

Q1
2021



MW Murray Wise
ASSOCIATES LLC

IN THIS ISSUE

P1 Commentary:
Farmland At This Moment

P2 Eric Sarff named
President

P2 Jeff Wright
named COO

P3 Guest Article:
*Mexico to Go Non-GMO |
Big Deal or Little Deal*

P4 Current Listings,
Upcoming Auctions,
Recent Transactions and
MWA News Highlights

THE WISE AG UPDATE

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

MW COMMENTARY: FARMLAND AT THIS MOMENT

BY MURRAY WISE

My career in selling, managing, and investing in farmland has now spanned into four decades. Some days I feel like I've seen it all. Others, I can be completely shocked by something I've never seen before. This is part of the beauty in working in agriculture and with some of the best people in the industry. When I think about where the farmland market currently is, I can't help but be reminded of different times throughout my career and similarities we currently share with those times. That being said, when I think about the farmland market as a whole right now, it feels more like one of those days where I'm seeing something completely new.

In the investment community, farmland is known as an inflationary hedge. Many high net-worth landowners, as well as institutional investors such as pension funds, own significant portfolios for just that purpose. However, they aren't the only ones that have benefited from this aspect of farmland. I know many farmers with long-held farmland which could be rented today for what they bought it for! Farmers are historically the biggest beneficiary of the returns of farmland as an asset class. Investors have arrived late, comparatively.

Farmers and investors alike will benefit from farmland ownership in our current situation as well. It seems almost every morning I turn on a business news channel and see a panel discussing the prospect of looming inflation. This isn't without good reason either. With trillions in stimulus coming down the pipeline

I have my own concerns of inflation. That being said, I will leave it to the morning show panelists to discuss just how much inflation we will see and instead focus more on what happens should we see inflation go to modestly high levels.

Since 1928, per NYU, inflation in the U.S. has averaged about 3.1%. Using 1928 as a starting point and the data provided by NYU, the stock market has had an average return of 6.3% annually when inflation is greater than 3% and an average return of 15.7% annually when inflation is less than 3%. From a historical perspective, periods of moderately high inflation have not been good periods for equities.

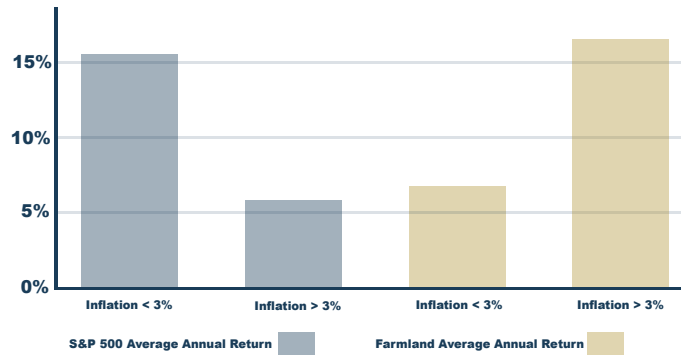
Comparatively, using data from, Purdue University, Iowa State University, and the USDA in years in which all provide data on farmland appreciation and returns, since 1968 farmland has returned 16.2% annually in years when inflation has been greater than 3% and has returned 7.8% annually in years when inflation has been less than 3%. In fact, historically, farmland has shared a greater correlation to inflation than to the global stock market, S&P 500, bonds, commodities, and REITs.


Today, inflation is still quite low by historical standards and is not currently above the 93-year historical average 3% mark. However, the evidence is clear, there doesn't need to be hyperinflation for farmland to outperform and for equities to underperform relatively. Should we see even 4% inflation, farmland will likely

FARMLAND AT THIS MOMENT (CONT. FROM PG. 1)

be one of your top performing assets. I'll leave it to you to watch the morning shows and listen to your podcasts to make your own inflation predictions, but 4% doesn't seem too unreasonable to me with the amount of fiscal stimulus and the current monetary policy.

