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THE WISE AG UPDATE

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

COMMENTARY: FARMLAND REPEATEDLY WEATHERS MARKET HEADWINDS

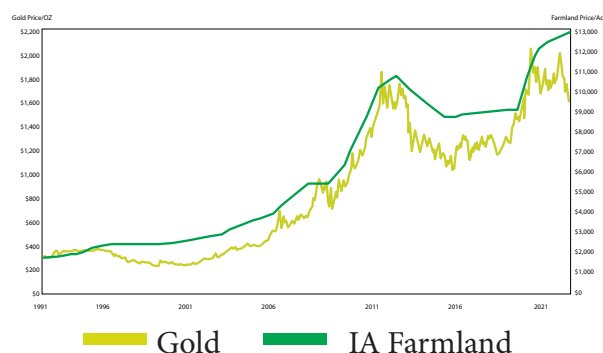
BY MURRAY WISE

While the equities and bond markets have been hit hard this year by high inflation, rising interest rates, and a strong dollar, farmland values have not been affected – as of yet. Quite the opposite, we are seeing record sales in some areas and continued strength in both the number of bidders and prices at farmland auctions. So why is farmland performing so well relative to the broader market even as other forms of real estate struggle? It is quite simple when you think about it. When a storm is approaching it is best to head to a safe haven.

Farmland is perhaps the best hedge against inflation. It is a real asset, and generates income based on commodity prices that are influenced by inflation. This causes the asset class to perform very well in times of inflation – first described in my 2021 first quarter commentary. Quite often, I have heard farmland described as “gold with a coupon”. While that may have been fitting for the last 50 years due to similar movements in prices of gold and farmland, that no longer holds true today as farmland has outperformed gold over the past decade, and especially during the past two years.

Gold has historically been viewed as a hedge against inflation and as a safe-haven asset, as well. However, in 2012 when the euro was close to a collapse and contrary to conventional wisdom, gold went down. If people needed cash they could sell gold. In 2013 commodities as a whole performed very well; farmland prices spiked, yet gold experienced one of its worst years ever. Now, over the past two years there has been an even greater difference—all during a high inflationary environment. Two reasons: with interest rates rising investors looked for a safe place to put their money and receive yield; and another being the strength of the dollar with the dollar index the highest it has been since 2002. Historically interest rates and the strength of the dollar have been negatively correlated to both gold and farmland; however, today they seem to be a headwind for only one and it isn't farmland.

30 YR Price of Gold vs High Quality Iowa Farmland



Gold IA Farmland

Source: Iowa State Farmland Survey & CME Group


MARKET HEADWINDS (CONT. FROM PG. 1)

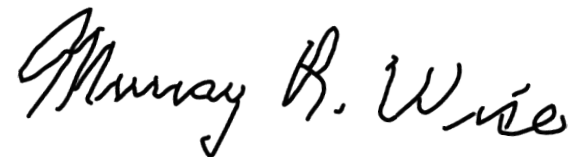
So why is this the case? Well, as I mentioned above, farmland continues to be a safe-haven asset and I don't believe gold is anymore. Farmland is one of the few uncorrelated assets left. Gold now moves with the market; it has become correlated. I'm not against gold as an investment – I own physical gold myself, but I own more farmland than gold. When markets as a whole start to move and people must liquidate assets to meet margin calls, they won't be selling farmland, they'll be selling their more liquid assets which makes these assets more correlated to the market.

Farmland is an asset class that is mainly driven by one thing: what farmers are willing to pay for it. Over the years, I've had many conversations with older farmers about how they missed out on the 80 acres next door because they weren't willing to pay \$3,000/acre for it in the early 90's and that farmland hasn't been back on the market since. That same farmer then told his son that if that 80 acres were to ever come up for auction in his son's lifetime, to not make the same mistake he did by worrying about paying a record price and to just keep bidding until "he got it bought."

Why be aggressive when buying farmland? Commodity prices, yields, and input costs. And while inflation affects input prices as well as commodity prices – especially in the good-yielding I-states of Illinois, Indiana, and Iowa -- farmers will typically come out ahead in times of high inflation. So, while investors may be seeing treasuries with higher yields than farmland at the moment, they

also have to consider what may happen to those bonds if interest rates keep rising and inflation stays hot. The value of the bonds will decrease and even if held to maturity, the value of the principal will be less than it is today due to the inflation rate being higher than the yield. This is why farmland has uniquely continued to perform so well during high inflation and now considered a non-correlated safe-haven asset. As with all investments, there is no guarantee it will continue to do so; the Fed may execute a soft landing and inflation may get back to the low levels we saw for the decade prior to 2020. The war in Ukraine may come to an end soon bringing more grain to the market and yields in both North and South America may be great next year causing grain prices to crash. In the unlikely event all of this happens, and we end up in a risky environment where unprofitable tech stocks are outperforming again; farmland would likely go back to performing as it did in the low inflation, low grain price, low interest rate environment of the late 2010's.

I don't have a crystal ball and I don't know what will happen, but I do know that I am happier than ever that I own farmland. 



Murray Wise, Chairman & CEO

OUR NEWEST TEAM MEMBER



Murray Wise Associates is pleased to welcome Austin Hornstein as our newest Vice President. Prior to joining MWA, Austin served as a Professional Farm Manager and Real Estate Broker for First Mid Ag Services. He bought, sold, and managed farmland for a diverse group of clients across Illinois. He assisted with auctions and served on multiple internal committees for the company. Austin is a licensed Real Estate Broker in Illinois and Indiana, a licensed drone pilot, and is a member of the American Society of Farm Managers and Rural Appraisers. He is currently working towards completing his Accredited Farm Manager designation. Austin was raised on a grain farm near Melvin, Illinois, and received a B.S. in Agribusiness from Illinois State University.

