

In This Issue

- Welcome to Our Annual State of the Market Report2**
- The Farmland Index5**
- Our Thoughts.....8**
- Conclusion.....10**

About AgIS

AgIS Capital acquires and manages high-quality, investment-grade farmland assets. When opportunities exist to create and capture additional value for clients, we also invest in related operating companies involved in agricultural commodity processing. At present, AgIS is emphasizing investments in U.S. permanent croplands because we believe its value proposition is more consistent with the risk and return objectives of institutional investors. We also strategically review offshore opportunities that complement our investment operations in the United States.

For The Times They Are A-Changin’

Introduction

The United States (U.S.) agricultural economy appears financially sound in the wake of the coronavirus pandemic. However, shipping congestion in American ports, the fallout from the Russian invasion of Ukraine, higher input costs for essentials like gasoline and fertilizer, the U.S. Federal Reserve’s tightening of monetary policy, expectations for lower economic growth, and the implementation of groundwater legislation in California are significant headwinds. Further, the strength of the U.S. dollar, in real terms, is the strongest it has been in over 36 years. A strong dollar places downward pressure on export prices and reduces the competitiveness of U.S. agriculture exports. Despite softening in recent months, most row crop prices remain historically high, which has benefited farmers and investors. These prices, however, are unlikely to persist in the long term.



Welcome to Our Annual State of the Market Report

Welcome to our Annual State of the Market Report, which provides an overview of the trends and forces that drive farmland returns. In this issue, we discuss how these trends can affect current and future farmland investment performance. We also closely examine the National Council of Real Estate Investment Fiduciaries (NCREIF) Farmland Index and offer context and commentary on the asset class's recent and projected performance based on emerging macroeconomic trends. Finally, we explain how farmland investors will respond to the adverse economic circumstances referenced above.

Trends

On September 1, 2022, the United States Department of Agriculture's (USDA) Economic Research Service (ERS) released its 2022 Farm Sector Income Forecast.¹ In addition to updating the 2022 forecast data, ERS revised data back to 2018. Notable revisions by ERS made to data between 2018 and 2021 include lowering 2021 production expenses by 5.2 percent, which, in conjunction with other revisions, resulted in increasing nominal 2021 net farm income (NFI) 17.9 percent from \$119.1 billion (bb) to \$140.4bb (or \$149.8bb in real terms). Additionally, ERS increased 2021 farm real estate values by 7.5 percent to \$2.9 trillion (tt) and farm equity by 7.4 percent to \$3.0tt.

In real terms, the sum of crop and livestock receipts is expected to set a record for total cash receipts at \$525.3bb, which would be 13.5 percent higher than the previous year. The dark-and-light-green-shaded areas in Figure 1 represent crop and livestock receipts, respectively. If the forecast comes to fruition, the 2022 livestock receipts would be the third highest recorded—in real terms—while crop receipts would be second only to the \$258.7bb posted in 2014. The Russia-Ukraine War and lower soybean production in Brazil and Argentina—attributable to the La Niña weather pattern—drove commodity prices higher. ERS expects cash receipts to offset the 52.8 percent reduction of direct government payments, estimated to be \$13.0bb in 2022.

Figure 2 depicts how real production expenses are expected to increase 10.4 percent, or \$41.3bb, to \$437.3bb in 2022. If realized, real production expenses would be the fourth highest level on record. Fertilizer, fuel, and interest expenses are expected to rise 42.7 percent, 33.1 percent, and 30.8 percent, respectively, year-over-year. Together, these three line-item estimates account for \$24.6bb of the \$41.3bb forecasted increase in 2022.

Figure 1 - Real Gross Cash Income
Components: 1960 to 2022f, billions, 2022 dollars

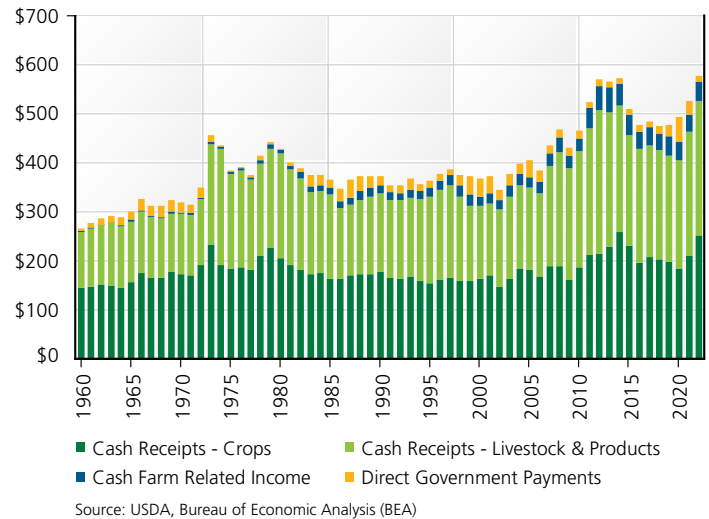
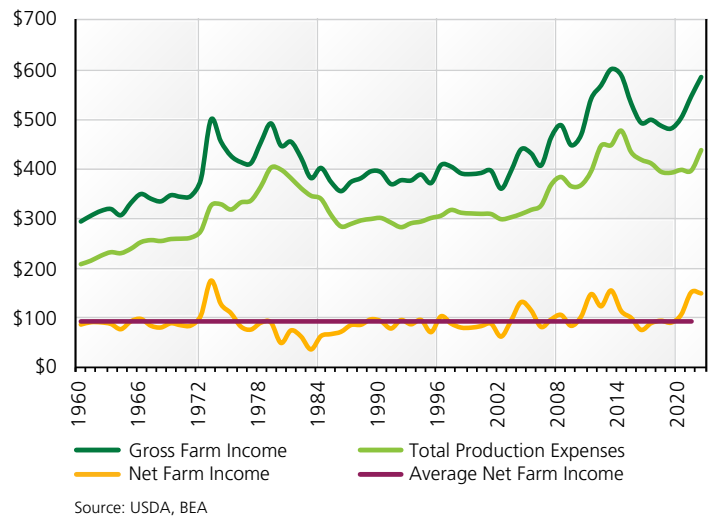


