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Foreign Ownership of U.S. Farmland: Much Concern, Little Data. CED-78-132; B-114824. June 12, 1978. 13 pp. + 8 appendices (65 pp.).

Report to Sen. Herman E. Talmadge, Chairman, Senate Committee on Agriculture, Nutrition, and Forestry; by Robert F. Keller, Acting Comptroller General.

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Authority: Foreign Investment Study Act of 1974 (P.L. 93-479; 88 Stat. 1450). International Investment Survey Act of 1976 (P.L. 94-472; 90 Stat. 2059).

In response to a congressional inquiry, information was compiled on State laws that place constraints or reporting requirements on ownership of farmland by nonresident aliens and on data collected as a result of State reporting requirements. There is virtually unanimous agreement among persons at all levels of government and in the private sector that there is, currently, no reliable data on the amount of U.S. farmland owned by nonresident aliens or on recent trends of such ownership. Findings/Conclusions: In the aggregate, State laws do not significantly inhibit foreign ownership of land. The laws range from general prohibitions on such ownership to a total absence of provisions dealing with this subject. As of May 1978, 25 States had laws that placed some constraints on aliens acquiring or holding farmland. Nine States had laws that generally prohibit or restrict individual alien investors residing outside the United States from owning real estate in their names. The States have collected very little data on foreign ownership of farmland. Only two States--Iowa and Minnesota--require nonresident aliens to file annual reports on their agricultural landholdings. In a survey of the 50 States, 18 indicated that foreign investment was not an actual or potential problem while 10 States felt that it could become a problem in the future. County records provided little information on foreign investment in county farmland, and local authorities expressed differing views about the implications of nonresident aliens' purchases of farmland. Recommendations: The Senate Committee on Agriculture, Nutrition, and Forestry should request the Department of Commerce to adjust its reporting requirements to specifically identify farmland and include such information in its report to the Congress. (ERS)

7090

REPORT BY THE

Comptroller General

OF THE UNITED STATES

Foreign Ownership Of U.S. Farmland--Much Concern, Little Data

This report is in response to a request from the Senate Committee on Agriculture, Nutrition, and Forestry for information on (1) State laws on foreign investment in U.S. farmland, (2) availability of data on this subject at State and county levels, and (3) alternatives for a nationwide data collection system.

Twenty-five States had laws that placed some constraints on foreign ownership of land; 25 States did not. In the aggregate, State laws do not significantly inhibit foreign ownership.

Information indicates that at least 44,700 acres (0.3 percent) of total county farmland in 25 counties in 5 States GAO visited were owned by nonresident alien interests. Reliable data is difficult to obtain.

Current or planned Federal data collection efforts are not encouraging. Of the alternatives considered, GAO believes a Federal registration system, similar to the current resident alien registration system, may be the simplest and best means for obtaining nationwide data.



GED-78-132
JUNE 12, 1978



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

Dear Mr. Chairman:

By letter dated February 28, 1978 (app. VII), you asked us to (1) obtain information on State laws that place constraints or require reporting on ownership of farmland by nonresident aliens, (2) obtain any data collected as a result of State reporting requirements or available from other sources on foreign ownership of land, and (3) provide observations on possible approaches or follow-on initiatives for obtaining nationwide data on purchases of U.S. farmland by foreigners. You also asked us to determine whether any information was available at the county level to indicate the magnitude of foreign investment in farmland. The Chairman of the Subcommittee on Agriculture, Rural Development and Related Agencies, Senate Committee on Appropriations, expressed a similar interest (app. VIII).

Before receiving your request, we had made some preliminary inquiries on the subject of foreign investment in U.S. farmland. As we reported to you on March 17, 1978, very little aggregate data exists about the ownership of U.S. real estate; there is no national system for obtaining such information; and, although some Federal studies have been made and other efforts are underway, the data produced to date is very fragmentary and inconclusive. The results of our preliminary inquiries are included as appendix VI in this report.

In response to your request, we solicited information from each State's Governor; visited six States (California, Georgia, Illinois, Kansas, Missouri, and Oklahoma) and 25 counties; talked with legislators, State and county officials, lawyers, brokers, farmers, and other agricultural experts; and reviewed various State and county records. We also held discussions with various Federal officials. A detailed description of the scope of our work is in appendix I.

The results of our review are summarized below and are discussed in more detail in appendixes II through V.

LIMITED IMPACT OF STATE LAWS ON
FOREIGN INVESTMENT IN U.S. FARMLAND

In the aggregate, State laws do not significantly inhibit foreign ownership of land. The laws range from general prohibitions on such ownership to a total absence of provisions dealing with this subject. There are so many different provisions, exceptions, and stipulations that even classifying the laws into general categories is difficult. These differences seem to mirror the diversity of State perceptions as to whether foreign ownership of land constitutes a present or potential problem in the State.

Classification of State laws

As of May 1978, 25 States had laws that placed some constraints on aliens acquiring or holding farmland. As summarized below and discussed in more detail in appendix II, some of these laws had more than one type of restriction or requirement. Also, 13 States had laws that placed restrictions on corporate ownership of U.S. farmland.

	<u>Number of States</u>
Restrictions on alien ownership of U.S. farmland	25
General prohibition or major restrictions on nonresident alien ownership of land	9
Restrictions on size of landholdings or duration of ownership	11
Restrictions on inherited land	9
Restrictions on acquisition of State property	4

Other minor restrictions on ownership	6
No restrictions on alien ownership of U.S. farmland	25
Restrictions on corporate ownership of U.S. farmland	13

Some of the restrictions were major, while others were minor and seemed to be of little practical importance in deterring alien investment in U.S. land.

The nine States that have laws that generally prohibit, or restrict in a major way, individual alien investors residing outside the United States from owning real estate in their names are Connecticut, Indiana, Kentucky, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, and Oklahoma. Most of these States have some exceptions to the general provisions on nonresident aliens, and some have limitations on ownership of land by resident aliens.

Five States have laws that limit the total acreage that aliens can acquire or hold. These are Iowa, Missouri, Pennsylvania, South Carolina, and Wisconsin. The limits range from 5 acres to 500,000 acres. Six States (Illinois, Indiana, Kentucky, Mississippi, Nebraska, and Oklahoma) have laws that restrict aliens from owning land for more than a specified time. Illinois permits aliens to acquire land, either by purchase or inheritance, but requires them to dispose of it within 6 years. The other five States require aliens to dispose of all or part of their landholdings within specified times if they do not become U.S. citizens or, in the case of Oklahoma, U.S. citizens or residents of the State.

The laws of the 13 States that restrict corporate ownership of real estate vary in complexity and degree of severity--some apply to all corporations (regardless of whether aliens are involved); others apply only to corporations that have alien interests behind them.

Pertinent excerpts from and citations to the laws of individual States are shown in appendix V.

Ten States (Alabama, California, Georgia, Illinois, Iowa, Kansas, Nebraska, Ohio, Oklahoma, and Wisconsin)

told us of proposed legislation, at the time of our review, that would place additional constraints on foreign ownership of their land or would require periodic reporting of such landholdings. Most of these States already have laws containing some restrictions on foreign ownership of land.

Even recognizing the proposed additional legislation, our overall impression is that effective control or monitoring of foreign investments in U.S. farmland through State legislation is a long way off.

Data collected by States

The States have collected very little data on foreign ownership of farmland. Only two States (Iowa and Minnesota) require nonresident aliens to file annual reports on their agricultural landholdings. These two States and Nebraska also require corporations with agricultural landholdings to file annual reports identifying the names and addresses of alien shareholders. Vermont also provided some information on the amount of farmland purchased by nonresident aliens in certain counties. Data obtained from these four States is as follows.

--Iowa reported that 23 nonresident aliens owned about 7,000 acres in 1977, and that 6 of 13 corporations with at least 5-percent alien ownership owned about 2,100 acres. (Data was not available for the other seven corporations.) The 9,100 acres represents 0.03 percent of Iowa's farmland.

--Minnesota reported that about 28,200 acres (0.09 percent of Minnesota's farmland) were owned or leased in 1976 by nonresident aliens or by business entities with at least 10-percent alien ownership.

--A Nebraska official said that no landholdings were reported under its requirement.

--Based on a limited survey, Vermont reported that nonresident aliens bought 951 acres, or about 20 percent, of the 4,746 acres of farmland that were sold in 4 of its 14 counties during 1976 and 1977.

There is no basis for concluding whether the above data provides a good clue as to the nationwide situation.

How foreign investment in U.S. farmland is perceived by State governments

We asked the State Governors whether their States consider foreign investment in farmland to be an actual or potential problem and the reasons for this belief. The results of this survey are summarized below and discussed in more detail in appendix II.

	<u>Number of States</u>
Not an actual or potential problem	18
Could become a problem in the future	10
Is a problem (or limited problem) at this time	2
No official position--but some legislators and citizens are concerned	7
Mixed views	2
Not enough information for opinion or no response	<u>11</u>
Total	<u>50</u>

States that viewed foreign investment in their farmland as a potential problem generally cited one or more of the following reasons.

- Foreign investors might drive up the price of farmland beyond the reach of local residents.
- Too much foreign investment could eventually enable foreign interests to gain some control of the available farmland, especially prime agricultural lands. They could then gain some control over food production and possibly food prices.

--Too much foreign investment could adversely affect the future of small family farms.

Most of the States that did not consider foreign investment to be a current or potential problem did not provide any insight into the reasons for their belief. Others said that

--data was lacking or that available data did not indicate a problem,

--foreign investment could benefit agriculture expansion,

--the matter was primarily an emotional issue,

--the issue has been blown out of proportion, and

--farmland prices were being driven up by farmers bidding against each other just as much as by foreigners bidding for land.

DIFFICULTY OF FINDING OUT WHAT IS HAPPENING IN COUNTIES

We visited 25 counties in 5 States to see what kind of information was available on foreign land purchases and to obtain data on the extent of such purchases in those counties. The results of these visits are discussed in appendix III. We came away with the opinion that, generally, county public records are not a useful source of information on foreign investment in county farmland. We were able to obtain some information on the subject from other sources and check it out through various means; however, the completeness of the information is uncertain and its collection depended largely on the knowledge and cooperation of various private and public firms, agencies, and officials.

In trying to obtain information about recent purchases of farmland by nonresident aliens, we talked with persons who, because of their jobs or positions, we thought would be knowledgeable about their county in general and farmland transactions within that county in particular. These persons included county court clerks and tax assessors; members of county committees involved with certain Department

of Agriculture activities; real estate agents, brokers, and appraisers; bankers and employees of other types of lending institutions; title insurance companies; local farmers; and others.

We asked these persons for any information they had on specific instances of farmland purchases within their respective counties by nonresident aliens since January 1976. We tried to verify any information obtained by reviewing available public records. We had no means of checking the completeness of the information obtained and therefore cannot say what proportion of all purchases or of all foreign purchases of land in each county was identified.

Also, in cases where the owners of record were corporations or other business entities, we could not identify the beneficial owners of the farmland (for example, the stockholders of a corporation). We therefore considered such farmland to be foreign owned if the corporations were either incorporated in a foreign country or listed foreign addresses for one or more officers or directors. Included in this category were corporations listing addresses in places with significant tax advantages such as the Netherlands Antilles. It is possible, however, that some of these corporations may be totally owned by U.S. citizens.

Identification of farmland owned by nonresident aliens in selected counties

The information we obtained for the selected counties is summarized below by State and is discussed in more detail in appendix III.

<u>State</u>	<u>Number of counties</u>	<u>Total farmland acres in counties</u>	<u>Information indicates foreign ownership</u>	
			<u>Number of acres</u>	<u>Percent of total acres</u>
California	3	7,367,730	8,786	0.1
Georgia	11	1,611,010	24,239	1.5
Kansas	3	771,000	2,678	0.3

<u>State</u>	<u>Number of counties</u>	<u>Total farmland acres in counties</u>	<u>Information indicates foreign ownership</u>	
			<u>Number of acres</u>	<u>Percent of total acres</u>
Missouri	3	1,055,143	9,013	0.8
Oklahoma	<u>5</u>	<u>5,342,872</u>	<u>0</u>	0.0
Total	<u>25</u>	<u>16,147,755</u>	<u>44,716</u>	0.3

Further information on these transactions and on additional scattered land transactions in these States is presented starting on page 25 of appendix III.

Because information is not available for determining whether the above data is representative of foreign investments in the counties visited, the information we were able to gather could be only the "tip of the iceberg"; on the other hand, it could represent a conservative approximation of the situation in the counties involved.

Impact on land prices

We also acquired or developed some data on the prices nonresident aliens paid for farmland in several counties, but we could not determine to our satisfaction whether these prices were on target or were considerably higher or lower than prevailing market prices for comparable property in those locations. Sales prices generally were not recorded on the property deeds we reviewed. For some sales in Georgia, we estimated sales prices on the basis of the transfer tax and other information shown on property deeds.

For example, the estimated prices paid by nonresident aliens for 17,400 of the acres we identified in six counties in east central Georgia ranged from \$305 to \$717 an acre. According to county sources, the average price of farmland in these counties ranged from \$300 to \$500 per acre--the better land costing more. Elsewhere in Georgia, prices paid for about 6,000 acres by nonresident aliens ranged from \$925 to \$3,155 an acre, compared with average prices ranging from \$600 to \$1,000 an acre. Another example showed domestic investors paying about \$150 an acre less for comparable land than a foreigner.

In one case in Kansas where we could determine the price of foreign owned farmland, the price per acre was about \$40 less than the average price paid by domestic purchasers in eight sales of generally comparable land.

Opinions of local authorities and others
regarding foreign ownership of farmland

Local authorities and others expressed differing views about the implications of nonresident aliens purchasing farmland. Some were concerned that foreign purchases might pose a potential problem; some believed that problems already have surfaced; and others said that such investment was beneficial. Nearly all of the persons we talked with had heard rumors about nonresident aliens purchasing farmland, either in their areas or elsewhere, but none of them knew the extent of such investment in their particular localities. More information on local views is presented starting on page 36 of appendix III.

OBSERVATIONS ON CURRENT
EFFORTS AND ALTERNATIVE INITIATIVES

There is virtually unanimous agreement among persons at all levels of government and in the private sector that, currently, there is no reliable data on the amount of U.S. farmland owned by nonresident aliens or on recent trends of such ownership. Such information would be very helpful to the Congress if it wishes to formulate and implement a national policy on nonresident aliens owning farmland in the United States. Clearly, efforts need to be started now to produce useful and meaningful information.

