

FARMLAND INDEX

PERMANENTS REMAIN STABLE, ANNUAL CROPS SOFTEN AMIDST MARKET UNCERTAINTY

FARMLAND TOTAL RETURNS							
	Total NPI	Total Farmland Index	Pacific West	Pacific Northwest	Corn Belt	Delta	Southeast
2nd Qtr 2019	1.51	0.73	0.61	2.05	0.45	0.65	2.18
1st Qtr 2019	1.80	0.70	(0.16)	0.35	0.56	1.02	3.71
One Year	6.51	5.67	7.18	2.80	2.26	5.22	10.49
Three Year	6.89	6.25	8.07	9.69	1.49	4.55	7.97
Five Year	8.83	7.99	12.48	7.28	0.21	4.48	7.72
Seven Year	9.43	10.92	16.06	10.20	4.40	7.41	9.27
Ten Year	9.25	11.05	14.93	8.09	7.97	8.95	7.41
Inception	9.14	11.13	13.42	7.16	10.05	9.71	8.82

FARMLAND INCOME AND APPRECIATION RETURNS					
	Income	Appreciation	Total Return	Property Count	Market Value
2nd Qtr 2019	0.60	0.13	0.73	899	10,492,159,437
1st Qtr 2019	0.54	0.16	0.70	901	10,354,420,236
One Year	4.45	1.18	5.67		
Three Year	4.77	1.43	6.25		
Five Year	5.42	2.49	7.99		
Seven Year	6.17	4.58	10.92		
Ten Year	6.40	4.48	11.05		
Inception	6.72	4.26	11.13		

FARMLAND PROPERTY DISTRIBUTION BY PROPERTY TYPE AND REGION		
Property Type	Number of Properties	Market Value \$ Millions
Annual Cropland	668	6,599
Permanent Cropland	231	3,893
Total	899	10,492
Pacific West	222	4,260
Pacific Northwest	56	672
Corn Belt	243	1,043
Delta States	136	2,167
Southeast	63	636
Mountain	76	904
Southern Plains	22	246
Lake States	45	281
Appalachian	6	71
Northern Plains	30	212
Other	36	283
Total	935	10,775

CROP TYPE DISTRIBUTION					
Crop Type	Number of Properties	Market Value \$ Millions	1 year returns ending 6/30/2019		
			Income Return	Appreciation Return	Total Return
Annual-Commodity	464	3485	3.05%	1.28%	4.36%
Annual-Fresh Produce	44	833	3.63%	-11.46%	-8.14%
Annual-All Other	160	2280	3.96%	2.24%	6.27%
Annual-Total	668	6599	3.44%	1.34%	4.82%
Permanent-Apples	20	183	-5.39%	-0.69%	-6.12%
Permanent-Almonds	57	921	5.63%	1.35%	7.07%
Permanent-Citrus	14	226	6.18%	0.39%	6.59%
Permanent-Pistachios	20	602	14.66%	-1.31%	13.42%
Permanent-Wine Grapes	78	1618	5.57%	2.39%	7.96%
Permanent-All Others	44	352	1.97%	-1.9%	0.04%
Permanent-Total	231	3893	6.05%	0.94%	7.01%
TOTAL	899	10492	4.45%	1.18%	5.67%

* 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

The NCREIF Farmland Index ("NFI") market value continues to set record highs despite mixed results across the ten reported regions. The index ended the second quarter 2019 with 899 properties and a market value of \$10.49 Billion, up from the prior quarter value of \$10.35 Billion. Property type diversification remains heavily weighted to annual crops, which comprise approximately 63% of the index market value, while

permanent crops account for the remaining 37% of index value. Overall the NFI posted modest returns for the second quarter, with an appreciation return of 0.13% and an income return of 0.60%, for a total return of 0.73%. This is slightly higher than the total return of 0.70% for the first quarter 2019. The NFI posted a one-year annualized return of 5.67%, comprised of 1.18% in appreciation and 4.45% in income.

Regionally, five of the ten reported regions experienced negative appreciation, with returns ranging from -0.05% in the Southeast to -1.45% in the Mountain region. The Corn Belt, Delta States, and Lake States all experienced modest

negative appreciation returns within this range. The Pacific Northwest and Northern Plains lead the way with strong appreciation returns of 1.40% and 1.42% respectively, while the Pacific West, Southern Plains, and Appalachian experienced appreciation returns of 0.41%, 0.84%, and 0.39%. Income returns were positive across all regions, ranging from a low of 0.19% in the Pacific West to a high of 2.23% in the Southeast. Relying on a strong income return, the Southeast's total return of 2.18% was the highest among all regions for the quarter, while the Mountain region generated the lowest total return at -0.55%.

Permanent crops rebounded from their negative returns in the first quarter of 2019 to generate a total return of 0.93% for the second quarter, which was comprised of 0.65% in appreciation and 0.27% in income. Lower commodity prices continue to put pressure on annual crop returns, as the annual crop sub-index posted a total return of 0.62%, comprised of -0.18% in appreciation and 0.79% in income. This total return represents the second lowest quarterly return since the index was first introduced in the

first quarter of 1991, while the quarterly income return of 0.79% is the lowest on record for the annual crop sub-index. One-year annualized total returns for permanent and annual crops came in at 7.01% and 4.82% respectively.

Quarterly returns were positive for all reported permanent crop commodities, with Citrus posting the highest quarterly total return of 3.93%. Wine Grapes posted the lowest quarterly total return of 0.26%, as some softening in grape prices is occurring within the marketplace. One-year annualized returns ranged from a low of -6.12% for Apples to a high of 13.68% for Pistachios.

Overall, the NFI continues to post stable, yet modest returns despite various headwinds related to international trade.

Adam Gore, CFA
Portfolio Manager
Hancock Agricultural Investment Group