Figure 2 - Real U.S. Farm Income
Components: 1960 to 2022f, billions, 2022 dollars



In real terms, the sum of crop and livestock receipts is expected to set a record for total cash receipts at \$525.3bb, which would be 7.0 percent higher than the previous year.

¹ USDA, ERS. Farm Sector Income & Finances: Farm Sector Income Forecast, September 1, 2022.

Despite the \$41.3bb increase in the real value of production expenses and the \$14.6bb decrease in the real value of direct government payments, ERS expects NFI to fall only \$2.1bb to \$147.7bb (in nominal terms, NFI is expected to increase by \$7.3bb). After adjusting for inflation, this would be the fourth-highest level posted in the past 62 years. The estimate is 61.2 percent higher than the average NFI between 1960 and 2021 and 37.1 percent higher than the average between 2004 and 2021, as portrayed in Figure 3.

ERS' February forecast of 2022 U.S. NFI was \$113.7bb, or \$34.0bb less than their September forecast of \$147.7. In February, ERS forecasted U.S. agricultural exports for 2022 to be \$183.5bb. In August, they increased the estimate by \$12.5bb to \$196.0bb. As illustrated in Figure 4, this would set a record for agriculture exports, even after adjusting for inflation—a remarkable feat considering the historically strong dollar. Therefore, the ERS expects the events between early February and September to positively impact U.S. agriculture exports and NFI in 2022.

Farm sector debt is forecasted to reach \$496.0bb, a record in nominal terms but a 2.0 percent reduction year-over-year in real terms. Similarly, real estate debt is predicted to set a nominal record of \$341.9bb, second only in real terms to the \$346bb posted in 2021. Finally, non-real estate farm debt is forecast to drop for a sixth consecutive year to \$154.1bb in 2022 (Figure 5).

The real aggregate value of farm assets is expected to increase 2.8 percent to \$3.8tt (or an increase of 9.7 percent in nominal terms). The real value of farm real estate is forecasted to increase 3.2 percent to \$3.2tt (see Figure 6). The September forecast indicates that the real aggregate value of farm real estate is expected to set a record after remaining somewhat stagnant since 2014 (for example, see Figure 7).



Almond crops in California

Figure 3 - Real U.S. Net Farm Income: 1960 to 2022f, billions, 2022 dollars

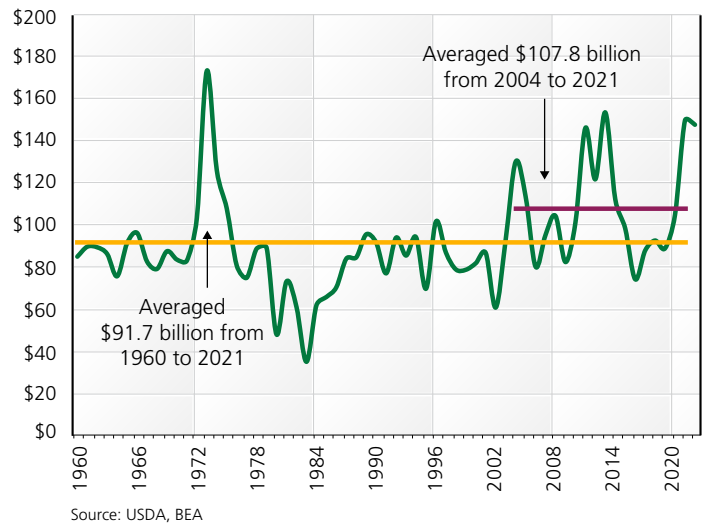


Figure 4 - Real U.S. Agriculture Imports and Exports: 1960 to 2022f, billions, 2022 dollars

