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MW Murray Wise
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THE WISE AG UPDATE

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

COMMENTARY: 2023 FARMLAND MARKET REVIEW

BY ERIC SARFF

2023 was an exciting year for us at MWA, we had the opportunity to sell and purchase farms in several regions across the country, from the High Plains in Colorado, Kansas, and Nebraska to recreational land in Florida and North Carolina to prime row crop farmland in the Corn Belt. It's always interesting to observe markets in different regions with vastly different crop types and uses. However, when I reflect on the various states and regions that we have worked in this year, there were many similarities. Regardless of the region, the story was the same each locale – while the market's upward trajectory may have plateaued, it has remained much stronger than most anticipated coming into the year.

The demand for farmland from a variety of buyer groups continues to remain solid despite pressure from higher interest rates and lower commodity prices relative to 12 months ago. In all of our sales this year we consistently had good attendance at auctions, both virtually and in-person. In our recent 860-acre Ware Farms auction in Central Illinois we had 75 online viewers and 120+ attendees in the room itself. All the major buyer groups continue to be represented well – from local farmers to regional investors to family offices and finally larger institutional investors. While their motivations and return thresholds may differ

greatly, they all continue to pursue farmland as an investment. The common thought is that higher interest rates will affect the farmland market, and I think it has... just not as much as everyone expected. We have talked to many buyers who have not been as aggressive as they would have been 12 months ago and certainly not as aggressive as they would have been 18 or 24 months ago. However, there remains enough cash buyers in this market that the pressure on buyers needing more leverage has mostly been mitigated. It remains to be seen if cash buyers will continue to be as prominent and aggressive moving forward as they have been up to this point.

So, while I think we should be optimistic that the market has remained as steady as it has, we also need to be aware that there is still a chance of increased softening, mainly because of interest rates. The most aggressive buyers I think we will see in 2024 are those less affected by interest rates. Farmers using either cash or strong balance sheets will be in a good position to be aggressive when an opportunity comes up to add onto their local land base, and often a purchase is made with the goal of growing the operation for future generations. Investors continue to seek farmland as a favored hard asset to balance overall portfolios, and it continues to be an effective inflation hedge. We have worked with several large investors this year who are struggling to put to work all



2023 FARMLAND MARKET REVIEW (CONT. FROM PG. 1)

of the capital they need to place. With these types of buyers typically being all-cash, that tells me there is a floor in place for this market, even if higher interest rates may slow down other buyer groups.

I believe 2024 could produce a wide spectrum of sales data, and it comes back to one of the most famous lines in our profession – “location, location, location.” We may still see a record-breaking sale in an area that has a lot of local strength and a strong presence in outside capital (i.e. cash), but that may be followed by a weak sale in a different region where they have less of a local base and buyers are more dependent on borrowing funds. While the market may be slightly volatile in some of these types of areas, we still believe overall demand is strong

and for those owners seeking to sell, now is still an ideal time to do so. Prices remain at or near all-time highs in most regions of the country. The key is to know the local market where your property is located, research the recent sales, and understand what type of demand there would be for your property. In my opinion, this also emphasizes the importance of considering the auction sale method in order to achieve true market value.



Eric Sarff, President

SOLAR BOOSTS LAND VALUES IN SUNSHINE STATE.

Most of the readers of the Wise Ag Update will be aware that solar and utility companies have been acquiring land to develop solar arrays on. This land can sometimes be vacant with no other practical use, such as land in the deserts of Arizona, California, and New Mexico. Other times, the land’s current use may be farming or ranching such as in instances in Illinois and many other states. In Florida, buyers whose end use is solar have been buying land across the state and providing boosts to farm and ranchland values. This was emphasized with Florida Power & Light Company’s (FPL) recent purchase of the 40,000 acre El Maximo ranch in Osceola County for \$212 million as reported by the Orlando Sentinel.

Murray Wise Associates has a familiarity with this ranch having sold it to its previous owner just five years ago for \$136.5 million. In the Orlando Sentinel article regarding the purchase of the property FPL’s spokesperson Jack Eble said, “Land the company acquires could be used in a variety of ways, including infrastructure needs and power generation such as solar. We are very early in the process of determining the potential uses at this location.”

In 2022 FPL also purchased several properties from an institutional farmland investor. These properties had been used for citrus and vegetable farming in the past. This purchase was done as part of a private auction process where they likely outbid purchasers that would have continued to farm the land purchased. These purchases are just a couple of the larger purchases made recently by buyers whose end use is possibly solar in the state of Florida.

