

# CHINA'S AGRICULTURAL INVESTMENT IN LATIN AMERICA: A Critical Assessment

Margaret Myers and Guo Jie

## Executive Summary

Chinese land-related investments in Latin America – often referred to as “land grabs” – are commonly reported in both the media and academic literature. But the details of these investments vary considerably from report to report, calling into question the validity of recounted deals. This Inter-American Dialogue report critically examines China’s reported land purchases/leases in Latin America and the Caribbean (LAC). We provide some context for these deals, including information on the firms involved, their motivations, and the extent to which they were directed in any way by Chinese state, as is widely assumed in media reports. We also examine the extent to which overseas crop production is consistent with China’s evolving approach to food security.

We find that while Chinese firms have indeed engaged in overseas land investment in certain LAC nations, the amount of land purchased or leased is smaller than generally believed. This is often because reported deals fall through or are suspended for a variety of reasons. China’s purchased or leased land in Latin America is not only far less impressive in scale than generally

believed, these deals are also not easily classifiable as “land grabs.” As conceived in much of the literature, “land grabbing” involves the state-led purchase of large tracts of land for the cultivation of crops and eventual export back to the “grabbing” country. The tracts of land purchased or leased by Chinese firms in LAC do not always clearly address China’s food security challenges, however, although some of these deals are made by state-owned or provincial-level firms.

We also find that China’s current thinking on overseas agricultural investment is no longer particularly promoting of agricultural land investment. Increasingly, Chinese agricultural overseas foreign direct investment (OFDI) is focused not on overseas crop cultivation, but on investment across the industry supply chain in an effort to control both supply and pricing. The story is not one of “land grabs,” but of Chinese firms acquiring major agricultural multinationals throughout the region and across industries. Of all of China’s agricultural state-owned enterprises (SOEs), COFCO, China’s largest grains trader, is poised to lead this charge.

## Foreword

The Inter-American Dialogue is pleased to publish this report by Margaret Myers, director of the Dialogue's China and Latin America program, and Guo Jie, associate professor in the Peking University School of International Studies.

A product of the Dialogue's China and Latin America program, this report is the third in a series of papers examining China's involvement in specific economic sectors in Latin America and the Caribbean (LAC). Previous reports have profiled China's mining interests in LAC and Chinese energy engagement with the region.

These reports, our China-Latin America Finance Database, and Dialogue's China and Latin America Working Group, which just held its eighth meeting in Beijing, China, all inform and engage policy makers, civil society representatives, and

academics from China, Latin America, and the United States on evolving themes in the China-Latin America relationship. By providing up-to-date analysis on central themes in China-LAC relations, we aim to promote increasingly constructive cross-Pacific engagement.

We are deeply grateful for the expert assistance of Eric Johnson, Ye Xingjun, Wang Wenjia, and Zhang Ge in the production of this report.

We are also pleased to recognize the Henry Luce Foundation, CAF, and Liberty Mutual for their ongoing support of the Dialogue's work on China and Latin America.

Michael Shifter  
President

**This report critically examines China's reported land purchases/leases in Latin America and the Caribbean. We provide some context for these deals, including information on the firms involved, their motivations, and the extent to which they were directed in any way by Chinese state.**

## Introduction

Unlike China's agricultural trade with Latin America and the Caribbean (LAC), which is dominated by soybean exports from Brazil and Argentina and analyzed in much of literature on China-LAC relations,<sup>1</sup> China's agricultural investment in LAC, whether by private or state-owned firms, is not well understood. This is principally the result of limited data on China's overseas agricultural foreign direct investment (FDI). China's National Bureau of Statistics makes its FDI data available to the public, but these figures are often outdated or reported only in aggregate (whether by region or industry).<sup>2</sup> Chinese data also naturally excludes deals made by international firms, although China is known to hold majority shares in multinational companies with investments in overseas agriculture.

As a result of limited data, documentation of major agricultural investments relies to a considerable extent on media reports, which have tended to focus in recent years on Chinese "land grabbing" in LAC and other regions, or the state-led purchase or lease of large tracts of land for the cultivation of crops to be exported back to China. Thought to be motivated by China's increasingly dire food security outlook, Chinese land-related investment is also commonly referenced in academic writing and in reports published by non-governmental organizations and international financial institutions.

In general, media and other reports portray a land-deprived China, conducting large-scale, international land purchases to feed its growing population. Reporting of this sort was especially prevalent around 2008, in the midst of the world food crisis. At that time, China's Ministry of Agriculture was reportedly in the process of formulating a new policy on outward agricultural investment, including a possible strategy of overseas land purchase and leasing to guarantee domestic food supply.<sup>3</sup> Subsequent investments in farmland by Chinese firms alarmed the international community, even prompting changes in land-related legislation in certain countries. By 2011, *The Economist* had labeled China the world's largest land grabber, estimating that the Asian nation had bought or leased twice as much land as other presumed grabbers.<sup>4</sup>

While many reports suggest that China is active in purchasing and leasing overseas land, the amount of land reportedly purchased or leased varies considerably, depending on the source. In LAC alone, reports of total land "grabbed" vary by as much as 700,000 hectares in certain cases. There is even considerable disparity in

reporting on individual deals. Some sources indicate, for example, that Chinese firm Chongqing Grain Group purchased 200,000 hectares of land in Bahía, Brazil in 2008, whereas others suggest that the company leased only a few hundred hectares.

This paper evaluates the widespread claim that China is a prominent "land grabber" by critically examining accounts of Chinese land investment in LAC. By way of in-country interviews and extensive media and academic analysis, we provide what we see as most accurate account to date

**We evaluate the widespread claim that China is a prominent land grabber in LAC by critically examining accounts of Chinese land investment in the region.**

of investment in the region's agricultural land by Chinese firms. In contrast to much of the existing reporting, we find that Chinese land grabbing, as traditionally conceived, is an exceedingly rare phenomenon in LAC. Our confirmed land deals are far more limited in number and scale than those generally reported in the media and other sources.

We begin the paper with an overview of China's food security challenges, as identified in both Chinese and international literature and in Chinese policy documents. We continue with analysis of China's evolving approach to overseas agricultural engagement, which increasingly discourages land purchases in favor of other forms of investment. This is followed by a review of the dozens of Chinese land grabs commonly referenced in the media and other sources as having taken place in LAC. We provide some context for these deals, including information on the firms involved, their motivations, and the extent to which they were directed in any way by Chinese state, as is widely assumed in media reports.

Because land grabbing, as generally conceived, is intended to augment a given country's food supply, this paper focuses specifically on land-related investment for the cultivation of crops or for other phases of food production. We do not examine land purchases in LAC that are associated with extractive sector or forestry projects, for example, even though China has established a robust presence in these industries in recent years.

