

# The Agriculture Letter

Insight and Analysis for Agribusiness Leaders

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Dear Client:

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Purchase of farmland near a U.S. Air Force base in Grand Fork, N.D., by a Chinese company in 2021 has raised concerns among U.S. lawmakers.

**FARMLAND** Lawmakers are wary that such purchases may lead to China gaining control over significant aspects of U.S. infrastructure, especially in sectors like agriculture and energy... despite China being one of America's major trading partners.

China has been increasingly buying U.S. land and stakes in major U.S. companies. Potential control by the Chinese government through these corporations, or a risk of information access is of significant concern.

Growing apprehension against these acquisitions is associated with larger geopolitical tensions between the U.S. and China on issues such as Taiwan, trade and intelligence gathering. These acquisitions are considered potentially risky, irrespective of their nature or scale.

Uncertainties are partly due to a lack of data regarding the location of these lands, specifically in relation to military bases. The government approving agency claimed it couldn't act on the North Dakota case as it fell outside of its jurisdiction. Some propose a pause on Chinese purchases until more data is available.

Facts and figures: China owns less land in the U.S. than top foreign investors like Canada, Netherlands, Italy, the U.K. and Germany. However, China's robust rise and differing strategic goals from the U.S. have led to questions about who really controls this land.

Over 80% of Chinese-owned land in the U.S. is held by Smithfield Foods and a Chinese billionaire named Sun Guangxin. Smithfield Foods, a U.S. meatpacking company, was purchased by the Chinese pork company WH Group in 2013.

Chinese entities owned 0.94% of the total number of acres owned by foreigners in 2021 and 0.03% of total privately owned agricultural land in the United States.

Despite USDA tracking foreign purchases, it does not investigate the purchases and can only impose penalties for late, incomplete or false filings. Recently, lawmakers have raised concerns about the delay and self-reported nature of the data.

Several bills have been proposed in Congress to limit such foreign acquisitions, especially near military bases. But others say lawmakers need to ensure their measures don't lead to backlash against Asian Americans.

Bottom line: As of January 2023, 14 states, mostly in the Midwest and Great Plains, prohibited or restricted foreign ownership of agricultural land. Some 29 states expressly allow foreign entities to own agricultural land and seven are silent on the issue.

## FARMLAND PURCHASES

- Overall, foreign entities own just a tiny fraction of all U.S. land. They account for just over 3%... or 40 mil. acres... of all privately held agricultural land in the U.S., as of 2021.
- Canadian investors own the largest amount... 12,845,210 acres, or slightly less land than the size of West Virginia... much of it forestry land used for timber production.
- Chinese investors owned an even tinier fraction... around 384,000 acres, according to 2021 data requested by NPR. In fact, based on that data, Chinese land holdings account for less than 1% of farmland in any given state where there have been purchases.
- Three large entities... Sun Companies, Smithfield Foods and Walton International Group, a global land investment firm... own large parts of Chinese-bought land.
- Sun owns about 40% of Chinese-owned land in the U.S., over 100,000 acres of land in Val Verde County, Texas, through his two companies: Brazos Highland Properties and Harvest Texas. The company planned to build a wind farm but after purported ties to the Chinese military, he was denied permission to proceed with his wind farms.

Source: NPR

TRADE  
POLICY

Should U.S. trade policy focus on balanced trade? Robert Lighthizer, former U.S. Trade Representative under the Trump administration, has written a book titled *No Trade is Free*. It offers a blueprint for the potential economic policies of a second Trump term, elaborating on the “America First” agenda.

Lighthizer advocates an expansion of tariff wars and aggressive postures with global trade partners. He believes both Trump and Biden administrations have been encouraging American manufacturing and taking stringent action against Beijing’s trade policies.

The book outlines potential strategies for U.S./China relations, proposing a “strategic decoupling” rather than the “de-risking” proposed by the Biden administration. This would involve increasing tariffs on Chinese goods until a balanced trade is achieved, reviewing new investments between the two economies for national security and economic competitiveness reasons, and advocating for the banning of specific Chinese tech and media firms such as TikTok in the U.S.

While noting these steps would raise costs for American businesses and consumers and strain international relationships, Lighthizer insists that it is necessary to curb China’s rise and rebuild American manufacturing.

He also criticizes the World Trade Organization (WTO), suggesting a reform plan. He does not spare U.S. allies, arguing many allies conduct practices that unfairly affect American producers.

Lighthizer supports some bipartisan policies, such as a carbon border adjustment and changing the *de minimis* tariff threshold.

WOTUS  
RULE

WOTUS update. Texas, Idaho, and some industry entities have appealed to a federal judge to reject the Biden administration’s new definition of the “Waters of the U.S.” (WOTUS) rule. They believe the rule should be invalidated due to a May decision from the U.S. Supreme Court that weakened federal authority to safeguard wetlands... a ruling known as *Sackett v. EPA*.

