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Foreign direct investment flows to agriculture

2012–2021

HIGHLIGHTS

- From 2012 to 2021, global foreign direct investment (FDI) inflows slightly decreased by 6.2 percent from USD 1.75 trillion to USD 1.65 trillion, and global FDI outflows increased by 4.3 percent from USD 1.50 trillion to USD 1.57 trillion.
- The Americas, Asia and Europe received 94 percent of total FDI inflows and 99 percent of total FDI outflows between 2012 and 2021.
- Indonesia was the top recipient of FDI inflows to between 2017 and 2021, with USD 2.0 billion per year on average. Brazil was second, with USD 830 million per year, followed by China, mainland (USD 819 million per year).
- China, mainland was the top country providing FDI flows to agriculture from 2017 to 2021, with USD 2.14 billion per year on average. India was second (USD 1.97 billion per year), followed by Norway (USD 1.40 billion per year).

* The term “agriculture” includes forestry, fishing and aquaculture, as per ISIC Rev. 4, A_01-03.

** Values are reported in USD 2015 constant prices.

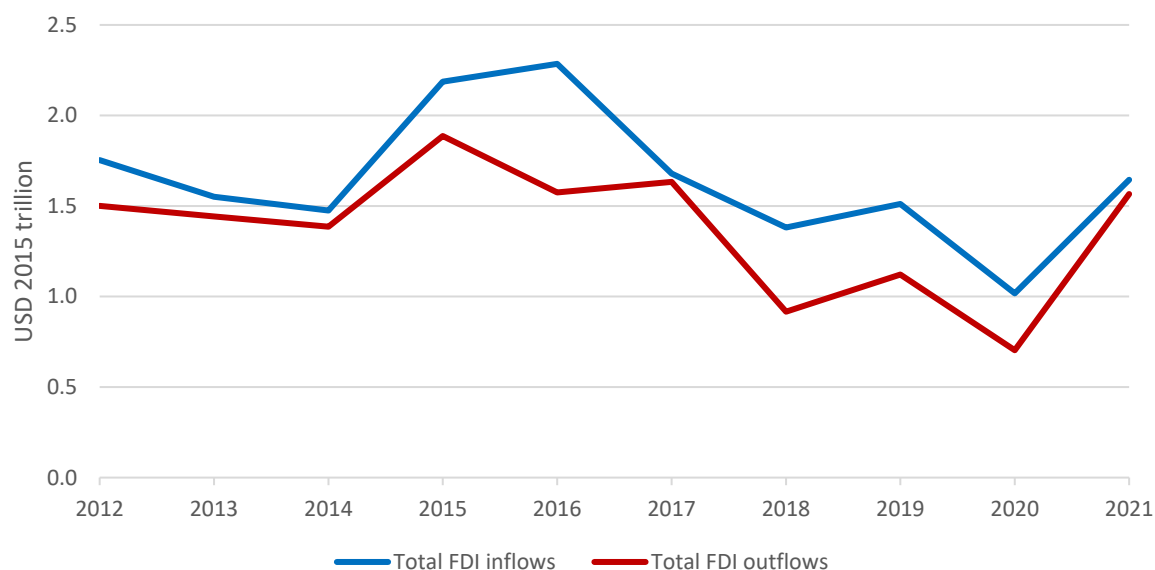
FAOSTAT FOREIGN DIRECT INVESTMENT FLOWS TO AGRICULTURE

GLOBAL TRENDS

During the past ten years, from 2012 to 2021, total foreign direct investment (FDI) inflows decreased by 6.2 percent from USD 1.75 trillion to USD 1.65 trillion and total FDI outflows increased by 4.3 percent from USD 1.50 trillion to USD 1.57 trillion.¹ Both FDI inflows and outflows stayed stable between 2012 and 2014 then spiked in 2015 and 2016 due to a swell in cross-border mergers and acquisitions in line with the large corporate reconfigurations by multinationals (total FDI inflows soared by 54.9 percent to USD 2.28 trillion in 2016 from USD 1.48 trillion in 2014, reaching their highest level for the period). FDI inflows decreased to USD 1.02 trillion in 2020 as the COVID-19 pandemic started and rebounded sharply to USD 1.65 trillion in 2021. Total FDI outflows showed a similar pattern but rose by 36.1 percent between 2014 and 2015, less than FDI inflows, and dropped below USD 1 trillion in 2018 and 2020 before rebounding to USD 1.57 trillion in 2021 (Figure 1).

