

PERSPECTIVE ON FOREIGN FARMLAND OWNERSHIP



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► **Dave Muth, PhD** | Vice President, Peoples Company

Foreign ownership of U.S. farmland has become a prominent political issue over the last year, with rhetoric increasingly framed around national security, food security, and land ownership near military installations. The political dialogue has centered around approximately 46 million acres in the U.S. currently reported through the USDA's foreign ownership reporting framework. An important first step toward appropriately evaluating the foreign ownership issue is understanding the data collected and implications of foreign ownership.

The Agricultural Foreign Investment Disclosure Act (AFIDA) is the federal reporting system used by the U.S. Department of Agriculture (USDA) to track foreign interests in U.S. agricultural land. Under AFIDA, foreign individuals, companies, governments, and U.S. entities with significant foreign ownership generally must report acquisitions, dispositions, and certain changes in their interests in agricultural land to USDA's Farm Service Agency, typically within 90 days of the transaction or reportable change (Fig 1). The reporting requirement covers agricultural land

FIGURE 1

Summary of the process for reporting foreign domestic ownership through AFIDA.



used for forestry, farming, ranching, and certain other agricultural purposes. The information collected allows USDA to monitor the amount, location, type, and form of ownership of U.S. agricultural acreage held by foreign investors or entities with foreign owners. AFIDA itself does not prohibit foreign ownership of farmland; rather, it is a disclosure and monitoring framework, while separate federal or state laws may restrict foreign ownership. Failure to file accurate and timely reports can result in civil penalties, making AFIDA an important compliance consideration for foreign investors and investment structures involving U.S. agricultural land.

Public concern about foreign ownership of U.S. farmland is high, but polling indicates that Americans distinguish between foreign investment generally and investment from foreign adversaries. Opposition is strongest toward Chinese ownership and transactions involving land near military installations or critical infrastructure, where support for greater scrutiny or restrictions frequently reaches 65–80% or more. This public sentiment explains political responses including a current proposal to revise the details collected about foreign ownership, and to move administration of AFIDA into the Department of Homeland Security. It is important to note

that U.S. investments from ‘Known Adversaries’ are already controlled by the Committee on Foreign Investment in the United States (CFIUS). CFIUS is led by the Department of Treasury and includes officials from the Departments of Justice, Homeland Security, Commerce, Defense, Energy, the Office of the USTR, and Office of Science and Technology. The Department of Agriculture is also included in matters involving land and the agricultural industry making the proposal to move the oversight of AFIDA into the Dept. of Homeland Security potentially redundant.

This article doesn’t take a position on whether foreign ownership should be allowed, forbidden, or regulated in a particular way. Instead, the article examines issues with the reporting framework and current policy dialogue that should be considered. A rigorous analysis of the AFIDA data has been performed by the University of Illinois TIAA Center for Farmland Research. The analysis is available through a comprehensive mapping tool located [here](#). That utility provides available details at a county scale across the U.S. Additional analysis of the data is available at the [University of Illinois farmdocdaily site](#). These analyses and mapping tool provide useful context for current policy discussions.



Claims about the approximately 46 million acres of U.S. farm and forest land that is currently owned by foreign entities need additional context. It is important to first identify the use of the reported acres. The reported data include both direct ownership and long-term leases of agricultural land and land in entities with the potential to include partial foreign ownership. Within the total acres, 48% are in forest lands, 29% in cropland, 21% in pasture and other agricultural land, and non-agricultural land representing 2%. Table 1 provides a list of the top 20 foreign countries based on ownership attribution reported in the AFIDA system. This list represents approximately 98% of all acres reported in AFIDA. China, which is often the country cited as being of greatest concern, represents roughly a .005 share of the total.

There are several other important issues to consider related to the extent and type of control represented in foreign-owned agricultural land that are considered below.

- Controlling Interest:** AFIDA requires disclosure of foreign ownership in the capital stack owning farmland but does not distinguish whether that capital has a controlling interest in the assets. This feature impacts public companies broadly and investment vehicles like Real Estate Investment Trusts (REITS). Investors in publicly traded entities are passive and have no specific rights associated with individual assets. These public entities also have no specific mechanisms to identify foreign shareholders day-to-day. This dynamic is the same for U.S. investors who participate in foreign public markets, or who own foreign companies with equities listed on U.S. exchanges. Another example of ownership that does not necessarily imply controlling features occurs in institutional farmland funds. These investment vehicles acquire and manage farmland assets under the discretion and control of U.S.-based general partners. The investors, or limited partners, have no discretion or control over the ongoing use of the assets. The public company and fund investment vehicles are