Federal efforts

Several Federal efforts touching on this subject have been started or planned. They are summarized below and discussed in more detail in appendix IV.

- A planned Department of Agriculture feasibility study of ways to obtain nationwide land ownership data. (This has still not gotten off the ground because of funding problems.)

- A Department of Agriculture questionnaire-type survey designed to obtain data on the characteristics of landowners and land users.
- A Department of Commerce effort (by its Office of Foreign Investment in the United States) to identify all types of foreign investments in the United States, including those in the agriculture area.
- A Department of Commerce effort (by its Bureau of Economic Analysis) to require all nonresident alien firms and individuals owning or leasing at least 200 acres of real estate to report the particulars of such landholdings.
- A Department of Commerce effort (by its Bureau of the Census) to obtain information on nonresident alien owners of farmland through the 1979 Agriculture Census.

The results of Federal ongoing and planned efforts for obtaining useful data on foreign investment in U.S. farmland are not encouraging.

Recommendation

The effort planned by the Department of Commerce's Bureau of Economic Analysis to identify certain real estate owned or leased by nonresident alien firms and individuals will not separately identify the amount of farmland acres included in the total acreage reported. We suggested to Commerce officials that such a breakout of data would be useful to the Congress, but the officials told us that they do not plan to do this. We therefore recommend that your Committee request the Department of Commerce (1) to adjust its reporting requirements to specifically identify farmland and (2) include such information in its report to the Congress.

Alternative new approaches

Following are some observations on various approaches that have been suggested for obtaining information on nonresident alien investment in U.S. farmland. Before any system is instituted, a number of related legal, procedural and

coordination issues need to be addressed. These are discussed below and in appendix IV.

1. As a condition for any individual or entity receiving any benefits through Federal rural/agricultural programs, they could be required to first register their alien status and the acreage they own or lease at the county Agricultural Stabilization and Conservation Service office. This approach has the advantage of being an all-Federal system which should reduce legal and coordination difficulties. It also has a built-in compliance factor for those benefiting or planning to benefit from such programs. A disadvantage would be that all foreign owners of farmland may not participate in, and some may choose to disassociate themselves from, such Federal programs.

2. As part of a mandatory process of recording land transfer transactions at the county level, new land owners or their agents could be required to identify on a data processing card the alien status and acreage of such ownership. This information could be routed through the States to a central Federal point for tabulation and annual reporting. This would not provide data on existing land ownership. It would require close cooperation of all States and counties, changes in State laws and county ordinances, and uniform data collection and reporting systems. A major advantage would be that information would automatically be generated on all purchases by foreigners.

3. Another approach would be to require that all parties customarily involved in real estate transfers report on any land acquisitions involving foreign interests. Major drawbacks would include uncertainty that all foreign acquisitions have been identified, the large number of data collection points, the probability of much duplication, and the probable strong opposition from nearly everyone concerned in collecting the data. Also this would not provide data on existing land ownership.

4. Periodic and extensive surveys, using scientific sampling techniques and centralized controls, might provide data that could be projected on a nationwide basis. The design and implementation of such an approach could present serious problems, and the resulting data may not be entirely satisfactory.

5. Of the alternatives considered, the most feasible and simplest approach may be to federally legislate a nationwide registration system for foreign owners of U.S. land. Such a system could be generally similar to the alien resident registration system currently used by the Immigration and Naturalization Service--which requires card-type reports to be submitted annually by resident aliens through post offices to a central Federal point. Such a system would place the reporting burden on the landowners (or their agents), would require relatively little involvement by State or county governments, would be conceptually simple, and would provide data on current ownership, rather than only subsequent farmland transfers. The usefulness of such a system would depend on the completeness of the information reported.

Any system used would require the resolution of any problems caused by constitutional and legal issues, and also should include the following.

- Standard definitions of terms and clear reporting criteria.
- Stipulations that only data on foreign investments in farmland would be collected.
- Criteria as to the minimum number of acres to be reported.
- Use of a standard card-type form to facilitate data processing.
- Meaningful incentives or penalties to insure submission of full and accurate data.

We trust the foregoing information will be useful to your Committee. We plan to consult further with your Committee to decide on a future role for our Office in this area of concern.

To expedite reporting, we did not follow our normal practice of obtaining formal agency comments on the matters discussed in this report.

As arranged with your office, we are furnishing copies of this report to interested congressional committees, Members of Congress, and others.

Sincerely yours,


ACTING Comptroller General
of the United States

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INTRODUCTION

Foreign ownership of U.S. real estate, particularly farmland, has recently received a great deal of public attention. The news media has been giving extensive coverage to stories which indicate that citizens of other countries are buying large tracts of U.S. farmland. Members of Congress, State legislators, and landowners from farming States have expressed concern about the increase in absentee foreign landowners' holdings in their States.

Because of this growing concern, the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry asked us, by letter dated February 28, 1978, to (1) obtain current information on State laws that place constraints on ownership of farmland by nonresident aliens or that require any kind of reporting on such ownership, (2) obtain any specific data that may be available from any State having reporting requirements related to such laws or any State analyses of foreign land investments or ownership, and (3) provide observations on possible approaches or follow-on initiatives for obtaining nationwide data on purchases of U.S. farmland by foreigners. In addition, he asked us to select a few agricultural counties in several States and make inquiries to determine whether any information was available at that level to indicate the magnitude of foreign investment in farmland in those counties.

The request was endorsed by the Chairman of the Subcommittee on Agriculture, Rural Development, and Related Agencies, Senate Committee on Appropriations.

Before receiving this request, we had made some preliminary inquiries to obtain insight into the availability and depth of information on foreign investment in U.S. farmland and to identify and summarize the legislative and executive actions that had been taken, or were underway or planned, to improve the data base on farmland ownership. As part of that work, we visited Iowa and obtained information on the results of its law which requires nonresident aliens to annually report their agricultural landholdings in that State.

The results of our preliminary inquiries are included as appendix VI. In essence, very little aggregate data exists about the ownership of U.S. real estate. There is no national system for obtaining such information. Although some Federal studies have been made and other efforts are underway, the data produced to date is still very fragmentary and inconclusive.

SCOPE OF REVIEW

We requested information from each State's Governor on State laws and related matters having to do with alien ownership of farmland.

We visited six States (California, Georgia, Illinois, Kansas, Missouri, and Oklahoma) and talked with representatives of various State agencies, State legislators, and persons considered to be experts in agricultural issues. We also reviewed some State records maintained on corporations registered to do business within these States.

We visited the following 25 counties, talked with county officials and others, and reviewed some local land records to determine their potential value as a source of data for a nationwide land ownership recording or reporting system. We were able to obtain some information on the amount of farmland acquired in these counties since January 1976 by non-resident aliens, but we have no way of knowing how complete the information is.

California (3)
Fresno
Kern
Tulare

Kansas (3)
Atchison
Doniphan
Leavenworth

Georgia (11)
Baker
Decatur
Dougherty
Emanuel
Jefferson
Jenkins
Johnson
McDuffie
Seminole
Sumter
Washington

Oklahoma (5)
Beaver
Cimarron
LeFlore
McCurtain
Texas

Missouri (3)
Mississippi
New Madrid
Stoddard

We also held discussions with various Federal officials, congressional staff members, and others to obtain information and ideas for clarifying what is happening regarding foreign investment in U.S. farmland.

Approaches used to obtain information on State laws

According to a U.S. Department of Commerce report issued to the Congress in April 1976, 29 States had laws imposing restrictions or reporting requirements on alien landholdings.

Volume 8 of the Commerce report discussed issues relating to foreign ownership of U.S. real estate, including farmland, and included information on pertinent requirements of State laws. The report also identified the States that had no legislative restrictions on foreign investment in real estate.

To obtain more current information on State legal requirements, we sent letters to the Governors of all 50 States and included excerpts from the Commerce report pertaining to their particular State law. We asked the Governors to tell us whether the information in the Commerce report accurately represented their current laws on the subject and, if not, to provide us with updated, complete information. We also asked for any information that was available--as a result of State reporting requirements or otherwise--on the extent and trends of foreign investments in farmland, and on State perceptions of the significance of such investments.

We also requested information on any additional legislative proposals addressing alien ownership of farmland in the State. Ten States provided us information on this. Appendix II includes information furnished us on the potential impact and legislative status of the State bills but we made no attempt to independently determine the likelihood of their enactment.

We received responses from 48 State governments. Arizona and Colorado did not reply but we checked their existing laws through other means. Most of the States reported that their laws were accurately presented in the Commerce report. Some States provided us information clarifying their laws or describing recent changes.

Approaches used to obtain information in selected counties

As part of our effort to obtain information on the content of local land records and the availability of information on farmland owned by nonresident aliens in the 25 counties we visited, we talked with people who we thought might be knowledgeable about farmland transactions in the county. These persons included members of county committees who help administer certain Department of Agriculture programs; county court clerks and tax assessors; real estate agents, brokers and appraisers; bankers and employees of other types of lending institutions; title insurance agents; local farmers; and others.

We asked for any available information (or information sources) on actual purchases of farmland in the counties by nonresident aliens since January 1976. We then tried to verify this information by reviewing available public records. We had no means of checking the completeness of the information obtained and therefore cannot say what proportion of all purchases or of all foreign purchases of land in each county was identified.

Also, in cases where the owners of record were corporations or other business entities, we could not identify the beneficial owners of the farmland (for example, the stockholders of a corporation). We therefore considered such farmland to be foreign owned if the corporations were either incorporated in a foreign country or listed foreign addresses for one or more officers or directors. Included in this category were corporations listing addresses in well known tax havens, such as the Netherlands Antilles. It is possible, however, that some of these corporations may be totally owned by U.S. citizens.

Our review was not intended to be a broad investigation and/or verification of publicized accounts of purchases of farmland by nonresident aliens. Where such indicated purchases had a bearing on the foreign investment situation in the counties we visited, we tried to obtain more information about them; otherwise, we did not.

LIMITED IMPACT OF STATE LAWS ON
FOREIGN INVESTMENT IN U.S. FARMLAND

In the aggregate, State laws do not have a major impact on foreign ownership of land. The laws range from general prohibitions on such ownership to a total absence of provisions dealing with this subject. There are so many different provisions, exceptions, and stipulations that even classifying the laws into general categories is difficult. These differences seem to mirror the diversity of State perceptions as to whether foreign ownership of land constitutes a present or potential problem in the State. Few States have reporting requirements that provide any data on foreign ownership of land, and even in those cases there is little or no assurance that the data is complete and reliable.

Some further legislative efforts are under consideration in some States but, even recognizing these efforts, our overall impression is that effective control or monitoring of foreign investments in U.S. farmland through State legislation is a long way off.

CLASSIFICATION OF STATE LAWS ACCORDING TO
THEIR EFFECT ON FOREIGN OWNERSHIP OF U.S.
FARMLAND

As of May 1978, 25 States had laws that placed some constraints on aliens acquiring or holding farmland; 25 did not. Thirteen States--some in each group--had restrictions on corporate landholdings, which would affect totally American owned corporations as well as those partially or fully owned by aliens.

Despite the many differences in State laws, we classified them into several broad categories, as shown in the following table. The provisions of the laws in each category vary considerably. Some have major restrictions and requirements, while others have minor ones that seem to be of little practical importance in deterring alien investment in U.S. land. Many State laws have more than one type of restriction or requirement. Pertinent excerpts from and citations to the laws of individual States are shown in appendix V.

<u>GAO classifications of State laws</u>	<u>Number of States</u>
Restrictions on alien ownership of U.S. farmland	25
General prohibition or major restrictions on nonresident alien ownership of land	9
Restrictions on size of landholdings or duration of ownership	11
Restrictions on inherited land	9
Restrictions on acquisition of State property	4
Other minor restrictions on ownership	6
No restrictions on alien ownership of U.S. farmland	25
Restrictions on corporate ownership of U.S. farmland	13
<u>General prohibition or major restrictions on nonresident alien ownership of land</u>	

Nine States (Connecticut, Indiana, Kentucky, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, and Oklahoma) have laws that generally prohibit, or restrict in a major way, individual alien investors residing outside the United States from owning real estate in their names. As described below, most of these States have some exceptions to the general provisions on nonresident aliens, and some have limitations on ownership of land by resident aliens.

Connecticut generally prohibits nonresident aliens from owning land, except that nonresident citizens of France have the same rights as resident aliens, who can purchase, hold, inherit, or transmit real estate. All other nonresident aliens may own real estate only for mining or quarrying purposes. Also, the spouse and lineal descendants of an alien owner may inherit and hold real estate of the alien.

Indiana grants aliens who reside in that State and who have declared their intention to become U.S. citizens the right to acquire and hold land the same as U.S. citizens, but they must dispose of land in excess of 320 acres within 5 years of acquisition, unless they become U.S. citizens. All other aliens, including nonresident aliens, may acquire land only by inheritance and must dispose of it within 5 years.

Kentucky permits only those aliens who have declared their intention to become U.S. citizens to acquire land in any manner, but they may lose their right to the land if they do not become citizens within 8 years. Apparently, other aliens, including nonresident aliens, may acquire land only by inheritance and may hold it for only 8 years. An alien who resides in Kentucky may take and hold land for the purpose of a residence or business for a period not to exceed 20 years.

Minnesota amended its law on real property in 1977 to require (with some exceptions) that only U.S. citizens or permanent resident aliens can acquire any future interest in agricultural land. The legislation does not affect the rights of aliens to inherit land, or the rights of citizens of a foreign country to hold land in cases where their rights are secured by treaty; nor does it affect rights to hold land for research or as security for a debt or to gain title in collection of such debt. The legislation permits aliens to retain title to any agricultural land acquired before May 27, 1977.

Mississippi treats resident aliens the same as citizens. Nonresident aliens may not acquire or hold land, except that they may take a lien in land and take title to the land by foreclosing on the lien in which case they must dispose of the land within 20 years. Nonresident aliens who are citizens of Syria or Lebanon may inherit land.

