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# THE WISE AG UPDATE

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

## COMMENTARY: FAMILY OFFICES FIND YIELD IN CENTRAL ILLINOIS FARMLAND

By HARRISON FREELAND

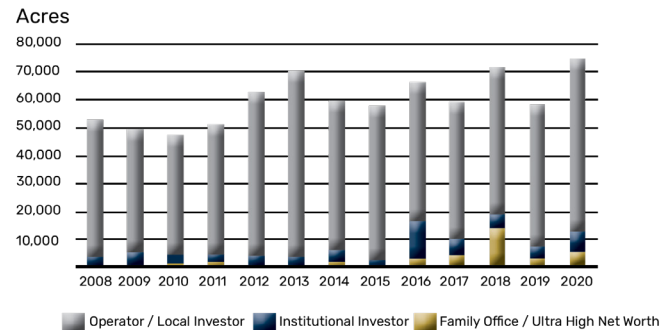
A global pandemic and accompanying stimulus along with depressed interest rates have caused many investors to go searching for yield. Recently the Federal Reserve announced large banks (with more than \$100M in total assets) would be prohibited from buying back stock in the fourth quarter and dividends would be capped and based on a formula tied to recent income. Many of the other sectors with long histories of paying dividends are in ruin such as the energy sector and other fixed income alternatives have been affected by historic lows in interest rates.

During this time, commodities have started to see a bull run of their own and cash rent negotiations for Central Illinois farmland have been steady. Goldman Sachs is forecasting a bull market for commodities in 2021 based on its outlook for a weaker dollar, inflation, and the prospect of further economic and fiscal stimulus.

To say 2020 has been an interesting year from an investing standpoint would be quite the understatement. The best performing assets have been stocks of companies that have benefited most from changes in overall behavior due to the pandemic as well as large amounts of fiscal stimulus and a loose monetary policy (e.g. tech stocks) most of which pay no dividends. Many retail investors may be scratching their heads as to where to look for yield. Contrarily, the privately held companies that handle investment management and wealth management for ultra-high net worth families known as "family offices" are well-positioned to take advantage of rising

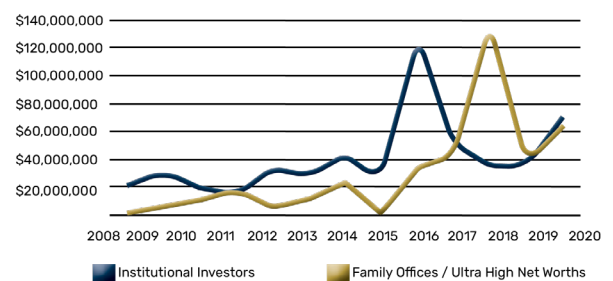
inflation and a weakening dollar. Institutional asset managers that invest on behalf of pension clients find themselves in the same position.

### ACRES PURCHASED IN CENTRAL ILLINOIS



I have followed land sales in which a family office or institutional investor was the purchaser in Central Illinois and have noted a drastic increase in investment over the past five years with the amount of acres of Central Illinois farmland purchased by family offices increasing by 461% for the period of 2016-2020 compared to the period of 2008-2015. Institutional investors have also picked up the pace at which they are acquiring acreage in

### INVESTMENT IN CENTRAL ILLINOIS FARMLAND BY YEAR



Farmland is considered a reliable and safe asset class, especially during times such as these because it has a low level of correlation to other asset classes. In March

*Harrison Freeland, Vice President*  
*Harrison is a farmland broker and manager at Murray Wise Associates, having been involved in over \$800M worth of farmland and agricultural transactions in his career.*



## COMMON VALUE VS PRIVATE VALUE AND THE QUEST FOR THE PERFECT AUCTION

In mid-October, the Nobel Prize for Economic Sciences was awarded to two Stanford University scholars – for their improvements to auction theory and inventions of new auction formats. Robert Wilson and Paul Milgrom's prize was based upon discoveries that benefit sellers, buyers, and taxpayers around the world and was articulated in their descriptions of common and private values for the buyers.

