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Q1 2019

THE WISE AG UPDATE

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

MWA
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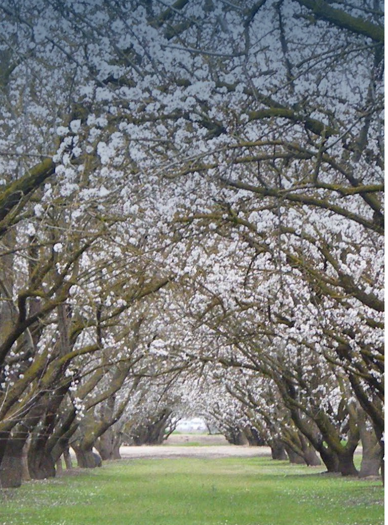


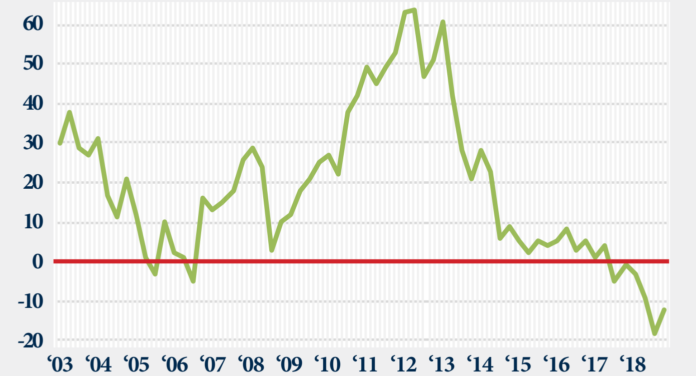
Conventional Lending Tightens, Alternatives on the Rise

By Ken Nofziger

Last year in my commentary, I wrote about bankruptcies occurring in the agricultural industry as commodity prices and farm incomes declined. Another reason for the rising number of ag bankruptcies has been the tightening of credit markets.

Farming operations are finding it more difficult to deal with current operating debt and to get approved for financing. This is demonstrated by the Chicago Fed AgLetter's loan demand and funds availability indexes.

Credit Conditions at 7th District Ag. Banks: Fund Availibility



Source: Federal Reserve Bank of Chicago AgLetter. *Bankers responded to the Federal Reserve, indicating whether fund availability for agricultural loans in the current quarter was higher or lower than (or the same as) in the year-earlier quarter. The index numbers are computed by subtracting the percentage of bankers who responded "lower" form the percentage who responded "higher". A negative number means there are fewer funds available than the year-earlier quarter.*

To determine these indexes, ag bankers are asked whether conditions in the current quarter are better or worse than those of the same quarter the previous year. In the fourth quarter of 2018, respondents reported fewer funds available for the sixth straight quarter and increased loan demand for the 21st consecutive quarter.

In addition to the tightening credit market, debt has become more expensive as interest rates rise. In 2019, debt will necessitate a greater amount of collateral than it did in 2018, according to the surveyed bankers.

> ***With traditional sources of debt becoming less available for operations, an opportunity has arisen for alternatives in agricultural financing.***

Institutional capital has been in no short supply in the agricultural industry in recent decades. In the past few months alone, the states of Rhode Island, Louisiana and New Jersey have announced commitments to agricultural funds. These funds have focused primarily on the acquisition of agricultural land assets.

Meanwhile, a number of private investors and funds have been looking at the credit market as an area of opportunity. Principally, they have offered lending alternatives to agricultural land owners and operators who may be at risk in the current ag economy and who may find it more difficult to get loans from traditional lenders.

Essentially, these nontraditional or so-called "alternative" lenders are filling the gaps between what's needed and what traditional lenders are willing to finance in this tightening credit market. In doing so, the alternative lenders are creating a market for investors looking to gain exposure to the agricultural sector.

Continued on Pg. 2 (LENDING)

MWA & PARTNERS TAKE HOME ALC-TO-ALC AWARD

Murray Wise, ALC and Ben Crosby, ALC take home the Realtors® Land Institute (RLI) award for 2018 Largest ALC-to-ALC Transaction.

MWA and Crosby & Associates, Inc. served as transactional advisors to the Latt Maxcy Corp. in connection with the sale of the El Maximo Ranch in Osceola Co., FL. The 38,000+ acre ranch was sold to The Investment Corporation of Dubai in April 2018 for $136.5M after an extensive national and international sale marketing process..

