

# FARMLAND INDEX

## NCREIF FARMLAND INDEX FINISHES THE YEAR WITH POSITIVE TOTAL RETURNS AMID MAJOR CHALLENGES IN SOME AGRICULTURAL MARKETS

FARMLAND TOTAL RETURNS							
	Total NPI	Total Farmland Index	Pacific West	Pacific Northwest	Corn Belt	Delta	Southeast
4th Qtr 2020	1.15	1.59	2.49	(2.51)	1.80	1.24	0.97
3rd Qtr 2020	0.74	0.96	1.38	(0.37)	1.39	0.34	0.52
One Year	1.60	3.08	2.57	(2.42)	4.36	4.11	5.27
Three Year	4.89	4.87	5.54	2.85	3.59	4.92	7.20
Five Year	5.91	5.57	7.10	5.90	1.62	4.32	7.19
Seven Year	7.77	7.23	10.82	5.70	1.57	4.38	7.39
Ten Year	9.00	10.41	13.92	7.65	6.99	8.24	8.89
Inception	8.92	10.78	12.99	6.70	9.78	9.42	8.65

FARMLAND INCOME AND APPRECIATION RETURNS					
	Income	Appreciation	Total Return	Property Count	Market Value
4th Qtr 2020	1.53	0.06	1.59	1,184	12,329,330,019
3rd Qtr 2020	0.76	0.21	0.96	1,194	12,396,087,581
One Year	3.29	(0.20)	3.08		
Three Year	4.06	0.79	4.87		
Five Year	4.38	1.15	5.57		
Seven Year	5.07	2.09	7.23		
Ten Year	5.92	4.34	10.41		
Inception	6.60	4.04	10.78		

FARMLAND PROPERTY DISTRIBUTION BY PROPERTY TYPE AND REGION		
Property Type	Number of Properties	Market Value \$ Millions
Annual Cropland	904	7,398
Permanent Cropland	280	4,931
<b>Total</b>	<b>1,184</b>	<b>12,329</b>
Pacific West	242	4,998
Pacific Northwest	99	897
Corn Belt	380	1,277
Delta States	139	2,401
Southeast	64	740
Mountain	81	1,030
Southern Plains	17	215
Lake States	119	463
Appalachian	5	47
Northern Plains	37	253
Other	43	308
<b>Total</b>	<b>1,226</b>	<b>12,629</b>

CROP TYPE DISTRIBUTION					
Crop Type	Number of Properties	Market Value \$ Millions	1 year returns ending 12/31/2020		
			Income Return	Appreciation Return	Total Return
Annual-Commodity	727	4219	3.02%	0.5%	3.53%
Annual-Fresh Produce	41	945	3.8%	2.19%	6.05%
Annual-All Other	137	2234	3.92%	0.76%	4.71%
<b>Annual-Total</b>	<b>904</b>	<b>7398</b>	<b>3.39%</b>	<b>0.79%</b>	<b>4.2%</b>
Permanent-Apples	31	362	-3.88%	-3.58%	-7.47%
Permanent-Almonds	59	983	2.35%	-3.2%	-0.88%
Permanent-Citrus	16	296	3.73%	-0.76%	2.93%
Permanent-Pistachios	27	851	15.31%	0.02%	15.28%
Permanent-Wine Grapes	90	1983	-0.58%	-2.18%	-2.75%
Permanent-All Others	57	458	4.02%	1.4%	5.48%
<b>Permanent-Total</b>	<b>280</b>	<b>4931</b>	<b>3.01%</b>	<b>-1.7%</b>	<b>1.27%</b>
<b>TOTAL</b>	<b>1184</b>	<b>12329</b>	<b>3.29%</b>	<b>-0.2%</b>	<b>3.08%</b>

The NCREIF Farmland Index (“NFI”) ended 2020 with 1,184 properties and a new record market value of \$12.3 billion. The 2020 market value was up 7.8% from 2019 and continues to grow steadily. At the end of 2020, the annual cropland sub-index accounted for 60% of the NFI’s total market value at \$7.4 billion while the remaining \$4.9 billion was in permanent cropland. In addition, 76% of the 1,184 properties in the index were in annual cropland and

24% in permanent cropland.

In 2020, the NFI generated total returns of 3.08%, consisting of +3.29% income return and a negative -0.2% appreciation return as detailed below:

- The annual cropland category posted total annual returns of 4.20%. While income returns for this subindex were slightly higher in 2020 at 3.39% compared to the 3.31% in the prior calendar year, appreciation returns declined to +0.79% from 1.06% in 2019. From a regional standpoint, the highest total return was observed in the Pacific West at 7.68%, followed by the Southern Plains at 7.42% and the southeast region at 5.36%. The lowest total return was observed in the Pacific

Northwest region at 0.77%. Annualized cropland income returns ranged from a high of 4.27% in the southeast region to a low of 2.89% in the corn belt region. In terms of appreciation rates, this subindex had rates ranging from 3.65% in the Pacific West to a low of -2.15% in the Pacific Northwest.

- The permanent crop category generated a total return of 1.27% comprised of 3.01% income and -1.70% appreciation returns. 2020 was the first year since 2010 that total returns in permanent crops did not outpace the returns for the annual cropland subindex. At a regional level, the lake states generated the highest total returns at 10.61%, most of which was derived from income at 9.67%. On the other hand, returns in the Pacific Northwest experienced the lowest total returns in the past 15 years at -5.48% driven by negative income and appreciation returns of -2.55% and -2.93%, respectively. In terms of commodities within the NFI, pistachios had impressive returns at 15.28% with almost all of it coming from income returns (15.31%). However, other commodity sectors experienced significant challenges in 2020 due to domestic and export movement and weaker prices for certain commodities (i.e. lemons, almonds, apples, wine grapes). The lowest total returns observed in permanent commodities were

in the apple sector, followed by wine grapes and almonds. Total returns for apples were -7.47% for the year driven by both negative income and appreciation returns of -3.88% and -3.58%, respectively. Wine grapes also experienced negative returns at -2.75% mostly as a result of lower appreciation coupled with lower income returns. While almond investments had total negative returns of -0.88%, income returns were positive at 2.35%.

The COVID-19 pandemic was challenging for some agricultural markets in 2020 and may continue creating difficulties for some commodities in the retail and food service sectors. Nonetheless, the long-term fundamentals for U.S. grown commodities sold in domestic and international markets remain strong.

Juan David Castro-Anzola  
Investment Vice President  
PGIM Agricultural Investments