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REPORT BY THE  
**Comptroller General**  
OF THE UNITED STATES

**Foreign Investment In U.S.  
Agricultural Land--How It Shapes Up**

This report, requested by the Senate Committee on Agriculture, Nutrition, and Forestry, provides an indepth perspective on foreign investment in U.S. agricultural land. Foreign buyers from at least 30 countries bought about 8 percent (248,146 acres) of the 3 million acres of agricultural land that changed hands in a sample of 148 counties in 10 States during 18 months ended June 30, 1978. Foreign buyers bought relatively large acreages in some counties. Projecting purchase data statewide showed that 13.2 million acres changed hands in the 10 States, including 514,760 foreign-bought acres (4 percent).

Most foreign-bought land went to Western Europeans--GAO did not find Arab investors to be a factor. The land was bought primarily for investment security and capital preservation and appreciation; most has continued in its same use; and some property improvements have been made. Available information indicates that foreign buyers did not consistently pay more than U.S. buyers for similar land.

(GAO believes the foreign investment situation bears watching, *as stated above* through the Agricultural Foreign Investment Disclosure Act of 1978--and that eliminating the tax advantage available to foreign, but not U.S., investors in U.S. land would be beneficial.

Local U.S. individuals bought the most land in the review counties, but nonlocal U.S. and foreign businesses bought a sizable portion--24 percent. GAO believes this also bears watching--by the Department of Agriculture--because it could further erode the U.S. family farm structure.



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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-114824

The Honorable Herman E. Talmadge  
Chairman, Committee on Agriculture,  
Nutrition, and Forestry  
United States Senate

*Sen 06/80*

Dear Mr. Chairman:

This report presents the results of our review of foreign investment in U.S. agricultural land. We made the review in response to your June 12, 1978, request.

After you release the report, we will send copies to the Secretaries of Agriculture and Commerce and to various committees and Members of Congress.

Sincerely yours,

*James B. Steele*

Comptroller General  
of the United States

D I G E S T

During recent years, much public attention has focused on foreign ownership of U.S. agricultural land. Concern has been voiced about the need for reliable data to determine the magnitude and consequences of this type of investment by foreign interests.

As requested by the Senate Committee on Agriculture, Nutrition, and Forestry, GAO identifies in this report the extent of foreign investment in agricultural land (farmland and timberland) in Arkansas, California, Georgia, Illinois, Iowa, Kansas, Montana, Pennsylvania, Texas, and Washington. (See p. 1.) The information is summarized in the following 10 sections.

GAO analyzed all agricultural land purchases in 148 counties in the 10 States (see app. II) from January 1, 1977, through June 30, 1978. On the basis of its sample, GAO was able to estimate the volume of all foreign transactions in the 10 States. This report includes analyses of GAO's sample data and of its Statewide estimates. Because of the weighting factors involved in estimating Statewide totals, Statewide estimates can vary considerably from the sample data alone.

1. EXTENT OF FOREIGN INVESTMENT  
IN U.S. AGRICULTURAL LAND

( Of the 3 million acres purchased, GAO identified 248,146 acres, or about 8 percent, that were bought in 55 counties by foreign purchasers from at least 30 countries. They made 224 purchases or 1.6 percent, of all 13,702 purchases made. (See pp. 3 to 5.)

The heaviest activity seemed to be <sup>in certain counties:</sup> ~~across the~~ ~~sunbelt States~~ (Georgia, Arkansas, and Texas), in California, and in ~~the northwestern section~~

of the country (Washington and Montana),--but only in certain counties in these areas.

Nine counties,--each having foreign purchases totaling more than 5,000 acres,--accounted for 163,257 acres (two-thirds) of the 248,146 acres of (foreign purchases) GAO identified. (These counties were Jefferson (Arkansas); Fresno, Kern, and San Joaquin (California); Hall (Georgia); Rosebud and Yellowstone (Montana); Bowie (Texas); and Kittitas (Washington).) (See pp. 8 to 19.)

On the basis of Statewide statistical projections for all 10 States as a group, GAO estimated that, during the 18-month review period, about 13.2 million acres of agricultural land were purchased in 71,800 separate transactions. Of these amounts, 514,760 acres (about 4 percent) were bought by foreign purchasers in 707 transactions (1 percent). (See p. 3.)

About 4.3 percent of the total farmland in the review counties changed ownership during the 18 months. On an annualized basis, this represents a farmland turnover of 2.9 percent. (See pp. 5 and 6.)

### Conclusions

Because GAO's study covered a single 18-month period, it cannot say whether, overall, foreign investment in U.S. agricultural land is increasing or not. Also, GAO does not know what the existing ownership of such land is. Relatively large acreages were bought by foreign purchasers in some States and counties, and GAO believes the situation bears watching. Effective implementation of the Agricultural Foreign Investment Disclosure Act of 1978 is an excellent way to do this. (See p. 19.)

#### 2. NATIONALITIES AND TAX ADVANTAGES OF FOREIGN PURCHASERS

(The 224 foreign purchases of agricultural land that GAO identified in the review counties

involved 173 foreign purchasers. Most of the 248,146 acres were bought by purchasers from the Netherlands Antilles, Belgium, West Germany, France, and Switzerland.) GAO did not find Arab investors to be a factor. (Most of the Antilles corporations were owned by Swiss, Belgian, and Italian investors.) (See pp. 20 to 28.)

(Foreign investors who buy U.S. real property have U.S. tax advantages (involving primarily capital gains) not available to U.S. citizens who may wish to invest in that same property. (See pp. 29 to 32.))

### Conclusion

GAO believes elimination of the tax advantages foreign investors have would remove a factor that may be preventing potential U.S. purchasers from competing effectively with potential foreign purchasers. Legislation pending in the 96th Congress would remove the capital gains tax advantage. This would also raise U.S. Treasury revenues. (See pp. 32 and 33.)

### 3. TYPES OF PURCHASERS

#### Ranking by acreage

Most acreage purchased in the 148 counties during the 18 months was bought by local U.S. purchasers. However, nonlocal U.S. purchasers bought a surprisingly large portion--over one-third--as shown below.

| <u>Type of purchasers</u> | <u>Acres purchased</u> | <u>Percent of acres purchased</u> |
|---------------------------|------------------------|-----------------------------------|
| Local individuals         | 1,385,380              | 45.5                              |
| Local businesses          | 302,812                | 9.9                               |
| Nonlocal U.S. individuals | 579,781                | 19.0                              |
| Nonlocal U.S. businesses  | 505,646                | 16.6                              |
| Foreign individuals       | 15,141                 | 0.5                               |
| Foreign businesses        | 233,005                | 7.6                               |
| Unclassified individuals  | 15,395                 | 0.5                               |
| Unclassified businesses   | <u>9,565</u>           | <u>0.3</u>                        |
| Total                     | <u>3,046,725</u>       | <u>100.0</u>                      |

Also, information on the 10 States showed that:

- In each State except Georgia, local U.S. individuals bought more acreage than any other category of purchaser.
- U.S. individuals bought more acreage than U.S. businesses in each State.
- Nonlocal U.S. businesses bought more acreage than local U.S. businesses in each State except Iowa, Pennsylvania, and Washington.
- Foreign businesses bought more acreage than foreign individuals in each State except Illinois and Iowa where a total of only 2,182 acres was bought by foreign purchasers. (See pp. 34 to 37.)

The report contains Statewide estimated data on types of purchasers which generally shows a similar pattern. (See p. 37.)

#### Ranking by number of transactions

Of the 13,702 transactions in the 148 review counties during the 18 months, local and nonlocal U.S. individuals accounted for 83.1 percent, U.S. businesses for 13.3 percent, and foreign purchasers (individuals and businesses) for 1.6 percent. Whether the remaining 1.9 percent (265 transactions) involved U.S. or foreign purchasers could not be determined.

Of all U.S. purchasers of agricultural land, local and nonlocal individuals made more purchases than businesses in each of the 10 States. The reverse generally was true for foreign purchasers in all States except Illinois and Iowa. (See pp. 38 to 40.)

#### Ranking by size of purchase

On the average, local purchasers, especially individuals, bought the smallest size tracts. Foreign purchasers, especially businesses, bought the largest. Nonlocal U.S. purchasers, especially businesses, bought the next largest. Overall, businesses of all types bought tracts 3 times as large as individuals bought. (See pp. 40 to 42.)

## Conclusions

While local purchasers bought 55 percent of the agricultural land that changed ownership in the review counties, a sizeable portion (24 percent) of the acreage was bought by nonlocal U.S. and foreign businesses. Such a trend, over a long period, could erode the extent to which the family farm structure exists in U.S. agriculture. GAO believes this bears watching by the Department of Agriculture--perhaps as much as foreign investment in agricultural land. (See pp. 42 and 43.)

### 4. TYPES OF AGRICULTURAL LAND PURCHASED

Of the 3 million acres of agricultural land bought by all purchasers in the review counties during the 18 months, about 2.88 million acres--94.4 percent--was farmland, such as cropland, pasture and rangeland, orchards, and vineyards, and 169,400 acres--5.6 percent--was timberland.

Of the 248,146 acres of foreign-bought agricultural land, 94.9 percent was farmland and 5.1 percent was timberland. Most of the timberland bought by both U.S. and foreign purchasers was in Georgia; the largest amounts of farmland bought by each were in California and Montana.

Overall, more of the acreage of each land type was bought by individuals than by businesses. The reverse was true for foreign purchases. Most of the acreage bought was pasture and rangeland; cropland was second. The same held true for foreign purchases. (See pp. 44 to 46.)

Most of the foreign-bought acreage in Arkansas, California, and Kansas was cropland; in Montana, Texas, and Washington, it was mostly pasture and rangeland. The figures for the other four States were too small or inconclusive to show much. (See pp. 46 to 56.)

## Conclusion

GAO found no clear relationship between the types of land bought and the types of purchasers involved.

## 5. LAND PRICES

A concern expressed by farm groups, independent family farmers, and others is that foreign purchasers, aided by the effects of U.S. inflation, tax advantages, and other factors, are able to buy U.S. agricultural land at prices local U.S. farmers cannot pay. In effect, foreign purchasers are thought to be bidding up the price of agricultural land beyond the reach of local people.

The prices of agricultural land purchased in the review counties during the 18 months varied greatly for both U.S. and foreign purchasers. Because of the various factors that can enter into price determinations, comparisons are difficult and overall averages can be misleading. (See pp. 57 to 67.)

### Conclusion

The preponderance of the information GAO was able to obtain or develop indicated that foreign purchasers had not consistently paid more than U.S. buyers for similar land.

## 6. PURCHASE MOTIVES

Foreign purchasers or their representatives, real estate agents, and other persons with whom GAO talked cited various general and specific reasons why foreign purchasers had bought U.S. agricultural land. Underlying the stated motives, there seemed to be strong confidence in the U.S. political climate and basic trust in its economic system.

Most said that foreign purchasers bought land for general investment purposes. U.S. agricultural land has been attractive to investors for several years. It is generally considered a low maintenance investment and, over the past years, has proven a sound choice in maintaining security and obtaining long-term profits through steady capital appreciation.

Additional or corollary motives cited to GAO included:

- Organization or expansion of business operations.
- Diversification of investment portfolios.
- Difficulty in finding land in home countries.
- Reasonable price of U.S. agricultural land relative to the high cost of land abroad.
- Speculation to develop or resell the land.
- Preservation of capital and protecting it against inflation, devaluation, or other harmful factors.
- Tax advantages.
- Enjoyment of farming, combined with an anticipated move to the United States.

Also, land was purchased in some cases for its specific location or natural resources, or to meet the particular business needs of the foreign investors. (See pp. 68 to 80.)

## 7. LAND USE CHANGES

Most foreign purchasers generally used their newly acquired land holdings in much the same way as the previous owners. Many had local people operating the farms. Available information showed that land use changed or was expected to change on 6.1 percent of the 248,146 foreign-bought acres in the review counties. Because land use information was not available in some cases, the precise percentage of change could be higher. Land use changed or was expected to change on more than 15 percent of the acreage purchased in Arkansas, Pennsylvania, and Texas.

Some farms grew different crops than had been grown before the foreign purchase but GAO generally did not consider crop rotation--a normal farming practice--to be a change of land use. (See pp. 80 to 85.)

## 8. IMPROVEMENTS TO FOREIGN-BOUGHT LAND

Some questions had been raised as to whether foreign purchasers would let their land run down. This was not the case. To the contrary, many foreign purchasers or their managers and operators had improved and upgraded their properties. Improvements generally involved installing irrigation and drainage systems; repairing or constructing buildings; clearing land for pasture or cultivation; and installing storage bins, corn dryers, and fences. (See pp. 80 to 85.)

## 9. PARTICIPATION IN FARM PROGRAMS

At least 22 of the 173 owners (or operators) of the foreign-bought land discussed in this report received financial or other assistance under Department of Agriculture farm programs. There could be more--GAO's information is incomplete. (See pp. 85 to 88.)

## 10. OTHER MATTERS INCLUDED IN GAO REVIEW SCOPE

In addition to its work in the 10 States, GAO summarized some information on tax advantages of foreign investors in U.S. agricultural land (see ch. 3), reviewed the Department of Agriculture's December 1978 report on foreign purchases of U.S. agricultural land (see ch. 8), and summarized some information on foreign countries' laws on land ownership (see app. III).

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#### ABBREVIATIONS

|      |  |
|------|--|
| ASCS | Agricultural Stabilization and Conservation<br>Service |
| ES   | Extension Service                                      |
| GAO  | General Accounting Office                              |
| SCS  | Soil Conservation Service                              |
| USDA | U.S. Department of Agriculture                         |

## CHAPTER 1

### INTRODUCTION

During the past year or two, a great deal of public attention has focused on foreign ownership of U.S. agricultural land. The news media has been giving extensive coverage to stories which indicate that nonresident foreign investors are intensifying their efforts to purchase good farmland. Members of Congress, State legislators, and farm owners and operators have become more and more concerned about the situation and the need for reliable data to determine the magnitude and consequences of foreign investment in our Nation's agricultural land.

In an earlier report issued to the Senate Committee on Agriculture, Nutrition, and Forestry, entitled "Foreign Ownership of U.S. Farmland--Much Concern, Little Data" (CED-78-132, June 12, 1978), we discussed State laws that placed constraints or reporting requirements on foreign investment in U.S. farmland, the lack of available data on such investments at State and county levels, observations on Federal data collection efforts, and the results of our inquiries into foreign investment in farmland in 25 counties in 5 States. The report also discussed possible alternative approaches for a nationwide data collection system that would provide information on foreign investment in U.S. farmland.

Of the alternative approaches presented in the report, we said that the most feasible and simplest would be to federally legislate a nationwide registration system for foreign owners of U.S. farmland. On October 14, 1978, the President signed into law the Agricultural Foreign Investment Disclosure Act of 1978 (Public Law 95-460, 92 Stat. 1263) which requires all nonresident foreign persons and businesses with foreign affiliations who acquire, transfer, or hold interests in agricultural land to report such transactions and holdings to the Secretary of Agriculture. The Secretary's first report to the Congress on his analysis of the information reported is due in late 1979.

Because of escalating concern about the issue of foreign purchases of farmland, and as a follow on to our June 12, 1978, report, the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry asked us, by letter dated June 12, 1978 (see app. I), to make an indepth review of foreign investment in agricultural land in nine States (California, Georgia, Iowa, Kansas, Mississippi, Montana,

Pennsylvania, Texas, and Washington). With the Committee's concurrence, Illinois was later added to the original nine States and Arkansas was substituted for Mississippi. For each State, we were asked to select, on a random basis, several primarily rural counties that represented major agricultural enterprises of that State and analyze agricultural land transfers occurring in those counties between January 1, 1977, and June 30, 1978, to obtain information on foreign and domestic purchases of agricultural land in the 10 States individually and as a group.

For the purpose of our review, we defined an agricultural land purchase as a purchase of 25 or more acres of farmland or timberland. We considered farmland to be cropland, pasture or rangeland, orchards, vineyards, and attached woodland and idle land. We considered timberland to be land where timber was the primary growth on 90 percent or more of the acreage. These classifications were similar to those the Bureau of the Census used in reporting on its 1974 Census of Agriculture.

We made an effort to include only bona fide purchases in our figures. We excluded intrafamily land transfers and other transactions that did not appear to be "arms length" transactions. We also excluded purchases of residential, commercial, or industrial zoned land. In some cases, we documented purchases involving 25 or more acres of wasteland, swamp land, or other vacant land which seemed to have no useful agricultural purpose. These purchases are mentioned in this report but are not included in our figures.

On the basis of our sample data, we were able to estimate the volume of all foreign transactions in the 10 States. This report includes analyses of our sample data and of our Statewide estimates. Because of the weighting factors involved in estimating Statewide totals, Statewide estimates can vary considerably from the sample data alone.

Chapter 9 discusses in more detail the scope of our review and the general approaches and procedures we used in developing the information in this report.

## CHAPTER 2

### EXTENT OF RECENT FOREIGN INVESTMENT

#### IN U.S. AGRICULTURAL LAND

We analyzed all agricultural land purchases in 148 counties in 10 States (see app. II) during the period January 1, 1977, through June 30, 1978. Of the 3 million acres purchased in these counties during that 18-month period, 248,146 acres, or about 8 percent, were bought by foreign investors. These foreign investors, from at least 30 countries, made 224 purchases, or 1.6 percent, of the 13,702 purchases that we identified.

About 4.3 percent of the total farmland in the review counties changed ownership during the 18-month period. On an annualized basis, this represents a farmland turnover of 2.9 percent.

Because of the way we selected our review counties, (see ch. 9), we were able to develop statistically reliable projections of the data we obtained that are representative of each State individually and of all 10 States as a group. On the basis of these projections, we estimate that, during the 18-month period in the 10 States,

--about 13.2 million acres of agricultural land were purchased in 71,800 separate transactions and

--of these amounts, 514,760 acres (3.9 percent) were bought by foreign investors in 707 transactions (1 percent). <sup>1/</sup> The estimated percentages are about half of those found in our sample counties because of the way the sample was selected.

During our review, we obtained scattered leads on additional foreign purchases in the review counties shortly before or after the 18-month period. On a spot-check basis, we were able to document an additional 84,697 acres that were purchased by foreign investors within 6 months of this timespan. Most of this acreage was in Montana (66,967 acres)

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<sup>1/</sup>The Statewide estimates of foreign purchases are subject to a relative sampling error of about 27 percent for acreage and 23 percent for transactions at a 95-percent confidence level.

and California (8,900 acres). We do not know what proportion of all agricultural land purchases or all foreign purchases during the 6-month periods these transactions represented. This data is not included in our primary analyses or projections but is reported as an additional item of information and interest.

STATE-BY-STATE COMPARISON OF FOREIGN PURCHASES WITH TOTAL PURCHASES

Foreign purchasers bought about 8 percent of the agricultural land sold in our review counties. Their purchases ranged from less than 1 percent of the total acreage sold in the Iowa counties to almost 16 percent of the acreage sold in the Georgia counties. They also made 1.6 percent of all agricultural land purchases in our review counties.

The following table compares, by State, foreign purchases of agricultural land with total agricultural land purchases for the 18-month period in the 148 counties. The figures include both farmland and timberland.

| <u>State and number of counties</u> | <u>Total purchases</u> |                  | <u>Foreign purchases</u> |                | <u>Percent of foreign to total</u> |              |
|-------------------------------------|------------------------|------------------|--------------------------|----------------|------------------------------------|--------------|
|                                     | <u>Number</u>          | <u>Acres</u>     | <u>Num-ber</u>           | <u>Acres</u>   | <u>Num-ber</u>                     | <u>Acres</u> |
| Arkansas-13                         | 1,593                  | 200,124          | 9                        | 12,301         | 0.6                                | 6.1          |
| California-13                       | 3,776                  | 744,218          | 91                       | 45,620         | 2.4                                | 6.1          |
| Georgia-26                          | 1,256                  | 273,591          | 40                       | 43,265         | 3.2                                | 15.8         |
| Illinois-15                         | 770                    | 83,130           | 4                        | 1,455          | 0.5                                | 1.8          |
| Iowa-14                             | 1,148                  | 131,715          | 4                        | 727            | 0.3                                | 0.6          |
| Kansas-14                           | 803                    | 153,075          | 12                       | 8,169          | 1.5                                | 5.3          |
| Montana-14                          | 765                    | 891,073          | 14                       | 96,229         | 1.8                                | 10.8         |
| Pennsylvania-13                     | 1,248                  | 97,031           | 5                        | 4,441          | 0.4                                | 4.6          |
| Texas-13                            | 985                    | 226,340          | 5                        | 16,633         | 0.5                                | 7.3          |
| Washington-13                       | <u>1,358</u>           | <u>246,428</u>   | <u>40</u>                | <u>19,306</u>  | 2.9                                | 7.8          |
| Total                               | <u>13,702</u>          | <u>3,046,725</u> | <u>224</u>               | <u>248,146</u> | 1.6                                | 8.1          |

As the table shows, about three-fourths of the foreign-bought acreage was in three States--96,229 acres (39 percent) in Montana, 45,620 acres (18 percent) in California, and 43,265 acres (17 percent) in Georgia. Another 15 percent was in Texas and Washington. The remaining 11 percent was spread among the other five States.

Foreign purchases had occurred in 55 of the 148 counties. In 21 of the 55 counties, only one foreign purchase had occurred. The number of foreign purchases in the other 34 counties ranged from 2 to 34. Detailed information on the 55 counties is shown in the individual State sections starting on page 8.

#### FARMLAND TURNOVER

The following table compares farmland turnover rates for the 148 review counties in the 10 States for the 18 months and on an annualized basis.

| State and<br>number of<br>counties | Farmland in review<br>counties |                           | Percent of farmland<br>turnover in review<br>counties (note b) |                              |
|------------------------------------|--------------------------------|---------------------------|--|------------------------------|
|                                    | Total acres<br>(note a)        | Acres sold<br>(18 months) | Range for<br>individual<br>counties                            | Total<br>for all<br>counties |
| Arkansas-13                        | 2,970,971                      | 174,163                   | 1.9 to 18.3<br>(1.3 to 12.3)                                   | 5.9<br>(3.9)                 |
| California-13                      | 11,663,286                     | 736,371                   | 2.6 to 19.7<br>(1.7 to 13.2)                                   | 6.3<br>(4.2)                 |
| Georgia-26                         | 2,716,705                      | 171,769                   | 1.3 to 16.3<br>(0.9 to 10.9)                                   | 6.3<br>(4.2)                 |
| Illinois-15                        | 4,084,460                      | 82,846                    | 0.5 to 3.7<br>(0.3 to 2.5)                                     | 2.0<br>(1.3)                 |
| Iowa-14                            | 4,938,449                      | 131,214                   | 1.5 to 5.6<br>(1.0 to 3.8)                                     | 2.7<br>(1.8)                 |
| Kansas-14                          | 6,208,990                      | 153,075                   | 1.4 to 5.2<br>(0.9 to 3.5)                                     | 2.5<br>(1.7)                 |
| Montana-14                         | 18,009,919                     | 890,839                   | 0.7 to 12.3<br>(0.5 to 8.2)                                    | 4.9<br>(3.3)                 |
| Pennsylvania-13                    | 2,193,912                      | 85,667                    | 2.8 to 5.3<br>(1.9 to 3.6)                                     | 3.9<br>(2.6)                 |
| Texas-13                           | 6,973,427                      | 226,340                   | 0.1 to 14.6<br>(0.1 to 9.8)                                    | 3.2<br>(2.1)                 |
| Washington-13                      | <u>7,179,133</u>               | <u>225,041</u>            | 0.4 to 7.8<br>(0.3 to 5.2)                                     | 3.1<br>(2.1)                 |
| Total                              | <u>66,939,252</u>              | <u>2,877,325</u>          | 0.1 to 19.7<br>(0.1 to 13.2)                                   | 4.3<br>(2.9)                 |

a/The total farmland acres in each county were obtained from Bureau of the Census reports on the 1974 Census of Agriculture.

b/Annualized turnover percentages are shown in parentheses.

On a projected Statewide basis for all 10 States combined, the farmland turnover rate was 3.2 percent for the 18 months and 2.1 percent on an annualized basis. As a group, the Illinois review counties had the lowest turnover; the California and Georgia counties had the highest. Of the 148 counties, 11 had 18-month turnover rates of 10 to 20 percent, 35 had rates of 5 to 10 percent, and 102 had rates of less than 5 percent. The 11 counties with the highest turnover rates are shown in the following table.

Counties With Highest Farmland Turnover Rates

| <u>State</u> | <u>County</u> | <u>Total<br/>farmland<br/>acres</u> | <u>Total<br/>farmland<br/>acres sold</u> | <u>Turnover<br/>percentage<br/>(note a)</u> |
|--------------|---------------|-------------------------------------|--|---|
| California   | Placer        | 167,705                             | 32,958                                   | 19.7<br>(13.2)                              |
| Arkansas     | Miller        | 178,423                             | 32,613                                   | 18.3<br>(12.3)                              |
| California   | Lassen        | 631,628                             | 112,463                                  | 17.8<br>(11.9)                              |
| Georgia      | Marion        | 57,662                              | 9,394                                    | 16.3<br>(10.9)                              |
| Texas        | Bowie         | 278,793                             | 40,605                                   | 14.6<br>(9.8)                               |
| Georgia      | Dougherty     | 146,662                             | 20,577                                   | 14.0<br>(9.4)                               |
| Montana      | Park          | 828,634                             | 102,152                                  | 12.3<br>(8.2)                               |
| Arkansas     | Izard         | 177,983                             | 21,879                                   | 12.3<br>(8.2)                               |
| Georgia      | Seminole      | 105,235                             | 12,861                                   | 12.2<br>(8.2)                               |
| Montana      | Golden Valley | 684,386                             | 77,495                                   | 11.3<br>(7.6)                               |
| Georgia      | Johnson       | 97,558                              | 9,812                                    | 10.1<br>(6.8)                               |

a/Annualized turnover percentages are in parentheses.

Of the above counties, one (Bowie) had the fourth largest acreage of foreign purchases (11,861 acres) of all the counties in our study. Three of the above counties (Park, IZard, and Golden Valley) had no foreign purchases. Foreign purchases in the other seven counties ranged from 880 acres (Lassen) to 4,814 acres (Johnson).

