AMERICAN FOREIGN POLICY COUNCIL

China is Coming for American Farms

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While Washington's growing focus on "great power competition" with China is expanding to encompass things like research and development, semiconductors and manufacturing, so far it hasn't seriously addressed one element: American land. At the expense of American landowners, farmers and companies, Chinese corporations have been buying up valuable land for years. This increased ownership isn't merely about commercial transactions. It also compromises national security because it essentially hands over the supply, distribution and processing of our food supply to a hostile adversary with little oversight. It also puts land-seeking Americans at a disadvantage on their home turf. After all, how could they, as private citizens, ever hope to compete with Beijing's deep pockets?

The problem is a looming one. In less than a decade, China's stake in American farmland has grown exponentially. Records from the Agricultural Foreign Investment Disclosure Act show that Chinese acquisitions "rose from less than 10 annually" before 2008 to "12 to 25 each year during 2008-13." In 2007, China bought six farms, all in California. The next year, they had bought 30 outside California, in Arizona, Texas and Missouri.

This strategy, outlined in an official Chinese Communist Party (CCP) 2013 food security initiative, encourages Chinese companies to gain greater control over agricultural supply chain imports. Moreover, Beijing has backed up this priority financially, utilizing its assorted state-connected financial institutions. The Agricultural Bank of China has stressed that it has "fully met the financial needs of the 'Going Global' of enterprises in agricultural cooperation."

The biggest Chinese agricultural investment in the U.S. came in 2013, when the Bank facilitated the largest acquisition of an American company to date: the $4.7 billion purchase of Smithfield Foods, the world's biggest pork producer, by the Shuanghui Group. The 146,000 acres of land that Shuanghui thereby gained made it one of the largest foreign owners of U.S. property.

But Beijing hasn't stopped there. Currently, ChemChina, an agricultural state-owned enterprise, is attempting to take Swiss firm Syngenta, the world's largest crop protection maker and third-biggest seed supplier, public. Its value? $50 billion. More importantly, while Syngenta is a Swiss company, it operates multi-billion dollar farm sites across 16 U.S. states, invests in research and development yearly, employs over 4,000 Americans in 41 states and views the U.S. as its top market. Its stake in American farmland is thus critical, and China knows it.

These acquisitions, and other smaller ones, highlight that China is slowly but surely gaining control of parts of the American food supply. The effects are likely to be pronounced, on several levels.

For one thing, the enterprises that now own Smithfield and ChemChina have close ties to the CCP. As a result, when they receive orders to modify supply, distribute exports differently, or speed up production at the expense of American companies or workers, they tend to oblige. Last year, for example, when China was experiencing a hog fever outbreak, Smithfield changed production at a plant to accommodate the shortage in China while knowing that the U.S., too, would suffer shortages.

On another level, foreign investments are hiking up property values at the expense of potential American landowners. The Department of Agriculture estimated that between 2004 and 2014, the value of land held by China increased from $17.4 billion (in today's dollars) to $42.7 billion. And, as farm bankruptcies reached an eight-year high, unrestricted foreign investors are snatching up leftover farmland—and driving out local land-seeking Americans in the process. Local laws, meanwhile, only provide some protection. Iowa's laws are strict and do not allow foreigners to own land, while others, like Maine's, have no such restrictive laws.

Lawmakers are beginning to take notice. In 2017, Senators Debbie Stabenow (D-Mich.) and Chuck Grassley (R-Iowa) introduced the aptly named Food Security is National Security Act, which, if enacted, would have strengthened protections for agrobusinesses to be kept under domestic control. During the 2020 election, Senator Elizabeth Warren (D-Mass.) pledged to make the Iowa law federal. And recently, Representative Dan Newhouse (R-Wash.)'s amendment to prohibit China and its subsidiaries from buying agricultural land outright passed the House Appropriations Committee. "The U.S. cannot become dependent on China for our domestic agriculture and food supply," the congressman noted at the time.

Unfortunately, the Department of Agriculture has failed to properly assess the impact of foreign ownership of farmland. Since 2011, only 10 fines worth a measly $115,754 have been assessed by the USDA. This is not for lack of trying. Not only does USDA lack the staff and resources to monitor foreign ownership, but it relies heavily on companies to self-report correct filings. When companies don't, tracing back the correct finances becomes burdensome.

One potential remedy is to include agriculture in the scope of work covered by the Committee on Foreign Investment in the United States (CFIUS), the intra-agency body that vets the risks posed by foreign investments to U.S. national security, or lawmakers may decide on a different fix. Whatever the specifics, the congressional advocates have it right: if American landowners are to remain competitive, Washington needs greater resources to investigate foreign purchases of farmland that exploit existing loopholes. And those loopholes, once identified, need to be closed.

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