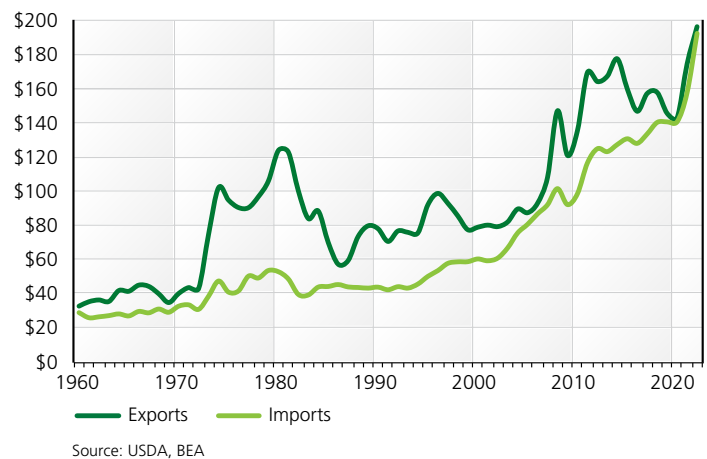
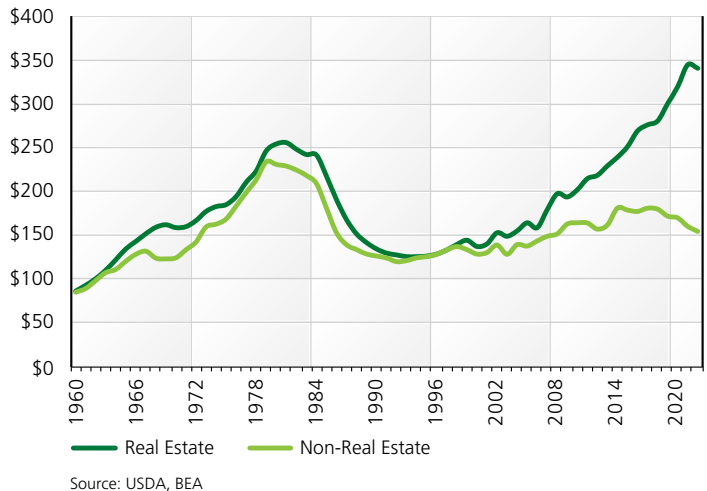


Figure 5 - Real U.S. Farm Debt in Real Estate and Non-Real Estate: 1960 to 2022f, billions, 2022 dollars



The ERS expects 2022 real farm sector equity to increase 3.5 percent to \$3.3tt, a second consecutive record in real terms and a sixth consecutive record in nominal terms.

The ERS' expectation for lower debt and higher asset values implies that debt-to-asset and debt-to-equity ratios are expected to fall to 12.9 and 14.9, respectively, in 2022 (see Figure 8), reversing an upward march that began in 2012. ERS's February debt-to-asset and debt-to-equity estimates were 14.1 and 16.4, respectively, which would have been the highest levels since 2002. Higher debt-to-asset and debt-to-equity ratios indicate that the farm sector is becoming increasingly leveraged. This could affect its ability to repay outstanding debt in the event of a downturn in commodity prices, an uptick in borrowing costs, or the imposition of higher input costs if inflation persists. Regardless, the ERS expects higher asset values to stave off earlier leverage concerns.

According to USDA statistics, the real average price of farmland per acre remained relatively stable between 2014 and 2020 before rising in 2021 and 2022, as illustrated in Figure 9. Farmland prices rose 12.0 percent in nominal terms—or 5.4 percent in real terms—to \$3,800 per acre in 2022. This price is a record in nominal and real terms. The average per-acre value of U.S. farmland is an aggregate measure of farmland values and reflects diverse uses, crop types, and geographies.

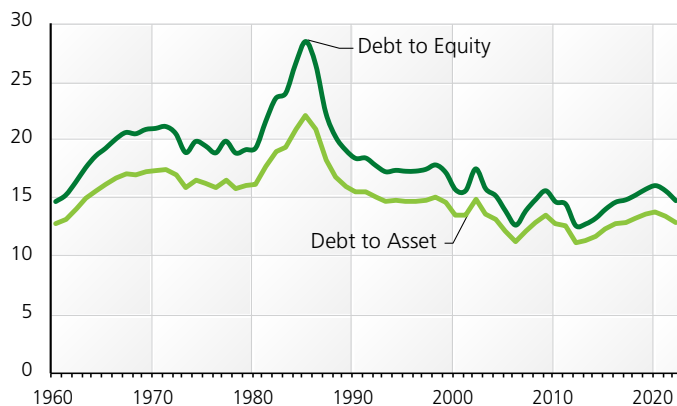
To gain more insight into the current situation, we analyze the performance of the NCREIF Farmland Index, which provides more detail on the relative performance of various property types.

