FARMLAND INDEX

2018 FINISHES HIGHER THAN 2017

FARMLAND TOTAL RETURNS

	Total NPI	Total Farmland Index	Pacific West	Regional Farmland Pacific Northwest	Corn Belt	Delta	Southeast
4th Qtr 2018	1.37	2.85	5.23	(0.27)	0.53	2.06	1.00
3rd Qtr 2018	1.67	1.29	1.41	0.65	0.70	1.40	3.22
One Year	6.72	6.74	8.66	8.86	2.64	7.00	7.40
Three Year	7.21	6.67	9.21	10.04	0.02	4.61	7.24
Five Year	9.33	8.57	13.67	8.08	0.58	4.58	7.51
Seven Year	9.74	11.65	16.61	10.62	5.48	8.30	9.24
Ten Year	7.49	11.16	14.94	7.83	8.18	9.38	7.35
Inception	9.17	11.29	13.66	7.20	10.20	9.83	8.76

The Farmland Index total return for 2018 came in at 6.74% compared to 6.19% for 2017 or nearly 9% higher. The stronger return was driven by a higher rate of appreciation in farmland values, 2.19% in 2018 versus 1.54% for 2017. The 2018 income return was slightly lower than the 2017 income yield at 4.47% versus 4.61%. The total market value of all 900 properties in the Index database at yearend was $10.2 billion, split 62% by value in annual cropland and 38% by value in permanent cropland. The Pacific West region has the highest total market value at $4.1 billion with $3.3 billion of that in permanent cropland. In Q4 2018 the total return was 2.85% which is slightly lower than Q4 2017 at 2.93%. The difference is attributed to lower appreciation in Q4 2018 compared to Q4 2017 at 0.66% in Q4 2018 and 0.80% in Q4 2017.

FARMLAND INCOME AND APPRECIATION RETURNS

	Income	Appreciation	Total Return	Property Count	Market Value
4th Qtr 2018	2.19	0.66	2.85	900	10,169,500,380
3rd Qtr 2018	1.06	0.22	1.29	851	9,443,358,973
One Year	4.47	2.19	6.74		
Three Year	4.74	1.86	6.67		
Five Year	5.56	2.90	8.57		
Seven Year	6.37	5.08	11.65		
Ten Year	6.43	4.55	11.16		
Inception	6.80	4.33	11.29		

FARMLAND PROPERTY DISTRIBUTION BY PROPERTY TYPE AND REGION

Property Type	Number of Properties	Market Value $ Millions
Annual Cropland	660	6,333
Permanent Cropland	240	3,836
Total	900	10,170
Pacific West	228	4,117
Pacific Northwest	56	631
Corn Belt	243	1,034
Delta States	137	2,155
Southeast	62	695
Mountain	73	765
Southern Plains	22	238
Lake States	44	273
Other	35	262
Total	900	10,170

Looking at the annual returns by region, the Pacific Northwest edged out the Pacific West with a total return of 8.86% compared to 8.66% for the Pacific West. The Pacific Northwest return was largely due to appreciation of 7.79% while the Pacific West return was primarily driven by income of 6.34%. In fact, the Pacific Northwest turned in the lowest annual income return of 1.05%. The lowest total return was 0.23% in the Lake States followed by the Corn Belt at 2.64%. Both regions saw a decline in market value of -3.23% and -0.22% respectively.

Drilling down further into returns by crop type, wine grapes turned in the best total annual returns of 13.48%, with 59% of that coming from appreciation. Pistachios came in close behind with a total annual return of 13.25% all of which came from income as the market value declined by -1.72%. Apples had a negative annual total return of -6.87% split about evenly between market value of -3.64% and income of -3.30%. Almonds also experienced a decline in market value of -2.99% which was offset by income of 5.96% resulting in a total annual return of 2.81%. Annual cropland showed a year-over-year increase in total annual returns at 5.92% versus 4.75% in 2017.

CROP TYPE DISTRIBUTION

Crop Type	Number of Properties	Market Value $ Millions	1 year returns ending 12/31/2018 Income Return	Appreciation Return	Total Return
Annual-Commodity	467	3444	3.12%	1.78%	4.94%
Annual-Fresh Produce	43	813	3.61%	-10.18%	-6.84%
Annual-All Other	150	2076	4.06%	3.78%	7.95%
Annual-Total	660	6333	3.51%	2.34%	5.92%
Permanent-Apples	21	165	-3.3%	-3.64%	-6.87%
Permanent-Almonds	65	958	5.96%	-2.99%	2.81%
Permanent-Citrus	12	177	7.8%	0.58%	8.42%
Permanent-Pistachios	19	545	14.64%	-1.68%	12.97%
Permanent-Wine Grapes	79	1584	5.25%	7.92%	13.45%
Permanent-All Others	44	407	2.57%	0.06%	2.63%
Permanent-Total	240	3836	6.19%	1.95%	8.23%
TOTAL	900	10170	4.47%	2.19%	6.74%

* 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

Farmland performed well in Q4 and for the year compared to equity and debt markets demonstrating in real-time the diversification traits of the asset class.

James B. McCandless, Managing Director
Head of Real Estate – Farmland
Real Estate & Private Markets, UBS Asset Management