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

Food and Agriculture Organization
of the United Nations

FAOSTAT ANALYTICAL BRIEF 34

Foreign direct investment flows to agriculture

2010–2019

>> FAO Statistics Division

HIGHLIGHTS

→ **From 2010 to 2019, global Foreign Direct Investment (FDI) inflows increased by 4.0 percent from USD 1.46 trillion to USD 1.52 trillion, and global FDI outflows fell by 16.6 percent from USD 1.4 trillion to USD 1.2 trillion.**

→ **Over the same period, FDI inflows to agriculture* decreased by 7.6 percent from USD 5.1 billion in 2010 to USD 4.7 billion in 2019, and FDI outflows to agriculture decreased by 92.4 percent from USD 3.2 billion in 2010 to USD 241.2 million in 2019.**

→ **Indonesia was the top recipient of FDI inflows to agriculture from 2015 to 2019, with USD 3.1 billion per year on average. Norway was the second, with USD 940.2 million per year on average, followed by Oman with USD 816.4 million per year on average.**

→ **China, mainland was the top country providing FDI to agriculture from 2015 to 2019, with USD 2.77 billion per year on average. India was the second, with USD 2.72 billion per year on average, followed by Norway with USD 302 million per year on average.**

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

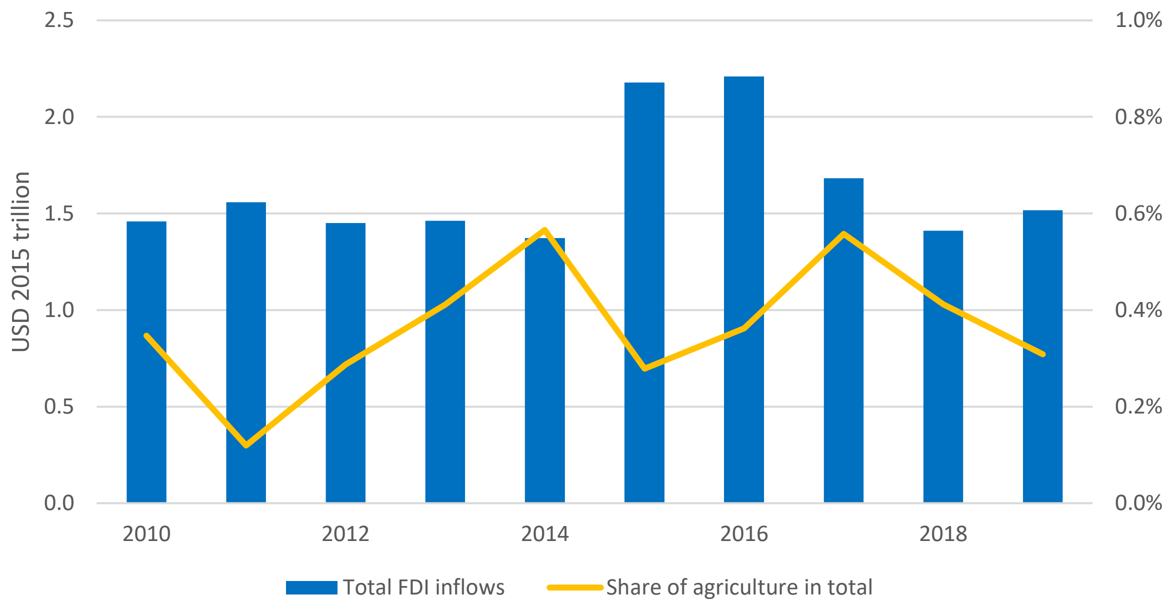
***** Values are reported in 2015 constant prices.***
Note: FDI data for 2020, which are available at current prices for a limited number of countries, was excluded from the global and sectoral analysis of FDI inflows and outflows at constant 2015 prices.