## Feeding the Masses: China's Challenges

Agriculture and rural society feature prominently in China's centuries-long economic development. Land reform was a principal feature of the Chinese Communist Party (CCP) reform effort under Mao Zedong, although many in the older generations still recall – and are arguably influenced by – their experiences during the period of extreme famine in the late 1950s and early 1960s, the result of ill-conceived government policies. Agricultural reform was also central to China's economic transformation in the Deng Xiaoping era. The household responsibility system, which enabled families to sell some crops on the free market, was adopted in 1981 and later extended to other sectors of the economy. More recently, President Hu Jintao and Premier Wen Jiabao sought to tackle China's "three rural issues" (三农问题),

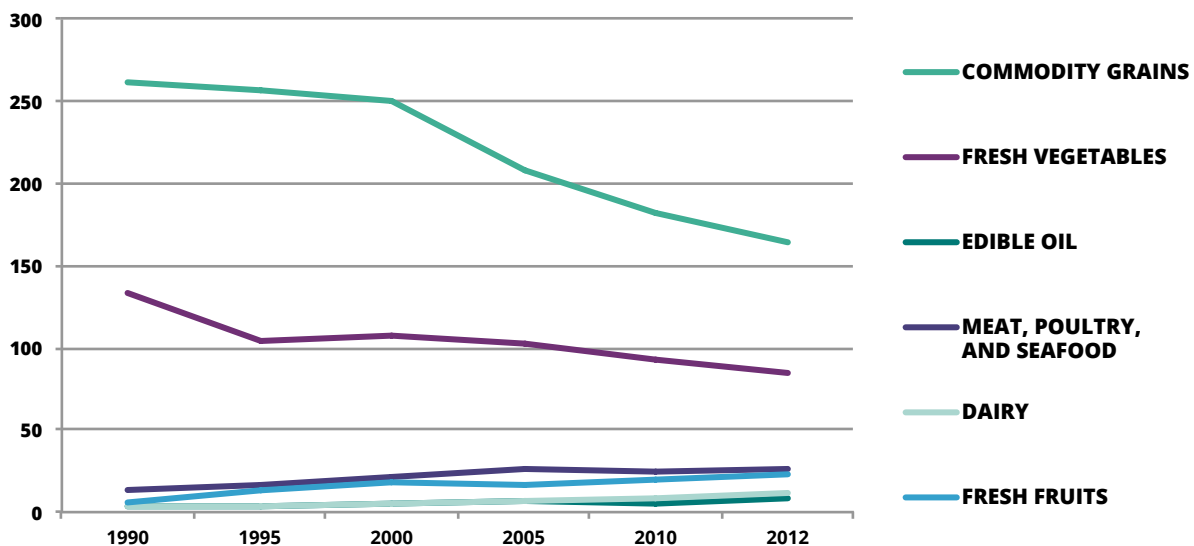
namely low agricultural mechanization, extreme rural-urban disparity, and low quality of life for China's farmers.

China's recent efforts to achieve domestic food security also have a strong historical basis. Chinese leaders were establishing grain storage systems as far back as the Warring States Period (475-221 BC). The much more recent global food crisis of 2008 reinforced the link between food price shocks and instability for China's leaders. As a scholar at the National Development and Reform Commission (NDRC), a government agency with broad administrative and planning authority, indicated in 2008, "food prices were the main triggers for turmoil in the past, and with millions of poor laborers concentrated in our cities, [China] cannot underestimate the risk of violence."<sup>5</sup> Over the past decade in particular, China's food policy has therefore sought to both ensure supply and control food prices.

China nonetheless faces many challenges to achieving its food security objectives. Land limitations are chief among them. According to 2011 statistics published by the Food and Agriculture Organization of the United Nations,<sup>6</sup> China accounts for nearly one-fifth of the world's population, but has only approximately 8-10 percent of the world's arable land.<sup>7</sup> What exists in the way of farmable land is also diminishing as a result of urbanization,<sup>8</sup> natural disasters, and ecological restoration initiatives (e.g., China's Grain for Green program).

**FIGURE 1. PER CAPITA MAJOR FOOD CONSUMPTION FOR RURAL FAMILIES, 1990-2012 (KG)**

Source: State Administration of Grain, China Grain Yearbook 2013 (Beijing: Economy & Management Publishing House, 2013), 571.



China’s arable land is also negatively affected by pollution. More than 16.1 percent of China’s already limited arable land is contaminated, according to findings from a June 2014 Ministry of Land and Resources report on pollution.<sup>9</sup> A 2013 western media report paints an even bleaker picture, suggesting that upwards of 70 percent of China’s farmland is polluted.<sup>10</sup> The United Nations Office of the High Commissioner for Human Rights found in 2012 that at least 37 percent of China’s land was environmentally degraded, if not entirely contaminated.<sup>11</sup> This is often the result of the overuse of fertilizer, as Chen Wenfu, an academic at the Chinese Academy of Engineering, has noted. The organic content found in black soil in Jilin province dropped from 8 percent in the 1950s to less than 2 percent today. Heilongjiang and Liaoning provinces are reportedly experiencing similar problems.<sup>12</sup>

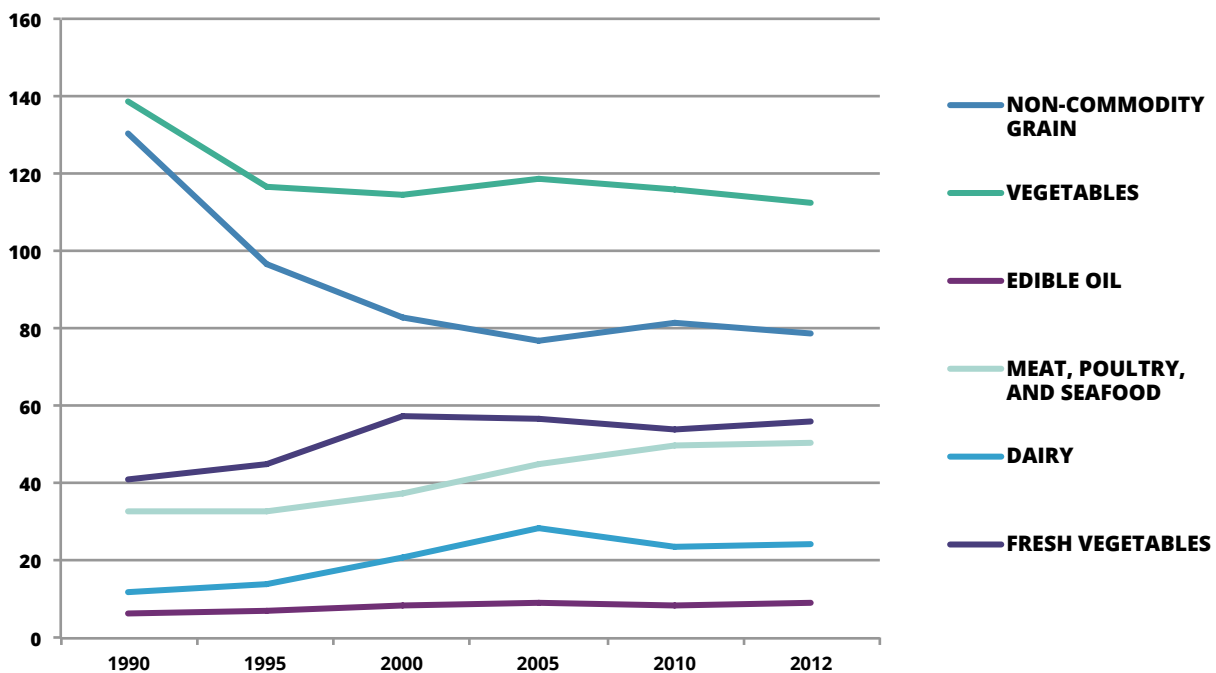
Low agricultural productivity is yet another challenge as China seeks to achieve domestic food security. By the end of 2013, China’s agricultural mechanization rate was only 61 percent,<sup>13</sup> much lower than that of the US, EU, or Japan (which are all around 90 percent). Chinese agriculture has come a long way over the past 30 years, but both productivity and safety standards are far behind other countries. China is the second-largest corn producer,

but yields are well below those in the US or Argentina.<sup>14</sup> Improving productivity will require mechanization, more sophisticated farming methods, the development of large cooperative farms, and reforms that incentivize migration to urban centers.<sup>15</sup>