Missouri amended its law on land ownership in May 1978 to prohibit nonresident aliens from

acquiring more than 5 acres of agricultural land for farming, but it permits nonresident aliens to acquire and hold other types of real estate the same as U.S. citizens. The new legislation does not affect agricultural land that nonresident aliens previously owned, as long as the land is held by the present owner.

Nebraska does not permit aliens to hold real estate except within city or village limits and within 3 miles of those limits. Aliens may hold leases in other lands for up to 5 years. Other alien land ownership is prohibited. Nebraska also requires resident and nonresident aliens to sell inherited land within 5 years.

New Hampshire grants an alien resident in the State the same landholding rights as a citizen. A nonresident alien may not hold real estate.

Oklahoma prohibits aliens from holding land unless they are bona fide residents of the State. If a resident alien leaves the State, he must dispose of the land within 5 years. Both nonresident aliens and aliens who are U.S. (but not Oklahoma) residents may inherit land and may acquire title through foreclosure of a lien in their favor, but must dispose of it within 5 years.

Restrictions on size of landholdings or duration of ownership

Five States have laws that limit the total acreage that aliens can acquire or hold. Missouri does not allow nonresident aliens to acquire more than 5 acres of agricultural land for farming. Iowa and Wisconsin limit nonresident alien ownership of land to 640 acres--Wisconsin's limit does not apply to inherited land. Pennsylvania limits alien real estate holdings to 5,000 acres and South Carolina limits aliens and alien-controlled corporation landholdings to 500,000 acres.

Six States have laws that restrict aliens from owning land for more than a specified time. Illinois permits aliens to acquire land, whether by purchase or inheritance, but requires them to dispose of it within 6 years. The other five States (Indiana, Kentucky, Mississippi, Nebraska, and Oklahoma) require aliens to dispose of all or part of their landholdings within

specified times if they do not become U.S. citizens or, in the case of Oklahoma, U.S. citizens or residents of the State. These restrictions are mentioned in the preceding section.

Restrictions on inherited land

Five States (Iowa, Montana, Nebraska, North Carolina, and Wyoming) provide that nonresident aliens can inherit land in their States only if a reciprocal right exists for a U.S. citizen to inherit land in the alien's country. The statutory reciprocity of these States is unilateral in the sense that there is no formal agreement between the State and the foreign government. Kansas prohibits aliens who are not eligible for U.S. citizenship from inheriting property in the State except as provided by a treaty with the United States.

Four states (Indiana, Kentucky, Nebraska, and Oklahoma) that permit aliens to inherit land require that they dispose of it within a specified time as described on pages 7 and 8.

Restrictions on acquisition of State property and other minor restrictions on alien landholdings

Three States (Arizona, Idaho, and Oregon) have laws that restrict individuals from acquiring State land unless they are U.S. citizens or have declared their intention to become U.S. citizens. (Two States--Alaska and Oregon--have some restriction on aliens establishing mineral claims on State land.)

Six States (Arizona, Georgia, Maryland, New Jersey, Virginia, and Wyoming) have other types of minor restrictions which would not likely deter alien investment. Most of these laws generally require that the home country of aliens seeking to buy land be at peace with the United States.

Restrictions on corporate ownership of U.S. farmland

Thirteen States (Iowa, Kansas, Kentucky, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma, South Carolina, South Dakota, Texas, West Virginia, and Wisconsin) have laws that restrict corporate ownership of real estate to some degree. The restrictions vary in complexity and degree of severity--some apply to all corporations

(regardless of whether aliens are involved); others apply only to corporations that have alien interests behind them.

Eight of the 13 States (Iowa, Kansas, Minnesota, Missouri, North Dakota, Oklahoma, South Dakota, and Wisconsin) have laws that seek to exclude most corporations from owning agricultural land or operating farms. Some of these laws provide exceptions for closely held family farm corporations or qualified farming corporations.

Four States (Iowa, Nebraska, Minnesota, and Wisconsin) have laws that either restrict land holdings by corporations (1) with more than a specified percentage of alien ownership, (2) with alien directors or managers, or (3) incorporated outside of the United States, as discussed below.

--In Iowa, corporations incorporated outside the United States, and all other corporations in which half or more of the stock is owned or controlled by nonresident aliens, may enforce a lien or judgment for any debt or liability and may be a purchaser at a sale of Iowa real estate by virtue of such lien, liability, or judgment if all Iowa real estate acquired by such method is sold within 10 years. In all other instances, such corporations are prohibited from acquiring title to or holding Iowa real estate.

--In Minnesota, corporations, with certain exceptions, may not acquire or hold agricultural land if foreign interest in the corporation exceeds 20 percent. This restriction also applies to partnerships, trusts, and other business entities.

--In Nebraska, a corporation may not acquire or hold land outside of 3 miles of any city or village limits (except under certain circumstances) if a majority of its directors are aliens, if its executive officers or managers are aliens, or if a majority of its stock is owned by aliens.

--In Wisconsin, a corporation may not acquire or hold more than 640 acres of real estate if more than 20 percent of the stock is held by nonresident aliens.

Certain other States have various minor restrictions on corporate landholdings. Kentucky does not permit any corporation to hold any property, except property that is proper and necessary for carrying out its legitimate business, for longer than 5 years. South Carolina does not permit an alien-controlled corporation to own more than 500,000 acres of land. Texas permits a corporation to acquire land if it is necessary to enable it to do business or to secure payment of a debt, and the corporation must convey away all excess land within 15 years of acquisition. Texas does not permit a corporation to carry out, as its main purpose, the acquisition or ownership of land, but a corporation may, if authorized by its charter, buy and sell land within 2 miles of incorporated towns, cities, or villages. West Virginia requires corporations which acquire more than 10,000 acres of land in the State to obtain a license and pay a tax on the amount of land in excess of 10,000 acres.

PROPOSED STATE LEGISLATION

Ten States (Alabama, California, Georgia, Illinois, Iowa, Kansas, Nebraska, Ohio, Oklahoma, and Wisconsin) told us of proposed legislation that would place new or additional constraints on foreign ownership of their land or would require periodic reporting of such landholdings. Most of these States already have laws containing some restrictions on foreign ownership of land.

Alabama has no law restricting aliens from owning real estate but its legislature was considering a bill that would require certain information to be reported annually by corporations, limited partnerships, fiduciaries, nonresident aliens, and nonresident alien corporations that own, lease or farm agricultural lands. Such information would enable identification of alien owners or beneficial owners and the acreage involved.

California has no law restricting aliens from owning land. Since February 1978, two bills have been introduced (and referred to committees) to discourage or place restrictions on foreign ownership of farmland in the State. One bill is designed to provide for a disclosure of alien interests in limited partnerships and the partnerships' involvement in agricultural land purchases. The other bill would prohibit the purchase or lease of land used for farming by aliens and by corporations which are not

incorporated in California or which are at least 33 percent owned or controlled by aliens.

Georgia law provides that aliens have the same rights as U.S. citizens as long as their government is at peace with the United States. During the 133 session of the Georgia General Assembly, separate bills dealing with nonresident alien ownership of land were introduced in the House and Senate. The House bill would have required all alien owners of land in the State, including partnerships, corporations, or other entities in which one-half of the voting stock or ownership interest belonged to noncitizens, to file written reports on land holdings and any future land purchases. The Senate bill would have placed restrictions on alien land inheritance and would have restricted the acreage and location of land purchases by nonresident aliens, foreign corporations, and corporations in which nonresident aliens owned or controlled one-half or more of the stock. Neither bill was enacted nor will they be carried over to the next assembly. Also during the 1978 session, a resolution was introduced to establish a special study committee to assess the impact of purchases of Georgia land by aliens and to recommend appropriate legislation on the subject. We were told that the resolution was rejected in the Senate by a vote of nearly 4 to 1.

Illinois law states that aliens have full rights to acquire land, either by purchase, inheritance, or other means, but must dispose of it within 6 years. At the time of our review, legislation had been introduced to (1) place limits on the ownership and size of partnerships and corporations authorized to purchase agricultural land and (2) prohibit both nonresident aliens and business entities that have nonresident aliens as partners or stockholders from purchasing agricultural land after a certain date. The bill would require corporations, partnerships, and nonresident aliens to annually report on all their agricultural landholdings. Also, each county assessor would be required to identify and report to the State all business organizations and nonresident aliens owning farmland in that county.

Iowa law limits the amount of farmland that may be owned by nonresident aliens and places certain restrictions on the rights of nonresident aliens to inherit land. With some exceptions, it also prohibits foreign corporations and corporations controlled by nonresident aliens from acquiring real estate, and requires aliens, corporations, and limited partnerships to file annual reports on their landholdings. We were told that a bill had been introduced in the legislature to prohibit nonresident aliens from owning farmland but that the outlook for the bill was uncertain.

Kansas currently has legislation, discussed in earlier sections, which affects alien ownership of farmland. Additional legislation was being considered to prohibit aliens and business entities in which noncitizens hold an interest from owning or leasing land for more than 50 years--subject to certain exceptions. The Governor told us that this legislation would not be acted on in this session and that the Kansas Attorney General had determined that the proposed prohibition of ownership of land by noncitizen aliens would violate the U.S. Constitution.

Nebraska law, as discussed in earlier sections, contains various restrictions on alien land holdings. A State official told us that there had been much debate recently on foreign investment in Nebraska farmland. He said that two bills had been introduced to further limit foreign and corporate ownership of agricultural land. These bills would specifically prohibit aliens and corporations that have any aliens as stockholders from purchasing any agricultural land. Violation of this provision would constitute a felony.

Ohio does not restrict alien ownership of land. At the time of our review, legislation had been introduced to place limits on ownership of farmland by nonresident aliens. According to State officials, there had been no progress on the bill in recent months.

Okla a law, as discussed in earlier sections, restricts alien ownership of land and provides that corporations may not engage in farming or ranching, except in special circumstances. At the time of our review, two bills were pending in the legislature to prohibit all out-of-State corporations from farming or ranching in the State. The proposed legislation would also further limit farming and ranching by Oklahoma corporations.

Wisconsin law, as discussed earlier, provides that corporations must meet certain specific requirements to own land for farming purposes, and may not acquire or hold more than 640 acres of land if 20 percent of the stock is held by nonresident aliens. A State official told us that bills had been introduced in the legislature to require corporations involved in agriculture to report on their landholdings.

We did not independently determine the likelihood of enactment of the proposed legislation described above. The status information or other opinions that are included in the discussion were furnished by the States.

DATA COLLECTED BY STATES ON FOREIGN OWNERSHIP OF FARMLAND

The States have collected very little data on foreign ownership of farmland. Where some is available, such as for Iowa, Minnesota, and Vermont, the data does not indicate extensive foreign holdings of farmland nor significant trends in that direction. There is no basis for concluding whether such data provides a good clue as to the nationwide situation.

Seven States (Iowa, Kansas, Minnesota, Missouri, Nebraska, Oregon, and South Dakota) have laws that require all corporations that farm or hold agricultural land in those States to file an annual report with a designated State office describing the nature and use of their landholdings. Such reports generally identify a corporation's place of incorporation, the names and addresses of its directors and officers, and how much acreage it owns and leases. Iowa, Minnesota, and Nebraska also require that such reports identify the names and addresses of alien shareholders who own more than a specified percentage (ranging from 5 to 20 percent) of the corporation's stock. In addition,

Iowa and Minnesota require nonresident aliens and various business entities that are controlled by nonresident aliens to file similar annual reports on their agricultural landholdings.

In our letters to the State Governors, we asked them to provide us with any specific data that might be available to the State on the magnitude or trend of foreign investment in the State's farmland, especially any data generated as a result of legislative reporting requirements. Most of the States advised us that they did not have any specific data on this subject.

Iowa and Minnesota provided us with information reported to them on landholdings by aliens and by corporations partly owned by aliens. A Nebraska official told us that no such holdings were reported in that State. We also received some information from Vermont on the amount of farmland purchased by nonresident aliens in certain counties.

Iowa

Iowa has generally been regarded as the State having the most advanced reporting procedure for obtaining data on foreign ownership of farmland. The State legislature passed a law in 1975 requiring all corporations, limited partnerships, and nonresident aliens owning or leasing agricultural land or engaged in farming in Iowa to report annually to the Iowa Secretary of State.

Corporations are required to identify the number of acres and location of such landholdings; the name, address, residence, and citizenship of any nonresident alien shareholder holding 5 percent or more of any class of the corporation's stock; and the number of such shares held by nonresident aliens. Limited partnerships are required to identify the number of acres and location of their land holdings; the name, residence, and principal occupation of each member of the organization; and the citizenship of any nonresident alien partner. Each nonresident alien is required to report his name, address, residence, and citizenship, and identify the number of acres and location of his landholdings.

According to annual reports issued by the office of Iowa's Secretary of State, 18 nonresident aliens reported in 1976 that they owned about 6,000 acres of Iowa farmland; in 1977 a total of 23 reported that they owned about 7,000 acres. The 1977 annual report also showed that about 3,100 corporations and 64 limited partnerships had filed reports with the Secretary of

State indicating that they owned about 1.16 million acres and 27,000 acres, respectively, of agricultural land. None of the limited partnerships reported that they had any nonresident alien partners. Thirteen of the corporations reported that nonresident alien shareholders owned 5 percent or more of some class of their stock. Iowa's annual report did not identify how many acres of land these 13 corporations owned.

We asked about obtaining acreage data for the 13 corporations, but were told that complete information on this was not readily available and would require a search through the files of the more than 3,000 reporting corporations. However, a representative of the Secretary of State's office told us that 6 of the 13 corporations had reported that they owned a total of about 2,100 acres of farmland in the State.

Iowa has a total of about 34 million acres of farmland. The total of 9,100 acres previously mentioned (7,000 + 2,100) represents 0.03 percent of Iowa's farmland acreage. A representative of the Secretary of State's office told us that it was possible that some foreign investors had not filed their required reports, but that on the basis of discussions with persons who are in close contact with agricultural-related matters throughout the State, it was believed that few, if any, nonresident alien landowners failed to comply.

Minnesota

Minnesota requires nonresident aliens and corporations and other business entities to report on their agricultural landholdings. The office of the State Commissioner of Agriculture informed us that about 28,200 acres of Minnesota's farmland were reported in 1976 to be owned or leased by nonresident aliens and business entities with at least 10-percent alien ownership. This represents about 0.09 percent of the State's 30.6 million acres of agricultural land. Other data provided us showed that 1,139 corporations reported in 1976 that they owned or leased about 1.17 million acres of Minnesota farmland. Most of this land was held by family farm corporations. Nonfamily farm corporations reported owning about 221,300 acres, or less than 1 percent of Minnesota's total farmland.