EXTENT OF FOREIGN INVESTMENT  
IN INDIVIDUAL REVIEW COUNTIES

During the 18-month period, foreign purchasers bought agricultural land in 55 of our 148 review counties. (We also identified foreign purchases in some of the other 93 review counties but not within the 18-month period.) The largest amount (82,253 acres) was in Rosebud County, Montana. The next largest amounts were in Kern County, California (15,425 acres); San Joaquin County, California (15,029 acres); Bowie County, Texas (11,861 acres); and Kittitas County, Washington (11,771 acres). In the other 50 counties, foreign purchasers bought land ranging in amounts from 3,000 to 8,000 acres in each of 16 counties; from 1,000 to 3,000 acres in 14 counties; and less than 1,000 acres in 20 counties.

Arkansas

We identified foreign purchases totaling 12,301 acres in 5 of the 13 review counties. This acreage represented 13.3 percent of all agricultural land purchased in the 5 counties during the 18 months, as shown below, and 6.1 percent of all agricultural land bought in all 13 counties.

| <u>County</u> | <u>Total purchases</u> |               | <u>Foreign purchases</u> |               | <u>Percent of foreign to total</u> |              |
|---------------|------------------------|---------------|--------------------------|---------------|------------------------------------|--------------|
|               | <u>Number</u>          | <u>Acres</u>  | <u>Number</u>            | <u>Acres</u>  | <u>Number</u>                      | <u>Acres</u> |
| Boone         | 139                    | 13,458        | 1                        | 960           | 0.7                                | 7.1          |
| Craighead     | 170                    | 15,066        | 1                        | 168           | 0.6                                | 1.1          |
| Jefferson     | 73                     | 19,019        | 4                        | 5,679         | 5.5                                | 29.9         |
| Miller        | 86                     | 35,265        | 2                        | 3,120         | 2.3                                | 8.8          |
| Pulaski       | <u>84</u>              | <u>9,676</u>  | <u>1</u>                 | <u>2,374</u>  | 1.2                                | 24.5         |
| Total         | <u>552</u>             | <u>92,484</u> | <u>9</u>                 | <u>12,301</u> | 1.6                                | 13.3         |

The average foreign purchase in the five counties was 1,367 acres--about 8 times larger than the average overall purchase of 168 acres. The most foreign-bought acreage was in Jefferson County--almost 30 percent of the total acreage purchased in that county.

An additional foreign purchase of 2,100 acres--not included in the above data--occurred in Miller County during the 6 months preceding our 18-month period.

Three of the foreign purchases we documented in our review counties overlapped into adjoining counties that were not included in our review. The additional portions that extended into these other counties totaled 1,987 acres as shown below.

--A foreign purchaser who bought 168 acres in Craighead County also bought 1,000 acres in adjoining Jackson County as part of the same purchase.

--A foreign purchaser who bought 500 acres in Jefferson County also bought 146 acres in adjoining Lincoln County as part of the same purchase.

--A foreign purchaser who bought 479 acres in Miller County also bought 841 acres in Little River County as part of the same purchase.

Our projections show that, Statewide, 759,900 acres of agricultural land were purchased in 7,200 transactions during the 18 months. Of this, an estimated 48,600 acres (6.4 percent) were bought by foreign purchasers in 27 transactions.

The foreign purchasers who bought agricultural land in the review counties were affiliated with the Netherlands Antilles, France, West Germany, Switzerland, Canada, Luxembourg, and Netherlands.

### California

In 9 of the 13 review counties, foreign purchasers bought a total of 45,620 acres during the 18 months. This represented 6.6 percent of the agricultural land purchased in the 9 counties during that time and 6.1 percent of the agricultural land purchased in the 13 counties. Details on the nine counties are shown on the following page.

| County      | Total purchases |                | Foreign purchases |               | Percent of foreign to total |       |
|-------------|-----------------|----------------|-------------------|---------------|-----------------------------|-------|
|             | Number          | Acres          | Number            | Acres         | Number                      | Acres |
| Fresno      | 696             | 156,450        | 17                | 5,898         | 2.4                         | 3.8   |
| Kern        | 533             | 138,384        | 32                | 15,425        | 6.0                         | 11.1  |
| Lassen      | 389             | 114,603        | 2                 | 880           | 0.5                         | 0.8   |
| Monterey    | 124             | 52,171         | 3                 | 284           | 2.4                         | 0.5   |
| Placer      | 110             | 34,992         | 6                 | 3,640         | 5.5                         | 10.4  |
| Riverside   | 547             | 50,077         | 12                | 2,320         | 2.2                         | 4.6   |
| San Joaquin | 362             | 49,421         | 10                | 15,029        | 2.8                         | 30.4  |
| Stanislaus  | 331             | 47,814         | 6                 | 1,235         | 1.8                         | 2.6   |
| Tehama      | <u>350</u>      | <u>51,775</u>  | <u>3</u>          | <u>909</u>    | 0.9                         | 1.8   |
| Total       | <u>3,442</u>    | <u>695,687</u> | <u>91</u>         | <u>45,620</u> | 2.6                         | 6.6   |

The average foreign purchase of 501 acres was 2-1/2 times larger than the average purchase (202 acres) in the nine counties overall. Foreign purchasers bought the most acreage in Kern County (15,425 acres) and San Joaquin County (15,029 acres). Combined, these represent about 16.2 percent of all agricultural land purchased in those counties during the 18 months.

We identified additional foreign purchases totaling 8,900 acres in Fresno, Kern, San Joaquin, Sutter, and Tehama Counties during the 6 months before and after the 18 months.

Our projections show that 3,956,800 acres of agricultural land were purchased in 20,872 transactions Statewide during the 18 months. Foreign purchasers bought an estimated 151,400 acres (3.8 percent) of this land in 426 transactions.

In the review counties, the foreign countries represented were Netherlands Antilles, Panama, West Germany, Switzerland, Italy, Iran, Europe (unclassified), Liechtenstein, Hong Kong, Canada, Belgium, Bahamas, Grand Cayman, Netherlands, Taiwan, Turkey, India, Mexico, Spain, and Great Britain.

## Georgia

We identified 40 foreign purchases of agricultural land, totaling 43,265 acres, in 15 of the 26 review counties. These foreign purchases accounted for 19.7 percent of the agricultural land purchased in the 15 counties during the 18 months. They also represented 15.8 percent of all agricultural land bought in the 26 counties.

| <u>County</u> | <u>Total purchases</u> |                | <u>Foreign purchases</u> |               | <u>Percent of foreign to total</u> |              |
|---------------|------------------------|----------------|--------------------------|---------------|------------------------------------|--------------|
|               | <u>Number</u>          | <u>Acres</u>   | <u>Number</u>            | <u>Acres</u>  | <u>Number</u>                      | <u>Acres</u> |
| Baker         | 15                     | 5,264          | 2                        | 2,327         | 13.3                               | 44.2         |
| Banks         | 70                     | 16,107         | 2                        | 1,161         | 2.9                                | 7.2          |
| Dougherty     | 21                     | 20,679         | 4                        | 3,140         | 19.0                               | 15.2         |
| Early         | 37                     | 7,110          | 1                        | 2,388         | 2.7                                | 33.6         |
| Hall          | 60                     | 12,535         | 1                        | 7,374         | 1.7                                | 58.8         |
| Jefferson     | 50                     | 13,093         | 2                        | 3,285         | 4.0                                | 25.1         |
| Jenkins       | 32                     | 4,916          | 2                        | 1,622         | 6.3                                | 33.0         |
| Johnson       | 40                     | 10,163         | 6                        | 4,814         | 15.0                               | 47.4         |
| Lee           | 52                     | 16,905         | 3                        | 3,691         | 5.8                                | 21.8         |
| Marion        | 79                     | 43,062         | 4                        | 1,509         | 5.1                                | 3.5          |
| Morgan        | 92                     | 15,746         | 1                        | 111           | 1.1                                | 0.7          |
| Screven       | 48                     | 17,045         | 1                        | 2,755         | 2.1                                | 16.2         |
| Seminole      | 29                     | 13,098         | 4                        | 4,215         | 13.8                               | 32.2         |
| Washington    | 91                     | 17,664         | 6                        | 4,783         | 6.6                                | 27.1         |
| Wilkinson     | <u>36</u>              | <u>5,867</u>   | <u>1</u>                 | <u>90</u>     | 2.8                                | 1.5          |
| Total         | <u>752</u>             | <u>219,254</u> | <u>40</u>                | <u>43,265</u> | 5.3                                | 19.7         |

The average foreign purchase of 1,082 acres was about 4 times larger than the average 292 acres bought by all purchasers in these counties. The most foreign-bought acreage (7,374 acres) was in Hall County--well over half of all the agricultural acreage bought in that county during the 18 months. Johnson County (4,814 acres) was second--almost half was bought by foreign purchasers.

An additional foreign purchase of 1,655 acres was made in Johnson County during the 6 months preceding our review period.

Statewide, our projections show that 556,300 acres of agricultural land changed ownership during the 18 months in 3,967 purchase transactions. An estimated 44,200 acres (7.9 percent) of this land were bought in 50 transactions by foreign purchasers.

The foreign countries involved in the land purchases in the review counties were Australia, Austria, Great Britain, Netherlands Antilles, France, West Germany, Singapore, South Africa, Sweden, Switzerland, and Europe (unclassified). In one case we could not identify the country.

### Illinois

We identified four foreign purchases totaling 1,455 acres of agricultural land in 3 of the 15 review counties. These purchases represented 5 percent of the total acres bought in the 3 counties, as shown below, and 1.8 percent of the total acres purchased in all 15 counties during the 18 months.

| <u>County</u> | <u>Total purchases</u> |               | <u>Foreign purchases</u> |              | <u>Percent of foreign to total</u> |              |
|---------------|------------------------|---------------|--------------------------|--------------|------------------------------------|--------------|
|               | <u>Number</u>          | <u>Acres</u>  | <u>Number</u>            | <u>Acres</u> | <u>Number</u>                      | <u>Acres</u> |
| Henry         | 96                     | 11,687        | 1                        | 547          | 1.0                                | 4.7          |
| Lee           | 78                     | 9,284         | 2                        | 271          | 2.6                                | 2.9          |
| Stephenson    | <u>73</u>              | <u>8,116</u>  | <u>1</u>                 | <u>637</u>   | 1.4                                | 7.8          |
| Total         | <u>247</u>             | <u>29,087</u> | <u>4</u>                 | <u>1,455</u> | 1.6                                | 5.0          |

The four foreign purchases averaged 364 acres--about 3 times the average purchase of 118 acres by all buyers in

these counties. The most foreign-bought acreage was in Stephenson County--about 8 percent of the total purchases in that county.

In addition, 100 acres of agricultural land in one of our review counties (Putnam) had been leased to a foreign business for a 50-year period, beginning in December 1977. Also, two foreign purchases had occurred within 6 months of our review period in Effingham and Lee Counties. These involved 2,198 acres of agricultural land.

Our projections show that, during the 18 months, 405,200 acres of agricultural land were purchased in 3,900 transactions throughout the State. Of this, an estimated 3,900 acres (1 percent) were bought by foreign purchasers in eight transactions.

The foreign purchasers who bought agricultural land in the review counties were affiliated with the Netherlands Antilles, Netherlands, and Italy.

#### Iowa

We identified four foreign purchases totaling 727 acres in 3 of the 14 review counties during the 18 months. These purchases accounted for 2.4 percent of the agricultural land bought in the 3 counties, as shown below, and 0.6 percent of the agricultural land bought in the 14 counties.

| <u>County</u> | <u>Total purchases</u> |               | <u>Foreign purchases</u> |              | <u>Percent of foreign to total</u> |              |
|---------------|------------------------|---------------|--------------------------|--------------|------------------------------------|--------------|
|               | <u>Number</u>          | <u>Acres</u>  | <u>Number</u>            | <u>Acres</u> | <u>Number</u>                      | <u>Acres</u> |
| Cerro Gordo   | 67                     | 7,867         | 1                        | 153          | 1.5                                | 1.9          |
| Franklin      | 61                     | 7,392         | 1                        | 302          | 1.6                                | 4.0          |
| Howard        | <u>113</u>             | <u>15,000</u> | <u>2</u>                 | <u>272</u>   | 1.8                                | 1.8          |
| Total         | <u>241</u>             | <u>30,259</u> | <u>4</u>                 | <u>727</u>   | 1.7                                | 2.4          |

The average foreign purchase of 182 acres was about 1-1/2 times larger than the average purchase of 126 acres by all buyers in these counties. Relatively little acreage was bought by foreign purchasers in any of the three counties.

Our projections show that, Statewide, 745,700 acres of agricultural land changed ownership in 6,600 transactions during the 18 months. An estimated 2,600 acres (0.3 percent) of this were bought by foreign purchasers in 10 transactions.

In the review counties, the foreign countries involved were West Germany, Great Britain, and Denmark.

Kansas

We identified foreign purchases totaling 8,169 acres in 6 of the 14 review counties. These purchases comprised 11.9 percent of the agricultural land purchased in the 6 counties, as shown below, and 5.3 percent of all the agricultural land purchased in the 14 counties.

| <u>County</u> | <u>Total purchases</u> |               | <u>Foreign purchases</u> |              | <u>Percent of foreign to total</u> |              |
|---------------|------------------------|---------------|--------------------------|--------------|------------------------------------|--------------|
|               | <u>Number</u>          | <u>Acres</u>  | <u>Number</u>            | <u>Acres</u> | <u>Number</u>                      | <u>Acres</u> |
| Cheyenne      | 47                     | 8,508         | 5                        | 960          | 10.6                               | 11.3         |
| Doniphan      | 42                     | 6,864         | 2                        | 2,493        | 4.8                                | 36.3         |
| Jefferson     | 91                     | 8,227         | 1                        | 80           | 1.1                                | 1.0          |
| Miami         | 126                    | 12,267        | 2                        | 332          | 1.6                                | 2.7          |
| Sherman       | 40                     | 15,045        | 1                        | 1,902        | 2.5                                | 12.6         |
| Wallace       | <u>46</u>              | <u>17,907</u> | <u>1</u>                 | <u>2,402</u> | 2.2                                | 13.4         |
| Total         | <u>392</u>             | <u>68,818</u> | <u>12</u>                | <u>8,169</u> | 3.1                                | 11.9         |

On the average, foreign purchases were almost 4 times larger than purchases by all buyers--681 acres compared with 176 acres. Most of the foreign-bought acreage was in Doniphan and Wallace Counties (4,895 acres). This was about 20 percent of all the acreage bought in those counties.

In Doniphan County, two foreign purchases, totaling 185 acres, occurred during the 6 months before our review period.

Our projections show that 906,300 acres of agricultural land were purchased in 5,188 transactions Statewide during the 18 months. Of this, foreign purchasers bought an estimated 42,000 acres (5 percent) in 52 transactions.

The foreign purchasers in the review counties were affiliated with West Germany, Switzerland, France, and Iran.

Montana

The largest amount of foreign-bought agricultural land in any of our review States was in Montana where 96,229 acres were purchased in 5 of our 14 review counties. These foreign purchases represented 19 percent of the acres bought in the 5 counties, as shown below, and 10.8 percent of all the acres purchased in the 14 counties during the 18 months.

| <u>County</u> | <u>Total purchases</u> |                | <u>Foreign purchases</u> |               | <u>Percent of foreign to total</u> |              |
|---------------|------------------------|----------------|--------------------------|---------------|------------------------------------|--------------|
|               | <u>Number</u>          | <u>Acres</u>   | <u>Number</u>            | <u>Acres</u>  | <u>Number</u>                      | <u>Acres</u> |
| Chouteau      | 84                     | 69,248         | 3                        | 1,160         | 3.6                                | 1.7          |
| Custer        | <u>a/47</u>            | 85,897         | <u>a/3</u>               | 4,819         | 6.4                                | 5.6          |
| Rosebud       | 51                     | 244,753        | 9                        | 82,253        | 17.6                               | 33.6         |
| Silver Bow    | 9                      | 3,101          | 1                        | 30            | 11.1                               | 1.0          |
| Yellowstone   | <u>105</u>             | <u>102,873</u> | <u>1</u>                 | <u>7,967</u>  | 1.0                                | 7.7          |
| Total         | <u>296</u>             | <u>505,872</u> | <u>a/14</u>              | <u>96,229</u> | 4.7                                | 19.0         |

a/The three foreign purchasers who bought 4,819 acres in Custer County also bought 8,555 acres in Rosebud County as part of the same purchases. For purposes of this report, we are counting the three purchases only once in the total number of foreign purchases.

The average foreign purchase of 6,874 acres was 4 times larger than the average purchase by all buyers in the five counties. Rosebud County had by far the largest foreign-bought acreage of any county in Montana or any of the other nine States we reviewed. About one-third of the acreage purchased in the county was bought by foreign purchasers.

The foreign purchaser who bought the 7,967 acres in Yellowstone County also bought 12,133 acres in adjoining Big Horn County as part of the same purchase. We did not visit Big Horn County or include that acreage in our figures. Four additional foreign purchases of agricultural land, totaling 66,967 acres, took place in Rosebud and Custer Counties in late 1978, after our review period.

According to our projections, 1,853,900 acres of agricultural land changed ownership in 2,000 transactions State-wide during the 18 months. Foreign investors purchased an estimated 118,200 acres (6.4 percent) of this in 34 transactions.

The foreign countries connected with the foreign purchasers in the review counties were the Netherlands Antilles, Canada, Venezuela, West Germany, and Belgium.

Pennsylvania

In 2 of the 13 review counties, foreign purchasers bought a total of 4,441 acres of agricultural land. This represented 11.1 percent of the total acres purchased in the 2 counties, as shown below, and 4.6 percent of the acres purchased in the 13 counties during the 18 months.

| <u>County</u> | <u>Total purchases</u> |               | <u>Foreign purchases</u> |              | <u>Percent of foreign to total</u> |              |
|---------------|------------------------|---------------|--------------------------|--------------|------------------------------------|--------------|
|               | <u>Number</u>          | <u>Acres</u>  | <u>Number</u>            | <u>Acres</u> | <u>Number</u>                      | <u>Acres</u> |
| Adams         | 89                     | 8,048         | 2                        | 951          | 2.2                                | 11.8         |
| Centre        | <u>84</u>              | <u>32,091</u> | <u>3</u>                 | <u>3,490</u> | 3.6                                | 10.9         |
| Total         | <u>173</u>             | <u>40,139</u> | <u>5</u>                 | <u>4,441</u> | 2.9                                | 11.1         |

The average foreign purchase of 888 acres was nearly 4 times larger than the average purchase in the two counties overall.

One of the foreign purchasers in Centre County bought 19,205 acres of land in one large purchase during the 18-month period. However, we included only 3,012 of these acres in the above table because the other 16,193 acres were a combination of cut-over brush, barren, and waste land which county officials did not consider to be agricultural land. Of the 16,193 acres, 6,349 were in Centre County and 9,844 were in adjoining Clearfield County. The foreign purchaser told us that the land was bought for its mineral rights and coal deposits. (See p. 77.) We also identified four other foreign purchases (totaling 894 acres) of similar cut-over brush, barren, and waste land in Centre and Clearfield Counties.

Our projections show that, Statewide, 356,300 acres of agricultural land were purchased in 4,200 transactions during the 18 months. An estimated 25,400 acres (7.1 percent) of this were bought by foreign purchasers in 30 transactions.

The foreign countries involved in land purchases in the review counties were West Germany, Italy, and Great Britain.

Texas

In 2 of the 13 review counties, foreign purchasers bought a total of 16,633 acres. These purchases comprised 24.4 percent of the acres bought in the 2 counties, as shown below, and 7.3 percent of the acres bought in the 13 counties.

| <u>County</u> | <u>Total purchases</u> |               | <u>Foreign purchases</u> |               | <u>Percent of foreign to total</u> |              |
|---------------|------------------------|---------------|--------------------------|---------------|------------------------------------|--------------|
|               | <u>Number</u>          | <u>Acres</u>  | <u>Number</u>            | <u>Acres</u>  | <u>Number</u>                      | <u>Acres</u> |
| Bowie         | 181                    | 40,605        | 4                        | 11,861        | 2.2                                | 29.2         |
| Hopkins       | <u>224</u>             | <u>27,628</u> | <u>1</u>                 | <u>4,772</u>  | 0.4                                | 17.3         |
| Total         | <u>405</u>             | <u>68,233</u> | <u>5</u>                 | <u>16,633</u> | 1.2                                | 24.4         |

The average foreign purchase of 3,326 acres was almost 20 times larger than the 168-acre average of all purchases in these counties. Bowie County had the fourth largest foreign-bought acreage of the 148 counties we reviewed. This acreage (11,861) represented about 30 percent of all purchases in Bowie County during the 18 months.

In Coleman County, three foreign purchases, totaling 2,653 acres, occurred just before our 18-month period. (We also noted that about 11,400 acres were bought by foreign purchasers in Bowie County in mid-1975.)

The foreign purchaser who bought the 4,772 acres in Hopkins County bought 12,358 acres in four other counties (Delta, Franklin, Lamar, and Red River) as part of the same purchase. The purchaser also owned land in Miller County, Arkansas.

According to our projections, 2,840,000 acres of agricultural land changed ownership in 10,650 transactions Statewide during the 18 months. Of this, an estimated 36,300 acres (1.3 percent) were bought by foreign purchasers in 14 transactions.

The foreign purchasers in the review counties were connected with the Netherlands Antilles, West Germany, Switzerland, and Netherlands.

Washington

We identified 40 foreign purchases of agricultural land totaling 19,306 acres in 5 of the 13 review counties. These purchases represented 13.7 percent of the acres bought in the 5 counties and 7.8 percent of the acres bought in the 13 counties during the 18 months. Details on the five counties follow.

| <u>County</u> | <u>Total purchases</u> |                | <u>Foreign purchases</u> |               | <u>Percent of foreign to total</u> |              |
|---------------|------------------------|----------------|--------------------------|---------------|------------------------------------|--------------|
|               | <u>Number</u>          | <u>Acres</u>   | <u>Number</u>            | <u>Acres</u>  | <u>Number</u>                      | <u>Acres</u> |
| Kittitas      | 124                    | 36,277         | 3                        | 11,771        | 2.4                                | 32.4         |
| Klickitat     | 254                    | 46,978         | 1                        | 600           | 0.4                                | 1.3          |
| Lewis         | 274                    | 20,422         | 1                        | 96            | 0.4                                | 0.5          |
| Walla Walla   | 50                     | 27,397         | 1                        | 4,686         | 2.0                                | 17.1         |
| Whatcom       | <u>178</u>             | <u>10,050</u>  | <u>34</u>                | <u>2,153</u>  | 19.1                               | 21.4         |
| Total         | <u>880</u>             | <u>141,124</u> | <u>40</u>                | <u>19,306</u> | 4.5                                | 13.7         |

The average foreign purchase of 483 acres was 3 times larger than the average of all purchases in the five counties. The largest amount of foreign-bought acreage--11,771 acres in Kittitas County--was about one-third of all agricultural land bought by all purchasers in that county.

Between 1974 and 1976, four foreign purchasers had bought about 25,600 acres of agricultural land in Kittitas County. They later sold much of it either to each other or to other foreign purchasers. Two of these resale transactions, totaling about 11,453 acres, occurred within our 18-month review period and are included in the above table.

A foreign purchaser who bought agricultural land in Whatcom County also bought 9,400 acres, in November 1978, in Okanogan County (not included in our review).

According to our projections, 827,600 acres of agricultural land changed ownership Statewide in 7,200 transactions during the 18 months. An estimated 42,300 acres

(5.1 percent) of this were bought by foreign purchasers in 56 transactions.

The largest number of foreign purchasers in the Washington review counties were from Canada. However, their purchases accounted for only about a third (6,305 acres) of the total foreign-bought acreage. (A 6,613-acre purchase by a Swiss corporation and a 4,840-acre purchase by a Mexican accounted for 59 percent of the acres purchased.) That most of the identified foreign purchasers in Washington were Canadian citizens is not surprising, since Washington and Canada share a common border. This geographic relationship was particularly evident in Whatcom County which is on the border.

Besides Canada, Switzerland, and Mexico, other countries involved in agricultural land purchases in the review counties were Indonesia, Japan, Panama, Liechtenstein, France, Philippines, and Netherlands.

#### SUMMARY AND CONCLUSIONS

Foreign purchasers bought agricultural land in 55 counties (about one-third) of the 148 counties we reviewed. About 8 percent of the total acreage bought in the 148 counties went to foreign purchasers. Overall, we estimated that about 4 percent of the total acreage purchased in the 10 States went to foreign purchasers. The heaviest activity found in our review counties seemed to be across the sunbelt States (Georgia, Arkansas, and Texas), in California, and in the northwestern section of the country (Washington and Montana)--but only in certain counties in these areas. Nine counties--each having foreign purchases totaling more than 5,000 acres--accounted for 163,257 acres (two-thirds) of the 248,146 acres of foreign purchases identified in our study. These counties were Jefferson (Arkansas); Fresno, Kern, and San Joaquin (California); Hall (Georgia); Rosebud and Yellowstone (Montana); Bowie (Texas); and Kittitas (Washington).

Since our review covered a single 18-month period, we cannot say whether, overall, the foreign investment activity is increasing or not. Also, we do not know what the existing ownership of U.S. agricultural land is. However, because of the concentrations of recent foreign purchase activity in some States and counties, we believe the situation bears watching. We believe that effective implementation of the Agricultural Foreign Investment Disclosure Act of 1978 is an excellent way to do this.

CHAPTER 3  
NATIONALITIES AND TAX ADVANTAGES  
OF FOREIGN PURCHASERS

The 224 foreign purchases of agricultural land in the review counties during the 18-month period involved 173 foreign purchasers. They were affiliated with at least 30 different foreign countries. In some cases, we were unable to identify the specific country involved. In other cases, the investors-of-record were actually firms owned by individuals or firms from other countries. Although most purchasers' agents or attorneys were very helpful in providing ownership information, some would not go beyond admitting that the purchasers were European or foreign and some refused to provide any information on the subject.