These appellants filed a motion for summary judgment on June 28, declaring all components of the Biden administration’s rule inconsistent with the *Sackett* decision. They assert that the rule is unsupported by the plain language of the Clean Water Act, can’t be constitutionally defended and contradicts Supreme Court precedent. They want immediate implementation of *Sackett* to guide jurisdictional decisions, pending the promulgation of a new rule that aligns with it.

Biden administration strategy: Anticipating the court ruling might stimulate more state-level lawsuits against the EPA’s WOTUS rule, EPA plans to amend the rule by Sept. 1.

AG  
ECONOMY

Survey shows production costs a concern for ag economists. The Ag Economists’ Monthly Monitor, a new survey of nearly 50 agricultural economists from across the country, is a joint effort between the University of Missouri and *Farm Journal*. The June monitor shows the perceived financial health of U.S. agriculture has moved slightly lower over the past year, and economists expect that trend to continue over the next 12 months.

Highlights from the first Ag Economists’ Monthly Monitor include:

- Perceived financial health of U.S. agriculture is trending lower and is expected to continue to decline over the next 12 months.
- Production costs, global competition, geopolitical risks, drought and demand headwinds are among the main drivers.
- A majority of agricultural economists expect farm income to drift lower, with some expecting levels to land closer to the five-year average in 2024.
- High production expenses are the biggest obstacle in 2023.
- 2023 crop yield estimates vary widely among the economists surveyed.
- Economists expect crop prices to drift lower in 2023 and 2024.
- Beef cow supplies are forecast to continue to decline this year.

Note: The survey is conducted anonymously to allow the highly respected agricultural economists to speak more openly about their economic and production forecasts.

RUSSIA  
WHEAT

Moscow is intensifying its control over the global wheat market following Russia’s invasion of Ukraine. Meanwhile, Russian Foreign Minister Sergei Lavrov described the West’s attitude to the Black Sea grain deal as “outrageous,” noting if leaders were worried about global food security, they would unblock Russian fertilizer supplies frozen at European ports.

**PLANTED  
ACRES**

Farmers planted a lot more corn and far fewer soybeans than intended in March. Combined corn and soybean acres declined 1.9 mil. acres from March intentions to 177.6 mil. acres, whereas traders expected seedings to be virtually steady.

USDA estimated corn plantings at 94.096 mil. acres, up 2.1 mil. acres from March intentions and 2.243 million acres more than traders expected.

USDA estimated soybean plantings at 83.505 mil. acres, down 4 million acres from March intentions and 4.168 mil. acres less than traders expected.

USDA estimated total area planted to principal crops at 318.7 mil. acres, up 600,000 acres from March and 6.6 million acres more than producers seeded in 2022. Total crop acreage is the most since 319.3 mil. in 2018.

Big swing in acres from March means more focus on FSA certified acreage, which will start to be released in August. Because the June acreage figures were off so much from what farmers indicated in March, there could be larger adjustments to acreage estimates once the certified acreage data is calculated.

**MARKETS**

Corn: Corn plantings jumped 5.517 mil. acres from last year. USDA estimates harvested acres at 86.322 mil... 91.7% of plantings. Of the top 12 production states, only Kansas planted fewer acres to corn than intended in March, with plantings unchanged in three states... Indiana, Michigan and Nebraska. Sharp increase in planted acres versus March intentions gives corn some "cushion" to offset any yield reductions due to drought impacts.

Soybeans: USDA pegs harvested acreage at 82.696 mil. acres... 99.0% of plantings. None of the top 13 production states planted more soybeans than intended... S.D. matched intentions.

Wheat: USDA estimated other spring wheat plantings at 11.140 mil., up 570,000 acres from March intentions and 632,000 acres more than traders expected. Spring wheat plantings increased 300,000 acres from March intentions in North Dakota... 5.6 mil. acres... and 100,000 acres in Montana... 2.8 mil. acres. Only Minnesota and Washington planted fewer other spring wheat acres than intended in March. USDA estimated durum wheat plantings at 1.483 mil. acres, down 297,000 acres from March intentions and 291,000 acres less than trades expected.

Sorghum: Planted acres increased sharply from intentions as USDA estimated producers planted 6.805 mil. acres, up 830,000 acres from March. The switch to sorghum was likely triggered by drought in the Southern Plains. Kansas producers increased sorghum plantings by 150,000 acres, while Texas producers increased seedings by 500,000 acres.

Rice: Area planted to U.S. rice in 2023 is expected to total 2.69 mil. acres, up 21% from 2022. Area for harvest is forecast at 2.65 mil. acres, up 22%. Planted acreage in Arkansas, the largest long grain rice-producing state, is expected to be up 15% from last year.