Figure 6 - Real U.S. Farm Assets and Farm Real Estate: 1960 to 2022f, trillions, 2022 dollars



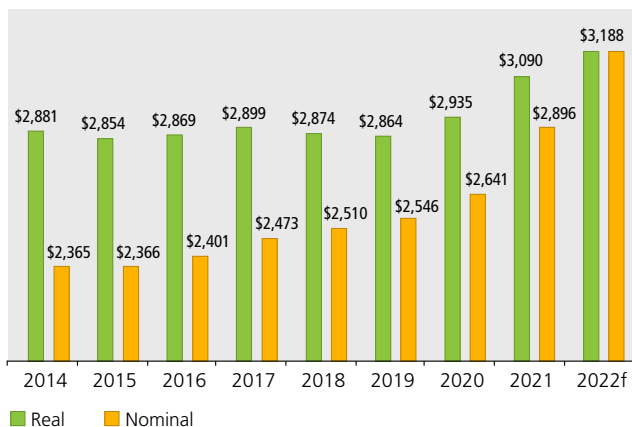
Source: USDA, BEA

Figure 8 - U.S. Farm Sector Debt Ratios: 1960 to 2022f



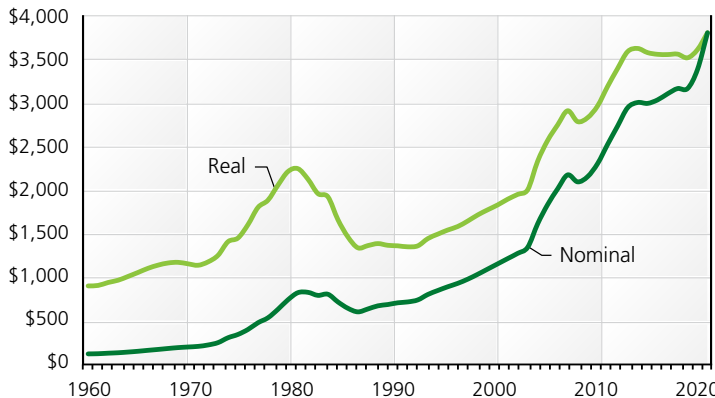
Source: USDA

Figure 7 - Nominal and Real Value of U.S. Farm Real Estate: 2014 to 2022f, trillions, 2022 dollars



Source: USDA, BEA

Figure 9 - Real and Nominal Average U.S. Farmland Prices: 1960 to 2022, 2022 dollars



Source: USDA, BEA

The Farmland Index²

NCREIF's Total Farmland Index (TFI) continued its 31-year streak of positive annual total returns by posting a 7.8 percent total return for the year ending on December 31, 2021 (see Row 1, Column (g) in Figure 10). The total return was comprised of an income return of 4.0 percent and a capital return of 3.8 percent. The TFI consisted of 1,260 assets. These assets were worth \$13.8bb collectively. The average value of each property was \$10.9mm.

Figure 10 - NCREIF Farmland Returns: One- and Five-year, Annualized, Million dollars, as of 12/31/2021

	Market Value	Percent of Index	Property Count	Value Per Asset	One Year Return			Five Year Annualized Return		
					Income	Capital	Total	Income	Capital	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
I) Total Farmland Index										
1 Total Farmland	\$13,792.6	100%	1260	\$10.9	4.0%	3.8%	7.8%	4.1%	1.5%	5.7%
2 Annual Cropland	\$8,389.3	61%	958	\$8.8	3.6%	7.3%	11.1%	3.5%	2.5%	6.0%
3 Permanent Cropland	\$5,403.3	39%	302	\$17.9	4.4%	-1.3%	3.1%	5.2%	0.0%	5.2%
II) Annual Cropland by Region										
4 Pacific West	\$854.7	10.2%	41	\$20.8	3.8%	2.5%	6.3%	3.8%	1.7%	5.5%
5 Pacific Northwest	\$519.5	6.2%	59	\$8.8	4.3%	13.1%	17.8%	3.5%	8.5%	12.2%
6 Cornbelt	\$1,558.8	18.6%	396	\$3.9	3.4%	15.0%	18.8%	3.0%	3.1%	6.2%
7 Delta	\$2,649.7	31.6%	142	\$18.7	3.3%	6.8%	10.2%	3.1%	2.6%	5.8%
8 Southeast	\$553.3	6.6%	52	\$10.6	4.3%	1.3%	5.6%	4.2%	2.4%	6.7%
9 Mountain	\$1,106.2	13.2%	88	\$12.6	3.7%	1.8%	5.5%	3.9%	0.3%	4.3%
10 Southern Plains	\$300.2	3.6%	20	\$15.0	4.3%	4.6%	9.0%	4.6%	2.3%	7.0%
11 Lake States	\$437.5	5.2%	110	\$4.0	4.1%	10.7%	15.2%	3.7%	1.5%	5.3%
12 Other Regions (approximate)*	\$409.4	4.9%	50	\$8.2	3.5%	4.5%	8.1%	3.9%	0.6%	4.7%
13 Annual Cropland	\$8,389.3	100%	958	\$8.8	3.6%	7.3%	11.1%	3.5%	2.5%	6.0%
III) Permanent Cropland by Region										
14 Pacific West	\$4,599.4	85.1%	227	\$20.3	4.6%	-1.4%	3.1%	5.7%	0.1%	5.7%
15 Pacific Northwest	\$474.7	8.8%	39	\$12.2	2.0%	-0.5%	1.5%	-0.9%	0.9%	0.0%
16 Lake States	\$113.0	2.1%	19	\$5.9	10.2%	5.5%	16.2%	6.7%	-3.7%	2.8%
17 Other Regions (approximate)*	\$216.2	4.0%	17	\$12.7	3.2%	-4.2%	-1.4%	7.3%	-0.6%	6.5%
18 Permanent Cropland	\$5,403.3	100%	302	\$17.9	4.4%	-1.3%	3.1%	5.2%	0.0%	5.2%
IV) Management Type Subindexes										
19 Directly Operated Permanent	\$3,838.5	27.8%	201	\$19.1	4.1%	-1.9%	2.1%	5.1%	-0.3%	4.8%
20 Leased - Annual	\$8,125.4	58.9%	951	\$8.5	3.6%	7.2%	11.1%	3.5%	2.5%	6.0%
21 Leased - Permanent	\$1,564.8	11.3%	101	\$15.5	5.6%	0.2%	5.8%	5.4%	1.7%	7.0%
V) Crop Type-Subindexes										
22 Annual Commodity	\$4,922.5	35.7%	765	\$6.4	3.4%	9.4%	13.0%	3.1%	2.5%	5.7%
23 Annual Fresh Produce	\$1,041.9	7.6%	45	\$23.2	4.1%	5.6%	9.9%	3.9%	2.1%	6.0%
24 Annual All Others	\$2,424.9	17.6%	148	\$16.4	3.9%	3.9%	7.9%	4.0%	2.4%	6.4%
25 Almonds	\$978.2	7.1%	61	\$16.0	4.1%	-8.3%	-4.4%	5.5%	-3.1%	2.3%
26 Apples	\$338.7	2.5%	23	\$14.7	1.7%	-0.6%	1.1%	-2.2%	-0.4%	-2.6%
27 Pistachios	\$897.5	6.5%	29	\$30.9	6.5%	2.8%	9.4%	10.9%	-0.6%	10.3%
28 Wine Grapes	\$2,063.3	15.0%	92	\$22.4	4.1%	0.1%	4.2%	3.9%	2.0%	6.0%
29 Citrus	\$351.8	2.6%	23	\$15.3	4.5%	-3.8%	0.6%	6.2%	-0.3%	6.0%
30 Other Permanent Crops	\$776.0	5.6%	75	\$10.3	4.9%	1.4%	6.4%	4.0%	0.3%	4.3%