As China contends with its supply-side challenges, domestic demand for a wide variety of agricultural goods is increasing. The Chinese population is consuming more food as income levels rise. Urban residents in particular are also consuming different types of food as new goods enter the market and as Chinese seek to provide their families with increasingly balanced diets. Demand for meat, fruit, milk, and eggs has grown across all income groups in recent decades. According to one estimate, the traditional per capita food consumption ration (grains: meat-fish: vegetables-fruit) shifted from an 8:1:1 pattern in 1980 to a 4:3:3 pattern in 2005.<sup>16</sup> As China National Cereals, Oils and Foodstuffs Corporation (COFCO) president Ning Gaoning, Chinese are increasingly consuming “more meat than rice” and “more milk than tea.”<sup>17</sup> Rapidly rising demand for meat—often referenced by the world’s major feed grain exporters—is expected to continue through at least 2022, when China becomes the world’s largest consumer of pork on a per capita basis.

**FIGURE 2. PER CAPITA MAJOR FOOD CONSUMPTION FOR URBAN FAMILIES, 1990-2012 (KG)**

Source: State Administration of Grain, China Grain Yearbook 2013 (Beijing: Economy & Management Publishing House, 2013), 571.



# Toward Agricultural Self-Sufficiency

China's leadership is well aware of its agricultural challenges and has implemented numerous policies in recent decades to improve domestic food security. For instance, as early as 1990, a grain storage system was introduced to regulate supply and demand and to enable China to respond effectively to fluctuations in the price of grain. Following China's accession to the World Trade Organization (WTO) in 2001, the country also abolished the collection of agricultural taxes and developed a series of price supports and subsidies to increase grain production.<sup>18</sup>

In a 1996 white paper entitled "The Grain Issue in China" (中国的粮食问题), the Chinese government set an ambitious 95 percent self-sufficiency target for grains (which at that time included rice, wheat, corn, and soy).<sup>19</sup> Self-sufficiency goals were announced yet again in the country's National Long-Term Security Plan, 2008-2020 (国家粮食安全中长期规划纲要),<sup>20</sup> at the height of the global food crisis. The crisis highlighted China's considerable dependence on other countries and multinational traders for the supply of certain foods (e.g., soybeans), and even for domestic production. As Agriculture Minister Han Changfu indicated in 2012, China relies on seed imports to grow many of its

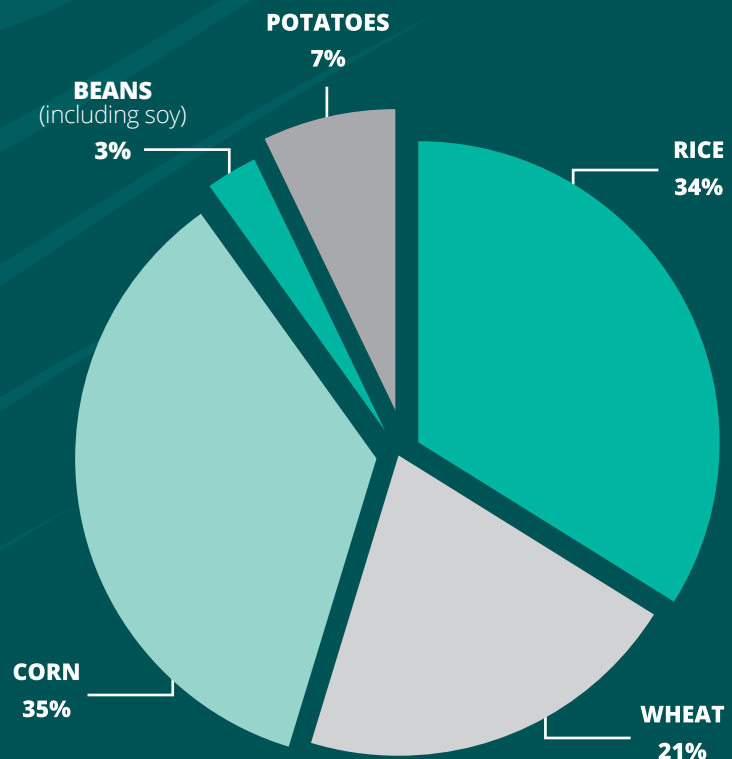
vegetables and imports a large percentage of its agricultural processing machines.<sup>21</sup>

In 2014, China's Number One Document (一号文件), a central policy paper that generally focuses on rural reform and agricultural modernization, set new goals for agricultural self-sufficiency. These include "absolute security (口粮绝对安全, interpreted as near 100 percent self-sufficiency)<sup>22</sup> in the production of rice and wheat, which are considered critical "food grains" (口粮); 95 percent self-sufficiency in the production of staple foods (e.g., rice, wheat, and corn, or 谷物); and 80 percent self-sufficiency in all grains (粮食), including soy.<sup>23</sup> The "all grains" target has been downgraded since the 1990s (from 95 percent to 80 percent), likely reflecting both rising domestic demand and production limitations.

In support of these self-sufficiency targets, China has announced grain-specific "red lines". Of the 1.8 billion mu (or 120 million hectares) of land reserved for agricultural production, China will dedicate 1.65 billion mu specifically for the production of grain (rice, wheat, corn, and soy). Of that amount, 1.4 billion mu are reserved exclusively for rice, wheat, and corn (谷物) production. Under the new guidelines, China will also place more emphasis on food quality and greater priority on meat, vegetable, and fruit production, all of which require less land than grains and create more jobs.<sup>24</sup>

**FIGURE 3. CHINA'S MAIN GRAIN PRODUCTION, 2014**

Sources: National Bureau of Statistics, Bulletin on Grain Production in 2014, [http://www.stats.gov.cn/tjsj/zxfb/201412/t20141204\\_648275.html](http://www.stats.gov.cn/tjsj/zxfb/201412/t20141204_648275.html).





China is generally expected to achieve fairly high rates of self-sufficiency in major grains. Domestic food demand will of course continue to increase in the coming years. Demand for wheat and corn, in particular, should rise from around 470 million tons today to about 560 million tons by 2025.<sup>25</sup> But the agricultural production increases required to achieve the new targets – of about 2.5 percent per year over the next 13 years – are “eminently achievable,” according to Hong Kong-based Gavekal Dragonomics.<sup>26</sup> Significant yield improvements can be made through better soil management, irrigation technologies, pest control, and other basic improvements in farm management.<sup>27</sup>

China’s much higher target for rice, wheat, and corn (between 95 to near 100 percent self-sufficiency) is only achievable, however, so long as China prioritizes the domestic production of these three “staple” grains over other crops. In many cases, rice, wheat, and corn are being grown instead of soy, which has smaller yields than other grains. Chinese farmers planted an additional 1.4 million hectares of corn in 2012, about half of which came from replacing soybeans.<sup>28</sup> The prioritization (by both the government and individual farmers) of staple grains over soy, combined with skyrocketing demand for

