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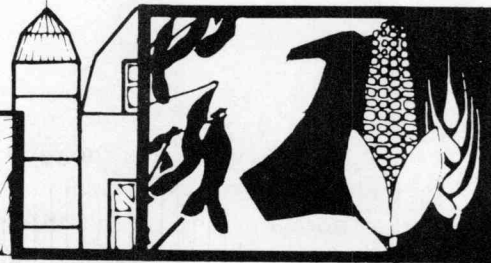
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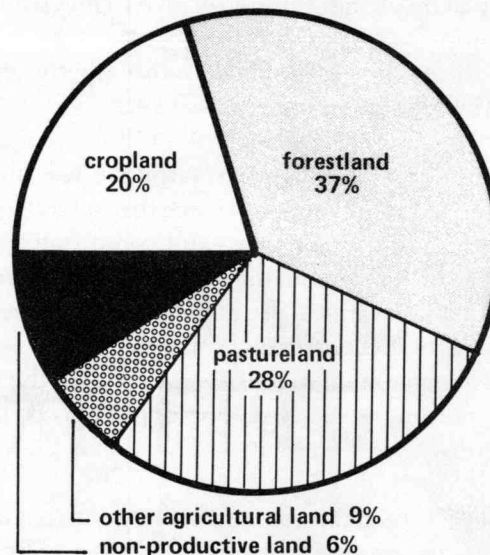
# LETTER

**FOREIGN INVESTMENT IN THE U.S. AGRICULTURAL AND FOOD SYSTEM** has drawn considerable attention in recent years. But according to the USDA's latest tally on foreign investment in agricultural land, fewer than one of every 100 acres of agricultural land, whether in farms or forest, are now owned by foreign investors. In contrast, a greater degree of foreign investment has occurred in food manufacturing and retailing. By the end of 1979, foreign investors owned approximately 8 percent of the total assets of U.S. food manufacturing firms. Foreign investors wholly or partially owned 23 U.S. grocery store firms which accounted for 11 percent of total grocery store sales.

Since February of 1979 the USDA has required foreigners to report their holdings, acquisitions, and dispositions of U.S. agricultural land. Those reports indicate that as of last December, foreign investors held partial or whole interests in 7.8 million acres of agricultural land. That represents only 0.6 percent of the total U.S. agricultural land area of 1.36 billion acres. These estimates, however, may be somewhat low according to some analysts, since some disclosure forms are submitted late or are incomplete. But even with an upward revision of several million acres, the fraction of the U.S. land base under foreign control remains very small.

Foreign ownership was reported in every state except Rhode Island, but it is concentrated mostly in the West, South, and Northwest. Foreign holdings in ten states—Maine, Texas, California, Georgia, Florida, South Carolina, Tennessee, New Mexico, Colorado, and Montana—account for 60 percent of the acreage nationwide. When viewed in terms of the percentage of land in each state, Maine leads the list with 5.1 percent, followed by Hawaii with 2.8 percent and South Carolina with 2.2 percent. In District states, the percentage of land owned by foreign interests ranged from less than 0.1 percent in Wisconsin to 0.4 percent in Illinois and Indiana. Illinois had the largest amount of foreign-owned land, 127,000 acres, which represents, on average, 1,200 acres per county.

**Cropland makes up only a fifth of the foreign holdings of U.S. agricultural land\***



\*As of December 31, 1980.

\*\*Includes orchards, vineyards.

SOURCE: USDA.

These foreign holdings of agricultural land include cropland, rangeland, forestland, and land that has been taken out of production. In the case of Maine, most of the foreign ownership is forestland held by one timber company. In many instances, moreover, foreigners own only a partial interest in the land. Partnerships between foreign investors and U.S. landowners are included as well as land owned by U.S. corporations in which foreigners own as little as a 5 percent interest. As a result, only about 2 million acres of U.S. land would qualify as cropland wholly owned by foreign interests. That represents less than 0.2 percent of the agricultural land base and 0.5 percent of the U.S. cropland base.

Foreign buyers represent about 80 different nationalities, though about three-fourths are from Canada, Britain, West Germany, the Antilles (West Indies), Luxembourg, and the Netherlands. Since foreign purchas-

ers are able to circumvent the reporting requirements by multiple layers of ownership—for example, where one corporation owns another through a holding company or trust—the reported country may reflect the location of the company managing the buyer's investments rather than the buyer's own location.