Another factor farmers and investors both consider is return. Whenever making an investment there is always an opportunity cost. Where else can you put your money? Interest rates have started to creep up recently, although in real terms, not noticeably unless a few basis points alters your investment outlook. My bank locally is offering CDs at .0.25% APY with \$50,000 minimum deposit to open. Carnival Cruise earlier this quarter issued billions in unsecured debt at only 5.75%. My wife and I love going on cruises and can't wait to get back to doing so. That being said, a 5.75% return on unsecured debt for a company that is barely operating shows just how difficult it is to find returns in fixed income. Those targeting annual cash returns on an asset that is likely to appreciate should look to safe investments in farmland. The highest quality farms in Illinois, Indiana, and Iowa return 2-3% return annually, while not only providing more safety than a similar



returning fixed income product, but also appreciating in value in times of high inflation. I can't remember a time in my nearly 50-year career when I felt as good about owning land as I do right now. If you don't own any yourself, it may be time to consider doing so. 



Murray Wise, Chairman and CEO

ERIC SARFF NAMED PRESIDENT OF MURRAY WISE ASSOCIATES

Murray Wise Associates has announced the promotion of Eric Sarff to the position of President. As president Eric is in charge of all of the company's activities in farmland brokerage, management, and auctions. Eric joined Murray Wise Associates in 2018 as a Vice President. Prior to joining MWA, Eric was the director of acquisitions and management for the Midwest for Farmland Partners, Inc. where he oversaw a seven-state region and managed nearly 50,000 acres, including both row crops and specialty crops. He also directed multiple acquisitions, including a 22,000-acre purchase in Illinois. Before that, Eric was the Vice President at The Loranda Group, Inc. where he supervised the marketing for Midwest auction and brokerage sales.

**JEFF WRIGHT NAMED COO OF MURRAY WISE ASSOCIATES**

Murray Wise Associates (MWA) is proud to announce that Jeff Wright has been promoted to the position of Chief Operating Officer (COO). Jeff previously served as Chief Financial Officer (CFO) for Murray Wise Associates managing the financial and administrative operations for the company. Prior to joining MWA, Jeff held executive finance positions in companies operating primarily in the construction and real estate development industries. He brings more than 30 years of experience to MWA. Jeff has been with Murray Wise Associates for more than a decade and has been involved in more than \$1 billion worth of transactions and has overseen the growth of multiple high net-worth farmland portfolios as well as an institutional farmland portfolio during his tenure.

GUEST ARTICLE:

MEXICO TO GO NON-GMO | BIG DEAL OR LITTLE DEAL?

On New Year's Eve the Mexican government announced its plans to phase out imports of GMO corn by the year 2024. Since the United States accounts for approximately 96% of the Mexican corn imports, there could be lasting implications for farmers here at home. Mexico is one of, if not, the largest importers of United States corn in the world, depending on the year. 2018/2019 imports were 20.4 million metric tons (803 million bushels). So is this ambitious plan by our neighbors to the south a big deal or a small deal? Well, it depends.

Before we dive deeper, we need to consider our trade partner's habits and regulations. Mexico produces non-GMO corn exclusively. The production of GMO products is not permitted in their domestic agriculture. They will export their non-GMO corn and back fill their feed needs with GMO regularly.

Let's consider the implications of what this policy might be and what it might mean for the U.S. farmer. Two thoughts: one is the full-scale ban of GMO imports; second is a scaled back version where they still feed GMO to animals. First, let's talk full-scale GMO ban on imports. Can we even supply that much non-GMO to Mexico? 803 million bushels is approximately 4.5 million acres of non-GMO corn. While official production estimates on non-GMO production are scarce, Mercaris puts estimates around 12.1 million acres in 2018. As a buyer, I can anecdotally add, non-GMO is a completely oversupplied market. This makes sense as farm margins have shrunk in the last six years (prior to this rally and last year's governmental bag drop) and producers have looked for ways to reduce inputs and gain margin. Non-GMO premiums usually run 5-7% of the price of corn. So in short, yes, we could supply this corn. Would it fundamentally change the non-GMO market in the United States? Also, yes.

Now let's dig into what a human consumption only import program would look like. Mexico currently uses 709 million bushels a year for milling, food, and other purposes. They produce around a billion bushels of non-GMO a year. They export around 20-60 million bushels a year. Under this scenario, this could be a push to become more self-sufficient in feeding Mexico. So in the end, this version would probably rearrange some trade flows, but not fundamentally shift the non-GMO or GMO yellow corn markets.

