

# Who Bought The Farm?

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## Aging Landowners ...

- **Current farm operators**
  - Average age over 55
    - More "kids" are moving home to farm (1970's?)
  - Most rent on retirement
    - Few sell the land
    - Land will go to non farm kids who become non operating landowners
      - Most will hold the land for a period of time
      - 3 to 5% sell (FNC)



## The Silent Majority ...

- **Non operating owners**
  - **75% over age 65 (FNC survey)**
  - **Pass land to heirs**
    - **Some will gift the land**
    - **Most cash rent**
    - **This is the group who sell**
      - **Own over 55% of the land +**
      - **95% of our sales**



## The Land Market Today

- **The search for quality continues**
  - **High quality farms and ranches still in high demand**
    - **Returns have dropped by 35% to 40%**
      - **Historically low cap rates from 3.25 to 4%**
  - **Lesser quality farms are gaining some momentum**
    - **Buyers are attracted to the better returns**
    - **Prices are starting to increase on the lower quality units, but not as fast as they increased on the top land**

## Seller Reluctance Has Moderated



- Possible sellers remained tight holders of land throughout 2011
  - Poor alternative investments
  - Bullish on ag
- FNC 2012 sales are up
  - Currently we have sold 30% more units than a year ago
    - Driven in part by tax concerns
    - Also driven by market concerns
      - Is this the top ...?

## More Buyers Than Sellers



- Strong demand from all sectors
  - Several new funds are forming to buy land
  - Money is pouring into this segment
    - Limited to certain states
  - The general public is aware of the positives of land

## Who's Buying

- **Two types of Investors in the market**
  - **1. Those who currently own land and like the asset**
    - Add on acres, generally low leverage
  - **2. New investors**
    - Bullish on ag
    - Will leverage
    - Plan to hold for 10 years
    - Often little ag knowledge
    - 3.5% to 3.75% returns
    - More analytical
- **3. Farmers are spending profits, and expanding**
  - They are spending cash, but they are also leveraging land they already own
    - Maybe 40% of sales have leverage
  - The margins are narrowing
    - Very high operating costs

## The Dominate Buyer ...

- **So far in fiscal year 2012, we have sold over 600 farms and ranches - \$420 million +**
  - **Active farmers continue to dominate the buy side of the market, taking 70 to 75% of the sales**
    - They buy most of the auctioned properties
    - New high prices are generally set by farmers at an auction
    - A new phenomenon, the 80+ year old cash buyer!
      - No return on CD's or other safe investments
  - **Investors purchased between 25 and 30% of the properties**
    - Traditional investors buy approximately half
      - More likely to bid/buy at auction than non traditional
    - Non traditional new investors have been purchasing the other half

## **Current Buyers are Long-Term Owners**

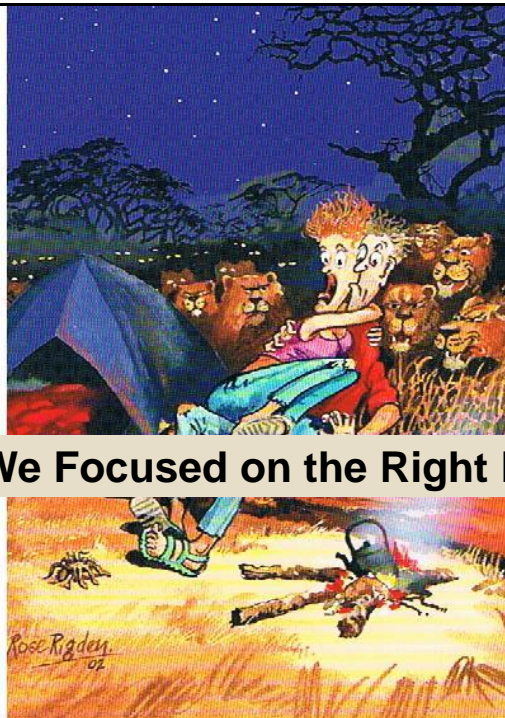
- **Farmers**
  - Own for a lifetime and beyond
  - Using a lot of cash
  - Average their cost over other land
- **Investors are still basing purchases on return – 10 year window**
  - Very focused on the return
  - Adjusted expectations downward to get something bought
  - Some price resistance

## **What Drives the Demand**

- **Excellent profits are the #1 driver**
  - Both farmers and investors are bullish long term on ag
    - Renewable fuels
    - Increasing world population
    - More middle class consumers worldwide
    - Increasing demand for more protein in diets
  - Land was undervalued
    - Investor perspective in 2005 – appreciation opportunity
- **Interest Rates are #2**

## Some Changes Coming

- **One Wall Street firm has decided to liquidate their land portfolio**
  - It was purchased in 2007
    - 10 year ownership window
  - They wanted better returns
  - Land in 4 states
  - 45,000 acres +



**Are We Focused on the Right Risks?**

## Is This a Bubble ...

- “This time is different ”
- Balance sheets look positive
- Operating costs are sky rocketing
  - What caused the crash in the 80's
- Our support has political tentacles
- What would cause velocity?



## Is This Sustainable?

- If commodity prices remain strong
- Interest rates remain low
  - A rate move that allows for a 4% or better CD rate is bearish
- If renewable fuel standards remain intact
- If the Chinese economy continues to grow

**Thank You!**

