

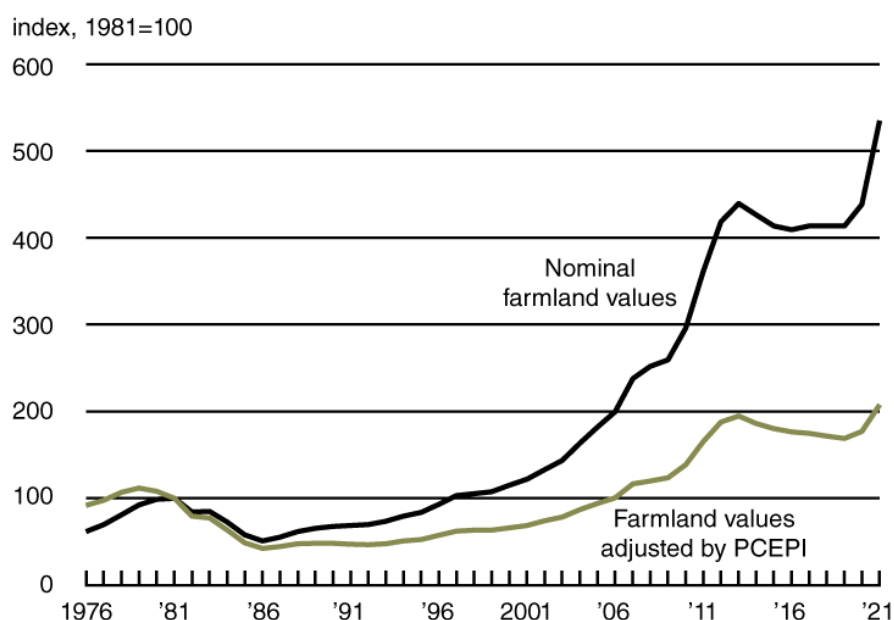
Market Commentary and Analysis

Rent and Land Values

2022 opened with a continuation of 2021: increasing land prices and rents. For successive quarters we've discussed "record sales" and that story is adding new chapters throughout core regions of the Midwest and Plains.

We noted in our 4Q 2021 report that "final" 2021 appreciation numbers wouldn't be released until well into 2022, and now they're now in. In February the Chicago Federal Reserve opened its quarterly ag letter this way: "There was an annual increase of 22 percent in the Seventh Federal Reserve District's agricultural land values in 2021—the largest such rise over the past decade." Our experience on the ground confirms this.

Indexes of Federal Reserve Seventh District (Chicago Fed) farmland values



*PCEPI is the Personal Consumption Expenditures Price Index
Source: Chicago Federal Reserve AG Letter February 2022*

By way of outlandish anecdote: recent auctions on land in southwestern Kansas where Moore & Warner manages dryland wheat and grain sorghum sold for almost 3.3 times appraisal values from 22 months prior. At this price jump, the implied annual appreciation rate over that time period is almost 95%. Annually. If you think that's a heady outlier -- and unsustainable -- we agree.

40-year inflation numbers are now front-page news, Russia's invasion of Ukraine is pressuring global food supplies, supply chain issues within crop inputs are not fully resolved, the ag economy is coming off strong years, grain prices are at multi-year highs, and debt until recently remained quite cheap by historical standards. These all help explain this run-up in values, but in our view they do not amount to a seismic and acute change in the fundamentals of crop production and the land market over the last 24 months. We expect land appreciation to attenuate and prices to even retract in the coming years. The question we can't answer standing here today is when.

So in the meantime, we'll do what farm managers and landowners and farmers have done through all other periods of geopolitical and financial turmoil: we're going to go out and get this year's crop in the ground.