MWA IN THE NEWS

• *MWA in the Classroom*

Our very own, Elizabeth Strom took time this summer to help teach future professional farm managers at the ASFMRA's Education Week in Des Moines, Iowa. Elizabeth taught Agricultural Land Management 2, which is the second class in a set of four that aspiring professional farm managers must take to advance towards their designation. Elizabeth was offered the role by the ASFMRA Education Committee. Prior to teaching the course Elizabeth attended an instructors' workshop.



The course had people attending from all over the United States with a wide variety of experience levels. Agricultural Land Management 2 focuses on the “soft skills” of land management such as: presentation and selling skills, conflict management, and business communication and structure. The students in this course have already completed Agricultural Land Management 1 and will continue on with Agricultural Land Management 3 & 4, as well as sit for a final exam, and prepare a farm plan. Upon completion, and with approval from the ASFMRA, students will then be granted their designation as an accredited farm manager (AFM).

• *MWA in the Media*

Eric Sarff was featured in the February issue of Prairie Farmer in the article “So far, so good for Farmland.” Eric was quoted as saying: “I think we’ll continue to see land values go up this year (2022) but not at the crazy rate as last year. Part of the reason they (land values) jumped so dramatically in ‘21 was due to historically low sales volume in ‘20. Pent-up demand combined with low supply, coupled with inflationary fears, caused prices to shoot up - potentially artificially, as land that sold for \$12,000 an acre a year ago now commands \$17,000 to \$19,000. I don’t foresee that large of a jump in the next 12 to 18 months. I think we could see maybe 5% to 7% this year.” To read the full article scan the QR code.



• *Parkland Scholarship Winner*

Parkland Agriculture Business class students all turned in an estimate on three tracts of Raymond Township, Champaign County, Illinois Farmland that was up for auction. The winning prize at stake was a scholarship students could use towards their education. The winner out of the class of students would be chosen taking total selling price divided by the total acres of the three tracts sold.

The auction concluded the evening of April 11, and a scholarship winner was chosen. The lucky student was Ethan Slagel, a freshman in Agribusiness from Strawn, Illinois. His estimate was \$15,750 per acre. All three tracts at the auction brought \$16,225 per acres. Although Ethan did not guess the price per acre exactly, he was the closest to the sale price and deemed the scholarship recipient. Elizabeth Strom was happy to present the scholarship to Ethan Slagel.



THE WISE AG UPDATE

CURRENT LISTINGS | UPCOMING AUCTIONS | RECENT TRANSACTIONS

Upcoming Auctions

Audrain & Callaway Co., MO - 238± Ac - Oct. 20th
 Jackson Co., IL - 449± Ac - Oct. 28th
 Lee Co., IL - 115± Ac - Nov. 9th
 DeKalb & Kane Co., IL - 564± Ac - Nov. 30th

Recent Transactions

McHenry Co., IL - 408± Ac - \$3,800,333 (9,275 / Acre)
 Florence Co., SC - Cotton Gin & Warehouses - Pending
 Douglas Co., IL - 260± Ac - \$4,080,032 (\$16,000 / Acre)
 Champaign Co., IL - 82± Ac - \$1,446,033 (\$17,600 / Acre)
 Piatt Co., IL - 680± Ac - \$12,251,261 (\$18,002 / Acre)
 Winneshiek Co., IA - 125± Ac - \$1,500,000 (\$12,000 / Acre)
 Coles Co., IL - 509± Ac - Pending
 Osceola Co., IA - 78± Ac - Pending

Recent Transactions (Continued)

Webster Co., IA - 46± Ac - \$640,000 (\$13,913 / Acre)
 Wright Co., IA - 160± Ac - \$2,530,450 (\$15,815 / Acre)
 Calhoun Co., IA - 91± Ac - \$1,102,000 (\$12,110 / Acre)
 Wright Co., IA - 40± Ac - \$640,000 (\$16,000 / Acre)
 Will Co., IL - 280± Ac - \$3,250,000 (\$11,607 / Acre)
 Will Co., IL - 79± Ac - \$685,000 (\$8,670 / Acre)

Available Properties

Vermilion Co., IL - 80± Acres - \$10,000 / Acre

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

This communication includes "forward-looking statements" within the meaning of the federal securities laws, including, without limitation, statements with respect to the outlook of Farmland Partners Inc. ("FPI") and Murray Wise Associates LLC ("MWA") and proposed and pending farmland auction, brokerage, financing and asset management activities. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" or similar expressions or their negatives, as well as statements in future tense. Although FPI and MWA believe that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, beliefs and expectations, such forward-looking statements are not predictions of future events or guarantees of future performance and actual results could differ materially from those set forth in the forward-looking statements. Any forward-looking information presented herein is made only as of the date of this communication, and FPI and MWA do not undertake any obligation to update or revise any forward-looking information to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

MWA NAMED TOP NATIONAL AUCTION HOUSE & ONE OF AMERICA'S BEST BROKERAGES

The Spring of 2022 edition of *The Land Report* named America's Best Brokerages and Top Auction Houses. The editors of the magazine of the American Landowner presented their 2022 survey of the leading real estate brokerages that specialize in land. When it came to the white-hot farmland market in 2021, the double-digit gains rivaled those of a decade ago, and Murray Wise Associates was named one of the Top National Auction Houses and one of 20 nationally recognized as America's Best Brokerages.



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Farmland Auctions, Investments, & Management



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