Prepared remarks of David L. Ortega, Ph.D.

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Hearing on “The Danger China Poses to American Agriculture”

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Chairman Thompson (R-PA), Ranking Member Scott (D-GA) and Members of the Committee, thank you for the opportunity to offer my prepared remarks. 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 the critical importance of US-China relations for our food and agricultural industry. Then, I will shift my focus to addressing concerns over foreign—and notably Chinese—ownership of U.S. agricultural land and the key issues that I believe are important to consider in understanding this topic: challenges with data accessibility and accuracy, the scope of Chinese investment in agricultural land and their foreign investment strategy, and concerns over potential risks to U.S. food security. My focus on these topics stems from my experience researching Sino-American agricultural issues over the past 15 years and is meant to place them into a broader perspective.

**The importance of China to American agriculture**

The United States-China relationship holds profound implications for American agriculture, an industry that has been significantly affected by trade policies and geopolitical tensions between the two nations. As the largest market for U.S. agricultural exports in 2023 with a total export value of $29.08 billion, China plays a pivotal role in the prosperity of American farmers and the overall health of our rural economies. Our trade with China consists of significant exports of soybeans ($15.16 billion), corn ($1.65 billion), beef ($1.61 billion), cotton ($1.55 billion), pork ($1.24 billion), poultry ($736.31 million), dairy ($607.68 million) and specialty crops. These exports not only support U.S. agriculture but also play a critical role in feeding a substantial portion of the world’s population.

The trade conflict between the United States and China from 2018 to 2020 impacted the agricultural sectors of the world’s top largest producers, leading to significant disruptions in global agricultural markets. American farmers experienced considerable financial losses, with U.S. agricultural exports to China significantly decreasing. The impact of retaliatory tariffs resulted in over $25 billion in losses for U.S. agricultural exports to China from mid-2018 to the end of 2019, with soybeans, sorghum, and pork being the most affected commodities, and significant state-level impacts in the U.S. Midwest. Notably, U.S. soybean exports to China dropped from $12.2 billion in 2017 to just $3.1 billion in 2018. This decline was a direct outcome of increased trade tensions and tariffs, resulting in a 15% reduction in U.S. soybean planting area to 76.1 million acres in 2019 compared to the preceding year.

Reestablishing productive trade relations with China is crucial for the prosperity of the U.S. agricultural sector. The Chinese market was an expanding destination for American agricultural products before the trade conflict. The trade disruptions prompted China to seek alternative sources of agricultural goods. The Phase One Agreement, which was aimed at China to increase its agricultural purchases from the U.S. by an additional $32 billion combined for 2020 and 2021 over 2017 levels, represented an easing of tensions. However, by the end of 2021, China’s fulfillment of these commitments was partial. Another consequence of this trade conflict was that in 2019 and 2020, the U.S. government implemented the Market Facilitation Program which
aided farmers and ranchers with commodities directly impacted to the tune of 23 billion in federal subsides.

In the aftermath of the U.S.-China trade conflict, agricultural leaders in the United States have expressed deep concerns over the deterioration of trust and stability in the relationship with China. The trade tensions have led to a mutual distrust that extends from governmental levels to business and consumer perceptions, influencing both nations' views and potentially hindering future trade opportunities. American stakeholders are particularly worried about China's state-controlled trade and production practices, including issues related to intellectual property theft and ownership of U.S. agricultural land. China's geopolitical relations and the unpredictable nature of its purchasing patterns pose risk management challenges for U.S. farmers. Despite these challenges, there is unanimous agreement among stakeholders in the U.S. agricultural sector on the importance of establishing a mutually beneficial trade partnership with China.

**Foreign ownership of U.S. agricultural land**

The increase in foreign holdings of U.S. agricultural land has generated significant interest across both public and private sectors in recent years. Of specific interest are growing concerns about Chinese ownership of U.S. agricultural land, reflecting rising tensions between the two countries. Let me provide a brief overview of foreign ownership of U.S. agricultural land and highlight several critical aspects that are essential for understanding this complex issue: challenges with data accessibility and accuracy, the scope of Chinese investment in agricultural land and their foreign investment strategy, and concerns over potential risks to U.S. food security. This is an updated analysis to that included in my testimony before the United States Senate Committee on Agriculture, Nutrition, and Forestry Hearing on “Foreign ownership in U.S. agriculture” on September 27th, 2023.

