

With Almonds' Rising Revenues, Land Values Soar

GOSIA WOZNIACKA, Associated Press

FRESNO, Calif. (AP) — Bill Enns, a central California real estate agent specializing in farmland, fields dozens of calls every week from potential buyers. Many want almond, pistachio or walnut orchards — or any land suitable for growing nut trees.

This summer in Merced County, Enns brokered the sale of 1,200 acres of open ground lacking a good source of water. Listed at \$12,500 per acre, the land attracted dozens of buyers and sold within a month for a whopping \$15,000 per acre. The buyer will plant it with almond trees, a notably water-intensive crop.

"It was one of the highest sales per acre that we've seen for that kind of land," said Enns, vice president of the Farm Lands Department at Pearson Realty. "We've seen some numbers that would just blow your mind."

In recent years, farmers in California's Central Valley have seen record-high revenues, buoyed by high demand for fruits, nuts and vegetables in the U.S. and abroad. Investors both foreign and domestic have taken notice, buying up farmland and driving up agricultural land values in a region with some of the highest residential foreclosure rates.

California's almond industry, which grows about 80 percent of the global almond supply and 100 percent of the domestic supply, saw the most dramatic growth — powered by strong demand from new money-spending middle classes in India and China. The growth has prompted a rush for almond-growing land and pushed almond land values through the roof.

Farmland prices have been mostly rising for the past decade throughout the U.S., according to the U.S. Department of Agriculture. But over the past three years, despite the recession, they reached record highs.

"A lot of people thought values in farmland would drop like the values in housing," said Allan Barros, a Fresno-area appraiser. "But the sellers ... sat on their properties and farmland values didn't budge. Everybody gave a sigh of relief."

Then land values went sharply up, Barros said, pushed by rising agricultural revenues. In this region with the highest farm receipts in the nation, prices for most commodities rose dramatically. Revenues for almonds and walnuts increased by 30 percent between 2010 and 2011, and revenues for grapes rose by 20 percent, according to the USDA. California's agricultural exports during that time grew by more than \$3 billion.

In 2011, for the first time, the value of California's almond crop surpassed the

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state's iconic grape industry to move into second place, behind dairy, as the state's top commodity. Almond producers increased their productivity and their orchard sizes, and shipments more than doubled over the past 10 years, according to the California Almond Board. During the 2011-2012 crop year, California farmers brought in \$3.9 billion in revenue.

Almonds also became the top export, outpacing dairy and wine, mostly due to increased demand from Asia and a weak dollar, almond producers say. Two-thirds of the almonds produced today are shipped overseas.

Real estate experts say farmers and other investors wanting to cash in on that growth quickly cleared the inventories of available nut land. With little else to buy, they ripped out vineyards and other crops to plant almond orchards. Almonds — which grow from Red Bluff to Bakersfield — increased by over 100,000 acres since 2008, to 760,000 total bearing acres today, according to the Almond Board.

Scarcity of available almond land is also pushing some investors to plant trees in areas with a poorer water supply or less appropriate soil. Since nut trees take several years to mature, time will tell whether the risks were worth taking, said Barros, the appraiser.

New investors range from local farmers trying to expand their orchards to international companies seeking high returns on prime almond farmland, experts say. Pension funds, insurance companies and retirement funds also are investing portions of their portfolios into agriculture. Olam International, a Singapore-based commodities supplier, farms 7,000 acres of almonds in California.

Nut land — almond, pistachio and walnut — is now the highest valued type in every county throughout the valley, according to the American Society of Farm Managers and Rural Appraisers' California chapter.

In Fresno County, almond land was valued at up to \$18,000 per acre in 2012, and pistachio land at up to \$25,000 per acre. That's higher than citrus, grape, or tree fruit land —and much higher than the \$7,200 average per acre farm real estate value in California last year, according to the USDA.

Putting money in farmland pays off, said Biff Ourso, portfolio manager at the New York-based financial services firm TIAA-CREF, because it can generate an income and appreciate over time. But it also brings much-needed diversification.

"Farmland doesn't behave in the same pattern as other traditional asset classes," Ourso said, which means it reduces the risk for investors in case of a market downturn.

Investing in agriculture is attractive in the long term, he said, because of the growing world population, expanding middle classes and the fact that farmland is a finite resource. The company — which manages about 140,000 acres of farmland in the U.S., including almonds in California — leases its farm properties to farmers.

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Local almond operators say heightened interest from investors spells out a bright outlook.

"There's lots of excitement in the industry," said Jim Crecelius, CEO of Montavista Farming Company based in Hanford.

Crecelius, an almond farmer, also processes the nuts for investors throughout the Valley and markets them in Asia. "We have never been able to completely supply every almond that our customers need," he said.

Some worry that the almond investment boom could lead to overproduction and hurt local farmers.

"Everybody in the industry is continually asking: are we in a bubble or is this a change of economies?" said Chuck Nichols, who farms over 1,000 acres of almonds and pistachios in Tulare and Kings counties. "We don't know the answer to that."

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