FOREIGN AFFILIATIONS OF PURCHASERS OF  
AGRICULTURAL LAND IN REVIEW COUNTIES

The foreign affiliations of the 173 purchasers-of-record are shown in the following table.

| <u>Foreign affiliation</u>                     | <u>Acres purchased</u> |                                  | <u>Transactions</u> |                                  |
|--|------------------------|----------------------------------|---------------------|----------------------------------|
|  | <u>Number</u>          | <u>Percent of total (note f)</u> | <u>Number</u>       | <u>Percent of total (note f)</u> |
| Netherlands Antilles                           | 89,860                 | 36.2                             | 52                  | 23.2                             |
| Belgium  | 34,792                 | 14.0                             | 3                   | 1.3                              |
| West Germany                                   | 22,989                 | 9.3                              | 30                  | 13.4                             |
| France   | 12,665                 | 5.1                              | 11                  | 4.9                              |
| Switzerland                                    | 11,825                 | 4.8                              | 12                  | 5.4                              |
| Europe (country not identified)                | 8,467                  | 3.4                              | 11                  | 4.9                              |
| Austria  | 8,428                  | 3.4                              | 1                   | 0.4                              |
| Canada   | 8,269                  | 3.3                              | 39                  | 17.4                             |
| Venezuela                                      | 7,967                  | 3.2                              | 1                   | 0.4                              |
| Great Britain                                  | 6,583                  | 2.7                              | 6                   | 2.7                              |
| Liechtenstein                                  | 6,582                  | 2.7                              | 3                   | 1.3                              |
| Netherlands                                    | 5,842                  | 2.4                              | 10                  | 4.5                              |
| Mexico   | 5,190                  | 2.1                              | 4                   | 1.8                              |
| Switzerland, West Germany, and Canada (note a) | 5,179                  | 2.1                              | 3                   | 1.3                              |
| Singapore                                      | 2,755                  | 1.1                              | 1                   | 0.4                              |
| Luxembourg                                     | 2,641                  | 1.1                              | 1                   | 0.4                              |
| Sweden   | 2,452                  | 1.0                              | 2                   | 0.9                              |
| Hong Kong                                      | 1,547                  | 0.6                              | 3                   | 1.3                              |

| <u>Foreign<br/>affiliation</u>                                   | <u>Acres purchased</u> |  | <u>Transactions</u> |  |
|--|------------------------|--|---------------------|--|
|  | <u>Number</u>          | <u>Percent<br/>of total<br/>(note f)</u> | <u>Number</u>       | <u>Percent<br/>of total<br/>(note f)</u> |
| Italy  | 922                    | 0.4                                      | 3                   | 1.3                                      |
| Bahamas  | 578                    | 0.2                                      | 4                   | 1.8                                      |
| Liechtenstein,<br>Panama, Canada,<br>and Switzerland<br>(note b) | 355                    | 0.1                                      | 4                   | 1.8                                      |
| Cayman Islands   | 214                    | 0.1                                      | 1                   | 0.4                                      |
| Iran   | 213                    | 0.1                                      | 3                   | 1.3                                      |
| Japan  | 202                    | 0.1                                      | 1                   | 0.4                                      |
| Philippines  | 197                    | 0.1                                      | 3                   | 1.3                                      |
| Denmark  | 153                    | 0.1                                      | 1                   | 0.4                                      |
| Australia  | 107                    | (d)                                      | 2                   | 0.9                                      |
| Panama   | 95                     | (d)                                      | 1                   | 0.4                                      |
| South Africa   | 90                     | (d)                                      | 1                   | 0.4                                      |
| Japan and France<br>(note c)                                     | 86                     | (d)                                      | 1                   | 0.4                                      |
| India  | 78                     | (d)                                      | 1                   | 0.4                                      |
| Spain  | 64                     | (d)                                      | 1                   | 0.4                                      |
| Taiwan   | 59                     | (d)                                      | 1                   | 0.4                                      |
| Turkey   | 38                     | (d)                                      | 1                   | 0.4                                      |
| Indonesia  | 26                     | (d)                                      | 1                   | 0.4                                      |
| Country unknown  | <u>636</u>             | <u>0.3</u>                               | <u>1</u>            | <u>0.4</u>                               |
| Total  | <u>248,146</u>         | <u>e/100.0</u>                           | <u>224</u>          | <u>e/100.0</u>                           |

a/Foreign-owned partnership comprised of German, Swiss, Canadian, and U.S. citizens.

b/Foreign-owned corporation comprised of Panamanian, Liechtenstein, Swiss, and Canadian citizens.

c/Foreign-owned corporation comprised of Japanese and French citizens.

d/Less than 0.1 percent.

e/Numbers do not add due to rounding.

f/Percentages based on projected data could differ.

Some of the countries and territories listed above are known as tax havens because residents of and firms incorporated in these areas have particularly attractive tax advantages regarding their investments in the United States. These

so-called tax havens include the Netherlands Antilles, Switzerland and Liechtenstein. While we did not inquire further into the ownership of the Swiss and Liechtenstein investors, we did obtain additional information on the Netherlands Antilles purchasers.

One of our purposes in following up on the ownership of the Antillean purchasers was to determine whether concerns expressed by various individuals and sources that Arab interests may be buying U.S. agricultural land were well-founded. As the following section shows, we did not obtain any information showing that Arab interests were involved in any of the Antillean purchasers.

#### Purchases by Netherlands Antilles corporations

As the table on pages 20 and 21 shows, Netherlands Antilles purchasers bought more acreage than any other foreign purchasers--89,860 acres, or 36.2 percent. These purchasers accounted for 45 of the 173 purchasers-of-record. The Netherlands Antilles--two groups of islands in the West Indies--are part of the Kingdom of the Netherlands. The islands are covered by an income tax treaty with the United States under which Netherlands Antilles corporations are entitled to certain tax benefits with respect to income derived from sources within the United States. (See pp. 31 and 32.)

It is very difficult to determine the true ownership of Antilles corporations. Antillean law allows shareholders of investment corporations to remain anonymous. This is advantageous to owners who may desire anonymity for various reasons. The president of a large real estate exchange which functions as a clearinghouse for foreign investors looking for U.S. property told us, for example, that investors from some foreign countries frequently buy property through Swiss banks and large law firms and incorporate in offshore tax havens such as the Netherlands Antilles. He said that such purchasers usually do not publicize their investments in countries other than their own because of possible legal repercussions of their countries' currency control laws.

Through the cooperation of agents and attorneys for Antillean corporations and other sources, we obtained information on the nationality, but not identity, of most of the corporations' owners. The Antillean firms that bought the most acreage (60 percent of the 89,860 acres bought by Antillean firms) were owned by Swiss and Belgian investors, as shown on the following page.

| Residence and/or<br>nationality<br>of owners  | Purchases by<br>Netherlands Antilles corporations |   |              |   |
|---|---|---|--------------|---|
|   | Acres   |   | Transactions |   |
|   | Number  | Percent<br>of all<br>foreign<br>purchases | Number       | Percent<br>of all<br>foreign<br>purchases |
| Switzerland                                   | 28,181  | 11.4                                      | 5            | 2.2                                       |
| Belgium                                       | 25,488  | 10.3                                      | 3            | 1.3                                       |
| Italy   | 12,096  | 4.9                                       | 8            | 3.6                                       |
| France, Italy, or<br>West Germany<br>(note a) | 10,603  | 4.3                                       | 15           | 6.7                                       |
| Liechtenstein                                 | 4,772   | 1.9                                       | 1            | 0.4                                       |
| Netherlands                                   | 4,313   | 1.7                                       | 6            | 2.7                                       |
| Hong Kong                                     | 1,247   | 0.5                                       | 2            | 0.9                                       |
| Spain   | 479   | 0.2                                       | 1            | 0.4                                       |
| Europe (country not<br>identified)            | 459   | 0.2                                       | 1            | 0.4                                       |
| Country unknown                               | <u>2,222</u>                                      | <u>0.9</u>                                | <u>10</u>    | <u>4.5</u>                                |
| Total   | <u>89,860</u>                                     | <u>b/36.2</u>                             | <u>52</u>    | <u>b/23.2</u>                             |

a/The agent who represented the 11 Netherlands Antilles corporations that made these 15 purchases told us that each corporation was owned by an individual, family, or group of friends from either France, Italy, or West Germany. He would not associate any corporation with a particular country.

b/Numbers do not add due to rounding.

Combining the results of this analysis with the data in the table on pages 20 and 21 shows that six Belgian purchasers actually bought the most agricultural land--60,280 acres, or 24.3 percent--with Swiss purchasers being second--40,006 acres, or 16.1 percent. A revised ranking of the foreign affiliations of the purchasers buying more than 1,000 acres of U.S. agricultural land is shown on the next page.

| <u>Foreign<br/>affiliation</u>              | <u>Acres purchased</u> |                             | <u>Transactions</u> |                             |
|---|------------------------|-----------------------------|---------------------|-----------------------------|
|   | <u>Number</u>          | <u>Percent<br/>of total</u> | <u>Number</u>       | <u>Percent<br/>of total</u> |
| Belgium                                     | 60,280                 | 24.3                        | 6                   | 2.7                         |
| Switzerland                                 | 40,006                 | 16.1                        | 17                  | 7.6                         |
| West Germany                                | 22,989                 | 9.3                         | 30                  | 13.4                        |
| Italy                                       | 13,018                 | 5.2                         | 11                  | 4.9                         |
| France                                      | 12,665                 | 5.1                         | 11                  | 4.9                         |
| Liechtenstein                               | 11,354                 | 4.6                         | 4                   | 1.8                         |
| France, Italy, or<br>West Germany           | 10,603                 | 4.3                         | 15                  | 6.7                         |
| Netherlands                                 | 10,155                 | 4.1                         | 16                  | 7.1                         |
| Europe (country<br>not identified)          | 8,926                  | 3.6                         | 12                  | 5.4                         |
| Austria                                     | 8,428                  | 3.4                         | 1                   | 0.4                         |
| Canada                                      | 8,269                  | 3.3                         | 39                  | 17.4                        |
| Venezuela                                   | 7,967                  | 3.2                         | 1                   | 0.4                         |
| Great Britain                               | 6,583                  | 2.7                         | 6                   | 2.7                         |
| Mexico                                      | 5,190                  | 2.1                         | 4                   | 1.8                         |
| Switzerland, West<br>Germany, and<br>Canada | 5,179                  | 2.1                         | 3                   | 1.3                         |
| Country unknown                             | 2,858                  | 1.2                         | 11                  | 4.9                         |
| Hong Kong                                   | 2,794                  | 1.1                         | 5                   | 2.2                         |
| Singapore                                   | 2,755                  | 1.1                         | 1                   | 0.4                         |
| Luxembourg                                  | 2,641                  | 1.1                         | 1                   | 0.4                         |
| Sweden                                      | 2,452                  | 1.0                         | 2                   | 0.9                         |

The Netherlands Antilles corporations bought agricultural land in six States (Arkansas, California, Georgia, Illinois, Montana, and Texas). Most of the land they purchased was in Montana (52,900 acres), California (26,356 acres), and Texas (7,029 acres). These purchases accounted for more than half of the total acres of foreign-bought agricultural land in the review counties in Montana and California and almost half of the acres purchased in Texas.

--Of the seven Netherlands Antilles corporations which purchased the 52,900 acres in Montana, three were Belgian-owned firms which bought 25,488 acres and four were Swiss-owned firms which bought the other 27,412 acres.

--Thirty-two Netherlands Antilles corporations purchased the 26,356 acres in California. Of these, 8 were Italian-owned firms which bought 12,096 acres and 11 were German, French, or Italian-owned firms (we had no further breakdown) which bought 10,603

acres. We could not identify the nationalities of the owners of nine other corporations that bought 1,182 acres. The owners of the remaining four corporations were from Hong Kong or Europe.

--Two Netherlands Antilles corporations purchased the 7,029 acres in Texas. One, a Netherlands-owned firm, bought 2,257 acres; the other, a Liechtenstein-owned firm, bought 4,772 acres.

Ownership of the Netherlands Antilles firms which bought agricultural land in the other three States was as follows:

|                                       | <u>Acres</u> |
|---------------------------------------|--------------|
| Arkansas:                             |              |
| One Spanish-owned firm                | <u>479</u>   |
| Georgia:                              |              |
| One Netherlands-owned firm            | 1,509        |
| One firm--owner's nationality unknown | <u>1,040</u> |
| Total                                 | <u>2,549</u> |
| Illinois:                             |              |
| One Netherlands-owned firm            | <u>547</u>   |

Foreign affiliations of purchasers by State

The greatest numbers of different nationalities were represented by foreign purchasers in 4 of the 10 States--Arkansas, California, Georgia, and Washington. A listing, by State, of the countries and purchased acreage follows. (For this listing, the owners of the Netherlands Antilles corporations are included according to their country of residence or nationality.)

| <u>State and<br/>foreign affiliation</u>    | <u>Foreign purchases</u> |                             |
|---|--------------------------|-----------------------------|
|   | <u>Acreage</u>           | <u>Percent<br/>of total</u> |
| Arkansas:                                   |                          |                             |
| West Germany, Canada, and<br>Switzerland    | 5,179                    | 42                          |
| Luxembourg                                  | 2,641                    | 22                          |
| Netherlands                                 | 2,374                    | 19                          |
| West Germany                                | 960                      | 8                           |
| Switzerland                                 | 500                      | 4                           |
| Spain                                       | 479                      | 4                           |
| France                                      | 168                      | 1                           |
| Total                                       | <u>12,301</u>            | <u>100</u>                  |
| California:                                 |                          |                             |
| Italy                                       | 12,254                   | 27                          |
| France, West Germany,<br>and Italy (note a) | 10,603                   | 23                          |
| Liechtenstein                               | 6,582                    | 14                          |
| Europe                                      | 3,398                    | 7                           |
| West Germany                                | 3,324                    | 7                           |
| Hong Kong                                   | 2,794                    | 6                           |
| Canada                                      | 2,020                    | 4                           |
| Country unknown                             | 1,182                    | 3                           |
| Switzerland                                 | 1,016                    | 2                           |
| Belgium                                     | 620                      | 1                           |
| Bahamas                                     | 578                      | 1                           |
| Mexico                                      | 350                      | (b)                         |
| Cayman Islands                              | 214                      | (b)                         |
| Netherlands                                 | 172                      | (b)                         |
| Iran  | 133                      | (b)                         |
| Panama                                      | 95                       | (b)                         |
| India                                       | 78                       | (b)                         |
| Spain                                       | 64                       | (b)                         |
| Taiwan                                      | 59                       | (b)                         |
| Great Britain                               | 46                       | (b)                         |
| Turkey                                      | 38                       | (b)                         |
| Total                                       | <u>45,620</u>            | <u>c/100</u>                |

| State and<br><u>foreign affiliation</u> | <u>Foreign purchases</u> |                             |
|---|--------------------------|-----------------------------|
|   | <u>Acreage</u>           | <u>Percent<br/>of total</u> |
| Georgia:                                |                          |                             |
| France                                  | 10,004                   | 23                          |
| Austria                                 | 8,428                    | 19                          |
| Europe                                  | 5,528                    | 13                          |
| West Germany                            | 4,416                    | 10                          |
| Great Britain                           | 3,253                    | 8                           |
| Switzerland                             | 3,047                    | 7                           |
| Singapore                               | 2,755                    | 6                           |
| Sweden                                  | 2,452                    | 6                           |
| Country unknown                         | 1,676                    | 4                           |
| Netherlands                             | 1,509                    | 4                           |
| Australia                               | 107                      | (b)                         |
| South Africa                            | 90                       | (b)                         |
| Total                                   | <u>43,265</u>            | <u>c/100</u>                |
| Illinois:                               |                          |                             |
| Netherlands                             | 818                      | 56                          |
| Italy                                   | 637                      | 44                          |
| Total                                   | <u>1,455</u>             | <u>100</u>                  |
| Iowa:                                   |                          |                             |
| West Germany                            | 302                      | 42                          |
| Great Britain                           | 272                      | 37                          |
| Denmark                                 | 153                      | 21                          |
| Total                                   | <u>727</u>               | <u>100</u>                  |
| Kansas:                                 |                          |                             |
| West Germany                            | 5,264                    | 64                          |
| France                                  | 2,493                    | 31                          |
| Switzerland                             | 332                      | 4                           |
| Iran                                    | 80                       | 1                           |
| Total                                   | <u>8,169</u>             | <u>100</u>                  |
| Montana:                                |                          |                             |
| Belgium                                 | 59,660                   | 62                          |
| Switzerland                             | 27,412                   | 28                          |
| Venezuela                               | 7,967                    | 8                           |
| West Germany                            | 1,160                    | 1                           |
| Canada                                  | 30                       | (b)                         |
| Total                                   | <u>96,229</u>            | <u>c/100</u>                |

| <u>State and<br/>foreign affiliation</u>             | <u>Foreign purchases</u> |                             |
|--|--------------------------|-----------------------------|
|  | <u>Acreage</u>           | <u>Percent<br/>of total</u> |
| Pennsylvania:  |                          |                             |
| Great Britain  | 3,012                    | 68                          |
| West Germany   | 1,302                    | 29                          |
| Italy  | <u>127</u>               | <u>3</u>                    |
| Total  | <u>4,441</u>             | <u>100</u>                  |
| Texas:   |                          |                             |
| West Germany   | 6,261                    | 38                          |
| Liechtenstein  | 4,772                    | 29                          |
| Netherlands  | 4,514                    | 27                          |
| Switzerland  | <u>1,086</u>             | <u>7</u>                    |
| Total  | <u>16,633</u>            | <u>c/100</u>                |
| Washington:  |                          |                             |
| Switzerland  | 6,613                    | 34                          |
| Canada   | 6,219                    | 32                          |
| Mexico   | 4,840                    | 25                          |
| Netherlands  | 768                      | 4                           |
| Switzerland, Panama,<br>Canada, and<br>Liechtenstein | 355                      | 2                           |
| Japan  | 202                      | 1                           |
| Philippines  | 197                      | 1                           |
| France and Japan                                     | 86                       | (b)                         |
| Indonesia  | <u>26</u>                | <u>(b)</u>                  |
| Total  | <u>19,306</u>            | <u>c/100</u>                |
| Total  | <u>248,146</u>           |                             |

a/No breakout by specific country.

b/Less than 1 percent.

c/Numbers do not add because of rounding.

TAX INCENTIVES FOR FOREIGN INVESTMENT  
IN U.S. AGRICULTURAL LAND

Foreign investors who buy U.S. real property, including agricultural land, have certain U.S. tax advantages not available to U.S. citizens who may wish to invest in that same property. We did not obtain information on the extent to which any taxes required to be paid to the foreign country involved may offset the advantages available to foreign investors under U.S. tax laws and regulations.

The key determinant for U.S. income tax purposes is whether or not U.S. source income derived from the foreign source investment capital is considered to be effectively connected with a U.S. trade or business. This problem is discussed in a recent Treasury Department report 1/ on the tax treatment of income from, or gain or loss realized on the sale of, an interest in U.S. property owned by non-resident aliens and foreign corporations.

Under U.S. law, if a nonresident alien or foreign corporation purchases U.S. real property and operates the property as a business, income derived from the investment (including capital gains) is taxed by the United States on a net basis and at rates applicable to U.S. taxpayers.

Capital gains realized by nonresident aliens and foreign corporations on the sale of U.S. investment property are not subject to U.S. tax if such gains are not "effectively connected" with a U.S. trade or business. Ordinary, "non-effectively connected" income from the investment property is taxed on a gross basis (without allowable business deductions) at a flat rate of 30 percent or at a lower rate if permitted by a tax treaty between the United States and the foreign country. With respect to ordinary income, the difference between a tax based on gross income and a tax based on that same income less allowable deductions can be substantial. If a foreign investor is not engaged in a U.S. trade or business, the investor may elect to have income from the U.S. investment property (such as payments

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1/"Taxation of Foreign Investment in U.S. Real Estate," Department of the Treasury, May 4, 1979. A summary of this report was included in a Joint Committee Print on Tax Treatment of Foreign Investment in the United States, prepared for the use of the Senate Committee on Finance by the staff of the Joint Committee on Taxation, June 22, 1979.

received under a sharecropping or lease arrangement) taxed on a net basis as if it were effectively connected with a U.S. trade or business. This election is usually irrevocable if made under the Internal Revenue Code. It is annual if made under the Netherlands Antilles treaty.

The Treasury report concluded that, although most foreign investment in U.S. real estate either constitutes a U.S. trade or business or, at the election of the taxpayer, is taxed as if it were, foreign investors rarely incur a capital gains tax on the sale or disposition of their property holdings. The evidence is that foreign taxpayers are adept at using the various planning techniques available under present law which allow them to avoid the capital gains tax. Some of these techniques are as follows:

1. Foreign investors who are engaged in a U.S. trade or business may sell their U.S. real property on an installment basis and postpone receiving most or all of the payments until later years when they are no longer engaged in a trade or business. Any gain attributable to the payments in the years after the sale is not treated as effectively connected with a trade or business and therefore is not taxed.
2. Foreign investors may generally exchange U.S. real property held for productive use or investment for other property of a like kind, without recognizing any capital gain. If the property acquired in the exchange is located outside the United States, the capital gain realized on the subsequent sale of that property would not be subject to U.S. tax.
3. Foreign investors may invest in U.S. real estate through a real estate holding company incorporated outside the United States and avoid paying a capital gains tax on the sale of the real estate by the company or on the sale of the stock of the company by the foreign investor. One of the following two planning techniques would ordinarily be used.

First, if the real estate holding company sells the property and liquidates within 1 year, distributing the sales proceeds to the foreign shareholders, the capital gain realized by the company is not recognized for U.S. tax purposes.

Also, the shareholders would generally not be taxed on the gain when they exchanged their stock in liquidation for the sales proceeds of the real property because the shareholders are not considered to have been engaged in a U.S. trade or business by reason of their stock ownership.

Second, if the foreign investors sell their stock in a foreign real estate holding company which owns U.S. real estate, they are not subject to U.S. tax on the gain realized since the sale of the stock does not give rise to U.S. source income.

4. Many U.S. tax treaties with foreign countries permit foreign investors who are not engaged in a U.S. trade or business, but who elect to have their U.S. real estate income taxed on a net basis, to revoke that election in the year in which the real estate is sold. This means that with proper planning, foreign investors can elect to have income from their U.S. investment taxed on a net basis while the investment increases in value, and then revoke the election in the year they sell their land to avoid paying a capital gains tax.

#### The Netherlands Antilles tax treaty

Firms and individuals doing business through the Netherlands Antilles have the following tax advantages regarding their investments in the United States.

- The Antilles profits tax on business income earned in the United States by Antilles firms is generally imposed at an effective rate of only 2 or 3 percent.
- The Antilles has no estate, gift, or inheritance tax and no tax on capital gains, dividends, interest, or Antilles-source investment income paid to nonresidents.
- The Antilles tax treaty with the United States allows for reduced U.S. taxes on income not connected with a U.S. trade or business by allowing foreign investors to elect annually whether to have the income taxed net of deductions.

--The Antilles allows residents of other countries to incorporate in the Antilles and thereby take advantage of its tax treaty provisions with the United States. Consequently, investors from countries that have no tax treaties with the United States or whose tax treaties do not provide for an annual net basis election can substantially reduce their taxes on income and capital gains from their U.S. investments by incorporating in the Antilles and making the net basis election.

--The Antilles allows its corporations to keep secret the identity of their shareholders. This makes it possible for investors from other countries that may have strict laws limiting investment of capital in foreign countries to circumvent such restrictions by incorporating in the Antilles.

Further details on the taxation of foreign investments in U.S. agricultural land and other real estate are discussed in the Treasury report.

#### SUMMARY AND CONCLUSIONS

Various individuals and sources have expressed concern that Arab interests may be buying U.S. agricultural land. We did not find this to be the case although we recognize that we did not probe beyond the nationality of the first level of ownership except in the case of the Netherlands Antilles firms. Most of the foreign-bought acreage was bought by Western European purchasers. The motives and other information regarding these purchases are discussed in the next four chapters.

The largest acreage of foreign-bought agricultural land was purchased by Netherlands Antilles firms which appear to have distinct tax advantages over U.S. purchasers. Other foreign purchasers also may have tax advantages in their U.S. property investments. Without considering any possible broader implications of such action, we believe that elimination of tax advantages available to foreign, but not U.S., investors would eliminate one of the factors that may be inhibiting potential U.S. purchasers from effectively competing with potential foreign purchasers of U.S. land. The Department of the Treasury favors elimination of these tax advantages to foreign investors. According to Treasury's report, taxing capital gains on the sale of U.S. agricultural land alone would raise U.S. Treasury revenues by an estimated \$22 million

in 1979; taxing capital gains on all U.S. real estate sold by foreign taxpayers would raise Treasury revenues by \$142 million. The report states that the balance of payments impact of such action cannot be estimated with any precision but would probably be relatively small.

Two bills introduced in the 96th Congress (S. 208 and H.R. 3106) would generally subject to U.S. tax the capital gains of foreign investors from the sale of farmland, land suitable for farming, or rural land. Another bill (S. 192) would tax nonresident alien individuals and foreign corporations on their capital gains on all U.S. property--real estate, stocks, bonds, and so forth. Hearings were held on S. 208 and S. 192 in June 1979.

CHAPTER 4

TYPES OF PURCHASERS

RANKING BY ACREAGE

Most of the roughly 3 million acres of agricultural land purchased during our 18-month review period in the 148 counties was bought by local U.S. purchasers. <sup>1/</sup> However, nonlocal U.S. purchasers bought a surprisingly large portion--over one-third. A summary of the amount and percent of farmland acquired by each type of purchaser is shown below.

| <u>Type of purchasers</u> | <u>Number<br/>of acres<br/>purchased</u> | <u>Percent<br/>of acres<br/>purchased</u> |
|---------------------------|--|---|
| Local individuals         | 1,385,380                                | 45.5                                      |
| Local businesses          | 302,812                                  | 9.9                                       |
| Nonlocal U.S. individuals | 579,781                                  | 19.0                                      |
| Nonlocal U.S. businesses  | 505,646                                  | 16.6                                      |
| Foreign individuals       | 15,141                                   | 0.5                                       |
| Foreign businesses        | 233,005                                  | 7.6                                       |
| Unclassified individuals  | 15,395                                   | 0.5                                       |
| Unclassified businesses   | <u>9,565</u>                             | <u>0.3</u>                                |
| Total                     | <u>3,046,725</u>                         | <u>a/100.0</u>                            |

<sup>a/</sup>Does not add because of rounding.

