

# Foreign Investment in U.S. and North Dakota Agricultural Land

Cliff P. Dobitz and Donald R. Kirby

Foreign ownership of U.S. farmland has recently stirred controversy among Americans, particularly those Americans employed in the agricultural sector.<sup>1</sup> This has prompted bills to be introduced in congress as well as farm state legislatures to restrict or even prohibit foreign ownership.

American farmers see foreign investment as a problem with major potential ramifications. It is thought that foreign money pouring into the U.S. agricultural sector threatens the status of the family farm (Fry, 1980) as foreign investment would escalate land prices. The perceived problem is that entry by foreigners heightens the overall degree of competition in a sector of our economy in which individual producers already have no control over the selling price of their output.

Foreign ownership of U.S. and North Dakota agricultural lands warrants a close look. Objectives of the present study were to investigate: (1) the pros and cons for foreigners purchasing U.S. agricultural lands, (2) the dimensions of present foreign ownership in the U.S. and North Dakota, and (3) the likely trend for the future.

## PROS AND CONS OF FOREIGN INVESTMENT

By comparison to most foreign countries, the U.S. is massive in size and the most affluent market in the world. Owners of wealth prefer to invest in capitalistic (private ownership) institutions. Probably the most important comparative advantage in favor of investing in the U.S. is the stability of America's economic system.

A major economic incentive for foreign purchases of U.S. farm, ranch and timber land is relative prices. U.S. land is cheap compared to land in Japan or western Europe where the relative density of population creates a premium on

---

*Dobitz is professor, Department of Economics, and Kirby is associate professor, Department of Animal and Range Science.*

---

<sup>1</sup>Examples of recent concern include: "Foreign Ownership Act of 1989," S289, Congressional bill sponsored by Senator Harkin (Iowa); Alisa Harrison, "Life After The U.S./Japan Beef Agreement," *National Cattleman*, August, 1988; Cheryle Burke, "Trade Agreement Sparks Japanese Interest in U.S. Beef Industry," *National Cattleman*, September, 1988; Mike Fitzgerald, "Japan Beef Pacts Likely to Spur Foreign Investments," *Drovers Journal*, August, 1988; Jack McEoen, "The Selling of U.S. Agriculture," *Farm Journal*, December, 1988; Gene Koretz, "The Buying of America: Should We Be Worried," *Business Week*, May, 1988; Steve Kay, "Japanese Buy Montana Ranch," *Western Livestock Journal*, November, 1988; "Foreign Investment," *Farm Bureau News*, January, 1988.

land. The foreign currency exchange ratio has also been favorable for foreign investment. For example, the price of U.S. land in terms of Japanese yen decreased 48 percent between 1980 and 1988 (International Financial Statistics, 1988).<sup>2</sup> Adding to the decreasing foreign exchange ratio has been the reduction in prices of U.S. farmland. The average value of farm and ranchland in North Dakota was \$433 per acre in 1980, but had dropped to \$262 by 1987 (Johnson, 1988). This is a 40 percent decline in the purchase price of land added to the decline in relative prices due to changes in the currency exchange ratio.

The comparative U.S. tax burden is mixed. Income and social security taxes of the average American worker is about 20 percent of gross earnings. Denmark, Sweden and the Netherlands pay about 35 percent, while West Germany and the United Kingdom pay about 28 percent. France, Canada and Japan pay less, about 12 percent (OECD, 1983).

An additional incentive in investing in U.S. farm and ranch operations is that foreign marketers and processors can supply products that differ from U.S. consumers' tastes and preferences. Foreign owned agricultural operations in the U.S. can provide products in specialized markets in response to known particular foreign consumer interests (Cooper, 1989).

Intangible benefits may also contribute to foreign purchases of U.S. land. Investments in the U.S. may provide access to agricultural technology as foreigners realize U.S. farmers can produce more economically. Finally, some foreign investors may be attracted to land purchases because of perceived prestige derived from being a "capitalist" in the U.S. (Fry, 1983).