Source: NCREIF. Returns are for the year ending 12/31/2021. *NCREIF does not disclose the performance of regions in which there are insufficient properties or reporting managers. However, the performance of these regions is included in an aggregate index, and therefore the returns for these regions can be algebraically computed. Note: the five-year annualized returns for 'Other Regions' were estimated using the 2021 market values as weights. Therefore, the five-year annualized returns for the 'Other Regions' are approximate.

² The NCREIF Farmland Index reports the performance of annual and permanent cropland assets held by eight institutional farmland investment managers.

NCREIF's Annual Cropland Index consists of 958 properties. These were worth \$8.4bb in 2021—an average of \$8.8mm per property. The annual cropland Index posted a total return of 11.1 percent in 2021, with income returns of 3.6 percent and capital returns of 7.3 percent. Notably, the capital return of 7.3 percent was the highest since the 12.2 percent posted in 2013. Row cropland generated relatively muted returns during the seven years that followed, with the Annual Cropland Index reporting annualized income, capital, and total returns of 3.6, 1.5, and 5.1 percent, respectively. However, expectations of higher future farm income and lower real interest rates in the near term appear to outweigh the Federal Reserve Board's (the "Fed") monetary policy response to inflation.

The NCREIF Permanent Cropland Index consisted of 302 properties worth \$5.4bb in 2021—an average of \$16.7mm per property. The Index posted a total return of 3.1 percent, with income returns of 4.4 percent and capital returns of -1.3 percent. The lackluster performance in 2021 follows a total return of 1.3 percent in 2020. The 2020 and 2021 total returns are the second and third-lowest since NCREIF began recording almond returns 30 years ago.

One particularly interesting statistic from the permanent crop category for 2021 was the NCREIF's Almond Subindex return. Almonds generated a -4.4 percent total return. This was attributable to a -8.3 percent capital return and a 4.4 percent income return. Shipping congestion, a large 2020 crop, significant non-bearing acres, and the historically strong value of the U.S. dollar have suppressed almond prices, which likely led to lower-income expectations and, thus, lower land prices. Figure 11 indicates, however, that the -8.3 percent figure was the sixth-largest capital value reduction among the six permanent crop-type subindexes, which together have 154 capital return observations since the inception of the NCREIF Farmland Index.

