

Insights into the Black Sea Farm Belt

BSA updates by Jeff Notaro

How does the Black Sea Agriculture Fund compare to Private REITs?

December 6th, 2014

There are no exchange traded farmland funds investing in basic cropland and the BSA Fund is a private fund, so it makes sense to compare the BSA Fund to private REITs. All REITs are basically pursuing the same strategy under a similar structure, to invest in professionally managed real estate, pay out most of the net income and achieve a higher valuation through increased value in the holdings. The BSA Fund has the same basic strategy with some key differences.

	Private REITs	BSA Fund
Net Income	Normally 90% of net income is paid out each year in dividends.	Net income is normally reinvested in the fund; but there is an option of receiving an annual distribution equal to up to 100% of the net income.
Fees	Initial purchase fees from the broker and manager usually total about 10% or more. Managers can charge fees of 1% -2% of to purchase properties.	No fees to invest in the fund. No added fees charged by management to purchase farmland.
Conflicts of Interest	Various management companies, selling brokers and consultants are many times owned by the managers of the fund. Therefore management is free to decide how much to pay their own outside companies for fund services.	Management handles all core activities internally and does not charge or pay itself any additional fees. No outside entity, such as land brokers and managers, are owned or connected in any way with BSA Fund management.
Valuation	Dependent on internal valuations and management assumptions. Usually not reported during first 18 months.	Audited annually by Grant Thornton, 5 th largest accounting firm in the US. Farmland valued by independent, registered appraisers 3 times a year.
Liquidity	Normally available periodically and at a discount to the initial purchase price, regardless of value of investments. Otherwise none till maturity.	Annual option for redemptions based on the actual value of the fund and its farmland holdings arrived at by independent auditors and appraisers.

Posted in [Uncategorized](#) | Comments Off

BSA Comments in a "GlobalAg Investing" article regarding UN Food Issues

November 20th, 2014

Black Sea Agriculture CEO, Jeffrey Notaro, was quoted in a recent article for Global AgInvesting, an institutional agriculture organization.

A good deal of the spotlight regarding food security and sustainability is on the growing need

Recent Posts

- » [How does the Black Sea Agriculture Fund compare to Private REITs?](#)
- » [BSA Comments in a "GlobalAg Investing" article regarding UN Food Issues](#)
- » [Skin in the Game](#)
- » [Marc Faber's 3 Investment Picks](#)
- » [BSA Fund compared to Farmland REITs](#)

Archives

- » [December 2014](#)
- » [November 2014](#)
- » [October 2014](#)
- » [July 2014](#)
- » [April 2014](#)
- » [March 2014](#)
- » [February 2014](#)
- » [August 2013](#)
- » [July 2013](#)
- » [March 2013](#)
- » [February 2013](#)
- » [January 2013](#)
- » [August 2012](#)
- » [June 2012](#)
- » [May 2012](#)
- » [March 2012](#)
- » [February 2012](#)
- » [December 2011](#)
- » [September 2011](#)
- » [February 2010](#)

Categories

- » [Uncategorized](#)

Tags

for better food production in developing regions. "The improvements in living standards that are so welcome, increase the demand for all goods including more and better food," says Jeffrey Notaro, CEO of Black Sea Agriculture, a firm dedicated to real estate and agriculture in Bulgaria and Romania. "With proper direction many areas could produce a lot more without negative affects to the environment. Investment and education can help these regions and the guidelines are probably intended to steer efforts in the right direction for the local people."....

Black Sea Agriculture's Notaro emphasizes his desire to see countries most in need of "smarter investment and better agriculture management" to receive more attention from the UN action and the "land grab" attempts by countries with pure personal motives to be less inclined to target these areas. "In Bulgaria where we have local expertise and experience, we see the situation as not dire by any means but rather on clear path of steady development," says Notaro. "We see outside investment capital like ours, that works within the local system, to be very beneficial for the region. Farmers need partners who can help modernize their operations in a very basic sense and allow them the space to start thinking about many of the positive aspirations of farming mentioned in the agreement rather than just trying to become adequately profitable."

<http://www.globalaginvesting.com/news/blogdetail?contentid=4798>

Posted in [Uncategorized](#) | Comments Off

Skin in the Game

October 21st, 2014

FT published an article today stating funds whose managers have "skin in the game" do better than the rest. This phrase is a not so fancy financial term for managers investing their own money in the programs they manage; therefore they have their own money at risk, not just their clients. Here is an excerpt:

