

FARMLAND INDEX

FARMLAND MARKETS ARE RESILIENT IN Q1 2020

FARMLAND TOTAL RETURNS							
	Total NPI	Total Farmland Index	Pacific West	Pacific Northwest	Corn Belt	Delta	Southeast
1st Qtr 2020	0.71	(0.10)	(1.24)	(0.60)	0.14	1.47	1.04
4th Qtr 2019	1.55	2.34	3.53	2.57	1.89	0.99	1.46
One Year	5.28	3.98	4.34	1.45	3.35	4.14	6.15
Three Year	6.41	5.70	7.01	6.97	2.78	5.13	7.40
Five Year	7.65	6.56	9.14	6.48	0.79	4.18	8.11
Seven Year	8.86	8.86	14.01	7.14	2.31	5.33	8.23
Ten Year	10.17	10.87	14.71	8.54	7.60	8.64	7.65
Inception	9.06	10.95	13.20	6.94	9.89	9.58	8.73

FARMLAND INCOME AND APPRECIATION RETURNS					
	Income	Appreciation	Total Return	Property Count	Market Value
1st Qtr 2020	0.38	(0.49)	(0.10)	1,163	11,725,475,678
4th Qtr 2019	2.23	0.11	2.34	1,152	11,440,034,163
One Year	4.25	(0.26)	3.98		
Three Year	4.45	1.21	5.70		
Five Year	4.77	1.73	6.56		
Seven Year	5.75	3.01	8.86		
Ten Year	6.29	4.41	10.87		
Inception	6.68	4.14	10.95		

FARMLAND PROPERTY DISTRIBUTION BY PROPERTY TYPE AND REGION		
Property Type	Number of Properties	Market Value \$ Millions
Annual Cropland	902	7,306
Permanent Cropland	261	4,420
Total	1,163	11,725
Pacific West	232	4,549
Pacific Northwest	87	738
Corn Belt	374	1,288
Delta States	141	2,358
Southeast	66	734
Mountain	85	1,046
Southern Plains	21	250
Lake States	115	440
Appalachian	6	72
Northern Plains	36	250
Other	42	322
Total	1,205	12,047

CROP TYPE DISTRIBUTION					
Crop Type	Number of Properties	Market Value \$ Millions	1 year returns ending 03/31/2020		
			Income Return	Appreciation Return	Total Return
Annual-Commodity	715	4154	3.05%	0.89%	3.96%
Annual-Fresh Produce	41	851	3.67%	-0.32%	3.35%
Annual-All Other	146	2301	3.88%	-0.52%	3.34%
Annual-Total	902	7306	3.4%	0.28%	3.69%
Permanent-Apples	21	243	-0.57%	0.35%	-0.21%
Permanent-Almonds	60	971	8.3%	-0.51%	7.76%
Permanent-Citrus	17	295	6.87%	0.94%	7.87%
Permanent-Pistachios	24	739	9.72%	1.63%	11.49%
Permanent-Wine Grapes	83	1731	3.46%	-3.12%	0.32%
Permanent-All Others	56	442	4.79%	-2.71%	1.99%
Permanent-Total	261	4420	5.72%	-1.18%	4.51%
TOTAL	1163	11725	4.25%	-0.26%	3.98%

In financial markets, Q1 2020 was marred by the COVID-19 induced crashing end to the longest bull market in U.S. history. The S&P 500 closed down -21% and the 10-yr T-bill dropped 122 basis points to 0.70%. During this period, the NCREIF Farmland Index (NFI) posted a total return of -0.10%, comprised of 0.38% income and -0.49% appreciation return. The first negative NFI return since 2001 and down from 0.70% in Q1 2019. The trailing twelve-month

(TTM) total return was 3.98%, with income and appreciation accounting for 4.25% and -0.26%, respectively. The NFI ended Q1 2020 with a market value of \$11.7 billion, up \$1.4 billion year over year. The index now represents 1,163 properties, with 262 added in the last 12 months.

Regionally, the Southern Plains outperformed with Q1 total returns of 2.10% and TTM total returns of 6.76%. Quarterly and TTM total returns for the Delta, the second largest region by market value, were 1.47% and 4.14%, respectively. The weakest performing region in Q1 was the Northern Plains with a total return of -3.10% driven by -4.22% appreciation.

In Q1, annual cropland outperformed permanent cropland with total returns of 0.66% and -1.35%, respectively. Annual cropland was anchored by an income return of 0.93%, partially offset by appreciation of -0.27%. Citrus and pistachios produced the strongest quarterly permanent crop total returns at 0.71% and 0.28%, respectively. Whereas wine grapes and almonds were weaker at -2.49% and -2.05%, respectively.

At the time of this writing, COVID-19 has affected most, if not all areas of the agriculture economy to varying degrees. Stay at home orders have contributed to lower ethanol demand (production down ~50%). Orders for apparel have been delayed, sending cotton prices down ~25% YTD. Labor shortages caused operational issues for specialty crop farmers. Animal feed demand has come into question as meat packaging facilities are operating at 30-50% of capacity due to employee outbreaks. Food service demand (~54% of U.S. food spend prior to stay-at-home measures) has been severely eroded as consumers, and stressed supply chains, make the shift to retail.

Historically, farmland returns have not been correlated with public equity markets and were resilient during economic downturns. Although

slightly negative, Q1 2020 NFI returns have shown resiliency, but it is unlikely the full impact of COVID-19 materialized in Q1. Food is an essential product and leased farmland income is relatively stable, with occupancy largely at 100%. Tenants are resistant to losing properties, rents are mostly collected in advance, and terms are negotiated annually and sometimes for multiple years. Lower interest rates and significant income support from crop insurance and government programs add to the stability. Again, farmland's lack of correlation to public equities and positive correlation to inflation will continue to make it an attractive asset class. The COVID-19 pandemic has rattled the world and created immense uncertainty. However, there are many reasons to be optimistic.

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