Institutional Investment in Large Ranchland Properties

Why Now, Why Us, and What's in it for Investors?

December 1, 2024

Introduction

Based on 2023 NCREIF Property Index data, Farmland and Timberland have achieved institutional ownership of **$16 billion** and **$26 billion** in market values, respectively.[1] Despite being the largest agricultural land segment by acreage, ranchland remains largely absent from institutional portfolios. This absence is primarily driven by historical limitations in **deal flow, management capabilities, and technology.**

Ranchland Capital Partners (RCP) focuses on large-scale ranch properties—generally defined as properties with at least 500 animal units, valued at **$15 million or more**. These properties represent the top **1%** of all ranches by number but account for nearly **25%** of total ranchland acreage. Due to imminent generational land transfers, evolving market dynamics, and the increasing scarcity of critical natural resources, ranchland now presents a compelling entry point for institutional investors.

This document provides a high level summary of **why this opportunity exists now, why RCP is uniquely positioned to capture it, and what investors stand to gain.**

Why Now?

Historical Barriers to Institutionalization

For decades, institutional investors bypassed ranchland primarily due to insufficient deal flow. The last major generational transfer—from the Silent Generation to Baby Boomers in the 1980s and 1990s—saw most large ranches remain within families. This trend was supported by:

1. **Lower Land Values:** From the **1980s to the early 2000s**, estate tax exemptions ranged between **$2.5 million and $3.5 million per spouse**. At the same time, average ranchland prices were often below the household threshold, making it feasible for families to transfer properties across generations without significant tax burdens.[2]

2. **Higher Profit Margins:** Historically, ranching was a more profitable enterprise. The livestock industry was less consolidated, and ranchers enjoyed greater bargaining power with meat processors. In the **1970s and 1980s**, profit margins for livestock operations were consistently higher due to more favorable market conditions.

3. **Family Continuity:** The USDA reports that 97% of ranches are family-owned.[3] Strong family ties and a deep sense of heritage encouraged successive generations to maintain ownership. The desire to preserve family heritage, combined with manageable estate taxes and profitable operations, resulted in limited deal flow for large ranches. The institutional market, which requires consistent availability of high-value assets, found little opportunity in this landscape.

4. **Management Complexities:** The operational challenges associated with managing large ranches further deterred institutional investors. Effective ranch management requires specialized knowledge in **grazing practices, livestock operations, and land stewardship**. Unlike Farmland and Timberland, where large-scale management companies provide professional oversight, ranchland lacked scalable management solutions. A report by the **National Agricultural Statistics Service (NASS)** highlighted that fewer than **3% of ranches** employed full-time professional management teams, and are instead family-owned operations. This absence of centralized management firms capable of overseeing portfolios of ranches restricted institutional interest.

These conditions resulted in limited transaction volumes, making it impractical for institutional investors to deploy significant capital into the sector. Additionally, a lack of scalable property management solutions further restricted institutional access.

Current Market Environment

Today's environment is fundamentally different, with several converging factors creating a **historic opportunity** for institutional investment:

1. **Rising Land Values:** Based on the National Ranchland Property Index, ranch property values have appreciated **320% since 1998**[2], pushing many large properties above current estate tax exemption limits. The impending sunset of these exemptions in 2026 should exacerbate this issue.

2. **Profit Margin Compression:** The consolidation of the meat packing industry has reduced ranchers' bargaining power. **Four companies now control over 80% of U.S. beef processing.**[4] Coupled with rising input costs for feed, labor, and infrastructure, this has made ranching financially unsustainable for many family operators.

3. **Changing Family Dynamics:** Heirs increasingly lack the interest or financial motivation to continue ranching, preferring other careers and lifestyles. Family dynamics are also shifting, reducing the likelihood of generational continuity in ranch ownership. The challenges of low profit margins, high operational demands, and urban career opportunities have led many younger generations to seek alternative livelihoods.

4. **Evolving technology:** Rangeland Health Monitoring and advancing technologies in livestock management create operational efficiencies and reduced reliance on manual labor to execute complex grazing management plans. This supports a more centralized property management approach with real-time data – a key resource unavailable to investors during the last major land transfer.

These pressures are leading to an unprecedented increase in deal flow for large ranch properties, enabling institutional investors to enter the market for the first time at scale.