¹ FDI data for 2021 are obtained in constant prices by deflating the FDI data for 2021 at current prices using the forecasted GDP deflator in 2021; global FDI inflows are analysed based on 201 country and global FDI outflows on 174 countries for which data are available between 2012 and 2021.

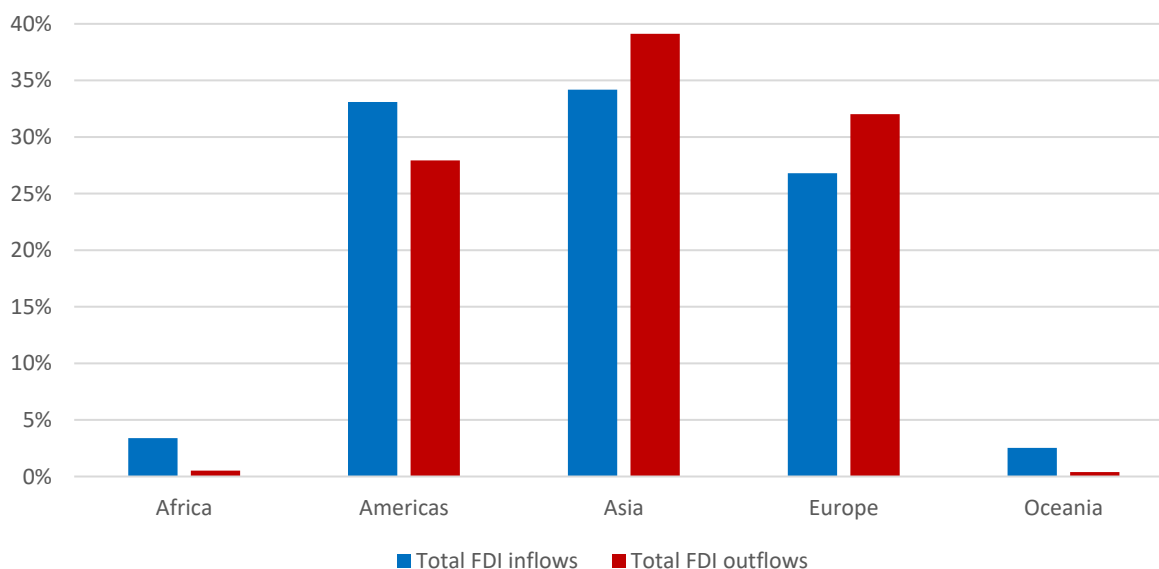
Figure 1: Total reported FDI inflows and outflows



Source: FAO. 2022. FAOSTAT: Foreign Direct Investment (FDI). In: FAO. Rome. Cited December 2022. <https://www.fao.org/faostat/en/#data/FDI>

FDI inflows and outflows to the Americas, Asia and Europe accounted for 94 percent of FDI inflows and 99 percent of FDI outflows between 2012 and 2021. The United States of America and China, mainland are the top countries in total FDI inflows and total FDI outflows, respectively.

