FARMLAND INDEX

BUELLER?... BUELLER?

FARMLAND TOTAL RETURNS

	Total NPI	Total Farmland Index	Regional Farmland Pacific West	Pacific Northwest	Corn Belt	Delta	Southeast
1st Qtr 2018	1.70	1.32	1.40	1.34	0.67	2.06	0.94
4th Qtr 2017	1.80	2.93	5.06	2.90	0.33	1.55	1.55
One Year	7.12	7.07	9.75	11.92	2.46	5.34	5.77
Three Year	8.72	7.59	11.53	7.77	(0.62)	3.63	8.03
Five Year	10.00	10.43	17.54	8.18	2.06	5.45	8.23
Seven Year	10.55	12.70	17.75	10.24	8.05	9.29	9.27
Ten Year	6.09	12.09	15.55	9.42	9.59	10.08	6.21
Inception	9.22	11.40	13.77	7.12	10.42	9.92	8.77

FARMLAND INCOME AND APPRECIATION RETURNS

	Income	Appreciation	Total Return	Property Count	Market Value
1st Qtr 2018	0.51	0.81	1.32	735	8,698,599,870
4th Qtr 2017	2.13	0.80	2.93	727	8,501,197,740
One Year	4.61	2.38	7.07		
Three Year	5.04	2.46	7.59		
Five Year	6.30	3.98	10.43		
Seven Year	6.65	5.81	12.70		
Ten Year	6.64	5.23	12.09		
Inception	6.85	4.40	11.40		

FARMLAND PROPERTY DISTRIBUTION BY PROPERTY TYPE AND REGION

Property Type	Number of Properties	Market Value $ Millions
Annual Cropland	497	4,934
Permanent Cropland	238	3,765
Total	735	8,699
Pacific West	225	4,022
Pacific Northwest	56	563
Corn Belt	179	835
Delta States	83	1,375
Southeast	48	575
Mountain	69	684
Southern Plains	20	237
Lake States	36	262
Other	19	145
Total	735	8,699

CROP TYPE DISTRIBUTION

Crop Type	Number of Properties	Market Value $ Millions	1 year returns ending 3/31/2018 Income Return	Appreciation Return	Total Return
Annual-Commodity	325	2587	3.2%	0.41%	3.62%
Annual-Fresh Produce	31	543	4.02%	2.26%	6.35%
Annual-All Other	141	1803	4.08%	3.09%	7.26%
Annual-Total	497	4934	3.61%	1.58%	5.24%
Permanent-Apples	22	174	-2.99%	1.29%	-1.64%
Permanent-Almonds	65	956	6.42%	-2.86%	3.53%
Permanent-Citrus	11	168	9.18%	0.53%	9.75%
Permanent-Pistachios	19	538	8.5%	-5.98%	2.22%
Permanent-Wine Grapes	80	1546	5.84%	12.81%	19.17%
Permanent-All Others	41	383	4.03%	1.66%	5.68%
Permanent-Total	238	3765	5.94%	3.42%	9.52%
TOTAL	735	8699	4.61%	2.38%	7.07%

* Includes Corn, Soybean, Cotton, Wheat, Rice
** Includes ground primarily used to produce fresh vegetables or fresh fruit
***Includes All varieties of Oranges (Fresh and Juice), Lemons, and Avocados

Anyone that has ever seen the movie Ferris Bueller's Day Off no doubt remembers Ben Stein's droning lecture on the Smoot-Hawley Tariff Act. When that film came out in 1986, the Smoot-Hawley Tariff Act, signed into law by President Herbert Hoover on June 17, 1930, was a historic curiosity that Ben Stein used to comedic effect as the most tedious thing he could possibly talk about in front of a room of bored high school students. Flash forward thirty-two years and the Smoot-Hawley Tariff Act is once again a popular topic of discussion. This time, however, it's not being used to put high school students to sleep—at least not intentionally. No, this time the Smoot-Hawley Tariff Act is being used to help frame discussions about a series of tariffs, proposed or already imposed, by the President of the United States in 2018.

To be fair, there was, and remains to be, significant disagreement regarding the impact of Smoot-Hawley on the US economy—just as there is significant difference of opinion regarding the potential impact of the current tariff proposals on the American farm economy. Some would argue that the tariffs will not impact commodity markets, like corn and soybeans, since that is viewed as a global market and US commodities originally intended for sale in China can now be sold in other markets that will be impacted by South American commodities being redirected to China in response to retaliatory tariffs imposed on US commodities. Others would argue that many US agricultural markets will be hard hit as retaliatory tariffs imposed by former trading partners will place non-commodity US agricultural products at a competitive disadvantage to other producing countries. Regardless of which view one may take, the real impact of the current tariffs is increased uncertainty. That uncertainty won't likely have an immediate impact on farmland values or rental incomes, but it will place a sharper focus on the financial health of the broader American farm economy. Bueller?... Bueller?...

The NCREIF Farmland Index (NFI) has released its first quarter 2018 results. The NFI posted a total return of 1.32% for the first quarter, comprised of appreciation and income returns of 0.81% and 0.51%, respectively. The trailing 4-quarter total farmland return was 7.07%, of which 2.38% was appreciation and 4.61% was income. This is the first time since the fourth quarter of 2016 that the trailing 4-quarter total return surpassed 7.0%.

The NFI ended Q1 2018 with a total market value of $8.7 billion with 735 properties located across the US. This is an increase of $908 million in market value since Q1 2017, with 52 new properties added to the index over that time. Increased visibility of the asset class will likely lead to the NFI continuing to grow in both dollar value and number of assets, for the foreseeable future. Uncertainty related to trade and tariffs will likely continue to dominate investor conversations in the near-term, but, as with Smoot-Hawley, even with the benefit of hindsight, there will no doubt be disagreement about the impact these tariffs actually had on the US farm economy.

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