



Food and Agriculture
Organization of the
United Nations

ISSN 2709-006X [Print]
ISSN 2709-0078 [Online]



FAOSTAT ANALYTICAL BRIEF 77

Foreign direct investment flows to agriculture

2013–2022

HIGHLIGHTS

- The marginal decrease in global foreign direct investment (FDI) inflows between 2013 and 2022 (to USD 1.35 trillion) masks an overall decline from the peak of USD 2.16 trillion in 2015. Global FDI outflows increased by 7.2 percent from USD 1.40 trillion to USD 1.50 trillion after dipping to USD 0.74 trillion in 2020.
- The Americas, Asia and Europe received most of total FDI inflows and at the same time provided almost all of total FDI outflows between 2013 and 2022.
- Indonesia was the top recipient of FDI inflows to between 2018 and 2022, with USD 888 million per year on average. Brazil was second, with USD 635 million per year, followed by the United States of America (USD 621 million per year).
- China was the top country providing FDI outflows to agriculture from 2018 to 2022, with USD 1.71 billion per year on average. Norway was second (USD 567 million per year), followed by the United States of America (USD 496 million 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.

FOREIGN DIRECT INVESTMENT FLOWS TO AGRICULTURE

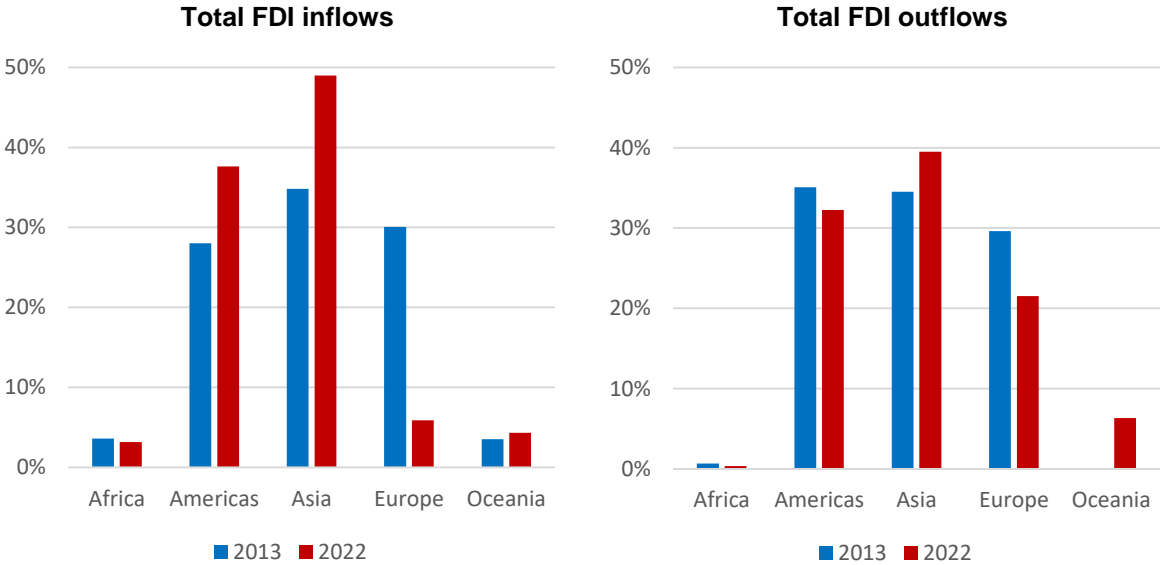
GLOBAL TRENDS

During the past ten years, from 2013 to 2022, total foreign direct investment (FDI) inflows decreased marginally from USD 1.36 trillion to USD 1.35 trillion and total FDI outflows increased by 7.2 percent from USD 1.40 trillion to USD 1.50 trillion.¹ Both FDI inflows and outflows spiked in 2015 due to a swell in cross-border mergers and acquisitions in line with the large corporate reconfigurations by multinationals (FDI inflows soared by 43 percent to USD 2.16 trillion in 2015 from USD 1.51 trillion in 2014, reaching their highest level for the period). FDI inflows decreased to USD 1.14 trillion in 2020 due to the COVID-19 pandemic and rebounded to USD 1.48 trillion in 2021 before declining to USD 1.35 trillion in 2022. Total FDI outflows showed a similar pattern but rose by 31 percent between 2014 and 2015. They dropped below USD 1 trillion in 2018 and 2020 before surging to USD 1.71 trillion in 2021 and decreasing to USD 1.50 trillion in 2022.