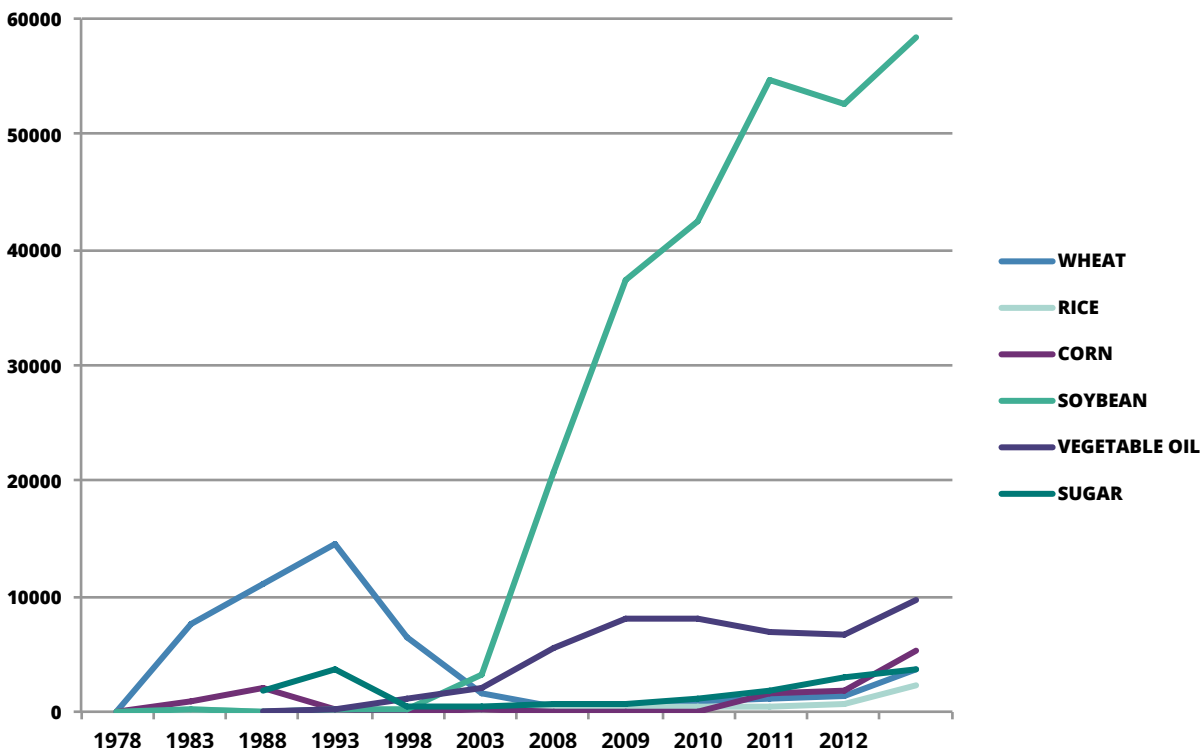
animal feed and cooking oil, has contributed to the boom in China’s soy imports in recent years. In 2012, China imported over 80 percent of soybeans consumed.

This dynamic has driven much of China’s agricultural engagement with Latin America in recent years. Brazil and Argentina consistently feature among China’s top sources of agricultural imports. Soybean and soymeal exports make up a considerable portion of these two countries’ exports to China – 71 percent for Argentina (2013) and 40.91 percent for Brazil (2014).<sup>29</sup>

A series of tariffs and subsidies supports China’s self-sufficiency targets, including the decision to rely on imports of soy and some other commodities – e.g., some fruits, milk, and luxury food products that are not efficiently produced at home. China maintains high tariffs on all imports of corn, wheat, and rice above a yearly quota of 7.2 million tons, 9.6 million, and 5.3 million tons, respectively, which makes additional imports extremely expensive.<sup>30</sup> The maximum tariff on soybean imports, in contrast, dropped from 114 percent to three percent in 2002, contributing to a sharp increase in soy imports in the following years.<sup>31</sup>

**FIGURE 4. CHINA’S AGRICULTURAL IMPORTS, 1978-2012 (THOUSANDS OF TONS)**

Sources: China Customs Statistics; China Statistical Yearbook.



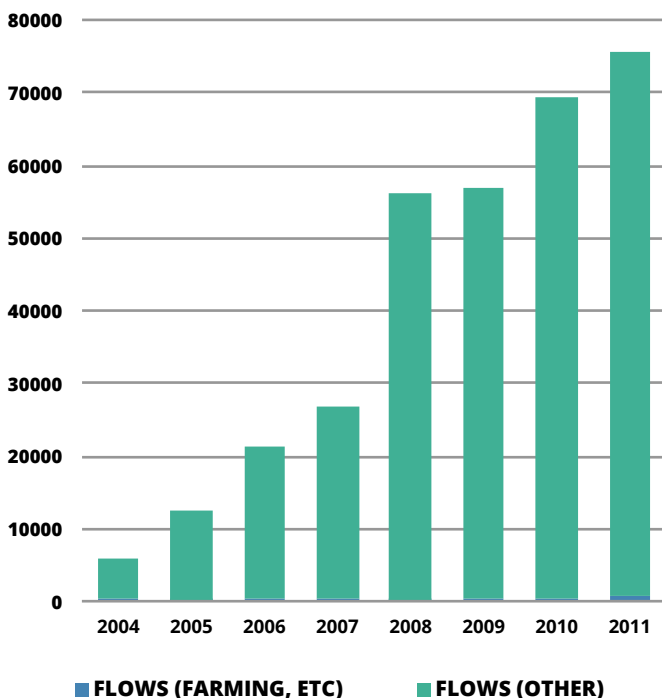
## Eyeing Foreign Agriculture

China's recent food security policy is consistent with the so-called "two markets, two resources" (两个市场 两种资源) strategy.<sup>32</sup> This concept was first described in 1982 by former CCP chairman and general secretary, Hu Yaobang, and later adopted by President Jiang Zemin to encourage international trade in a variety of sectors. It suggests reliance not only on China's domestic market, but also on international markets for the provision of much-needed raw materials and agricultural resources.

As indicated in the previous section, China's need to supplement internal production with foreign agricultural is urgent, especially in the case of soy. Driven by commercial policy and growing demand, soybean imports are predicted to rise to around 83 million tons in 2024 (soy imports totaled 63.38 million tons in 2013 and 71.4 million tons in 2014).<sup>33</sup> China's supply-related challenges perhaps prompted Minister of Agriculture Han Changfu's announcement in 2010 that "[t]he time and conditions are ripe for the county's agricultural companies to 'go out.'<sup>34</sup>

**FIGURE 5. CHINA'S OUTWARD FDI FLOWS IN FARMING, FORESTRY, ANIMAL HUSBANDRY AND FISHERY COMPARED TO CHINA'S OTHER AGRICULTURAL OFDI, 2004-2011 (USD MILLIONS)**

Source: 2011 Statistical Bulletin of China's Outward Foreign Direct Investment, pp.40-41.



China's growing interest in foreign agriculture has also raised concerns about what is perceived as a government-driven quest for foreign land. In the 2000s, countless media reports, journal articles, and databases (see GRAIN and International Institute for Sustainable Development, for example) tracked China's land acquisitions across the globe. Concerns heightened in the midst of the 2008 food crisis when China's Ministry of Agriculture was rumored to have submitted a draft proposal to the State Council that specifically encouraged overseas land investments, although no such policy was ever publicly released.<sup>35</sup>

While there have indeed been some high-profile Chinese investments in foreign land in recent years (see the next section for examples in Latin America), China's current thinking on overseas agricultural investment would appear to support very different objectives. Increasingly, Chinese agricultural overseas foreign direct investment (OFDI) is focused not on overseas farming and related land purchases, but on investment across the industry supply chain in an effort to control both supply and pricing. China's OFDI in farming therefore accounts for a very minor share of the country's total agricultural OFDI (see Figure 5).