TABLE 1 — *Top 20 attributed countries and categories for foreign ownership in the AFIDA reporting data.*

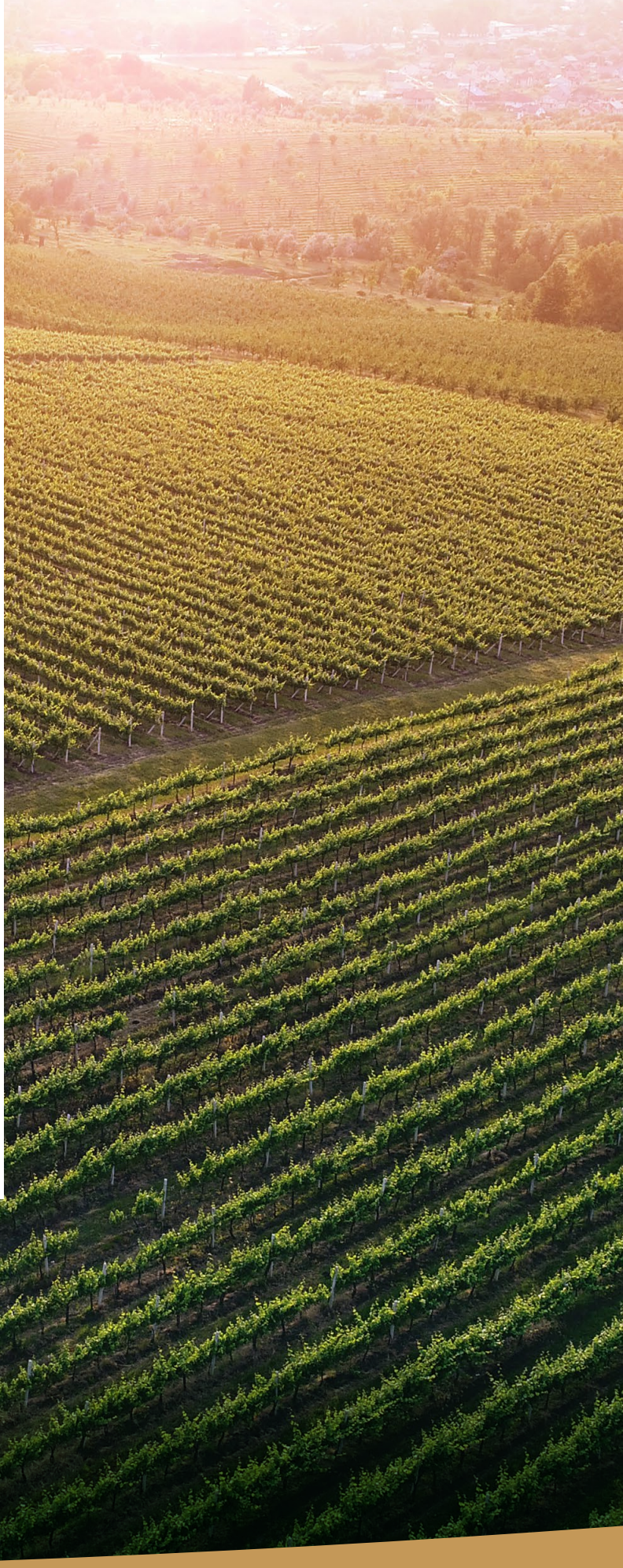
Country	AFIDA Acres
Canada	15,953,940
Netherlands	4,671,870
Italy	2,948,988
Germany	2,773,833
United Kingdom	2,606,547
Denmark	2,149,079
No Predominant Country Code - Unattributed	1,482,565
France	1,396,225
No Foreign Investor Listed - Unattributed	1,357,648
Switzerland	1,224,866
Portugal	1,206,293
Luxemborg	925,890
Japan	893,716
Ireland	785,852
Singapore	714,132
Sweden	702,856
Cayman Islands	699,965
Mexico	694,706
Virgin Islands (British)	363,263
Belgium	358,774

passive investments for both foreign and domestic capital and represent millions of acres of U.S. farmland and forestland.