...What if there was a way to identify market beaters in long run? It is well established that the average active fund manager underperforms their benchmark, and that a manager who has put in a market-beating performance in the past is no more or less likely to beat the average in the future. ...But what if there was a reliable way for investors to identify fund managers who could be expected to beat the market over the long run? That might throw a lifeline to the beleaguered active fund management industry. It would also bring investors a handy extra return...A study this month found an investor is likely to beat the average by some distance if they pick funds from an asset management firm whose portfolio managers are heavily invested in their funds...The findings echo a study that Morningstar, the mutual fund research group, did earlier this year. Both concluded, in other words, that if you only pick funds from companies whose managers have the most skin in the game, you substantially improve your odds of beating the market. <http://www.ft.com/intl/cms/s/0/768b722c-582b-11e4-a31b-00144feab7de.html#axzz3GnsysHkM>

These studies generally refer to mutual funds and stock market related hedge funds, but the argument clearly should carry over to most any type of fund, ours included. As the general partner and CEO of Black Sea Agriculture and its parent company, I believe in the investment opportunities for farmland and real estate in Bulgaria to the degree that I personally have a very large percentage of my personal wealth invested there - in the same funds and assets as our clients. I would not suggest anyone else allocate disproportionately to the degree I have in the region, but I do believe in the opportunity there and stand behind that opinion with my money.

Jeffrey Notaro, CEO

Marc Faber's 3 Investment Picks

July 28th, 2014

On [CNBC](#) today, Marc Faber, adds Chinese stocks to his buy recommendations to go along with his long-term favorites, gold and agriculture.



Posted in [Uncategorized](#) | Comments Off

BSA Fund compared to Farmland REITS

July 24th, 2014

The short history of listed farmland REITS has not produced much in returns yet. Below is the short history of Gladstone Land Corp (NASDAQ:LAND) and Farmland Partners Inc (NYSE:FPI) compared with the Black Sea Agriculture Fund.



Life to Date Performance for the Black Sea Agriculture Fund:

Performance	
2012	+11.12%
2013 Jan-Apr	+3.74%
2013 May-Aug	- 9.73%
2013 Sep-Dec	+5.67%
2013	-1.04%
2014 Jan-Apr	+7.55%
Life-to-Date	+18.26%

Posted in [Uncategorized](#) | Comments Off

Ukrainian Uncertainty Bullish for Bulgaria & Romania Exports

April 29th, 2014

Ukraine and Russia normally factor substantially into the world's grains supplies. The uncertainty going forward will mean other exporters around the world are likely to see increased business. For local buyers in Europe, Bulgaria and Romania, as EU members and clearly out of the foray, will become preferred options to secure grain shipments.

According to the U.S. Department of Agriculture, Ukraine will be the fifth-largest wheat exporter and the third-largest corn export in the current marketing year. In fact, Ukraine is forecast to export 18.5 million tons of corn in the current marketing season — 16% of global trade — and 10 million tons of wheat.*

The world's excess supplies of grain are generally always tight now anyway, removing a significant amount of exports from the market is a big deal.

If problems escalate, these two countries have the potential to push prices for corn, wheat, and gas to new highs.*

Land prices have been edging up this year in Bulgaria and Romania. Assuming farmers see increased demand for their product and at high prices, farmland prices most assuredly will move up too.

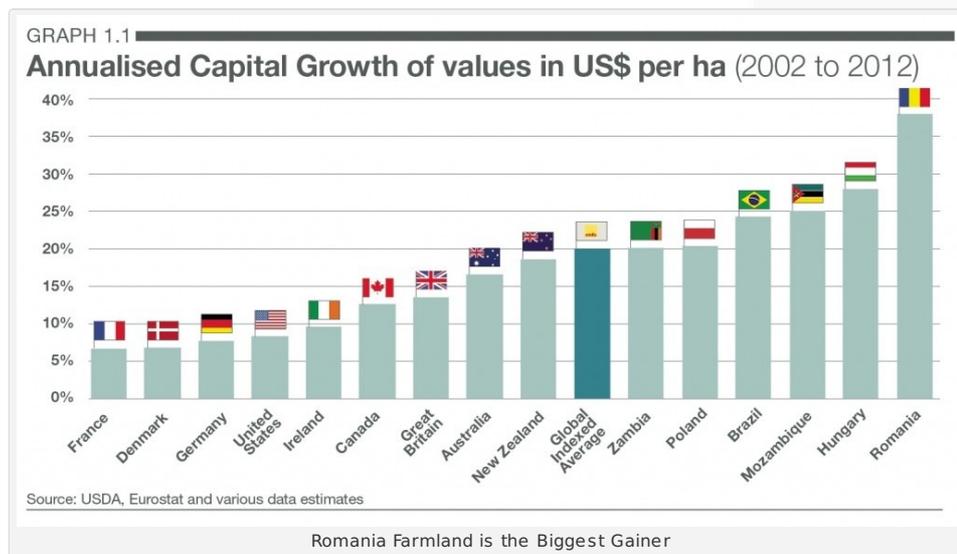
* <http://www.fool.com/investing/general/2014/03/11/ukrainian-crisis-whats-the-effect-on-corn-and-whea.aspx>

Posted in [Uncategorized](#) | [Comments Off](#)

Global Farmland Index +20% a year

April 16th, 2014

Savill's latest annual Global Farmland Index reveals farmland has grown on average 20% percent annually worldwide since 2002. Romania has led the way – up 40% a year!



http://www.savills.co.uk/research_articles/141566/174601-0

"Average farmland values in Romania grew by 40% per year – double the average annualised growth and was the fastest growth of any country since accession to the EU."

