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Murray Wise ASSOCIATES LLC

THE WISE AG UPDATE

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

IN THIS ISSUE

COMMENTARY: WHAT'S EVERYONE TALKING ABOUT WITH CARBON CREDITS?

BY LIZ STROM

If you've stepped foot into an agriculture convention in the past year, or picked up a farm-focused piece of print media, you've likely seen the term "Carbon Credits" and had the question posed to you, "Are you reaping the benefits on Carbon Sequestration on your farm?"

If you hadn't heard of Carbon Credits, no one would blame you for not knowing what they are. And, even now, other than a broad understanding of getting paid to do things such as no-till or planting a cover crop, most people's knowledge does not go beyond that. This has started to change with the passage of the Growing Climate Solutions Act in June of 2021, which offered more clarity to Carbon Credit programs in agriculture.

The long and short of the new regulations is that farmers are now being incentivized to change farming practices to sequester carbon. The reasons for this is the idea of "Net Zero" carbon emissions. Whether it is at the government or individual level the idea of achieving net zero is perhaps the most popular thing in corporate America right now.

There are two ways of getting closer to net zero in practice. First is by changing the demand for traditional energy sources, such as electric cars and solar and wind energy. The other way to get to net zero is to reduce carbon emissions or sequester carbon in other areas where it hasn't been done before. The easiest example of this is planting a forest. By planting one acre of forestland about 70 - 80 metric tons of carbon are sequestered in a year due to the tree's consumption of carbon dioxide. If someone flies their Gulfstream G450 from New York to Los Angeles they can buy the carbon credits created from the planting of about half an acre of forestland to offset their flight that produced approximately 30 metric tons of carbon. This scenario would be net zero, because even though the plane emits all of that carbon, the carbon is offset by new plantings that will consume a similar amount of carbon.

As you can imagine, there is limited space in which new forests can be planted, and while I used a single private jet flying from NY to LA as an example, something to consider is that multiple airlines have commitments to be net zero by 2050. And while these airlines are hoping for new innovations that help them meet these goals, it is more likely to be accomplished via offsets such as carbon credits. This has created a large and growing demand for carbon credits -- even larger as we get closer to 2050 (assuming they do not push back the target dates for net zero).

The next question is how do farmers sequester carbon and capture the value of that sequestration? Carbon credits are created by introducing eligible regenerative farming practices such as planting cover crops, practicing crop rotation, and reducing tillage. Farmers who are not already utilizing these practices are eligible to enroll in carbon initiative programs. If farmers are already utilizing these practices, they are likely ineligible as most of the currently available

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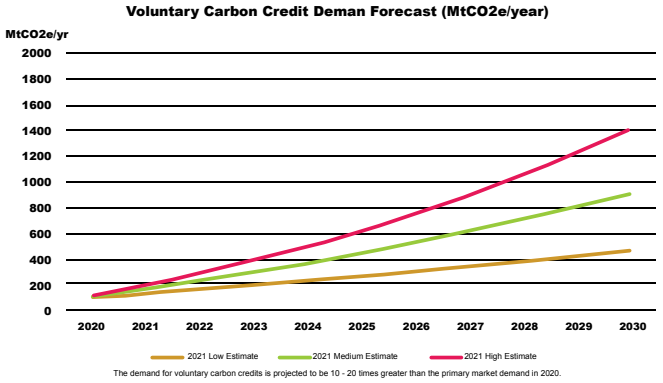
Carbon Credits (cont. from pg. 1)

programs are for "newly" sequestered carbon that can be used to offset carbon emitting practices. Farmers committing to a new practice are reducing carbon normally released under their already established practices Farming in ways that emit less carbon can create a carbon credit which can then be sold to a carbon emitter that wants or needs to be net zero.

How do you sell it yourself? Carbon must be quantified and validated in order to sell it in open markets. Carbon Credits are accounted for by measuring the carbon in the soil before any practices are implemented, followed by a subsequent soil sample after the practice is implemented. As a result, the carbon sequestered is measured and sold. There are many "carbon brokers" that have entered the space to be third party verifiers and certifiers of the carbon credit before it is sold on the market. Having detailed records is important to verify the carbon credit. In return many of these companies are the ones selling the carbon credits to large corporations and paying the farmers $5-$20 per acre for implementing these practices.

So, you may be asking yourself, "why aren't all farmers participating in this program?" First, not all farmers qualify -- if you are already utilizing these practices, you may not qualify. Today many of these programs' offered prices are fairly low, especially for the farmer when considering the added production costs to implement the new practices. Many of the programs offering carbon credits are only available in a few states, and some have minimum acreage requirements which also limit the number of farmers able to participate.

However, with target net zero dates fast approaching and companies like Microsoft and Delta already making large carbon credit purchases, it may make more sense for farmers to wait and not change their practices, or revert to conventional practices so that they may qualify in the future and let the market come to them.



Source: Trove Research

As a farm manager I am in a unique position as I work for clients that lease their land to local operators. What do Carbon Credits mean for these absentee landowners? In order to receive payments for carbon credits, certain practices must be maintained by the operator on your farm, which if these are not dictated by your lease, there are no assurances that they will be done. Also, as payments are made to the farmer and not the owner in the case of a cash rent lease, lease types, terms and rates will have to be considered when discussing carbon credits with your operator. This is an area I look forward to helping my clients with to maximize, not only the value of the farm, but the income they receive.

Elizabeth Strom

Liz Strom, Vice President

Our Newest Team Member

We are pleased to welcome Calli Robinson as our newest Senior Associate.

