



China's Foreign Agriculture Investments

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What Is the Issue?

Chinese companies are increasing their investments in foreign agricultural and food assets at a rapid pace. A better understanding of the motivations behind these ventures and their size and impacts can help Government officials, farmers, business leaders, and other stakeholders in the United States and other countries make more informed policies and business decisions regarding these investments.

What Did the Study Find?

According to China's Ministry of Agriculture, over 1,300 Chinese enterprises had overseas investments in agriculture, forestry, and fisheries valued at \$26 billion in 2016. The investments include crop and livestock farming, fishing, processing, farm machinery, inputs, seeds, and logistics in over 100 countries. China's National Bureau of Statistics reports that foreign investment in farming, forestry, and fishing grew fivefold from 2010 to 2016. Increasing reliance on food imports, concerns about national food security, and a rising stock of foreign reserves are among the factors that propelled growth in outbound investment.

Chinese officials have ambitious strategic plans for agricultural investments to reshape patterns of agricultural trade and increase China's influence in global markets. Foreign investment in agricultural and food sectors is part of a broader initiative to encourage Chinese companies to become economically competitive by engaging in international markets. Since the first decade of this century, Chinese officials have given stronger encouragement to agricultural companies to invest abroad. While investors are chiefly motivated by profits, Government authorities and banks formulate strategic plans, broker deals, arrange credit, and supply training and information services to encourage foreign investments. These investments contribute to national food security, gain a greater share of the profits for Chinese companies from imported commodities, exert influence on global price determination, impart technical and managerial expertise, open new markets for Chinese products, and project political influence abroad.

While China's foreign investment in agriculture is growing rapidly, global news media often exaggerate its role. A number of studies have found that the scale of many Chinese agricultural projects falls far short of initial announcements. Chinese researchers have found that few projects were profitable and relatively few investors exported products back to China as planned. The researchers attributed poor results to factors such as inexperience in global markets, lack of language skills, local bureaucracy, corruption, and political instability.

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Most of China's foreign agricultural projects involve relatively small companies investing in neighboring countries in Southeast Asia, Russia's Far East, and Africa that have unexploited land and are often receptive to Chinese investment. Agricultural investment is now closely tied to China's One Belt One Road initiative, which targets countries between China and Western Europe. Chinese companies seeking sources of dairy, beef, and lamb imports have focused their investments and partnerships on New Zealand and Australia.

Apart from the large 2013 acquisition of Smithfield Foods, relatively little Chinese investment has targeted U.S. agriculture. Statistics for 2014 show that North America received only 2 percent of China's farming, forestry, and fishing investment, the smallest share of any continent. A database that tracks Chinese investments in the United States shows only two-to-three investments in agriculture and food annually, most valued at less than \$10 million. Statistics tracking foreign farmland holdings in the United States show 12-to-25 Chinese acquisitions annually during 2008-13.

Many of the investors seek to profit from growing consumer demand in China. Investments in the dairy and beef sectors in New Zealand and Australia, for example, have gained prominence as imports of animal protein increased. Many ventures have a mix of foreign aid and commercial objectives. Chinese officials are encouraging further foreign-aid-type investments in less-developed countries as part of their One Belt One Road initiative (a China-sponsored development strategy focused on connectivity and cooperation between Eurasian countries).

The report's extensive review shows that Chinese foreign investment strategies are shifting away from land purchases toward mergers and acquisitions. For example, COFCO—a state-owned agribusiness—embodies new tactics aimed at gaining more control over commodity trading, processing, and logistics. Bright Foods—another state-owned company—exemplifies the conglomerate approach of assembling various companies and brands under one umbrella. The WH Group—a privately owned company in China's fragmented pork industry—acquired Smithfield Foods, the world's largest pork processor, known for its swine-breeding and pork-processing capabilities. New Hope Group—China's largest animal feed company—has diversified its investments from feed mills in neighboring countries to joint ventures with Australian and New Zealand partners to meet growing demand for animal protein in China.

Chinese investments in countries other than the United States could influence the U.S. share of the Chinese market for certain commodities like dairy products and beef. However, the United States' abundant endowment of productive farmland, leadership in agricultural technology, efficient management and marketing, and skilled and experienced managers are all advantages that may help it retain its role as China's leading supplier of agricultural imports, regardless of where Chinese companies choose to invest.

How Was the Study Conducted?

This study examines China's strategy for foreign direct investment in the agricultural and food sectors. While most investigations rely on English news media reports and interviews in particular regions, this study draws upon extensive discussion of strategies and how they have evolved over time as revealed in Chinese sources. The report reviewed a broad selection of Chinese speeches, reports, and news media to gain insights concerning China's rationale and policy support for outward investment in agriculture. The report also synthesizes trends in China's agricultural imports, examples of investments drawn from company reports and news media, and databases of investments for certain countries and regions to help readers evaluate the Chinese investment program.