

Foreign Ownership of Michigan Farmland

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Introduction

There has been some recent concern about the level of foreign ownership of agricultural land in the U.S. Partially, this concern is due to the rising price of farmland and a perceived potential for farmers to be priced out of the market. This brief study will analyze the level of foreign ownership in the U.S. with a particular emphasis on foreign ownership in Michigan. While foreign ownership of agricultural land is increasing, the figures and the news stories are somewhat misleading. The most recent data is also somewhat dated, most data is from late 2010s.

A foreign person is defined as an individual who is not a citizen or national of the United States or is not lawfully admitted into the United States (USDA, FAS). Foreign governments and foreign firms are also considered foreign persons. A person who is lawfully admitted into the United States is not considered a foreign landowner. This may be important in the future as environmental regulations in some European Union countries may encourage more immigration of farmers from some European countries. Farmers from the Netherlands and Ireland by be particularly likely to move to the U.S.

The USDA also classifies forestland as farmland. Most of the foreign owned land that is classified as agricultural is actually forested. This includes Michigan, as well as Texas, and Pine plantations in the south. The counties with the highest concentration of foreign land ownership are in the Upper Peninsula. Canadian lumber interests have owned land in the Upper Peninsula for decades.

The amount of cropland and pastureland owned by foreigners varies from county to county. In most counties little if any land is owned by foreigners. Most foreign owned land is located in the counties along the Ohio and Indiana border and the central part of the Lower Peninsula. Currently, China is not a major owner of farmland in the U.S. or in Michigan; it may be more interested in buying land in developing countries.

A related concern is the price of farmland. This study will also briefly analyze why farmland has become an attractive investment and how farmers may be competing with non-farmers when land becomes available.

Overall, the vast majority of land used for farming remains in the hands of U.S. residents. This will continue for the foreseeable future. This is true for the U.S. as well as Michigan.

Why Farmland is an Attractive Investment

There are two factors that determine the price of farmland, the first is the value of the crops and livestock that are produced on the land. In this case the demand for farmland is a derived demand, it is based on the value of the products that are produced on that land. This is why everything else held constant, irrigated land, and more productive land has a higher price than non-irrigated land and land with a lower productivity. The second factor is the demand for other uses such as housing and commercial development. The higher the demand for these other uses, the higher the price for that land. This appears

to be an issue in some parts of the state such as the Northwest Lower Peninsula and some counties in West Michigan.

Farmland has several desirable characteristics. From 1992 to 2020 the price of land increased by an average of 11.01 percent a year. Returns and growth are also comparatively stable compared to assets such as stocks (Athwal). Landowners can also generate consistent income through renting the land to farmers. Nationwide about 39 percent of the farmland in the U.S. is rented (USDA,ERS). These characteristics make U.S. farmland a desirable asset for foreign entities as well as investors located in the U.S. While from a low base, foreign ownership of agricultural land doubled from 2009 to 2019 (Lutz and Welsh).

In the first quarter of 2023 farmland in the Seventh Federal Reserve District which includes most of Illinois, most of Indiana, Iowa, most of Wisconsin and the entire Lower Peninsula of Michigan rose by 10 percent over the previous year (Oppedahl). Cash rents rose by 8 percent in the first quarter of 2023; this is on top of an 11 percent increase in 2022 (Oppedahl). From 2018 through 2022 the price of cropland in Michigan rose from \$4,510 an acre to \$5,300 an acre an increase of 17.5 percent. Cash rents during this time rose from \$123 an acre to \$144 an acre, an increase of 17.0 percent (Michigan Ag Statistics).

It is important to note that most of the land in the U.S. is owned by family farms either individuals, partnerships, or family corporations. According to the 2017 Census of Agriculture only one percent of the cropland and 1.6 percent of the pastureland was owned by non-family corporations (Savage). Institutions, universities, and reservations own an additional 1.5 percent of cropland and 10.9 percent of pastureland (Savage).

Foreign Ownership at the National Level

At the end of 2020, foreign interests owned almost 37.6 million acres of U.S. agricultural land. This is 2.9 percent of all privately owned agricultural land (USDA, FSA). Foreign land owning increased by 2.4 million acres or 6.8 percent from 2019 to 2020 (USDA, FSA). Foreign ownership of cropland has been growing the fastest especially since 2018.