¹ FDI data for 2022 are obtained in constant prices by deflating the FDI data for 2022 at current prices using the forecasted 2022 GDP deflator; global FDI inflows are analysed based on 201 countries and global FDI outflows on 175 countries for which data are available between 2013 and 2022, although a few countries did not report in some years.

The Americas, Asia and Europe accounted for 94 percent of FDI inflows and provided 99 percent of FDI outflows over the period. The share of Asia in global FDI inflows increased from 35 percent to 49 percent between 2013 and 2022; that of the Americas also increased, from 28 percent to 38 percent while the share of Europe shrank from 30 percent to 6 percent. Between 2013 and 2022, Asia also accounted for a higher share of global FDI outflows (from 35 percent to 40 percent), as did Oceania (from 0 percent to 6 percent). The share of the Americas decreased from 35 percent to 32 percent and the decline in the share of Europe was much larger (from 30 percent to 22 percent).

Figure 1: Share of total reported FDI inflows and outflows by region



Source: FAO. 2023. Foreign Direct Investment (FDI). In: *FAOSTAT*. Rome. [Cited December 2023]. <https://www.fao.org/faostat/en/#data/FDI>

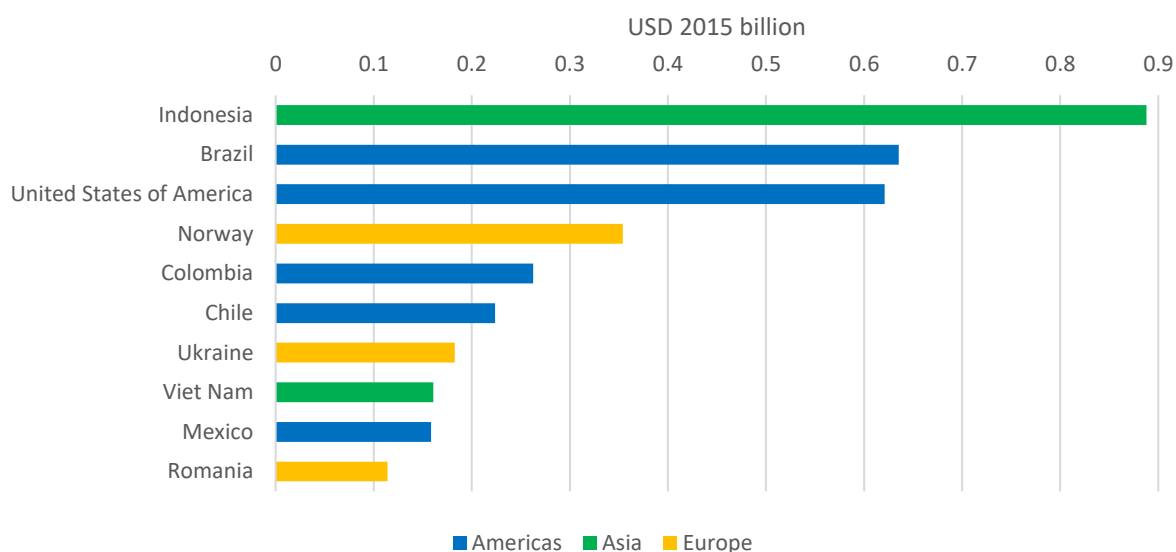
TOP RECIPIENTS AND PROVIDERS OF FDI INFLOWS AND OUTFLOWS TO AGRICULTURE

Indonesia was the top recipient country of FDI inflows to agriculture from 2018 to 2022,² with USD 888 million per year on average. This average masks large inflows in 2018–2019 worth USD 1.7–3 billion and negative inflows in the following years due to disinvestments of multinational enterprises. 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; OECD, 2020; Pasaribu *et al.*, 2021).