Nebraska

Nebraska began requiring corporations to report on their agricultural landholdings in 1976. Corporations are required to identify the percentage of the members of the

board of directors who are aliens, the names and addresses of the executive officers and managers who are aliens, and the name and address of each alien owning 10 percent or more of the corporation's voting stock.

Nebraska provided us data which showed that 2,399 corporations reported in 1976 that they controlled 5.7 million acres of agricultural land. However, the data did not show that any of this land was controlled by corporations with nonresident alien officers, directors, and/or shareholders. A Nebraska official said that she suspected that this may not present an accurate picture of the situation in the State but had no basis for estimating the extent to which the State's reporting requirement may have been overlooked or ignored. Nebraska has about 68 million acres of farmland.

Vermont

Vermont's Department of Agriculture provided us some information that it had developed on foreign purchases of Vermont farmland. The information covered 4 of Vermont's 14 counties and was compiled from property transfer tax returns filed with the State Department of Taxes. It showed that, of the 4,746 acres of farmland sold in the four counties during 1976 and 1977, 951 acres (20 percent) were sold to nonresident aliens. An official said that additional sales had been made to foreign investors in the northern part of the State since the information furnished us was collected. He said that foreign investors have not changed the use of the land and have generally allowed the persons from whom they purchased the farmland to continue operating the farms.

HOW FOREIGN INVESTMENT IN U.S. FARMLAND IS PERCEIVED BY STATE GOVERNMENTS

In our letters to the State Governors, we asked whether their State considers foreign investment in farmland to be an actual or potential problem and the reasons for this belief. The results of this survey are summarized below.

	<u>Number of States</u>
Not an actual or potential problem (Alaska, Hawaii, Idaho, Iowa, Maine, Massachusetts, New Hampshire, New Jersey, New Mexico, North Carolina, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Washington, West Virginia, and Wisconsin)	18
Could become a problem in future (Alabama, Delaware, Florida, Georgia, Illinois, Nebraska, Texas, Utah, Virginia, and Wyoming)	10
Is a problem (or limited problem) at this time (Minnesota and Missouri)	2
No official position--but some legislators and citizens are concerned (Kansas, Louisiana, Maryland, Montana, New York, Ohio, and South Dakota)	7
Mixed views (California and Oklahoma)	2
Not enough information for opinion--or no response (Arkansas, Arizona, Colorado, Connecticut, Indiana, Kentucky, Michigan, Mississippi, Nevada, North Dakota, and Oregon)	11
Total	<u>50</u>

States that viewed foreign investment in their farmland as a potential problem generally cited one or more of the following reasons.

- Foreign investors might drive up the price of farmland beyond the reach of local residents.
- Too much foreign investment could eventually enable foreign interests to gain some control of the available farmland, especially prime agricultural

lands. They could then gain some control over food production and possibly food prices.

--Too much foreign investment could adversely affect the continuation and expansion of small family farms.

Most of the States that did not consider foreign investment to be a current or potential problem did not provide any insight into the reasons for their belief. Iowa, Alaska, and Hawaii, however, mentioned the following.

--Iowa noted that data it had accumulated as a result of its legislatively required reporting system indicated that not much land was owned by nonresident aliens. (See p. 15.)

--Alaska indicated that more foreign investment in its farmland could be desirable. It said that possible future expansion of agriculture in the State could benefit from the investment of foreign capital--such investment could be as valuable an asset to farmland development as it has been to the development of the timber and fisheries industries, assuming that the investment is politically acceptable.

--Hawaii said that foreign investment may contribute to higher cost of agricultural lands, especially if held for future residential development, but that higher land costs are caused by many factors, not necessarily foreign investment.

We visited agricultural authorities in six States to obtain additional views on whether they considered foreign investment to be a problem with respect to their State's farmland. Some of their views are presented below.

The Deputy Director of the California Department of Food and Agriculture said that alien investment in farmland was somewhat of a minor problem in California because it creates a competitive atmosphere which affects local residents who are trying to get into farming and local farmers who are trying to expand their operations. A member of the California State legislature, who had recently introduced legislation to restrict foreign investment, said that farm prices had increased because of the influx of foreign capital into the real estate market. He characterized foreign investment in farmland as a problem that could become worse in the future.

Neither of these authorities had data to show how much of the State's farmland was owned by aliens.

Several other California State officials said that they did not believe that foreign investment was a problem in California. Some said that local residents, as well as foreigners, were driving up the price of farmland and the cost of property taxes by paying higher than normal prices to obtain good land. Everyone agreed that hard data was lacking on the subject.

The Georgia Commissioner of Agriculture said that he did not have any specific details as to the magnitude or trend of foreign investments in Georgia farmland. He said that he had heard about some purchases by foreign interests but did not have any information on such purchases. He believed that the publicity about some sales to nonresident aliens had generated rumors about other sales that may not have actually taken place. He said that his office did not consider the issue to be a problem at this time, but recognized that it could become a problem if the amount of foreign purchases should increase.

The Illinois Director of Agriculture said that his department was interested in the foreign investment question as a matter of policy. The department does not consider such investment to be bad in general but is concerned with the consequences, especially as they relate to the family farm system. He emphasized that his department favors maintaining the family farm system in Illinois and that foreign investment in Illinois farmland is considered a potential problem at this time for the following reasons.

- Large scale foreign investment would change dramatically the economic structure of the family farm system that American agriculture is built on. This system is one of the most efficient in the world and any changes in its fundamental make up should be viewed with caution.
- Foreign ownership of farmland has no positive connotation, other than it might slightly inflate the price received by the seller of land. No new jobs would be created, the community would receive no benefits not afforded by local ownership, and no additional tax revenues would be created. In fact, a foreign investor might actually be paying less taxes.

- Foreign investors may be applying different criteria to their investment decisions than domestic investors. The owner/operator--the key to the family farm system--rarely benefits from operating at a loss to achieve tax advantages against other investments. The foreign investor might.
- Production of agricultural goods is essential to the U.S. economy, and control of the land (the means of producing these goods) should not be vested with those who might be more interested in tax shelters or land appreciation than in maximizing productivity. The State Department of Agriculture does not favor any investment scheme which gives unfair advantages to those whom a farmer must compete against in purchasing land.

The Governor of Kansas said that there was no data available on the magnitude or trend of foreign investment in Kansas farmland and that it therefore was difficult to pinpoint whether such investment is an actual problem. He said the only information his office had was hearsay or individual citizen comments about foreigners buying land in their area. He mentioned that State legislators, who sponsored some proposed legislation in this area (p. 13), have had reports of foreigners investing in their districts and believe this to be a problem.

According to the Governor, State legislators are concerned that foreign investors are buying large tracts of land and removing them from use by State residents and that absentee foreign owners may not maintain their landholdings by following good conservation practices. We were informed, however, that the main reason for such concern centered around the probable loss of revenue to other countries. The Governor said that, although the State may collect taxes, it would probably not receive the benefit of local investment of the profits.

The Kansas Secretary of Agriculture said that he was not concerned about foreign investment in Kansas farmland at the present time and did not believe that much of the farmland was owned by nonresident aliens. He believed that such sales might be on the increase. He said he had heard rumors that foreign purchasers were driving up the price of land but believed that competition among local farmers to expand their operations was also a relevant factor in farm price increases. He explained that Kansas farmers disliked the idea of having business entities and individuals from outside the State, especially nonresident aliens, purchase Kansas farmland.

The Governor of Missouri said that he had recently signed into law a bill which prohibits nonresident aliens from purchasing more than 5 acres of agricultural land for farming. He said that this new law addresses the widespread concern in Missouri that farmland be preserved from foreign ownership--a concern that had been expressed to him in meetings held throughout the State.

The Governor pointed out that, at the bill signing ceremony, he had emphasized that foreign ownership of Missouri farmland is perceived as a threat to the continued survival of the family farm. He said that long and continued debate on the subject had been a highly visible part of the past session of the Missouri legislature, and that the final bill version of this debate was sent to him for signature by overwhelming votes of both houses.

The Governor said that his office had no specific data on the magnitude of foreign investment in Missouri farmland at this time, but that the State Department of Agriculture was formulating methodology to monitor such investments. He emphasized that the lack of precise and refined data in no way detracted from the need for the recently enacted legislation.

According to the Governor, the consensus feeling of Missourians is that foreign ownership of farmland in the State bids up land prices and gives foreign interests control of a vital resource that should remain with U.S. citizens. The Governor said he shared that feeling.

Missouri's Director of Agriculture said that it was difficult to estimate the amount of foreign-owned farmland in Missouri because of the lack of hard data on the subject. He said that he favored legislation that would contain a strict reporting requirement and enable the State to determine how much farmland is foreign owned. In his opinion, nonresident alien investors as well as investors from other States bid up the price of Missouri farmland because they can afford to pay more for farmland than local people who have to make a living from their farms. He pointed out, however, that investments by nonresident aliens is a more emotional issue with Missouri farmers than investments by persons from other parts of the United States.

During our earlier preliminary inquiries (see app. VI), Iowa's Secretary of Agriculture told us that foreign investment in Iowa was more of an emotional issue than a real problem. He believed that Iowa farmland prices were being driven up by neighbors bidding against each other, rather than by the influx of foreign money into the State's real estate market.

THE DIFFICULTY OF FINDING OUT
WHAT IS HAPPENING IN THE COUNTIES

We visited 25 counties in 5 States (see app. I) to see what kind of information was available on foreign land purchases and to try to get a line on the extent of such purchases in those counties since January 1976. We came away with the opinion that, generally, county public records are not a useful source of information on foreign investment in county farmland. We were able to obtain some information on the subject from other sources and check it out through various means; however, the completeness of the information is uncertain and its collection depended largely on the knowledge and cooperation of various private and public firms, agencies, and officials.

PROBLEMS IN USING PUBLIC RECORDS TO IDENTIFY
NONRESIDENT ALIEN OWNERSHIP OF COUNTY FARMLAND

It is very difficult to identify parcels of county farmland owned by nonresident aliens. Initially, we thought that several sources could reveal this information but, as we explored each source, it became clear that its usefulness as a data source on foreign investment in land was minimal.

County land records

Although the laws of most States do not require that land transfers be recorded, we were told that nearly all purchasers record them to protect their interest in the property. Thus, each county we visited maintained official records on land transactions in that county. Because various types of land transactions are recorded, the records included many different types of documents--normally warranty deeds, security deeds, quit claim deeds, deeds of trust, sales contracts, and land plats. Many land transactions had occurred since January 1976--making the county records rather voluminous. Because of this and because none of the documents called for the nationality of the purchaser to be identified, we found that a scanning of county files to identify parcels of land that appeared to be owned by nonresident aliens was not a feasible or productive approach.

The first level of information in county land records is usually an alphabetical listing of persons or entities that have been parties to land transfers. The listing is coded to identify the location of the official files documenting the transactions. However, it is almost always

necessary to have a prior lead in order to quickly locate records that may have some indication of purchases by foreign interests.

Because county land records do not require that purchasers reveal their citizenship, such information was not included in the records in most of the cases we checked. In the counties we visited, land transfer documents usually provided a space for the names and addresses of the current and previous owners of the land, but the addresses were not always shown. In some cases where the current owner's address was not shown, an agent's name and address was listed. Although foreign addresses do not conclusively identify foreign purchasers, such addresses often provide the only indication that the purchaser may be a non-resident alien or a corporation, partnership, or trust with some foreign ownership or beneficial interest. The county land documents we looked at did not show the names, addresses, or residences of stockholders or beneficiaries.

We were told that local land records could be misleading as to the owner of a particular parcel of land if the land was owned by a corporation that had been taken over by another entity. Those maintaining the records would have no reason or means to identify and record such changes unless they were specifically notified to do so.

In addition to checking local land records maintained by county governments, we contacted a number of other sources, including those discussed below, to try to identify farmland owned by nonresident aliens.

Registration of corporations

In most States, each corporation doing business within the State must register with a State agency. Such registration is a matter of public record and usually requires the names and addresses of the corporation's board of directors--but not those of the principal stockholders. If any directors listed addresses in foreign countries, we assumed there was a good possibility that some foreign ownership interests were involved, and therefore we classified the corporation as a foreign investor for purposes of this report.

Tax assessor records

County tax assessor offices are responsible for sending out real property tax statements on all real estate in the county. In many cases, however, their records contained the names and addresses of agents who pay the taxes on the parcels of land, rather than the addresses of the owners.

We were told that the primary concern was to get the tax bill paid, regardless of who owned the land.

Agricultural Stabilization and Conservation Service county office records

At some locations, ASCS county offices maintained a card file on all farms that participate, or indicate an intention to participate, in the Federal programs the agency administers. Nothing on these cards indicated whether the owners of the farms were nonresident aliens. ASCS employees (and also Soil Conservation Service employees) told us that, through their contacts with farmers in the area, they personally knew of cases where it was rumored that a farm was owned by nonresident aliens. However, they could not provide any documents to substantiate these cases.

Federal land banks

Federal land banks, operated under the supervision of the Farm Credit Administration, make loans to farmers and ranchers to buy farmland. Some bank employees we interviewed said that they had heard of sales to nonresident aliens, but that their banks had not made loans to such purchasers. From what we were told, these banks do not seem to be a good source for identifying purchases made by foreign investors because such investors simply do not apply for loans there.

IDENTIFICATION OF FARMLAND OWNED BY NONRESIDENT ALIENS IN SELECTED COUNTIES

As part of our work to fulfill the Senate Committee's request, we tried to obtain information about recent purchases of farmland by nonresident aliens in several counties in each of five States. (See app. I.) Our first step was to talk with people who, because of their jobs or positions, we thought would be knowledgeable about their county in general and farmland transactions within that county in particular. These people included county court clerks and tax assessors; members of county committees involved with ASCS activities; real estate agents, brokers, and appraisers; bankers and employees of other types of lending institutions; title insurance companies; local farmers; and others.

We asked these people for any information they had on specific instances of farmland purchases within their respective counties by nonresident aliens since January 1976. We tried to verify any information obtained by reviewing available public records.