Figure 2: Regional reported share of total FDI inflows and outflows



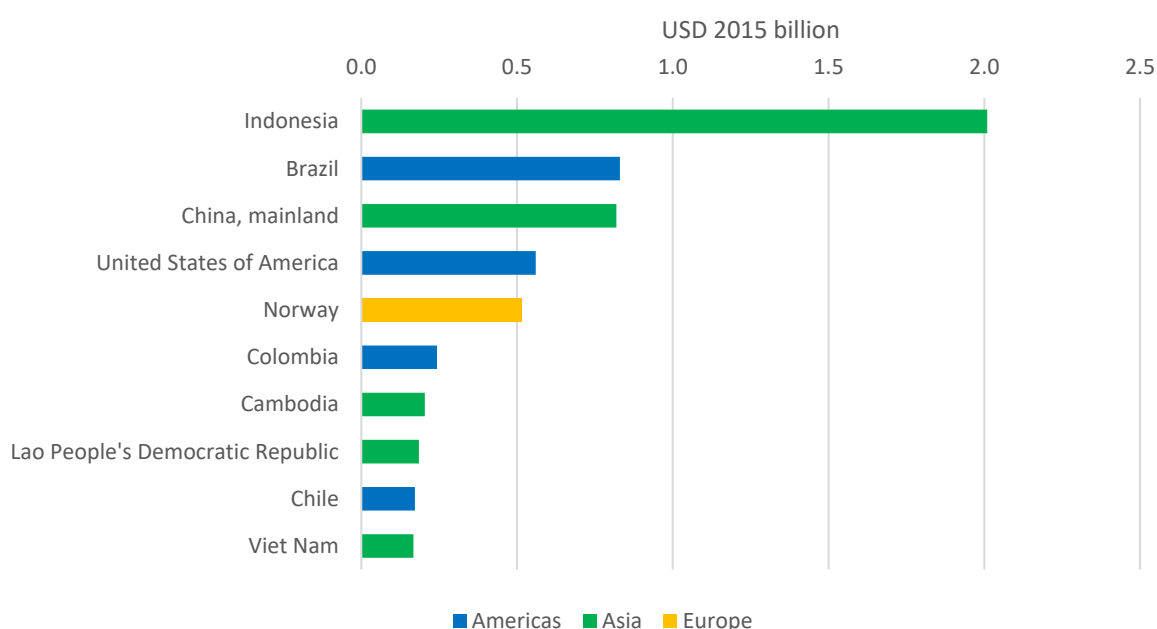
Source: FAO. 2022. FAOSTAT: Foreign Direct Investment (FDI). In: FAO. Rome. Cited December 2022. <https://www.fao.org/faostat/en/#data/FDI>

TOP RECIPIENTS AND PROVIDERS OF FDI INFLOWS AND OUTFLOWS TO AGRICULTURE

Indonesia was the top recipient country of FDI inflows to agriculture from 2017 to 2021, with USD 2.0 billion per year on average although the FDI inflows to agriculture dropped to USD -95.7 billion in 2020 (indicating reverse investment or disinvestment) due to FDI policy changes. The Indonesian Government relaxed its FDI regulations and allowed foreign entities to own a larger stake in domestic enterprises: in the case of the palm oil production industry, foreign entities can own 95 percent of local companies (Oxford Business Group, 2019 and Pasaribu *et al.*, 2021).

Brazil was the second largest recipient, with USD 830 million per year on average, followed by China, mainland with USD 819 million per year on average during the same period. Brazil is one of the major agricultural producers in the world, as agribusiness has become the driving force of the national economy and economic growth (Corcioli *et al.*, 2022).

