

Lawmakers say Chinese investment in U.S. farmland poses threat



*This Wednesday, April 8, 2020, file photo shows the Smithfield pork processing plant in Sioux Falls, S.D. (AP Photo/Stephen Groves) ** FILE ** more >*

By Joseph Clark- *The Washington Times* - Tuesday, August 3, 2021

Lawmakers are sounding the alarm over Chinese investment in U.S. farmland, which they say poses a threat to national security if unregulated.

Between 2010 and 2019, Chinese holdings in U.S. agricultural holdings grew from 75 parcels totaling 13,720 acres to 263 parcels totaling 191,652 acres, according to Agriculture Department data.

Foreign investors owned 35.2 million acres, or 2.7%, of all privately held agricultural land in the U.S. at the end of 2019. Chinese investors' total acquisitions ranked far behind Canada and the Netherlands, whose investors owned 4.7 million and 4.6 million acres, respectively.

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But Rep. Dan Newhouse, Washington Republican on the House Appropriations Committee, said China's growing agricultural investment abroad, which rose from \$300 million to \$3.3 billion between 2009 and 2016, is alarming.

"Stopping China from taking control of a sizable portion of American critical assets, like Beijing has managed to do in several other nations, is critical," Mr. Newhouse said on Twitter

Mr. Newhouse and other members of the committee have taken steps to curb the trend.

Last week, the full House Appropriations Committee approved an amendment to a fiscal year 2022 agricultural spending bill that would prohibit the sale of U.S. farmland to China and end farm subsidies to those currently owned by China.

Mr. Newhouse's provision was amended by others on the committee to include Russia, Iran and North Korea as part of the ban.

"Allowing this practice to continue would lead to the creation of a Chinese-owned agricultural monopoly and pose an immediate threat to U.S. national security and food security," Mr. Newhouse said.

In a recent speech on U.S.-China relations at The Heritage Foundation, former Vice President Mike Pence said the U.S. must work to decouple "the American economy from China in industries that are essential to the American people and our national security," including agriculture.

"Chinese investors now own nearly 200,000 acres of prime American farmland," Mr. Pence said. "America cannot allow China to control our food supply."

Some analysts agree that the trend is cause for alarm.

“As a percentage, even if you were to go up and say that China owns a million acres of U.S. farmland, that’s not a lot as a total percentage,” said Markham Dossett, president of Texas-based commodities brokerage Talon Asset Management. “But it’s growing so fast. That’s what is alarming.”

Chinese investors “are the biggest buyers of agricultural land around the world,” said Usha Haley, a professor in international business at Wichita State University and author of “Subsidies to Chinese Industries: State Capitalism, Business Strategy and Trade Policy.”

“It’s not just the United States,” she said. “Generally the United States was off-limits, but now they are buying up more and more land.”

According to the USDA, a total of 81 Chinese investors own holdings in U.S. farmland. But Mr. Dossett and Ms. Haley said investors are difficult to track.

Foreign investors are required to self-report U.S. agricultural holdings under the Agricultural Foreign Investment Disclosure Act of 1978. But many investments are made through large corporate entities with muddled ownership structures.

“It’s very hard to track because there are so many different legal entities that can own a farm,” Mr. Dossett said. “And that’s the way it should be arranged. That’s how most people do business. But it’s hard to track ownership. But we know it’s rapidly accelerating.”

More concerning for Ms. Haley are the implicit ties Chinese investors have with the Chinese Communist Party. She said the Chinese government closely monitors foreign investments to ensure they align with Beijing’s long-term strategy.

“You do need the backing of the Beijing government and an understanding, an explicit understanding, that your strategy and goals synchronize with what the government wants to achieve,” she said of Chinese investors.

Ms. Haley said she has seen similar trends of Chinese investments in other sectors such as shale gas, in which China has made massive investments. She said several investors backed by China could hold outsized sway over the U.S. and global industry.

“The sheer mass of them is troublesome because they do have to march lockstep with what the Chinese government wants,” she said. “They’re sleepers for the Chinese Communist Party.”

She said Chinese investors, often backed by state subsidies that enable them to weather short-term market cycles, operate on a long horizon.

“Chinese strategy is to buy and hold,” she said. “They see an opportunity, they buy it. Then they will decide what to do with it. But in certain key sectors — agriculture is certainly a key sector everywhere in the world — buy and hold is a tremendous strategy.”

Lawmakers at the state level have also taken notice.

In March, Missouri state Sen. Doug Beck, a Democrat, introduced a bill that would have reimposed a check on foreign investment in Missouri farmland. He said the lack of the safeguard poses a significant, long-term threat.

There are six states that ban foreign ownership of farmland — Hawaii, Iowa, Minnesota, Mississippi, North Dakota and Oklahoma.

In 2013, the Missouri legislature reversed a late 1970s ban on foreign farmland purchases in the state. The bill received little scrutiny, according to Tim Gibbons of the Missouri Rural Crisis Center.

“And right after they did that, Smithfield was bought by a Chinese corporation,” Mr. Beck said. “Within weeks.”

The sale of U.S. pork producer Smithfield Foods to WH Group, formerly known as Shuanghui Group, placed more than 140,000 acres of U.S. farmland in the hands of a Chinese-owned firm. More than 44,000 of those acres were in Missouri. Almost overnight, a Chinese firm owned a significant stake in Missouri agriculture.

Ms. Haley warned Congress in 2013 that the sale of Smithfield, which she said doubled the number of U.S. jobs tied to direct investment by China, would set a concerning precedent and only serve to benefit the CCP long-term.

The 2013 law allowed for just 1% of land to be sold to foreign investors. But according to Mr. Gibbons and Mr. Beck, the Missouri legislature was tasked with producing a yearly report on foreign ownership, and they say the review was soon complicated bylaws allowing firms to bypass state reporting requirements.

“These foreign corporations can set up a domestic corporation in Delaware, and fill out a W9, and then bypass reporting at all, Mr. Gibbons said. “So understanding and having the knowledge of what land in Missouri is owned by foreign interests is almost impossible at this point.”

Mr. Beck added, "And now there is no tracking whatsoever through the Department of Ag. So we have no idea how much farmland is owned [by foreign investors] even though it's only supposed to be 1%. So we're not sure how much foreign investment is actually here, how much of our precious resource they actually own."

Mr. Beck said Missouri's independent farmers grew concerned with the number of large-scale concentrated animal feeding operations that sprang up in the region, and the growth of foreign ownership. Many independent farmers were being pushed out of business by what Mr. Gibbons described as a "perfect storm," following years of a depressed farm economy that left independent farmers unable to compete with large-scale enterprises.

Even more concerning was the fact that many of the largest corporate farmers were foreign entities, he said.

Mr. Beck's bill would have paused foreign purchases of Missouri farmland until the state could accurately report how much Missouri farmland was owned by foreign entities. It ultimately failed to pass.

“I understand there are jobs involved with some of these, too,” he said. “But there’s just the whole fact behind it that some foreign country or entity owns one of your most precious resources that you cannot replace. You’ve got food security, you’ve got economic insecurity, and you also have a national security issue.”

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