The following sections discuss the results of our efforts. We have identified some land purchases by foreign interests but do not know what proportion of all purchases or all foreign purchases in these counties these transactions represent. Also, because of the criteria we used in classifying business entities as having some foreign ownership or beneficiaries, we are not completely certain that the land we have classified as being owned by foreign interests is, in fact, so owned. A summary of our findings is presented below and discussed in the following sections.

<u>State</u>	<u>Number of counties</u>	<u>Total farmland acres in counties</u>	<u>Information indicates foreign ownership</u>	
			<u>Number of acres</u>	<u>Percent of total acres</u>
California	3	7,367,730	8,786	0.1
Georgia	11	1,611,010	24,239	1.5
Kansas	3	771,000	2,678	0.3
Missouri	3	1,055,143	9,013	0.8
Oklahoma	<u>5</u>	<u>5,342,872</u>	<u>0</u>	0.0
	<u>25</u>	<u>16,147,755</u>	<u>44,716</u>	0.3

Some information on additional scattered land transactions in these States is also included in the following sections.

California

We visited three contiguous counties in the San Joaquin Valley to obtain information on foreign owned farmland. These were three of the State's largest agricultural counties. We found indications that at least 8,786 acres of farmland were owned by corporations with nonresident alien affiliations, as shown in the following table.

<u>Counties</u>	<u>Total farmland acres in county</u>	<u>Information indicates foreign ownership</u>	
		<u>Number of acres</u>	<u>Percent of total acres</u>
Fresno	2,208,070	960	0.04
Kern	3,822,604	6,884	0.2
Tulare	<u>1,337,056</u>	<u>942</u>	0.07
Total	<u>7,367,730</u>	<u>8,786</u>	0.1

Of the 8,786 acres of farmland classified as foreign owned, 7,617 acres (87 percent) were owned by corporations incorporated in the Netherlands Antilles--two groups of islands in the West Indies. These islands are part of the Kingdom of the Netherlands and have an income tax treaty with the United States under which Netherlands Antilles corporations and business entities are entitled to certain tax benefits on income derived from sources within the United States. Because stockholders of these corporations were not identified, we cannot say for certain whether the beneficial owners of the corporations were nonresident aliens or investors from the United States taking advantage of tax benefits. For purposes of this report, however, we considered the corporations to be foreign owned because of their incorporation in the Netherlands Antilles.

We learned of three purchases by Netherlands Antilles corporations in Fresno County. A county ASCS official told us of one purchase of 640 acres. We learned of the other two purchases of 160 acres each at the county land record office. The property deeds for all three transactions showed that the owners of record were Netherlands Antilles corporations.

We learned of three purchases by Netherlands Antilles corporations and one purchase by a Bahamian corporation in Kern County. Two of these purchases for 1,060 and 601 acres were brought to our attention by officials at the local office of the Department of the Interior's Bureau of Reclamation. A representative of the California Federal Land Bank Association and officers of lending institutions provided us information on another purchase of 5,103 acres. We learned of the fourth purchase of 120 acres from an appraiser in the county assessor's office. The county land records confirmed that owners in three cases were Netherlands Antilles corporations and that the owner in the other case was a Bahamian corporation.

Of the three purchases that we learned of in Tulare County, one for 518 acres was mentioned to us by a real estate broker who specializes in farm sales; another for 315 acres was referred to us by a consultant for a land management company; and the other for 109 acres was brought to our attention by a Bureau of Reclamation official. County land records showed that two of the purchases had been made by Netherlands Antilles corporations and that the 109-acre purchase had been made by a Hong Kong corporation.

Georgia

We visited 11 counties in Georgia--six in the east central part of the State (selected primarily on the basis of information provided by a group of farmers which indicated that foreigners were buying farmland in that area) and five in southwestern Georgia (selected on the basis of discussions with various persons who seemed to be knowledgeable of recent purchases in that area). At least 24,239 acres of farmland appeared to be owned by nonresident aliens or business entities with nonresident alien affiliations. Details by counties are shown in the following table.

<u>Counties</u>	<u>Total farmland acres in counties</u>	<u>Information indicates foreign ownership</u>	
		<u>Number of acres</u>	<u>Percent of total acres</u>
East central:			
Emanuel	189,245	1,024	0.5
Jefferson	181,067	3,285	1.8
Jenkins	126,066	2,116	1.7
Johnson	97,558	6,118	6.3
McDuffie	48,415	931	1.9
Washington	<u>165,382</u>	<u>4,839</u>	2.9
Subtotal	<u>807,733</u>	<u>18,313</u>	2.2

<u>Counties</u>	<u>Total farmland acres in counties</u>	<u>Information indicates foreign ownership</u>	
		<u>Number of acres</u>	<u>Percent of total acres</u>
Southwest:			
Dougherty	146,662	3,147	2.1
Baker	157,224	1,287	0.8
Sumter	201,841	0	0.0
Seminole	105,235	1,492	1.4
Decatur	<u>192,315</u>	<u>0</u>	0.0
Subtotal	<u>803,277</u>	<u>5,926</u>	0.7
Total	<u>1,611,010</u>	<u>24,239</u>	1.5

In analyzing the information provided by a group of farmers and discussing the subject of foreign owned farmland with various people in east central Georgia, we noted that one individual seemed to be involved, in different capacities, in a number of the sales transactions. This individual told us that he was the president of a land management company that, among other things, manages farms in Georgia for corporations that are owned by foreign shareholders. He identified 12 such farms that his company manages in the six east central counties we visited. But he did not provide any documentation to show the alien status of the beneficial owners. The 12 farms comprised 16,658 acres of the total 18,313 acres identified in the six east central counties.

We reviewed county land records and determined that, in 11 transactions, the buyers were corporations organized in Georgia. The land records did not identify any of the corporations' shareholders.

We reviewed the reports that each of these 11 corporations was required (by State law) to file with the Georgia Secretary of State, and found that, in eight cases, one or more of the directors listed addresses in foreign countries. In 6 of the 12 cases, the president of the land management company who identified the purchases for us was listed as one of the principal officers of the corporation. The corporations involved in the land purchases had French, German, and Swedish connections.

In our efforts to identify foreign owned farmland in southwestern Georgia, we contacted ASCS officials and agricultural extension agents in a number of counties and asked if they had any information on specific recent purchases of farmland by foreigners. We also talked with a member of the State legislature, a representative of a farm group, and two real estate appraisers. Some of these individuals identified farms in eight counties that they believed were foreign owned, but they were not certain of this and could not provide any hard evidence to support their beliefs. They suggested that we visit the county courts and tax assessors' offices to obtain additional information on these purchases which were estimated to amount to about 10,000 acres.

About 9,000 of the 10,000 acres were located in five counties, and we visited these counties and reviewed land records for the purchases. The records showed that 3,147 acres in Dougherty County and 1,287 acres in Baker County were owned by Netherlands Antilles corporations. The records for the purchases in the other three counties (Sumter, Seminole, and Decatur) showed that the land was owned by corporations incorporated in Georgia.

However, by reviewing corporation registration files in the Secretary of State's office, we found that a 1,492-acre farm in Seminole County had been bought by a corporation which listed a West Germany address for one of its directors. The files for the corporations that had purchased 3,074 acres in Sumter and Decatur counties listed U.S. addresses for their officers and directors. We therefore did not consider the 3,074 acres to be foreign owned for purposes of this report because the records did not indicate it and the individuals who gave us the information were not parties to the transactions.

We also obtained some additional information about purchases by foreign investors in counties that we did not visit. The president of the land management company that gave us information on purchases in east central Georgia (discussed earlier) told us that he managed a 3,000-acre farm in Macon County and a 1,064-acre farm in Bleckley County that had been purchased in 1976 by corporations controlled by foreign investors. (A director of one corporation listed a West German address; records for the other corporation did not list any foreign address.) Also a land brokerage company told us that it had handled a 2,870-acre purchase in Screven County for a Netherlands Antilles corporation, and a real estate company told us about a 785-acre purchase by European investors in Mitchell County. The files at the Secretary of State's office

showed that this latter parcel was also owned by a Netherlands Antilles corporation.

Kansas

We visited three contiguous counties in the northeast corner of Kansas. We selected this area because we were told that several foreign purchases of farmland had been made in one of the counties. It appears that at least 2,678 acres of farmland in Doniphan County are owned by nonresident aliens or corporations with nonresident alien affiliations, as shown in the following table. We did not identify any foreign owned farmland in the other two counties.

<u>Counties</u>	<u>Total farmland acres in counties</u>	<u>Information indicates foreign ownership</u>	
		<u>Number of acres</u>	<u>Percent of total acres</u>
Doniphan	246,000	2,678	1.1
Leavenworth	277,000	0	0.0
Atchison	<u>248,000</u>	<u>0</u>	0.0
Total	<u>771,000</u>	<u>2,678</u>	0.3

Representatives of a land brokerage company that specializes in agricultural sales told us about four sales that their company had made to foreign investors in Doniphan County. However, they did not provide us any documentation of the alien status of the buyers.

We attempted to obtain additional information on these purchases by reviewing county land records. The records showed that three of the purchases had been made by corporations incorporated in Kansas, but did not indicate whether the corporations had any nonresident alien officers, directors, or shareholders. A county ASCS official and the county register of deeds told us that all three purchases involved foreigners, but they could not provide us any documentation. A person who was managing one of the properties (consisting of 125 acres) told us that a Swiss banker owned 50 percent of the corporation that had bought that property.

County land records for the fourth purchase (consisting of 60 acres) showed that the property had been purchased by several individuals from the Kingdom of Belgium and had

later been transferred to a Kansas corporation in exchange for stock in the corporation.

Missouri

We visited three contiguous counties in the southeastern part of Missouri known as the "bootheel" area. We selected that area because of indications from the news media and various other sources that farmland purchases by nonresident aliens was more significant there than in other parts of the State. More than 80 percent of the total land area in the three counties is farmland. As shown below, we found indications that at least 9,013 acres are owned by nonresident aliens or business entities with nonresident alien affiliations.

<u>Counties</u>	<u>Total farmland acres in counties</u>	<u>Information indicates foreign ownership</u>	
		<u>Number of acres</u>	<u>Percent of total acres</u>
Mississippi	242,644	3,832	1.6
New Madrid	377,149	368	0.1
Stoddard	<u>435,350</u>	<u>4,813</u>	1.1
Total	<u>1,055,143</u>	<u>9,013</u>	0.8

In Mississippi County 3,553 acres of farmland had been purchased by a limited partnership (certified under Illinois laws) whose general partner was a Texas corporation and whose limited partner was a Canadian corporation. We learned of this through discussions with the Missouri Attorney General's office which had initiated court action against the partnership for violating the State's corporate farm law. County land records covering this purchase identified the limited partnership as the purchaser of the farmland but contained no information on the ownership structure of the partnership.

The remaining 5,460 acres of foreign owned farmland identified in the three counties involved five purchases that were brought to our attention by representatives of two land brokerage companies that had handled the transactions. They said that the buyers were foreigners but did not provide us any documentation.

We were able to verify from county land records that three of the five purchasers were foreigners. The records for a 279-acre purchase in Mississippi County showed that the buyer was from West Germany. The records for a 368-acre purchase in New Madrid County and a 1,063-acre purchase in Stoddard County showed that the buyers were from the Netherlands and Germany, respectively.

The other two purchases were in Stoddard County. The records for one (involving 2,750 acres) identified the purchaser as a Missouri corporation but did not indicate whether the corporation had any nonresident officers, directors, or shareholders. There was no deed on file at the county land record office for the other transaction involving 1,000 acres. A county ASCS official told us that he believed the owner was a nonresident alien but he could not provide any documentation.

We also obtained some fragmentary information on recent purchases of farmland made in other parts of Missouri by aliens or business entities with foreign affiliations. Several real estate brokers told us about sales to nonresident aliens that they knew about in five other counties. They identified specific sales, totaling 4,109 acres, that they had been involved with. We did not visit these counties to determine whether the land records indicated that the owners were foreigners.

We also scanned more than 1,600 corporate farm registration files maintained by the State Department of Agriculture and identified three foreign corporations that reported owning 3,973 acres of farmland.

Oklahoma

Oklahoma law restricts nonresident aliens from owning farmland in the State. However, during some of our early discussions of the issue of foreign investment in U.S. farmland with various Federal, State, and county officials; farmers; and businessmen, we were told that foreign investors were purchasing land in five Oklahoma counties (Cimarron, Beaver, LeFlore, McCurtain and Texas). We visited the five counties and talked with the county assessors, treasurers, and recorders of deeds. We discussed the subject of land sales to foreign interests with local ASCS officials, Chamber of Commerce representatives, and local real estate brokers. We again were told that aliens had purchased farmland in these counties. However, we were unable to substantiate the statements made to us.

In one case, we were told by a county official that Italians had purchased 5,000 acres of farmland in LeFlore County. County land records showed that the land was sold to an Oklahoma Farming and Ranching Corporation. Other information obtained at the Secretary of State's office disclosed that officers of the corporation were three Oklahoma City attorneys. Shareholders were not identified. None of the information on the documents we checked indicated that aliens purchased the land. As previously explained, however, this does not provide complete assurance that aliens do not have an interest in the corporation.

IMPACT OF NONRESIDENT ALIEN OWNERSHIP OF FARMLAND IN SELECTED COUNTIES

We were not able to accurately measure the extent of farmland ownership by nonresident aliens in the counties we visited because, as explained earlier, the records maintained by State and local governments do not lend themselves to such determinations. Since information is not available for determining whether the above data is representative of foreign investments in the counties visited, the information we were able to gather could be only the "tip of the iceberg"; on the other hand, it could represent a conservative approximation of the situation in the counties involved.

Impact on land prices

Farmland prices can be very difficult to compare because they are dependent on many factors, such as the topography, amount of clear land, value of existing timber, soil condition, and value of crop allotments, cattle, and improvements included in the sales price.

We acquired or developed some data on the prices nonresident aliens paid for farmland in several counties, but we could not determine to our satisfaction whether these prices were on target or were considerably higher or lower than prevailing market prices for comparable property in those locations. Sales prices generally were not recorded on the property deeds we checked. For some sales in Georgia, we estimated sales prices on the basis of the transfer tax and other information shown on property deeds.