What is significant about their auction theory is that it is remarkably similar to auctions that MWA has conducted for some time. Murray Wise was a part of a group that developed the Multi-Parcel auction software 40 years ago, which efficiently and quickly computes the best way to sell a property broken down into tracts at any given moment during an auction. This software has become the industry standard for auctioning property in a manner that allows it to be broken up and put back together.

A little background and how it applies to what MWA is doing on farm auctions. Robert Wilson developed the theory for auctions of items with a common value – a value which is uncertain beforehand but, in the end, is the same for everyone. For instance, rational bidders tend to place bids below their own best estimate of the common farmland value because of their worry about the winner's curse – paying too much.

Paul Milgrom described a more general theory – that also includes private values – which vary from bidder to bidder and is based upon what one bidder knows before (or learns during) the auction. In the case of farmland, the bidder may have some insight prior to the auction about the qualities of the farm, including drainage, yield history, access, etc. However, the bidder doesn't know how others value these aspects of the farm and every bidder learns during the auction itself about other's estimated values based on how they bid.

The Multi-Parcel system – whether in person or online – delivers a similar outcome. The winning bidder(s) pay what they want on the specific tracts that they want and the property is then combined in the way that nets the most for the seller for his/her land.

This method uses a fully-transparent, multi-tract system, where the land is over divided and lets the bidders put it back together in a way that makes sense to them. Bidders can watch the bidding on the multiple tracts and if a given tract gets to a price that is too high for them, they adjust their bidding and bid on different tracts in different configurations. The bidders learn during the auction the common value among all the bidders and are given the flexibility to put a purchase together that meets their private value. Auctioning farmland this way increases the number of potential buyers and ultimately creates a better price for the seller.◆

### MURRAY WISE INTERVIEWED BY TODD GLEASON

The Nobel prize came to the attention of Todd Gleason, a broadcaster with Illinois Extension. Gleason knew the information sounded familiar and reached out to Murray Wise for his insight.

What Wise had to say explains it in more detail.

The complete audio of the interview is available here:



<https://murraywiseassociates.com/murray-wise-speaks-with-todd-gleason-about-auction-theory/>

## ◆ NEWEST TEAM MEMBER

Murray Wise Associates is pleased to announce that Brian Kearney has been hired as a Senior Associate, and he will be working with our farmland auctions and management divisions. Before joining MWA, he worked in both the financial advising and real estate worlds. Brian has an entrepreneurial background and has founded two businesses. His first business paid his way through getting an undergraduate degree at the University of Illinois, and his second business has helped dozens of small business owners outsource their day to day business activities. Brian is a licensed real estate broker and he received his B.A. in History from the University of Illinois.

# THE WISE AG UPDATE

## ◆ CURRENT LISTINGS & UPCOMING AUCTIONS

### Upcoming Auctions

**Macon Co., IL** - 77± Ac - Nov 10th (online only)  
**Champaign Co., IL** - 71± Ac - Nov 12th (online only)  
**McDonough Co., IL** - 166± Ac - Dec 1st

### Acquisitions Opportunities

**Pamlico Co., NC** - 4,529± Acres

Visit [MurrayWiseAssociates.com](http://MurrayWiseAssociates.com) or call (800) 607-6888 for details.

### Recent Transactions

**Champaign Co., IL** - 68± Ac - \$11,200/Acre  
**Christian Co., IL** - 101± Ac - \$10,500/Acre  
**Bremer Co., IA** - 78± Ac - \$9,306/Acre  
**Franklin Co., IA** - 80± Ac - \$8,830/Acre  
**Pocahontas Co., IA** - 160± Ac - \$9,000/Acre  
**Webster Co., IA** - 370± Ac - \$8,700/Acre  
**Wright Co., IA** - 158± Ac - \$8,860/Acre  
**Wright Co., IA** - 152± Ac - \$9,540/Acre

## ◆ MURRAY WISE FOUNDATION DONATION ANNOUNCEMENT

The Murray Wise Foundation is proud to announce that it will be making a donation to a number of prestigious universities and colleges to provide scholarships for promising young ag students. The foundation believes this is the best way to accomplish its goal of helping further the education of driven individuals pursuing careers in agriculture. We are proud of our most recent class of individual scholarship winners continuing a great tradition and very successful foundation program spanning three decades.

*MurrayWiseAssociates.com*

*Farm and Auctions, Investments, & Management*



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