Nonetheless, as previously discussed much of this land is actually forest land. Forty-six percent or 17.3 million acres of foreign owned land is forested; 29 percent or 10.9 million acres are cropland; and 23 percent or 8.6 million acres are pastureland (USDA, FSA).

Canadian investors own 12.4 million acres or 32.9 percent of all the agricultural land. The Netherlands accounts for 13 percent of the land, Italian interests own seven percent, British interests own six percent and German interests own five percent. China is not a major landowner accounting for 352,140 acres or just under one percent of all foreign owned land (USDA,FSA).

The states with the most acres owned by foreigners are Texas, Maine, and Alabama. The land owned by foreign interests in these states is primarily forested. This is also the case for Michigan.

Foreign Ownership in Michigan

Most of the foreign owned agricultural land is in the Upper Peninsula, especially in the Western Counties in the Upper Peninsula. Including forestland, there were 24.1 million acres of privately owned agricultural land, of which 1.4 million acres or 5.7 percent of the total were owned by foreign interests. Of this amount 84.9 percent is forestland. Foreign ownership of Michigan agricultural land increased by 20,649 acres between 2019 and 2020 (USDA,FSA). The Netherlands is the largest owner in Michigan at 458,436 acres followed by Canada at 359,679 acres. These two countries account for 59.7 percent of all foreign ownership.

According to the Michigan Agricultural Statistics Service, Michigan has approximately 9.7 million acres of land devoted to farming. Overall, foreign entities own 172,783 acres of cropland, 2,844 acres of pastureland and 23,052 acres of other farmland, for a total of 198,679 acres. This is slightly more than two percent of the total farmland in the state. Table 1 shows those counties with 3,000 or more acres of land used for farming owned by foreign interests. Some of the land classified as other agricultural land may be forestland.

Table 1: Counties with the Most Farmland Owned by Foreign Interests

County	Cropland	Pastureland	Other Agricultural Land	Total	Largest Land Owning Country
Gratiot	43,811	117	5,811	49,739	Italy
Huron	17,484	21	120	17,625	Italy
Lenawee	24,067	55	2,695	26,817	Germany
Muskegon	10,116	0	5,726	15,842	Italy
Saginaw	7,111	137	949	8,197	Italy
Shiawassee	31,192	24	1,366	32,582	Canada
St. Clair	10,114	389	1,341	11,844	Italy
Van Buren	4,317	0	127	4,444	Not Identified

The counties account for 167,090 acres or 84.1 percent of all the farmland that is owned by foreign entities. Perhaps the most interesting thing about Table 1 is the fact that the Italians own more farmland than another other nationality. Canadian and Dutch interests own most of the forestland. Despite some concerns about Chinese ownership, little, if any, farmland in Michigan is owned by Chinese interests.

Concluding Thoughts

While it is too early to tell there may be increased immigration of foreign farmers to the U.S. as a result of policies enacted by foreign countries especially in the European Union and Canada. Canada has unveiled a plan that would reduce nitrogen emissions by 30 percent by 2030 (Hoffman). Irish farmers are expected to be required to reduce their carbon emissions by at least 22 percent (Power).

In June of 2022, the Dutch government unveiled a plan that would reduce nitrogen emissions by 50 percent by 2030. This could reduce livestock numbers in that country by 30 percent (Nugent). While a

small country, the Netherlands is an agricultural powerhouse. In dollar terms it is the world's second largest agricultural exporter (Nugent). These policies, especially if they are coupled with payments to farmers to leave the industry could encourage emigration to the U.S. Ireland is another country whose farmers are facing a more restrictive regulatory environment.

While foreign ownership of farmland is increasing it is increasing from a very low base. In Michigan, U.S. interests own about 98 percent of the farmland. Most foreign owned agricultural land is actually forestland. China is not a major owner of land in the U.S. or in Michigan, it appears to have more interest in buying land in Africa. Nonetheless, there may be an increase in the number of farmers from foreign countries moving to the U.S. resulting from policies that restrict agricultural practices in those countries. Some of these farmers may move to Michigan.

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