- Long Term Leases:** AFIDA requires reporting of foreign persons or entities that hold long-term lease interests of ten or more years in U.S. farmland. The dominant land-use scenario impacting this reporting is of renewable energy development, primarily solar and wind installations. This article does not take a position on the desirability of renewable energy systems on U.S. farmland but does note that U.S. landowners can realize significant financial gain from renewable leases vs agricultural production alone on marginal or less productive acres. The specific rights granted to the tenant for access and control over the farmland asset are subject to the terms in the lease, but the landowner maintains title to the land through and beyond the lease term. It should also be noted that the

reporting framework does not distinguish between a lease interest on a small portion of a larger land parcel vs the entire area of the parcel, and thus the effective leased acreage may be substantially overreported in cases where the total acreage has a fraction that is under a long-term lease. The long-term lease provision of AFIDA is about a third of the total foreign owned land in the report but is often included in foreign-owned tabulations.

- **Confirmed Foreign Persons:** U.S. farmland provides competitive and stable long-term returns with positive correlation to inflation and negative correlation to public equities. These features make U.S. farmland attractive in nearly all investment portfolios. These features have also driven the deployment of a broad set of investment vehicles, helping investors get access to U.S. farmland in their portfolio. These include the REIT and fund vehicles mentioned previously, pension fund investments, and other managed investment vehicles. Investment managers administering farmland investment funds are typically very careful to meet the AFIDA reporting requirements and are likely to report land that has any potential to include foreign owners even if none are specifically or currently included. Investment managers may not have comprehensive knowledge of the full capital stack in their particular investment vehicle, or the layers of connected entities and individuals at the time of a farmland acquisition which can lead to defensive overreporting of acres within AFIDA to ensure compliance.



Each of the previously discussed factors have significant impacts on the actual scope and scale of foreign farmland ownership compared to the political dialogue focused on 46 million total acres. The problems commonly identified with foreign farmland ownership in the current political discourse also warrant additional discussion including the following common assertions about foreign ownership:

- **Driving Up Farmland Values:** A key point of concern is that investors, foreign and domestic, are bringing seemingly unlimited capital to the U.S. farmland asset class and driving up the value of farmland to levels that owner-operator farmers can no longer compete in the open market. The public auction method of sale is dominant in the Corn Belt and Plains regions which represent the significant majority of farmland value and acres in the U.S. Analyzing the outcome of these sales shows that the majority of the buyers are owner-operator farmers. U.S. farmland investors are primarily focused on long-term returns, and a key driving factor of achieving that objective is determined by asset acquisition at competitive or below market values.
- **Impacting Food Security:** Another primary concern raised in the current political discourse is that foreign farmland ownership impacts U.S. food security. There are several challenges with this assertion, however. The vast majority of farmland acres in the U.S. produce global commodities: corn, soybeans, wheat, and forage. The supply chains from farm-to-fork for these commodities are sophisticated and operate at a massive scale. It is not economically competitive to produce these crops on individual farmland assets and transport that specific asset's production across the globe vs simply buying these commodities from global trade markets that already are in place. U.S. farmers, and farmland, are highly productive at producing many specialty and fresh market products in addition to the previously mentioned

commodities. Production of these crops is often greater than domestic consumption and thus relies on global trade to establish prices. For example, 70%-80% of U.S. almond production is exported annually and 20% of U.S. produced potatoes are exported in fresh or processed form annually. Additionally, there are other specialty and fresh market food products that U.S. farmland is not economically competitive at producing. For example, nearly 65% of domestically consumed blueberries are imported both for economic reasons and to allow year-round availability. The assertion that foreign ownership of individual farmland assets will impact production and trade dynamics in a significant way resulting in food security issues is difficult to support empirically. It is also noteworthy that the regulatory frameworks currently in place could allow the U.S. government to seize property, creating a significant risk to a foreign investor in cases of national security.



- **U.S. Farmland Needs Capital:** The demographics of U.S. farmland owners and operators indicate a transition is underway that will require a significant infusion of capital into the asset class. The next generation of farmers needs capital partners that will support their access to farmland. The current generation of farmland owners will need a growing capital stack to enter the asset class to support the value they have built into their farmland assets over the course of their lives. Public opinion and regulatory structures will ultimately dictate the characteristics of the capital that can engage in this transition, but it is important for stakeholders to realize that supportive capital formation will be essential for stable U.S. agricultural production systems over the next few decades.

The political discourse on foreign ownership of U.S. farmland has become intense and is largely supported by public opinion, particularly as it relates to perceived foreign adversaries. The way the current discourse is using AFIDA reporting data creates several potential challenges and inaccuracies. The actual impact of foreign ownership is likely highly overstated, and thus political talking points that suggest large negative impacts of foreign ownership that need to be addressed through legislated changes warrant additional considerations.



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1108 S. 44th Street, Suite 102 | Cumming, IA 50061
855.800.LAND | Info@PeoplesCompany.com

PEOPLESCOMPANY.COM

