

Fears of Chinese Ownership of American Farmland Overblown

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At least a baker's dozen of states are considering new restrictions on the ownership of farmland by foreign entities connected to both China and other nations considered hostile to American interests. But those restrictions would deprive the United States farm sector of fresh investment while doing nothing to guard national security.

Despite the recent upsurge in concern, China remains a bit player in the ownership of U.S. farmland. In fact, foreigners of any nationality account for a small share of farmland ownership in the U.S. According to the U.S. Department of Agriculture, only 3.1 percent of privately owned cropland, forest, pasture and other agricultural land in the U.S. at the end of 2021 was owned by foreign nationals.

Residents of Canada own the largest share of foreign-owned farmland in the U.S., 31 percent, and most of that is forestland. Another 31 percent is owned by residents of four European allies — the Netherlands, Italy, the United Kingdom, and Germany. China ranks 18th on the list. Chinese nationals own 600 square miles, or 0.03 percent, of the more than two million square miles of American farmland.

Of the small share owned by Chinese nationals, most of it is not traditional cropland or forest, but “other agricultural” land. In fact, one Chinese-owned American subsidiary,

pork producer Smithfield Foods, accounts for almost half of the Chinese-owned farmland in the U.S. Smithfield was acquired in 2013 by WH Group Limited, a private agricultural company based in Hong Kong that is not directly tied to the Chinese Communist Party or mainland government. The acquisition was approved at the time by U.S. regulators and nothing in the company's operations since then has raised any serious concerns.

Of course, China is not the Netherlands. Its government is a strategic rival of the U.S. Legitimate concerns exist about the nature of certain Chinese investments and their proximity to key U.S. installations, but those concerns are best addressed on a case-by-case basis. For example, earlier this year, an American subsidiary of a Chinese company proposed to develop a corn mill in North Dakota that would be 12 miles from Grand Forks Air Force Base. After concerns were raised by the U.S. Air Force, the Grand Forks City Council nixed the deal.

More sweeping restrictions on land ownership could harm the American farm sector. With a population four times that of the U.S. and less arable land, China has become a huge market for U.S. agricultural products. Since China joined the World Trade Organization in 2001, American farm exports to China have grown exponentially, from under \$5 billion to a record \$36.4 billion in 2022. China is now the number one export market for U.S. farm goods. It doesn't seem unreasonable that Chinese investors own a modest stake in America's agricultural sector.

If military conflict were to break out with China, its government would have limited options for Chinese-owned agricultural interests. All domestic U.S. laws apply whether a property is owned by U.S. residents or foreigners. Farmland and other real estate is by its

nature fixed in place — it can't be taken anywhere else. In fact, if necessary, the property could be expropriated if U.S. national security is at stake.

When national security concerns are raised by specific Chinese investments in U.S. farmland — or any other sector of the economy — the transaction can be vetoed by the Committee on Foreign Investment in the United States (CFIUS). The interagency body is empowered by Congress to cancel any proposed direct foreign investment in U.S. assets that could jeopardize national security. CFIUS is arguably in a better position to guard our national security than blanket prohibitions of foreign ownership on a state level.

Foreign ownership plays an important if limited role in America's agricultural sector. The federal government, and especially the states, should be careful not to embrace sweeping measures that interfere in the private farm sector without advancing any legitimate national security objective.

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