At the end of 2021, the NCREIF Farmland Index (NFI) consisted of 1,260 properties valued at $13.8 billion, its highest level to date. The total farmland return – the sum of the appreciation and income return – was 3.8% in Q4 2021, with 2.2% appreciation and 1.6% income. Each quarterly return metric, total, appreciation, and income recorded the highest value it has in 6, 8, and 3 years, respectively. High performing returns also occurred for the year, and not just the quarter, with an annual total return of 7.8%, consisting of 3.8% appreciation and 3.9% income.

The annual cropland category, which accounts for 61% of the NFI's market value, performed well, reporting an annual total return value of 11.1%. While the annual income return value of 3.6%, which is only 30 basis points higher than last year, contributed to the total return's performance, the main driver was the annual appreciation return of 7.3% -- the highest level seen since 2013. A continuation of strong commodity prices, a low supply of high-quality land and low interest rates amongst other factors have sustained the rise in farmland values. On a regional basis, the highest annual total returns were noted in the Corn Belt at 18.8% and the Pacific Northwest at 17.8%. The lowest annual total return was recorded in the Mountain region at 5.5%.

The permanent cropland category posted an annual total return value of 3.1%, with -1.3% appreciation and 4.4% income. Despite the annual total return being double the amount it was last year, it is still the second lowest total return seen in the last 15 years, with last year's total being the lowest. From a regional standpoint, the Lake States held a strong annual total return of 16.5%, with a majority of it deriving from an annual appreciation return of 12.8%. On the other hand, the Pacific West and Pacific Northwest had smaller annual total returns, with Almonds (-13.0%), Fresh Produce (9.9%), and Pistachios (9.4%) exhibiting the highest annual total returns, while Almonds (-4.4%), Citrus (0.6%), and Apples (1.1%) indicated the lowest.

Now when evaluating NFI's annual performance by crop type, Commodities (13.0%), Fresh Produce (9.9%), and Pistachios (9.4%) exhibited the highest annual total returns, while Almonds (-4.4%), Citrus (0.6%), and Apples (1.1%) indicated the lowest.

Traditionally, farmland as an asset has been used as a hedge to protect against inflation. This year has proven that theory true with the rise of farmland values outpacing the rate of inflation. In a year of high inflation and several other unpredictable factors, farmland and its value has continued to be resilient.

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