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MWA MURRAY WISE ASSOCIATES

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THE WISE AG UPDATE

Your source for farmland & agribusiness transaction news by Murray Wise Associates LLC

▮ FARMLAND IS MORE THAN EVER A “GENERATIONAL” ASSET

I started working with Murray and investing in high-quality farmland in 1990. At that time, there were only three or four other firms providing opportunities to invest in farmland to a small number of pension funds and individual investors.

Today, the number of firms offering those services has grown significantly. The number of interested pension funds and individual investors has exploded, creating demand for firms that can identify and manage opportunities in farmland.

Farmland, while still widely considered an alternative investment, has moved closer to the mainstream as it increases in popularity. More and more pension funds, family offices and individual investors are entering the market and buying farms each year.

The reasons for rising popularity of high-quality farmland are complex. They range from the inelasticity of demand for food, competitive annual cash returns and real long-term appreciation to the decreasing amount of global arable land relative to an increasing population.

Each fund, family office, investor and farming operation has its own reason for owning farmland. Ours is simple, and it is the culmination of all the other reasons: Farmland is a generational asset.

When I consider investing for the next generation, I cannot think of a better place to keep wealth than in high-quality farmland. It has always been our recommendation that any institution or family office make farmland an integral part of its portfolio. It's not a surprise to us that so many have taken up this cause in



the last 30 years. The only aspect that may be surprising to us is that it has taken this long for investors to figure out what farmers have known all along.

By “generational asset,” I mean that we are buying an asset we don't plan to sell for 30-40 years or much longer. This type of asset is meant for the next generation, where it has tax benefits compared with other investments, provides annual income as well as real growth, and is an exceptionally stable investment.

Farmland has always been a generational asset for farmers. The farm gets passed down from one generation to the next, with each generation adding acreage. This method of growing farmland holdings has been extremely successful for farmers who have done so.

The benefits of long-term farm ownership that these farmers have seen translate directly to non-farmer owners. As this knowledge becomes more common, we are seeing more funds and family offices looking to buy high-quality farmland with every intention of holding it for a very long time.

Farmers are no longer the only ones who see farmland as a generational asset. Don't look for this trend to reverse itself anytime soon. ▮

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🌿 *DO YOUR HOMEWORK (CONT.)*

water, the large investment in the property and trees is handicapped for the duration of the plants' life, affecting productivity and overall return on investment. Detailed due diligence would have uncovered the precarious water rights situation and would likely have convinced the investor to pass on the opportunity or to adjust the valuation significantly. This would have been an upfront cost well worth its price in the long run.

The same could be said for acquiring a business without proper vetting of its customer contracts, supply agreements, market share and management team. Spending millions of dollars, and upon closing, finding that your key customers have switched suppliers -- or that your suppliers have terminated long-term contracts -- could be crippling.

In short, if there are aspects critical to your deal's success, don't act solely on gut instinct, and don't assume. Know! And if you don't know – or don't know how to find out reliably – consult experts and professionals who do, so that you aren't left with a true mess on your hands. 🌿

MWA is well-versed in the scenarios mentioned in this article, as well as with many other unique agricultural transactions, through direct experience or partnerships with other professionals.

🌿 *MIDWEST ORGANIC ACRES ON THE RISE*

Certified organic acreage in the predominately grain-producing states of the Midwest has been on the rise in recent years. While still a miniscule percentage of overall grain production, organic crops have had a growing impact.

This should come as no surprise, considering declines in commodity prices coupled with increasing demand for organic foods. Some producers have converted cropland to organic production, partially as a result of the large price difference between organic and conventional crops. They've also turned to specialty crops, such as white corn, in contrast with standard grain crops.

With low commodity prices, farmers are looking to grow whatever will make the most per acre on their ground, whether that's a specialty crop or whether it involves converting the land to organic production.

However, don't expect farms to convert to organic en masse. To be a certified organic farm, a farming operation must first fight through transitional years

when it is essentially producing an organic crop for a conventional price – a risky proposition by any means.

Still, it's worth noting that many farmers have successfully converted to organic operations and are bearing the fruits of that transition.

In the past decade, more than 10,000 acres in Illinois have been successfully converted to organic production. With organic corn prices being nearly triple conventional prices and with weather cooperating the past two years to achieve high yields, there have been many success stories.

While the vast majority of grain produced in the Midwest will continue to be conventional, the market for domestic organic grain will keep on growing, especially with concerns about the integrity of imported organic grains.

This increase in demand will continue to have farmers thinking about potentially transitioning acres in order to produce the most profitable crop they can. 🌿

IN THE NEWS: FROZEN AVOCADOS?

Fruit & vegetable producers have seen growth in the demand for individually quick-frozen (IQF) produce, with the newest addition to the marketplace being avocados. Some consumers may shy away from a frozen avocado while others embrace the convenience. It will be interesting to see if this innovation for preserving avocados (something that traditionally has not been a commercial option) catches on with consumers at home and abroad.

UPDATED LOOK, SAME GREAT COMPANY



is now



Murray Wise Associates is proud to launch the rebranding of our core business lines.

MWA Auctions & Real Estate | MWA Capital Advisors | MWA Investments

For decades, our team at Murray Wise Associates has proudly served the agricultural community, helping buyers, sellers, farmers, & investors navigate the intricacies involved in the acquisition and disposition of farmland assets. We may have a new logo, but rest assured, the same team of experts is here to help you achieve the highest return possible on your land and agriculture investments.