Given the magnitude of the negative capital return, a meaningful subset of the assets in the Almond Subindex likely do not have secure water access. The ongoing drought in California and subsequent increase in the cost of water are leading some landowners to reassess the economic feasibility of keeping their properties

Figure 11 - Largest Annual Capital Loss in the NCREIF Permanent Crop-Type Subindexes

Rank	Capital Return	Permanent Crop	Year
1	-22.5%	Apples	2001
2	-16.6%	Apples	2000
3	-12.4%	All Others	1997
4	-10.5%	Wine Grapes	2003
5	-10.5%	Almonds	2001
6	-8.3%	Almonds	2021
7	-8.2%	Apples	2011
8	-8.1%	Apples	2002
9	-7.9%	Citrus	2008
10	-7.8%	Apples	2010
11	-7.5%	Apples	1999
12	-6.7%	Wine Grapes	2010
13	-6.5%	Pistachios	2010
14	-6.5%	Wine Grapes	2002
15	-6.3%	Citrus	2010
16	-6.1%	Citrus	1998
17	-6.1%	Citrus	2001
18	-6.1%	Citrus	2000
19	-5.5%	Apples	2005
20	-5.4%	Apples	2009
21	-5.2%	All Others	1995
22	-5.2%	Pistachios	2017
23	-4.7%	Almonds	2007
24	-4.7%	All Others	1994
25	-3.9%	All Others	1999
26	-3.9%	Citrus	2009
27	-3.8%	Citrus	2021
28	-3.8%	Citrus	2003
29	-3.8%	Citrus	2002
30	-3.7%	All Others	2001
31	-3.6%	Apples	2018
32	-3.6%	Apples	2020
33	-3.6%	All Others	2019

Source: NCREIF

in permanent crop production. These are challenging but necessary decisions because there will be even less water available in California once groundwater pumping regulations from the Sustainable Groundwater Management Act (SGMA) begin to take hold in the coming years.

The value of the Almond Crop Type Subindex constitutes 21.3 percent of the total value of the Pacific West Permanent Cropland Regional Index and 18.1 percent of the Permanent Cropland Subindex. Therefore, the inferior performance of the Almond Subindex has had a meaningful impact on these two subindexes.

For example, Figure 12 suggests that the performance of almonds in 2021 lowered the total return for the Pacific West Region and the Permanent Cropland Subindex by 200 and 170 basis points, respectively. If the capital returns in 2021 reflect a large subset of assets without secure water, then the capital returns from these assets will continue to drag the performance of the Almond Subindex, the Pacific West Regional Subindex, and the Permanent Cropland Subindex over the next few years.

Figure 12 - NCREIF Farmland Returns: One- and Five-year, Annualized, with and without Almond Performance, Million dollars, as of 12/31/2021

	Market Value (a)	Percent of Index (b)	Property Count (c)	Value Per Asset (d)	One Year Return			Five Year Annualized Return		
					Income (e)	Capital (f)	Total (g)	Income (h)	Capital (i)	Total (j)
1) Total Farmland Index										
1 Pacific West	\$4,599.4		227	\$20.3	4.6%	-1.4%	3.1%	5.7%	0.1%	5.7%
2 Almonds	\$978.2	21.3%	61	\$16.0	4.1%	-8.3%	-4.4%	5.5%	-3.1%	2.3%
3 Pacific West without Almonds*	\$3,621.2		166	\$21.8	4.7%	0.4%	5.1%	5.7%	0.9%	6.7%
4 Impact of Almond Returns*					-0.1%	-1.8%	-2.0%	-0.1%	-0.8%	-0.9%
5 Permanent Cropland	\$5,403.3		285	\$19.0	4.4%	-1.3%	3.1%	5.2%	0.0%	5.2%
6 Almonds	\$978.2	18.1%	61	\$16.0	4.1%	-8.3%	-4.4%	5.5%	-3.1%	2.3%
7 Permanent Cropland without Almonds*	\$4,425.1		224	\$19.8	4.5%	0.2%	4.7%	5.1%	0.7%	5.8%
8 Impact of Almond Returns (approximate)*					-0.1%	-1.5%	-1.7%	0.1%	-0.7%	-0.6%

Source: NCREIF. Returns are for the period ending 12/31/2021. *The five-year returns are weighted by the value of the Almond Subindex at 12/31/2021, and therefore are likely to be slightly off. Note: the five-year annualized returns for 'Pacific West without Almonds' and 'Permanent Cropland without almonds' were estimated using the 2021 market values as weights. Therefore, the five-year annualized returns for subindexes without almonds are approximate.



Our Thoughts



Institutional investors want to know whether current fundamentals support farmland values and how permanent cropland investments will perform in the coming years.

Permanent crop returns in the past two years are the second and third lowest annual total NCREIF returns since the Index was launched in 1991, as is portrayed in Figure 13.

In his opening remarks at the Economic Policy Symposium in late September, Federal Reserve Board (Fed) Chairman Jerome Powell made it clear that the Fed does not want to be forced to flip the switch on the economy to achieve price stability, as it did under Paul Volker in the 1980s, but instead sustain higher policy rates until inflation is clearly subdued.

Regarding the prolonged period of elevated inflation during the 1970s, Chairman Powell said, “A lengthy period of very restrictive monetary policy was ultimately needed to stem the high inflation and start the process of getting inflation down to the low and stable levels that were the norm until the spring of last year. Our aim is to avoid that outcome by acting with resolve now”. Thus, the Chairman provided clear guidance that the Fed is prioritizing price stability over maximum employment.