Land purchases are not viewed as necessarily supportive of China's current food security objectives. As Cheng Guoqiang, senior research fellow at the State Council Development Research Center noted, "merely cultivating foreign lands doesn't bring you pricing power."<sup>36</sup> Domestic backlash within foreign countries against China's initial attempts to purchase or lease their land has also limited China's focus on land grabbing in more recent overseas investment policy.<sup>37</sup> As Cheng suggested in a 2013 press report, land purchases have led some countries to view Chinese investors as "neo-colonialists."<sup>38</sup>

China's preference for other forms of overseas agricultural investment is also indicative of a growing interest, especially on the part of COFCO, China's top grain trader, in competing more effectively with agricultural multinationals [e.g., ADM, Bunge, Cargill, and Louis Dreyfus (ABCD)]. As COFCO president, Patrick Yu, indicated in a 2011 media interview, the ABCD companies now control almost the entire raw material base in North America and South America. He added that "the ABCD firms offer a good example for COFCO given their successful involvement throughout the industry supply chain," explaining that the ABCD are not involved in farming, but instead procure crops from farmers and provide agricultural services and infrastructure.<sup>39</sup>



This thinking is also increasingly supported at the central government level. In 2013, *Caijing* magazine published key findings from several reports on overseas agricultural investment produced by a Ministry of Agriculture research team. To boost China's food supply, the team recommended minimizing land purchases and focusing on agricultural logistics and processing when investing overseas,<sup>40</sup> with the aim, presumably, of increasing Chinese control over foreign production, processing, and

Next we examine the practical application of China's agricultural policy in Latin America. Here we find that Chinese activity in LAC has largely shifted in accordance with newly-articulated overseas agricultural guidelines. Chinese agricultural firms are increasingly investing not in land for crop production, but across the food supply chain. Some are doing in support of China's food security objectives while others are more clearly driven by profit-based incentives.

## **CHINA'S NEED TO SUPPLEMENT INTERNAL PRODUCTION WITH FOREIGN AGRICULTURAL IS URGENT, ESPECIALLY IN THE CASE OF SOY. DRIVEN BY COMMERCIAL POLICY AND GROWING DEMAND, SOYBEAN IMPORTS ARE PREDICTED TO RISE TO AROUND 83 MILLION TONS IN 2024.**

logistics for commodities, like soy, that cannot be supplied domestically in sufficient quantities.<sup>41</sup> The team's other recommendations included improving access to foreign agricultural resources, selling surplus Chinese agricultural goods on the world market, effectively branding Chinese agricultural products for international sale, and improving China's agricultural competitiveness by adopting advanced technologies from abroad.<sup>42</sup>

China is actively supporting these food security objectives with earmarked loans, subsidies, and by facilitating public offerings in China and overseas equity markets.<sup>43</sup> COFCO has been a major recipient of financing from the China Development Bank (CDB) and the Agricultural Bank of China, for example. The company's chairman, Ning Gaoning, expressed interest in 2012 in expanding overseas investments in South and North America, Australia, and Russia, with over US\$10 billion in funding available for overseas mergers and acquisitions (M&A).<sup>44</sup> Established in 2011, the Ministry of Commerce and Ministry of Finance "Outward Economy and Technology Cooperation Special Fund" is supportive of various forms of overseas agricultural investment, although among these is the purchase or lease of land for animal husbandry.<sup>45</sup> The NDRC has also evidently been drafting a strategic plan for agriculture "going-out" since 2013, which is expected to introduce additional policy incentives for agricultural companies seeking to operate internationally.<sup>46</sup>

### Land Grabs in Latin America?

China's agriculture firms are relative newcomers in Latin America, as are Chinese firms in other sectors. Although China-Latin America engagement dates back to the Mao Zedong era, principally in the form of bilateral trade and Communist Party and other exchanges, China's economic engagement with the region has boomed in just the past two decades. Trade, rather than investment, has been the principal focus of China-Latin America agricultural engagement. As indicated in much of the literature on China and Latin America, China's imports of soy and to a lesser extent fruits and certain luxury food items (coffee and wine, for example) feature prominently in bilateral trade.

Latin America is also a key partner as China seeks to diversify its agricultural trade. China's recent approval of Argentine corn and fruit imports, for example, is indicative of China's broader interest in expanding its agricultural partnerships.<sup>47</sup> Already an importer of large quantities of Argentine soy, China accepted its first shipment of genetically modified corn from Argentina in August 2013 by means of Bunge, one of the aforementioned ABCD firms.<sup>48</sup> China has also agreed to allow imports of Brazilian corn, providing a key market for surging production in that South

American nation. Brazil is a principal exporter of soybeans to China, although the country is hoping to export more in the way of value-added agricultural goods. China's removal of its Brazilian beef ban, first announced during President Xi Jinping's visit to Brazil in July 2014, was therefore welcome news for Brazilians.<sup>49</sup>

In contrast to the trade relationship, Chinese agricultural investment in Latin America is far more limited, although China's presence is growing in this sector, often in line with the strategies described in the previous section. A thorough account of China's agricultural investment in Latin America is no easy task, however. China's agricultural firms have been present in the region in various forms for decades, but information on their investments is often bewildering. This is because data on China's overseas agriculture investment are extraordinarily limited, both in China and in Latin America. It is often the case, moreover, that Chinese deals are announced by the media or other sources, but then fall through. But because their demise is seldom reported, these deals tend to live on in perpetuity. They become "zombie deals," as Johns Hopkins SAIS professor and China-Africa expert Deborah Brautigam calls them.

Even the many reports and databases focusing only on China's land purchases/leases are subject to wide variation. GRAIN's land grab dataset reports that China has purchased or leased more than one million hectares of farmland in Latin America. However, a 2012 report by Irna Hofman and Peter Ho finds that China "grabbed" only about 300,000 hectares in the region.<sup>50</sup> Land Matrix, a land monitoring initiative, reports around 500,000 hectares, whereas the International Institute for Sustainable Development reports nearly 800,000 hectares purchased or leased by China.

We find that many of the deals reported in land grab studies and databases (and therefore accounting for their larger numbers) have either yet to materialize or have fallen through entirely, leading to considerable disparity in reporting. In fact, after extensive review of reported land grabs in Latin America, our numbers are far lower than any of those reported thus far. We confirm just over 70,000 hectares of land that have either been purchased outright or leased by China for crop cultivation.

China's purchased or leased land in Latin America is not only far less impressive in scale than generally believed, these deals are also not easily classifiable as land grabs. As conceived in much of the literature, "land grabbing"

involves the state-led purchase of large tracts of land for the cultivation of crops and eventual export back to the "grabbing" country.<sup>51</sup> Although there are some deals conducted by state-owned or provincial firms, not all clearly address China's supply-related challenges.

A review of confirmed Chinese land investments in Latin America (see Table 1) suggests the following:


1

**CHINA'S  
AGRICULTURAL  
INVESTMENT IN  
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IS ONLY RARELY  
FOCUSED ON LAND  
PURCHASES/LEASES.**

Dozens of "land grabs" by Chinese firms in Latin America are documented in international media and other reports. However, after extensive research we can confirm with confidence only ten examples of successful Chinese land investment in Latin America.