Future Projected Deal Flow – Over the next **30 years**, an estimated **$750 billion** in ranchland assets is expected to change hands due to generational turnover and estate tax pressures, of which, **$150 billion** ($5 billion in deal flow per year assuming linear transaction volume) is estimated to be in the "Large Ranch" market segment[5]. This projection is based on current **USDA land value data** and reflects the impending transition driven by the aging rancher population, where over **40% of ranch owners are 65 years or older**. Accelerating mortality rates further contribute to this trend, ensuring a consistent pipeline of high-value ranch properties entering the market.

Increasing Scarcity of Natural Resources

Ranchland is defined by its fundamental natural resources: **land** and **water**. Both are becoming increasingly scarce, creating long-term value drivers for these assets:

- **Land Scarcity:** On average, the U.S. is losing **575 thousand acres of rangeland annually** due to urban development, drought, and conversion to cropland. And recently, this figure has increased to over 2 million acres per year.[6] In the Rocky Mountain region alone, ranchland acreage declined by **21.7 million acres** between 1997 and 2022. As the available land base shrinks, the remaining high-quality ranchland becomes more valuable.

- **Water Scarcity:** Reliable access to water is a critical component of ranchland productivity. Population growth, development, energy requirements, and increased water usage in agriculture are putting pressure on this finite resource, further enhancing the value of well-managed ranch properties with strong water rights.

Supply-Demand Dynamics for Commodities and Energy

Ranchland assets are uniquely positioned to benefit from rising global demand for commodities and the accelerating need for domestic energy production:

- **Rising Global Beef Demand:** According to OECD data, global beef consumption is projected to increase by **6.2 billion pounds annually.**[7] This demand, coupled with a shrinking land base, supports continued growth in land values.
- **Energy Development Potential:** The growing demand for domestic energy—driven by the expansion of AI, data centers, and other high-energy industries—presents new opportunities for ranchland. Large ranch properties offer potential sites for sub-stations and on-site energy production (such as natural gas or geothermal). These developments are small in relation to the overall land acreage of large ranch properties, and when integrated with sustainable ranching practices, they can provide a **natural biodiversity offset** and reliable energy.

Together, the scarcity of land and water, rising commodity demand, and energy development opportunities create a robust case for investing in large ranchland properties now.

Why Us?

Focus on Large-Scale Ranch Portfolios

Ranchland Capital Partners (RCP) targets the largest and most complex ranch properties—those valued at **$15 million or more**. These ranches represent a small fraction of the total market (1.0%) but encompass **25% of the total acreage.**[8]

Overcoming Historical Barriers

RCP's vertically integrated platform addresses the key challenges that have historically limited institutional investment:

1. **Deal Flow Access:** Ranchland Capital Partners (RCP) leverages a robust network cultivated over 30 years, sourcing acquisitions through ranch brokers, conservation organizations, government bodies, and a network of over 100 past and current ranch clients. RCP combines this extensive network with rigorous outbound research using proprietary land databases and online resources. Additionally, the team actively engages financial institutions and CPA firms to identify off-market opportunities triggered by estate planning needs. This strategic approach ensures a steady pipeline of quality acquisition targets, which are then evaluated through a systematic process of screening, due diligence, and closing through our proprietary Ranchland Acquisition Methodology™.
2. **Scalable Management:** Over the past 25 years, we've directly managed or advised on more than 35 large-scale ranchland properties, covering 3.8 million acres in the western U.S., representing over two billion dollars in market value. RCP's centralized property management platform efficiently oversees large-scale ranch portfolios, optimizing operations and resource use.

3. **Aggregated Bargaining Power:** By consolidating livestock production across multiple ranch portfolios, RCP achieves economies of scale and enhanced bargaining power with meat processors to increase profitability and reduce commodities risk.