As the table shows, local and nonlocal U.S. individuals bought most (64.5 percent) of the acres purchased, local and nonlocal U.S. businesses bought 26.5 percent, and foreign purchasers (individuals and businesses) bought 8.1 percent. We could not determine whether the purchasers of the remaining 0.8 percent (24,960 acres) were U.S. or foreign individuals and businesses. Taking all categories (including U.S., foreign, and unclassified purchasers) into account, individuals bought about two-thirds of all agricultural land purchased; businesses bought the other one-third.

A comparison of the number of acres bought by each category of purchaser in the review counties in each of the 10 States is summarized in the table on the next page.

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<sup>1/</sup>The definitions we used in classifying the purchasers are discussed on pp. 96 to 98.

Acres Purchased, by State and Type of Purchaser, During 18-Month Review Period--Actual for Review Counties

| <u>State</u>        | <u>Number of counties</u> | <u>Total acreage purchased</u> | <u>U.S. purchasers</u> |                   |                    |                   | <u>Foreign purchasers</u> |                   |
|---------------------|---------------------------|--------------------------------|------------------------|-------------------|--------------------|-------------------|---------------------------|-------------------|
|                     |                           |                                | <u>Local</u>           |                   | <u>Nonlocal</u>    |                   | <u>Individuals</u>        | <u>Businesses</u> |
|                     |                           |                                | <u>Individuals</u>     | <u>Businesses</u> | <u>Individuals</u> | <u>Businesses</u> |                           |                   |
| ----- (acres) ----- |                           |                                |                        |                   |                    |                   |                           |                   |
| Arkansas            | 13                        | 200,124                        | 113,257                | 14,376            | 25,708             | 28,545            | 960                       | 11,341            |
| California          | 13                        | 744,218                        | 289,564                | 74,917            | 187,878            | 132,229           | 3,349                     | 42,271            |
| Georgia             | 26                        | 273,591                        | 78,584                 | 7,429             | 92,762             | 48,912            | 107                       | 43,158            |
| Illinois            | 15                        | 83,130                         | 62,875                 | 2,223             | 10,190             | 6,387             | 908                       | 547               |
| Iowa                | 14                        | 131,715                        | 113,473                | 13,173            | 3,554              | 788               | 727                       | -                 |
| Kansas              | 14                        | 153,075                        | 77,002                 | 6,032             | 36,332             | 25,540            | 412                       | 7,757             |
| 35 Montana          | 14                        | 891,073                        | 358,056                | 105,627           | 127,242            | 203,919           | 1,160                     | 95,069            |
| Pennsylvania        | 13                        | 97,031                         | 59,524                 | 9,147             | 15,733             | 6,290             | -                         | 4,441             |
| Texas               | 13                        | 226,340                        | 96,416                 | 23,849            | 51,737             | 37,705            | 1,086                     | 15,547            |
| Washington          | <u>13</u>                 | <u>246,428</u>                 | <u>136,629</u>         | <u>46,039</u>     | <u>28,645</u>      | <u>15,331</u>     | <u>6,432</u>              | <u>12,874</u>     |
| Total               | <u>148</u>                | <u>a/3,046,725</u>             | <u>1,385,380</u>       | <u>302,812</u>    | <u>579,781</u>     | <u>505,646</u>    | <u>15,141</u>             | <u>233,005</u>    |
| Percent of total    |                           | <u>100</u>                     | <u>45.5</u>            | <u>9.9</u>        | <u>19.0</u>        | <u>16.6</u>       | <u>0.5</u>                | <u>7.6</u>        |

a/This total includes 15,395 acres bought by individuals and 9,565 acres bought by businesses that we could not positively classify as U.S. or foreign. They accounted for 0.8 percent of the acres purchased.

As the table on page 35 shows, overall, local individuals bought more acres than any other category of purchaser. Also,

- U.S. individuals bought more acreage than U.S. businesses overall and in each State.
- Foreign businesses bought more acreage than foreign individuals overall and in each State except Illinois and Iowa (where a total of only 2,182 acres was bought by foreign purchasers).
- Local U.S. individuals bought more acreage overall than nonlocal U.S. individuals. (This also held true for each State except Georgia.)
- Nonlocal U.S. businesses bought more acreage overall than local U.S. businesses. (This also was true for each State except Iowa, Pennsylvania, and Washington.)

Statistical projections of our data to all 10 States as a group show the same order of ranking of types of purchasers as the actual data obtained for the 148 review counties. Projected data for each State individually and for the 10 States combined is summarized in the table on the following page.

As the table shows, on a projected basis, local purchasers bought 7,615,946 acres (57.7 percent); nonlocal purchasers, 4,965,456 acres (37.6 percent); foreign purchasers, 514,760 acres (3.9 percent); and unclassified buyers, 111,608 acres (0.8 percent). Disregarding the unclassified acreage (0.8 percent of total acreage), individuals bought 9,454,112 acres (71.6 percent) compared with 3,642,050 acres (27.6 percent) for businesses.

Acres Purchased, by State and Type of Purchaser, During 18-Month Review Period--Projected to Entire State

| <u>State</u>       | <u>Total<br/>acreage<br/>purchased</u> | <u>U.S. purchasers</u> |                   |                    |                   | <u>Foreign purchasers</u> |                   | <u>Unclassified</u> |
|--------------------|--|------------------------|-------------------|--------------------|-------------------|---------------------------|-------------------|---------------------|
|                    |  | <u>Local</u>           |                   | <u>Nonlocal</u>    |                   | <u>Individuals</u>        | <u>Businesses</u> |                     |
|                    |  | <u>Individuals</u>     | <u>Businesses</u> | <u>Individuals</u> | <u>Businesses</u> |                           |                   |                     |
| ------(acres)----- |  |                        |                   |                    |                   |                           |                   |                     |
| Arkansas           | 759,913                                | 466,553                | 60,628            | 98,832             | 61,873            | 3,209                     | 45,379            | 23,439              |
| California         | 3,956,750                              | 1,589,833              | 395,956           | 1,125,507          | 625,091           | 7,000                     | 144,440           | 68,923              |
| Georgia            | 556,294                                | 208,913                | 23,180            | 167,434            | 104,327           | 107                       | 44,069            | 8,264               |
| Illinois           | 405,152                                | 318,047                | 12,335            | 46,496             | 24,421            | 908                       | 2,945             | -                   |
| Iowa               | 745,741                                | 648,185                | 73,637            | 17,472             | 3,888             | 2,559                     | -                 | -                   |
| Kansas             | 906,250                                | 461,370                | 46,230            | 190,230            | 166,378           | 3,369                     | 38,673            | -                   |
| 37 Montana         | 1,853,905                              | 846,878                | 166,130           | 298,630            | 424,114           | 2,755                     | 115,398           | -                   |
| Pennsylvania       | 356,254                                | 203,756                | 36,498            | 57,688             | 28,001            | -                         | 25,406            | 4,905               |
| Texas              | 2,839,960                              | 1,279,363              | 262,536           | 789,042            | 472,764           | 1,171                     | 35,084            | -                   |
| Washington         | <u>827,551</u>                         | <u>421,756</u>         | <u>94,162</u>     | <u>180,352</u>     | <u>82,916</u>     | <u>16,697</u>             | <u>25,591</u>     | <u>6,077</u>        |
| Total              | <u>13,207,770</u>                      | <u>6,444,654</u>       | <u>1,171,292</u>  | <u>2,971,683</u>   | <u>1,993,773</u>  | <u>37,775</u>             | <u>476,985</u>    | <u>111,608</u>      |
| Percent of total   | <u>100</u>                             | <u>48.8</u>            | <u>8.9</u>        | <u>22.5</u>        | <u>15.1</u>       | <u>0.3</u>                | <u>3.6</u>        | <u>0.8</u>          |

### RANKING BY NUMBER OF TRANSACTIONS

There were about 13,700 purchases of agricultural land in our 148 review counties during the 18 months. These are summarized below by types of purchasers.

| <u>Types of purchasers</u> | <u>Number<br/>of<br/>transactions</u> | <u>Percent<br/>of all<br/>transactions</u> |
|----------------------------|---------------------------------------|--|
| Local individuals          | 8,681                                 | 63.4                                       |
| Local businesses           | 1,033                                 | 7.5  |
| Nonlocal U.S. individuals  | 2,705                                 | 19.7                                       |
| Nonlocal U.S. businesses   | 794                                   | 5.8  |
| Foreign individuals        | 53                                    | 0.4  |
| Foreign businesses         | 171                                   | 1.2  |
| Unclassified individuals   | 208                                   | 1.5  |
| Unclassified businesses    | <u>57</u>                             | <u>0.4</u>                                 |
| Total                      | <u>13,702</u>                         | <u>a/100.0</u>                             |

a/Does not add due to rounding.

As the table shows, local and nonlocal U.S. individuals accounted for most (83.1 percent) of the transactions; U.S. businesses for 13.3 percent; and foreign investors (individuals and businesses) for 1.6 percent. We could not determine whether the remaining 1.9 percent (265 transactions) involved U.S. or foreign purchasers.

A more detailed comparison of the number of transactions involving the different types of purchasers for the 10 States in our review is shown on the next page.

As the table shows, of all U.S. purchasers both local and nonlocal, individuals made more purchases of agricultural land than businesses in each of the 10 States. The reverse generally was true for foreign purchasers--businesses made more purchases than individuals in all States except Illinois and Iowa.

Transactions, by State and Type of Purchaser, During the 18-Month Review Period--Actual for Review Counties

| State            | Number of counties | Number of transactions (note a) | U.S. purchasers |              |              |            | Foreign purchasers |            |
|------------------|--------------------|---------------------------------|-----------------|--------------|--------------|------------|--------------------|------------|
|                  |                    |                                 | Local           |              | Nonlocal     |            | Individuals        | Businesses |
|                  |                    |                                 | Individuals     | Businesses   | Individuals  | Businesses |                    |            |
| Arkansas         | 13                 | 1,593                           | 1,195           | 82           | 184          | 49         | 1                  | 8          |
| California       | 13                 | 3,776                           | 1,778           | 342          | 1,127        | 305        | 19                 | 72         |
| Georgia          | 26                 | 1,256                           | 672             | 45           | 370          | 119        | 1                  | 39         |
| Illinois         | 15                 | 770                             | 659             | 13           | 63           | 31         | 3                  | 1          |
| Iowa             | 14                 | 1,148                           | 1,016           | 92           | 30           | 6          | 4                  | -          |
| Kansas           | 14                 | 803                             | 538             | 38           | 165          | 50         | 3                  | 9          |
| 39 Montana       | 14                 | 765                             | 555             | 82           | 72           | 42         | 3                  | 11         |
| Pennsylvania     | 13                 | 1,248                           | 862             | 101          | 184          | 58         | -                  | 5          |
| Texas            | 13                 | 985                             | 624             | 114          | 177          | 65         | 1                  | 4          |
| Washington       | <u>13</u>          | <u>1,358</u>                    | <u>782</u>      | <u>124</u>   | <u>333</u>   | <u>69</u>  | <u>18</u>          | <u>22</u>  |
| Total            | <u>148</u>         | <u>13,702</u>                   | <u>8,681</u>    | <u>1,033</u> | <u>2,705</u> | <u>794</u> | <u>53</u>          | <u>171</u> |
| Percent of total |                    | <u>100</u>                      | <u>63.4</u>     | <u>7.5</u>   | <u>19.7</u>  | <u>5.8</u> | <u>0.4</u>         | <u>1.3</u> |

a/Figures in this column include 265 transactions involving 208 individuals and 57 businesses that we could not positively classify as U.S. or foreign. They accounted for 1.9 percent of the transactions.

Our Statewide projections of data on numbers of transactions involving each type of purchaser give the following total picture for the 10 States combined. The ranking is the same as that obtained from our actual data for the 148 review counties. (See p. 38.)

| <u>Types of purchasers</u> | <u>Number of transactions</u> | <u>Percent of all transactions</u> |
|----------------------------|-------------------------------|------------------------------------|
| Local individuals          | 43,677                        | 60.8                               |
| Local businesses           | 5,603                         | 7.8                                |
| Nonlocal U.S. individuals  | 15,776                        | 22.0                               |
| Nonlocal U.S. businesses   | 4,765                         | 6.6                                |
| Foreign individuals        | 130                           | 0.2                                |
| Foreign businesses         | 577                           | 0.8                                |
| Unclassified               | <u>1,318</u>                  | <u>1.8</u>                         |
| Total                      | <u>71,846</u>                 | <u>100.0</u>                       |

#### RANKING BY SIZE OF PURCHASE

Using data obtained in all 148 review counties, we computed the average sizes of the tracts of agricultural land purchased during the 18-month review period by each type of purchaser. These are summarized below.

|                          | <u>Individuals</u>  | <u>Businesses</u> | <u>Combined</u> |
|--------------------------|---------------------|-------------------|-----------------|
|                          | ----- (acres) ----- |                   |                 |
| Local U.S. purchasers    | 160                 | 293               | 174             |
| Nonlocal U.S. purchasers | 214                 | 637               | 310             |
| Foreign purchasers       | 286                 | 1,363             | 1,108           |
| Unclassified purchasers  | 74                  | 168               | 94              |
| Overall averages         | 171                 | 511               | 222             |

On the average, local purchasers, especially individuals, bought the smallest size tracts; foreign purchasers, especially businesses, bought the largest tracts; and non-local U.S. purchasers, especially businesses, bought the next largest tracts. Overall, businesses of all types bought tracts 3 times as large as individuals bought.

The table on the following page shows the average size tracts of agricultural land bought by each type of purchaser in the review counties in each State.

Average Number of Acres Purchased, by State and Type of Purchaser, During the 18-Month Review Period

| State        | Number of counties | Average size--all purchases (note a) | U.S. purchasers |            |             |            | Foreign purchasers |                |
|--------------|--------------------|--------------------------------------|-----------------|------------|-------------|------------|--------------------|----------------|
|              |                    |                                      | Local           |            | Nonlocal    |            | Individuals        | Businesses     |
|              |                    |                                      | Individuals     | Businesses | Individuals | Businesses |                    |                |
| Arkansas     | 13                 | <u>b/127</u>                         | 95              | 175        | 140         | 583        | 960                | <u>b/1,666</u> |
| California   | 13                 | 197                                  | 163             | 219        | 167         | 434        | 176                | 587            |
| Georgia      | 26                 | 218                                  | 117             | 165        | 251         | 411        | 107                | 1,107          |
| Illinois     | 15                 | 108                                  | 95              | 171        | 162         | 206        | 303                | 547            |
| Iowa         | 14                 | 115                                  | 112             | 143        | 118         | 131        | 182                | -              |
| Kansas       | 14                 | 191                                  | 143             | 159        | 220         | 511        | 137                | 862            |
| 41 Montana   | 14                 | <u>b/1,181</u>                       | 645             | 1,288      | 1,767       | 4,855      | 387                | <u>b/9,746</u> |
| Pennsylvania | 13                 | 78                                   | 69              | 91         | 86          | 108        | -                  | 888            |
| Texas        | 13                 | <u>b/242</u>                         | 155             | 209        | 292         | 580        | 1,086              | <u>b/6,976</u> |
| Washington   | <u>13</u>          | 181                                  | 175             | 371        | 86          | 222        | 357                | 585            |
| Overall      | <u>148</u>         | <u>b/224</u>                         | 160             | 293        | 214         | 637        | 286                | <u>b/1,517</u> |

a/The averages in this column include the 24,960 acres of agricultural land bought by purchasers we could not positively identify as U.S. or foreign.

b/These averages reflect the total acreage of five purchases--three in Arkansas (1,987 acres), one in Montana (12,133 acres), and one in Texas (12,358 acres)--that occurred in our review counties and overlapped into other counties not included in our review in those States.

An analysis of the data in the table on page 41 shows that, on the average:

- Foreign businesses bought much larger acreages than all other types of purchasers in 9 of our 10 States. The exception was in Iowa where we did not identify any purchases by foreign businesses in the 14 review counties.
- Foreign individuals generally bought larger acreages than U.S. individuals overall and in 6 of the 10 States. The exceptions were in Georgia, Kansas, and Montana where local and nonlocal U.S. individuals bought larger acreages than foreign individuals, and in Pennsylvania where we found no purchases by foreign individuals.
- Nonlocal U.S. businesses generally bought much larger acreages than local businesses, except in Iowa and Washington where the reverse was true.
- Nonlocal U.S. individuals generally bought much larger acreages than local individuals. The exceptions were in California and Iowa where local and nonlocal U.S. individuals bought about the same size acreages, and in Washington where local individuals bought larger acreages than nonlocal U.S. individuals.
- Nonlocal U.S. businesses generally bought much larger acreages than nonlocal U.S. individuals, except in Iowa and Pennsylvania where there was not much difference.
- Local businesses generally bought much larger acreages than local individuals, except in Kansas and Pennsylvania where there was not much difference.

#### SUMMARY AND CONCLUSIONS

Local purchasers bought most of the agricultural land that changed ownership in our review counties during the 18-month review period. This is in line with what many people told us they believed was happening. From these discussions, however, we expected that a greater portion of the purchased acreage would be in this category than the 55 percent we found. Local individuals bought only about 45 percent of the acreage and local businesses, which could include local family farm businesses, bought 10 percent.

Overall, a sizeable portion (24 percent) of the acreage was bought by nonlocal U.S. and foreign businesses. Such a trend, over a long period, could erode the extent to which the family farm structure exists in U.S. agriculture. We believe this bears watching by the Department of Agriculture (USDA)--perhaps as much as foreign investment in agricultural land.

## CHAPTER 5

### TYPES OF AGRICULTURAL LAND PURCHASED

Of the approximately 3 million acres of agricultural land bought by all purchasers (U.S. and foreign) during the 18-month review period in the 148 counties, about 2.88 million acres--94.4 percent--consisted of farmland and 169,400 acres--5.6 percent--consisted of timberland. (See ch. 1 for our definitions of farmland and timberland.) Most of the farmland was cropland, pasture, rangeland, or some combination of these.

Of the 248,146 acres of foreign-bought agricultural land, 94.9 percent was farmland and 5.1 percent was timberland. Most of the timberland bought by both U.S. and foreign purchasers was in Georgia; the largest amounts of farmland bought by each were in California and Montana.

### COMPARISONS OF LAND TYPES

The amounts of farmland and timberland bought in the review counties in each State are shown in the following table.

#### Types of Agricultural Land Purchased in the 148 Review Counties

| <u>State</u>            | <u>All purchasers</u> |                         |                  | <u>Foreign purchasers</u> |                         |                |
|-------------------------|-----------------------|-------------------------|------------------|---------------------------|-------------------------|----------------|
|                         | <u>Farmland</u>       | <u>Timber-<br/>land</u> | <u>Total</u>     | <u>Farmland</u>           | <u>Timber-<br/>land</u> | <u>Total</u>   |
|                         | ------(acres)-----    |                         |                  |                           |                         |                |
| Arkansas                | 174,163               | 25,961                  | 200,124          | 11,341                    | 960                     | 12,301         |
| California              | 736,371               | 7,847                   | 744,218          | 45,620                    | -                       | 45,620         |
| Georgia                 | 171,769               | 101,822                 | 273,591          | 34,394                    | 8,871                   | 43,265         |
| Illinois                | 82,846                | 284                     | 83,130           | 1,455                     | -                       | 1,455          |
| Iowa                    | 131,214               | 501                     | 131,715          | 727                       | -                       | 727            |
| Kansas                  | 153,075               | -                       | 153,075          | 8,169                     | -                       | 8,169          |
| Montana                 | 890,839               | 234                     | 891,073          | 96,229                    | -                       | 96,229         |
| Pennsylvania            | 85,667                | 11,364                  | 97,031           | 2,283                     | 2,158                   | 4,441          |
| Texas                   | 226,340               | -                       | 226,340          | 16,633                    | -                       | 16,633         |
| Washington              | 225,041               | 21,387                  | 246,428          | 18,681                    | 625                     | 19,306         |
| <b>Total</b>            | <u>2,877,325</u>      | <u>169,400</u>          | <u>3,046,725</u> | <u>235,532</u>            | <u>12,614</u>           | <u>248,146</u> |
| <b>Percent-<br/>age</b> | <u>94.4</u>           | <u>5.6</u>              | <u>100</u>       | <u>94.9</u>               | <u>5.1</u>              | <u>100</u>     |

The split between farmland and timberland stays about the same on a projected Statewide basis, as shown in the following table.

Types of Agricultural Land Purchased--Projected to Entire State

| <u>State</u>    | <u>All purchasers</u> |                         |                   | <u>Foreign purchasers</u> |                         |                |
|-----------------|-----------------------|-------------------------|-------------------|---------------------------|-------------------------|----------------|
|                 | <u>Farmland</u>       | <u>Timber-<br/>land</u> | <u>Total</u>      | <u>Farmland</u>           | <u>Timber-<br/>land</u> | <u>Total</u>   |
|                 | ------(acres)-----    |                         |                   |                           |                         |                |
| Arkansas        | 649,637               | 110,276                 | 759,913           | 45,379                    | 3,209                   | 48,588         |
| California      | 3,895,167             | 61,583                  | 3,956,750         | 151,440                   | -                       | 151,440        |
| Georgia         | 316,767               | 239,527                 | 556,294           | 34,394                    | 9,782                   | 44,176         |
| Illinois        | 403,363               | 1,789                   | 405,152           | 3,853                     | -                       | 3,853          |
| Iowa            | 742,689               | 3,052                   | 745,741           | 2,559                     | -                       | 2,559          |
| Kansas          | 906,250               | -                       | 906,250           | 42,042                    | -                       | 42,042         |
| Montana         | 1,853,231             | 674                     | 1,853,905         | 118,153                   | -                       | 118,153        |
| Pennsylvania    | 299,472               | 56,782                  | 356,254           | 10,285                    | 15,121                  | 25,406         |
| Texas           | 2,839,960             | -                       | 2,839,960         | 36,255                    | -                       | 36,255         |
| Washington      | 497,971               | 329,580                 | 827,551           | 41,663                    | 625                     | 42,288         |
| Total           | <u>12,404,507</u>     | <u>803,263</u>          | <u>13,207,770</u> | <u>486,023</u>            | <u>28,737</u>           | <u>514,760</u> |
| Percent-<br>age | <u>93.9</u>           | <u>6.1</u>              | <u>100</u>        | <u>94.4</u>               | <u>5.6</u>              | <u>100</u>     |

Our analysis of the types of land purchased in individual States by individuals and businesses showed that, overall, more of the acreage of each land type was bought by individuals than by businesses. The reverse was true for foreign purchases. To the extent we could break it out, most of the overall acreage bought was pasture and rangeland; cropland was second. The same held true for foreign purchases. The table on the next page summarizes this information.

| Type of land                          | Amount of agricultural land purchased |                  |                    |                 |
|---------------------------------------|---------------------------------------|------------------|--------------------|-----------------|
|                                       | All purchasers                        |                  | Foreign purchasers |                 |
|                                       | Indi-<br>viduals                      | Busi-<br>nesses  | Indi-<br>viduals   | Busi-<br>nesses |
| Farmland:                             |                                       |                  |                    |                 |
| Cropland                              | 501,505                               | 312,947          | 5,780              | 70,249          |
| Pasture and<br>rangeland              | 568,888                               | 331,810          | 6,918              | 113,651         |
| Cropland,<br>pasture, or<br>rangeland | 318,367                               | 154,447          | 799                | 21,335          |
| Woodland                              | 83,032                                | 41,970           | 326                | 14,623          |
| Vacant, idle,<br>or other             | 54,251                                | 37,263           | 171                | 1,680           |
| Unclassified                          | <u>362,088</u>                        | <u>110,757</u>   | <u>-</u>           | <u>-</u>        |
| Total farm-<br>land                   | 1,888,131                             | 989,194          | 13,994             | 221,538         |
| Timberland                            | <u>107,732</u>                        | <u>61,668</u>    | <u>1,147</u>       | <u>11,467</u>   |
| Total                                 | <u>1,995,863</u>                      | <u>1,050,862</u> | <u>15,141</u>      | <u>233,005</u>  |

A ranking of the types of farmland purchased by individuals and businesses combined is shown below.

| Type of farmland                    | Amount of farmland purchased |              |                |              |
|-------------------------------------|------------------------------|--------------|----------------|--------------|
|                                     | Overall                      |              | Foreign        |              |
|                                     | Acres                        | Percent      | Acres          | Percent      |
| Pasture and<br>rangeland            | 900,698                      | 31.4         | 120,569        | 51.2         |
| Cropland                            | 814,452                      | 28.3         | 76,029         | 32.3         |
| Cropland, pasture,<br>and rangeland | 472,814                      | 16.4         | 22,134         | 9.4          |
| Unclassified                        | 472,845                      | 16.4         | -              | -            |
| Woodland                            | 125,002                      | 4.3          | 14,949         | 6.3          |
| Vacant, idle, or<br>other farmland  | <u>91,514</u>                | <u>3.2</u>   | <u>1,851</u>   | <u>0.8</u>   |
| Total                               | <u>2,877,325</u>             | <u>100.0</u> | <u>235,532</u> | <u>100.0</u> |

The following two tables show, by State, the types of farmland bought by all purchasers and by foreign purchasers in the review counties during our 18-month review period. Because information on specific land types was sometimes very difficult or time consuming to obtain, we used combined or unidentified classifications in some instances.