Perhaps the primary economic deterrent to foreign purchases in U.S. farmland is relative profitability. From 1980 through 1988 U.S. farmland values declined by over 40 percent (U.S. President, 1989). Conventional wisdom suggesting that farmland maintains relatively stable prices and tends to be a hedge against inflation is no longer appropriate. Expectation for profit from farmland investments also does not appear to be competitive with alternative investment opportunities available to foreigners.

From 1950 to 1969 the average per year return to farmers' equity was 3.8 percent. The recent agricultural "boom and bust" cycle began in the early 1970s. During the decade

---

<sup>2</sup>For added detail on foreign currency exchange ratios see Won W. Koo, 1988.

of the 1970s, the per year return to equity was 10.4 percent. For the first half of the 1980s the average return on farmers' equity was a bleak -7.1 percent (Calomiris et al., 1986). Furthermore, there is no doubt that the last half of the 1980s will also yield a negative return to equity (U.S. President, 1989).

A relatively high involvement of governmental intervention in the agricultural sector exists in the U.S. economy. Federal government agricultural programs may influence or limit production options of farm operators. This governmental intervention in the American farm policy may well be viewed by foreigners as a barrier to entry compared to other sectors in the U.S. economy.

Additional disadvantages for foreign investors in U.S. farmland are (1) relatively high volatility of farm income, (2) relatively high degree of risk due to farmers' inability to influence market prices, and (3) extreme illiquidity of farm real estate.

### FOREIGN OWNERSHIP OF U.S. AND NORTH DAKOTA AGRICULTURAL LAND: 1987

At yearend 1987, the foreign direct investment position in U.S. agricultural land was 12,534,972 acres (Table 1) (USDA, 1988). This amounts to 0.97 percent of all privately held agricultural land.<sup>3</sup> To put these numbers into perspective, the combined foreign-owned U.S. farmland acreage would cover an area slightly less than one-third the size of North Dakota.

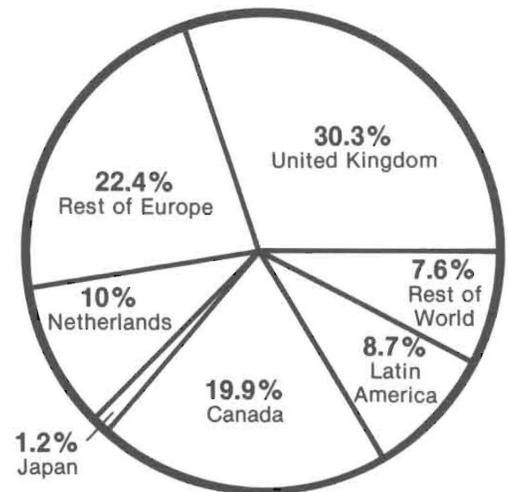
**Table 1. The twenty largest foreign investors by country in U.S. agricultural land.**

Country	Acres	% of Total
United Kingdom	3,795,106	30.28
Canada	2,497,246	19.92
Netherlands	1,249,043	9.96
West Germany	1,131,956	9.03
Switzerland	490,530	3.91
France	389,375	3.11
Mexico	351,774	2.81
Panama	260,243	2.08
Liechtenstein	250,238	2.00
Japan	149,209	1.19
Belgium	130,106	1.04
Bermuda	128,515	1.03
Luxembourg	122,563	0.98
Bahamas	101,168	0.81
Italy	91,289	0.73
Austria	70,894	0.57
Venezuela	65,458	0.52
Greece	63,996	0.51
Saudi Arabia	53,641	0.43
British Virgin Islands	44,929	0.36
Rest of World	1,097,693	8.76
<b>Total</b>	<b>12,534,972</b>	<b>100.00</b>

Source: USDA, 1988.

<sup>3</sup>Privately held land is total land less public, Indian, transportation and urban land.

European investors held almost two-thirds of the 12.5 million acres owned by foreigners at the end of last year (Figure 1). British investors held the largest position with 30.3 percent. Netherlands residents owned 10 percent. All other European countries combined owned 22.4 percent while Canadians held 19.9 percent (USDA, 1988).<sup>4</sup> The Japanese share the total foreign-owned acres was only 1.2 percent.