Calli joins us following her graduation from Illinois State University in Bloomington, Ill., where she earned her degree in agribusiness. She is a member of the American Society of Farm Managers and Rural Appraisers and is a licensed drone pilot – a skill set that is becoming increasingly important in land management.

Calli is a licensed real estate broker in Illinois and planning to become an Accredited Farm Manager. Calli will work in the Champaign, Ill. office assisting with auctions and farm management.

Florida Orange Crop Smallest Since World War II

The Florida orange crop has a long history in the media spotlight. In 1970, the Walt Disney company introduced "Orange Bird" as a new character and as the mascot for the Florida Citrus Commission. That same year Florida's orange production was more than 137 million 90-pound boxes of oranges. Thirteen years later, when the movie "Trading Places" hit theaters, the characters followed frozen concentrated orange juice as its chosen commodity, instead of the usual gold, pork bellies, or coffee. The plot of the movie included the characters following Florida's crop reports and was especially timely since the 1980s Florida citrus industry was stung by a number of freezes, including one on Christmas Day 1983. Despite that, they still produced 116+ million boxes over the 1983/84 season.

Florida is still synonymous with the crop even as its production has declined. A March 2022 USDA crop report forecast the Florida crop as only 41.2 million boxes, which would be the lowest production total in 77 years. In contrast, California is forecast to produce more than 47 million boxes, outpacing the Florida orange crop.

There are a few reasons for the precipitous fall in orange production in Florida; chief among them is citrus greening, an incurable disease spread by an insect -- the Asian citrus psyllid. This disease was first detected in Florida in 2005. For context, the 2003/04 Florida production was 242 million boxes of oranges -- nearly six times today's production. While citrus greening has decimated the industry in Florida since 2005, a late January cold snap damaged much of this year's crop -- adding significantly to lower output this year in boxes produced.

While Florida's citrus industry is certainly experiencing difficult times, large amounts of funding is being dedicated toward fighting citrus greening with companies like Bayer leading the way. Also, in December, Gov. Ron DeSantis included $29.2 million for the citrus industry in Florida as part of the budget that takes effect in July. And, in February Gov. DeSantis asked the U.S. Department of Agriculture to issue a disaster declaration for farmers who were impacted by the freezing temperatures.

California's Hopes of Wet Year Evaporate

Optimism was abound late last year as snow fell in the Sierras and statewide snowpack reached 160% of the historical average by the end of December. However, the optimism is short-lived. The first two months of 2022 were some of the driest in California history. California farmers will be left high and dry when it comes to a full or even near-full surface water allocation from the state Department of Water Resources or the United States Bureau of Reclamation.

Last year, amidst drought, the Friant Water Authority received 20% of its Class 1 water allocation, just 160,000 acre-feet of the allocated 800,000 acre-feet. They received none of their Class 2 allocation of 1.4 million acre-feet. This year will be even more disappointing with just 15% of Class 1 allocation, and none of their Class 2 allocation. These reductions will increase reliance on groundwater, which has more restrictions than ever to comply with California's Sustainable Groundwater Act (SGMA) and the local Groundwater Sustainability Plans that were adopted in 2020.

The lack of access to surface water along with restrictions on groundwater pumping associated with SGMA will likely increase the pace at which farmland is fallowed in the Central Valley and especially the south-of-delta area that relies heavily on the Central Valley Project and State Water Project.

THE WISE AG UPDATE

Current Listings | Upcoming Auctions | Recent Transactions

Upcoming Auctions

McHenry Co., IL - 408± Ac - May 10th
Florence Co., SC - Cotton Gin & Warehouses - **Bids Due: May 25th**
Douglas Co., IL - 260± Ac - TBA

Recent Transactions

Bourbon Co., KY - Greenhouse - $34,000,000
Wright Co., IA - 122± Acres - $770,000 ($6,311/Acre)
Cedar Co., IA - 106± Acres - $1,802,000 ($17,000/Acre)
Grundy Co., IA - 157± Acres - $2,239,445 ($14,264/Acre)
Calhoun Co., IA - 76± Acres - $941,539 ($12,388/Acre)
Pocahontas Co., IA - 80± Acres - $991,093 ($12,389/Acre)
Humboldt Co., IA - 123± Acres - $1,462,000 ($11,886/Acre)
Lake Co., FL - 1,357± Acres - $21,025,000

Recent Transactions (Continued)

Bourbon Co., KY - Production Facility - Pending
Wright Co., IA - 110± Acres - **Pending**
Webster Co., IA - 40± Acres - **Pending**
Webster Co., IA - 168± Acres - **Pending**
Kossuth Co., IA - 476± Acres - **Pending**

Available Properties

Pocahontas Co., IA - 91± Acres - $12,200/Acre
Winneshiek Co., IA - 125± Acres - $12,000/Acre
Bremer Co., IA - 81± Acres - $17,000/Acre
Vermilion Co., IL - 80± Acres - Coming Soon

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

New Jersey Institutional Vegetable Farm Acquisition Opportunity

Murray Wise Associates, in cooperation with A & G Real Estate Partners, is proud to offer via sealed bid sale The Jones Island Farm in Cumberland County, New Jersey. This institutional quality vegetable farm is 904± acres of which 566± acres are tillable. The property has high quality soils, drip tape irrigation, excellent drainage systems, labor facilities and other improvements. For more information visit www.MurrayWiseAssociates.com or call (800) 607-6888.

MurrayWiseAssociates.com
Farmland Auctions, Investments, & Management

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