Types of Farmland Purchased by All Purchasers During 18-Month Review Period--Actual for Review Counties

| <u>State</u> | <u>Cropland</u>     | <u>Pasture and rangeland</u> | <u>Cropland, pasture, and rangeland</u> | <u>Woodland (note a)</u> | <u>Vacant, idle, or other farmland</u> | <u>Unidentified classes of farmland (note c)</u> | <u>Total farmland</u> |
|--------------|---------------------|------------------------------|---|--------------------------|--|--|-----------------------|
|              | ----- (acres) ----- |                              |   |                          |  |  |                       |
| Arkansas     | 88,541              | 85,622                       | -                                       | -                        | -                                      | -  | 174,163               |
| California   | <u>b/237,859</u>    | 191,653                      | -                                       | 515                      | 70,782                                 | 235,562  | 736,371               |
| Georgia      | -                   | -                            | 88,262                                  | 71,153                   | 12,354                                 | -  | 171,769               |
| Illinois     | 64,175              | 9,535                        | -                                       | 8,905                    | -                                      | 231  | 82,846                |
| Iowa         | -                   | -                            | 131,214                                 | -                        | -                                      | -  | 131,214               |
| 47 Kansas    | 85,566              | 62,966                       | -                                       | 3,917                    | 626                                    | -  | 153,075               |
| Montana      | 118,795             | 273,625                      | 244,454                                 | 17,204                   | -                                      | 236,761  | 890,839               |
| Pennsylvania | 48,540              | 15,318                       | -                                       | 15,016                   | 6,793                                  | -  | 85,667                |
| Texas        | 75,434              | 150,906                      | -                                       | -                        | -                                      | -  | 226,340               |
| Washington   | <u>95,542</u>       | <u>111,073</u>               | <u>8,884</u>                            | <u>8,292</u>             | <u>959</u>                             | <u>291</u>                                       | <u>225,041</u>        |
| Total        | <u>814,452</u>      | <u>900,698</u>               | <u>472,814</u>                          | <u>125,002</u>           | <u>91,514</u>                          | <u>472,845</u>                                   | <u>2,877,325</u>      |
| Percentage   | <u>28.3</u>         | <u>31.4</u>                  | <u>16.4</u>                             | <u>4.3</u>               | <u>3.2</u>                             | <u>16.4</u>                                      | <u>100</u>            |

a/Represents wooded land which is part of a farm or ranch on which the wooded acreage is less than 90 percent of the total purchased acreage.

b/This amount includes 24,856 acres of vineyards and 40,211 acres of orchards.

c/This category includes various combinations of cropland, pasture, rangeland, woodland, and miscellaneous farmland where breakouts of individual categories were not readily available.

Types of Farmland Purchased by Foreign Investors During 18-Month Review Period--Actual for Review Counties

| <u>State</u>        | <u>Cropland</u>     | <u>Pasture and rangeland</u> | <u>Cropland, pasture, and rangeland</u> | <u>Woodland (note a)</u> | <u>Vacant, idle, or other farmland</u> | <u>Total farmland</u> |
|---------------------|---------------------|------------------------------|---|--------------------------|--|-----------------------|
|                     | ----- (acres) ----- |                              |   |                          |  |                       |
| Arkansas            | 8,729               | 2,612                        | -                                       | -                        | -                                      | 11,341                |
| California          | <u>b/41,096</u>     | 3,540                        | -                                       | -                        | 984                                    | 45,620                |
| Georgia             | -                   | -                            | 21,142                                  | 12,385                   | 867                                    | 34,394                |
| Illinois            | 1,325               | -                            | -                                       | 130                      | -                                      | 1,455                 |
| Iowa                | -                   | -                            | 727                                     | -                        | -                                      | 727                   |
| Kansas              | 6,326               | 1,346                        | -                                       | 497                      | -                                      | 8,169                 |
| 48 Montana          | 6,241               | 89,988                       | -                                       | -                        | -                                      | 96,229                |
| Pennsylvania        | 874                 | -                            | -                                       | 1,409                    | -                                      | 2,283                 |
| Texas               | 7,409               | 9,224                        | -                                       | -                        | -                                      | 16,633                |
| Washington          | <u>4,029</u>        | <u>13,859</u>                | <u>265</u>                              | <u>528</u>               | <u>-</u>                               | <u>18,681</u>         |
| Total               | <u>76,029</u>       | <u>120,569</u>               | <u>22,134</u>                           | <u>14,949</u>            | <u>1,851</u>                           | <u>235,532</u>        |
| Percentage (note c) | <u>2.6</u>          | <u>4.2</u>                   | <u>0.8</u>                              | <u>0.5</u>               | <u>0.1</u>                             | <u>8.2</u>            |

a/Represents wooded land which is part of a farm or ranch on which the wooded acreage is less than 90 percent of the total purchased acreage.

b/This amount includes 3,560 acres of vineyards and 1,028 acres of orchards.

c/Represents percentage of all farmland bought by all purchasers (U.S. and foreign)--  
2,877,325 acres.

TYPES OF LAND PURCHASED, BY  
STATE, IN REVIEW COUNTIES

We found no clear relationship between the types of land bought and the nationalities of the foreign purchasers. Most of the foreign-bought acreage in Arkansas, California, and Kansas was cropland; in Montana, Texas, and Washington, it was mostly pasture and rangeland. The figures for the other four States were too small or inconclusive to tell much. A State-by-State discussion and tables of data follow.

Arkansas

Of the 200,124 acres of agricultural land bought by all buyers in the review counties, 87 percent was farmland and 13 percent was timberland. The farmland was about evenly split between cropland and pasture. Foreign purchasers bought a total of 12,301 acres--mostly farmland (92 percent). However, they bought more than 3 times as much cropland as pasture land.

Cropland in Arkansas produces such crops as cotton, soybeans, rice, corn, and small grain crops. Pasture land consists of improved pasture as well as woodland, brush-covered land, and other unimproved acreage.

We saw no clear relationship between specific nationalities and the type of land foreign purchasers bought--seven different nationalities were involved in the nine foreign purchases. Overall, individuals bought most (72 percent) of the farmland that changed ownership, but all the farmland bought by foreign purchasers was bought by businesses. Details on the types of agricultural land bought by individuals and businesses follow.

| <u>Type of land</u>      | <u>Acres purchased</u>   |                         |                           |                         |
|--------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
|                          | <u>All purchasers</u>    |                         | <u>Foreign purchasers</u> |                         |
|                          | <u>Indi-<br/>viduals</u> | <u>Busi-<br/>nesses</u> | <u>Indi-<br/>viduals</u>  | <u>Busi-<br/>nesses</u> |
| <b>Farmland:</b>         |                          |                         |                           |                         |
| Cropland                 | 56,667                   | 31,874                  | -                         | 8,729                   |
| Pasture and<br>rangeland | <u>68,805</u>            | <u>16,817</u>           | <u>-</u>                  | <u>2,612</u>            |
| Total farmland           | 125,472                  | 48,691                  | -                         | 11,341                  |
| Timberland               | <u>20,139</u>            | <u>5,822</u>            | <u>960</u>                | <u>-</u>                |
| Total                    | <u>145,611</u>           | <u>54,513</u>           | <u>960</u>                | <u>11,341</u>           |

California

Most (99 percent) of the 744,218 acres of agricultural land bought in the review counties was farmland. Only 7,847 acres of timberland changed ownership--none of it was bought by the foreign purchasers we identified. Further details on the purchased farmland follow.

| <u>Type of farmland</u> | <u>All purchasers</u> |                | <u>Foreign purchasers</u> |                |
|-------------------------|-----------------------|----------------|---------------------------|----------------|
|                         | <u>Acres</u>          | <u>Percent</u> | <u>Acres</u>              | <u>Percent</u> |
| Pasture and rangeland   | 191,653               | 26             | 3,540                     | 8              |
| Cropland                | 172,792               | 24             | 36,508                    | 80             |
| Vacant or idle          | 62,921                | 9              | 802                       | 2              |
| Orchards                | 40,211                | 5              | 1,028                     | 2              |
| Vineyards               | 24,856                | 3              | 3,560                     | 8              |
| Woodland                | 515                   | (a)            | -                         | -              |
| Other                   | 7,861                 | 1              | 182                       | (a)            |
| Unclassified            | <u>235,562</u>        | <u>32</u>      | <u>-</u>                  | <u>-</u>       |
| Total                   | <u>736,371</u>        | <u>100</u>     | <u>45,620</u>             | <u>100</u>     |

a/Less than 1 percent.

The "other" category for all purchasers in the table includes 5,714 acres of vacant or undeveloped land, 712 acres of dairy farms, 677 acres of wasteland, 396 acres of poultry farms, 196 acres of livestock and feedlots, 107 acres of ranch headquarters, 30 acres of turkey farms, and 29 acres of tomato greenhouses. For foreign purchasers, the "other" category includes 102 acres of wasteland, 50 acres of vacant land, and 30 acres of turkey farms.

Proportionately, foreign purchasers bought much more cropland than all purchasers combined and much less pasture and rangeland. A wide variety of crops are grown in the counties where foreign purchasers bought land, including cotton, alfalfa, barley, corn, wheat, potatoes, melons, peppers, and other row crops.

Additional information on the types of land bought by different types of purchasers is shown in the following table.

| <u>Type of land</u>       | <u>Acres purchased</u>   |                         |                           |                         |
|---------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
|                           | <u>All purchasers</u>    |                         | <u>Foreign purchasers</u> |                         |
|                           | <u>Indi-<br/>viduals</u> | <u>Busi-<br/>nesses</u> | <u>Indi-<br/>viduals</u>  | <u>Busi-<br/>nesses</u> |
| <b>Farmland:</b>          |                          |                         |                           |                         |
| Cropland                  | 126,472                  | 111,387                 | 2,653                     | 38,443                  |
| Pasture and<br>rangeland  | 147,899                  | 43,754                  | 525                       | 3,015                   |
| Woodland                  | -                        | 515                     | -                         | -                       |
| Vacant, idle,<br>or other | 38,705                   | 32,077                  | 171                       | 813                     |
| Unclassified              | <u>170,723</u>           | <u>64,839</u>           | <u>-</u>                  | <u>-</u>                |
| Total farmland            | 483,799                  | 252,572                 | 3,349                     | 42,271                  |
| Timberland                | <u>4,581</u>             | <u>3,266</u>            | <u>-</u>                  | <u>-</u>                |
| Total                     | <u>488,380</u>           | <u>255,838</u>          | <u>3,349</u>              | <u>42,271</u>           |

### Georgia

In most cases, available records did not have sufficient information classifying purchased land in the detail we would have liked. However, we were able to establish the categories shown in the following table from analyzing aerial photographs and available records.

| <u>Type of land</u>                | <u>Acres purchased</u>   |                         |                           |                         |
|------------------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
|                                    | <u>All purchasers</u>    |                         | <u>Foreign purchasers</u> |                         |
|                                    | <u>Indi-<br/>viduals</u> | <u>Busi-<br/>nesses</u> | <u>Indi-<br/>viduals</u>  | <u>Busi-<br/>nesses</u> |
| <b>Farmland:</b>                   |                          |                         |                           |                         |
| Cropland, pasture,<br>or rangeland | 55,046                   | 33,216                  | -                         | 21,142                  |
| Woodland                           | 45,466                   | 25,687                  | -                         | 12,385                  |
| Vacant, idle, or<br>other          | <u>8,342</u>             | <u>4,012</u>            | <u>-</u>                  | <u>867</u>              |
| Total farmland                     | 108,854                  | 62,915                  | -                         | 34,394                  |
| Timberland                         | <u>62,709</u>            | <u>39,113</u>           | <u>107</u>                | <u>8,764</u>            |
| Total                              | <u>171,563</u>           | <u>102,028</u>          | <u>107</u>                | <u>43,158</u>           |

According to the Georgia Forestry Commission, 68 percent of the State is forested. Overall, 37 percent of the agricultural land purchased was timberland. About 21 percent of

the foreign-bought acreage was timberland. The major farm products in the counties where foreign purchasers bought land were cotton, corn, soybeans, peanuts, and sorghum.

### Illinois

Little agricultural land was bought in Illinois by foreign purchasers during the 18-month review period. Most of it was cropland, as shown below.

| <u>Type of land</u>      | <u>Acres purchased</u> |                    |                           |                    |
|--------------------------|------------------------|--------------------|---------------------------|--------------------|
|                          | <u>All purchasers</u>  |                    | <u>Foreign purchasers</u> |                    |
|                          | <u>Indi-viduals</u>    | <u>Busi-nesses</u> | <u>Indi-viduals</u>       | <u>Busi-nesses</u> |
| Farmland:                |                        |                    |                           |                    |
| Cropland                 | 56,613                 | 7,562              | 834                       | 491                |
| Pasture and<br>rangeland | 9,105                  | 430                | -                         | -                  |
| Woodland                 | 7,846                  | 1,059              | 74                        | 56                 |
| Unclassified             | <u>231</u>             | <u>-</u>           | <u>-</u>                  | <u>-</u>           |
| Total farmland           | 73,795                 | 9,051              | 908                       | 547                |
| Timberland               | <u>178</u>             | <u>106</u>         | <u>-</u>                  | <u>-</u>           |
| Total                    | <u>73,973</u>          | <u>9,157</u>       | <u>908</u>                | <u>547</u>         |

The major crops grown in the counties where foreign purchasers bought cropland were corn, soybeans, and wheat.

Proportionately, foreign purchasers did not vary significantly from all purchasers in the type of farmland bought. Cropland was the predominant type of land bought--this was to be expected as the bulk of Illinois land is cropland.

### Iowa

Because of some inconsistency among counties in preparing land transfer documents, we grouped all farmland purchases into one general category as shown in the following table. However, our general observation was that cropland was the most common type of farmland that changed ownership.

| <u>Type of land</u>                | Acres purchased          |                         |                           |                         |
|------------------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
|                                    | <u>All purchasers</u>    |                         | <u>Foreign purchasers</u> |                         |
|                                    | <u>Indi-<br/>viduals</u> | <u>Busi-<br/>nesses</u> | <u>Indi-<br/>viduals</u>  | <u>Busi-<br/>nesses</u> |
| Farmland:                          |                          |                         |                           |                         |
| Cropland, pasture,<br>or rangeland | 117,506                  | 13,708                  | 727                       | -                       |
| Timberland                         | <u>248</u>               | <u>253</u>              | <u>-</u>                  | <u>-</u>                |
| Total                              | <u>117,754</u>           | <u>13,961</u>           | <u>727</u>                | <u>-</u>                |

Corn and soybeans were the major crops grown in the counties where foreign purchasers bought agricultural land.

#### Kansas

In the six counties where foreign purchasers bought agricultural land, about 72 percent of the land was cropland. Of the total 8,169 acres bought by foreign purchasers, 6,326 acres (77 percent) were cropland, as shown in the following table. There were no timberland purchases in the review counties.

| <u>Type of land</u>       | <u>All purchasers</u>    |                         | <u>Foreign purchasers</u> |                         |
|---------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
|                           | <u>Indi-<br/>viduals</u> | <u>Busi-<br/>nesses</u> | <u>Indi-<br/>viduals</u>  | <u>Busi-<br/>nesses</u> |
| Farmland:                 |                          |                         |                           |                         |
| Cropland                  | 69,095                   | 16,471                  | 19                        | 6,307                   |
| Pasture and<br>rangeland  | 41,458                   | 21,508                  | 263                       | 1,083                   |
| Woodland                  | 2,727                    | 1,190                   | 130                       | 367                     |
| Vacant, idle,<br>or other | <u>466</u>               | <u>160</u>              | <u>-</u>                  | <u>-</u>                |
| Total farmland            | <u>113,746</u>           | <u>39,329</u>           | <u>412</u>                | <u>7,757</u>            |

Major crops grown in the counties where foreign purchases were made included corn, milo, sorghum, and soybeans.

#### Montana

The following table summarizes the major types of land purchased by individuals and businesses in the review counties.

| <u>Type of land</u>                | <u>Acres purchased</u>   |                         |                           |                         |
|------------------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
|                                    | <u>All purchasers</u>    |                         | <u>Foreign purchasers</u> |                         |
|                                    | <u>Indi-<br/>viduals</u> | <u>Busi-<br/>nesses</u> | <u>Indi-<br/>viduals</u>  | <u>Busi-<br/>nesses</u> |
| Farmland:                          |                          |                         |                           |                         |
| Cropland                           | 39,186                   | 79,609                  | 1,089                     | 5,152                   |
| Pasture and<br>rangeland           | 109,945                  | 163,680                 | 71                        | 89,917                  |
| Cropland, pasture,<br>or rangeland | 137,940                  | 106,514                 | -                         | -                       |
| Woodland                           | 8,404                    | 8,800                   | -                         | -                       |
| Unclassified                       | <u>190,843</u>           | <u>45,918</u>           | <u>-</u>                  | <u>-</u>                |
| Total farmland                     | 486,318                  | 404,521                 | 1,160                     | 95,069                  |
| Timberland                         | <u>140</u>               | <u>94</u>               | <u>-</u>                  | <u>-</u>                |
| Total                              | <u>486,458</u>           | <u>404,615</u>          | <u>1,160</u>              | <u>95,069</u>           |

Cropland in the counties where foreign purchases were made is used to grow primarily barley, corn, and wheat.

#### Pennsylvania

About 5 percent of the agricultural land that changed ownership in the review counties was bought by foreign purchasers. The types of land involved are shown in the following table.

| <u>Type of land</u>       | <u>Acres purchased</u>   |                         |                           |                         |
|---------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
|                           | <u>All purchasers</u>    |                         | <u>Foreign purchasers</u> |                         |
|                           | <u>Indi-<br/>viduals</u> | <u>Busi-<br/>nesses</u> | <u>Indi-<br/>viduals</u>  | <u>Busi-<br/>nesses</u> |
| Farmland:                 |                          |                         |                           |                         |
| Cropland                  | 41,412                   | 7,128                   | -                         | 874                     |
| Pasture and<br>rangeland  | 12,774                   | 2,544                   | -                         | -                       |
| Woodland                  | 11,665                   | 3,351                   | -                         | 1,409                   |
| Vacant, idle, or<br>other | <u>5,851</u>             | <u>942</u>              | <u>-</u>                  | <u>-</u>                |
| Total farmland            | 71,702                   | 13,965                  | -                         | 2,283                   |
| Timberland                | <u>5,253</u>             | <u>6,111</u>            | <u>-</u>                  | <u>2,158</u>            |
| Total                     | <u>76,955</u>            | <u>20,076</u>           | <u>-</u>                  | <u>4,441</u>            |

As discussed on page 16, foreign purchasers bought more land in this State than the above table indicates. However, such land was cut-over brush, barren, or other waste land not considered to be agricultural land. The land was bought for its mineral rights, coal deposits, or clay.

### Texas

Most of the agricultural land bought in the review counties by foreign and U.S. purchasers was pasture and rangeland, as shown below. There were no timberland purchases. According to some foreign purchasers or their managers or agents, some of the rangeland purchased will be converted to cropland over the next few years.

| <u>Type of land</u>      | <u>Acres purchased</u>   |                         |                           |                         |
|--------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
|                          | <u>All purchasers</u>    |                         | <u>Foreign purchasers</u> |                         |
|                          | <u>Indi-<br/>viduals</u> | <u>Busi-<br/>nesses</u> | <u>Indi-<br/>viduals</u>  | <u>Busi-<br/>nesses</u> |
| Farmland:                |                          |                         |                           |                         |
| Cropland                 | 51,225                   | 24,209                  | 933                       | 6,476                   |
| Pasture and<br>rangeland | <u>98,014</u>            | <u>52,892</u>           | <u>153</u>                | <u>9,071</u>            |
| Total farmland           | <u>149,239</u>           | <u>77,101</u>           | <u>1,086</u>              | <u>15,547</u>           |

The major crops grown in the counties where foreign purchasers bought farmland include corn, cotton, hay, oats, rice, soybeans, and wheat.

### Washington

Overall, more pasture and rangeland (45 percent) changed ownership than any other type of land--but cropland (39 percent) was a close second. Foreign purchasers, however, bought more than 3 times as much pasture and rangeland as they did cropland. The following table shows the details.

| <u>Type of land</u>                | <u>Acres purchased</u>   |                         |                           |                         |
|------------------------------------|--------------------------|-------------------------|---------------------------|-------------------------|
|                                    | <u>All purchasers</u>    |                         | <u>Foreign purchasers</u> |                         |
|                                    | <u>Indi-<br/>viduals</u> | <u>Busi-<br/>nesses</u> | <u>Indi-<br/>viduals</u>  | <u>Busi-<br/>nesses</u> |
| <b>Farmland:</b>                   |                          |                         |                           |                         |
| Cropland                           | 60,835                   | 34,707                  | 252                       | 3,777                   |
| Pasture and<br>rangeland           | 80,888                   | 30,185                  | 5,906                     | 7,953                   |
| Cropland, pasture,<br>or rangeland | 7,875                    | 1,009                   | 72                        | 193                     |
| Woodland                           | 6,924                    | 1,368                   | 122                       | 406                     |
| Vacant, idle, or<br>other          | 887                      | 72                      | -                         | -                       |
| Unclassified                       | <u>291</u>               | <u>-</u>                | <u>-</u>                  | <u>-</u>                |
| Total farmland                     | 157,700                  | 67,341                  | 6,352                     | 12,329                  |
| Timberland                         | <u>14,484</u>            | <u>6,903</u>            | <u>80</u>                 | <u>545</u>              |
| Total                              | <u>172,184</u>           | <u>74,244</u>           | <u>6,432</u>              | <u>12,874</u>           |

The major farm crops in the review counties were alfalfa, asparagus, corn, peas, potatoes, and wheat.

#### SUMMARY AND CONCLUSIONS

Most of the agricultural land purchased in the review counties in the 10 States was cropland or pasture and rangeland. Overall, the split between the two types was nearly even. In all 10 States combined, foreign purchasers bought notably more pasture and rangeland than cropland; however, this was not true for some States--notably Arkansas, California, and Kansas.

For all purchases combined, individuals bought more of each type of land than businesses bought. For foreign purchases, the reverse was true. We saw no clear relationship between types of land bought and the types of purchasers involved.

## CHAPTER 6

### LAND PRICES

A concern sometimes expressed by farm groups, independent family farmers, and others is that foreign purchasers, aided by the effects of U.S. inflation, certain tax advantages, and other factors, are able to buy U.S. agricultural land at prices local U.S. farmers cannot afford to pay. In effect, foreign purchasers are thought to be bidding up the price of agricultural land beyond the reach of local people who may wish to take up farming or add to their existing farm holdings.

We were able to obtain or develop some data on land prices which may be helpful in understanding what is happening, but our information is by no means conclusive. The sources of some of our price data may not have provided a totally accurate reading on actual prices; in most cases neither we nor the local persons whose views we solicited were able to identify domestic purchases that were truly comparable in all respects to the foreign purchases; and it was not practical, during this review, to try to take into account the effects of all the significant variables, such as those discussed below, which can enter into the determination of land prices. Nevertheless, the preponderance of the information we were able to obtain or develop indicated that foreign purchasers had not consistently paid more than U.S. buyers for similar land.

### VARIABLES THAT CAN AFFECT LAND PRICES

The average price-per-acre figures we developed are merely the total price paid divided by the acreage. No allowance was made for the existence and condition of houses, barns, animal pens, and other buildings that may have been included in the purchase. Some of the farms had half their worth in buildings, according to tax assessment records. Other purchased land had no buildings of any type; only raw land was involved in the purchase.

Land quality differed greatly, even within individual counties. In some of our review counties, land ranged from prime "tabletop" cropland to exceedingly hilly land cut through with gullies and covered with poor soil. Some land was completely tillable; other land had large percentages of woodland or brush. If a buyer wished to farm this latter land, he would have to go to the expense of clearing it. Also, some tracts of land had soil types unsuitable for the major cash crops in the area.

Agricultural land prices also depend on location--such as nearness to water, transportation, towns, resorts, and current or planned housing developments. Several agricultural experts said that a farmer with land adjoining the land being sold will normally pay more for that land than others simply because it is worth more to him.

The price of agricultural land may include the worth of a crop currently growing on it. For example, a corn crop near maturity in Illinois could have a cash value of more than \$200 an acre. Also, the types of crops grown, or that can be grown, on the land can influence the price. For example, vineyards or citrus groves usually command a higher price than pasture or rangelands.

Agricultural land prices in many areas have been increasing dramatically over the last several years. Thus, a buyer who contracted for land several years ago but closed the sale within our review period would probably have paid a much lower price than if the sale had been both arranged and closed nearer to or during the review period.

#### LAND PRICES IN REVIEW COUNTIES

Available information for the review counties where we identified foreign purchases is discussed below for each State. In computing the average prices, it was clear that, because of the relatively low number of foreign purchases--some counties had only one, the prices paid by individual foreign investors had a much greater effect on average foreign prices than the prices paid by all buyers individually had on overall average prices. Overall, we found no consistent price pattern--foreign purchasers did not seem to be paying consistently higher prices than other buyers for similar agricultural land.

#### Arkansas

Land prices overall and for foreign purchases were obtained from deeds or computed on the basis of the value of tax stamps affixed to deeds. For those transactions on which price information was available, the average prices per acre were as follows.

| <u>County</u> | <u>Average price per acre</u> |                |
|---------------|-------------------------------|----------------|
|               | <u>Overall</u>                | <u>Foreign</u> |
| Boone         | \$ 415                        | \$ 274         |
| Craighead     | 855                           | 1,199          |
| Jefferson     | 871                           | 939            |
| Miller        | 319                           | 601            |
| Pulaski       | 1,235                         | 885            |

The average foreign price in Jefferson County was based on four purchases. In each of the other counties, it was based on a single purchase.

The foreign purchase in Boone County was of timberland. The average price of \$274 an acre was considered to be at the going rate for such land. Of the four foreign purchases in Jefferson County, one tract of cropland/woodland went for \$628 an acre--considered to have been in line with the rising market for that type of land. The other three transactions involved per-acre prices of \$850, \$967, and \$1,052. According to county officials, prices around \$1,000 an acre were considered to be high.

### California

In most cases we determined the prices paid by foreign purchasers from the amount of transfer tax collected. In some cases county assessors were able to tell us the purchase price; in a few cases the buyer told us the price paid.

Because of the great volume of land transactions in some of our review counties in California, we did not attempt to develop overall average prices per acre paid by all buyers in the review counties in which we identified foreign purchases. Instead, we asked appraisers in the assessors' offices in the counties involved to estimate whether the prices the foreign purchasers paid were in line with the going rates for that type of land at that time. The appraisers could only give us "ballpark" figures and judgments because the limited time and lack of information precluded detailed appraisals. The information we obtained, summarized below, shows that few foreign purchasers paid more than the going rates for the type of land they bought--only eight transactions were considered to be in this category. In more than half the transactions (47), foreign buyers paid about the same as the going rates; in 15 cases, they paid less. We could not determine the prices paid in 21 cases.