Now inflation has emerged at the highest level since the early 1980s, and the Fed’s response is looming on the horizon.

The strong relative value of the U.S. dollar, a continuation of retaliatory

tariffs imposed on U.S. agriculture exports by China and India, and significantly abnormal supply chain pressures (see Figure 14) have reduced the trade competitiveness of U.S. agricultural producers and disrupted their ability to deliver their products to foreign markets in a timely and cost-effective manner.

How high will rates go? This depends on inflation and perhaps the degree to which continuing supply-chain congestion impacts prices. If the Russian-Ukraine conflict ends in six months, and the COVID-related disruptions to the flow of goods and services abate, then significant rate increases, like those seen during the 1970s and early 1980s, may not be necessary. However, the longer the conflict in Eastern Europe persists, the

Figure 13 - Annual NCREIF Permanent Cropland Returns: 1991 to 2021

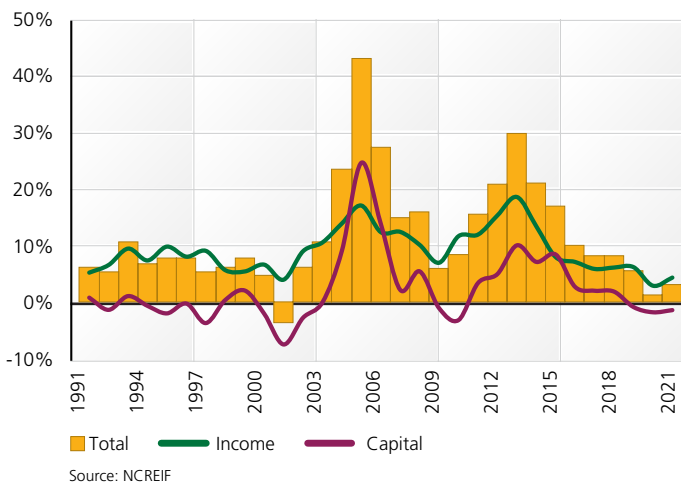
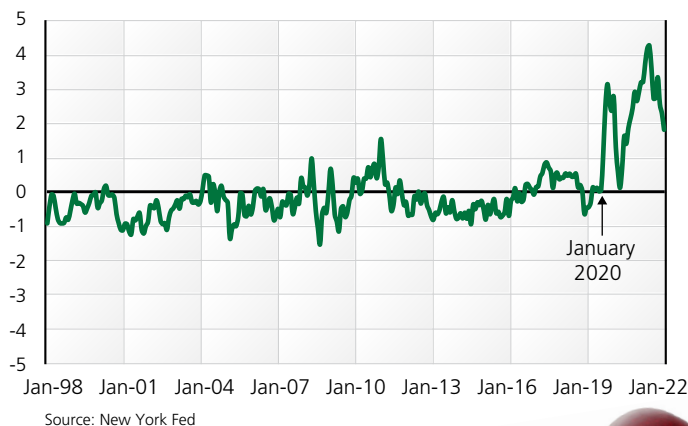


Figure 14 - Monthly Global Supply Chain Pressure Index in Standard Score: January 1998 to July 2022



Permanent cropland investments are vulnerable to rising interest rates because farmland values are a function of expected future farm income and the opportunity cost of capital.



less likely slight rate increases will sufficiently reduce inflation. The U.S. economy is entering the seventeenth consecutive month in which inflation exceeded the Fed's 2.0 percent long-term target and the twenty-fifth consecutive month of negative real, 10-year Treasury yields (see Figure 15). The Fed has already raised its target federal funds rate by 225 basis points this year, and it appears further rate increases will be needed to reach its inflation target.

Permanent cropland investments are vulnerable to rising interest rates because farmland values are a function of expected future farm income and the opportunity cost of capital. Higher rates directly impact farmland values by increasing the cost of short-term borrowing and the rate at which landowners discount future farm income.

Higher relative real interest rates can also indirectly impact farmland values by strengthening the relative value of the U.S. dollar. This is because the demand for U.S. dollars increases with the demand for U.S. investments. One measure of the relative value of a currency is the narrow real effective exchange rate (NREER)³. An increase in the NREER indicates a loss in trade competitiveness, while a decrease implies an increase. Figure 16 illustrates the NREER and NCREIF permanent cropland income returns in standard score.⁴ The figure demonstrates that permanent cropland returns are inversely related to the NREER.