Institutional Caliber Team

Ranchland Capital Partners (RCP) is built on an institutional-grade foundation with expertise spanning investment management, ranch operations, and capital markets. Our **Managing Partners** represent critical pillars of our strategy:

- **Ranch Management:** Todd Graham leverages 30+ years of experience managing large-scale ranch operations. He has directly managed or advised on over $2 billion in ranchland assets, spanning 3.8 million acres across 35 properties. Through previous Rangeland Health Monitoring work, his industry footprint exceeds over 100 ranch clients, covering 11 million acres across the western U.S., driving value through active management and ecological improvements.
- **Investment Management:** Sean Puckett, CFA, CAIA, brings over 13 years of experience in banking, investment management, and fund structuring. As a prior Chief Investment Officer, he directly managed investments in public and private markets for over 350 high-net-worth households in the RIA industry. His expertise ensures professional, disciplined fund management and a rigorous due diligence process.
- **Institutional Capital Markets:** Ed Bardowski, CSCP, provides 30 years of institutional asset management experience, having overseen over $600 billion in AUM and business line management for over $4 trillion in AUA for some of the largest global asset managers and OCIO providers. His background in portfolio management and regulatory compliance ensures robust capital market strategies and investor confidence.

Supporting our leadership is an **Advisory Board** composed of seasoned professionals from asset management, water law, conservation, and global markets. This includes leaders such as Warren Olsen, founder of Morgan Stanley's Mutual Fund business, and Ben Pierce, who executed over 200 ranch transactions with The Nature Conservancy.

RCP further ensures institutional standards by partnering with **top-tier service providers** for fund administration, audit, legal, and compliance. This comprehensive infrastructure enables RCP to execute large-scale operations, enhance performance through active ranch management, and provide institutional investors with unparalleled access to the ranchland asset class.

What's in it for Investors?

By combining stable, inflation-hedged returns with a rigorous, evidence-based approach to sustainability, Ranchland Capital Partners provides institutional investors with a unique opportunity to generate attractive risk-adjusted returns while contributing to the long-term health of America's vital ranchlands.

- **Tax-Efficient Total Returns:** Ranchland has the potential to generate current income as property operations generate profits, and long-run capital gains through land price appreciation.

Additionally, through sections 179 and 180 of the IRS Tax Code, Ranchland properties have the potential to deliver passive losses to investors, creating tax-efficient income streams.

- **Resilient Performance:** Ranchland investments have demonstrated **consistent and stable returns** with only one down year (-6.2% in 2009) since 1998. This resilience makes ranchland a reliable asset class even during market volatility.[2]
- **Risk-Adjusted Returns:** Ranchland historically demonstrated superior Sharpe and Sortino Ratios compared to traditional assets like equities, bonds, and real estate. This reflects strong returns relative to risk and minimal downside volatility.[9]
- **Low Tail Risk:** Ranchland's worst annual decline (-6.2%) is significantly smaller than the drawdowns seen in other major asset classes like the S&P 500 (-36.6%) and real estate (-16.8%).[9]
- **Diversification Benefits:** Ranchland offers low correlation to traditional and alternative investments, making it an effective diversification tool for institutional portfolios.[9]
- **Inflation Protection:** As a tangible real asset tied to global food supply chains, ranchland serves as a natural hedge against inflation.[9]
- **Evidence-Based Sustainability™:** In a world rife with greenwashing, **Ranchland Capital Partners stands out** by employing a **quantitative, evidence-based approach to sustainability**. Our process ensures that ecological improvements are measurable, verifiable, and aligned with financial performance.

Conclusion

Ranchland has historically remained inaccessible to institutional investors due to fragmented deal flow, operational challenges, and prohibitive market dynamics. However, the landscape has fundamentally shifted. The forces of generational transfer, higher land values, advanced management technologies, and escalating resource scarcity have reduced these barriers.

Rising global red meat demand, shrinking ranchlands, increasing water scarcity, and accelerating energy needs converge to elevate ranchland's strategic value. As land becomes scarcer and resources more constrained, well-managed ranch properties offer a unique, appreciating asset for institutional investors seeking diversified, resilient, and sustainable returns.

Disclaimer

The information contained in the attached is intended for discussion purposes only to provide a high-level overview of the Fund and is not an offer to sell or the solicitation of an offer to buy an interest in any investment. Any such offer or solicitation will be made to qualified investors by means of a final offering memorandum and/or other governing documents. Any projections, targets, or estimates are forward-looking statements which are based on Ranchland's beliefs, as well as assumptions concerning future events and based on information currently available. Such statements are not a guarantee of future results and are subject to change should the underlying information change, which could cause actual results to differ materially from such statements. In addition, past performance is not indicative of future results. The ultimate return on the investments may vary from the target returns, which in applying the targets, Ranchland exercises significant judgment. The actual realized returns will depend on, among other factors, future operating results, interest rates, inflation, changes made to government regulations and frameworks, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions on which the valuations contained herein are based. Additional material information on the criteria and assumptions Is available upon request and should be reviewed prior to making an investment.