Of the 12 foreign purchases in Fresno County on which we obtained price information, 11 were considered to have been at or below going rates. The foreign-paid prices ranged from \$59 an acre for pasture to \$3,816 an acre for pasture and cropland in an area of keen interest in rural homesites. One purchase of cropland was considered to have been above the going rate--the estimated price per acre was \$1,550.

In Kern County, 22 of the 25 foreign purchases on which we obtained price data were considered to have been at about going rates and 3 were considered to have been below going rates. Prices for the 22 purchases ranged from \$681 an acre for cropland to \$4,267 an acre for a vineyard. The three purchases below going rates involved cropland for which prices ranged from \$600 to \$677 an acre.

We identified only two foreign purchases in Lassen County. The prices per acre (\$50 and \$53) were considered to have been in line with the \$50 to \$55 going rate for grazing land. In Monterey County, one foreign purchase of cropland for \$8,511 an acre was considered a little high but generally in line with the going rate.

In Placer County, two foreign purchases considered to have been in line with going rates involved cropland for \$394 an acre and pasture land (in a location surrounded by subdivision development) for \$8,254 an acre. The price of \$4,484 an acre paid for another tract of pasture land was thought to have been below the going rate.

Of 10 foreign purchases in Riverside County on which we obtained price data, 9 were considered to have been priced in line with going rates. The prices ranged from \$1,752 an acre for idle land to \$14,083 an acre for land that was used for growing citrus and dates and was in a resort area. The other purchase was considered to have been priced a little high. The land was used for growing citrus and went for \$5,424 an acre.

Six of the 10 foreign purchases in San Joaquin County were considered to have been priced above going rates. Prices for these six purchases, all involving cropland, ranged from \$1,105 to \$2,496 an acre. Two purchases involved prices considered to have been on the low side--\$2,404 an acre for land used for growing almonds and \$5,600 an acre for a vineyard. The other two purchases--\$983 an acre for cropland and \$3,804 an acre for a vineyard--were thought to have been in line with going rates.

Three foreign purchases in Stanislaus County for which we obtained prices were believed to have been in line with going rates. A turkey farm was purchased for \$3,333 an acre, cropland went for \$2,265 an acre, and land used for growing almonds was purchased for \$3,864 an acre.

The three foreign purchases in Tehama County were all considered to have been in line with going rates. Grazing land went for \$574 an acre and cropland went for \$936 and \$1,019 an acre.

The wide ranges of prices for land in the same county and in the same productive use clearly points up the uncertainties of using price averages. A senior appraiser for Kern County said that to make any strong judgment about the prices foreign purchasers paid would require researching specific land parcels and comparing them with similar parcels U.S. purchasers bought around the same time. Also, he noted that, because of the varying terrain in Kern County, ranging from mountains to deserts, the prices of cropland, vineyards, orchards, and other land would vary throughout the county. He cited the following as some factors that needed to be kept in mind when trying to compare prices.

- The purchases being compared have to be in approximately the same time period.
- The parcels being compared should be in the same geographic area of the county. Whether a section of land is mountainous or flat, or even whether it is on one side of a mountain or another, would influence the price.
- Water rights or water availability would greatly influence the price.
- If the buyer paid the full amount for the property at the time of purchase, rather than financing it, the price might be less.
- If the deed included mineral rights, the price would be higher than a deed without it.
- The properties being compared should be used for the same purpose, such as alfalfa, crops, or oranges.

## Georgia

Opinions of local officials varied as to whether foreign purchasers were paying more, less, or about the same as the going market rates for agricultural land. Some officials believed that some foreign purchasers were buying the best tracts of available agricultural land at higher than usual prices--prices that local farmers who depend on farming as their primary source of income may not be able to meet. Others thought that foreign purchasers were paying at or below market prices. Local officials emphasized that agricultural land prices are very difficult to compare because they depend on many factors, such as topography, amount of clear land, value of existing timber, soil conditions, value of crop allotments, and cattle and improvements included in the sales price.

Data on average prices in the 15 counties where we identified foreign purchases is presented below.

| <u>County</u> | <u>Average price per acre</u> |                         |                            |                           |
|---------------|-------------------------------|-------------------------|----------------------------|---------------------------|
|               | <u>Overall</u>                | <u>Local purchasers</u> | <u>Nonlocal purchasers</u> | <u>Foreign purchasers</u> |
| Baker         | \$910                         | \$630                   | \$ 871                     | \$1,136                   |
| Banks         | 295                           | 345                     | 276                        | 411                       |
| Dougherty     | 536                           | 473                     | 397                        | 1,084                     |
| Early         | 732                           | 460                     | 550                        | 1,208                     |
| Hall          | 670                           | 999                     | 1,077                      | 417                       |
| Jefferson     | 394                           | 417                     | 260                        | 606                       |
| Jenkins       | 509                           | 426                     | 517                        | 628                       |
| Johnson       | 427                           | 439                     | 367                        | 456                       |
| Lee           | 938                           | 999                     | 846                        | 1,140                     |
| Marion        | 287                           | 246                     | 289                        | 343                       |
| Morgan        | 504                           | 580                     | 457                        | 353                       |
| Screven       | 342                           | 402                     | 262                        | 500                       |
| Seminole      | 818                           | 735                     | 829                        | 846                       |
| Washington    | 501                           | 422                     | 392                        | 648                       |
| Wilkinson     | 423                           | 336                     | 458                        | 276                       |

Looking only at the raw averages above, without considering land use and the various other factors that affect prices, the table shows that average foreign prices were substantially higher than the prices paid by local purchasers in some counties--notably Baker, Dougherty, and Early. In Baker County, however, we noted one purchase by a nonlocal U.S. business at a price (\$1,250 an acre) that was comparable to the average foreign price in that county. The average foreign prices in Hall and Morgan Counties were substantially lower, and in Wilkinson County somewhat lower, than the average prices paid by local purchasers.

## Illinois

The average prices per acre paid by all purchasers and by foreign purchasers in the three review counties where we identified foreign purchases follows.

| <u>County</u> | <u>Average price per acre</u> |                |
|---------------|-------------------------------|----------------|
|               | <u>Overall</u>                | <u>Foreign</u> |
| Henry         | \$1,565                       | \$2,201        |
| Lee           | 1,494                         | 2,371          |
| Stephenson    | 1,372                         | 3,223          |

The average foreign prices in Henry and Stephenson Counties were each based on a single purchase; in Lee County, there were two foreign purchases.

In Henry County, 22 of the 75 local residents who bought land paid more per acre than the one foreign purchaser did. In Lee County, 18 of the 65 local residents who bought land paid more per acre than the foreign purchaser did in his two purchases. In Stephenson County, 1 of the 59 local residents who bought land paid more per acre than the one foreign purchaser.

## Iowa

The average prices per acre paid for agricultural land by all purchasers and by foreign purchasers in the three counties where foreign purchases occurred follows.

| <u>County</u> | <u>Average price per acre</u> |                |
|---------------|-------------------------------|----------------|
|               | <u>Overall</u>                | <u>Foreign</u> |
| Cerro Gordo   | \$1,752                       | \$1,959        |
| Franklin      | 2,144                         | 2,000          |
| Howard        | 1,157                         | 1,623          |

The average foreign price in Howard County was based on two purchases; only one foreign purchase was identified in each of the other two counties.

Of 237 purchases by U.S. buyers in the three counties, per-acre prices in 64 cases were higher than the average prices paid by the foreign purchasers. The farm operator for one of the foreign purchasers told us that he would have been willing to pay the same price as the foreign purchaser had he been aware that the land was for sale.

## Kansas

The following table compares the average prices per acre paid by foreign purchasers in each county with the range of average prices paid by U.S. purchasers. The prices were generally obtained from recorded deeds and from the Kansas Society of Farm Managers and Rural Appraisers.

| <u>County</u> | <u>Average price per acre</u> |                           |
|---------------|-------------------------------|---------------------------|
|               | <u>U.S. purchasers</u>        | <u>Foreign purchasers</u> |
| Cheyenne      | \$406 to \$ 456               | \$520                     |
| Doniphan      | 739 to 833                    | 710                       |
| Jefferson     | 616 to 754                    | 475                       |
| Miami         | 640 to 1,014                  | 429                       |
| Sherman       | 440 to 528                    | 387                       |
| Wallace       | 291 to 406                    | 387                       |

The average foreign prices in Jefferson, Sherman, and Wallace Counties were each based on a single foreign sale.

The average foreign price of \$520 an acre in Cheyenne County was based on purchases of four tracts of land that were part of an estate sale of 18 tracts totaling about 2,868 acres sold by auction in March 1977. The per-acre prices of the other 14 tracts ranged from \$360 to \$570.

A Department of Agriculture official in Jefferson County told us that the foreign purchaser's land is located on a hard-surfaced road about 3 miles from a lake. He said that per-acre prices for land in the county similar to that bought by the foreign purchaser had ranged from \$400 to \$700. He thought that the location of land relative to the lake could account for the varying prices.

According to the Miami County appraiser, prices of land in the same general area and of the same type (woodland, grazing land, and cropland) as the land involved in the two foreign purchases in that county had sold for about \$450 to \$500 an acre.

## Montana

County and State officials told us that there is no requirement to report the prices of agricultural land sold in Montana. Most deeds listed a consideration of only \$1. In some cases where we were able to determine the price of land bought by foreign purchasers, we obtained opinions on

the "going price" of agricultural land from local realtors, ranchers, and county officials. The information we were able to obtain is as follows.

| <u>County</u> | <u>Price per acre</u>           |   |
|---------------|---------------------------------|---|
|               | <u>Estimates of going price</u> | <u>Price paid by foreign purchasers</u> |
| Chouteau      | \$350 to \$400                  | \$ 435                                  |
| Custer        | 65 to 150                       | 70                                      |
| Custer        | 250                             | 775                                     |
| Rosebud       | <u>a/66 to 70</u>               | <u>b/24 to 77</u>                       |
| Silver Bow    | 250 and 568                     | 1,250                                   |

a/Based on Farmers Home Administration data for two sales of dry pasture land in Rosebud County.

b/Covers seven purchases.

The county appraiser in Rosebud County said that the prices paid by the foreign purchasers were in the general range of going rates for the type of land involved (rangeland).

The foreign-bought land in Silver Bow County, although classified as agricultural, was adjacent to the purchaser's resort. The land was purchased as a "buffer" against residential development and for future expansion of the resort.

### Pennsylvania

The following table shows the average prices per acre paid by domestic and foreign purchasers in the counties where we identified foreign purchases.

| <u>County</u> | <u>Average price per acre</u> |                           |
|---------------|-------------------------------|---------------------------|
|               | <u>U.S. purchasers</u>        | <u>Foreign purchasers</u> |
| Adams         | \$1,182                       | \$1,124                   |
| Centre        | 322                           | 291                       |

The average foreign price in Adams County was based on two purchases--one of 824 acres at \$1,030 an acre and another of 127 acres at \$1,728 an acre. The latter tract has soils which are among the most fertile in the county and is adjacent to another farm owned by the purchaser.

The per-acre prices for the three foreign purchases in Centre County were \$250, \$289, and \$401.

Texas

We were able to obtain price data for only two of the five foreign purchases we identified in our review counties. The average price per acre for these two purchases, both in Bowie County, was \$848, compared with the overall average price per acre of \$594 for 104 purchases in that county.

An agent for a large real estate firm in Dallas told us that generally

- foreign investment has had no inflationary effect on land prices,
- land prices are usually set before a buyer is found,
- it is rare for a foreign purchaser to pay more than market value for land, and
- foreign purchasers usually check land prices more thoroughly than do domestic purchasers.

Washington

We obtained sales prices in our review counties from real estate tax affidavits. The following table compares the average per-acre prices paid by foreign purchasers with those of all identified land sales.

| <u>County</u> | <u>Average price per acre</u> |                |
|---------------|-------------------------------|----------------|
|               | <u>Overall</u>                | <u>Foreign</u> |
| Kittitas      | \$ 491                        | \$ 507         |
| Klickitat     | 297                           | 100            |
| Lewis         | 1,025                         | 1,531          |
| Walla Walla   | 531                           | 1,036          |
| Whatcom       | 2,234                         | 2,942          |

The foreign averages for Klickitat, Lewis, and Walla Walla Counties are each based on a single purchase. For Kittitas and Whatcom Counties, the foreign averages are based on 3 and 34 purchases, respectively.

Except for Kittitas County, there were considerable differences between the overall and foreign average prices. According to county assessors or appraisers, however, the foreign purchasers had paid the going market price in most cases.

The one foreign purchase in Klickitat County consisted of 600 acres--160 acres of cropland and 440 acres of pasture and rangeland--at a selling price of \$60,000. The county assessor told us that this appeared to have been about the going price of such land in the county.

The foreign purchaser in Lewis County had paid \$147,000 for 96 acres of agricultural land. The county's chief appraiser told us that this price appeared to have been typical for this type of land.

In Walla Walla County, the foreign purchaser bought 3,614 acres of irrigated cropland and 1,072 acres of pasture land for a lump sum of \$4,854,000, or an average price of \$1,036 an acre for the 4,686-acre package. Irrigated cropland in the county sold for about \$1,000 an acre and higher, whereas pasture land sold for between \$90 and \$150 an acre. According to the county's chief appraiser, the price the foreign purchaser paid was typical.

Of the 178 purchases of agricultural land we identified in Whatcom County, 34 (19 percent) involved foreign purchasers. The county assessor reviewed 29 of the 34 purchases and told us that all but one had been priced at the market value. The one exception--a 70-acre parcel--went for between \$800 and \$1,000 an acre above market price, according to the assessor.

#### SUMMARY AND CONCLUSIONS

The prices of agricultural land purchased in our review counties during the 18-month review period varied greatly for both U.S. and foreign purchasers. Because of the various factors that can enter into price determinations, comparisons are difficult and overall averages can be misleading. However, the preponderance of our information is that foreign purchasers did not consistently pay more than U.S. buyers for similar land.

## CHAPTER 7

### FOREIGN BUYERS' PURCHASE MOTIVES, LAND USE CHANGES AND IMPROVEMENTS, AND PARTICIPATION IN USDA FARM PROGRAMS

The foreign purchasers or their representatives, real estate agents, and other persons we talked with cited various general and specific reasons why the purchasers had bought U.S. agricultural land. Underlying the stated motives seemed to be feelings of strong confidence in the U.S. political climate and basic trust in our economic system.

Most of the foreign purchasers were using their land in much the same way the previous owners had used it. Many of the purchasers, or their farm operators, had made improvements to upgrade their properties. Some also participated in and benefited from USDA farm programs.

#### PURCHASE MOTIVES

Most of those we talked with said that foreign purchasers bought U.S. agricultural land for general investment purposes. Such land has been an attractive investment for several years. It is generally considered a low maintenance investment and, over the past years, has proven a wise choice in maintaining security and obtaining long-term profits through a steady capital appreciation of land values. According to a September 1978 Congressional Research Service report entitled "Foreign Investment in U.S. Farmland: An Overview," the compound average annual rate of increase in farmland prices between 1967 and 1977 was 10.4 percent.

Other motives, in addition or corollary to general investment security and long-term capital appreciation of land values, included:

- Organization or expansion of business operations.
- Diversification of investment portfolios.
- Difficulty in finding land in the purchasers' home countries.
- Reasonable price of U.S. agricultural land relative to the high cost of land abroad.
- Speculation to develop or resell the land.
- Preservation of capital and protection against inflation, devaluation, and/or other harmful factors.

--Tax advantages.

--Enjoyment of farming, combined with an anticipated move to the United States.

In some cases land was purchased for its specific location or natural resources, or to meet particular business needs. For example, a West German corporation paid \$849,000 for an 824-acre farm in Adams County, Pennsylvania, for a poultry operation. The corporation had been looking for a large farm in the northeastern United States adjacent to major transportation routes to metropolitan areas. It learned of this farm from a real estate sales catalog and contacted the real estate agent. The farm met its requirements because it was located near two major highways leading to the metropolitan areas of Baltimore, Pittsburgh, Philadelphia, and New York. We were told that the corporation is also looking for agricultural land in Ohio and is planning to invest about \$35 million in both States.

For added information on foreign purchasers' motives, we met with Dr. John Timmons of Iowa State University, who had authored a paper entitled "Foreign Investment in U.S. Agricultural Land: Nature, Motives, Issues and Options." Among the motives he cited in his paper were access to U.S. resources and technology, various tax advantages, the acceptability of the U.S. dollar throughout the world, and the safety of investment in the United States.

Foreign purchasers' motives for buying agricultural land in individual States and the ways they learned about the availability of the land are discussed below.

### Arkansas

Eight of the nine foreign purchases in our review counties (representing 96 percent of the 12,301 foreign-bought acres) were reportedly made for general investment purposes. In one of these cases, a West German family that planned to emigrate to the United States and establish a cattle ranch had purchased 960 acres. The ninth purchase (500 acres) was made by a firm owned by Swiss and U.S. investors. The firm would not discuss the purchase with us, but local USDA officials thought it was made for speculative purposes.

The foreign purchasers generally learned of the availability of the land they bought through real estate dealers in the United States or in their home countries.

## California

From what we were told, the single biggest reason why foreign purchasers bought agricultural land in the review counties was to preserve capital and protect it against inflation and/or devaluation. A ranking of foreign purchasers' motives is shown in the following table.

We could not determine the motives behind the purchases of about 40 percent of the acreage either because the purchasers or their agents refused to tell us or we could not get in touch with any knowledgeable sources.

| <u>Motive</u>                       | <u>Acres purchased</u> |                | <u>Number of</u> |                           |
|-------------------------------------|------------------------|----------------|------------------|---------------------------|
|                                     | <u>Number</u>          | <u>Percent</u> | <u>Buyers</u>    | <u>Trans-<br/>actions</u> |
| Capital preservation                | 14,519                 | 31.8           | 19               | 23                        |
| Investment                          | 4,404                  | 9.7            | 14               | 17                        |
| Agricultural purposes               | 3,881                  | 8.5            | 7                | 12                        |
| Speculation to develop<br>or resell | 3,380                  | 7.4            | 12               | 16                        |
| Expect to live on land<br>in future | 1,342                  | 2.9            | 6                | 8                         |
| Tax advantages                      | 95                     | 0.2            | 1                | 1                         |
| Not determined                      | <u>17,999</u>          | <u>39.5</u>    | <u>13</u>        | <u>14</u>                 |
| Total                               | <u>45,620</u>          | <u>100.0</u>   | <u>72</u>        | <u>91</u>                 |

One agent, representing a group of West German investors, told us that his clients seek safe, profitable, long-term investments to diversify their interests and are not interested in speculation or fast turnover. They also believe the United States has one of the most stable economies in the world, offering security for the investor.

Some foreign purchasers bought land mainly for business-related agricultural purposes. For example, a California corporation owned by a West German investor bought 525 acres of cropland in San Joaquin County to grow the very mild chili peppers used to make paprika. (The investor's family owns a spice factory in West Germany.) This crop needs a warm climate and long growing season. There are other areas, such as Spain, with a suitable climate, but the investor preferred the United States for its advanced farm technology. The investor made a thorough search before deciding on the San Joaquin farm.

Some foreign purchasers bought agricultural land in California intending or hoping to move there. For example, a Canadian individual told us that he planned to retire on his 40-acre tract of Fresno County pasture land and winter thoroughbred racehorses as a hobby. A Swiss individual, who bought 189 acres of Tehama County grazing land, also planned to live in the United States after retirement. A couple from India, after visiting the Stockton area, decided that they liked the farmland there. They bought a 78-acre almond orchard and want to emigrate to the United States.

The largest number (31) of foreign purchasers learned about investment opportunities in California from a management company, agent, or real estate broker. One agent, representing 11 Netherlands Antilles corporations that made 15 purchases, told us that he looks for suitable properties for his clients. However, he would not discuss how he and the clients find each other, except that there is considerable "word of mouth" referral.

Two other Netherlands Antilles corporations used a California broker to look for property. The corporations' Swiss bank would contact the broker and give him parameters such as type of land and price. The broker would advise the bank about available land meeting the criteria and, later, if the corporations wished to purchase any land, the Swiss bank would have a local attorney ask the broker to open an escrow account.

Several foreign purchasers were attracted to U.S. land investments while traveling or vacationing here. For example, a Netherlands citizen who bought a 66-acre orchard had visited the United States on speaking tours. He liked what he saw in California and, through a friend, met a realtor who showed him the property he later bought.

Some foreign purchasers had U.S. partners or co-owners. For example, an Iranian individual jointly purchased a 78-acre vineyard with two U.S. citizens, one of whom he met while they were students. In another case a U.S. resident found a large vineyard for sale and approached a Swiss bank for financing. The bank syndicated a group of European investors to provide about 90 percent of the funds; the U.S. resident owns the rest.

In some cases, foreign purchasers found available property through advertisements or brochures. For example, a Bahamian corporation learned about its Kern County land through U.S. and European newspaper advertisements. In another case the Federal Deposit Insurance Corporation,

acting as the receiver for a bankrupt U.S. bank, sent brochures to many brokers and other individuals when it planned to liquidate the bank's property. Four Netherlands Antilles corporations bought land from the receiver.

Two of the foreign purchasers had not actively sought to buy U.S. land. One, a Canadian individual, was offered some land as part payment for services. The other, an Iranian individual, was contacted by a broker he knew who needed capital.

### Georgia

The 40 foreign purchases that we identified in the review counties were made by 24 different purchasers. Agents for 15 of the purchasers, which had bought a total of 26,024 acres, said the purchasers considered the land to be a sound investment. A newspaper quoted another purchaser as saying he bought 8,428 acres as a long-term investment, but we could not obtain information from him or his agent to confirm this. Together, these 16 purchasers bought about 80 percent of the 43,265 foreign-bought acres in the review counties.

For three other foreign purchasers, we were told that one bought 111 acres for a future residence, one bought 107 acres for later resale, and one ( a mineral company) bought 90 acres for its clay soil. We did not learn the motives of the five purchasers which had bought the remaining 8,505 acres.

One agent said his client decided to purchase U.S. land after attending a seminar where he was told that the United States would be feeding the world within 20 years. According to several agents, some European purchasers have chosen to invest in the United States because of its politically stable environment. They believe that their investments in U.S. agricultural land are free from the danger of expropriation. Other European purchasers had previously bought real estate in Europe and/or the United States and wanted to diversify their interests.

According to some agents, U.S. farmland is less expensive than European farmland, and southeastern U.S. farmland is among the cheapest in the United States. This situation is further enhanced by the dollar's devaluation. The foreign purchasers generally think they can increase productivity through good management, farm improvements, and double-cropping--that is, harvesting two crops from the same land in one extended growing season. Although past efforts have not been successful, some foreign purchasers believe the Southeast's climate will permit double-cropping.

One agent told us that most foreign purchasers are wealthy and rely heavily for financial advice on their bankers who are recommending U.S. farmland. Several purchasers became interested through association with U.S. businessmen. Several agents said that, before buying U.S. land, foreign purchasers carefully checked into such things as land costs and productivity, water availability, climate, and potential for capital appreciation.

### Illinois

The following motives were cited for the foreign purchases of the 1,455 acres of agricultural land in our review counties.

- The realtor involved in the 637-acre purchase in Stephenson County said that the Italian purchaser wanted to diversify his investment portfolio.
- The farm operator for the Netherlands-owned Netherlands Antilles corporation that bought 547 acres in Henry County said that the corporation's investors wanted to preserve capital. He said that the investors learned about the land through sales publicity, they have no regrets about the purchase, and they plan to purchase additional farmland if the price is right.
- The agent for the Netherlands purchaser who bought 271 acres in Lee County said that the purchaser had confidence in the U.S. economy and wanted a long-term return on investment. The purchaser had bought additional contiguous land after our review period.

We also noted that a West German firm that manufactures silicon carbide leased 100 acres of agricultural land in Putnam County for a 50-year period. Factory buildings have been built on 60 acres and more are to be built on the remaining acreage.

### Iowa

Three foreign purchasers bought a total of 727 acres of agricultural land in our review counties. The Danish purchaser of 153 acres in Cerro Gordo County and the West German purchaser of 302 acres in Franklin County are sister and brother. They had the following motives for buying the land.

- Lack of good farmland in their home countries.

- Attractiveness (good quality) of Iowa farmland.
- Diversification of their investment portfolios.
- The politically stable environment in the United States.

Both purchases were arranged through the same West German attorney and an Iowa real estate agency that specializes in farm properties. Why this agency was chosen is unclear; however, the agent told us that he advertises in the Wall Street Journal and various real estate publications. Before buying the land, the West German purchaser visited and inspected it and has returned twice to review operations. The same farm management corporation looks after both farms. Two local farmers operate the 302-acre farm.

A citizen of Great Britain who purchased the 272 acres in Howard County bought the land, in part, to diversify his investment portfolio. A London real estate firm and an Iowa real estate agent arranged the purchase. The real estate agent advertised in a prominent Iowa newspaper and was contacted by the London firm. A farm manager in Iowa manages the property but there is no permanent farm operator--the land is custom-farmed based on sealed bids.

#### Kansas

Six foreign purchasers bought 8,169 acres of agricultural land in the review counties during our review period. We interviewed one purchaser and agents representing the other five.

The purchaser we interviewed--a Swiss doctor--said he bought the 332 acres in Miami County because he enjoys farming and intends to become a U.S. citizen. He learned of this land through a real estate firm. He said that he plans to purchase more land. A neighboring farmer leases 200 acres and another neighbor sharecrops 100 acres. This purchaser owned another 40 acres in Miami County which was bought outside our review period.

On the advice of a relative in the United States, the owner of a West German firm had purchased the five tracts totaling 960 acres in Cheyenne County as an investment. The relative had arranged the purchases. According to the relative, who is the firm's agent and manager, the firm is not happy about its rate of return on the farm and has discarded plans for future purchases of U.S. land.

