, most foreign land holdings are found in the Upper Peninsula<sup>2</sup>. Foreign investments in U.S. agricultural land can be a source of economic growth, employment, and job creation in local communities.

From an economic perspective, the impact that these holdings can have on farmland prices is important to understand. Farmland prices are influenced by the value of the products produced on the land (e.g., crops, livestock) and alternative land uses, such as housing and commercial development. An increase in the value of these products, such as increased commodity prices,

will increase land values and rental rates. Competing land interests, such as urban sprawl, also contribute to higher land prices. The average U.S. farm real estate value reached a record \$4,080 per acre over 2022, a 7.4% increase from the previous year and a doubling from 2007<sup>3</sup>. U.S. cropland values rose to an average of \$5,460 per acre in 2023, marking an 8.1% increase from 2022, while pastureland values also saw significant gains, averaging \$1,760 per acre (6.7% increase from 2022). These increases come on top of record increases in 2021-2022, when we saw rising commodity prices, and have also translated into increased cash rents.

The consistent growth and stable returns of agricultural land have positioned it as a highly attractive asset for foreign investors. One concern over foreign ownership of agricultural land stems from rising land prices and the potential for increased foreign demand for land to price U.S. farmers out of the market. As such, land prices and rental rates could potentially impact farm assets and credit availability and the ability of new and beginning farmers to access land. However, there is no clear evidence that foreign ownership is causing U.S. farmland prices to rise. Publicly available analysis of USDA data finds no statistically significant difference in agricultural land values (cropland, pastureland, or total ag land) or rental rates for counties with foreign investment in such land and those without<sup>4</sup>. A comparison of counties that experienced a rise in foreign investment from 2012 to 2017 finds that while counties with heightened foreign ownership did experience above-average increases in land values and rental rates, these differences were not statistically significant.

### **Restrictions to foreign land ownership**

Under current U.S. federal law, there are no limits on the quantity of American agricultural land that foreign entities may acquire<sup>5</sup>. While some states grant foreign entities property rights identical to their citizens, others place notable restrictions or outright prohibit some type of foreign ownership of agricultural land. About two dozen states have laws that curtail or prevent nonresident foreigners, overseas corporations, and foreign governments from owning agricultural land. Recent proposals have suggested placing broad land ownership restrictions, encompassing agricultural land, while others empowered the President with the authority to block certain real estate transactions<sup>6</sup>. Given the potential for some of these proposals to have unintended consequences, careful analysis is needed to understand their impact on the broader U.S. agri-food system.

An analysis of land values and rental rates across counties in states classified according to different types of restriction does not provide a clear pattern of results<sup>7</sup>. Counties in states with mild restrictions saw the largest land value increases, while those in states with weak restrictions observed the smallest growth. Cropland rental rates were higher in states with weaker restrictions, while the opposite was true for pastureland rates. States with mild to strict restrictions experienced above-average increases in pastureland rental rates. These results are contrary to the expectation that such prohibitions would dampen increases in land values.

### **Data constraints and availability**

In 1978, Congress introduced the Agricultural Foreign Investment Disclosure Act (AFIDA) to oversee the foreign ownership of U.S. lands meant for crops, pasture, and timber. Under AFIDA, foreign entities must inform the U.S. Department of Agriculture of any transaction concerning these lands. Noncompliance could incur a civil fine amounting to as much as 25% of the land's

market value. As I noted earlier, the data collected under AFIDA are subsequently reported to Congress and the President. The database, comprised of over 40,000 records, details ownership, land use, purchase price, and location, among other attributes<sup>8</sup>. Notably, an inquiry by the Midwest Center for Investigative Reporting found discrepancies and missing data within the historical records<sup>9</sup>. Some 1 million acres of foreign-held land, for instance, did not identify the country of ownership, and typographical errors have distorted some entries, like an Ohio dairy farm's reported purchase price, which contained an extra set of three zeros. Changes in foreign-held agricultural acres reflect the reconciliation of past transactions. As such, these records might not reliably portray changes over time. Until last year, when Congress directed USDA to establish an online database containing AFIDA data and permit digital disclosure submission, the agency operated the program predominantly on a paper-based system.