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 current U.S. federal law, there are no limits on the quantity of American agricultural land that foreign entities may acquire. While some states grant foreign entities property rights identical to their citizens, others place notable restrictions or outright prohibitions on 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.

While no federal law prevents foreign holdings of U.S. agricultural land, the Agricultural Foreign Investment Disclosure Act (AFIDA) requires all foreign acquisitions of U.S. agricultural land, which includes land used for forestry production, to 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. Out of the 1.3 billion acres of privately owned land, around 43.4 million acres were under full or partial foreign ownership as of 2022. This is a 67% increase from 2011 when approximately 26 million acres were owned by foreign entities. However, current foreign agricultural holdings represent only 3.4% of the country’s privately owned agricultural land.
Foreign governments themselves generally do not own U.S. agricultural land. Most of the foreign-owned land in the U.S. is owned by Canadian interests (32% or 14.2 million acres). Other major stakeholders originate from the Netherlands, Italy, the United Kingdom, and Germany, together accounting for 29% 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 (48%) of foreign-owned land is forest land (timber or forest), 28% is dedicated to crops and 21% to pasture and other agricultural land. The proportion of foreign-held to domestic held agricultural land is in the low to mid-single digits for most other states. 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. Foreign investments in U.S. agricultural land also 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. 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.

In addition, an analysis of land values and rental rates across counties in states classified according to different types of restriction on foreign land ownership does not provide a clear pattern of results. 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. Given that these results are contrary to the expectation that such prohibitions would
dampen increases in land values, and that some of these legislative restrictions have the potential to bring unintended consequences, careful analysis is needed to understand their impact on the broader U.S. agri-food system. Additionally, while the focus has mainly been on foreign ownership, recent foreign interest in cropland has shown a growing trend of long-term leases instead of outright purchases. Therefore, understanding the impact of foreign leases on our agri-food system is crucial before taking any policy measures or legislative actions.

**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. 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. Notably, an inquiry by the Midwest Center for Investigative Reporting found discrepancies and missing data within the historical records. 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 recently, 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. Since 2013, fines have been levied on only twenty-seven 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 four non-filing penalties recorded (two in 2021 that are attributed to purchasers from China and two others in 2023 which are attributed to purchasers from Canada). 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 in the media. Such concerns, 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 growing the
processing capacities of the company. 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 created 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.

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 also a very small fraction of all foreign-owned land in the U.S. – approximately 346,915 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 (5.3 million acres), Portugal (1.4 million acres), and Luxembourg (822,414 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. An 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. Sun, 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. 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. 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

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**

In closing, I would like to underscore the importance of China to U.S. agriculture. Our exports to China have undeniably benefitted American farmers, fostering growth within our agricultural industry. The discourse surrounding foreign—and notably Chinese—ownership of U.S. agricultural land has been, at times, clouded by misconception, diverting attention from the true nature and risks of Chinese investments in foreign agriculture. The data and evidence available suggest that Chinese ownership represents a miniscule fraction of our agricultural lands and does not compromise our ability to produce food or manage our agricultural resources effectively. It is crucial that our conversation and debate on this and other related issues doesn’t give way to xenophobia and discrimination. As a key player in the global agricultural market, China holds a lot of potential as a market for U.S. agricultural products. The significance of maintaining balanced and respectful dialogue on these issues cannot be overstated, as it is through measured debates and informed policymaking that we can truly secure the prosperity of American agriculture. I want to extend my thanks to the Chairman, Ranking Member, and Members of the Committee for the opportunity to contribute to this important discussion.

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1. USDA Foreign Agricultural Service. *U.S. Trade with China in 2023*.
11. USDA Farm Service Agency. *Agricultural Foreign Investment Disclosure Act (AFIDA)*.
17. USDA Farm Service Agency. *Detailed Data Underlying the AFIDA Annual Reports*.
19. Internal USDA memo acquired by *Agri-Pulse*.