Foreign buyers invest in agricultural land for several reasons. The average value of an acre of U.S. farmland, nationwide, increased three and one-half times in the last 10 years, thereby casting it as a good investment. In addition, political stability in the United States assures the safety of investments here relative to investments in other countries. Also, foreign investors have been afforded some tax advantages, although these were trimmed by legislation enacted last year.

Foreign investment in U.S. farmland was an emotional issue for some time. But since the federal government began monitoring sales, and some states passed laws to restrict foreign buying, the concern over foreign investment has waned. Issues related to the residual effects of foreign investment—such as uses made of the land and management practices—persist, but the practices have not been observed long enough to be judged conclusively.

Though foreign investment in farmland receives the most publicity, foreign interests have taken a larger role in the grocery, food service, and food manufacturing industries. Prior to 1970, a Canadian firm was the only significant foreign investor in U.S. food retailing. In the late 1970s foreign investors moved rapidly into the industry, and by April 1980 owned, wholly or partially, 23 U.S. grocery firms that accounted for nearly 11 percent of U.S. grocery store sales. Three of the grocery firms acquired by foreign investors ranked in the top ten of U.S. grocery firms based on sales. Nine-tenths of the foreign investments have been made by West German, English, or Canadian firms—in that order—that are large retailers in their home countries. The U.S. affiliates of foreign firms tend to be concentrated in the southeastern and southwestern parts of the United States, where above average population growth has occurred.

Foreign investors bought into 58 commercial food service firms—eating and drinking places, hotel and motel restaurants, caterers, and vendors. This represents at least 3 percent of commercial food sales, though only slightly over half of the firms disclosed sales numbers. Major foreign investors have included firms from the United Kingdom, West Germany, Switzerland, Canada,

### Foreign investment in the food industry rose sharply in the late 1970s

Year	Foreign acquisitions of firms in			
	food service		food retailing	
	number	percent	number	percent
before 1970	1	2	2	9
1970 - 1975	11	19	4	17
1976 - 1979	36	62	12	52
1980	<u>10</u>	<u>17</u>	<u>5</u>	<u>22</u>
total	58	100	23	100

Source: USDA

and Japan. These acquisitions were not concentrated in any given region.

Although foreign investment in food manufacturing goes back to the 1930s, it accelerated in the 1970s and by 1980 had reached about \$2.6 million. At that time food manufacturing firms wholly or partially owned by foreign investors accounted for about 5 percent of all food and beverage sales of U.S. manufacturers. The foreign investors, for the most part, were from Canada, the Netherlands, Switzerland, Belgium, or Japan. Geographically, most of the firms were in a few states scattered around the nation.

A number of reasons may be behind the interest of foreigners in the U.S. food system. Laws and regulations in home countries have restricted new grocery store openings and placed controls on operations there. The low value of the dollar relative to other currencies in the late 1970s, coupled with undervaluation of the stock of many U.S. food firms, has made investment lucrative. Buying into food retailers also provided, in many cases, substantive real estate holdings. And some tax regulations may have been conducive to investment.

Traditionally the United States has had a neutral policy toward foreign investments, though it does restrict entry into some industries. Heightened concern in recent years over foreign investments in the United States has brought about numerous efforts to control, screen, or collect data on foreign investors. But so far the only action the United States has taken is to monitor investments through disclosure reports submitted to federal agencies such as the USDA.

**HOG FARMERS** apparently raised their production sights this summer, according to the USDA's latest *Hogs and Pigs* report. That report covers the 14 major hog producing states that account for 85 percent of the nation's hog numbers. The report indicates that the summer pig crop nearly equalled that of the year before. Moreover, producers' revised farrowing intentions point to more sow farrowings this fall than had been initially reported in June. And farrowing intentions for this winter suggest producers may farrow about the same number of sows as last winter. Overall, the report indicates that the cutback in pork supplies in the first half of next year will be less than previously forecast.

Hog production this summer came surprisingly close to the year-ago level. In June, the inventory of hogs held for breeding purposes was down a tenth from the year before and producers reported plans to cut June-August farrowings by 7 percent. It now appears that actual farrowings were down only 3.5 percent. Moreover, an unusually large number of pigs were saved per litter. Consequently, the summer (June-August) pig crop came within 1 percent of matching the outturn of last summer.

The larger-than-expected pig crop contributed to a narrowing of the year-to-year declines in hog numbers. The inventory of hogs held for breeding purposes apparently registered an abnormally small seasonal decline this summer and on September 1 was only 5 percent smaller than last year. The inventory of hogs intended for marketing was down 6 percent.

