

Summary of the NCREIF Farmland Index

The National Council of Real Estate Investment Fiduciaries (NCREIF) recently published the fourth-quarter 2024 Farmland Return Index results. The NCREIF Total Farmland Index recorded an annual return of -1.03 percent in 2024, consisting of -3.46 percent in capital returns and 2.49 percent in income returns (see Figure 1). This marks the first instance of the Total Farmland Index posting a negative return. The total return of the Annual Cropland Index was 5.66 percent, driven by a capital return of 2.58 percent, while the income return stood at 3.02 percent. In contrast, the total return for the Permanent Cropland Index was -10.18 percent, including capital returns of -11.77 percent and income returns of 1.70 percent. Annual cropland total returns have outperformed permanent cropland total returns for the fifth consecutive year after permanent cropland total returns had surpassed annual cropland total returns during the previous nine-year period.



This marks the first instance of the Total Farmland Index posting a negative return.

For the second consecutive year, the Directly Operated Permanent Cropland Index (see Figure 2) recorded the lowest annual total return at -11.83 percent, marking only the third instance of a negative total return for the index. The capital return stood at -12.45 percent, while the income return was 0.62 percent. Both capital and income returns were the lowest recorded since the index's inception. Over the past five years, income returns have ranked among the six lowest since inception. Capital returns in 2024 represented the sixth consecutive year of negative values.

The Pistachio Index posted its second consecutive negative annual total return of -16.47 percent, as capital returns of -20.16 percent outweighed income returns of 4.25 percent. The

Figure (1)

	2024 Annual Return		
	Income	Capital	Total
Total Farmland Index			
Total Farmland	2.49%	-3.46%	-1.03%
Annual Cropland	3.02%	2.58%	5.66%
Permanent Cropland	1.70%	-11.77%	-10.18%

Almond Index generated a second successive record low total return of -16.44 percent, marking the fifth consecutive negative total return. Capital returns were -18.14 percent, while income returns were 1.97 percent.

The poor performance of the permanent crop industry in the United States since 2020 reflects three primary culprits:

- 1 Supply chain congestion and trade diversion due to tariff escalation with large export nations
- 2 Excess supply attributable to an increase in acreage made between 2010 and 2016
- 3 The strong value of the U.S. dollar relative to our primary trading partners

These three culprits have led to higher ending stocks, which suppresses prices. The recent increase in the opportunity cost of capital and lower expected income returns have placed downward pressure on the values of permanent cropland, particularly for walnut, pistachio, and almond properties. A significant part of the notable decline in capital values for almonds and pistachios in 2023 and 2024 appears to arise from a subset of assets within these indices with subpar surface water rights. AgIS Capital expects that many acres of almond, pistachio, and walnut orchards will be removed in the coming years as the State of California implements its Sustainable Groundwater Management Act, which will reduce groundwater pumping and the overall availability of groundwater resources.



For the second consecutive year, the Directly Operated Permanent Cropland Index recorded the lowest annual total return.

Figure (2)

	One Year Return			Three Year Annualized Return			Five Year Annualized Return			Ten Year Annualized Return			Since Inception Annualized Return		
	Income	Capital	Total	Income	Capital	Total	Income	Capital	Total	Income	Capital	Total	Income	Capital	Total
Total Farmland Index															
Total Farmland	2.49%	-3.46%	-1.03%	3.04%	1.31%	4.38%	3.27%	1.50%	4.80%	4.06%	1.79%	5.90%	6.21%	3.79%	10.11%
Annual Cropland	3.02%	2.58%	5.66%	3.43%	6.46%	10.04%	3.46%	5.46%	9.05%	3.51%	3.41%	7.00%	4.59%	5.15%	9.92%
Permanent Cropland	1.70%	-11.77%	-10.18%	2.46%	-6.12%	-3.76%	2.96%	-4.30%	-1.43%	4.82%	-0.78%	4.00%	8.46%	1.46%	9.89%
Crop Type-Subindexes															
Almonds	1.97%	-18.14%	-16.44%	-0.20%	-11.18%	-11.37%	1.14%	-9.06%	-7.99%	4.69%	-3.51%	1.01%	9.05%	2.04%	10.91%
Apples	-3.04%	-2.86%	-5.84%	1.43%	-0.15%	1.25%	0.39%	-0.93%	-0.59%	-0.75%	0.38%	-0.39%	4.54%	-1.96%	2.42%
Pistachios	4.25%	-20.16%	-16.47%	4.09%	-10.19%	-6.34%	6.73%	-5.72%	0.71%	9.23%	-3.56%	5.45%	16.21%	3.06%	19.33%
Wine Grapes	0.33%	-9.36%	-8.99%	2.96%	-4.22%	-1.33%	2.48%	-2.96%	-0.53%	3.86%	1.36%	5.23%	5.91%	3.10%	9.06%
Oranges	5.71%	-5.44%	0.04%	2.79%	-1.97%	0.79%	3.68%	-2.25%	1.36%	6.42%	-0.89%	5.49%	8.76%	0.97%	9.76%
Other Permanent Crops	3.53%	-3.14%	0.29%	3.78%	-2.63%	1.07%	4.07%	-1.26%	2.77%	4.66%	-0.49%	4.15%	9.38%	0.47%	9.78%
Management Type Subindexes															
Directly Operated Permanent	0.62%	-12.45%	-11.83%	1.55%	-6.91%	-5.42%	2.25%	-4.99%	-2.82%	4.58%	-1.11%	3.42%	8.89%	1.12%	9.92%
Leased – Permanent	4.65%	-9.88%	-5.58%	5.08%	-3.86%	1.07%	5.20%	-2.26%	2.85%	5.36%	0.13%	5.49%	5.74%	1.39%	7.18%

Source: NCREIF. Returns are for the year ending 12/31/2024. Past performance is not a guarantee of future results. Potential for loss as well as gain exists. All returns are before investment management fees. The since inception returns for the Total Farmland Index is December 31, 1990. Inception dates for other sub-indexes may vary.

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