**Figure 1. Distribution of foreign ownership of U.S. agricultural lands: 1987. Source: USDA, 1988.**

Foreigners own 30,043 acres within North Dakota (Table 2). This amounts to 0.1 percent of the total privately owned agricultural land in the state. Canadians are the dominant foreign owners in North Dakota with 17,538 acres (58 percent), followed by United Kingdom with 1,394 acres (4.6 percent) and West Germany with 472 acres (1.6 percent). Residents of all other countries combined own 10,639 acres (35.4 percent). Cropland with 16,129 acres is the major use of North Dakota land owned by foreigners.

North Dakota counties which have the most acres owned by foreigners for use as cropland are Walsh (1,899 acres), Ward (1,474 acres), Pembina (1,373 acres), Slope (1,280 acres), and Burke and Eddy (about 1,200 acres each). Foreign ownership of pastureland in North Dakota is concentrated in Bowman (3,558 acres) and Burke (3,071 acres) counties. A total of 28 counties have foreign ownership of agricultural land (Figure 2).

### CONCLUSIONS

The agricultural community appears concerned about foreign ownership of U.S. agricultural land. The general thrust of his concern is that the U.S. would somehow lose control of its important basic source of food and thereby lose control of its economic destiny and freedom.

<sup>4</sup>Subsequent data analysis uses this USDA source.

**Table 2. Agricultural holdings (acres) of foreign countries by county in North Dakota.**

County	Cropland	Pasture	Forest	Other	Total
Barnes	80	0	0	0	80
Bowman	0	3,558	0	0	3,558
Burke	1,217	3,071	0	60	4,348
Cass	328	0	0	15	343
Cavalier	618	0	0	102	720
Divide	473	0	0	487	960
Dunn	96	1,238	0	0	1,334
Eddy	1,200	0	0	291	1,491
Foster	430	134	0	57	621
Grant	156	0	0	0	156
Griggs	357	0	0	118	475
Hettinger	366	0	0	0	366
LaMoure	0	0	0	26	26
McHenry	0	0	272	0	272
McKenzie	723	445	0	664	1,832
Mercer	51	469	0	0	520
Mountrail	203	0	0	37	240
Pembina	1,373	0	0	40	1,413
Ramsey	1,089	70	0	0	1,159
Renville	300	0	0	20	320
Richland	870	0	0	140	1,010
Rolette	256	32	32	0	320
Slope	1,280	240	0	0	1,520
Steele	640	0	0	0	640
Towner	347	30	0	92	469
Walsh	1,899	38	20	307	2,264
Ward	1,474	1,455	0	0	2,929
Williams	303	121	0	233	657
<b>Total</b>	<b>16,129</b>	<b>10,901</b>	<b>292</b>	<b>2,721</b>	<b>30,043</b>

Source: USDA, 1988.

We find no evidence that foreign investment in U.S. agricultural land has had an influence on our economy. The concern about foreign ownership of agricultural land does not have a factual base for the nation or for North Dakota. Furthermore, such foreign investment does not appear to be a problem nor do we view it as a potential problem. Currently, foreigners own less than one percent of available private U.S. and less than 0.1 percent of available private North Dakota agricultural land. It appears that foreigners view the disadvantages of purchasing U.S. agricultural land to more than offset the advantages. Other investments in the U.S. or elsewhere may be more lucrative in areas other than the agricultural sector.

Agricultural Foreign Investment Disclosure Act of 1978 (AFIDA), Pub. L. No. 95-460, 7 U.S.C., 3501-3508.

Calomiris, Charles W., R. Glenn Hubbard and James H. Stock, 1986, "The Farm Debt Crisis and Public Policy," **Brookings Papers On Economic Activity**, Vol. 2.

Cooper, Scott R., 1989, "Who's buying our land?" **National Cattlemen**, Vol. 4, No. 8.

Fry, Earl H., 1980, **Financial Invasion of the U.S.A.: A Threat to American Society?**, McGraw Hill Co., New York.