FAOSTAT FOREIGN DIRECT INVESTMENT FLOWS TO AGRICULTURE

GLOBAL TRENDS

From 2010 to 2019, total Foreign Direct Investments (FDI) inflows increased by 4.0 percent from USD 1.46 trillion to USD 1.52 trillion. FDIs fluctuated around USD 1.45 trillion between 2010 and 2014; they 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 61 percent between 2014 and 2016 to USD 2.2 trillion, reaching the highest level since 2010); and then stabilized around USD 1.5 trillion in 2017–2019 (Figure 1).

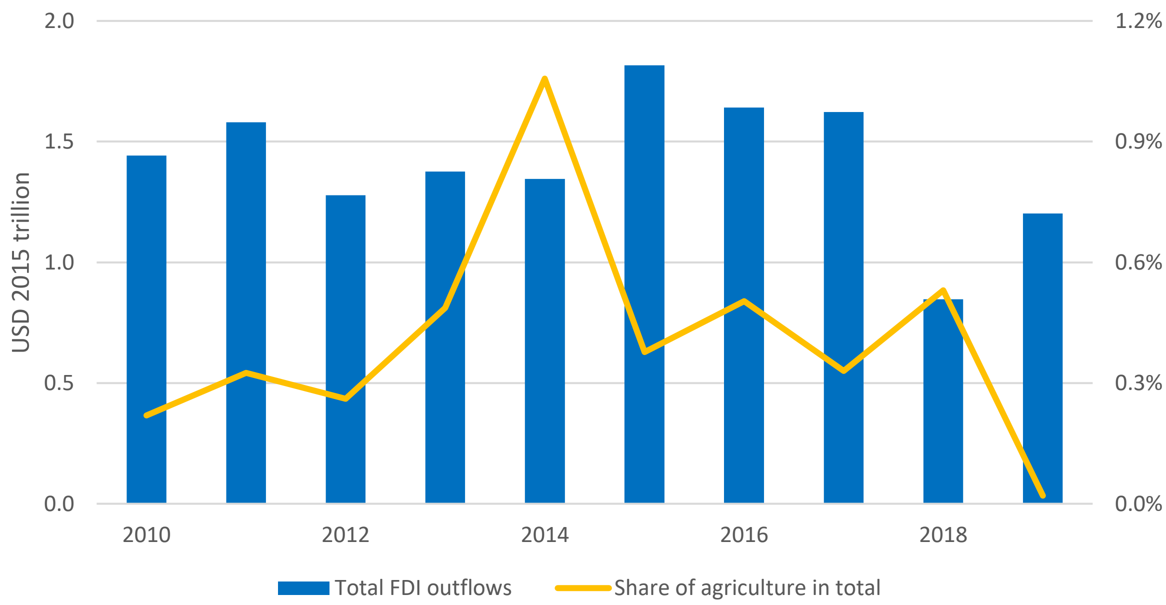
Figure 1: Total FDI inflows and share of agriculture in total FDI inflows



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

Between 2010 and 2019, total FDI outflows fell by 16.6 percent from USD 1.4 trillion to USD 1.2 trillion. They peaked at USD 1.8 trillion in 2015, stabilized at USD 1.6 trillion in 2016–2017 before falling to USD 0.8 trillion in 2018 and rebounding to USD 1.2 trillion in 2019 (Figure 2).