For example, the estimated prices paid by nonresident aliens for 17,400 of the acres we identified in six counties in east central Georgia ranged from \$305 to \$717 an acre. According to county sources, the average price of farmland

in these counties ranged from \$300 to \$500 per acre--the better land costing more. Also, in three southwest Georgia counties, prices paid for about 6,000 acres purchased by nonresident aliens ranged from \$925 to \$3,155 an acre. The average price of farmland in these counties, according to county sources, ranged from \$600 to \$1,000 an acre. One tax assessor in Georgia provided us with examples showing domestic investors buying farmland at about \$150 an acre less than a foreigner who acquired what was described to us as comparable land.

Local people we talked to in Georgia generally believed that foreign investors are buying some of the best tracts of available farmland at prices higher than average--prices too steep for local people who depend on farming as their primary source of income.

In one county in Kansas, we could determine the price of foreign owned farmland in only one instance. In that case, the price per acre was about \$40 less than the average price paid by domestic purchasers in eight sales of generally comparable land in that county. However, we can draw no conclusions based on this very limited amount of information.

A lawyer who handles real estate sales in that Kansas county said he felt that foreigners were overpaying by at least \$200 an acre on the property they bought. He pointed out, however, that he knew of no land sold to foreigners that local farmers really wanted. As an example, he referred to a 637 acre farm that was sold to a foreign owned corporation. He said that the property was up for sale for over a year and no local persons would pay the asking price. It had even been offered at an auction but no one offered enough. A county official said that it might not be fair to compare prices paid by local farmers with those paid by foreigners, because the farms differed in quality and because some of the local sales involve transactions between family members and the prices paid may not reflect full value.

Several of the county officials, lenders, and realtors that we talked with in California said that farm prices have increased in the past 2 or 3 years. Some said that foreigners sometimes purchased property at prices that were \$300 to \$400 above the market value. Others said that local residents and residents from other parts of California had also paid premium prices for good farmland.

Opinions of local authorities and others
regarding foreign ownership of farmland

Local authorities and others expressed differing views about the implications of nonresident aliens purchasing farmland. Some were concerned that foreign purchases might pose a potential problem, some believed that problems already have surfaced, and others said that such investment was beneficial. Nearly all of the persons we talked with had heard rumors about nonresident aliens purchasing farmland, either in their areas or elsewhere, but none of them knew the extent of such investment in their particular localities.

Some individuals were concerned that the presence of foreign investors in the local real estate market had caused farmland prices to increase--in some cases beyond the reach of local residents and farmers. Several persons said that the high prices foreigners were paying for farmland will eventually cause an increase in property values and property taxes in their areas. However, we were provided little data documenting that foreigners were paying significantly more than the prevailing market prices for farmland. Some authorities noted that local residents and residents from other parts of the State had paid premium prices for farmland and that this had helped cause farmland prices to rise.

Some persons told us that foreign investment threatened the continued viability of the family farm concept because it made it more difficult for local residents to get into farming and for small farmers to expand their operations. Some were concerned about the likely increase in absentee ownership. We also were told that many farmers simply did not like the idea of nonresident aliens owning farmland in their counties.

Not all of the views expressed to us at the local level were negative. Some said that struggling farmers who want to get out of farming have a better opportunity to do so if foreigners are willing to pay them higher prices for their farmland or if their property value increases as a result of foreigners paying higher prices for other farmland in their area. We were also told that any influx of foreign money to purchase farmland could be viewed as a boost to the Nation's economy. Some told us they believed that foreigners controlled only a small amount of farmland, and they could not understand why people were upset over this. Others said that local residents and farmers were just as much a factor in causing farmland prices to increase as foreigners.

Through our discussions, we found no indications that foreign owners are farming or marketing crops in other than the usual manner. There are some indications that in some places they are making the farms more productive by clearing additional land and installing additional equipment, such as irrigation systems.

Possible motives for foreign investment
in U.S. farmland

Various people we talked with expressed opinions as to what the major motives are for foreign investment in U.S. land. These included:

- hedge against inflation;
- stability of the U.S. Government (compared with the relative instability of certain foreign governments);
- tax advantages (resulting from such things as the tax treaty with the Netherlands Antilles);
- security (U.S. farmland is a good investment because of advanced technology and a steady supply of labor); a.l.]
- attractiveness of investment (given the current dollar situation, farmland may be priced lower in the United States than in some foreign countries).

Although these reasons seem to make sense we have not talked directly to any foreign owners to ascertain their motives.

OBSERVATIONS ON CURRENT
EFFORTS AND ALTERNATIVE INITIATIVES

There is virtually unanimous agreement among people at all levels of government and in the private sector that, currently, there is no reliable data on the amount of U.S. farmland owned by nonresident aliens or on recent trends of such ownership. Such information would be very helpful to the Congress if it wishes to formulate and implement a national policy on nonresident aliens owning farmland in the United States. Clearly, efforts need to be started now to produce useful and meaningful information.

FEDERAL EFFORTS--ONGOING OR PLANNED

Several Federal efforts touching on this subject have been started or planned in recent years but, as discussed in appendix VI, their results have been limited and future prospects are not encouraging.

- The Department of Agriculture was to report to the Congress in October 1978 on the results of a feasibility study of ways to obtain nationwide land ownership data but, as of May 1978, the study had not begun because of funding problems.
- Agriculture is currently conducting a questionnaire-type survey designed to obtain a better data base on the characteristics of landowners and the uses being made of different types of land. One question asks individual landowners to identify their citizenship and place of residence and corporations to identify their home offices. A Department official said that projections of the amount of foreign-owned farmland, using the results of this survey, would probably be unreliable.
- The Department of Commerce's Office of Foreign Investment in the United States is trying to identify all types of foreign investments in the United States, including those in the agriculture area. The Office has had difficulty identifying real estate purchases (especially farmland) because it has relied on reports filed with various Federal regulatory agencies for the majority of its information--a source that the Office has found to be inadequate for identifying real estate transactions. Consequently, the Office is trying alternative sources and will be using, for example, stories in the news

media as major sources or leads on farmland purchases. A Commerce official said that a report on 1977 foreign investment activity was expected to be available in the fall of 1978 but would contain very little data on farmland purchases.

- Commerce's Bureau of Economic Analysis plans to require all nonresident alien firms and individuals owning or leasing at least 200 acres of real estate to report the particulars of such landholdings. As we understand it, Commerce will tabulate and report to the Congress the total acreage owned and leased by nonresident aliens; however, Commerce does not plan to separately identify the amount of farmland acres included in the total. We suggested to Commerce officials that such a breakout of data would be useful to the Congress, but the officials told us that they do not plan to act on our suggestion.
- Another Federal effort which could provide some information on nonresident alien owners of farmland is being carried out by the Bureau of the Census through the 1979 Agriculture Census. A preliminary test of a questionnaire for gathering the data has raised some doubts as to the completeness and reliability of the information received.

ALTERNATIVE APPROACHES TO FILLING THE DATA VOID

Following are some observations on the data problem and on various approaches--that surfaced from our discussions with various persons during our review--that might be used to obtain information on nonresident alien investment in U.S. farmland. Before any system is instituted, a number of legal, procedural, and coordination issues need to be addressed. Some of these are discussed later in this appendix.

1. As a condition for any individual or entity receiving any benefits through Federal rural/agricultural programs, including cost-sharing, technical advice, loans, price support, crop allotments, grazing leases, etc., they could be required to first register their alien status and the acreage they own or lease at the county Agricultural Stabilization and Conservation Service (ASCS) office. Such information could be provided on a standard card suitable for data processing, checked for completeness and consistency by ASCS employees, and forwarded to some central point in Agriculture, Commerce, or elsewhere for tabulation and annual reporting.

This approach has the advantage of being an all-Federal system, which should reduce legal and coordination difficulties. It also has a built-in compliance factor for those benefiting or planning to benefit from such programs. A disadvantage would be that all foreign owners of farmland may not participate in, and some may choose to disassociate themselves from, such Federal programs.

2. As part of a mandatory process of recording land transfer transactions at the county level, new landowners or their agents could be required to identify on a data processing card the alien status and acreage of such ownership. After checking for completeness and consistency, county employees would forward the data to a State focal point for subsequent transmitting to a central Federal point for tabulation and annual reporting.

Such an approach would not provide data on existing land ownership. It would require the close cooperation of all States and counties, changes in State laws and county ordinances, and the establishment of uniform data collection and reporting systems at State and county levels. Additionally, establishing and operating a system based on this approach would be complex and burdensome to local and State governments. A major advantage would be that, if mandatory recording of land transfers was universally required, information would automatically be generated on all purchases by foreigners.

3. Another approach would be to require, possibly as a condition to obtaining or renewing a State license or the like, that all parties who customarily are involved in real estate transfers, such as real estate brokers, attorneys, agents, notaries, and banking and other lending institutions, currently record and report to a State office specified information on any land acquisitions in which they participate and which involve foreign interests. Data accumulated at the State office could then be forwarded to a central Federal point for tabulation and reporting.

Major drawbacks to this approach would include the uncertainty that all foreign acquisitions of land have been identified, the large number of data collection points, the probability of much duplicate reporting on the same transaction, and the probable strong opposition from nearly everyone concerned in collecting the data. Further, it would not provide information on existing ownerships but only on new acquisitions by foreigners. An advantage would be that the initial reporting would be current and would come from parties close to the transaction.

4. Periodic and extensive surveys, using scientific sampling techniques and centralized controls, might provide data that could be projected on a nationwide basis. However, because of the numerous problems involved, the results may not be entirely satisfactory. Some of the problems would involve determining the proper universe to sample (for example, should the survey be directed at local land records, at specific land tracts in various geographical locations, at real estate brokers and agents, or at some other universe?), identifying all the members of the selected universe, and deciding how to design aspects of the sample (for example, if information is going to be obtained from real estate firms, should small independent firms have the same chance of being selected in the sample as large nationwide firms?). Also, some of the sources to be sampled may not have enough information to verify that the owners of specific farms are foreigners. Further, such surveys depend on complete and accurate information being provided by the respondents. The data obtained might be difficult to validate.

5. Another approach, which we believe may be the most feasible and simplest of the approaches considered, would be to federally legislate a nationwide registration system for foreign owners of U.S. land. Such a system could be generally similar to the alien resident registration system currently used by the Department of Justice's Immigration and Naturalization Service, which requires card-type reports to be submitted annually by resident aliens through post offices to a central Federal point.

Such a system would put the reporting burden on the landowners (or, in the case of absentee or nonresident owners, on their agents), would require relatively little involvement by State or county governments, and would be conceptually simple. A further advantage of this approach is that it would provide data on current ownership, rather than be limited to obtaining information on only those farmland transfers occurring after the system is instituted. A requirement of this nature could be publicized on a nationwide basis and reinforced at State and county levels as part of the rules and regulations covering land transactions. The usefulness of such a system would depend on the completeness of the information reported by foreign owners of land or their agents.

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Any system used would require the resolution of any problems caused by constitutional and legal issues, such as State and individual rights, the Freedom of Information Act requirements and protection under Privacy Laws,

international treaties, and tax laws and policies. To insure that all required parties comply and that the information obtained is timely, accurate, and complete, the system must include the following.

- Standard definitions of terms and clear criteria as to who would be affected, particularly in the case of business entities partially owned by foreign interests.
- Stipulations that only data on foreign investments in farmland would be collected.
- Criteria as to the minimum number of acres that would require registration and reporting.
- Use of a standard card-type form that would facilitate data processing of the information.
- Meaningful incentives or penalties to help insure submission of full and accurate data.

STATE LAWS ON ALIEN OWNERSHIP
OF REAL ESTATE

This appendix summarizes State laws relating to alien ownership of real estate. It also includes information on restrictions on corporate ownership of land. For detailed provisions, the reader should consult the laws of the particular State.

Much of the material on alien ownership was originally included in an April 1976 Department of Commerce report entitled "Foreign Direct Investment In The United States". It has been updated to April 30, 1978, for purposes of our report on the basis of information provided by State Governors' offices and other sources.

Statutory citations are provided where applicable. A statutory citation next to the entry "no restrictions" indicates an affirmative statement in the relevant code. No citation next to the entry "no restrictions" indicates the absence of any statutory provision on the question.

ALABAMA

No restrictions. (Ala. Const., art. I, sec. 34; Ala. Code, title 47, sec. 1.)

ALASKA

No restrictions on alien ownership of farmland.

Mining rights in State-owned lands may be acquired only by adult citizens (or their guardians or trustees), adult aliens who have declared their intention to become U.S. citizens, adult aliens whose home country grants reciprocal treatment, associations of the above persons, and qualified corporations. To be qualified, a corporation must be organized under the laws of a State or territory of the United States, and no more than 50 percent of its stock may be owned or controlled by aliens who could not own directly. (Alaska Stats., sec. 38.05.190.)

ARIZONA

Aliens "eligible for citizenship" have the same rights as citizens. Aliens not "eligible for citizenship" have only rights provided by Federal treaties. (Ariz. Rev. Stats. Ann., secs. 33-1201 through 33-1207.)

Sale, lease, and sublease of State lands is limited to citizens, aliens who have declared their intention to become U.S. citizens, and corporations qualified to do business in the State. No person may purchase more than 640 acres of grazing land or more than 160 acres of land susceptible of immediate use for agricultural purposes. (Ariz. Const. art. X, sec. 11; Ariz. Rev. Stats. Ann., sec. 37-240.)

ARKANSAS

No restrictions.

CALIFORNIA

No restrictions. (Calif. Civil Code, sec. 671.)

COLORADO

No restrictions.

CONNECTICUT

Aliens resident in the United States may purchase, hold, inherit, or transmit real estate. Citizens of France may also own real estate, even though not residents in the United States. The spouse and lineal descendants of an alien owner may inherit and hold the real estate of the alien. Nonresident aliens may own real estate for the purposes of mining or quarrying activities. (Conn. Gen. Stats. Rev., secs. 47-57 and 47-58.)

DELAWARE

No restrictions.

FLORIDA

No restrictions.

GEORGIA

Aliens have equal rights with citizens, so long as their government is at peace with the United States. (Ga. Code Ann., sec. 79-303.)

HAWAII

No restrictions on alien ownership of farmland.