The Wise Ag Update has written about the issues with Citrus Greening in Florida in the past and its effects on Florida agriculture. In 2003-2004, one year prior to Citrus Greening being confirmed in the US, Florida had its largest ever orange harvest of 242 million boxes. In the past 20 years inflation adjusted orange juice prices are up just 12%, all the while, for the 2023-2024 season Florida is currently forecasted to produce just over 20 million boxes.

☞ SOLAR BOOSTS LAND VALUES IN SUNSHINE STATE. (CONT. FROM PG. 2)

In 2007 according to the August USDA Land Values report that year, Florida cropland's average price was \$9,480/acre with irrigated land averaging \$10,500/acre and non-irrigated land averaging \$8,500/acre. In that same year according to the report, pasture averaged \$8,350/acre. At this time, not only was there better orange production and similar pricing, but the housing market in Florida was near its all-time highs. In 2013 according to the August USDA Land Values report that year, Florida's cropland average price had plunged to \$5,580/acre with irrigated land averaging \$6,300/acre, non-irrigated averaging \$4,900/acre, and pasture at \$4,200/acre marking the lows for the Florida agricultural land market. Cropland prices didn't rise above \$7,000/acre again until 2018 and this year's August report was the first-time cropland prices were greater than \$8,000 since the 2007 report with cropland values at \$8,760/acre this past August. This year irrigated and non-irrigated were \$10,000/acre and \$7,600/acre respectively with pasture at \$6,500/acre.

The comeback in land values for Florida ag land is not solely due to solar, however, having a well-capitalized buyer of land with a large appetite has certainly helped drive land values higher. While many of our readers will have their own opinions on who should and shouldn't be buying farmland, these transactions are willing buyers and sellers in a free market. Many sellers are very happy to have such an active buyer in the market after many difficult years of slow growth or declines in land values.☞

☞ CALIFORNIA SNOWPACK WELL BELOW AVERAGE

California has had a slow start to its water year with only 30% of its normal snowpack according to the California Department of Water Resources as of December 26. One year ago, California had received 141% of its normal snowfall on the same date and continued to have a wet winter leading to full allocations for both the USBR's Central Valley Project and the State Water Project last year. If snowpack doesn't pick up farmers could be dealing with lower allocations which along with looming demand management actions for the Sustainable Groundwater Management Act could cause hard decisions of potentially fallowing land.

The Public Policy Institute of California estimates that SGMA will require the fallowing of 500,000 acres of irrigated farmland by 2040, which is approximately 10% of all irrigated farmland in California. Many of the fallowed acres will be used seasonally depending on water availability from surface water contracts which are heavily dependent on snowpack. The Westlands Water district received 100% of its allocated water in 2023, however in both 2022 and 2021 Westlands received 0% of its allocation from the Central Valley Project. These allocations will likely become the determining factor as to how many acres are planted or left fallowed each year in districts like Westlands. Some farmers may choose to farm a more consistent acreage rather than play the allocation game each year and bank or sell water in years where there is a higher allocation allowing them to use water in drought years, they may have otherwise not had available.

These are all tough decisions and ones the Wise Ag Update will be monitoring closely as the largest agricultural state in the United States deals with unprecedented issues surrounding the use of groundwater. Land values have already started to reflect the difference in potential water availability under SGMA as land with surface water contracts has drastically outperformed land without surface water in the years since SGMA was passed in 2016.☞

THE WISE AG UPDATE

CURRENT LISTINGS | UPCOMING AUCTIONS | RECENT TRANSACTIONS

Upcoming Auctions

Garfield Co., CO - 165,025± SqFt Greenhouse - Feb. 9th (Sealed Bid)

Douglas Co., IL - 356± Ac - Feb. 21st 10AM

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

Recent Transactions

Douglas, Co., IL - 11.8± Ac - \$151,040

Douglas, Piatt, Moultrie, Co., IL - 860± Ac - \$14,900,000

Mason, Co., IL - 266± Ac - \$3,060,000

Bremer Co., IA - 80± Ac - \$1,162,350

Greene Co., IA - 980± Ac - \$12,240,000

Wright Co., IA - 145± Ac - \$1,200,000

Wright Co., IA - 230± Ac - \$2,640,000

Macon Co., NC - 282± Ac - \$1,023,750

Polk Co., NE - 160± Ac - \$2,200,000

Fayette Co., IA - 177± Ac - PENDING

Cumberland Co., NJ - 842± Ac - PENDING

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.



Farmland Auctions, Investments, & Management



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