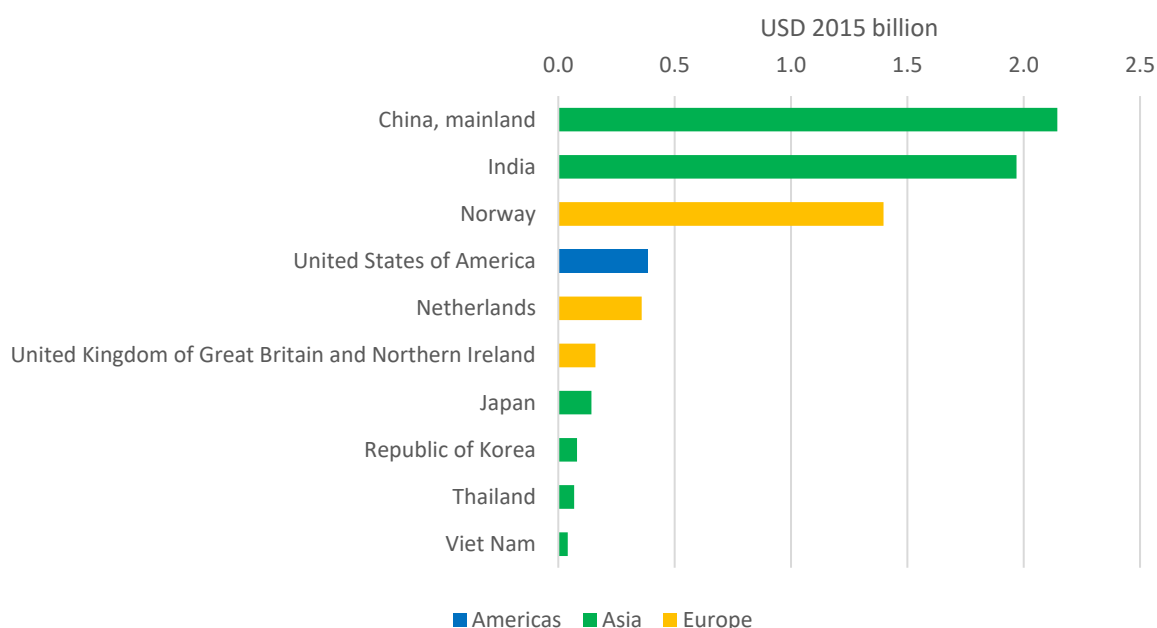
Figure 3: Annual FDI inflows to agriculture, top countries (2017–2021 average)



Source: FAO. 2022. FAOSTAT: Foreign Direct Investment (FDI). In: FAO. Rome. Cited November 2022. <https://www.fao.org/faostat/en/#data/FDI>

China, mainland was the top country providing FDI outflows to agriculture from 2017 to 2021, with USD 2.14 billion per year on average. Chinese overseas investment in agriculture is significant compared to other countries and takes the form of aid projects and private sector investment in agriculture and land and water resources (Carin *et al.*, 2012). India was the second largest provider of FDI outflows to agriculture, with USD 1.97 billion per year on average, followed by Norway with USD 1.40 billion per year on average during the same period.

Figure 4: Annual FDI outflows to agriculture, top countries (2017–2021 average)



Source: FAO. 2022. FAOSTAT: Foreign Direct Investment (FDI). In: FAO. Rome. Cited November 2022. <https://www.fao.org/faostat/en/#data/FDI>

EXPLANATORY NOTES

FDI is defined as an investment that aims to acquire a lasting management influence (10 percent or more of voting power) in an enterprise operating in a foreign economy (International Monetary Fund's *Balance of Payments Manual 2009, Sixth Edition*, and Organisation for Economic Co-operation and Development's (OECD) *Detailed Benchmark Definition of Foreign Direct Investment 2008, Fourth Edition*). FDI creates stable and long-lasting links between economies. It can be decomposed into two types of investments: mergers and acquisitions, and greenfield investments. The latter result in the creation of new entities and setting up of offices, buildings, plants or factories in a foreign economy. FDI transactions (flows) and positions (stocks) consist of three types of financing: i) acquisition or disposal of equity capital; ii) reinvestment of earnings that are not distributed as dividends; and iii) intercompany debt (payables and receivables, loans, debt securities).

Data on FDI flows are presented on a net basis (capital transactions' credits less debits between direct investors and their foreign affiliates). Net decreases in assets or net increases in liabilities are recorded as credits, while net increases in assets or net decreases in liabilities are recorded as debits. Hence, FDI flows with a negative sign indicate that at least one of the components of FDI is negative and not offset by positive amounts of the remaining components. These are instances of reverse investment or disinvestment.

Data on FDI inflows and outflows are obtained from the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (INTRACEN) and the Organisation for

Economic Co-operation and Development's (OECD). More information on actual investment flows may be privately held and not feature in these datasets as that information may be confidential

In this analysis, all values are reported in USD 2015 constant prices after adjusting for inflation.

As the analysis is based on the data available, future data updates can lead to revisions.

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