Enforcement of reporting requirements has been inconsistent and even lax at times. Between 2015 and 2018, USDA assessed no penalties for either late filings or failure to file a transaction. This has been attributed to low staffing levels in the agency<sup>10</sup>. Since 2013, fines have been levied on only six entities, well below the number for the previous ten years, when over 200 penalties were recorded. The overwhelming majority of the fines were levied for late filing, with only two non-filing penalties recorded (both in 2021 and attributed to purchasers from China). Given the rise in foreign holdings and investors over the past decade, these numbers raise concerns regarding data quality and completeness. How many foreign agricultural land acquisitions have gone unreported, and by whom? Failure to address these questions limits our ability to draw meaningful conclusions from any economic analysis on the impacts of these purchases, among other concerns.

### **Chinese ownership of U.S. agricultural land**

Chinese ownership of U.S. agricultural land has emerged as an area of concern, as reflected in remarks made by policymakers and recent reports from the media. My focus on Chinese ownership of U.S. agricultural land in this testimony stems from my experience researching Sino-American agricultural issues over the past 15 years and is meant to place this issue into a broader perspective.

Concerns over Chinese ownership of U.S. agricultural land, which come amid rising tensions between the two countries, were heightened by high-profile acquisitions in recent years. Two of them are worth highlighting briefly. In 2013, Smithfield Foods, the largest U.S. pork producer, was purchased by China's WH group in what is China's largest purchase of a U.S. company. Smithfield has credited its parent company with driving consistent growth over the past decade, particularly enhancing its exports to China — the world's foremost pork consumer—as well as with facilitating the hiring of additional U.S. personnel and grown the processing capacities of the company<sup>11</sup>. More recently, in 2022, a land purchase by the Fufeng group from China came under scrutiny because it was located near the Air Force base in Grand Forks, North Dakota. An agreement to build a corn mill on the land, which would have brought 1,000 construction jobs and more than 200 permanent jobs, was terminated by the city of Grand Forks after the United States Air Force deemed the project a significant threat to national security. The corn mill would have been the largest economic development initiative in the city's recent history<sup>12</sup>.

The government of the People’s Republic of China, like most other governments, does not directly own any agricultural land in the United States. Chinese-owned U.S. farmland is a very small fraction of all foreign-owned land in the U.S. – approximately 383,934 acres or less than 1 percent of all foreign-owned agricultural land. This implies that Chinese entities have a stake in just 0.03% of all privately held U.S. agricultural land. Significantly less than investors from the Netherlands (4.9 million acres), Portugal (1.5 million acres), and Luxembourg (802,249 acres). Entities from seventeen countries have bigger stakes in American agricultural lands ahead of China. Moreover, Chinese ownership of American agricultural land is largely centralized. A recent analysis of USDA data by NPR revealed that over 80% of the land owned by China is concentrated in the hands of Smithfield Foods and billionaire Sun Guangxin<sup>13</sup>. Guangxin, through his entities (Brazos Highland Properties LP and Harvest Texas LLC), possesses approximately 40% of all Chinese-held U.S. land. Over 100,000 acres are in Val Verde County, Texas. Smithfield Foods lays claim to over a third of the Chinese-owned lands in the U.S., primarily in North Carolina and Missouri.

China’s investments in foreign agriculture are largely driven by its desire to build food self-sufficiency<sup>14</sup>. In this pursuit, China has strategically evolved its foreign investment approach in the agricultural sector. An initial wave of investments from 2004 to 2012 largely concentrated on crop production and securing raw materials, especially in eastern Russia and Asia, incentivized by robust domestic demand and favorable trade agreements with ASEAN nations<sup>15</sup>. China's more recent investment trend has pivoted towards acquiring established agribusiness companies in the West, like Switzerland's Syngenta, a chemical and seed company, and U.S.'s Smithfield Foods. China's ambitions to exert greater control over its import supply chains and have a stronger hand in global commodities may propel additional investments in trade, logistics, and the agricultural commodity sectors. Issues over consolidation, further acquisitions of agribusinesses and concerns surrounding intellectual property in the agri-food space need to be monitored and evaluated.

