

The News-Gazette.com

Investors putting ag in portfolios

By Don Dodson

Friday July 10, 2009

CHAMPAIGN – Pension funds and other institutional investors that once looked at agriculture as "almost a second-class investment" are now scurrying to invest there, the CEO of the Champaign-based Westchester Group says.

Murray Wise recently returned from a three-day conference in London on agricultural investment, where he said institutional investors were eagerly asking, "How do I get ag into my portfolio?"

Many were burned by investments in big financial firms that saw their market capitalization shrink over the past year.

Wise was chairman for the second annual World Agri Invest Congress that drew producers, buyers and investors from around the globe.

His firm, the Westchester Group, has about \$770 million in assets under management. It manages a diverse range of crops, including corn, soybeans, almonds, wine grapes, apples and citrus.

Speaking Thursday at Parkland College, Wise said the main driver for global agriculture is demand from countries such as China, where millions of people are rising from severe poverty to the middle class.

He specifically pointed to skyrocketing demand for meat in China – and how much grain is needed to feed that livestock.

Wise said the main motivation of workers in such countries is to feed their families better. Getting a cell phone or new bike is secondary, he said.

He predicted food and agricultural production the next 15 years will be sufficient to feed the world, thanks to "constant continuous change in seed technology." The world's population has been growing by about 1 billion every 12 years, he said.

Based on things he saw and heard at the London conference, Wise predicted agriculture will face huge adjustments to accommodate environmental concerns.

"The thing to watch is environmental issues," he said. "What's coming at us is going to be immense."

He said protesters turned up at the London conference because an oil company representative spoke on the future of biofuels. Another speaker – from Nestle Water, which markets bottled water – faced the "nastiest" questions stemming from environmental concerns about plastic bottles.

European shoppers routinely carry cloth bags to stores with no expectation of hearing "paper or plastic," he said.

"I don't think America has seen any of this yet," Wise said.

Wise said he wonders whether the huge growth seen in value-added agriculture – including the explosion in convenience foods – will be rolled back as a result of interest in sustainability.

In other remarks to area producers and lenders, Wise said:

– He expects land values to follow the rate of inflation closely over the next 10 to 20 years, exceeding it or trailing it by no more than 25 percent. "Land values will not go up 20 to 30 percent a year," he said.

– The 3 to 4 percent cash return that Illinois farmland owners get "looks pretty appealing" compared with farmland returns in other parts of the world. "There are very few places that provide a 3 to 4 percent rate of return," he said.

– Farmers aren't carrying much debt on their land. Wise cited an Iowa study that found 75 percent of farmland has no note or mortgage associated with it. Nationally, for every \$100 in assets, the average farmer today has \$9 of debt, down from \$22 of debt in the 1980s, he said.

Find this article at:

http://www.news-gazette.com/news/2009/07/10/investors_putting_ag_in_portfolios

Comments