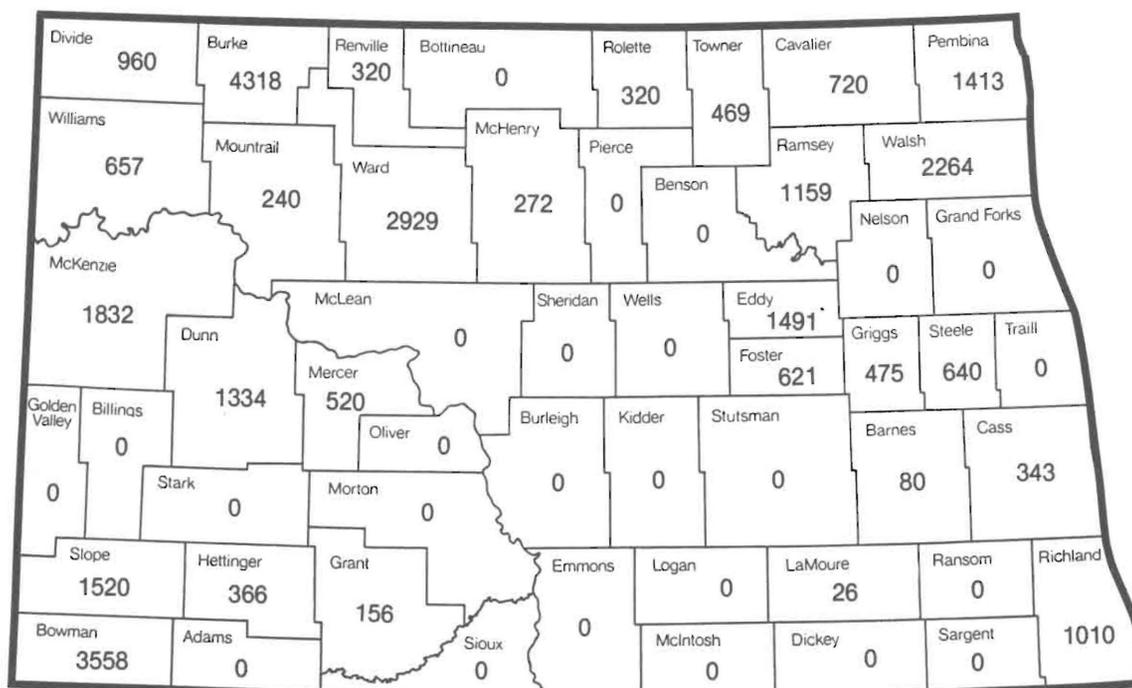
Fry, Earl H., 1983, **The Politics of International Investment**, McGraw Hill Co., New York.

**International Financial Statistics**, 1988, International Monetary Fund, Vol. XLI, No. 1.

**International Financial Statistics**, 1988, International Monetary Fund, Vol. XLI, No. 11.

Johnson, Jerome E., 1988, "Farmland Values in 1987," **North Dakota Farm Research**, Vol. 45, No. 4.

Continued on page 20



**Figure 2. Agricultural holdings (acres) of foreign owners by county in North Dakota. Source: USDA, 1988.**

The culture of ultra early tomatoes is not different from that of other varieties, but there are a few factors that could help the grower be more successful. A first step in successful tomato production is to start with good plants and to keep them in good growing vigor. If you buy plants from a greenhouse or garden store, select young plants. They should be short, have a thick stem and have dark green foliage. Under no circumstance should they be in flower. The first truss of flowers will produce the earliest fruit; if they are already flowering before transplanting, this early fruit will probably be lost. Also, old plants are stunted and their establishment after transplanting will take longer than if young vigorous plants are used.

If you grow your own plants, do not start them too early. A good rule of thumb for sowing date is to count back from the transplanting date five or six weeks. If you usually can safely transplant into your garden at the end of May, the tomato seed should be sown about April 20. An easy way to produce a few plants for the home garden is to sow the seed directly into peat pots or Jiffy 7s. Good sterile potting soil should be used in the peat pots. Tomato seeds require a higher temperature to germinate, so place them where the temperature will be above 70 F. Once the seedlings have emerged, thin them to one per pot and place them in the brightest light you have. If the days are warm, set them outside in a protected spot. For larger quantities of plants, a greenhouse or cold frame is essential.