### **Food security concerns over increasing foreign ownership of U.S. agricultural land**

Food security concerns naturally arise when discussing foreign ownership of U.S. agricultural land. The U.S. is not only self-sufficient in basic food production, but we also provide food for many across the globe. We are the breadbasket of the world. Food insecurity arises in our country not because of production deficits but because of issues of affordability and access. This came to the forefront during the COVID-19 pandemic when supply chain disruptions caused unprecedented stockouts in our nation’s grocery stores, in the wake of Russia’s invasion of Ukraine when global commodity prices reached record highs, and during the subsequent inflationary period that is affecting many households’ ability to put food on the table. It is important to look beyond foreign holdings of U.S. agricultural land and the impacts on production when assessing issues of food security.

### **Concluding remarks**

I will conclude by noting that American farmland is a critically valuable and finite resource. While, in my view, the foreign acquisition of U.S. agricultural land by foreign entities does not threaten our ability to produce food, it does raise specific and sometimes local concerns. Foreign ownership of U.S. agricultural land is a nuanced and multifaceted topic with implications that intersect with economics, geopolitics, national security, and food security. The available data

suggests that while foreign holdings have been rising, they still represent a small fraction of privately held agricultural land, with a majority of that ownership rooted in entities from friendly nations. Chinese ownership, a recent focal point of concern, remains marginal in regard to the size of holdings compared to other countries. However, the reliability of our data warrant further attention to ensure informed policy decisions are made. It is vital that any legislative and regulatory response be evidence-based, consider the broader agri-food landscape, and aim to strike a balance between safeguarding our national interests and promoting economic growth and opportunity. Thank you again for the opportunity to testify this morning and I look forward to your questions.

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<sup>1</sup> USDA Farm Service Agency. [Agricultural Foreign Investment Disclosure Act \(AFIDA\)](#).

<sup>2</sup> Knudson, B. June 2023. [Foreign Ownership of Michigan Farmland](#). Working Paper 0601-2022.

<sup>3</sup> USDA NASS. August 2023. [Land Values 2023 Summary](#).

<sup>4</sup> USDA Farm Service Agency. [Foreign Holdings of U.S. Agricultural Land Through December 31, 2021](#).

<sup>5</sup> Brown, M., and Spellman, N. [Statutes Regulating Ownership of Agricultural Land](#). National Agricultural Law Center.

<sup>6</sup> Johnson, R. January 2023. [Foreign Ownership of U.S. Agriculture: Selected Policy Options](#). Congressional Research Service

<sup>7</sup> USDA Farm Service Agency. [Foreign Holdings of U.S. Agricultural Land Through December 31, 2021](#).

<sup>8</sup> USDA Farm Service Agency. [Detailed Data Underlying the AFIDA Annual Reports](#)

<sup>9</sup> [Data Set: Foreign-Held Ag Land](#). Midwest Center for Investigative Reporting.

<sup>10</sup> [Internal USDA memo](#) acquired by [Agri-Pulse](#)

<sup>11</sup> Thomas, P. May 2023. [Smithfield Foods CEO Defends Pork Producer's Chinese Ownership](#). The Wall Street Journal.

<sup>12</sup> Smith, M. July 2022. [A North Dakota City Attracted a Corn Mill. Then Came Questions About Its Chinese Owners](#). The New York Times.

<sup>13</sup> Bustillo, X. and Jin, C. June 2023. [China owns 380,000 acres of land in the U.S. Here's where](#). National Public Radio.

<sup>14</sup> Greenwood, L. May 2022. [China's Interest in U.S. Agriculture: Augmenting Food Security through Investment Abroad](#). U.S.-China Economic and Security Review Commission Staff Research Report.

<sup>15</sup> Gale, F., and Gooch, E. April 2018. [China's Foreign Agriculture Investment](#). USDA ERS Economic Information Bulletin Number 192.