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 horrifying 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 hardest 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.

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 2.38% 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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