

Understanding Farmland values By Tim May

Rationale;

- I am involved in managing our 1000ha family estate in Hampshire and have become very interested in the underlying value of our land asset. This is an area of our business that is not actively managed, but it is the most valuable component and therefore I feel it should be. Our business is called Kingsclere Estates Ltd, I am a director and have the biggest shareholding in the company. Kingsclere Estates Ltd does not own land, but it has a full life tenancy over the land belonging to six members of the May and Hunter family. Kingsclere Estates Ltd has a responsibility to manage this asset as it is charged with the management of the landholding.
- Once a method of managing this asset has been created, Kingsclere Estates Ltd can market this activity as a service to provide to other landowners in the area and expand its business activities.

Areas of study;

Land value evolution and its position in the wider economy; I have been encouraged to do some reading into this area, as land value has been a hot topic of economic theory since the beginning of the industrial revolution and the birth of capitalism.

Market review; There are many different types of buyers for farmland, and they each have a different set of requirements and way that they view land. They include; family farmer, corporate farm business, Individual investor, investment company, private (lifestyle) buyer, Charities and sovereign wealth funds.

Asset Management; It seems clear to me that the land holding should be looked at as an asset and that Kingsclere Estates Ltd is therefore an asset manager. The problem is that Kingsclere Estates Ltd has little formal history in asset management, so it seems sensible that an understanding of the behaviours of asset managers is understood so that I can learn to think more like one.

Value enhancing activities; Early on in choosing my subject I realised that there were things that could be done on site as well as off site that could enhance value . The on site improvements include improving productive value, amenity value and Investment value through the correct management of the land holding. The off site work is mainly around affecting the external business environment infrastructure provision, government policy, and the availability of secure finance.

Method of study;

A review of literature will be the first area for me to start to give me an understanding of the basic principles involved. I will then go out into the industry and have discussions with prominent people in the various sectors involved to get a further understanding of these principles, and to check that I have understood my reading correctly. I will then carry out a series of international case studies looking at the on and off site work that is being carried out by land managers from the different buyer groups across the world. My principal areas of travel will be South America (Argentina and Brazil) from 12 June-12 July and Africa (principally Tanzania, Uganda, Zambia and Kenya) November -December for 7 weeks. I feel that it is worth visiting these countries as there is little information flow from them, whereas I will be able to get information about other global areas without visiting them.

Outcomes;

I want to come out with a set of guidelines for myself and the UK agricultural industry that will set out how to manage land as an asset. This will be presented at the Nuffield farming conference in November 2012, and then in further presentations around the UK, as part of my commitment in becoming a Nuffield scholar.