Figure 2: Total FDI outflows and share of agriculture in total FDI ouflows



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

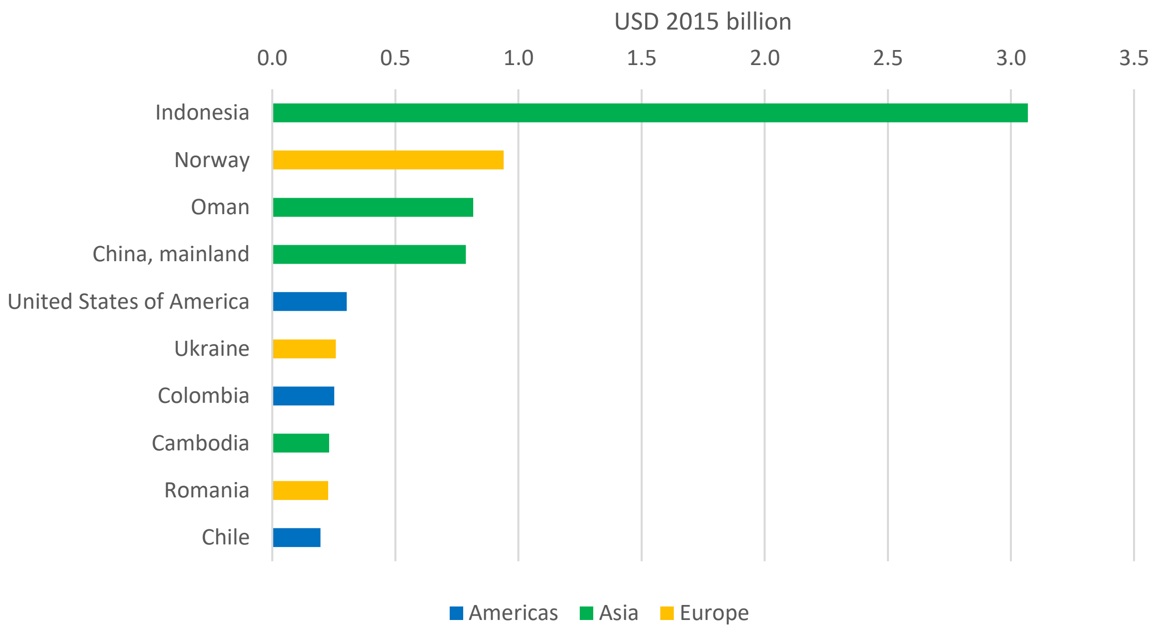
Agriculture accounts for a small share of global FDI inflows and outflows compared to other economic sectors: it represented less than 1 percent of the total FDI inflows between 2010 and 2019, and its share in total FDI outflows was also below 1 percent between 2010 and 2019, except in 2014 when it peaked at 1.1 percent.

In the agriculture sector, FDI inflows are relatively more likely to be aimed at resource control, with a focus on land (Hallam, 2009). In Africa, FDI focuses largely on rice, wheat, oil crops and floriculture production; in Asia, the focus is on rice, wheat, meat and poultry production; and in South America, the focus is on fruits, sugar cane, flower and soybean production (UNCTAD).

TOP RECIPIENTS AND PROVIDERS OF FDI INFLOWS AND OUTFLOWS TO AGRICULTURE

Indonesia was the top recipient country of FDI inflows to agriculture from 2015 to 2019, with USD 3.1 billion per year on average. Norway was the second, with USD 940 million per year on average, followed by Oman with USD 816 million per year on average. The large amount of FDI inflows to agriculture in Indonesia can be related to the relaxation on its FDI regulations in recent years, which 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).

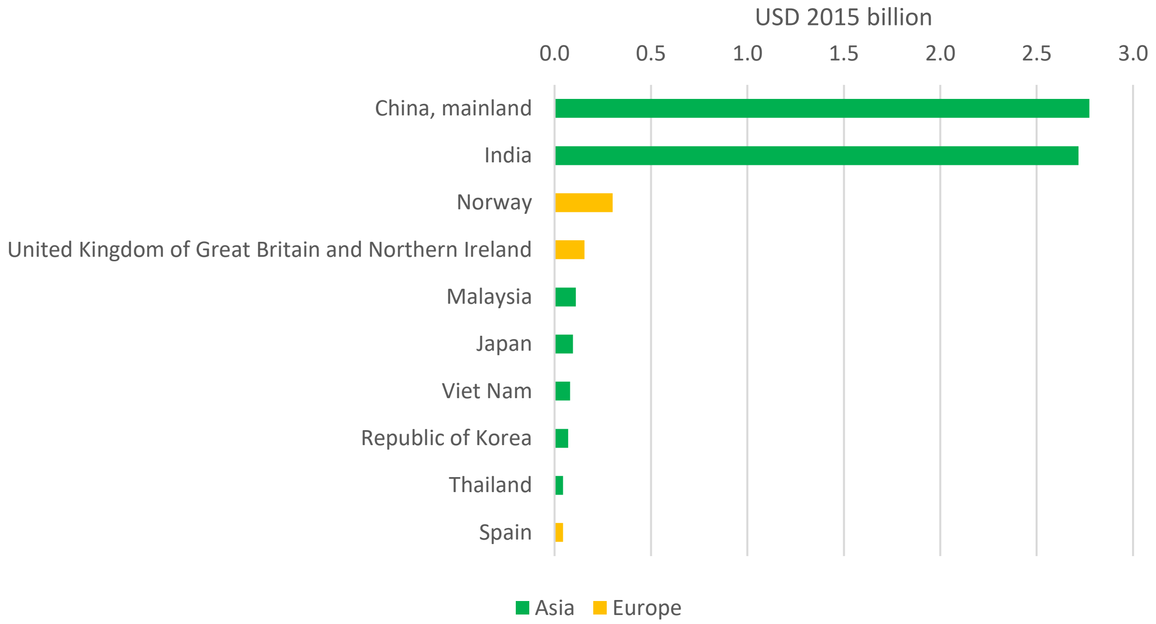
Figure 3: Annual FDI inflows to agriculture, top 10 countries (2015–2019 average)