What corn will this fundamentally change? White corn. The U.S. exports 30-40 million bushels of white corn a year. This is almost exclusively GMO. In fact, just a fraction of the white corn in the United States is non-GMO. Most of this goes to domestic millers, accompanied by a small export program to some Asian, African, and South American countries. If Mexico were to go to non-GMO white corn imports, a quarter million acres of white corn would need to shift to non-GMO. That is around 31% of all United States white corn. If you are a white corn producer - specifically a western corn belt white corn producer - this policy will be very important to you.

With the rising middle class around the world, consumption habits will continue to change. Agriculture will not be immune or unique to these changes. At the end of the day, there will be plenty of demand for whatever the producer chooses to raise. However, another premium market and opportunity has this grain trader excited about the opportunities that may be around the corner.



BEN SCHOLL is the President of Lewis B. Osterbur and Associates. Osterbur trades Non-GMO and specialty corn products along the United States river system. They are headquartered in Owensboro, Kentucky and operate in Illinois, Kentucky, and Missouri.

Ben can be reached at ben.scholl@osterbur.com



THE WISE AG UPDATE

CURRENT LISTINGS | UPCOMING AUCTIONS | RECENT TRANSACTIONS

Recent Auctions

Champaign Co., IL - 63± Ac - \$855,000 (\$13,571/Acre)

Douglas Co., IL - 198± Ac - \$2,550,000 (\$12,864/Acre)

Recent Transactions

Champaign Co., IL - 80± Acres - \$1,060,000 (\$13,250/Acre)

Macon Co., IL - 81± Acres - \$891,220 (\$11,000/Acre)

McLean Co., IL - 80± Acres - \$876,000 (\$10,950/Acre)

Christian Co., IL - 20± Acres - \$210,000 (\$10,500/Acre)

Champaign Co., IL - 432± Acres - \$4,100,000 (\$9,490/Acre)

Champaign Co., IL - 35± Acres - \$405,000 (\$11,571/Acre)

Wright Co., IA - 80± Acres - \$720,000 (\$9,000/Acre)

Visit MurrayWiseAssociates.com or call (800) 607-6888 for details.

Recent Transactions (continued)

Wright Co., IA - 214± Acres - \$1,926,000 (\$9,000/Acre)

Wright Co., IA - 284± Acres - \$2,769,000 (\$9,750/Acre) (Leaseback)

Bremer Co., IA - 81± Acres - \$781,000 (\$9,641/Acre) (Leaseback)

Kendall Co., IL - 80± Acres - \$1,004,450 (\$12,555/Acre)

Pocahontas Co., IA - 78± Acres - \$838,500 (\$10,750/Acre)

Kane Co., IL - 175± Acres - \$1,774,829 (\$10,142/Acre)

Winnebago Co., IL - 154± Acres - Sale Pending

Shelby Co., IL - 80± Acres - Sale Pending

Available Farms

Douglas Co., IL - 16± Acres - Call for more information.

NORTH CAROLINA INSTITUTIONAL POTATO FARM ACQUISITION OPPORTUNITY

Murray Wise Associates, in cooperation with Kander LLC and National Land Realty, is proud to offer The McCotter Farm in Pamlico County, North Carolina. This institutional quality potato farm is 4,528± acres of which 4,019± acres are tillable. The property has high quality soils, center pivot irrigation on approximately half of the acreage, excellent drainage systems, and multiple grain bins & improvements. For more information visit www.McCotterFarm.com or call (800) 607-6888.

MurrayWiseAssociates.com

Farmland Auctions, Investments, & Management



1605 South State Street, Suite 110 / Champaign, Illinois 61820 / Bus: (217) 398-6400 / FAX: (217) 352-9381
214 North Main Street / P.O. Box 537 / Clifton, Iowa 50525 / Bus: (515) 532-2878 / FAX: (515) 532-2870
4309 Clayton Road / Naples, Florida 34103 / Bus: (239) 430-6240 / FAX: (239) 430-4663

 **Murray Wise**
ASSOCIATES LLC

PRSR: STD.
US POSTAGE
PAID
PERMIT NO. 500
CHAMPAIGN, IL

THE WISE AG UPDATE