Lending (cont. from pg. 1)

Alternative lenders, while being higher-risk, provide many benefits for investors over a land-owning investment fund. These benefits include having a higher yield, higher liquidity and fewer regulatory burdens.

Alternative funds have not just created opportunities for investors, but for many borrowers, they have offered a lifeline. For those with no other financing options, the funds at least provide an option to stay in the game. However, in the long term, alternative loans don't constitute a winning strategy.

While traditional financing may be more difficult to acquire in the current market, it should still be viewed as the long-term solution for operators and landowners alike. It is cheaper and offers longer terms than alternative financing does.

What alternative financing does offer is a path apart from traditional financing, and in most cases that means another year of farming.

I try to keep my commentary relevant to my work. By doing so, I can address current conditions in the ag industry. Last year I wrote about ag bankruptcies as I had been working on Eclipse Berry Farms and Las Uvas Valley Dairies bankruptcy cases. I mention this because, while anecdotal evidence isn't the most precise, my involvement in those bankruptcies and other distressed cases led me to notice the increased presence of alternative lending funds in agriculture.

Earlier this year, MWA Capital Advisors closed on a deal to secure financing from an alternative lender when the operator's traditional lender was unwilling to continue. This large California agricultural operation created a great opportunity for a fund that values LTV (Loan to Value) lending, and the fund was able to keep the operation going. Situations like this are truly a "win-win."

While there are pros and cons to alternative lending, the biggest pro is that in most cases the borrower can avoid bankruptcy and eventually return to traditional lending. As these benefits are seen not only by the operators, but also by the lenders, I expect to see this industry continue to grow in coming years.

Institutional capital will continue to try to find its way into agriculture, and alternative lending may be one of the most inviting avenues to do so. Most institutions are no stranger to investing in a sector through debt.

With a growing population and an appetite not just for food but for the land that grows it as an investment, look for alternative debt funds to be an industry that will grow and become a destination for capital.

Ken Nofziger is president of MWA Capital Advisors. For information on agribusiness advisory, please call (217) 398-6400.

In Memory of Rex Schrader

Rex Schrader was an esteemed auctioneer, a respected partner, and most of all, a dear personal friend. He will be greatly missed. Our thoughts and prayers are with his family and coworkers.

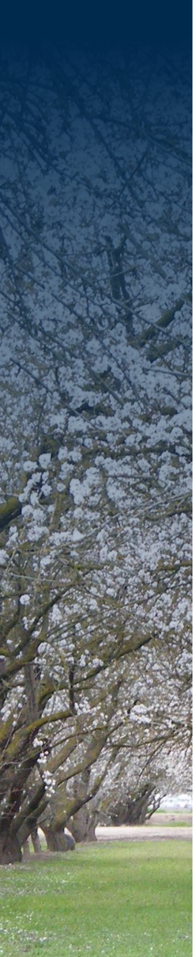
-Murray Wise

In the News: Florida Citrus Set to Rebound in 2019

The March USDA citrus forecast projected 83.35 million boxes of citrus produced in the state of Florida for 2018-2019.

This is a big uptick from the 49.55 million boxes produced in 2017-2018 after Hurricane Irma devastated citrus production in the state. This forecast is also an increase from the 78.23 million boxes produced prior to the hurricane in 2016-2017.

While this increase may seem minor when compared to the peak Florida citrus production of 244 million boxes in 1997-1998, it is a welcome sign for an industry that has been seeing declining production year after year due to weather events, market trends, and most importantly, citrus greening.



Midwest Farmland Market Remains Firm

The last six to eight months have been a bit of a rollercoaster for Midwest row crops with rising interest rates, softening commodity prices and overall uncertainty in the market due to trade relations. Despite these headwinds, the demand for farmland has remained strong this winter, and prices have maintained stability.

There are a few factors keeping the market buoyed:

1. The volume of sales continues to remain extremely low for high quality land. The majority of sales seem to be cases where trusts and estates are being settled, not situations where owners are actively looking to put their land on the market.
2. In 2018, as in previous years, many growers produced outstanding corn and soybean yields. These robust yields helped counterbalance softer prices and allowed many farmers to remain profitable.
3. The investor-buyer group provides a pricing floor for most sales. Local farmers continue to be the group that drives the market in most areas (in some states, farmers account for over 70% of purchases). However, in instances where financial strength in a region may be weaker, and consequently farmland prices are suppressed, there is a good chance investor-buyers will see an opportunity to add a farm to their portfolio at an acceptable return.