Sources

→ 1. https://user.ncreif.org/data-products/farmland/ and https://user.ncreif.org/data-products/timberland/

→ 2. National Ranchland Property Index TR

→ 3. https://www.nass.usda.gov/Newsroom/archive/2021/01-22-2021.php

→ 4. https://www.ers.usda.gov/amber-waves/2024/january/concentration-in-u-s-meatpacking-industry-and-how-it-affects-competition-and-cattle-prices/?utm_

→ 5. USDA quick NASS database; Ranchland: USDA NASS 1997-2023; ssa.gov mortality rate tables

→ 6. https://nbgi.org/2024/04/11/press-release-2-5-loss-acres/#:~:text=Aprill%2011%2C%202024%20%E2%80%93%20Grassland%20habitat,million%20acres%20of%20grasslands%20annually.

→ 7. OECD meat consumption for demand (1990-2029); RCP research on domestic demand & US exports; South Korea, China, Canada, Mexico, Japan account for 78% (USDA 2021 export stats) of US Exports and were used in demand analysis.

→ 8. https://aei.ag/2017/08/21/size-of-beef-operations

→ 9. Comparison data for period 1997-2023, comparing data for US Bonds: Bloomberg Barclays US Aggregate Bond Index; US Equities: S&P 500 TR Index; Real Estate: NCREIF National Property Index; Global Stocks: ACWI Ex-US Index; Hedge Funds: CISDM Equal-weight Hedge Fund Index; Gold: Historical Price per Ounce; Commodities: Bloomberg Commodities Index (TR); US T Bills: 3-month Treasury Bill Index; Farmland: NCREIF Farmland Index; Ranchland: National Ranchland Property Index TR (1998-2023); Timberland: NCREIF Timberland Index.

About Ranchland Capital Partners

As a real asset investment manager focused exclusively on large western Ranchlands, we provide clients access to professionally managed, institutional-quality assets. Through our vertically integrated approach, we seek to deliver attractive risk-adjusted returns for our clients while improving the ecosystems in which we operate.

Important Information

This material is proprietary and may not be reproduced or distributed without Ranchland's prior written permission. It is delivered on an "as is" basis without warranty or liability. Ranchland accepts no responsibility for any errors, mistakes, or omissions or for any action taken in reliance thereon. All charts, graphs, and other elements contained within are also copyrighted works and may be owned by Ranchland or a party other than Ranchland. By accepting the information, you agree to abide by all applicable copyright and other laws, as well as any additional copyright notices or restrictions contained in the information.

The views and information provided were created at various dates in time and unless otherwise indicated, are subject to frequent changes, updates, revisions, verifications, and amendments, materially or otherwise, without notice, as data or other conditions change. There can be no assurance that terms and trends described herein will continue or that forecasts are accurate. Certain statements contained herein are statements of future expectations or forward-looking statements that are based on Ranchland's views and assumptions as of the date hereof and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially and adversely from what has been expressed or implied in such statements. Forward-looking statements may be identified by context or words such as "may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue" and other similar expressions. Neither Ranchland, its affiliates, nor any of Ranchland's or its affiliates' respective advisers, members, directors, officers, partners, agents, representatives, or employees, or any other person, is under any obligation to update or keep current the information contained in this document.

This material is for informational purposes only and is not an offer or a solicitation to subscribe to any fund and does not constitute investment, legal, regulatory, business, tax, financial, accounting, or other advice or a recommendation regarding any securities of Ranchland, of any fund or vehicle managed by Ranchland, or of any other issuer of securities. No representation or warranty, express or implied, is given as to the accuracy, fairness, correctness, or completeness of third-party sourced data or opinions contained herein, and no liability (in negligence or otherwise) is accepted by Ranchland for any loss howsoever arising, directly or indirectly, from any use of this document or its contents, or otherwise arising in connection with the provision of such third-party data.

Ranchland Capital Partners, LLC

5 West Mendenhall Street
Suite 202, Bozeman, MT 59715
Tel:406-431-3185

contact@ranchlandcp.com