Two French corporations bought a total of 2,493 acres in Doniphan County for investment and security purposes. They learned about the land through a real estate firm. A Kansas City management firm manages both firms' land.

Another purchaser, an Iranian citizen, bought 80 acres in Jefferson County as an investment. The purchaser's sister-in-law and her husband, who live in Kansas, manage the farm. The purchaser became aware of the land through a real estate firm.

We were unable to identify the reasons for a West German corporation's purchase of 4,304 acres--2,402 acres in Wallace County and 1,902 acres in Sherman County--or how it became interested in the land. The firm leases the land to the former owner, a Nebraska resident.

#### Montana

All 12 of the foreign purchasers in our review counties bought for investment purposes. Their 14 purchases totaled 96,229 acres. About 90 percent of the acreage is in Rosebud and Custer Counties. It was bought from the same seller by eight foreign-owned corporations under a lease-back arrangement. The real estate agent who represented the seller said that, under the arrangement, the seller received money for the land but continued to operate the ranch in the same manner as he did before the sales.

The agent said that in most cases the foreign corporations were created specifically to make these purchases. He did not know if the corporations or the stockholders were planning to buy more U.S. farmland. He said that the foreign stockholders had also bought land in Bolivia, Spain, Portugal, and the Middle East, and that the purchases are passive, long-term investments. He believed the purchasers were attracted to the U.S. land because the United States is the most stable of the Western countries. The agent also said that the seller had asked him to list the property on the open market and that the Belgian broker who represented most of the foreign purchasers was a personal friend and business associate who had been involved in mutual real estate transactions with him for years.

According to the agent, U.S. investments are desirable because the land is attractively priced and the country is considered to be politically and economically stable.

The Belgian broker told us that the ranch operator can manage and operate the ranch as he pleases as long as he follows accepted farming and ranching practices. The foreign purchasers do not control the types of crops planted, when they are planted or harvested, the number of cattle raised, or to whom the crops or cattle are sold. The broker said that the purchasers felt that local ranchers could best operate the ranches and that, if the former owner did not renew the leases, the foreign purchasers would seek another local rancher to manage the land for them under a lease arrangement. He said that they liked the lease-back arrangement because it relieved them of all management responsibility.

The Belgian broker also said that the foreign owners of the Netherlands Antilles corporations had bought the farmland for safety of capital and stability of investment. He said this type of land was not as expensive as similar land in the owners' countries, that it was a good value for the money, and that all of the buyers wanted the land for long-term investment. He also said that the ranches employ local U.S. residents and purchase all goods and services locally.

We also documented three additional purchases by foreign corporations (totaling 66,967 acres) in Rosebud and Custer Counties in September and December 1978. This acreage was also purchased from the above-mentioned seller with a lease-back arrangement.

An agent for the Venezuelan-owned Panamanian corporation that bought 7,967 acres in Yellowstone County and 12,133 acres in Big Horn County (as a single purchase) said that the land was bought primarily as a long-term investment to take advantage of land appreciation. A secondary consideration was having a place to visit on vacation. The agent said that the corporation's owner had been searching for U.S. agricultural land when he learned, through an acquaintance of the seller, that this large tract was available.

The agent for two different West German purchasers who had bought the three tracts totaling 1,160 acres in Chouteau County said that they learned that the land was for sale from the seller's nephew, who is in the real estate business in Alberta, Canada.

The Canadian corporation that bought the 30 acres in Silver Bow County did so for future expansion of a resort area it already owned.

## Pennsylvania

Four foreign purchasers had bought the 4,441 acres in the review counties in five purchases.

A mining company, owned by British (60 percent) and U.S. (40 percent) investors, bought 3,012 acres of agricultural land and 16,193 acres of cut-over brush, barren, and waste land in Centre and Clearfield Counties for its mineral rights and coal deposits. (See pp. 16 and 55.) The land had previously been either mined or left idle. The company's general manager told us that the coal would be mined and sold in the United States. The land had not been on the open market, but the company learned of its potential availability from an employee of the former owner. The company then approached the former owner with an offer to buy. According to the general manager, the company's owners are always looking for more land for future mining operations. (In July 1977, a large U.S. oil company discovered large deposits of natural gas in townships close to where this property is located. This could have been an added incentive for buying the land.)

A West German partnership purchased 478 acres of timberland in two transactions and 568 acres of cut-over brush and other nonagricultural land in three transactions in Centre County. The partnership's attorney said he believed his clients bought the land because of the political stability of the United States. The county tax assessor and a local bank officer told us that the West Germans bought the land to develop into residential homesites. Access roads have already been put in. The purchasers learned that the land was for sale through a U.S. contact who is an executive of a multinational, German-based company and through a German friend who has a real estate license in New Jersey.

A family-owned Italian corporation bought 127 acres of farmland in Adams County for breeding and raising racehorses. The land adjoined a 302-acre farm the corporation bought in June 1976 and consisted of some of the best cropland in the county but had been inactive for several years. At one time the property was a dairy and livestock farm. The real estate agent who represented the seller told us that the corporation owners saw the property advertised in his firm's catalog. Another real estate agency, representing the corporation owners, contacted him and made arrangements for the owners to see and buy the farm.

The fourth foreign purchaser was the West German corporation, discussed on page 69, that bought 824 acres in Adams

County to establish a commercial poultry operation. The firm learned of the land through real estate catalogs published and distributed by realtors to attract buyers.

### Texas

Five foreign purchasers had bought the 16,633 acres in the review counties. The land was mostly in the northeast portion of the State. According to the foreign purchasers, their agents, and/or farm managers, this area is popular with foreign purchasers because it has a good climate for crop production and the land

- has good crop production potential,
- is similar to land in their own countries,
- is high quality river-bottom land, and
- is significantly cheaper than land in their own countries.

Those we talked with said that investment was the primary reason for buying U.S. farmland. There were also other more specific reasons. For example, in Bowie County, 6,261 acres had been purchased by a Texas partnership having West German partners. The firm's general manager said that the owners had an interest in farmland and invested in the United States because of its political stability.

The Liechtenstein-owned Netherlands Antilles corporation, which purchased 4,772 acres in Hopkins County as part of a total purchase of 17,130 acres spanning five counties (see p. 17), was motivated by the stability of the U.S. economy. Other reasons cited by a company representative were the extension of European farming interests to the United States and the owner's interest in row-crop production.

Other specific reasons cited included (1) to provide assured income, (2) relative may move to the United States to operate the farm, and (3) for resale.

### Washington

About 90 percent of the 19,306 foreign-bought acres in the review counties was said to be bought for investment purposes. This represented 21 of the 40 foreign purchase transactions. Among the other 19 purchasers:

- Three who bought a total of 709 acres planned to move to the United States.
- Seven who bought 319 acres planned to develop the tracts for residential or commercial purposes.
- Two individuals who bought 77 acres wanted to get into farming.
- A partnership which bought 74 acres planned to use it as a recreational campsite.
- An individual who bought 34 acres planned to build a new plant on his land.

We could not determine the motives for five purchases totaling 604 acres.

In Whatcom County, 23 Canadian purchasers had bought a total of 1,205 acres. According to a 1978 impact study prepared for the Whatcom County Council of Governments, the high level of Canadian land buying activity in the county was due to four major factors:

- Opening of a major highway between Vancouver, British Columbia, and Bellingham, Washington, in 1968.
- A higher inflation rate in British Columbia than in the United States.
- The greater strength of the Canadian dollar compared with the U.S. dollar between 1971 and 1976.
- Cheaper land prices in Whatcom County.

The impact study also pointed out that another factor was an agricultural land freeze imposed by the British Columbia Government following the 1972 election. This freeze prohibited further subdivision of agricultural land. The study stated that the growth of the Vancouver, British Columbia, metropolitan area had forced growth outward, including south into Whatcom County.

Most of the foreign purchasers who bought Washington agricultural land learned of the property being for sale through a realtor or a friend and either arranged for the purchases through a realtor or an attorney or dealt directly with the seller.

Few of these purchasers had definite plans to buy additional U.S. land. However, several said they would buy more land if it became available at the right price. One regretted his purchase and said he was in the process of selling the property to a U.S. citizen.

LAND USE CHANGES AND IMPROVEMENTS  
MADE BY FOREIGN PURCHASERS

Before we had started our review, various sources had questioned whether foreign purchasers of U.S. agricultural land would change the use of the land or let the properties become run down. As far as we could tell from talking or writing to the foreign purchasers, their agents, farm operators, and others, most foreign purchasers generally used their newly acquired land holdings in much the same way as the previous owners. Many had local people operating their farms. Some farms grew different crops than had been grown before, but generally we did not consider crop rotation--a normal farming practice--to be a change of land use.

The information we obtained also showed that the foreign purchasers had not allowed their properties to become run down. To the contrary, many foreign purchasers or their managers and operators had made improvements to upgrade their properties.

As the table on the next page shows, land use had changed or was expected to change on 6.1 percent of the 248,146 foreign-bought acres. Because we were unable to determine whether land use had changed or was expected to change in some cases, the actual percentage of change could be higher. Also, as shown in the table, land use changed or was expected to change on more than 15 percent of the acreage purchased in three States.

| <u>State</u> | Total<br>foreign-<br>bought<br><u>acres</u> | <u>Land whose use had changed<br/>or was expected to change</u> |                             |
|--------------|---|---|-----------------------------|
|              |   | <u>Number of<br/>acres</u>                                      | <u>Percent of<br/>total</u> |
| Arkansas     | 12,301                                      | 1,873   | 15.2                        |
| California   | 45,620                                      | 3,176   | 7.0                         |
| Georgia      | 43,265                                      | 4,242   | 9.8                         |
| Illinois     | 1,455                                       | -   | -                           |
| Iowa         | 727   | -   | -                           |
| Kansas       | 8,169                                       | 680   | 8.3                         |
| Montana      | 96,229                                      | 30  | (a)                         |
| Pennsylvania | 4,441                                       | 1,429   | 32.2                        |
| Texas        | 16,633                                      | 3,469   | 20.9                        |
| Washington   | 19,306                                      | 286   | 1.5                         |
| Total        | <u>248,146</u>                              | <u>15,185</u>   | 6.1                         |

a/Less than 0.1 percent.

A State-by-State discussion of land use changes and improvements follows. The information was furnished by purchasers, agents, managers, operators, and other knowledgeable sources. Although we generally describe the improvements as being made by the foreign purchasers, many (if not most) were actually made by the managers or operators of the property.

### Arkansas

Foreign purchasers had planned to convert 960 acres of timberland to pasture in Boone County and had converted 913 acres of pasture to cropland in Jefferson and Miller Counties.

Four foreign purchasers had installed, or were planning to install, irrigation systems on their farms. One was also planning a drainage project. These purchasers made six of the nine foreign purchases in our review counties, accounting for 8,467 acres, or 69 percent, of the 12,301 acres bought.

Another purchaser had cleared about 250 acres for additional cropland, installed overhead irrigation on some of the acreage, squared and leveled fields, and added some barns and storage facilities. Two other purchasers were planning to clear some land and convert it to pasture and cropland.

### California

Foreign purchasers had changed the use of 494 acres of agricultural land as follows.

| <u>County</u> | <u>Acres</u>   | <u>Former use</u> | <u>New use</u>  |
|---------------|----------------|-------------------|-----------------|
| Monterey      | 83             | Grazing           | Cropland        |
| Monterey      | 107            | Idle              | Cropland        |
| Placer        | 108            | Pasture           | Residential     |
| Placer        | 50             | Vacant            | Residential     |
| Riverside     | 40             | Vacant            | Avocado orchard |
| Stanislaus    | 53             | Vacant            | Residential     |
|               | <u>53</u>      | Cropland          | Developed       |
| <br>Total     | <br><u>494</u> |                   |                 |

Also, five foreign purchasers bought 2,524 acres of agricultural land in Riverside County and one bought 158 acres in Placer County with the intention of later developing the land. We could not determine whether foreign purchasers had changed the land use for about one-third of the foreign-bought acreage in California.

In Fresno County, one purchaser had installed fences and water tanks on its grazing land (1,547 acres); four purchasers had improved their cropland by fixing the water pipelines and valves, upgrading the roads, and improving the soil (640 acres); and another had improved its wine vineyard and was checking to see what further changes would be necessary (2,939 acres).

A purchaser in Kern County had added irrigation pipes and a workshed to its cropland (769 acres). In Monterey County, one purchaser had cleared his land of weeds and converted it to cropland, added a well and pump, and made major repairs on the buildings (190 acres) and another had added a well on its cropland (94 acres).

One purchaser in Riverside County had put in new irrigation for its citrus orchards (95 acres). Another had planted additional trees in its date orchard (186 acres) and two others, with two properties, had planted date palms on one property and improved the houses on both (119 acres).

A purchaser in Stanislaus County had built a new pole frame turkey building on its turkey farm (30 acres). In Tehama County, a purchaser planned to spend \$10,000 to dig sumps for recycling water (720 acres). Also, 11 purchasers with 10,603 acres in Fresno, Stanislaus, San Joaquin, and Kern Counties were said to have made improvements, but specifics were not provided.

## Georgia

The use of 4,242 acres of foreign-bought agricultural land on 10 farms had been changed: 3,148 acres of tree-covered land and 1,058 acres of pasture had been cultivated and 36 acres of timberland had been subdivided for homesites. Some purchasers planned to clear additional land for cultivation or for use as pasture but did not know how much acreage might be involved.

Eleven purchasers had installed irrigation systems or bought irrigation equipment. One of them also put in a lake. Also, one purchaser had repaired buildings and installed new fences, and one had installed a corn-drying system and grain storage bins.

## Illinois and Iowa

The foreign purchasers had not changed and did not plan to change the use of their land. Some had made improvements.

In Illinois, one purchaser had \$30,000 worth of drainage and ditching improvements made on the bottomland of the 547-acre farm it had bought in Henry County. The purchaser planned to make \$60,000 worth of additional improvements by installing tiling, more drainage ditches, storage bins, lakes, and corn dryers.

In Iowa, the purchaser of the 302-acre farm in Franklin County had tiled and reclaimed 30 acres of cropland, planted two groves of trees, and removed several old buildings. He also planned to build storage bins within the next several years. Another purchaser, who had bought the 272 acres in Howard County, had constructed a \$26,000 grain-drying bin.

## Kansas

One foreign purchaser had cleared about 40 acres of brush-covered land in Miami County and used it to grow soybeans. He had also put in a paved road at a cost of \$10,000. Another purchaser had irrigation wells drilled and sprinkler systems installed on 640 acres of Cheyenne County cropland that previously had been too dry to raise crops each year. The purchaser is now able to grow crops (soybeans, corn, and milo) annually. The previous owner had planted wheat every 2 years.

Two purchasers in Doniphan County, who had bought a total of 2,493 acres, had implemented better husbandry practices. One purchaser had also installed substantial

irrigation equipment and constructed additional storage bins. In Jefferson County, the purchaser of the 80-acre farm had built a stock water pond on the farm.

### Montana

About 90 percent of the foreign-bought land was a ranch which the former owner was continuing to operate under a lease-back arrangement. (See p. 75.) In Silver Bow County, the purchaser of the 30-acre tract of rangeland planned to use the land to expand the resort it already operated in the area. Eventually, the land will be subdivided for residential use. The purchaser also had options to purchase an additional 60 acres for this purpose.

### Pennsylvania

The purchaser of two tracts of timberland (478 acres) in Centre County planned to develop them into residential homesites. The access roads already have been built. (The purchaser also had bought three tracts of cut-over brush, barren, and waste land totaling 568 acres in Centre County for the same purpose.)

The purchaser which had bought 824 acres of idle cropland in Adams County was planning to turn the property into a commercial poultry farm. It planned to build 12 layer houses, 5 pullet houses, and 2 processing plants on 30 acres of its farm. The purchaser had consulted with local USDA agents regarding waste disposal and the farm's drainage problem. USDA's Soil Conservation Service (SCS) had recommended the establishment of crop terraces, divisions, grass waterways, and open and subsurface drains costing about \$30,000.

In Adams County, the purchaser which had bought 127 acres of idle cropland was planning to convert the land into pasture and rangeland for breeding and raising racehorses. The purchaser had restored a farmhouse and planned to restore a barn. It had also consulted with the local SCS agent about subsurface drainage and water control.

The purchaser of 3,012 acres in Centre and Clearfield Counties had erected five homes for its managers.

### Texas

Three foreign purchasers, which had bought a total of 12,119 acres of farmland in Bowie and Hopkins Counties, had changed the use of 3,469 acres from rangeland to cropland. One used 2,000 acres of the converted land for cotton and

800 acres for rice, another used 377 acres for rice and 200 acres for soybeans, and the third used 92 acres for soybeans. One purchaser also planned to convert much of his remaining rangeland to cropland over the next few years.

One of the purchasers had spent \$70,000 to install irrigation and sprinkler systems for the 377 acres of rice on its 1,086-acre farm in Bowie County. It also planned to enlarge the systems. Another was planning extensive drainage, irrigation, and land leveling for its 4,772-acre farm in Hopkins County. The third had invested \$872,000 in equipment and \$100,000 in general improvements, including fencing, a cotton gin, and grain elevators, on its 6,261-acre farm in Bowie County. It had also cleared several hundred acres and planned to install irrigation systems on the cleared land. Another purchaser, which bought 2,257 acres in Bowie County, had remodeled a dairy barn.

#### Washington

Five purchasers had changed the use of 286 acres of agricultural land in Whatcom County. Three had converted a total of 126 acres from agriculture to idle land, one had converted a 130-acre dairy farm to cropland for growing peas and potatoes, and one had subdivided 30 acres of farmland for resale. Two foreign purchasers, which had bought 11,453 acres in Kittitas County, were using it to graze cattle just as was done before. Their studies have shown, however, that the best potential use for this land would be to develop it for residential and recreational purposes. The purchasers had drilled a 600-foot well capable of supplying 50 million gallons of water a day but had not made any decision regarding development because they were waiting for local government authorities to decide how much water they would be allowed to pump.

#### FOREIGN PURCHASERS' PARTICIPATION IN USDA FARM PROGRAMS

From information obtained from USDA field personnel, foreign purchasers or their representatives, and others, at least 22 of the 173 owners (or operators) of the foreign-bought land in the review counties received financial or other assistance under USDA farm programs. There could be more--our information is incomplete. The information we obtained in the 10 States is summarized below.

Three of the seven foreign purchasers in Arkansas participated in USDA farm programs. They were involved

in five of the nine foreign purchases and accounted for almost half of the 12,301 acres bought.

--A limited partnership comprised of German, Swiss, Canadian, and U.S. investors, which bought three farms totaling 5,179 acres in Jefferson County, participated in USDA's corn set-aside and cotton diversion programs and the disaster payment program in 1978. We were told that the partnership received \$13,696 and the farm operator \$41,090 from the programs.

--A Swiss and U.S.-owned firm participated in the disaster payment program in 1978 and earned \$11,562 for its 500-acre farm in Jefferson County.

--A French firm enrolled its 168-acre Craighead County farm in the 1978 cropland set-aside program but did not plan to participate in the 1979 program.

Two of the other four foreign purchasers in Arkansas did not participate in any USDA farm programs. We could not obtain information in the other two cases.

Most of the 72 foreign purchasers involved in the 91 purchases in California did not participate in USDA farm programs. In some cases we could not determine whether they did or not. We only learned of two cases where they did.

--The West German purchasers of two tracts of farmland (720 acres) in Tehama County received \$5,941 under the Emergency Conservation Measures Program to dig wells and lay pipe on their property during the 1977 drought. They plan to obtain cost-sharing assistance under the Agricultural Conservation Program to dig sumps for recycling water.

--A Belgian purchaser, who bought 620 acres of farmland in Kern County, received \$5,920 under the Emergency Conservation Measures Program for flood damage in 1978. The funds were paid in January 1979 to cover 80 percent of the cost of debris removal, grading, shaping, rebuilding, and restoring pipelines on 200 acres of cropland.

In Georgia, 24 foreign purchasers were involved in the 40 purchases. The farms of seven of the purchasers who bought 14,093 acres (about one-third of the total) received USDA farm assistance.

- Three participated in a feed grains program.
- Two participated in programs for feed grains and peanuts.
- One participated in the Agricultural Conservation Program and in a peanut program.
- One participated in three price-support programs.

Two foreign-bought farms that we identified in Illinois participated in the 1978 cropland set-aside program. One was a 547-acre farm in Henry County owned by a Netherlands Antilles corporation, and the other was a 637-acre farm in Stephenson County owned by an Italian investor. The purchaser of the two tracts of farmland in Lee County did not participate in any USDA farm programs.

Two of the three foreign purchasers that we identified in Iowa received USDA assistance. A West German purchaser's 302-acre farm in Franklin County was in the cropland set-aside program. He was also being considered for a storage facility loan, had received a price-support loan which was split on a 50-50 basis with one of the farm operators, and had received assistance and advice from SCS in planning a tiling project. A British purchaser, who had bought two tracts of farmland totaling 272 acres in Howard County, had applied for a storage facility loan. The third foreign purchaser had not participated in any USDA programs.

Of the six foreign purchasers in Kansas, three (who made 7 of the 12 purchases) received USDA assistance. A West German firm, which had bought 960 acres of farmland (five purchases) in Cheyenne County, received loans totaling \$97,810 under corn and grain sorghum price-support programs. A French-owned farm in Doniphan County received two 1977 corn price-support loans totaling \$56,540 and an Iranian purchaser received \$2,117 under a cost-sharing program to build a pond on his 80-acre farm.

Of the 12 foreign purchasers in Montana, 3 participated in a feed grains program. The Venezuelan-owned Panamanian corporation, which had bought the 20,100-acre farm in Yellowstone and Big Horn Counties, received a total of \$19,583 under the 1977 and 1978 programs. Two West German purchasers in Chouteau County--one who had bought two farms totaling 800 acres and the other who had bought a 360-acre farm--received a total of \$2,032 between them under the 1977 program. The operators of these farms also received \$4,763 in price-support payments. They did not participate in the 1978 program.

We did not learn of any USDA farm program participation by foreign purchasers in Pennsylvania, Texas, and Washington. We were told, however, that the West German corporation, which had bought the 824-acre farm in Adams County, Pennsylvania, had consulted the county soil conservation specialist about procedures for proper disposal of poultry manure and for drainage control. The corporation has been advised that it would cost about \$30,000 to correct the farm's poor drainage.

#### SUMMARY AND CONCLUSIONS

Foreign investment in U.S. agricultural land seems to be grounded on strong confidence in our political climate and economic system. The primary motives cited for foreign purchases of agricultural land were investment security and capital preservation and appreciation. Such goals are similar to the investment goals sought by many U.S. individuals and businesses that buy agricultural land.

Our discussions and observations indicated that the operations of foreign-bought agricultural land have not been divorced from the normal business activities of the local areas and communities. Much of the foreign-bought land is operated by local farmers--some by the former U.S. owners. Most of the land bought has continued in the same use as before and many of the properties have been improved.

Some foreign purchasers or their farm operators have participated in and benefited from USDA farm programs--just as U.S. owners have.

Overall, we heard very few concerns expressed about the foreign purchasers' motives, their use of the land, or their participation in USDA farm programs.

## CHAPTER 8

### USDA REPORT ON FOREIGN PURCHASES

#### OF U.S. AGRICULTURAL LAND

On June 12, 1978, the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry also asked the State Extension Service (ES) Directors and the Administrator of USDA's Agricultural Stabilization and Conservation Service (ASCS) to provide information on purchases of farms and ranches by foreign and domestic buyers for the period January 1, 1977, to June 30, 1978. Generally, this information was to be based on records maintained by local ASCS and ES offices, local agents' general knowledge of their respective areas, and other sources. USDA reported the information to the Committee Chairman in December 1978.

An extensive effort such as our review was not requested. It is therefore understandable that the information USDA obtained and reported differs from ours for the specific counties included in our review. A comparison of our data with the data USDA reported for the 148 counties is shown in the following table.

Reported Number of Transactions and Acreage Involving  
Foreign Investors--January 1, 1977 to June 30, 1978

| State and<br>number of<br>review counties | Acreage and number of transactions (note a) |             |                |             |                |             |
|---|---|-------------|----------------|-------------|----------------|-------------|
|   | GAO   |             | ASCS           |             | ES             |             |
|   | Acres                                       | Num-<br>ber | Acres          | Num-<br>ber | Acres          | Num-<br>ber |
| Arkansas-13                               | 12,301                                      | 9           | 25,202         | 7           | 26,435         | 8           |
| California-13                             | 45,620                                      | 91          | 5,671          | 13          | 5,671          | 13          |
| Georgia-26                                | 43,265                                      | 40          | 47,298         | 26          | 29,774         | 24          |
| Illinois-15                               | 1,455                                       | 4           | 686            | 2           | 1,586          | 5           |
| Iowa-14                                   | 727   | 4           | 727            | 3           | 729            | 3           |
| Kansas-14                                 | 8,169                                       | 12          | 6,410          | 9           | 8,322          | 7           |
| Montana-14                                | 96,229                                      | 14          | 22,954         | 3           | 22,954         | 3           |
| Pennsylvania-13                           | 4,441                                       | 5           | 309            | 1           | 309            | 1           |
| Texas-13                                  | 16,633                                      | 5           | 39,233         | 9           | 37,386         | 6           |
| Washington-13                             | <u>19,306</u>                               | <u>40</u>   | <u>6,040</u>   | <u>5</u>    | <u>(b)</u>     | <u>c/18</u> |
| Total                                     | <u>248,146</u>                              | <u>224</u>  | <u>154,530</u> | <u>78</u>   | <u>133,166</u> | <u>88</u>   |

a/ASCS and ES reported on the basis of transactions or owners; we reported on the basis of transactions.

b/No acreage reported.

c/One other transaction (4,686 acres) was included in field report but not in overall report.

Neither we nor USDA identified any foreign purchases in 86 of the 148 counties. For the remaining 62 counties, differences between our data and the data reported by ASCS and ES resulted mainly because:

--We made a more indepth review in these counties and were able to identify foreign purchases not known to ASCS or ES and therefore not reported by them.