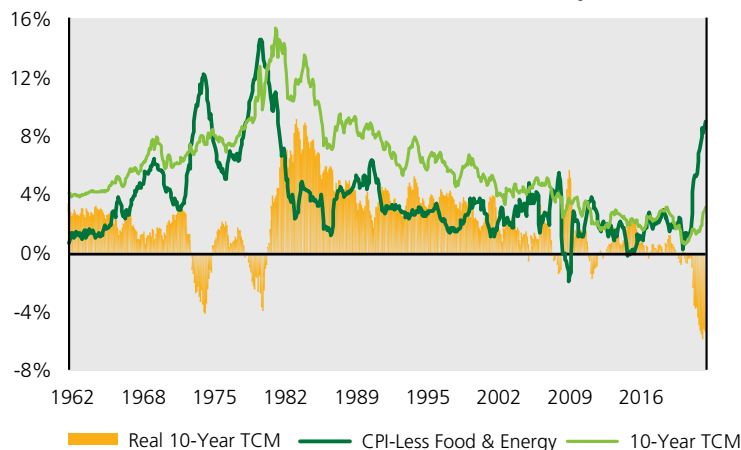
Given the increasing proportion of U.S. agricultural export value relative to U.S. agricultural sector production, as is portrayed in Figure 17, the relative value of the U.S. dollar will be a significant determinant of the future performance of farmland investments.

AgIS Capital believes one major tailwind in the permanent crop sector may counteract some of the negative impacts of higher interest rates. California's Sustainable Groundwater Management Act will limit groundwater pumping in the coming years, which we believe will ultimately lead to less permanent cropland acreage in production in the San Joaquin Valley, where the majority of nuts are grown. This reduction in acreage will lead to lower output of certain crops, which, in turn, will lead to higher output prices. Landowners with relatively secure water will benefit from these higher output prices. In contrast, those landowners with relatively unsecure access to water will likely see higher water costs erode their profit margins and land values.

³ The NREER is a measure of the value of a currency against a weighted average of several foreign currencies, divided by a price deflator or index of costs. An increase in NREER indicates that exports become relatively more expensive for foreign consumers, and imports become relatively cheaper for domestic consumers.

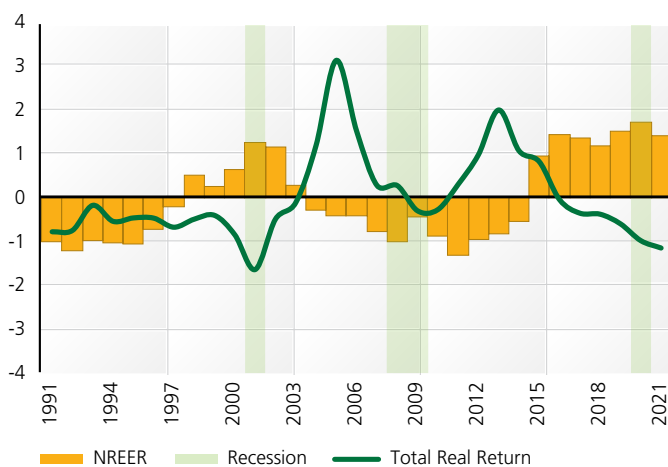
⁴ Standard score is calculated by subtracting the mean of a series of observations from each observation and dividing this number by the standard deviation of the series. The resulting statistics have a mean of 0 and a standard deviation of 1.

Figure 15 - The 10-Year Treasury and Consumer Prices: 1962 to 2022, monthly



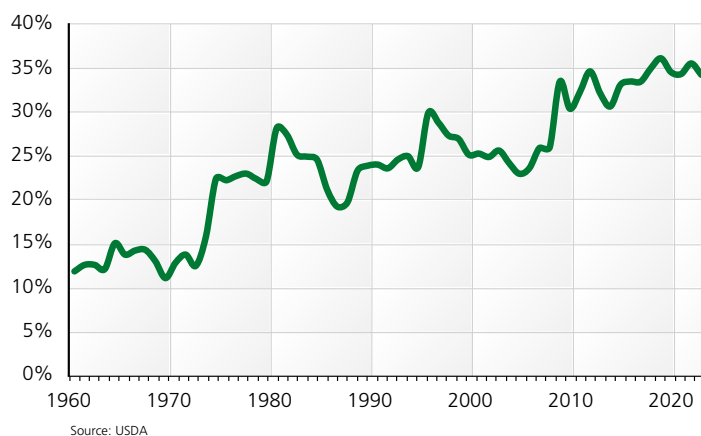
Source: FRED. 10-Year TCM is Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis, Percent, Quarterly, Not Seasonally Adjusted. CPI is the Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in U.S. City Average, Percent Change from Year Ago, Quarterly, Seasonally Adjusted.

Figure 16 - NCREIF Permanent Crop Total Returns, and the NREER: 1991 to 2021, standard score



Source: NCREIF, Bureau of Industry and Security, and Federal Reserve Economic Data (FRED)

Figure 17 - Value of U.S. Agricultural Exports as a Percentage of Value of U.S. Farm Sector Production: 1960 to 2022f



Source: USDA

Conclusion

The world has experienced numerous exogenous shocks, including tariff escalation, the coronavirus pandemic, and the Russian invasion of Ukraine. Each of these events has already caused or has the potential to cause structural changes in the global economy. Inflation has now emerged, and the Fed intends to bring about price stability. Depending on their monetary policy actions, the U.S. economy will either head further into recession or, if the Fed's prescription is not strong enough, undergo an indefinite period of stagflation before the recession. Investors seek alternative investments to preserve capital during times like these, and that is one of the primary reasons the farmland asset class is experiencing a growing and renewed interest.

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