Of our confirmed land purchases/leases (see Table 1), many are relatively small in scale.<sup>52</sup> China's land-related investment in Venezuela, although difficult to confirm, amounts to only about 3,500 hectares in total. The Pengxin Group, a private firm, was responsible for one of the largest agricultural land deals in the region – the development of a soybean processing zone in Santa Cruz, Bolivia. At 12,488 hectares, however, this is a relatively small acquisition, especially in comparison with the hundreds of thousands of hectares typically referenced in land grab reporting. COFCO, China's largest grains trader, purchased only 350 hectares of land in Latin America, in this case for the development of a vineyard in Chile.

Closer examination of these deals also reveals that not all are tied to crop production for the purpose of Chinese consumption. The first Chinese land grabs in



# **Closer examination of China's land deals reveals that not all are tied to crop production for the purpose of Chinese consumption. The first Chinese land grabs in Latin America were a form of overseas development assistance. They were intended to improve local rice and other cash crop cultivation.**

Latin America took place in Cuba and Mexico in 1996 and 1998, respectively. Consistent with Brautigam's and Tang's analysis of the evolution of overseas agricultural investment,<sup>53</sup> these early deals were a form of foreign assistance. They were specifically intended to improve local rice and other cash crop cultivation. In the case of the Suntime's Mexico venture, the company eventually expanded into other businesses, including import-export, tourism, and real estate investment.<sup>54</sup>

Our numbers come in far lower than those in other reports in part because we have excluded two major deals that are very often cited in the media and are generally listed in Latin America land grab databases. These include the purchase of 300,000 hectares in Argentina's Rio Negro province by Heilongjiang Beidahuang Nongken Group Co. in a joint venture with the Argentine firm, Cresud,<sup>55</sup> and the Chongqing Grain Group's often reported purchase of 200,000 hectares of land in Bahia, Brazil for soybean farming and a soybean processing facility. Other unconfirmed, stalled, or rejected land deals are listed in Table 2.

Beidahuang's Rio Negro deal was the first example of large-scale Chinese agricultural investment in Argentina. The proposed US\$1.5 billion transaction involved the 20-year lease of 300,000 hectares of land.<sup>56</sup> In November 2011, however, the Rio Negro superior court ruled that the project be suspended. There has been no public information on the status of the deal subsequent to a change in the provincial government in December 2011.<sup>57</sup> Chongqing Grain Group nonetheless indicated that it invested over three hundred million renminbi in Argentina as of December 2013, presumably in undocumented land deals, other phases of agricultural production, or different economic sectors.

The Bahía, Brazil deal was not cancelled, but has been in negotiation or stalled from the onset.<sup>58</sup> It was initially derailed by the Brazilian government's 2010 reinterpretation of its land law, which limits foreign purchases of land.<sup>59</sup> An agreement was eventually reached between Chongqing Grain Group and the Bahia government in 2011, but as of early 2015, work had yet to commence in any form.<sup>60</sup>



**TABLE 1. CONFIRMED CHINESE PURCHASES OR LEASES OF LATIN AMERICAN LAND**

YEAR	COUNTRY	REGION(S)	PROJECT	LAND (HA)	AMOUNT (\$M)	INVESTOR
1996	Cuba	Pinar del Ríom & Granma	Rice Farming	5,000 in Pinar del Río & 3,259 in Granma	24	Suntime Group
1998	Mexico	Campeche	Rice and other cash crop cultivation	1,005	2.7	Suntime Group
2001	Venezuela	Guárico	Farming	2,000		
2001	Venezuela	Barina	Farming	535		Tongwei Group Co. Ltd
2004	Venezuela	Lara & Falcón	Sisal Demonstration Project	450 in Lara & 200 in Falcon	3	Guangxi Sisal Group Company Ltd.
2007	Brazil	Rio Grande do Sul & Tocantins	Soybean Farming	~700 in Rio Grande do Sul & ~16,100 in Tocantins	48.6	Zhejiang Fudi Agriculture Group & Agricultural Bureau of Heilongjiang Province
2010	Chile	O'Higgins	Winery	350	18	COFCO Wine & Spirits
2010	Bolivia	Santa Cruz	Soybean Industrial Zone	12,488	27.2	Pengxin Group Co.
2011	Jamaica	Clarendon, Westmoreland & Saint Catherine	Sugarcane Farming and Factories	27,800	9	COMPLANT International Sugar Industry Co., Ltd
2013	Chile	Araucanía, Maule, Coquimbo, Valparaíso & Bío Bío	Fruit Farms	370		Joyvio Group

## 2

## THE CHINESE FIRMS INVESTING IN LATIN AMERICA'S AGRICULTURAL LAND ARE DIVERSE.

As indicated in our confirmed deals list, the Chinese firms involved in land purchase/leasing in Latin America are very different. The list includes both small firms and large ones. Some are private (Pengxin and Zhejiang Fudi, for example), whereas others are state-owned or affiliated with a specific province. These firms are also geographically dispersed, hailing from all corners of China.

The motivations of China's so-called "land grabbers" are also unique. Some, like Zhejiang Fudi, are self-motivated and profit-seeking. An *ifeng.com* article from 2009<sup>61</sup> provides a detailed description of the origins of Zhejiang Fudi's Brazil land purchase. According to the *ifeng.com* account, the deal was initiated by village party secretary, Zhu Zhangjin, and 50 farmers from Huafeng village in the historically entrepreneurial Zhejiang province. Faced

China, where it was processed into cooking oil and animal feed in a Shandong facility also owned by Zhejiang Fudi Agriculture Group.<sup>62</sup>

COFCO's 350 hectare land deal (see Table 1) was similarly motivated by profit, but it also supports the expansion of China's domestic wine industry. The company's investment in Chile allows for the production of Great Wall wine in China's off-season. Both COFCO and the *China Daily* reported that the vineyard will have a wine production capacity of 14,000 tons per year and a yield of approximately 16 tons of wine per 1 acre.<sup>63</sup> COFCO similarly purchased land in France and Australia for wine production. To address growing demand for wine among Chinese consumers, France's Chateau Lafite Rothschild is investing US\$16 million in 25 hectares in Shandong province to produce premium red wine for the Chinese market. Moet-Hennessy owns 30 hectares in southern Yunnan province, where it is making a top-end Chinese red wine for the domestic market.<sup>64</sup>

As China's largest grain trader, COFCO's interests in Latin America extend beyond wine production. The company, according to Chairman Ning Gaoning, is also engaged in logistics, processing, and trading ventures in order to secure external food supply. COFCO is looking to acquire foreign firms to help secure supplies of commodities, including soybeans, wheat and sugar, as demand for more and different types of foods increases in China and elsewhere in the world.<sup>65</sup> In March 2014, COFCO announced that it was buying a 51 percent stake in Dutch

## THE MOTIVATIONS OF CHINA'S LAND INVESTORS ARE UNIQUE. SOME, LIKE ZHEJIANG FUDI, ARE SELF-MOTIVATED AND PROFIT-SEEKING.

with land limitations at home – there are only 3,000 acres of arable land in Huafeng – the villagers explored the possibility of pooling their individual financial resources to buy Brazilian land for soy production. They had read in a Chinese newspaper about Brazil's fertile land and long growing season. After establishing Zhejiang Fudi Agriculture Group, they purchased 16,800 hectares in Rio Grande do Sul and Tocantins for the production primarily of soy. Once harvested, the soy was shipped back to

grains trader Nidera. Nidera's appeal, according to COFCO president Yu Xubo, is its "powerful procurement platform" in Brazil, Argentina, and Central Europe.<sup>66</sup> COFCO also purchased a 51 percent stake in Noble Group Ltd. in April 2014. Reuter's reported in May 2015 that China Investment Corporation, China's sovereign wealth fund, will set up a joint venture with COFCO (COFCO Investment Holdings) to control the latter's investments in both Nidera and Noble.<sup>67</sup>