Nationally, medium grain acres increased by 70% from 2022. California, the largest medium and short grain-producing state, increased medium grain acres by 98% in 2023 and increased short grain acres by 10%.

Cotton: USDA estimated all cotton plantings at 11.087 mil. acres, down 169,000 acres from March intentions and 113,000 acres less than traders anticipated. Texas planted 118,000 fewer acres to cotton than intended in March. USDA's first harvested acreage estimate for cotton will be released in the August Crop Production Report.

Cattle/Beef: USDA's Cattle on Feed Report showed feedlot supplies contracted vs. last year for a 10th straight month. Production will likely increase as cattle weights rise during the second half of the year, whereas climbing consumer prices are likely to slow demand. But a late-summer surge in wholesale prices similar to that of 2021, along with a fresh cash cattle rally, can't be ruled out.

Hogs/Pork: USDA signaled producers aren't ready to start expanding the herd. The Hogs & Pigs Report estimated June 1 U.S. hog herd at 72.394 mil. head, up 80,000 head from last year and 586,000 head more than the average pre-report estimate implied. The breeding herd was 0.4% smaller than last year but market hog inventories increased 103,000 head. Analysts say the increase in pig crop size is a short-term occurrence, not a change in pattern. Hog slaughter should run about even with year-ago during the second half of the year, though it could inch slightly above last year's levels from mid-summer through year-end.

HOG  
REGS

New Jersey weighs new plan to ban pig crates. New Jersey legislators have approved a ban on gestation cages commonly used to confine pregnant pigs, sending the bill to Gov. Phil Murphy. This comes about ten years after his predecessor, Chris Christie, vetoed a similar proposal. The new legislation would obligate the New Jersey Department of Agriculture to implement new rules requiring that pork sold in the state come from pigs born to mothers who had a minimum of 24 square feet of space and were able to lie down and turn around.

Although there aren't many large pig farms in New Jersey, animal rights advocates argue this move would better the conditions for the country's 6 mil. breeding sows, many of whom spend a considerable part of their pregnancies in restrictive metal gestation cages.

Animal rights activists are hopeful Gov. Murphy will sign the legislation, which they assert has the backing of over 93% of New Jersey residents. They also argue that cage confinement leads to a higher prevalence of diseases among sows and piglets, posing potential risks to humans.

This follows a decision by the U.S. Supreme Court to uphold California's Proposition 12, requiring all pork sold in the state to meet similar standards regarding the treatment of pregnant pigs, despite challenges from the pork industry.

The U.S. pork industry, a sector worth \$26 bil. annually, has opposed such bans, claiming that they necessitate costly overall industry changes, which will increase pork prices nationwide. They also argue that these laws put an undue financial strain on pork producers in other states, as states with gestation cage bans import the majority of their pork.

A nationwide ban on pig gestation crates is being proposed by some Dems in Congress, but has been met with opposition from House Republicans in Midwest states who have introduced a counter bill to repeal agricultural commerce restrictions.

The Biden administration sided with pork producers in the legal challenge against California's Pro 12, claiming it disrupts the national pork market.

SMOKE &  
YIELDS

Is smoke from wildfires affecting crop yields? Dr. Mark Jeschke, Agronomy Manager for Corteva's Pioneer, says:

- Wildfires in western North America have gotten worse in recent years and will almost certainly continue to increase in frequency and intensity.
- In the Corn Belt region, noticeable levels of smoke in the air during summer and fall have now become commonplace.
- The potential impact of wildfire smoke on crop growth is complex and involves competing effects that can both enhance and suppress photosynthesis.
- There are three primary factors associated with wildfire smoke with the capability to directly impact crops: reduced total solar radiation and elevated ozone, which are both negative, and increased diffusion of solar radiation, which could potentially be positive.
- Based on what is known about the effects of reduced solar radiation and ozone on crops, it's very plausible that wildfire smoke could cause reductions in crop yields.
- The effects of wildfire smoke on both agricultural and natural ecosystems are likely to be an active area of research in coming years, as smoky days become more common.

CHINA

China's sow herd declines. China's sow herd declined 0.6% in May from the previous month to 42.58 mil. head, according to the country's ag ministry. However, the sow herd was still 1.6% larger than May 2022. China's hog slaughter in May jumped 11% from year-ago. China's hog slaughter through the first five months of this year topped year-ago levels by 9.9%.

CFTC

The hunt for fraud in carbon markets deepens with new CFTC unit. The regulator is establishing a new enforcement task force to combat environmental fraud in both derivative markets and carbon credit markets.

Best regards,

*The Ag Letter Editors*  
THE AGRICULTURE LETTER EDITORS

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