For best results, tomatoes should not be grown in the same spot year after year. Rotate them around your garden plot. This will cut down on disease problems. If disease is a problem, it might be necessary to move the tomato growing area out of the garden for a couple of years. Removing and destroying old plants at the end of the growing season will also help.

Over fertilization is one of the biggest detriments to the production of early tomatoes. Only enough fertilizer should be added to keep the plants growing with good vigor and allow them to set a good crop of fruit. Add a small amount of fertilizer at planting time. If after three or four weeks the plants aren't growing vigorously, additional fertilizer can be added as a side dressing.

Early and ultra early tomato varieties should never be pruned. Pruning has the same effect as overfertilizing and tends to keep the plant vegetative. If having the fruit on the ground is a problem, use a straw or plastic mulch. If a slug infestation exists, use slug bait and harvest the tomatoes as soon as they are ripe.

Many varieties of tomatoes are available and the gardener should select those that will fit his particular needs. If having a constant supply of fruit for use in salads is desired, fruit size

may not be important. However, if you want to can a large supply, large fruited varieties are easier. Small fruited varieties can be used for making salsa and sauces. Paste tomatoes are high in solids and are easier to cook down for tomato paste and catsup.

The following is a partial list of varieties that have been successfully grown at the NDSU campus.

	Height (in)	Spread (in)	Fruit Size (in)	(oz)	pH	Soluble Solids (%)
<b>"Ultra Early"</b>						
Small Wonder	12	30	1-1½	1.1	4.4	6.0
Northern Delight	12	30	1½-2	1.5	4.3	5.8
NoDak Early	12	24	2-3	2.8	4.3	5.8
Mountain One	12	30	1½	1.3	4.4	6.4
Bonner	12	30	1½	1.2	4.3	6.4
Gem State	12	24	1	1.2	4.3	5.6
Ida Gold	14	30	1½	1.3	4.5	6.8
Latah	12	24	1½	1.2	4.5	6.8
Pixie Hyb.	16	20	1½-2	2.1	4.3	4.6
<b>Early</b>						
Quick Pick	30	48	2½-3	4.6	4.4	6.5
Wayahead	18	42	2½-3	4.5	4.5	6.0
Lark	12	36	2-3	3.4	4.4	5.9
Scotia	24	36	2½-3	3.4	4.2	6.0
Benewah	16	30	2-3	3	4.4	6.0
Nova (Paste)	20	36	1½-2	1.7	4.3	6.0
<b>Main Crop</b>						
Early Girl	30	60	2½-3	4.0	4.3	6.6
Sheyenne	20	30	3-4	5.6	4.2	6.0
Floramerica	30	40	3½-4	5.6	4.3	5.3
Dakota Gold	24	30	3-4	4.6	4.2	6.0

## LITERATURE CITED

- Boe, A.A., P.J. Pelofske and T.J. Bakken. 1980. 'Santa,' 'Gem State' and 'Benewah' tomatoes. *HortScience* 15:536-537.
- Daubeny, H.A. 1961. Earliness in tomato varieties with special reference to the ability to set fruit at low temperatures. *Proc. Am. Soc. Hort. Sci.* 78:445-449.
- Harris, R.E. 1972. Three new Sub-Arctic tomatoes: 'Early Sub-Arctic,' 'Sub-Arctic Midi,' 'Sub-Arctic Plenty.' *Can J. Plant Sci.* 52:119-120.

## Continued from page 18

Koo, Won W., 1988, "Impacts of the Dollar's Depreciation on the United States Agricultural Trade," **North Dakota Farm Research**, Vol. 45, No. 6.

Organization for Economic Cooperation and Development (OECD) Member Countries, 1983, *The 1982 Tax/Benefit Position of a Typical Worker*, Paris.

USDA, *Agricultural Chartbook*, 1988, Handbook No. 673, Chart No. 49 and 50, U.S. Government Printing Office.

USDA, Economic Research Service, 1988, "Foreign Ownership of U.S. Agricultural Land Through December 31, 1987," J. Peter DeBraul, Editor, Report No. AGES 880314, April.

U.S. President, 1989, **Economic Report of the President**, Washington, D.C. Government Printing Office, Table B-101.