**TABLE 2. UNCONFIRMED OR STALLED CHINESE LAND DEALS IN LATIN AMERICA**

YEAR	COUNTRY	REGION(S)	PROJECT	LAND (HA)	AMOUNT (\$M)	INVESTOR
2005	Brazil		Cotton and Soybean Farming	200,000		Shanghai Pengxin International Group Ltd.
2008	Brazil	Bahía	Soybean Farming and Industrial Complex	200,000	2,470	Chongqing Grain Group
2010	Colombia	Orinoquía	Cereals	400,000		
2010	Brazil	Bahia and MAPITO (Maranhão, Piauí and Tocantins)	Grain Production and a Bioenergy Sector	200,000 - 250,000		Pallas International Consultants Group
2010	Bahamas	Abaco	Vegetable, Fruit and Livestock Production and Processing Plant	5,000		
2011	Argentina	Rio Negro	Soybeans, Corn and Wheat Farming	300,000	1,500	Heilongjiang Beidahuang Nongken Group Co.
2012	Argentina	Cordoba	Soybean and Dairy Farming	10,000	1,200	Chongqing Grain Group
2012	Argentina	Chaco	Soybean	130,000	420	Chongqing Grain Group
2013	Venezuela	Guarico, Barinas, Apure, Delta Amacuro & Portuguesa	Corn, Rice and Soybean Production	60,000		Beidahuang



**TABLE 3. EXAMPLES OF CHINESE AGRICULTURAL INVESTORS IN LATIN AMERICA BY COUNTRY**

<b>BRAZIL</b>	CHINATEX (中纺集团)
	Beijing Triunion Cereals & Oils Co., Ltd. (联众博亚)
	Sanhe Huifu OFCO Fodder Protein Products Co., Ltd. (三河汇福)
	Wuxi Five-star Garden (无锡五星花园)
	Jiangsu Muyang Group Co., Ltd. (江苏牧羊)
	Zhejiang Fudi Agriculture Co., Ltd. (浙江福地)
	Weiteng Investment Co. (广州伟腾)
	Shandong Guanfeng Hi-Tech Seed Co., Ltd. (山东冠丰)
<b>ARGENTINA</b>	Chongqing Red Dragonfly Oil Co., Ltd. (红蜻蜓粮油)
	Beidahuang Nongken Group Co. (北大荒农垦)
	Sanhe Huifu OFCO Fodder Protein Products Co., Ltd. (三河汇福)
	BBCA Group (安徽丰原)
	Huishang Group (徽商集团)
<b>VENEZUELA</b>	Shenzhen China-Venezuela Agricultural Investment Co., LTD (中委农业投资)
	Guangxi Nongken Group (广西农垦)
	Yunan Defu Wood Products Co., LTD (云南德福)
<b>BOLIVIA</b>	Pengxin Group (上海鹏欣)
<b>CHILE</b>	Qingdao MingYue Seaweed Group Co., Ltd. (青岛明月海藻)
<b>URUGUAY</b>	Sichuan Demetre Biological Sci-tech Co., Ltd. (四川迪美特)
<b>PERU</b>	Sichuan Tingjiang New Material, Inc. (四川亭江新材料股份有限公司)
<b>CUBA</b>	Suntime Group (新天集团)
<b>MEXICO</b>	Suntime Group (新天集团)

The range of firms involved in overseas agricultural investment is even more striking when looking beyond land purchases/leases at a wider range of agricultural deals. See Table 3 for examples of Chinese firms investing in various phases of agricultural production in Latin America. Firms such as Noble Group,<sup>68</sup> Chongqing Grain Group, Sanhe, and China National Heavy Machinery Corporation have invested in factories, pressing plants, mills, and other agricultural infrastructure in Latin America. Even firms in non-agricultural industries like telecommunications are participating in the broader financialization of commodity trade and agricultural production. As indicated in a 2013 McKinsey & Company report, many private Chinese entrepreneurs have identified the food chain as their next big thing. Investing outside rather than inside China is an opportunity to diversify assets geographically and to avoid high prices associated with the domestic food industry.<sup>69</sup>

Of note when examining examples of Chinese land purchases and leases in Latin America is not only their diversity, but that very few appear to be operating overseas based on explicit central government directives. Many are driven in some form by Chinese demand and the promise of related profit, but it is difficult to make the case that these firms are actively sent abroad by the Chinese government for the overseas production of specific crops, as is often implied in the land grab discourse. Zhejiang Fudi's Brazil investment was purely entrepreneurial. The company has since sold its Brazil assets. Pengxin (which has since been acquired by Hong Kong Holdings Company)<sup>70</sup> operates internationally, having developed considerable expertise in animal husbandry. Media descriptions of Pengxin frequently mention the company's support of China's "going out" objectives, but Pengxin's decision to invest in Bolivia appears to have been its own.

Joyvio's investment in a Chilean fruit orchard (see Table 1) is seemingly supportive of both state and shareholder interests. The company is owned by Legend Holdings, which also houses Chinese tech firm, Lenovo. Legend Holdings has indicated interest in diversifying into the food business, as it seeks to bring its high-profile and widely-trusted brand into an industry burdened by safety scandals. As a result, the company reportedly invested more than one billion renminbi in Joyvio, which will cover the complete chain of production, from food processing to distribution and retailing.<sup>71</sup> Joyvio now sells its Chilean fruit to the Chinese market.

# 3

## CHINESE FIRMS ENCOUNTER NUMEROUS CHALLENGES WHEN INVESTING IN LATIN AMERICAN AGRICULTURE.

Latin America is an attractive destination for Chinese agricultural firms, as it has been for many other international agricultural traders and investors. But China faces numerous challenges when attempting to invest not only in land, but also in other elements of agricultural production in Latin America. In its pursuit of greater vertical integration in global food supply chains, the “two markets, two resources” strategy pits China’s private and public firms against the likes of the powerful ABCDs, which have established a presence in international markets over the course of decades. In many cases, Chinese firms have been unable to compete effectively with these agricultural giants.