Persons seeking to purchase certain residential lots must be citizens or aliens who have declared their intent to become U.S. citizens and have resided in the State for 5 years or more. (Hawaii Rev. Stats., sec. 206-9.)

IDAHO

State lands may be sold only to citizens and to those who have declared their intention to become citizens. (Idaho Code, sec. 58-313.)

ILLINOIS

Aliens have full rights to acquire and hold land, either by purchase or inheritance or otherwise, but must dispose of it within 6 years. (Ill. Rev. Stats., c. 6, secs. 1 and 2.)

INDIANA

All aliens residing in Indiana who have declared their intention to become U.S. citizens may acquire and hold real estate in the same manner as citizens of the State. All other aliens may only take and hold land by devise and descent and must dispose of it within 5 years. Any alien, whether or not he resides in Indiana may take real estate as security for a loan and may, in the same manner as a citizen of the State, take and hold title to real estate in collection of a debt. (Burns Ind. Stats. Ann., secs. 32-1-7-1 and 32-1-7-2.)

All aliens must dispose of land in excess of 320 acres within 5 years of acquisition. (Burns Ind. Stats. Ann., sec. 32-1-8-2.)

IOWA

Aliens resident in Iowa have the same rights as citizens. Nonresident aliens may acquire and hold property within city or town limits and also may acquire and hold up to 640 acres outside of municipal limits. (Iowa Const., art. 1, sec. 22; Iowa Code sec. 567.1.)

The right of an alien who resides outside the United States to inherit property depends on the existence of a reciprocal right for U.S. citizens to inherit in the alien's home country. (Iowa Code, sec. 567.8.)

Corporations incorporated outside the United States and all other corporations in which half or more of the stock is owned by nonresident aliens may enforce a lien or judgment for any debt or liability and may be a purchaser

at a sale of real estate by virtue of such lien, liability, or judgment if all real estate acquired by such method is sold within 10 years after the title was perfected in said corporation. In all other instances the above corporations are prohibited from acquiring title to or holding real estate. (Iowa Code, secs. 491.67, 567.1, and 567.2.)

Aliens, corporations, and limited partnerships are required to register land holdings and make certain annual disclosures. (Iowa Code, c. 172A and section 567.9.)

KANSAS

Aliens may own property. Aliens eligible for citizenship may inherit in the same manner as citizens. Other aliens may inherit only as provided in a treaty between the United States and the country of the alien's citizenship. (Kans. Stats. Ann., sec. 59-511.)

There are substantial restrictions on corporations owning farm land. (Kans. Stats. Ann., sec. 17-5901.)

All corporations are required to report annually to the Secretary of State.

KENTUCKY

An alien, not an enemy, who has declared his intention to become a citizen of the United States may acquire or inherit land as if he were a citizen. If he has not become a citizen within 8 years of acquisition, the property may escheat to the State. (Ky. Rev. Stats. Ann. 381.290, and 381.300.)

An alien who is a resident of the State may take and hold lands for a residence, or for a business, trade, or manufacture, for not more than 20 years. (Ky. Rev. Stats. Ann. 381.320.)

Special rules apply for the alien wife or child of a U.S. citizen. (Ky. Rev. Stats. Ann. 381.310.)

Aliens who reside in the State but who have not declared their intention to become citizens and nonresident aliens are only entitled to inherit property, but they must dispose of it within 8 years. (Ky. Rev. Stats. Ann. 381.300 and 381.330.)

No corporation may hold any property, except that property "proper and necessary for carrying on its legitimate business," for longer than 5 years. (Ky. Rev. Stats. Ann. 271A.705(1).)

LOUISIANA

No restrictions.

MAINE

No restrictions.

MARYLAND

All aliens, except enemy aliens, have the same rights as citizens. (Ann. Code of Md., Real Property, sec. 14-101.)

MASSACHUSETTS

No restrictions. (Chap. 184 sec. 1.)

MICHIGAN

No restrictions.

MINNESOTA

Only U.S. citizens or permanent resident aliens can acquire any future interest in agricultural land (with some exceptions). The legislation does not affect the rights of aliens to inherit land, or the rights of citizens of a foreign country to hold land in cases where their rights are secured by treaty. The legislation permits aliens to retain title to any agricultural land acquired before May 27, 1977.

Corporations (with certain exceptions) are prohibited from farming or acquiring real estate used for farming or real estate capable of being used for farming. (Minn. Stat. sec. 500.24.)

Nonresident aliens, corporations and other business entities must report annually on their agricultural landholdings to the State Department of Agriculture.

MISSISSIPPI

Resident aliens are treated on the same basis as citizens. Nonresident aliens may not acquire or hold land, except that they may hold a lien on land and take title to the land by foreclosing on the lien but must dispose of it within 20 years. Citizens of Syria and Lebanon may inherit land, despite the fact that they are not residents. (Miss. Code. Ann., sec. 89-1-23.)

MISSOURI

On May 5, 1978 Missouri passed a law which prohibits non-resident aliens from acquiring more than 5 acres of agricultural land in Missouri for the purpose of farming. The law does not affect agricultural land that non-resident aliens already own, as long as the land is held by the present owner. Nonresident aliens may acquire and hold other types of real estate as if they were U.S. citizens and residents.

Corporations not engaged in farming before September 28, 1975 are prohibited from farming. As of this same date corporations are prohibited from acquiring an interest in any title to agricultural land in Missouri subject to certain exceptions.

Corporations are required to report annually.

MONTANA

The right of a alien to inherit real estate is dependent on the existence of a reciprocal right for U.S. citizens to inherit real estate in the country where the alien resides. (Rev. Codes of Mont. sec. 91A-2-111.)

NEBRASKA

Aliens may hold real estate within city or village limits and within 3 miles of those limits. They may also hold leases in other lands for up to 5 years. Other alien land ownership is prohibited. (Nebr. Rev. Stats., secs. 76-402 and 76-414.)

Resident aliens may acquire property by inheritance, but must sell it within 5 years. An alien not resident in the United States may inherit only if reciprocal inheritance rights are afforded U.S. citizens in the nation of the alien's residence and must dispose of it in 5 years. (Nebr. Rev. Stats., secs. 76-405, 76-402 and 4-107.)

Corporations organized outside Nebraska may hold land within city or village limits and within 3 miles of those limits. They may also hold land necessary for their business as common carriers or public utilities, or for manufacturing plants, petroleum service stations, or bulk stations. Subject to the above exceptions, no corporation (whether organized in Nebraska, another State, or in a foreign country) may hold land if a majority of its directors are aliens, if its executive officers or managers are aliens, or if a majority of its stock is

owned by aliens. (Nebr. Rev. Stats. secs. 76-402 through 76-414.) Corporations must make annual reports of land holdings. (Laws, 1975, L.B. 203.)

NEVADA

No restrictions.

NEW HAMPSHIRE

An alien resident in the State has the same rights as a citizen. A nonresident alien may not hold real estate. (N.H. Rev. Stats. Ann., sec. 477.20.)

NEW JERSEY

"Alien friends" have the same rights as citizens with respect to real estate. (N.J. Stats. Ann., sec. 46:3-18.)

NEW MEXICO

No restrictions. (N.M. Stats. Ann., sec. 70-1-24.)

NEW YORK

No restrictions. (McKinneys Consolidated Laws of N.Y. Ann., Real Property sec. 10.)

NORTH CAROLINA

Aliens may hold real estate on the same basis as citizens. (N.C. Gen. Stats. sec. 64-1.)

The right of a nonresident alien to inherit real estate depends on the existence of a reciprocal right for U.S. citizens to inherit real estate in the alien's home country. (N.C. Gen. Stats., sec. 64-3.)

NORTH DAKOTA

No restrictions on alien ownership of farmland.

Corporations are prohibited from engaging in farming or agriculture. (N.D. Century Code 10-06-01.)

OHIO

No restrictions.

OKLAHOMA

No alien may hold land unless he is a bona fide resident of the State. If an alien who is not a resident of the State acquires land (e.g., by inheritance) or if a resident alien leaves the State, he must dispose of the land within 5 years. (Okla. Const. art. 22, sec. 1; Okla. Stats. Ann. Title 60 secs. 121 through 123.)

Aliens may inherit land and may acquire title to land by foreclosing a lien in their favor, but if not residents of Oklahoma, they must dispose of it within 5 years. (Okla. Const. art. 22, sec. 1. Okla. Stats., Ann. Title 60 sec. 123, Title 84 sec. 229.)

No corporations may hold land outside of municipal limits except to the extent necessary for other business purposes. (Okla. Const., art. 22, sec. 2; Okla. Stats., Ann. Title 18 sec. 1.20.) Corporations may not engage in farming or ranching, except in special circumstances. (Okla. Stats. Ann. Title 18 sec. 951.)

OREGON

Aliens may not buy State land nor establish mineral claims on public lands unless they have declared their intention to become citizens. (Oreg. Rev. Stats. secs. 273.255, 517.010, and 517.044.)

In 1977 a law was passed requiring all corporations that own or lease farmland in the State to report to the State Corporation Commission certain data.

PENNSYLVANIA

Aliens may purchase and hold real estate up to 5,000 acres or a net annual income of \$20,000. Certain other statutes give special exceptions. (Pa. Stats. 68, secs. 21 through 32.)

RHODE ISLAND

No restrictions.

SOUTH CAROLINA

No alien nor alien-controlled corporation may own more than 500,000 acres of land. (Code of Laws of South Carolina 27-13-30.)

SOUTH DAKOTA

No restrictions on alien ownership of farmland.

Corporate ownership of farm land is restricted. (South Dakota Constitution, article XVII, sec. 7 and South Dakota Compiled Laws chapter 47-9A.)

Every corporation engaged in farming must file annually with the Secretary of State.

TENNESSEE

No restrictions.

TEXAS

No restrictions on alien ownership of farmland.

A corporation may acquire land only if it is necessary and proper for its business. It must convey away all excess land within 15 years of acquisition. A corporation may not have real estate holding as one of its purposes, except a "town lot" corporation, operating in or near a city. (Vernon's Ann. Tex. Stats., arts. 1302-4.01 through 1302-4.04.)

UTAH

No restrictions.

VIRGINIA

Any nonenemy alien may acquire and hold land on the same basis as a citizen. (Va. Code. Ann., sec. 55-1.)

VERMONT

No restrictions.

WASHINGTON

No restrictions. (Wash. Rev. Code, sec. 64.16.005.)

WEST VIRGINIA

No restrictions on alien ownership of farmland.

Corporations which acquire more than 10,000 acres of land in the State must obtain a license. A tax at the rate of 5 cents for each acre in excess of 10,000 is charged for the license. (W. Va. Code Ann., sec. 11-12-75.)

WISCONSIN

Resident aliens have the same rights as citizens. Aliens resident outside the United States may not acquire or hold more than 640 acres, except by inheritance. (Wis. Const., art. 1, sec. 15; Wis. Stats., secs. 710.01 and 710.02.)

Certain Corporations are restricted from owning farm land. (Wis. Code, sec. 182.001.) In addition, no corporation in which more than 20 percent of the stock is held by nonresident aliens may acquire or hold more than 640 acres. (Wis. Stats., sec. 710.02.)

WYOMING

Resident aliens have the same rights as citizens. Wyo. Const. art. 1, sec. 29; Wyo. Stats. Ann., sec. 34-151.)

A nonresident alien may inherit property only if a reciprocal right exists for a U.S. citizen to inherit in the nation of the alien's citizenship. (Wyo. Stats. Ann., sec. 2-43.1.)

U.S. GENERAL ACCOUNTING OFFICERESULTS OF PRELIMINARY INQUIRIES INTO
FOREIGN OWNERSHIP OF U.S. FARMLAND

(MARCH 1978)

Recently the news media has given considerable coverage to stories which indicate that large tracts of U.S. farmland are being purchased by citizens of other countries. Members of Congress, State legislators, and landowners from farming States have expressed concern about the increase in absentee foreign landowners' holdings in their States. We made some preliminary inquiries to obtain insight into the availability and depth of information on this subject and to identify the legislative, executive, and/or State actions that have been taken, or are underway or planned, to improve the data base on farmland ownership. As we read it, the concern about the potential problem of foreign ownership of U.S. farmland relates to nonresident foreign owners, rather than to resident foreign owners who make their homes in this country. Consequently, the following discussion of the results of our inquiries essentially deals with nonresident foreign ownership.

DATA LACKING ON LAND OWNERSHIP

There is presently no national system which aggregates information on the owners of U.S. real estate, regardless of whether those owners are resident or nonresident aliens or U.S. citizens. Consequently, adequate information on foreign investment in U.S. farmland is not readily available. We have been told that establishing such a system could be very difficult and costly. A study of the feasibility of developing a national information system for all real estate, including farmland, has been authorized by the International Investment Survey Act of 1976, which is discussed in a subsequent section.

Most States do not have a system that provides much information on the citizenship and residence of landowners. Studies have shown that State land title recordation systems generally reveal little information about the alien status of persons recorded as title holders. Many States do not require aliens who purchase land to report their alien status at the time of purchase. Some States do not even require that the title to a deed be recorded at the time of transfer. The problem of identification is particularly difficult when artificial entities, such as partnerships, corporations, or trusts, holding legal title to land obscure the identity and

possible alien status of persons or parties holding beneficial interest in the land. Accordingly, it may not be enough to have a system that attempts to monitor the alien status of parties holding legal title to U.S. farmland without also dealing with the possible alien status of beneficial owners.

In this regard, however, available information indicates that secrecy might be a major factor in foreign interests deciding to invest in U.S. real estate, including farmland. We were told that, if someone really wants to obtain or maintain control over U.S. land in secrecy, it would be extremely difficult and time-consuming, and perhaps virtually impossible within the context of a nationwide information-gathering system, to uncover this.

From what we could learn, much of the information in news stories on foreign investments in U.S. farmland seems to be based on statements made by individual real estate brokers and bankers and local residents about particular transactions of which they have knowledge. There are varying opinions about the seriousness of the situation nationwide and about current nationwide trends, but there is virtually no argument about the lack of hard data supporting such opinions.

STATE EFFORTS TO OBTAIN BETTER DATA ON FOREIGN OWNERSHIP OF U.S. FARMLAND

Information we obtained indicates that 29 States have laws that place constraints on alien landholdings in the United States. Although these laws apparently vary in severity and effectiveness, their existence can be viewed as evidence of citizen and State concern about and opposition to foreign ownership of U.S. land. There are indications that several of these States require alien landowners to report their alien status in some fashion.