**Producers' farrowing intentions** now point to a 6 percent year-to-year decline in farrowings this fall. The June report had foreshadowed an 11 percent decline. Winter (December-February) farrowing intentions point to a decline of only 1 percent. If producers carry through with these intentions, and if litters are of average size, the fall pig crop would be nearly 8 percent less than the year before and the winter pig crop would be down about 4 percent. The fall and winter pig crops will be the major determinant of pork supplies in the spring and summer of 1982.

**In District states** covered by the most recent report, expansion is evident in Illinois and Iowa, while Indiana and Wisconsin farmers continue to hold production below year-ago levels. The summer pig crops in Illinois

and Iowa were up 5 and 10 percent, respectively, from the year before. Moreover, the September 1 inventories of hogs for breeding purposes were up 6 percent in Illinois and 8 percent in Iowa. In contrast, the summer pig crops in Indiana and Wisconsin were down 1 and 8 percent, respectively, and the breeding stock inventories in those two states were down 3 and 14 percent, respectively.

**Hog slaughter** relative to year-earlier levels has varied widely so far this year. In the first quarter, commercial hog slaughter was only 2 percent below the year before as mild weather resulted in rapid weight gains and an unexpectedly high volume of marketings. The shortfall widened to 10 percent in the second quarter, and—based on preliminary evidence—narrowed to around 5 percent in the third quarter. For the final quarter of this year, it appears hog slaughter will be somewhat larger than in the summer quarter but down perhaps 8 percent from a year ago.

Although the summer pig crop nearly matched the year-earlier level, hog slaughter during the first quarter of next year will likely register a bigger year-to-year shortfall. Based on the historical relationship between the summer pig crop and the subsequent January-March hog slaughter, it appears first-quarter hog slaughter may be down about 8 percent. The shortfall may narrow to about 6 percent in the second quarter, however, if producers carry through with the fall farrowing intentions and if litters are close to the ten-year average.

The envisioned slaughter levels will likely hold hog prices above year-earlier levels for the next several months. Most analysts believe hog prices this fall and in the first two quarters of next year will range from the high \$40s per hundredweight to the low \$50s per hundredweight. During the same three quarters of 1980/81 average barrow and gilt prices at seven major markets ranged from \$40 to \$43.50 per hundredweight. In conjunction with lower feed costs, the prospective prices portend modest profits for hog producers, following two years of large losses. Nevertheless, producers will have to be cautious in their production plans so that overexpansion doesn't threaten future profitability.

Gary L. Benjamin

## Selected agricultural economic developments

Subject	Unit	Latest period	Value	Percent change from	
				Prior period	Year ago
<b>Index of prices received by farmers</b>	1977=100	September	134	- 2.2	- 6
Crops	1977=100	September	121	- 6.2	-10
Livestock	1977=100	September	145	0	- 3
<b>Index of prices paid by farmers</b>	1977=100	September	151	0	+ 7
Production items	1977=100	September	149	0	+ 4
<b>Producer price index* (finished goods)</b>	1967=100	August	273	- 0.1	+ 7
Foods	1967=100	August	256	- 0.5	+ 4
Processed foods and feeds	1967=100	August	251	- 0.6	+ 1
Agricultural chemicals	1967=100	August	294	+ 1.7	+13
Agricultural machinery and equipment	1967=100	August	289	+ 0.7	+11
<b>Consumer price index** (all items)</b>	1967=100	August	277	+ 0.8	+11
Food at home	1967=100	August	273	+ 0.4	+ 6
<b>Cash prices received by farmers</b>					
Corn	dol. per bu.	September	2.52	-12.2	-16
Soybeans	dol. per bu.	September	6.29	- 6.3	-17
Wheat	dol. per bu.	September	3.63	+ 0.3	- 9
Sorghum	dol. per cwt.	September	4.08	-10.3	-20
Oats	dol. per bu.	September	1.79	+ 3.5	+10
Steers and heifers	dol. per cwt.	September	62.90	- 0.2	- 7
Hogs	dol. per cwt.	September	49.10	- 0.2	+ 7
Milk, all sold to plants	dol. per cwt.	September	13.70	+ 2.2	+ 4
Broilers	cents per lb.	September	26.8	- 8.2	-16
Eggs	cents per doz.	September	64.5	+ 8.9	+ 5
<b>Income (seasonally adjusted annual rate)</b>					
Cash receipts from farm marketings	bil. dol.	2nd Quarter	146	+ 2.1	+10
Net farm income	bil. dol.	2nd Quarter	23	+18.8	+43
Nonagricultural personal income	bil. dol.	August	2,393	+ 1.1	+12

\*Formerly called wholesale price index.

\*\*For all urban consumers.

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