This is because Romania (and Bulgaria) started from such low values. Benefits from EU membership and increased farm incomes are driving up prices of Eastern European farmland in E.U. member states to equalize with those of the rest of Europe.

"Polish farmland values recorded steady growth over the past 10 years, which has continued since the initial rise post accession into the EU in 2004."

Romania and Bulgaria are still 3/4's the price of Poland, 1/3 of Germany and 1/4 of the U.K. Eventually prices in Romania and

Bulgaria will rise to fair value.

Posted in [Uncategorized](#) | Comments Off

Bulgaria and Romania are Not Ukraine

April 16th, 2014

With the uncertainty of Ukraine hanging over the Black Sea region, it is natural for investors in Bulgaria and Romania to be concerned. It is important to remember that Russia is not reckless, they are very unlikely to start an international conflict with all the EU countries and the US. These are moments of opportunity, not risk aversion.

The U.S. has also signed a similar agreement with Romania and the U.S. military units deployed to both Bulgaria and Romania will be known as Joint Task Force East.[1] Joint US-Bulgarian military bases established according to the 2006 Defense Cooperation Agreement between the United States and Bulgaria:

1. *Bezmer Air Base in Yambol Province*
2. *Novo Selo Range in Sliven Province*
3. *Aitos Logistics Center in Burgas Province*
4. *Graf Ignatievo Air Base in Plovdiv Province*



http://en.wikipedia.org/wiki/Bulgarian%E2%80%93American_Joint_Military_Facilities

Posted in [Uncategorized](#) | Comments Off

Black Sea Agriculture “in the news” on CNBC

March 27th, 2014

**The best long-term real estate investment:
Farmland**

From his office on Broad Street in lower Manhattan, Jeff Notaro oversees a modest portfolio consisting mainly of dirt. Specifically, Notaro’s Black Sea Agriculture fund invests in

farmland in northeastern Bulgaria, near the Black Sea. The \$1.5 million fund buys prime agricultural land and leases it back to local farmers.

Notaro is riding a growth market. Since 2004, Bulgarian farmland has been appreciating at an average annual rate of 19 percent. Yet Bulgarian land is still cheap compared to the United States. The average price per acre for good-quality land is \$1,850 in Bulgaria versus \$5,000 an acre in Kansas.

Land along the Black Sea coast commands higher prices because it's especially fertile and also close to deep-water ports. Black Sea wheat land costs \$4,300 an acre on average but yields an average of 71 bushels of wheat an acre, compared with 42 bushels an acre in Kansas. "That's about half the cost per acre on a yield basis," Notaro said.

The rise in local land prices has been fueled mainly by a worldwide agricultural commodity boom that has driven food prices up by more than 100 percent since 2003, according to the Food and Agriculture Organization of the United Nations (FAO).

"More people need to get into farming; otherwise, we won't have any food," said commodity investor Jim Rogers, who launched the international Quantum Fund with George Soros in the early 1970s and went on to create the Rogers International Commodities Index, which tracks the performance of numerous commodities in global markets, ranging from agriculture to metals and energy products.

Rogers and Notaro belong to an increasingly active community of farmland investors hoping to profit from the world's growing need for nourishment. "I'm still wildly optimistic about the future of agriculture worldwide," said Rogers, who has served as an advisor and as a director to companies that hold farmland in Australia, Brazil and North America.

The entire article can be found here: <http://www.cnn.com/id/101499945>

Posted in [Uncategorized](#) | Comments Off

Ukraine Situation does not have to end badly

March 27th, 2014

The following article by the current leader of Poland published in the Financial Times presents an optimistic outcome for Ukraine.

...Ukraine's economic plight does not mean its economic future has to be bleak. Like Poland in 1989, it has great potential for improvement. And if it addresses its problems with the right reforms it can still release that potential as Poland did a quarter of a century ago.

<http://www.ft.com/intl/cms/s/0/3bd03f4c-a097-11e3-a72c-00144feab7de.html#axzz2xAYb6E2p>

This quote also points out the stability of present day Bulgaria. It is difficult for those far away from Eastern Europe to understand the unique conditions within each country, Poland and Bulgaria are two that are stable and have a bright future.

In the late 1990s Bulgaria rid itself of hyperinflation and recovered from financial collapse by introducing a currency board. It has since displayed impressive fiscal and monetary stability.

Posted in [Uncategorized](#) | Comments Off

[« Older Entries](#)