As we move into 2019, the key items to keep an eye on will be interest rate increases, crop yields, commodity prices and trade negotiations -- the latter two being closely linked. Any one of these variables moving too far from the expected norm could take land prices along for the ride.

Producers Focus on Supplying Food and Profits Year-Round

This past year, investment in (and development of) agricultural properties has continued at a rapid pace in South America, for both large farming companies and institutional investors.

These farming companies and investors are looking to take advantage of the counter-seasonal aspects of farming in South America that allow them to provide products to U.S. supermarkets year-round.

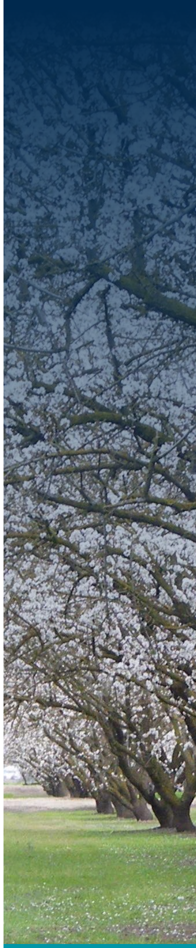
One example of this is Limoneira, a large-scale farming company that produces lemons, avocados, and other citrus crops in both the U.S. and South America. In 2018, Limoneira bought the San Pablo Ranch in La Serena, Chile, to increase lemon, orange, and avocado production in the growing window provided by Chile that is counter to that of the U.S.

Investors and growers have long known the importance of counter-seasonal growing regions as a way to diversify and hedge against market events.

This is becoming more important as geographic regions in South America are becoming easier to invest in as infrastructure improves and the US has become friendlier to imports from these countries. An example of this will be Argentinian lemons arriving in the United States for the first time in decades this year. This will provide one more growing region to offset potential issues with other growing regions such as Ventura, CA which experienced prolonged heat last year causing reduced yields. In future years, should such a weather event happen again, Argentina should be able to fill some of that market.

Growers will continue to look to counter-seasonal growing regions as an area in which to expand, as a way to diversify their growing portfolio and as an opportunity to make consumers feel more confident that they'll receive the freshest, in-season produce year-round.

These investments will continue to pay dividends not only for growers and investors, but also for consumers, as what once had been seasonal items become available year-round in stores. Plus, with investment in these regions, the quality and varieties available to consumers during winter in the U.S. will continue to increase.



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Current Listings & Recent Transactions

Current Listings

Cerro Gordo Co., IA - 303± Acres with a CSR2 of 83.2

Humboldt Co., IA - 80± Acres with a CSR2 of 83.7

Carver Co., MN - 216.42 Ac (184.19 tillable), Certified Organic, 90.1 P, Tiled, 4-7 year leases that provide a net annual return of 3.5%. Additional 269± acres can be available in Wright Co., MN. MN Young Farmer Tax Credit. Includes 2015 Morton Shed, 66'x120' w/ LED lighting

Visit MWAAuctions.com or contact John Kirkpatrick in our Iowa office for more information. Call (515) 532-2878 for property details.

MWA Recent Transactions

$ 3,295,000	705± ac	Marion Co., IL
$ 1,400,000	162± ac	Iroquois Co., IL
$ 12,000,000	Dairies, Ranch	Hatch, NM - *Las Uvas Valley Dairies*
$ 1,318,800	157± ac	Hancock Co., IA
$ 1,344,000	160± ac	Hancock Co., IA
$ 845,000	104± ac	Wright Co., IA
$ 1,312,000	160± ac	Wright Co., IA
$ 1,050,000	163± ac	Franklin Co., IA
$ 4,901,184	536± ac	Hancock Co., IA

Transaction Highlights

Las Uvas Valley Dairies, Ranches, and Farmland - The assets of Las Uvas Valley Dairies were sold to a New Mexico-based dairy operator for $12,000,000 pursuant to a court ordered plan of liquidation. MWA, in cooperation with Caprock Farm and Ranch Real Estate, managed the property and arranged the transaction on behalf of the court appointed Liquidating Trust.

Warmerdam Packing LP has obtained a new credit facility from Santon Capital Partners. MWA Capital Advisors, in cooperation with Maksimovich & Associates, acted as exclusive financial advisors to Warmerdam Packing, LP, Excelsior Farming, LLC, and related entities on this transaction.

Del Monte Fresh has sold 844 acres of farmland on the Eastern Shore of Virginia at public auction for $1,923,600. MWA, in cooperation with Woltz & Associates, managed the 2018 sale on behalf of the Seller.

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