



U.S. Agricultural Farmland Investments

Vignites LLC
Dallas , TX, USA

Submitted by: **Rajasekhar Jarabandi**
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Capstone Project

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Capstone Project Summary

The purpose of this Project is to highlight the Agricultural investments in Texas, America, the investment trends, capital movement, investor's psychology, return of investments, and executing an investment project from proposals to execution to selling and re-investments. As more and more agricultural entrepreneurs emerge in this Post Covid-19 era, investors are trying to find alternate opportunities for diversifying their portfolios. Such opportunities include new-found interests in Organic farming, Advanced farming, development and rezoning of existing farmland.

Farming and agriculture is a complicated business. To be successful, one needs more than a green thumb and the willingness to get their hands dirty. They need to know how to operate an agricultural enterprise efficiently and not only forecast crop rotations, but also the cash position, revenue, and positive cashflows. This project highlights Investment strategies, farmland financing options and how to mitigate risks to make agricultural farmland investment profitable.

Preface on USA Agriculture farmland and Statistics

Introduction

In the USA, Agricultural Farmland is a primary asset. Farmland real estate in the United States is valued at more than \$2.7 trillion in 2020, representing roughly 83% of all the assets in the agricultural sector, which now tops a little over \$3.2 trillion. The USDA's Economic Research Service forecasts a 2019 end-of-year aggregate D/A ratio for the agricultural sector of 10.4%.

Benefits to Investors in USA

From the above statistics and the research, it is clear that Farmland investments in America will have the following benefits to the Investors:

- **Risk adjusted Returns** – Current income yield is 10 to 11% average returns from past 10 to 20 years.
- **Capital Preservation** – Most of the agricultural lands do not lose capital on long term.
- **Inflation Hedge** – U.S Average inflation is 2-4% from the past 20 years. Farmland capital investment growth is 10 to 11%, so the +ve inflation hedge of 7-9% ROI is a positive investment approach by many investors.
- **Low Institutional Ownership** – Majority of the Farmland in USA is owned by individual investors compared to institutional ownership in other asset classes – Equities, Commercial and Retail REITS, Apartments etc.
- **Positive Climate Impact** – Green farm lands, Trees, and plants have a +ve impact on the climate, decreasing the Carbon footprint and aiding reforestation, rains, and water conservation efforts.

a. Livestock development:

Another important factor for why farmers want to acquire farmland. Livestock cultivation of cows, pigs, hens, horses, or Shrimp and Fish farming are some of the leading options to make huge profits, adding to their investment returns. Texas ranches are very famous for such Livestock growth investment options, as seen in the COW/Calf farmers who benefit from raising these animals.

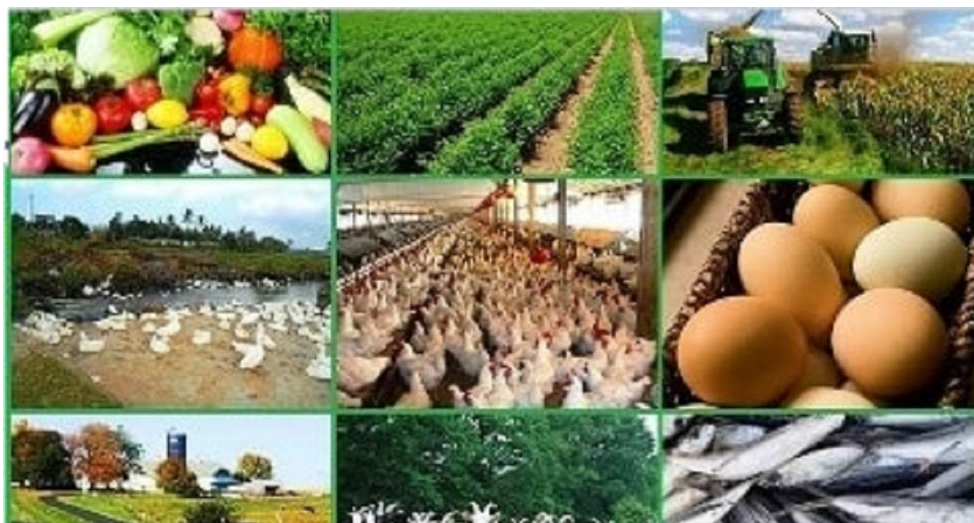


Fig 7: Livestock Development in Farmland, USA

b. Values and Expectations

Values	Expectations
❖ Taking pride in products produced	1. Higher returns after gaining farming knowledge on long term investment
❖ Help neighbors who are farming	2. Re-investment ideas or purchase more farmland in the future
❖ Livestock growth	3. Community giving by growing crops from sustainable energy sources
❖ Economic, environmental, and community sustainability	4. Livestock in controlled environment
❖ Organic farming	5. Expecting 8% Annual growth
❖ Beautiful landscape	6. Financial Stability

Table 2: Values and Expectations from Vignites Farmland investment