Chinese investors are further limited in certain cases by negative public reaction to proposed investments in

LAC countries. Although China has purchased far less land in Latin America than have other countries (see Table 5 below for Brazil-specific figures), Chinese deals continue to be a primary focus of regional discourse on agricultural sovereignty. As Hofman and Ho note, “China’s actions and moves around the world are often held under a ‘global magnifying glass,’” and thus more likely to be noticed. Less known are the increasing numbers of agricultural investments taking place intra-regionally and within countries.<sup>72</sup>

Strong local reactions to Chinese agricultural investment are still fueled by a belief that China is trying to buy up land in large quantities across the world. Negative reactions to Chinese deals are also occasionally the result of successful lobbying on the part of domestic interest groups. Some of these groups have been negatively impacted by China’s growing presence in the region. Others, though less clearly affected, stand to benefit from anti-China policy.<sup>73</sup>

China-related backlash is thought to have inspired changes to land legislation in Brazil and Argentina. Although there is debate about the factors contributing to Brazil’s 2010 reinterpretation of its land law, Carlos Pereira and João Augusto de Castro Neves attribute the move to a belief in Brazil that land acquisitions, mainly by China’s state-owned enterprises, could have a negative impact on security issues and land and commodity prices.<sup>74</sup> Reuters similarly reported that

TABLE 4. DIVERSITY OF CHINESE COMPANIES INVESTING IN AGRICULTURE

		FOOD & AGRICULTURE	OTHER INDUSTRIES
OWNERSHIP	State-owned	<p><b>COFCO</b> (central SOE; grain trade and production, food processing)</p> <p><b>Chongqing Grain</b> (provincial SOE; grain trade and production)</p> <p><b>Bright Foods</b> (provincial SOE; dairy)</p> <p><b>Heilongjiang Beidahuang</b> (provincial SOE; grain trade and production)</p> <p><b>Complant</b> (subsidiary of central SOE SDIC; sugar)</p>	<p><b>China Investment Corp.</b> (sovereign wealth fund)</p> <p><b>Sinochem</b> (central SOE; petrochemical group)</p> <p><b>Sinomach</b> (central SOE; machinery and construction)</p>
	Private	<p><b>Shuanghui</b> (former municipal SOE; pork)</p> <p><b>Yili Industrial</b> (dairy)</p> <p><b>Synutra</b> (infant formula)</p>	<p><b>Shanghai Zhongfu</b> (property developer)</p> <p><b>Shanghai Pengxin Group</b> (mining, agriculture, property)</p>

## IN PURSUIT OF GREATER VERTICAL INTEGRATION IN GLOBAL FOOD SUPPLY CHAINS, CHINA'S PRIVATE AND PUBLIC FIRMS ARE COMPETING WITH MAJOR AGRICULTURAL MULTINATIONALS, WHICH HAVE ESTABLISHED A PRESENCE IN INTERNATIONAL MARKETS OVER THE COURSE OF DECADES.

the reinterpretation occurred due to concerns about "large purchases by sovereign wealth funds, particularly from the Middle East, and by Chinese buyers."<sup>75</sup> The reinterpreted land law restricts acquisition by foreign persons of land characterized as rural, closing a legal loophole that had permitted foreign interests to

**TABLE 5. ORIGIN OF THE CAPITAL INVESTED IN LAND IN BRAZIL, 2010**

Source: INCRA, May 2010. Data re-worked by the authors.

COUNTRY	AREA (HA)	%
Portugal	1,030,119.42	23.68
Japan	432,469.84	9.94
Italy	256,145.06	5.89
Lebanon	172,696.63	3.97
Spain	127,499.12	2.93
Germany	123,667.19	2.84
Netherlands	114,189.29	2.62
Others	530,927.01	12.21

circumvent existing restrictions by creating a Brazilian-based company.

On December 22, 2011 the Argentine lower house passed the "Ley de Protección al Dominio Nacional sobre Propiedad, Posesión o Tenencia de Tierras Rurales" in a similar effort to restrict foreign purchase of land. Like the Brazilian reinterpretation, Argentina's new law was also attributed to perceived Chinese land grabbing. *Territorio Digital* wrote in December 2011 that the legislation was adopted because of "the interests of large countries with food shortages, such as India and China, in buying land in Argentina."<sup>76</sup> *La Nación* wrote in August 2011, that the debate was taking place at a time when Río Negro's "radical, *Kirchnerismo*-allied" governor, Miguel Saiz, was "about to sign an agreement with China for the exploitation of provincial land."<sup>77</sup> Whether motivated by genuine concern or by political objectives, the legislation seeks to prohibit foreign investment in Argentine land. Other Latin American nations have debated similar, albeit less stringent legislation in recent years.<sup>78</sup>

In addition to these challenges, Chinese firms have also had plenty of disagreements with local firms and governments over terms, land use rights, and other issues, resulting in stalled or terminated negotiations in certain cases. Even successful deals encounter roadblocks. COMPLANT's 2010 lease from the Jamaican Government of 27,854 hectares of land for the cultivation of sugar cane is one such example. COMPLANT initially failed to deliver on its sugar production targets in Jamaica, both in raw sugar and milled cane. This was especially damaging to the company's reputation considering that local workers are paid based on production numbers. There have also been some concerns in Jamaica about low levels of cooperation between COMPLANT and other local sugar cane farmers.<sup>79</sup>

# LOOKING AHEAD

## NEW TRENDS IN CHINESE OVERSEAS AGRICULTURAL INVESTMENT?

China's "land grabbing" activity in LAC is far less alarming than generally believed. Overall, China's land deals in the region are few in number and small in scale. In addition, China's land purchases and leases in Latin America have only rarely been supportive of the country's food security objectives. Thus far, Chinese land deals in LAC are dominated by private ventures (as in the case of Zhejiang Fudi and Pengxin) or cases of Chinese overseas development assistance (e.g., Suntime's Mexico and Cuba deals). Nor is there clear evidence of government support in recent years for overseas "land grabbing." In fact, the individuals and institutions responsible for China's overseas agricultural investment policy have at times actively discouraged overseas land purchases in favor of other forms of investment.

Whether motivated by profit, government directives, or a combination thereof, Chinese firms, like their multinational counterparts, are interested not just in buying land, but also in investing across the production chain. And there would appear to be strong governmental support for this effort. As in other sectors, China – through special financing mechanisms and other incentives – is especially encouraging of overseas M&A, which provides its firms with access to a wider range of markets, industries, and technologies. Having received considerable support from CDB and the Agricultural Bank of China, COFCO alone aspires invest more than US\$10 billion in overseas M&A in the next five years.<sup>80</sup>

China is devising still other means by which to facilitate agricultural supply. China Development Bank's possible support for a Cuiabá-Santarém railway – running from Cuiabá in Mato Grosso to the Santarém port in Pará – is closely aligned with China's food security objectives, for example. This deal has yet to materialize, but there are indications that CDB could finance

construction of the railway, possibly in exchange for exports of soy. Like COFCO's recent deals, this project is indicative of China's growing preference for investment in various phases of agricultural production, to include transport logistics. The deal would also directly facilitate the export of soy to China.

Numerous agricultural cooperation agreements also support China's overseas agricultural interests. The first China-Latin America and the Caribbean Agricultural Ministers' Forum was held in Beijing in June 2013, attended by 16 ministers and 9 vice ministers of agriculture. During the forum, China and 21 Latin American and Caribbean countries<sup>81</sup> signed the Beijing Declaration of China-Latin America and the Caribbean Agricultural Ministers, which states that China and Latin America will "jointly promote investments in the agribusiness." The forum also created a US\$50 million special fund to conduct agricultural cooperation projects, presumably with some support from private capital. China has also signed bilateral agriculture, fishing, and forestry-related agreements and other cooperation agreements with several Latin America and Caribbean countries. For example, a joint action plan between China and Brazil encourages two-way investment in agriculture with a focus on grain and food processing.

China's need to complement its internal production will mean high rates of agricultural trade with major producers in Latin America far into the future. The country's growing interest in overseas agricultural investment also presents new, potentially attractive, opportunities for partnership and agricultural development in the region. The extent to which China's investments and other agreements are successful in LAC will continue to depend on governmental, interest group, and popular reactions to China's presence in the countries where it seeks to invest. Whether these deals are of benefit to Latin American nations will depend on national and local government consideration of environmental and other challenges associated with agriculture sector expansion. China is nonetheless seeking to establish itself as a trusted agricultural partner in the region, whether through diplomatic channels, development assistance, or increasingly varied agricultural investment.

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