Iowa has generally been identified as the State with the most advanced reporting procedure for obtaining data on foreign ownership of farmland. The State legislature passed a law in 1975 (House File 215) which requires all nonresident aliens owning or leasing agricultural land for farming to report annually to the Iowa Secretary of State. The requirement provides for the identification of beneficial owners in cases where the land is owned by corporations, partnerships or trusts.

We visited Iowa and made some inquiries about the magnitude of alien investments in Iowa farmland. According to annual reports issued by the office of Iowa's Secretary of State, 18 nonresident aliens reported in 1976 that they owned about 6,000 acres of Iowa farmland; in 1977 a total of 23 reported that they owned about 7,000 acres. Iowa has a total of about 34 million acres of farmland. A representative of that office told us that it is possible that some foreign investors had not filed their required reports but that, based on discussions with persons who are in close contact with agricultural-related matters throughout the State, it was believed that few, if any, nonresident alien landowners failed to comply.

We also discussed foreign ownership of land with Iowa's Secretary of Agriculture who said that he did not consider this to be a problem in Iowa. He said that he viewed it as more of an emotional issue than a real one. With regard to recent increases in the price of farmland in Iowa, the Secretary said that he believed the prices were being driven up by neighbors bidding against each other, rather than by the influx of foreign money into the State's real estate market.

A great deal of study into the foreign investment issue has been made in the past several years at Iowa State University. We met with three members of the faculty, all of whom were involved in a study of foreign investments in U.S. real estate--required by section 5(6) of the Foreign Investment Study Act of 1974. (The act and related study are discussed in the following section of this paper.) These authorities believed that the issue had been exaggerated recently, but they all agreed that a system was needed to monitor land purchases by aliens to identify developing trends.

They pointed out that land recording has always been a State and local responsibility and should continue to be so. They believed, however, that an effective system for monitoring foreign ownership of U.S. land will require some Federal involvement to assure consistency in data reporting format and content. They suggested that consideration be given to establishing a system which would require land ownership to be identified and recorded in local records, reported to an appropriate State agency, and

collected by an appropriate Federal agency. They said that such a system could be costly and that Federal money would probably be needed to provide the incentive for State and local governments to gather and report the necessary information.

These authorities also emphasized that, from their viewpoint as economists, they believed that investment in farmland would not be a very effective way for foreign interests to control sectors of the U.S. food system. They said that, from the standpoint of the economics of the U.S. food system, they would be more concerned about foreign interests investing in such things as agricultural product processing plants, fertilizer plants, and financial institutions.

We have not looked into the requirements and results of laws in other States on alien landholdings and land purchases. Further work in this area will be done in response to the concerns of the Senate Committee on Agriculture, Nutrition, and Forestry and the Senate Appropriations Committee's Subcommittee on Agriculture, Rural Development and Related Agencies.

FEDERAL EFFORTS TO OBTAIN BETTER DATA ON FOREIGN OWNERSHIP OF U.S. FARMLAND

The Federal Government has taken several steps to obtain better information about foreign investments in the United States, including investments in U.S. farmland.

Foreign Investment Study Act of 1974

This act (Public Law 93-479, 88 Stat. 1450) was passed because of growing congressional and public concern about foreign investment in the United States. Its purpose was to assess the situation and obtain basic information on such investment. The act required the Departments of Commerce and the Treasury to conduct comprehensive studies and to submit reports to the Congress on direct and portfolio foreign investments in the United States. Commerce was responsible for studies relating to direct investments and Treasury for studies relating to portfolio investments. The act called for the identification, investigation, and analysis of foreign investments, as well as for appropriate recommendations aimed

at keeping information and statistics on the subject up-to-date.

Section 5(6) of the act called for an analysis of foreign direct investments in U.S. real property holdings. This effort was carried out by the Department of Agriculture's Economic Research Service (ERS) ^{1/}, through an agreement with Commerce, and consisted mostly of a compilation of 20 research papers on various aspects of the alien investment issue. Parts of the compilation were included in Volume Number 8 of Commerce's final report to the Congress, issued in April 1976.

In its report, Commerce cited some data it had obtained from U.S. affiliates of foreign firms. (Such affiliates were defined as those being at least 10 percent foreign-owned.) The data showed that, as of the end of 1974, 4.9 million acres of U.S. real estate were owned by such affiliates. Of this amount, 1 million acres was reported to be land owned by affiliates classified as being in the agricultural sector.

According to the Commerce report, this data provided an incomplete national picture for several reasons, including the following.

- The Commerce study did not obtain data on property held exclusively for personal use and not for profit-making purposes.
- Information was not requested on holdings of 200 acres or less, and those held by business enterprises with both total assets and total revenues of less than \$100,000.

The Commerce report included data which indicated that about 63 million acres of land were leased by U.S. enterprises that were at least 10 percent foreign-owned. The report pointed out, however, that about half of this land was

^{1/}In October 1977 ERS was consolidated with the Department of Agriculture's Statistical Reporting Service, Farmer Cooperative Service, and Economic Management Support Center to form a new agency called the Economics, Statistics, and Cooperatives Service.

located abroad and that much of the remainder consisted of offshore mineral rights. A Commerce official who had contributed to the study told us that he did not believe any U.S. farmland was included in the 63-million-acre figure.

The Commerce report also included information on State laws that place constraints on alien landholdings in the United States.

The complete results of the ERS effort under section 5(6) of the act were issued in June 1976 as a separate report entitled "Foreign Investment in U.S. Real Estate". (This report was not distributed to the Congress but is available from the National Technical Information Service, Springfield, Virginia.) Some of the research papers included in the ERS report contained scattered pieces of information on alien land investment, but they were primarily academic discussions of various policy issues surrounding the topic of real estate and foreign investments and the political, social, legal, and economic implications and impacts of such investments. Because of the nature of these papers, they added little by way of an overall data base on the amount of foreign-owned U.S. land. According to the report's preface, little or no better quantitative information was obtained than was available in articles in newspapers, news magazines, and trade journals. Instead of compiling fragments of available information, the report is described as stressing policy issues examined from a detached, academic point of view.

ERS's report confirmed that national data on real estate ownership is extremely limited--that such information is fragmentary and scattered among local government offices, private industry files, or individual landowners. The report also stated that ownership is easily disguised and information easily controlled, and that the ethics and conduct of industry and commerce generally, and real estate institutions particularly, encourage confidentiality because market advantage runs with secrecy.

The ERS report concluded that the foreign investment issue actually boiled down to an information problem, and made the following recommendations, which were also included in a draft of the report provided to Commerce for its consideration in developing its final report to the Congress.

- Continue the current Federal policy regarding alien ownership of land, pending the completion of a comprehensive empirical study of long-run economic, social, and political impacts of foreign purchases.
- Develop sources and procedures for reporting to a Federal agency or agencies the amount, location, value, and use of all land held by foreign individuals and entities in terms of both nominal and beneficial owners.
- Encourage States to adopt legislation requiring local officials to identify alien interests in land, and systematically report the information to the State. Such information could then be collected and analyzed by the appropriate agency or agencies of the Federal Government.
- Promote the design of more efficient landownership information collection and handling systems. Create a commission with representation from the Congress, selected Federal agencies, State and local organizations, professional societies, and private industry to recommend system standards.

These specific recommendations were not included in Commerce's report. Commerce's recommendations were much broader in that they were generalized to address all modes of foreign direct investment in the United States. The basic message was consistent, however, in pointing out the need for the Government to collect more and better data on foreign investment.

Some congressional and executive actions which appear to be consistent with the Commerce and ERS recommendations are discussed below.

International Investment Survey Act of 1976

This act (Public Law 94-472, 90 Stat. 2059) was passed by the Congress in October 1976 to supplement the authority of the President to collect regular and periodic information on international investment, both in the United States by foreign investors and in foreign countries by U.S. interests. Section 4(d) of the act directed the President to conduct a study

of the feasibility of establishing a system to monitor foreign direct investment in agricultural, rural, and urban real property.

The Department of Agriculture has been assigned responsibility, by the Office of Management and Budget, to carry out the feasibility study. A report on its findings and conclusions is to be submitted to the Congress in October 1978. As of early February 1978, however, the study was still in the planning stage and funds had not been made available to carry out the effort.

The Department of Commerce's Office of Foreign Investment in the United States has been assigned responsibility for carrying out all other provisions of the 1976 act. This Office is also charged with carrying out Commerce's responsibilities under two Executive Orders on foreign investment. Executive Order 11858, dated May 7, 1975, charged the Secretary of Commerce with the responsibility of closely observing, collecting, and developing data on foreign investments in the United States and preparing analyses and reports to assist in policy development and for the information of the Congress and the general public. Executive Order 11961, dated January 19, 1977, requires the Secretary to conduct studies and prepare reports on significant aspects of international investment. According to a Commerce official, these responsibilities include obtaining information on foreign investment in U.S. farmland.

In December 1977 Commerce issued a report entitled "Foreign Direct Investment in the United States", which included summary information on various modes of such investments in 1976 and on transactions dealing with acquisitions, mergers, and equity increases for the 3-year period, 1974 through 1976. Commerce considers this report to be a partial fulfillment of its responsibilities under the 1976 act and the Executive Orders. The information in the report, derived primarily from published material and from the public files of Federal regulatory agencies, includes very little data on agricultural investments.

According to a Commerce official, the December 1977 report was deficient in the area of real estate in general because the sources used to accumulate the data, as a rule, did not contain real estate investment information. We were told that Commerce has taken steps to get more real estate

data and that its 1978 reports (the first of which is to be issued sometime this spring) will contain a separate section on foreign investment in U.S. real estate, including a discussion on purchases of farmland. The extent to which this discussion will contain hard nationwide data on foreign investment in U.S. farmland is not known.

Other Federal efforts

The Department of Agriculture also has an effort underway to obtain better information on land ownership. The Department is planning a nationwide land ownership survey in April 1978 which will involve the mailing of 40,000 to 50,000 questionnaires to the owners of a random sample of non-Federal land. A Department official said that the survey's primary purpose is to obtain a better data base on the characteristics of landowners and the uses being made of different types of land (including farmland). One question will ask individual landowners to identify their citizenship and place of residence, and corporations to identify their home offices.

The official said that the questionnaire is being pretested and that it will take the Department about 3 to 6 months after the final questionnaires are mailed to tabulate and analyze the results. He also said that some of the data results may be projected on a State basis but that any projections on the amount of foreign-owned farmland would probably not be very reliable.

CONCLUSIONS

Adequate nationwide information on the magnitude of foreign investment in U.S. farmland is not readily available. We were advised that it could be very difficult and costly to develop. Despite some Federal and State initiatives to obtain more and better quantifiable data on this subject, the data produced to date is still too fragmentary and limited to be of much use in determining whether foreign investment is, or is becoming, a potential national problem. The extent to which more reliable data may become available depends on how successful the Department of Commerce is in its efforts to improve its data collection processes and how successful the Department of Agriculture is in carrying out its land ownership survey and its study of the feasibility of establishing

a system to monitor foreign direct investment in agricultural land.

Because Federal efforts to date have not been particularly productive in providing nationwide data on foreign ownership of U.S. farmland, perhaps more pronounced and systematic monitoring by congressional committees and subcommittees of the progress being made could lead to better results.

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United States Senate

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

February 28, 1978

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

Dear Mr. Staats:

In our talks with farmers concerning the current crisis in the American farm economy, the Committee on Agriculture, Nutrition, and Forestry has received reports that foreign investors have become quite active in purchasing prime American farmland. Often, we understand, these purchases are made at prices that are beyond the reach of our own farmers.

As far as I can determine, there has been no accurate and documented assessment of this reported development to date.

Because of the serious ramifications for our farm economy if these reports are true, I believe it is imperative that we obtain a clear picture of the actual situation as quickly as possible.

Accordingly, staff from the Committee recently met with representatives of your office to discuss the results of some preliminary inquiries your office had already made into this subject in response to your own concerns.

This letter is to confirm the understanding reached at that meeting regarding additional information that would be useful to the Committee. Essentially, your representatives agreed to provide the Committee with --

--information on the various State laws that place constraints or reporting requirements on non-resident alien ownership of U. S. farmland;

- a summary of data available from any reports on or analyses of the results of these laws; and
- any suggestions that might surface regarding possible approaches for obtaining nationwide data on purchases of U. S. farmland by foreigners.

I would appreciate this information by the end of May, 1978.

It was also agreed that, to the extent time is available, your staff would select agricultural counties in several States and make inquiries to determine if there is any information available (and from what sources) indicating the magnitude of foreign investment in farmland in the selected counties. It was suggested at the meeting that this phase of the work be based primarily on interviews with knowledgeable county authorities.

I also would request that you furnish the Committee with a copy of any report your staff may prepare for you on the results of the inquiries made thus far on the matter of foreign investment in U. S. farmland.

Any information furnished this Committee on this subject should also be furnished the Subcommittee on Agriculture and Related Agencies, Senate Committee on Appropriations.

Your assistance in this matter will be appreciated.

With every good wish, I am

Sincerely,



HERMAN E. TALMADGE
Chairman
Senate Committee on Agriculture,
Nutrition, and Forestry

cc: The Honorable Thomas F. Eagleton, Chairman,
Senate Subcommittee on Agriculture and Related Agencies,
Senate Committee on Appropriations.

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CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, D.C. 20510

January 25, 1978

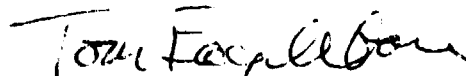
Mr. Elmer B. Staats
Comptroller General of
the United States
General Accounting Office
441 G Street
Washington, D. C. 20548

Dear Mr. Staats:

Senator Talmadge has advised me that he has requested the General Accounting Office to investigate reported foreign investment in farm land in the United States.

The Subcommittee on Agriculture, Rural Development and Related Agencies is also quite interested in this matter. We would appreciate being kept advised periodically of the progress of the report, and we would also like to receive a copy of the final report when it is available.

Yours very truly,



THOMAS F. EAGLETON, Chairman
Subcommittee on Agriculture,
Rural Development and
Related Agencies

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