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

China, mainland was the top country providing FDI outflows to agriculture from 2015 to 2019, with USD 2.77 billion per year on average. India was the second, with USD 2.72 billion per year on average, followed by Norway with USD 302 million per year on average.

Figure 4: Annual FDI outflows to agriculture, top 10 countries (2015–2019 average)



Source: FAO. 2022. FAOSTAT: Foreign Direct Investment (FDI). In: *FAO*. Rome. Cited February 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 Organization 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 total FDI inflows and outflows are obtained from the United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (INTRACEN) and the OECD.

In this analysis, all values are reported in USD 2015 constant prices after adjusting for inflation. FDI data for 2020, which are available only at current prices for a limited number of countries, were excluded from the anaylsis.

Due to the lack of sectoral data, the regional analysis of FDI inflows and outflows to agriculture sector was not available.

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

REFERENCES

FAO. 2022. FAOSTAT: Foreign Direct Investment (FDI). In: *FAO*. Rome. Cited February 2022. https://www.fao.org/faostat/en/#data/FDI

Hallam, D. 2009. *Foreign Investment in Developing Country Agriculture—Issues, Policy Implications and International Response*. https://land.igad.int/index.php/documents-1/countries/uganda/investment-7/1291-foreign-investment-in-developing-country-agriculture-issues-policy-implications-and-international-response/file

Husmann, C. & Kubik, Z. 2019. *Foreign Direct Investment in the African Food and Agriculture Sector: Trends, Determinants and Impacts*. https://www.zef.de/uploads/tx_zefportal/Publications/ZEF_DP_274.pdf

McNellis, P. 2009. *Foreign Investment in Developing Country Agriculture – The Emerging Role of Private Sector Finance*. FAO Commodity and Trade Policy Research Working Paper No. 28. http://www.fao.org/fileadmin/templates/est/INTERNATIONAL-TRADE/FDIs/mcnellis.pdf

Oxford Business Group. 2019*. Indonesian economy to expand further by attracting domestic and foreign investment* [online]. https://oxfordbusinessgroup.com/overview/solid-foundation-16th-largest-economy-world-hopes-expand-further-attracting-domestic-and-foreign

UNCTAD. *World Investment Report.* Various editions. https://worldinvestmentreport.unctad.org/

This analytical brief was prepared by Eun Jeong Lee and Naglaa Elsodany under the supervision of Veronica Boero, team leader of the Economic and Social Statistics Team, FAO Statistics Division.

Required citation: FAO. 2022. *Foreign Direct Investment Flows to Agriculture 2010–2019.* FAOSTAT Analytical Brief Series No 34. Rome.

Cover photo: ©FAO/ Antonello Proto

CONTACTS

Statistics Division – Economic and Social Development
statistics@fao.org
www.fao.org/food-agriculture-statistics/en/
Food and Agriculture Organization of the United Nations
Rome, Italy

CB8744EN/1/02.22