- Some of the foreign purchases reported by ASCS and ES were not within the 18-month time frame.
- Some records showed different acreage amounts for the same purchase transactions.
- Some foreign purchases reported by ASCS and ES did not involve foreigners.
- Some purchases reported for a particular county included acreage outside the county.
- Different acreage "thresholds" were used for reporting purchases--we consistently used 25 acres; ASCS and ES used amounts ranging from no minimum acreage to 500 acres.

The above reasons also accounted for differences in data other than the amounts of reported acreage. We counted and reported each bona fide land transfer as one purchase transaction. For ASCS and ES data, USDA's report uses different terms such as new owners, ownership transfers, and transfers. Consequently, where the same buyers were involved in more than one transaction, USDA's data may not show the number of purchase transactions.

Overall, USDA's report showed foreign purchases during the 18-month period ended June 30, 1978, to be as follows.

|                       | <u>Number of<br/>new owners</u> | <u>Acres<br/>transferred</u> |
|-----------------------|---------------------------------|------------------------------|
| ASCS                  | 560                             | 639,180                      |
| ES                    | 611                             | 737,423                      |
| Consolidated (note a) |                                 | 826,543                      |

a/Based on ASCS data for 37 States and the higher ES data for 11 States. No data was reported for two States (Alaska and Hawaii).

We do not have an overall figure for the 50 States to compare with the above data. However, for the 10 States included in our study, we projected an estimated total of 514,760 acres of U.S. agricultural land purchased by foreign investors. The comparable figure from USDA's report would be 303,149 acres.

## CHAPTER 9

### REVIEW SCOPE AND APPROACHES

The Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry asked that we

- select a sample of counties in nine specified States (later expanded to 10 States);
- determine for the 18-month period, January 1, 1977, to June 30, 1978, the number of transactions, amount of acreage, and type of agricultural land purchased by local farmers and ranchers, other U.S. citizens or corporations, and foreign investors in those counties;
- make a comparative analysis of agricultural land transfers involving the domestic and foreign purchasers; and
- determine the foreign purchasers' primary reasons for buying U.S. agricultural land.

We were also asked to project the results of our work to the respective States individually and to all 10 States combined.

We began our review by selecting a sample of counties within each of the specified States. To ensure that the sample results could be used to provide estimates for the entire State, it was necessary that the selection process be random and that each county have a chance to be selected. Also, to give emphasis to primarily rural counties representing major agricultural enterprises in the State, as requested by the Committee Chairman, it was necessary that counties having a high percentage of agricultural land be given a higher probability of selection than urbanized counties with a small percentage of agricultural land. To achieve both of these objectives, we used a sampling approach where the probability of selection was proportional to the percentage of a county's agricultural land area.

Data on the percentage of agricultural land in each county was available from the 1974 Census of Agriculture. For each State, the counties were listed in alphabetical order along with their percentages of agricultural land area. Cumulative (running) totals were calculated. This gave each county a separate cumulative total. Then random numbers between one and the grand total of the percentages for all counties in the State were drawn from a

table of random digits. The random numbers were then compared to the counties' cumulative totals. A county was selected for the sample if the random number was equal to or less than that county's cumulative total but greater than the cumulative total for the preceding county on the list.

This procedure was continued until 11 different counties had been selected for each State. The effect of this sampling method was that each county was randomly selected with a probability of selection proportional to its percentage of agricultural land area.

To provide a better picture of the extent of foreign purchases in each State, we later expanded the scope of our work in each State to cover two or more additional counties where we had some indication, from various sources in that State, that foreign purchasers were buying agricultural land. These selected additional counties accounted for 67 percent of the foreign transactions and 78 percent of the foreign-bought acreage identified in our overall sample.

Altogether, we analyzed all agricultural land purchases in the 18-month period in 110 randomly selected counties and 38 nonrandomly selected counties. The distribution of the 148 counties by State is shown below. County names are listed in appendix II.

|            |    |              |                   |
|------------|----|--------------|-------------------|
| Arkansas   | 13 | Kansas       | 14                |
| California | 13 | Montana      | 14                |
| Georgia    | 26 | Pennsylvania | 13                |
| Illinois   | 15 | Texas        | 13                |
| Iowa       | 14 | Washington   | <u>13</u>         |
|            |    | Total        | <u><u>148</u></u> |

To develop representative estimates (for each State) of the number of transactions, amount of acreage, and type of agricultural land purchased by the various categories of buyers, we (1) multiplied the data collected in each randomly selected county by a weighting factor equal to the reciprocal (or inverse) of the county's probability of selection, (2) aggregated the weighted data for the randomly selected counties, and (3) added to this the data collected in the nonrandomly selected counties. We aggregated our estimates for each State to obtain overall estimates for the 10 States as a group. Our estimates are discussed in appropriate sections throughout the report.

## OBTAINING INFORMATION ON LAND PURCHASES

Precise information on agricultural land purchases was not readily available. We started collecting data by examining land transfer records maintained at county seats. However, there was no uniformity in the type of information shown in county land records, and the kinds of records and records systems used varied from State to State and often from county to county within a State. To develop a data base on agricultural land purchases in each county during the 18 months, therefore, we used various approaches depending on the type of public land records on file, their accessibility and usefulness, and the views of knowledgeable State and county officials as to how we could best obtain the information we needed.

County records that we reviewed included books of real estate transfers, tax and assessment records (including assessors' field sheets), land classification cards, parcel books, map books, sales confirmation records, sales books and reports, plat books, aerial photographs, and/or computer tapes. We also used commercially prepared reports on land transfers where available.

Some of the most commonly recorded legal documents that we examined were warranty deeds, grant deeds, quit claim deeds, executors' deeds, and deeds of gift. We also checked other documents affecting title to or interest in land, including mortgages, deeds of trust, liens, easements, sales contracts, notices of purchasers' intent to buy land, leases, and real estate tax affidavits.

Generally, no one record or document had complete information on a land transaction, and our search procedures had to be tailored to the situation at hand.

In Arkansas and Kansas, we examined warranty deeds and other land transfer records on file in the counties. These documents were intermixed with various other types of legal documents affecting land ownership and, in most counties, thousands of pages of legal documents had to be screened and read before we could schedule the transactions that met our criteria. In many cases the deeds did not specify the number of acres purchased but used other measurements which often had to be converted into acres. When deeds were too vague about the size of the property, we obtained the information from tax assessor records. Knowledgeable county officials generally classified the type of land for us.

In Montana and Texas, we searched through alphabetical listings (indexes) of persons or entities named in various legal documents involving land ownership and recorded the identification numbers and file locations of deeds and other documents that indicated land transfers during our review period. We then located and read the deeds and other documents and scheduled land purchases of 25 or more acres. In many instances the deeds did not specify the number of acres purchased but used other measurements, such as feet, chains, rods and varas, 1/ which had to be converted to acres. In most cases it was necessary to refer to other county records and to discuss the transactions with county officials to obtain information on the type of land involved.

In Illinois, Iowa, and Pennsylvania, and in most of our review counties in Georgia, we used real estate transfer records to identify and schedule agricultural land purchases. These documents are prepared when a deed is recorded and generally identify the buyer and seller, the property size and location, the deed date, the type of land, and the amount paid for the property or the amount of the State realty transfer tax. We obtained these documents at Department of Local Affairs offices in Illinois, the Department of Revenue office in Iowa, the State Tax Equalization Board and county seats in Pennsylvania, and the clerk of the superior court offices in Georgia.

We reviewed thousands of transactions in each of the four States to eliminate what appeared to be purchases of nonagricultural land. When the property size and location or the type of land was not listed on the real estate transfer records, we obtained the information from warranty deeds, property cards, land plats, and/or aerial photographs. In some Georgia counties, we identified agricultural land purchases by searching through the deed records, using commercially prepared reports, or using tax assessors' property cards.

Our work in California presented special problems. The sheer volume of recorded land transactions in some counties made it very difficult to develop a data base of agricultural land purchases. For example, 3 of our 13 review counties in California together had a total of more than a half million transactions during the 18 months.

---

1/A vara is a Spanish or Portuguese measure of length, varying in different localities from about 32 inches to about 43 inches.

Seven of the California counties used computers to store their land transaction records. In two of these counties, we manually extracted data from computer print-outs. In the other five counties, we used computer assistance to develop a data base of agricultural land purchases. These five counties each provided us two types of tapes: (1) a sales file which identified parcels of land sold recently but which did not contain all the information we needed and (2) an assessment roll, or master property record file, which contained a description of each parcel of land in the county and its owner's name. For each of the five counties, we used computer assistance to merge the information on the two tapes, identify multiparcel transactions, and print out a listing of agricultural land purchases during our review period. In some cases we had to go to property deeds, map books, microfiche files, or other records to supplement the computer-generated data.

In the six California counties where land transactions were not computerized, we analyzed various types of records in the county assessors' offices. Depending on the county, we obtained most of our information from master property record cards, parcel books, map books, sales confirmation records, other property records, and talking to county assessors or their staffs.

In Washington we obtained most of our information by initially going through the thousands of real estate tax affidavits available at county assessors' and treasurers' offices. Each county levied a tax not to exceed 1 percent of the selling price on each sale of real property in the county. When sellers paid the tax, they also completed a tax affidavit showing the seller's name and address, buyer's name and address, property location, sales date, and gross selling price. The number of acres and type of land were not shown on the affidavits and were obtained from various other records, including assessors' field sheets, property cards, and tax assessment rolls. In some counties available sales reports or books made it unnecessary to initially scan every affidavit.

#### CLASSIFYING PURCHASERS

In developing our listings of agricultural land purchases, we classified purchasers as individuals if they were described on deeds and other records as husband and wife, sole owners, tenants-in-common, or joint tenants. We classified them as businesses if they were described as corporations, partnerships, limited partnerships, or sole proprietorships.

We also classified the purchasers as foreign or domestic and the domestic purchasers as local or nonlocal. For our purpose, a foreign purchaser had to be a nonresident alien, a business incorporated in a foreign country, or a business with one or more foreign owners. Other purchasers which we were able to classify, including aliens permanently residing in the United States, were classified as domestic purchasers. We considered the domestic purchasers to be local if they lived in the county where the land was bought or maintained an office in that county. In some cases we also classified purchasers as local if they lived or maintained an office in an adjoining county. Other U.S. residents and businesses, and U.S. citizens living abroad, were classified as nonlocal purchasers.

To determine these classifications, we enlisted the help of various persons we thought would be knowledgeable about agricultural land sales in their counties. These included county court clerks, recorders, appraisers, and tax assessors; members of county committees involved with Agricultural Stabilization and Conservation Service activities; local Cooperative Extension Service agents; Soil Conservation Service district conservationists; real estate agents, brokers, attorneys, and appraisers; land abstracters and title insurance agents; bank officials; farm managers, operators, and agents; and others. These people were particularly helpful in identifying many of the local purchasers and eliminating intrafamily land transactions from our lists. In some cases they also told us whether the purchasers were nonlocal or foreign.

We were able to classify many local and nonlocal purchasers by checking county voter registration records, using city and other telephone directories, and calling directory assistance operators. In some cases we also checked motor vehicle registration records and school district registration records. We called some of the purchasers (on a test-check basis) to verify whether or not they were U.S. residents.

We visited the Secretary of State's office in each of the 10 States to determine whether corporations that had bought agricultural land were registered to conduct business in that State. Many had filed articles of incorporation and annual reports but others had not. Although these documents did not identify the shareholders, they generally contained other useful information showing the State or country of incorporation and the names and addresses of the directors, officers, and registered agents. In many cases we telephoned or sent letters to these officials and agents to

determine a corporation's ownership. In other cases we classified a corporation as local, nonlocal, or foreign on the basis of information in the records.

Partnership agreements were generally filed at the county level. We checked these records, when available, to obtain the names and addresses of the parties who had bought agricultural land through a partnership arrangement.

A few of the purchasers acquired land through land trusts and were identified only by the name of the bank acting as trustee. We discussed these transactions with bank officials to determine whether the beneficiaries were individuals or businesses and whether they were residents of, or affiliated with, the United States or a foreign country.

In some cases we could not obtain any indications of whether the purchasers were U.S. residents and businesses or foreign investors. We categorized these purchasers as "unclassified" for purposes of this report. We are not certain that, even aside from those in the unclassified category, we have identified all foreign purchasers. Some just might not have been spotted.

#### OBTAINING OTHER INFORMATION

Information on the types of agricultural land purchased generally was obtained from the land records we reviewed, from aerial photographs, and through discussions with knowledgeable county officials or other sources. Data on land prices was sometimes shown in certain of the records we examined. In other cases we computed estimated prices based on realty transfer taxes. We discussed land prices with realtors and county officials to get their views on whether prices paid by foreign purchasers were in line with prevailing prices in the areas involved.

We attempted to contact foreign purchasers or their agents or attorneys to ask about the purchasers' reasons for buying U.S. agricultural land, whether they changed or planned to change the land use, whether they made or planned to make improvements on the land, and whether they participated in USDA farm programs. We also asked how the foreign purchasers learned that the land was available for purchase and whether they planned to purchase more U.S. land.

In some cases, we obtained these answers by telephoning the purchasers directly or sending them letters. In most cases, we obtained whatever information we could by telephoning, writing, or visiting the foreign purchasers' agents and attorneys. We also discussed some of our questions with other persons we thought might be knowledgeable about a particular farm, such as the seller, the farm operator or manager, the real estate agent involved in the sale, and members of county committees that administer certain USDA programs.

#### OTHER MATTERS INCLUDED IN OUR REVIEW SCOPE

In addition to our work in the 10 States, we summarized some information on tax advantages of foreign investors in U.S. agricultural land (see ch. 3), reviewed USDA's report on foreign purchases of U.S. agricultural land (see ch. 8), and summarized some information on foreign countries' laws on land ownership (see app. III).

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## United States Senate

COMMITTEE ON  
 AGRICULTURE, NUTRITION, AND FORESTRY  
 WASHINGTON, D.C. 20510

June 12, 1978

The Honorable Elmer B. Staats  
 Comptroller General of the United States  
 United States General Accounting Office  
 Washington, D.C. 20548

Dear Mr. Staats:

I want to express my appreciation to you and the staff of the General Accounting Office for your report on foreign investments in United States agricultural land. Interest and concern about this problem appear to be increasing and your report will help Congress better understand the complexities involved.

I believe it would be most useful for GAO to continue working in this area. Specifically, this is to request that GAO do a further investigation of foreign investment in agricultural land (crop, forest, and range land). The investigation should focus on the states of California, Georgia, Iowa, Kansas, Mississippi, Montana, Pennsylvania, Texas, and Washington, which represent the various agricultural regions of the nation. Within each state, GAO should select, on a random basis, several primarily rural counties that represent the major agricultural enterprises of that state and analyze agricultural land transfers in those counties to determine, for the period beginning January 1, 1977, and ending June 30, 1978, the number of transactions, acreage, and the type of agricultural land purchased by a local farmer or rancher, U. S. citizen or corporation, or a foreign investor. Once these data are gathered, GAO should do a comparative analysis of domestic to foreign land transfers. In addition, once the foreign owners are identified, GAO should investigate to determine the primary reasons they purchased American agricultural land.

I believe this information will aid Congress in determining what, if anything, should be done concerning this problem.

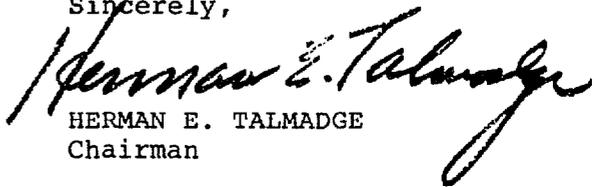
The Honorable Elmer B. Staats  
Page 2  
June 12, 1978

We need this information as soon as possible, but no later than May 31, 1979. If you or your staff have any questions concerning this request, feel free to contact Mr. Bill Leshar (224-2035) of the Committee staff at your convenience.

Your assistance in this matter will be appreciated.

With every good wish, I am

Sincerely,

A handwritten signature in cursive script that reads "Herman E. Talmadge". The signature is written in black ink and is positioned to the right of the typed name and title.

HERMAN E. TALMADGE  
Chairman

STATES AND COUNTIES INCLUDED IN OUR REVIEWArkansas

Boone  
 Carroll  
 Clay  
 Craighead  
 Crawford  
 Izard  
 Jefferson (n)  
 Lawrence  
 Lee  
 Miller (n)  
 Pulaski  
 Sebastian  
 Yell

California

Amador  
 Fresno  
 Kern (n)  
 Lake  
 Lassen  
 Monterey  
 Placer  
 Riverside  
 San Joaquin (n)  
 Stanislaus  
 Sutter  
 Tehama  
 Tuolumne

Georgia

Atkinson  
 Baker (n)  
 Banks (n)  
 Butts  
 Carroll  
 Clayton  
 Cook  
 Dougherty (n)  
 Early (n)  
 Fayette  
 Hall (n)  
 Heard (n)  
 Jefferson (n)  
 Jenkins (n)  
 Johnson (n)  
 Lee (n)  
 Marion (n)  
 Morgan (n)  
 Pierce  
 Pulaski  
 Screven (n)  
 Seminole (n)  
 Telfair  
 Washington (n)  
 White  
 Wilkinson

Illinois

Carroll  
 Coles  
 Effingham  
 Hamilton  
 Henry  
 Lee (n)  
 Macon  
 Marshall (n)  
 Massac  
 Putnam (n)  
 Randolph  
 Saline  
 Sangamon  
 Scott  
 Stephenson (n)

Iowa

Calhoun  
 Carroll  
 Cerro Gordo (n)  
 Clinton  
 Dallas  
 Floyd  
 Franklin (n)  
 Fremont  
 Harrison  
 Howard (n)  
 Montgomery  
 Muscatine  
 Pottawattamie  
 Winneshiek

Kansas

Cheyenne (n)  
 Doniphan  
 Edwards  
 Greenwood (n)  
 Jefferson  
 Kingman  
 Kiowa  
 Marion  
 Miami  
 Osage  
 Pratt  
 Riley  
 Sherman (n)  
 Wallace

(n) Nonrandomly selected counties.

STATES AND COUNTIES INCLUDED IN OUR REVIEW

| <u>Montana</u>        | <u>Pennsylvania</u> | <u>Texas</u> |
|-----------------------|---------------------|--------------|
| Beaverhead (n)        | Adams (n)           | Baylor       |
| Carter                | Centre              | Bowie (n)    |
| Chouteau              | Chester             | Coke         |
| Custer                | Clearfield (n)      | Coleman      |
| Daniels               | Cumberland          | De Witt      |
| Deer Lodge            | Erie                | Frio         |
| Fallon                | Huntingdon          | Glasscock    |
| Golden Valley         | Jefferson           | Guadalupe    |
| Lake                  | Lancaster           | Hopkins (n)  |
| Park (n)              | Northumberland      | Kleberg      |
| Roosevelt             | Union               | Llano        |
| Rosebud (n)           | Wyoming             | Moore        |
| Silver Bow            | York                | Sterling     |
| Yellowstone           |                     |              |
| <br><u>Washington</u> |                     |              |
| Adams                 |                     |              |
| Asotin                |                     |              |
| Benton                |                     |              |
| Douglas               |                     |              |
| Garfield              |                     |              |
| Kittitas              |                     |              |
| Klickitat             |                     |              |
| Lewis                 |                     |              |
| Mason                 |                     |              |
| Wahkiakum             |                     |              |
| Walla Walla (n)       |                     |              |
| Whatcom (n)           |                     |              |
| Whitman               |                     |              |

(n) Nonrandomly selected counties.

FOREIGN COUNTRIES' LAWS ON LAND OWNERSHIP

The degree to which the laws of other countries and/or their political subdivisions restrict or limit foreign ownership of their land varies considerably. According to information obtained from the Law Library of the Library of Congress and other sources, the extremes run from countries whose laws contain few restrictions to countries whose laws prohibit foreign ownership of land under any circumstances. Between these extremes are countries or political subdivisions whose laws place varying degrees of restrictions ranging from simple requirements for registration of landowners to limitations on the amount or kind of property foreigners may own.

In addition to specific ownership laws, other factors can affect the extent to which foreigners may own land in certain countries. These factors may serve to either intensify or lessen the effect of the laws in particular cases. For example, bilateral treaties may provide for each country to treat the other's citizens as it would its own, administrative and bureaucratic obstacles may be used as informal barriers to discourage foreign ownership, or currency exchange control provisions may impose indirect restrictions on foreign ownership. All the countries surveyed by the Law Library required some type of permit or license before a foreigner could purchase real property such as farmland. 1/ A general summary of some of the laws and other conditions regulating foreign ownership of land in other countries follows.

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1/The countries which the Law Library surveyed included most of the countries of Western Europe, the Arab States of the Organization of Petroleum Exporting Countries (OPEC), and six other countries--Argentina, Brazil, Guatemala, Japan, Mexico, and Yugoslavia. The survey results are included in a Committee Print of the Senate Committee on Agriculture, Nutrition, and Forestry entitled "Foreign Investment in United States Agricultural Land," 95th Cong., 2d Sess., Jan. 1979, pp. 211-240. The Committee Print (p. 10) also includes information on Canadian regulation of foreign land investment.

WESTERN EUROPE

According to the Law Library, its survey of major Western European countries revealed a trend of limited restrictions on the purchase of land by nonresidents, although not all countries had restrictions and others did not enforce the ones they had. The Library reported that Belgium does not restrict ownership of land by nonresidents while in Austria all laender (constituent states of the Austrian Federal Republic) restrict foreign ownership of agricultural and forestry land and seven of the nine laender restrict foreign ownership of all land.

In the United Kingdom, which had no laws directly restricting nonresident ownership, the direct investment of foreign capital, including that in agricultural land, was subject to individual authorization by the Bank of England. Foreign ownership of land in France, West Germany, and Italy depends generally on treaties with other nations providing for reciprocal treatment of their respective citizens.

Greece absolutely excludes aliens from any transaction involving land along border or coastal areas. The Scandinavian nations all have strong land use and zoning laws. Generally, coastal areas are preserved as open land and foreign purchases of land near military installations are prohibited. For other land, permits from the proper State agencies are required. Of all the Western European countries, Switzerland has, according to the Law Library, perhaps the most stringent restrictions on foreign ownership of land. It requires permits which may be denied for a variety of reasons.

For Portugal, the Law Library could not find any specific laws restricting the purchase of, or investment in, land by Americans or other foreigners but said that some statutory provisions applicable to nationals and foreigners alike restricted the amount of land that could be acquired. Spanish law, in general, allows land acquisition by aliens and foreign corporations although there are certain restrictions on acquiring rural properties and isolated buildings, and prior authorization is required for acquisition in certain zones considered important for military defense purposes.

CANADA, JAPAN, AND MEXICO

Canada and Japan have strict screening procedures for potential foreign direct investment in land and/or buildings. Under Canada's federal screening process, which is authorized by its Foreign Investment Review Act, proposals are examined to ensure that they will be "of significant benefit to Canada." The provincial governments also have enacted various other restrictions, such as prohibiting nonresident land ownership beyond a specified amount. Japan's strong general apprehension about foreign direct investment applies to land as well and is buttressed by informal barriers to foreign investors in the form of administrative and bureaucratic obstacles.

Mexico's laws provide that only nationals can own lands or waters, although foreigners may be granted the same right if they agree to consider themselves nationals with regard to such property and bind themselves not to invoke the protection of their governments in matters relating to such property. Under no circumstances, however, can foreigners acquire direct ownership of lands or waters within a zone of 100 kilometers along Mexico's frontiers or 50 kilometers along its shores. Commercial stock companies may not acquire rural properties for agricultural purposes.

ARAB COUNTRIES OF OPEC

The laws of the Arab countries belonging to OPEC, except Algeria, distinguish between nationals and foreigners regarding land ownership. Qatar and Kuwait forbid all foreign ownership of real property. Iraq's 1970 constitution prohibits ownership of real property by non-Iraqis although an earlier 1961 law recognizes the right of foreigners to own real estate, except lands and farms, on the basis of reciprocity. The United Arab Emirates restrict ownership of property to its nationals although the nation's ruler may grant conditional rights of ownership to a person other than a national and set the conditions of the ownership.

In Saudi Arabia, non-Saudis may not acquire real property other than by inheritance. However, according to the Law Library, a 1970 Royal Decree recognizes the following exemptions.

- Diplomatic missions and international bodies may acquire their premises.
- Foreigners may own the right of property of agricultural land, according to the regulations of the distribution of arid lands.
- Foreign institutions may own real property for business and employee housing, in accordance with foreign investment regulations.
- Non-Saudis may own real properties for dwelling or for business.

In all of these cases, the permission of the ministries in charge is required; in the last case, Royal approval is a necessity.

#### OTHER COUNTRIES

For the other countries it surveyed, the Law Library reported that:

- Argentina, in general, permits foreigners to invest in or buy real or personal property and to transfer ownership rights provided that substantive and formal requirements established by law are observed. Basic statutory requirements then in effect included (1) the filing of an application to invest for a specific purpose, (2) executive office or branch approval, especially when matters related to national security may be affected, and (3) recording or registration.
- Brazil bars alien ownership of land or industrial and commercial establishments on the national borderline. It also bars alien ownership of rural lands in areas restricted for reasons of national security except by special permission of the Board of its National Security Council. Foreign individuals who are residents of Brazil and corporations authorized to operate in Brazil may acquire ownership of rural land subject to certain conditions and approval of pertinent authorities.

- Guatemala's constitution and its law on aliens regulate alien investment in real property. With certain exceptions, Guatemala reserves dominion over certain widths of land along ocean fronts, lake shores, river banks, and springs and other water sources and limits ownership or possession of real property within a strip 50 kilometers in width along its frontiers to Guatemalans enumerated in the constitution or companies whose members meet the same qualifications. Special provisions on investments of U.S. citizens in Guatemala are also found in agreements between the two nations.
  
- In Yugoslavia, aliens and foreign public or private institutions, as a rule, cannot own real property. The law permits investment of foreign capital in domestic business undertakings through partnership agreements approved by the state, provided that the foreign capital does not change the nature, substance, and control of Yugoslav enterprises. Foreign investment in farmland is not specifically excluded by law but would be subject to a number of conditions prescribed by law.

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Although the above summary, based mostly on material developed by the Law Library, is not all inclusive or exhaustive, it does provide some perspective on barriers, or the absence of barriers, to U.S. citizens' buying land in foreign countries.

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