Brazil was the second largest recipient, with USD 635 million per year on average, followed by the United States of America (USD 621 million). Brazil is one of the major agricultural producers in the world, and agribusiness has become the driving force of the national economy and economic growth (Corcioli *et al.*, 2022).

Figure 2: Annual FDI inflows to agriculture, top countries (2018–2022 average)

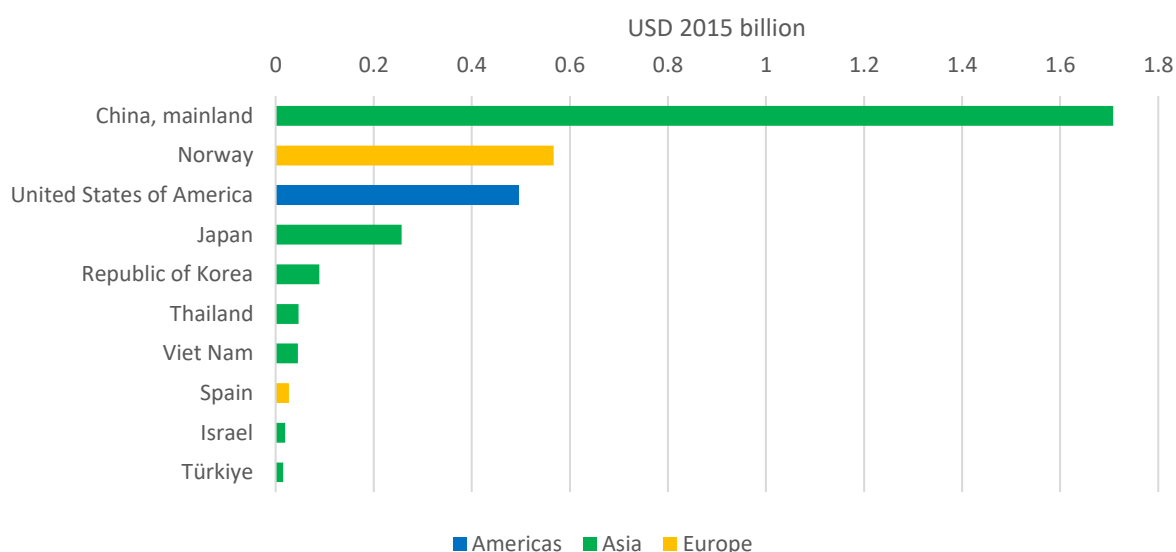
² Based on countries with data for at least three years.



Source: FAO. 2023. Foreign Direct Investment (FDI). In: *FAOSTAT*. Rome. [Cited December 2023]. <https://www.fao.org/faostat/en/#data/FDI>

China was the top country providing FDI outflows to agriculture such as crop farming, farm machinery, inputs, food processing and logistics from 2013 to 2022, with USD 1.71 billion per year on average, which is at least three times as much as any other country. Chinese overseas investment in agriculture has increased rapidly to over 1 300 Chinese enterprises in 2016 in more than 100 countries with financial support from state banks. (Gooch and Gale, 2018). Norway was the second largest provider of FDI outflows to agriculture, with USD 567 million per year on average despite disinvestment of USD -1.13 billion in 2021, followed by the United States of America (USD 496 million per year on average during the same period).

Figure 3: Annual FDI outflows to agriculture, top countries (2018–2022 average)



Source: FAO. 2023. Foreign Direct Investment (FDI). In: *FAOSTAT*. Rome. [Cited December 2023]. <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 organization for Economic Co-operation and Development's (OECD) *Detailed Benchmark Definition of Foreign Direct Investment 2008, Fourth Edition*). FDI inflows are the value of inward direct investment made by non-resident investors in the reporting economy. FDI outflows are the value of outward direct investment made by the residents of the reporting economy to external economies. 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 Organization 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 without an imputation, future data updates can lead to revisions.

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Required citation: FAO. 2023. *Foreign direct investment flows to agriculture – 2013–2022*. FAOSTAT Analytical Briefs, No. 77. Rome. <https://doi.org/10.4060/cc9025en>

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