

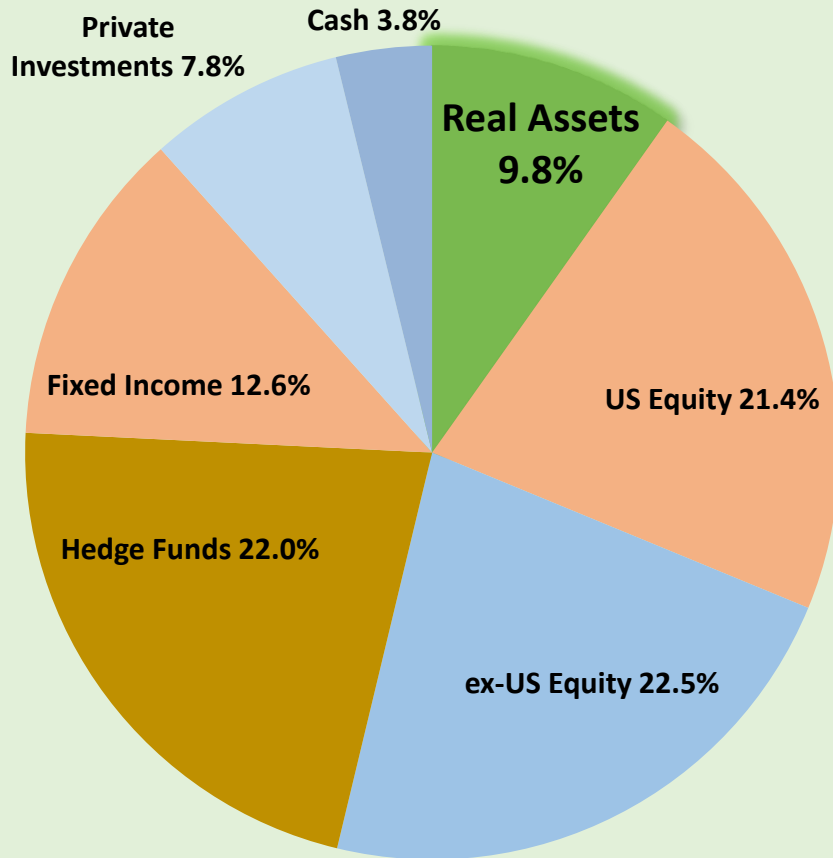
# Institutional Land Investment in US

**Where is it today?**

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# Where are Institutions Investing?



## Real Assets Include:

- Private Real Estate
- Oil & Gas Partnerships
- Commodities
- Public Real Estate
- Timber
- **Agriculture**
  - 0.1% - 1.0% of Real Asset Investments

## Key Drivers for Agriculture Demand:

- Population growth
- Rising Incomes
- Biofuel production

Data sourced from *Bridging the Investor / Manager Disconnect*, Cambridge Associates LLC, April 28, 2014

# Comparing Agriculture With Other Real Assets

Asset Type	Relative Inflation-Hedging Potential	Correlation with Equity Markets	Relative Volatility	Liquidity	Use of Leverage	Cash Flow Generation
Agriculture: Primary Production	Moderate to High	Low	Low to Moderate	Low	Low	Moderate to High
Agribusiness	Low to Moderate	Moderate	Moderate	Low to Moderate	Moderate	None / Moderate
Timber	Moderate to High	Low	Moderate	Low	Low	Moderate
Commodities	High	Moderate	High	High	High	Low

Data sourced from *Bridging the Investor / Manager Disconnect*, Cambridge Associates LLC, April 28, 2014

# Historic Perspective on Institutional Land Ownership

3% of US Farmland is currently owned by Institutional Investors  
– this is expected to grow

Global Agricultural Funds have existed for the last 25 years<sup>(1)</sup>

- Hancock Agricultural Investment Group – Founded 1990
- TIAA CREF Global Agriculture – Founded 2007

Agriculture originally not considered as a Real Asset investment

- Space dominated by other Natural Resources:
  - oil, mining, timber, etc.

(1) *Bridging the Investor / Manager Disconnect*, Cambridge Associates LLC, April 28, 2014

# Increase in Commodity Prices Changed Investing Landscape

- Price increase initiated through diminishing supply and growing demand
- This caused farmland to appreciate
- Appreciating land sparked Institutional Investors' interest in Agriculture

- Today agriculture is part of Real Assets
- Some Institutional Investors lack intimate knowledge of the Agriculture industry
- More informed Institutional Investors have mandates to include Agriculture in their portfolios

# Agriculture Can Diversify Institutional Portfolios

## Global Portfolio Diversification

- US Portfolio with small amounts of foreign investment
- US focused on a specific region or crop
- US with heavy livestock exposure
- US Organic
- US Feed or Food Grains
- US Permanent Crops
- US Dry land Farming or US Irrigated Farming

## US Portfolio Diversification

- Regional: Mid-West, South, Intermountain West, Pacific
- Weather Patterns
- Crops: Soybeans, Rice, Cotton, Alfalfa, Potatoes, Sugar Beets, Fruit, Nuts, etc.
- Lease Structures

## **Rationale:**

Not all commodities or land values move in the same direction at the same time

# How Institutional Investors Select Funds

## 1. Fund must meet Investment Philosophy / Strategy

- Risk and return targets
- Asset class target allocations

## 2. Institutional Investors look at the fund's track record

- Previous Fund performance
- Team continuity

# Interest in Farmland as an Investment Class will Continue

- The fragmented nature of US farmland presents challenges to some Institutional Investors
- Funds need Agriculture Professionals to identify and execute farm acquisitions, manage properties, and eventually take the properties to high-yield exits.
- The ASFMRA can leverage its experience, ethics and track record for success in this space



# Frequently Asked Questions

Is the land market over-valued and are we due for a correction in farmland values?

How do you overcome illiquidity of the land market?

How will scarcity of water effect Agriculture Investments?

How will climate change affect Agriculture Investments?